

INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS

James G. McEwen
David S. Bloch
Richard M. Gray

Protecting and Enforcing IP at the
State and Federal Level

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CHAPTER 1

Introduction to Government Contracts and Intellectual Property

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A. Technology Markets in the Public and Private Sectors

We hold these truths to be self-evident: cutting-edge technology is a driving force behind America's sustained economic growth; domestic technology- and knowledge-based markets are growing at unprecedented rates; new markets are opening to American goods under the influence of free-trade treaties; and companies that specialize in high technology are increasingly global in scope and reach.

Slightly less obvious is how this revolution has effected changes in the roles and dynamic relationship between the public- and private-sector technology communities. Government¹ contracts were once the driving force in the development of many cutting-edge technologies (including, notably, the Internet).² In today's marketplace, the private sector has taken the lead.

This is not to say that the Government is not a promising target for commercial or privately-developed off-the-shelf products or services. Indeed, for at least a decade business commentators have argued that business-to-government sales are "the next hot opportunity" for technology companies.³ By most accounts, the U.S. Government is the world's largest consumer of goods and services; the aggregate spending of the 50 States is not far behind.⁴ And Government's demand—already billions of dollars strong—is growing.⁵

-
1. We use "Government" to refer generally to the Federal Government of the United States. We capitalize "State" to denote the government of a particular State of the Union.
 2. We decline to enter the debate regarding the relative contributions of former Vice President Al Gore and the Defense Advanced Research Projects Agency (DARPA) in the development of technologies that enabled the Internet.
 3. See, e.g., Darryl K. Taft, *The Next E-Target: Uncle Sam*, COMPUTER RESELLER NEWS, at <http://www.crn.com/government/18814758> (last visited November 13, 2008) ("E-government is the next hot opportunity for e-commerce solution providers, with newcomers vying to give established Beltway players a run for Uncle Sam's money").
 4. See, e.g., *Federal Government—The World's Biggest Customer*, <http://government.onvia.com/?p=15> (last visited November 13, 2008).
 5. John Slye, Deniece Peterson & Richard Colven, *INPUT Federal IT Market Forecast 2008–2013*, at http://www.input.com/corp/library/detail.cfm?itemid=5437&utm_id=1709 (May 2008) (Federal IT market projected to "increase from \$71.9 billion in 2008 to \$87.8 billion in 2013") (last visited November 13, 2008); Keith Naughton, 'Lock and Download,' *Military Contractors Are Thriving as the Pentagon Ponies Up for Speedy Delivery of High-Tech Weapons*, NEWSWEEK MAGAZINE, Oct. 22, 2001, at <http://www.newsweek.com/id/75664> (last visited November 13, 2008) (the overall demands of the Department of Defense are now projected to reach \$500 billion by 2005). The defense budget for 2008, excluding \$196 billion for activities in Iraq and Afghanistan, rose to \$471 billion. Andrew Taylow, *Congress Passes Pentagon Non-War Budget*, *The Associated Press*, Nov. 8, 2007, available at <http://www.washingtonpost.com/wp-dyn/content/article/2007/11/08/AR2007110801417.html> (last visited November 13, 2008); The defense budget for 2009, excluding activities in Iraq and Afghanistan, rose to \$515 billion. Thom Shanker, *Pentagon Seeks Record Level in 2009 Budget*, *THE NEW YORK TIMES*, February 3, 2008,

For example, the Department of Defense needs to develop affordable, yet cutting-edge, new weapons systems, and there is a Government-wide mandate to utilize commercial solutions to maintain, upgrade, or replace existing “legacy” systems in order to lower overall total ownership costs for Government-held technology.⁶ The Department of Defense and other research-intensive Government agencies like NASA and the Department of Energy thus have started to rely on the private sector to provide the latest and greatest available technologies.⁷

It appears that we have the makings of a perfect storm: the Government is seeking to maximize its use of commercial and nondevelopmental technologies; while private sector technology vendors are aggressively competing for previously untapped business opportunities in the new, wide-open, global marketplace.⁸ But it’s not quite that easy: there are numerous obstacles—some real, some imaginary—to the proliferation of public-private business relationships. Perhaps the key obstacle is that neither party is willing to abandon the comfort and safety of its traditional business model.⁹ And treatment of intellectual property is often cited by both sides as a key reason for this disconnect.¹⁰

available at http://www.nytimes.com/2008/02/03/washington/03cnd-military.html?_r=1&partner=rssnyt&emc=rss&oref=slogin (last visited November 13, 2008).

6. There is a statutory preference for the acquisition of commercial or nondevelopmental technologies for both the civilian (41 U.S.C. § 264B) and defense (10 U.S.C. § 2377) agencies.
7. UNDERSECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS, DIRECTORS OF DEFENSE AGENCIES: SUBJECT: “OTHER TRANSACTION” AUTHORITY FOR PROTOTYPE PROJECTS (Dec. 21, 2000). It is also interesting to note that this is not a new trend, since the Government has long been interested in mechanisms for better utilizing its intellectual property to foster commercial marketplaces. See FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY, REPORT ON GOVERNMENT PATENT POLICY, at 1 (Combined Dec. 31, 1973, Dec. 31, 1974, Dec. 31, 1975, Sept. 30, 1976) (summarizing the various patent policies with regard to rights in contractor inventions were evaluated in light of the need for commercialization of these inventions by industry); see also W. Henry Lambright, *Government, Industry, and The Research Partnership: The Case Of Patent Policy*, PAT. L. REV., 111–24 (1969).
8. Keith Naughton, “Lock and Download,” *Military Contractors Are Thriving as the Pentagon Ponies Up for Speedy Delivery of High-Tech Weapons*, NEWSWEEK MAGAZINE, Oct. 22, 2001.
9. UNDERSECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, INTELLECTUAL PROPERTY: NAVIGATING THROUGH COMMERCIAL WATERS, at iii (Version 1.1) (Oct. 15, 2001) (quoting Kathy Chen, *Pentagon Finds Fewer Firms Want to Do Military R&D*, WALL STREET JOURNAL, Nov. 2, 1999, at A 20), available at <http://www.acq.osd.mil/dpap/specificpolicy/intelprop.pdf> (last visited November 13, 2008); see also Roger Haag, *10 U.S.C § 2553: Government/Industry Partnering—Fitting a Square Peg in a Round Hole*, 30 PUB. CON. L. J. 243 (Winter 2001) (discussing decrease in Government spending and the consequential need to revise laws to allow better industry access to Government-unique resources).
10. Christine C. Trend, *Killing the Goose That Laid the Golden Egg: Data Rights Law and Policy in Department of Defense Contracts*, 34 PUB. CONT. L. J. 288 (Winter 2005); Nancy O. Dix,

Traditionally, Government sponsorship of technology research and development (R&D)—and the associated intellectual property rights (IPRs)—was structured around a business model in which the Government sat in the driver’s seat, both intellectually and financially. For many technology areas, large Government laboratories were recognized as the world leaders, focusing most of their resources on in-house or “intramural” R&D, rather than sponsoring outsourcing “extramural” R&D by private-sector contractors. When the Government did offer up contracts, a large captive military-industrial complex provided plenty of bidders. And private and State-funded universities (which often worked with the Federal Government) did not concern themselves with intellectual property protection, viewing it as inimical to academic ideals.

The Government viewed its technological role as sponsoring basic research, not applied product development. Even today, R&D is generally tax-deductible¹¹ and the Government funds the lion’s share of basic research. But there was a rift between basic research and commercialization, and a perception that technological developments would be directed by Government needs.

This traditional system gave the United States unquestioned military superiority and the finest basic-research infrastructure on the planet. Somewhere along the line, though, intellectual property became a, if not *the*, driver of the global economy.¹² This shift to a knowledge-based economy has been gradual but is undeniable.¹³ Where 50 years ago a large majority of the value of America’s largest companies was in physical assets—plants and manufacturing technologies—the balance has neatly shifted to intangible property. Approximately 20 percent of the U.S. gross domestic product (GDP) was based on intellectual property, and this 20 percent share was responsible for 40 percent of the growth in GDP in 2003.¹⁴ Other estimates suggest that

Fernand A. Lavalley, and Kimberly C. Welch, *Fear and Loathing of Federal Contracting: Are Commercial Companies Really Afraid to Do Business with the Federal Government*, 33 PUB. CONT. L. J. 5 (Fall 2003); David S. Bloch & James G. McEwen, “Other Transactions” With Uncle Sam: A Solution to the High-Tech Government Contracting Crisis, 10 TEX. INTEL. PROP. L.J. 195 (2002); and Diane M. Sidebottom, *Updating the Bayh-Dole Act: Keeping the Federal Government on the Cutting Edge*, 30 PUB. CONT. L. J. 225 (Winter 2001).

11. 26 U.S.C. § 41; Gina A. Kuhlman, *Alliances for the Future: Cultivating a Cooperative Environment for Biotech Success*, 11 BERKELEY HIGH TECH. L. J. 311 (1996). Currently, it is proposed that this deduction will be made permanent in 2009. CCH Tax Briefing, *President-Elect Obama’s Tax Proposals: A Forecast* (November 6, 2008), available at <http://tax.cchgroup.com/legislation/ObamaTaxPolicies.pdf> (last visited November 13, 2008).
12. See, generally, Nathan Rosenberg, *Innovation and Economic Growth*, OECD, 2004, available at <http://www.oecd.org/dataoecd/55/49/34267902.pdf> (last visited November 13, 2008).
13. See, generally, Kevin G. Rivette & David Kline, REMBRANDTS IN THE ATTIC: UNLOCKING THE HIDDEN VALUE OF PATENTS 8 (2000); William Barrett, Christopher Price, & Thomas Hunt, *IPROPERTY* 4 (2007).
14. Stephen Siwek, *Engines of Growth: Economic Contributions of the US Intellectual Property Industries*, (Nov. 2005), available at http://www.nbcuni.com/About_NBC_Universal/Intellectual_Property/pdf/Engines_of_Growth.pdf (last visited November 13, 2008).

intellectual property accounts for over half of American business assets.¹⁵ As a consequence, universities and private commercial companies place increased emphasis on the acquisition and enforcement of IPRs.

IPRs confer a limited right to exclude others. While it is misleading to refer to an intellectual property “monopoly,” an intellectual property owner can restrict the extent to which its competitors can practice a given invention, express a given idea, or brand a particular product.¹⁶ A business that acquires IPRs expects to both practice innovations and prevent copycats, thereby giving the IPR owner the opportunity to secure financing, further develop the technology, and obtain profits stemming from up-front R&D investments. And various laws, such as Sarbanes-Oxley, positively require publicly-traded companies to account for and preserve their intellectual property.¹⁷ Key patents may drastically affect a company’s financial position—either in terms of fluctuations in stock prices resulting from the issuance of IP, or infringement damages from litigation. Recent patent infringement and trade secret misappropriation verdicts involved awards ranging into the hundreds of millions of dollars,¹⁸ while settlements ranged into the billions.¹⁹ Copyright infringement,

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15. James V. DeLong, *The Importance of Intellectual Property for Information Technology Development in the Less-Developed World: Progress Snapshot 1.22*, The Progress & Freedom Foundation, December 2005, available at <http://www.pff.org/issues-pubs/ps/2005/ps1.22vietnam.html> (last visited November 13, 2008).
 16. See, generally, 15 U.S.C. §§ 1062, 1125; 17 U.S.C. §§ 106, 106A; 35 U.S.C. § 271.
 17. See 15 U.S.C. § 7241 (signing officers “are responsible for establishing and maintaining internal controls,” designing and evaluating such controls, and reporting to the audit committee any deficiency with such internal controls). See also Kenneth J. Hautman, “Protecting IP Assets,” *IPFrontline*, (Dec. 14 2005) available at <http://www.ipfrontline.com/depts/article.asp?id=7955&deptid=3&page=1> (last visited November 13, 2008), for a discussion of the SOX Act and its stringent requirements, and the resulting practices that public companies have implemented to protect their intellectual property assets. And see Victoria Slind-Flor, *The Approaching Storm*, INTELLECTUAL ASSET MANAGEMENT 54, Oct./Nov. 2006, available at <http://64.237.99.107/media/pnc/9/media.149.pdf> (last visited November 13, 2008) (indicating that there have been a number of cases in which IP was a prominent issue, including *Barrus v. Sylvania*, 55 F.3d 468 (9th Cir. 1995), *Aetna US Healthcare v. Hoechst AG*, 48 F. Supp. 2d 37 (D.D.C. 1999), and *In re Tamoxifen Citrate Antitrust Litigation*, 429 F.3d 370 (2nd Cir. 2005)).
 18. See, e.g., *Applied Medical Resources Corp. v. United States Surgical Corp.*, 353 F. Supp. 2d 1075 (C.D. Cal. 2004) (\$43.5 million; patent willfulness damages increased the total award to \$64.5 million); *Advanced Medical Optics, Inc. v. Alcon Labs*, U.S. Dist. Ct., D. Del., Case No. 03-1095-KAJ (Dec. 16, 2005) (\$213 million); *Saffran v. Boston Scientific*, U.S. Dist. Ct., E.D. Tex., Case No. 2:05cv547 (\$431.9 million). *Toshiba v. Lexar*, a trade secret dispute, was tried in the Santa Clara (CA) Superior Court. A finding that Toshiba misappropriated Lexar’s NAND flash-related trade secret resulted in a \$381 million verdict for the theft and an additional \$84 million in punitive damages. See http://www.lexar.com/newsroom/press/press_03_24_05b.html (last visited November 13, 2008).
 19. Tyco subsidiaries settled a patent lawsuit relating to pulse oximetry devices for \$265 million; *Nellcor Puritan Bennett, Inc. v. Masimo Corp.*, 402 F.3d 1364 (Fed. Cir. 2005) was the most recent published decision in this long-running, multi-lawsuit dispute in the Central District of California. Medtronic, Inc., acquired hundreds of U.S. and foreign patents following years

similarly, can carry damages ranging from tens to hundreds of millions,²⁰ and the Recording Industry Association of America and Motion Picture Association of America each estimate that copyright piracy has cost their memberships billions of dollars.²¹ Trademark infringement can carry a similar price tag,²² and economists measure the value of premium brands at well into the tens of billions of dollars.²³

The public sector has arrived—albeit somewhat belatedly—at the same conclusions. The Government now realizes that, unless it builds flexibility into its procurement practices, it may fail to obtain the best services and technologies. Protection of IPRs is a critical component of an effective twenty-first century high-technology procurement strategy.

Failing in that task would have obvious social costs. The Government needs to protect its pre-eminence in weaponry, avionics, information technology, and a host of other fields. Falling behind would endanger the nation's security, both because the U.S. needs top-of-the-line weapons systems to compete with emerging threats, and because the availability of cutting-edge information technology is essential to homeland security and the efficient delivery of Government services. The Government also views intellectual property as an important mechanism for promoting domestic industry, as evidenced by, *e.g.*, domestic manufacturing requirements.²⁴ The failure to encourage IP R&D would be particularly harmful to small businesses, which represent an important engine of societal growth and for the protection of

of multi-patent litigation (*Karlin Technology v. Medtronic*) in which it paid over \$1.3 billion. See Susan Decker and Keith Snider, *Medtronic to Pay \$1.35 Bln to End Spinal Doctor Suit*, Bloomberg (April 22, 2005), available at <http://www.bloomberg.com/apps/news?pid=10000103&refer=us&sid=aqinzC0PQQDo> (last visited November 13, 2008). And the damages claims in the since-settled *Lockheed Martin Corp. v. Boeing Co.*, 314 F. Supp. 2d 1198 (M.D. Fla. 2004), were over \$1 billion.

20. For example, a 1999 action for copyright infringement of a screenplay resulted in a verdict of \$19 million; the verdict, however, was reversed on appeal. *Murray Hill Publications Inc. v. 20th Century Fox Film Co.*, 361 F.3d 312 (6th Cir. 2004).
21. A recent estimate put the total cost of sound piracy at \$12.5 billion per year. Stephen Siwek, The Institute for Policy Innovation, *The True Cost of Sound Recording Piracy to the U.S. Economy*, (August 2007) available at <http://www.ipi.org/ipi/IPIPublications.nsf/PublicationLookupFullText/5C2EE3D2107A4C228625733E0053A1F4> (last visited November 13, 2008).
22. *Neon Sys. Inc. v. New Era of Networks Inc.*, 268th Judicial Dist., Ft. Bend (TX) Co., Case No. 109,470 (\$39 million); *Adidas America, Inc. v. Payless Shoesource, Inc.*, 529 F.Supp.2d 1215 (D. Or. 2007) (\$305 million).
23. The Coca-Cola trademark, for example, has an estimated value of between \$40 billion and \$80 billion. See "Trademark," Microsoft Encarta Online Encyclopedia 2007 (\$40 billion); Aswath Damodaran, *Damodaran on Valuation*, 2d ed. (John Wiley & Sons 2006), Chapter 12, available at <http://pages.stern.nyu.edu/~adamodar/pdfiles/damodaran2ed/ch12.pdf> (\$45–\$81 billion using different valuation techniques) (last visited November 13, 2008).
24. 35 U.S.C. § 204; UNDERSECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, INTELLECTUAL PROPERTY: NAVIGATING THROUGH COMMERCIAL WATERS, at iii (Version 1.1) (Oct. 15, 2001).

which the Bayh-Dole Act was created.²⁵ This book discusses the Government's sophisticated new efforts to acquire and protect intellectual property, and explores a contractor's rights vis-à-vis the Government at the State and Federal levels.

B. The Differences Between Public and Private Contracts

For those unfamiliar with the realm of procurement law, the vast number of acronyms and complicated rules may appear daunting. But these features are largely cosmetic. In fact, public-sector procurement rules largely track their private-sector counterparts. Of course, that is not to say that the two are the same. The Government does not differ from a private-sector entity merely in size, scope, or money; it differs in kind. The Government has unique powers, some of which are unavailable to a private company, no matter how large or influential.

1. Sovereign Immunity, Eminent Domain, and Preemption

“Sovereign immunity” refers generally to the fact that the Government cannot be sued without its consent.²⁶ Put another way, no private party can *stop* the Government from taking real or intellectual property.²⁷ Under the Constitution, this immunity is an inherent attribute of Statehood pursuant to the Eleventh Amendment²⁸ and also attaches inherently to the Federal

25. 35 U.S.C. § 200 (“It is the policy and objective of the Congress to use the patent system to promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations, including universities; to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise without unduly encumbering future research and discovery; to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions; and to minimize the costs of administering policies in this area”).

26. *FDIC v. Meyer*, 510 U.S. 471, 475 (1994).

27. *United States v. Mitchell*, 463 U.S. 206, 212 (1983).

28. *Hans v. Louisiana*, 134 U.S. 1 (1890). The Eleventh Amendment states: “The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or

Government.²⁹ (State-level sovereign immunity is discussed in more detail in Chapter 5.) “As the United States are not suable of common right, the party who institutes such suit must bring his case within the authority of some act of Congress, or the court cannot exercise jurisdiction over it.”³⁰ And immunity from litigation is, in some real sense, immunity from the legal consequences of one’s actions.

The threat that one party to a contract can act with complete impunity is not conducive to amicable Government-contractor relations. Recognizing this problem, the Government has enacted limited waivers of sovereign immunity for suits based in contract, tort, and for infringement of all of the key forms of IP.

For lawsuits based in contract, the Government has waived its sovereign immunity under the Tucker Acts and the Contract Disputes Act. The “Little Tucker Act” provides for jurisdiction for any district court for contract disputes not exceeding \$10,000³¹; while the “Big Tucker Act” provides exclusive jurisdiction in the Court of Federal Claims for contract disputes in excess of \$10,000.³² For procurement contracts—including contracts for the procurement of intellectual property—the Contract Disputes Act (CDA) applies.³³ The CDA creates a comprehensive system for resolving disputes between a contractor and the procuring Government agency.³⁴

Similarly, the Federal Tort Claims Act (FTCA) allows suits over certain Government torts.³⁵ The FTCA limits the tort damages to which the Government is exposed.³⁶ The Court of Federal Claims also is empowered to hear certain intellectual property disputes, depending on how the Government has waived its sovereign immunity for a specific cause of action.³⁷

prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State.” U.S. CONST., AM. XI.

29. See *United States v. Sherman*, 312 U.S. 584, 586 (1941). For a good discussion of the various theoretical bases for Federal sovereign immunity, see Gregory C. Sisk, *A Primer on the Doctrine of Federal Sovereign Immunity*, 58 OKLA. L. REV. 439 (2005).

30. *United States v. Clarke*, 33 U.S. 436, 444 (1834) (mem); accord, *United States v. Thompson*, 98 U.S. 486, 489 (1878) (mem.) (“The United States possess other attributes of sovereignty resting also upon the basis of universal consent and recognition. They cannot be sued without their consent”).

31. 28 U.S.C. § 1346.

32. 28 U.S.C. § 1491.

33. 41 U.S.C. §§ 601–13.

34. *Id.*

35. 28 U.S.C. §§ 2671 *et seq.*

36. See 28 U.S.C. §§ 2671 *et seq.*

37. 28 U.S.C. §1498 (Court of Federal Claims given exclusive jurisdiction over patent and copyright cases for monetary damages only); 15 U.S.C. §§ 1114, 1122, 1127 (suits for monetary damages and injunctive relief in any State and Federal court for trademark infringement); 5 U.S.C. § 552 (reverse FOIA suits in any Federal court for injunction only); 28 U.S.C. § 1491 (Court of Federal Claims suits for damages over breach of implied contract to protect trade

The Government has capped the damages available under most intellectual property laws and has broadly removed the possibility of injunctive relief for lawsuits arising under the Patent and Copyright Acts.³⁸ Nor has the Government waived sovereign immunity at all for specific types of infringement.³⁹ Since waivers of sovereign immunity “must be construed strictly in favor of the sovereign and not enlarged beyond what the language requires,”⁴⁰ such waivers are not implied and must be explicit. As such, as will be discussed in Chapter 4, the Government can limit both the location at which a claim may be brought as well as the types of relief afforded for different types of IP infringement.

When analyzing sovereign immunity for Government actions regarding privately owned intellectual property, naturally the concept of “eminent domain” and a “taking” of private (intellectual) property must be addressed. Under the Takings Clause of the Fifth Amendment to the United States Constitution, the U.S. Government cannot appropriate private property without compensating the owner: “nor shall private property be taken for public use, without just compensation.”

Generally, Federal Takings of business assets (as opposed to land) have occurred only in times of national military emergency.⁴¹ And the Court of Federal Claims is specifically empowered to hear Takings Clause claims by private citizens or corporations.⁴² But Government use of contractor intellectual property is only compensable where there is a specific waiver of sovereign immunity.⁴³ This rather significant limitation has generated a host of creative thought as to how to enforce IPRs against the Government.⁴⁴

secrets); 28 U.S.C. §§ 2671 *et seq.* (suits for money damages arising out of tortious disclosure of trade secrets in any Federal court).

38. 28 U.S.C. § 1498.

39. The Government cannot be sued for patent infringement occurring outside of the United States, which otherwise would be prohibited under 35 U.S.C. § 271(g). *Zoltek v. United States*, 442 F.3d 1345 (Fed. Cir. 2007), *reh'g den.* And the Government cannot be held liable for violations of the Digital Millennium Copyright Act. *Blueport Co. LLP v. United States*, 71 Fed. Cl. 768 (2006), *aff'd* 533 F.3d 1374; (Fed. Cir. 2008).

40. *Department of Energy v. Ohio*, 503 U.S. 607, 615 (1992) (internal quotation marks, citations, and alterations omitted); *Lane v. Pena*, 518 U.S. 187, 192 (1996).

41. *Youngstown Sheet & Tube Co. v. Sawyer*, 343 U.S. 579 (1952).

42. 28 U.S.C. § 1491.

43. *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006), *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999), *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996).

44. See, e.g., Paula Samuelson, *Information as Property: Do Ruckelshaus and Carpenter Signal a Changing Direction in Intellectual Property Law?*, 38 CATH. U. L. REV. 365 (1989); Mitchell N. Berman, R. Anthony Reese, & Ernest A. Young, *State Accountability for Violations of Intellectual Property Rights: How to “Fix” Florida Prepaid (And How Not To)*, 79 TEX. L. REV. 1037 (2001); David S. Bloch & James G. McEwen, “Other Transactions” With Uncle Sam: A Solution to the High-Tech Government Contracting Crisis, 10 TEX. INTEL. PROP. L. J. 195 (2002).

We will discuss different ways to enforce IP rights against the Government in Chapter 4, and provide a corresponding discussion of like claims against each State in Chapter 5.

2. Authority to Contract

As a general principle, only Government personnel with *actual* contracting authority may bind the Government to a proposed contract.⁴⁵ Unlike private-sector contracts, where implied or apparent authority may still bind the parties, if the Government's representative lacks actual authorization, the contract could be entirely void—absent an appropriate ratification or reformation—regardless of the extent to which the private party may have relied upon a Government representative's words or actions.⁴⁶ “Authority” here has two related meanings.

First, the Government agency, activity, or organization must have the requisite power to enter into a particular type of binding agreement. In general, the Government is viewed as having the inherent constitutional authority to contract as necessary to discharge its official duties,⁴⁷ provided that the particular subject matter of the contract is not prohibited by law and is related to the execution of an otherwise authorized Government mission. In addition, in most cases, there are specific statutory authorities that expressly authorize particular contracting activities.⁴⁸

Second, the Government employee who is representing the interests of the agency must have the requisite contracting authority in order to bind the agency. Agency heads, by virtue of their positions, are vested with contracting authority. They usually delegate that authority to the Head of Contracting Activities (HCAs).⁴⁹ Most commonly, individual procurement contracts are executed by “Contracting Officers,” who are appointed with pre-set contracting authority delegated via the HCAs.⁵⁰

Issues surrounding authority to contract are rare in the ordinary course of Government procurement contracting. The substantial body of statutory

45. *Federal Crop Ins. Corp. v. Merrill*, 332 U.S. 380 (1947); *Hawkins & Powers Aviation, Inc. v. United States*, 46 Fed. Cl. 238 (2000); *Schism v. United States*, 316 F.3d 1259 (Fed. Cir. 2002).

46. *American Tel. & Tel. Co. v. United States*, 177 F.3d 1368 (Fed. Cir. 1999) (en banc).

47. *United States v. Tingey*, 30 U.S. 115 (1831).

48. Specific authority for individual instruments are discussed in Chapters 2 through 3. For example, 10 U.S.C. § 2386.

49. FAR 1.601(a).

50. FAR 1.602. The Contracting Officer's authority is defined by a specific delegation of authority from the HCA, using Standard Form (SF) 1402, Certificate of Appointment. FAR 1.603-3. This delegation is generally referred to as the Contracting Officer's “warrant”—which expressly establishes the limits of that individual's authority (e.g., type of contracting actions or dollar limits on such actions).

and regulatory requirements, and long-standing practice, generally works to ensure that any business opportunity being solicited by the Government is supported by the involvement of persons with the appropriate authority.⁵¹ Disputes over authorization are more common in less regulated and formalized transactions, such as Non-Disclosure Agreements (NDAs) and Memoranda of Agreement or Understanding (MoA/MoU). These types of agreements are discussed in more detail in Chapter 3.

3. The *Christian Doctrine*

Another important difference between Government and commercial contracts is that there is a significant body of published rules that regulate Government contracts. These rules are expressed in the form of mandatory Federal Acquisition Regulation (FAR) requirements, provisions, and clauses.⁵² With limited exceptions, these FAR clauses cannot be negotiated away. And if the Government neglects to include them in a particular contract, they nevertheless will apply and bind the private contractor by operation of law.

Under the so-called “*Christian Doctrine*” (for *G. L. Christian v. United States*), important regulations are “read into” all Government procurement contracts, even if the clause was not included in the actual instrument executed by the parties.⁵³ Similarly, if the contract includes the incorrect clause, the erroneous clause is “eliminated” and the correct one incorporated by law;⁵⁴ and even in cases where a clause may have been intentionally “negotiated out,” it will be reinserted by operation of law.⁵⁵ The *Christian doctrine* has particular relevance in the field of intellectual property rights—where most key clauses are based on statutory requirements.⁵⁶ The implications of this doctrine will be discussed in greater detail in Chapter 2.

51. For example, since these agreements necessarily involve the obligation of Federal funds, the fiscal laws, regulations, and oversight practices are an effective safety net to ensure the authorization for the binding commitment.

52. The Federal Acquisition Regulation is codified at Chapter 1 of Title 48 of the Code of Federal Regulations, with agency-specific supplements in the remaining chapters.

53. *G. L. Christian & Assocs. v. United States*, 312 F.2d 418, *aff’d on reh’g*, 320 F.2d 345 (Ct. Cl. 1963).

54. *S.J. Amoroso Constr. Co. v. United States*, 12 F.3d 1072 (Fed. Cir. 1993).

55. In *FilmTec Corp. v. Allied-Signal*, for example, title to the plaintiff’s patent was automatically divested mid-litigation due to a judicial finding that the patented product qualified as a “subject invention” under the Saline Water Conversion Act. *FilmTec Corp. v. Allied-Signal, Inc.*, 982 F.2d 1546 (Fed. Cir. 1992).

56. For example, the Bayh-Dole Act, 35 U.S.C. § 200–212, governs rights in inventions and patents made under funding agreements; and rights in technical data are governed by 41 U.S.C. §§ 253d and 418a for civilian agencies, and by 10 U.S.C. §§ 2320 and 2321 for the Department of Defense.

4. Government-Unique Contracting and IP Requirements

Government typically relies on contractors (or, more broadly, the private sector) to commercialize innovations, even if they are 100 percent Government funded. The Government generally is not interested in sharing in royalties from commercialization, but typically does retain the right to utilize the invention for Government purposes—which includes allowing competitors to utilize the licensed IP in future competitions and follow-on Government contracts. As discussed above, the Government’s competition-in-contracting obligations make it difficult for the Government to engage in long-term sole-source supply or service arrangements, as would often be available to co-developing partners in the private sector. Instead, the Government is chiefly concerned with ensuring that it does not pay royalties on any IP developed using Government funds.⁵⁷

In addition, there are a host of unique contracting requirements that are specified by law, regulation, or policy, for Government contracts. Examples of unique contracting requirements include: mandatory competition for awards; contractor responsibility, suspension, and debarment; procurement integrity, source selection procedures, and bid protests; mandatory performance by the contractor, combined with Government’s right to terminate for convenience or default; and disputes and claim procedures. These issues are discussed in more detail in Section C, below.

Unique IP considerations in Government contracts include: mandatory disclosure; election of title, filing, reporting, and licensing requirements for inventions made under a funding agreement; notice and marking requirements for asserting restrictions on technical data and computer software; and the specific allocation of title and “standard” license rights governing technical data and computer software. These issues are discussed in more detail in Chapters 2 and 3.

C. The Practical Mechanics of Government Contracting

The Government fields fleets of products, such as ships, aircraft, automobiles, and spacecraft. It also operates other unique projects, in such diverse fields as pharmaceutical development, radioactive waste disposal, and continued development and exploration of space. In each of these products and operations, the Government must obtain the expertise of outside contractors, who work on behalf of and provide services to it. In this sense, it operates in

57. See, e.g., FAR 27.202-3 (b)(1) (requiring an adjustment of royalties where government already has license in patent).

the same manner as a business conglomerate, with specific core operations performed by Government employees and the remaining ones performed via service contracts or the functional equivalent of Original Equipment Manufacturer agreements.

1. Solicitation of Bids and Proposals

Traditionally, companies interested in contracting with the Government had to peruse a wide range of official publications. Federal Government contract opportunities were published in the *Commerce Business Daily*, and each State (plus many municipalities) had similar paper-publication systems. Though it remains true that connecting buyer and seller is harder in the Government market than in the private sector, the Internet has made searching for opportunities much easier than in years past. For example, all Government procurement opportunities over \$25,000 are now posted online, in searchable form: “Through one portal—FedBizOpps (FBO)—commercial vendors seeking Federal markets for their products and services can search, monitor, and retrieve opportunities solicited by the entire Federal contracting community.”⁵⁸ Many States—including North Carolina,⁵⁹ South Carolina,⁶⁰ and Texas⁶¹—and forward-looking foreign countries like Australia⁶² have followed suit and partially or fully enabled e-procurement systems. Some agencies circulate requests for proposals and invitations to bid via e-mail to interested subscribers, free of charge, based on user-defined profiles. And companies like B2GMarket⁶³ and Onvia⁶⁴ operate subscriber-based Internet clearinghouses of international and domestic Government-contracting opportunities.

2. Contractor Qualification and Responsibility

Companies may need to “qualify” before becoming eligible for certain Government contracts. For Federal contractors, a company needs to obtain its DUNS number from Dun & Bradstreet, and typically also must obtain a Commercial and Government Entity (CAGE) number from the Defense Logistics Agency. These numbers plug into the Government’s accounting and oversight system, allowing companies to get paid for contracts they win.

58. [Http://fedbizopps.gov](http://fedbizopps.gov) (last visited November 13, 2008).

59. [Https://vendor.ncgov.com/login.jhtml](https://vendor.ncgov.com/login.jhtml) (last visited November 13, 2008).

60. [Http://www.state.sc.us/Requisition](http://www.state.sc.us/Requisition) (last visited November 13, 2008).

61. [Http://esbd.cpa.state.tx.us/](http://esbd.cpa.state.tx.us/) (last visited November 13, 2008).

62. [Https://www.tenders.gov.au/federal/index.cfm](https://www.tenders.gov.au/federal/index.cfm) (last visited November 13, 2008).

63. [Http://www.b2gmarket.com](http://www.b2gmarket.com) (last visited November 13, 2008).

64. [Http://www.onvia.com](http://www.onvia.com) (last visited November 13, 2008).

Though registration may involve a nontrivial up-front investment of time and resources, it can clear the path to lucrative future contracts. And the Government is doing a decent job of standardizing and streamlining the process. For example, the Department of Defense's Central Contractor Registration (CCR) program allows a company to complete a single registration form in order to contract with any organization falling under the Department's aegis. Lastly, the Office of Federal Procurement Policy has helped streamline Government contracts, creating standard contract terms and regulations. As a consequence, there are relaxed and simplified rules for acquiring commercial software and other products of a type "customarily used" by nongovernmental consumers.⁶⁵

3. Contract Types

The variety of contract types available can allow for substantial flexibility, depending on the work requested. For instance, while generally the Government is constrained to follow procurement rules, certain contract types allow for substantial deviations. Commercial item procurement allows for the purchase of commercial intellectual property, even with minor modifications, under the greatly simplified regulations of FAR Part 12. Additionally, the entire structure of the Federal Acquisition Regulation is not applicable to Other Transactions,⁶⁶ venture funding,⁶⁷ and some other special types of research and prototyping agreements that often can be used as vehicles for technology development or sales. We discuss these new contract forms in Chapter 3.

4. Socio-Economic Considerations

Small companies also should bear in mind their potential advantages in seeking Government work. In addition to policies favoring competition, most States and the Government have affirmative-action and small-business mandates or

65. See FAR Parts 12 and 2.101.

66. 10 U.S.C. § 2371 (DoD, DHS); 42 U.S.C. § 2451 (c)(5) (NASA); 42 U.S.C. § 7256 (DoE); see generally David S. Bloch & James McEwen, "Other Transactions" With Uncle Sam: A Solution to the High-Tech Government Contracting Crisis, 10 TEX. INTELL. PROP. L. J. 195 (2002).

67. One example of venture funding is funding available from the CIA through In-Q-Tel, a description of which can be found at <https://www.cia.gov/library/publications/additional-publications/in-q-tel/index.html> (last visited November 13, 2008). As another example, the Department of Energy has for several years offered "H-Prize" funding for research regarding hydrogen fuel cells and related hydrogen-based power sources. See 42 U.S.C. § 16396 (f); see also <http://www.hydrogen.energy.gov/> (last visited November 13, 2008).

set-asides. Companies that are minority- or woman-owned, service disable-veteran owned or that satisfy Small Business Administration guidelines for size,⁶⁸ may have an advantage when competing for Government work against giants like Boeing, Northrop Grumman, Microsoft, or Oracle; or these rules can at least provide an incentive for these companies to subcontract with companies eligible for the set-asides. Set-aside programs often provide for improved intellectual property protections for small businesses as compared to protections afforded large businesses.⁶⁹ Also, the procurement laws and regulations provide protections not normally afforded a subcontractor in the commercial context. For example, subcontractor patent rights may bypass the prime contractor and exist only between the Government and the subcontractor.⁷⁰ Since many companies initially enter the procurement world through subcontracts, these protections can prove valuable when the company later attempts to contract directly with the Government.

5. Competition, Source Selection, and Bid Protests

Although competition rests comfortably at the core of business operations, public and private, the Government is *required by law* to competitively award its procurement contracts, albeit with a few well-traveled exceptions. This means that the Government must first issue a Request for Proposals or an Invitation to Bid, setting forth both the Government's requirements and the criteria by which it will evaluate submissions. Submissions are judged by a Contracting Officer, who later will bear the responsibility for administering the contract with the winning bidder and who is responsible for ensuring that the contract is properly awarded should it be challenged by unsuccessful bidders. In all of these areas, the Government's behavior is noticeably different from that of commercial companies. It is in some ways easier to understand, as the Government buyer is limited in its evaluation to the specific factors set forth in the invitation or request. But it also can be frustrating, in that virtually all contracts must be "competed"—regardless of the performance of the incumbent contractor.

That said, the decision-making process is not that different from a commercial bid: companies submit information (including, where necessary, confidential information protected by bidding laws or nondisclosure agreements) for evaluation, make presentations, and then wait for the buyer to decide.

68. See, generally, <http://www.sba.gov/services/contractingopportunities/sizestandardsttopics/index.html> (last visited November 13, 2008).

69. See FAR 52.227-20 (Dec. 2007) (rights in data for SBIR program), DFARS 252.227-7018 (Jun. 1995) (rights in data for SBIR program).

70. See FAR §§ 52.227-11 (Dec. 2007) or DFARS 252.227-7038 (Dec. 2007).

Unsuccessful bidders can challenge the award (a “bid protest”), claiming that the winner failed to satisfy the pre-set criteria or engaged in misconduct. A bid protest goes first to the Contracting Officer, then through his administrative superiors, agency-level ADR, or the General Accounting Office before finally reaching the court system. But though the bid protest process seems convoluted to outsiders, it is in fact not substantially different from the litigation disgruntled bidders sometimes bring in commercial competition. We discuss dispute resolution in IP disputes in Chapter 4.

6. Contract Performance and Terminations

Once the contract is executed, there is a significant imbalance of rights on obligations regarding performance. Contractors must perform and do not have the right to terminate. By contrast, the Government has the right to terminate “for convenience” as well as for default.

D. Intellectual Property Rights

For a variety of reasons, the Government needs intellectual property. Its ability to obtain intellectual property is significantly influenced by the unique rules applicable to procurement by public bodies. Before delving into the substance of these rules, however, it is helpful to briefly survey the various forms of intellectual property—patents, trade secrets, copyrights, and trademarks—that the Government might want. This is because, as will emerge in the ensuing chapters, the Government has very different needs for the different types of IPR existing under law.

Intellectual property law rests on the fundamental assumption that strong property rights encourage maximum exploitation of resources. “Lease a man a garden, and in time he will leave you a patch of sand. Make a man a full owner of a patch of sand and he will grow there a garden on the sand.”⁷¹ The concept of limited exclusivity as a spur to invention has long historical precedents. The Greek colony of Sybaris granted exclusive rights to inventions as early as 500 BC,⁷² and a 1474 law provided for patent rights in Republican Venice.⁷³ Trademarks to distinguish goods existed in China during the Tang Dynasty (618–907 AD). At least as early as the Ming Dynasty (1368–1644 AD),

71. GEORGE GLIDER, *THE SPIRIT OF ENTERPRISE* 26 (1984).

72. HERBERT F. SCHWARTZ, *PAT. LAW & PRACT.* 1 (3rd ed. 1996); Edward C. Walterschild, *The Early Evolution of the United States Patent Law: Antecedents* (pt. 1), 76 *J. PAT. & TRADEMARK OFF. SOC'Y* 697 (1994).

73. Guilio Mandich, *Venetian Origins of Inventors' Rights*, 42 *J. PAT. OFF. SOC'Y* 378 (1960).

China required stamps or other markings to indicate the source of pottery—to both ensure quality and properly direct complaints. Trade names and artists’ “moral rights” also enjoyed protection.⁷⁴ The Founding Fathers granted Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries,”⁷⁵ and implemented this authority with the original Patent Act in 1790.⁷⁶ Abraham Lincoln, himself a patentee, observed in 1859 that “[t]he patent system added the fuel of interest to the fire of genius.”⁷⁷ The Government has enacted a variety of statutes aimed at encouraging inventive activity by protecting intellectual property rights. Some innovations enjoy subject-specific protections: the Design Patent Act,⁷⁸ the Plant Patent Act,⁷⁹ the Boat Hull Vessel Design Act,⁸⁰ the Mask Works Act,⁸¹ and so on. The more well-known forms of “general purpose” intellectual property are patents, trade secrets, copyrights, and trademarks. Their core elements are summarized in Table 1. Each is discussed in greater detail below.

1. Patents

Under Article I, Section 8, of the U.S. Constitution, “Congress shall have Power . . . to the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”⁸² The idea of the patent law’s *quid pro quo*—granting a Government-supported limited exclusionary right in exchange for the public disclosure of a new inventions—has strong historical support, as James Madison described in *The Federalist* No. 43:

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, seems with equal reason to belong to the inventors. The public good fully coincides in both cases with the claims of individuals.⁸³

74. David Johnson, *Trademarks: A History*, available online at <http://www.infoplease.com/spot/trademarks1.html> (visited January 15, 2008); Joseph Needham, *Science and China's Influence on the World*, in Raymond Dawson, ed., *THE LEGACY OF CHINA* 234 (1971).

75. U.S. CONST. art. I, § 8, ¶ 8.

76. Act of Apr. 10, 1790, ch. 7, 1 stat. 109.

77. Herbert F. Schwartz, *PAT. LAW & PRACT.* 2 (3rd ed. 1996).

78. 35 U.S.C. §§ 171 *et seq.*

79. Pub. L. No. 91-577, 84 Stat. 1542 (1970); Pub. L. No. 103-349, 108 Stat. 3136 (1994).

80. 17 U.S.C. §§ 1301 *et seq.*

81. 17 U.S.C. §§ 901 *et seq.*

82. U.S. CONST. art. I, § 8, cl. 8.

83. ALEXANDER HAMILTON, JOHN JAY, & JAMES MADISON, *THE FEDERALIST* 222 (Liberty Fund ed. 2001).

TABLE 1 The Most Common Types of Intellectual Property Protection

<i>Type of IP Protection</i>	<i>Protectable Subject Matter</i>	<i>Nature of Protection/ Rights Granted to the IP Owner</i>	<i>Requirements for Protection</i>	<i>Remedies Available</i>	<i>Duration of Protection</i>	<i>Statutory Basis</i>	<i>USG Specific Statutes/Regs</i>
<i>Patents¹</i>	Processes, machines, articles of manufacture, and compositions of matter.	Right to exclude others from making, using, selling, or importing the invention; sometimes referred to as the right to exclude others from “practicing” the invention.	Application filed in U.S. Patent and Trademark Office; invention must be new, useful, and non-obvious.	Money damages, and injunction. ²	20 years from application date.	Title 35 U.S.C.; § 28 U.S.C. § 1498(a).	FAR 27.1 to 27.3 and related supplements and clauses.
<i>Copyrights</i>	Original, creative works fixed in a tangible medium of expression (<i>e.g.</i> , literary, musical, or audiovisual works; computer programs).	Exclusive right to (i) copy; (ii) modify; ³ (iii) perform; (iv) display; (v) distribute copies; and (vi) publicly perform or digitally transmit the copyrighted work. Additional rights of attribution and integrity for visual artists. No protection against independent creation of similar works, or against certain “fair uses.”	Automatic when fixed in a tangible medium; added remedies for registration and notice.	Money damages (actual or statutory), injunction, ² and criminal sanctions. ⁴	Life of the author plus 70 years; 95 years after publication or 120 years after creation for corporate works.	Title 17 U.S.C.; 28 U.S.C. § 1498(b).	FAR 27.4 and related supplements and clauses.

<i>Trade Secrets</i>	Any information having commercial value by being kept secret (<i>e.g.</i> , technical, business, or financial information).	Right to control the disclosure and use of the information through contracts, nondisclosure agreements, or reverse-FOIA actions; protection against theft or misappropriation of that information, but not from independent creation or discovery by another party.	Must take reasonable steps to safeguard the information from disclosure; reasonableness depends on the nature and value of the information.	Money damages, injunction, and criminal sanctions. ⁴	Potentially unlimited, as long as remains secret.	18 U.S.C. §§ 1831–39, 1905; various State laws.	FAR 27.4 and related supplements and clauses.
<i>Trademarks and Service Marks</i>	Distinctive words, phrases, symbols that identify the source of goods or services.	Protection from confusingly similar marks, deception and unfair competition in the marketing of goods and services.	Automatic upon use in commerce; added remedies for registration and notice.	Money damages, injunction, and criminal sanctions. ⁴	Federal registration can be renewed every 10 years. State registration renewals vary.	Title 15 U.S.C.; various State laws.	None.

Notes:

1. Information provided for “utility” patents—the type most common in Government/DoD acquisitions.
2. There is no injunctive relief available against the Government for patent or copyright infringement; *see* 28 U.S.C. §§ 1498(a) and (b).
3. This right is more formally called the right to create a “derivative work” by modifying an existing copyrighted work.
4. Although private individuals cannot enforce criminal penalties, violations of criminal statutes may be reported to the appropriate authorities.

George Washington himself urged the U.S. Congress to encourage and reward its own inventors via a patent law, rather than rely on the importation of technology from the Old World.⁸⁴

U.S. patent law strives to balance the interests of the inventor with the interests of the general public.⁸⁵ Without patent rights, an inventor may be less inclined to bring a new invention to the market—especially if the invention, once disclosed, easily can be copied. In exchange for this exclusivity, the inventor must publicly disclose the workings of his invention in enough detail that an unrelated third party with “ordinary skill in the art” could reproduce it without undue experimentation. The expectation is that, once the patent expires, the underlying invention will be dedicated to the public and inexpensive copies will proliferate. (The generic pharmaceutical industry offers an excellent example of this dynamic in practice.) Even before the patent expires, the mere act of disclosure increases the amount of information and technology available to the general public. Inventors can adapt solutions disclosed in one patent to solve wholly different technical challenges.

There is little doubt that the patent system is an engine for innovation. But there remain substantial debates surrounding the appropriate balancing of public and private interests within the general patent-law framework. For example, U.S. patent law allows patents in the fields of software and to a lesser extent, software-enabled business methods.⁸⁶ The European Union does not; it believes that software patents retard the growth of the software industry, although recent cases suggest a changing attitude.⁸⁷ It seems obvious that the U.S. system has created a vastly larger share of the world’s software while simultaneously allowing software patents to flourish. But that may not be a function of America’s generous patent system. Even major beneficiaries of U.S. software method patents have called for reforms, thus showing the need for balance in considering what is patentable.⁸⁸

84. In Washington’s first State of the Union Address, he observed that “I cannot forbear intimating to you the expediency of giving effectual encouragement as well to the introduction of new and useful inventions from abroad, as to the exertions of skill and genius in producing them at home.” See George Washington, *No. 169: First Annual Message, Jan. 8, 1790*, in W.B. Allen, ed., *GEORGE WASHINGTON: A COLLECTION* 467, 469 (Liberty Fund 1988).

85. 35 U.S.C. §154.

86. *In re Bilski*, 545 F.3d 843 (Fed. Cir. 2008) (en banc); 88 U.S.P.Q.2d 1385 (Fed. Cir. 2008) (en banc).

87. Richard Taylor, *Patently Obvious? Getting Protective Over Software Programs*, ipfrontline.com (May 12, 2008) (available at <http://www.ipfrontline.com/depts/article.asp?id=18933&deptid=6>) (last visited November 13, 2008) (discussing UK law regarding software patents).

88. Consider, for example, the *Amazon.com v. Barnes & Noble* case. During the 1999 Christmas holiday, Amazon sued rival online bookseller Barnes & Noble for infringing an Amazon patent covering “one click” technology—that is, a software-enabled way for Web browsers to purchase products with a single mouse click. Amazon succeeded in enjoining Barnes & Noble’s online arm from using one-click technology. Whether the injunction damaged

As another example, the U.S. has struck a complex balance between competing interests in the field of pharmaceutical patents. Because patented pharmaceuticals need to undergo lengthy clinical trials before introduction into the U.S. market, patentees are entitled to patent term extensions corresponding to the time a patented drug spends in regulatory limbo.⁸⁹ Similarly, because a generic manufacturer must undertake substantial research obligations in order to enter the market, generic companies can commence clinical trials on competing products while they are still patented; and if a generic company successfully challenges a pharmaceutical patent, it enjoys a six-month period in which it and the owner of the invalidated patent are the only sellers in the market.⁹⁰ But the expense of the drug development process must be weighed against social demands for reasonably priced drugs. And the U.S. calculus is further complicated by the fact that most of the developed world regulates pharmaceutical prices, while the developing world either cannot afford necessary drugs at market rates or disregards patent rights altogether. The U.S. patent system thus largely subsidizes worldwide pharmaceutical development.⁹¹

Compared to other IPRs, patents offer a relatively short term of coverage. A utility patent lasts for 20 years from the date of the filing. By contrast, a copyrighted work is protected for the author's life plus 70 years, and works made for hire last upwards of 95 years after publication or 120 years after creation.⁹² Trade secrets and trademarks are perpetual, if properly maintained.

Patents, however, are valuable for the scope and strength of the protection they confer. A patent is presumptively valid.⁹³ While it does not give the patentee an affirmative right to make or use the invention (the invention could be blocked by someone else's patent, for example), a patent does give the owner a negative right to exclude others from making, using, offering for sale, or selling the invention.⁹⁴

Barnes & Noble's sales during the Christmas season is unclear; but it is manifestly the case that the lawsuit generated a great deal of public interest and that Amazon's win at the injunction stage was a shot across the bow of other e-tailers using similar technology. Despite this initial litigation victory, Amazon founder and CEO Jeff Bezos ultimately issued an open letter calling for dramatic software patent reforms. Bezos was influenced by discussions with Internet pioneer Tim O'Reilly. For a copy of Bezos's March 9, 2000, letter, see at http://www.oreilly.com/news/amazon_patents.html (last visited November 13, 2008).

89. Drug Price Competition and Patent Term Restoration Act of 1984, Pub. L. No. 98-417.

90. 35 U.S.C. § 271 (e).

91. See, e.g., Robert DeGeorge, "Intellectual Property and Pharmaceutical Drugs: An Ethical Analysis," (June 16, 2008) available at http://www.iipi.org/Conferences/IP&Health/degeorge_paper.pdf (last visited November 13, 2008).

92. 17 U.S.C. § 302.

93. See 35 U.S.C. § 282 ("A patent shall be presumed valid").

94. See 35 U.S.C. § 271(a) ("Except as otherwise provide by this title, whoever without authority makes, uses, offers to sell or sells any patent invention, within the United States or imports

Patent protection also is stronger than alternative forms of protection in the sense that it covers both an invention and the invention's reasonable equivalents⁹⁵; and in that it can capture within its purview "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof"⁹⁶—as the Supreme Court expressed it, "anything under the sun as made by man."⁹⁷ Thus, a U.S. patent may be obtained on practically anything resulting from man's intervention, including new animals, seeds, fruits, and in special cases, products of nature.⁹⁸ It protects an invention at the level of an *idea*, rather than its particular implementation or expression (as in copyrights and, to an extent, trade secrets).

Patents are the IP protection of choice for most commercial technologies. The Government typically buys very substantial volumes of patentable high-tech hardware and pharmaceuticals. But the Government has special needs regarding patented hardware—primarily the requirement to second-source replacement parts. So the Government has manipulated the scope of its sovereign immunity waiver to ensure that a patentee cannot interfere with procurement decisions.

2. Trade Secrets

If patents are the IPR of choice for the private sector, trade secrets historically have been the IPR of choice for Government contractors. Trade secret laws can protect any information that provides owners with a competitive advantage in the marketplace. Trade secret-eligible subject matter includes formulas, patterns, physical devices, ideas, processes, information, and compilations of information (e.g., customer lists). Trade secrets also can protect "negative know-how" (e.g., what *doesn't* work in attacking a particular problem).⁹⁹ Anything that derives value from not being generally known by a competitor can qualify as a trade secret.

The value of a trade secret is derived from its status as a secret, and not from its originality or novelty. Trade secret protection may last indefinitely;

into the United States any patented invention during the term therefore infringes the patent").

95. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17 (1997).

96. 35 U.S.C. § 101.

97. *Diamond v. Chakrabarty*, 447 U.S. 303 (1980).

98. See *In re Bilski*, 545 F.3d 843 (Fed. Cir. 2008) (en banc), 88 U.S.P.Q.2d 1385 (Fed. Cir. 2008) (en banc), see also Alicia M. Choi, *In re Bilski Establishes Machine-Or-Transformation Test* (November 12, 2008), available at <http://www.cafazine.com/depts/article.asp?id=21527&depid=7> (last visited November 13, 2008) (discussing impact of limitations for patentable subject matter after *In re Bilski*).

99. See *Metallurgical Industries, Inc. v. Fourtek, Inc.*, 790 F.2d 1195 (5th Cir. 1986).

it is lost only when the secret is revealed. This means that the existence of a trade secret turns in large part on whether and how the owner protects the information from public disclosure or industrial espionage.

Trade secrets are protected by a hodge-podge of State and Federal laws. While most States have adopted some implementation of the Uniform Trade Secrets Act,¹⁰⁰ differences in interpretation and statutory enactments ensure that there will remain substantial State-to-State differences in the scope of protection.¹⁰¹ By contrast, the various Federal laws banning trade secret theft apply only in limited cases. The Economic Espionage Act, for example, does not create a private right of action,¹⁰² and the Computer Fraud and Abuse Act is only useful in limited situations in which the theft of the trade secret is tied to a computer-related offense.¹⁰³ And while the Digital Millennium Copyright Act creates special protections for encryption and other digital rights management technologies, it only applies to software and other copyrighted goods.¹⁰⁴

Unlike patents, trade secrets do not enjoy any presumption of validity. Rather, the trade secret owner bears the burden of proving that it has in place reasonable measures to protect its secrets, and that the information itself has value deriving from the fact that it is not publicly known. Independent creation or legitimate discovery (including, absent a contract, by reverse-engineering) are complete defenses to trade secret misappropriation claims. But if the owner can prove that it owns valid trade secrets that were misappropriated by a third party, it is entitled to an injunction plus damages.

3. Copyrights

Copyright protection gives authors exclusive rights to their works.¹⁰⁵ Unlike a patent, a copyright is tied to a specific product or expression of the work. Copyrights ordinarily cover “artistic” works—literary, musical, dramatic, pictorial, architectural, sculptural works, motion pictures, sound recordings, and more.¹⁰⁶ But—again unlike a patent—a copyright cannot protect, facts,

100. The text of the Uniform Trade Secrets Act, as promulgated by the National Conference of Commissioners on Uniform State Laws, is *available* online at <http://www.law.upenn.edu/bll/archives/ulc/fnact99/1980s/utsa85.htm> (last visited November 13, 2008).

101. *See, generally*, Chapter 5 for a discussion on which states have enacted the Uniform Trade Secrets Act.

102. 18 U.S.C. § 1831 *et seq.*

103. 18 U.S.C. § 1030.

104. 17 U.S.C. § 1201 *et seq.*

105. *See* 17 U.S.C. § 102 (“Copyright protection subsists, in accordance with this title, in original works of authorship fixed in any tangible medium of expression, now known or later developed, from which they can be perceived, reproduced, or otherwise communicated”).

106. *Id.*

procedures, or works entirely driven by ideas.¹⁰⁷ Copyright also can protect the nonutilitarian “design” aspects of an otherwise functional product.¹⁰⁸ For useful articles such as software, furniture, and cars, copyright protection extends only to such designs that can be “identified separately from, and are capable of existing independently of, the utilitarian aspects of the article.”¹⁰⁹

Copyrights attach automatically to original works of authorship fixed in a tangible medium. A minimum level of creativity satisfies the “originality” requirement, while “authorship” only requires independent creation. “Fixation” can be transitory, as on a computer screen or a hard drive’s random-access memory.¹¹⁰ Copyright protection includes the exclusive right to reproduce, distribute copies, display or perform the work in public, prepare derivative works based on the copyrighted work, etc.¹¹¹ Copyright protection now exists for the author’s lifetime plus 70 years. For corporations, a copyright lasts 95 years after first publication or 120 years after creation.¹¹²

Copyright is fundamentally about protecting authors and artists. Anomalously, however, copyright law also is the primary vehicle for protecting computer software. This is because software ultimately is a series of ones and zeros translated into higher machine languages (source and object codes). Given that a computer program is in that generic sense a “text”—though intended only to be read by specialists and machines—U.S. law has treated the software’s source and object codes as copyrighted literary works.¹¹³

107. See 17 U.S.C. § 102 (b) (Copyright does not “extend to any ideas, procedure, process, system, method of operation, concept, principle, or discovery, regardless of the form in which it is described, explained, illustrated, or embodied in such work”).

108. See 17 U.S.C. § 101. Design patent protection, 35 U.S.C. § 171, is an alternative to copyright for the protection of the nonfunctional aspects of functional goods.

109. 17 U.S.C. § 101.

110. See 17 U.S.C. § 101; *MAI Systems Corp. v. Peak Computer Inc.*, 991 F.2d 511 (9th Cir. 1993) (a copy of a computer program is “fixed” in the random access memory to provide copyright infringement). *Mai Systems Corp. v. Peak Computer’s* holding and reasoning regarding injunctive relief was implicitly overruled by *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), as recognized in *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 518 F. Supp. 2d 1197, 1209–10 (C.D. Cal. 2007), and *Designer Skin, LLC v. S & L Vitamins, Inc.*, 2008 U.S. Dist. LEXIS 68467 *8-9, Copy. L. Rep. (CCH) ¶ 29,629 (D. Ariz., Sept. 5, 2008). But its holding regarding fixation of computer programs for infringement purposes remains good law.

111. 17 U.S.C. § 106.

112. Sonny Bono Copyright Term Extension Act, P.L. No. 105-298, incorporated into 17 U.S.C. § 304.

113. See *Copyright Office Basics, What Works Are Protected?*, available at <http://www.copyright.gov/circs/circ1.html#wwp> (“computer programs . . . may be registered as ‘literary works’”) (last visited November 13, 2008).

Copyright law is thus of great importance to businesses, both for those using software and those creating software.

4. Trademarks

A trademark or a service mark is a word, name, symbol, device, or combination thereof adopted or used by manufacturers or merchants to identify their goods or services and to distinguish them from those manufactured or sold by competitors. Though they are owned by businesses, trademarks ultimately are a mechanism for consumer protection. A trademark protects the consumer's association of a particular product with the product's legitimate source; the mark guarantees uniform quality to purchasers. Sometimes trademarks become commodities in their own right. At the same time, a trademark does not confer the right to exclude others from using the word or phrase in question—it only prevents efforts to *confuse the public* concerning the source or sponsorship of particular goods associated with the trademark. And it imposes on the owner the corresponding obligation to control the design and police the quality of goods bearing the mark.

The strength of a trademark correlates with its distinctiveness. The more remote the relationship between the mark and the goods, the stronger the mark. The strongest trademarks are arbitrary and fanciful—marks that have no connection with the product or service (e.g., Xerox, Kodak, Exxon, and, in the context of computers, Apple). Next in strength, suggestive marks connote something about the product or service but do not describe or represent it (CitiBank, for example, evokes banking centers like London or New York, but does not directly describe Citi's goods and services). The weakest trademarks are descriptive marks, which directly describe some aspect of the product or service (e.g., “Dryfast” paint).

Common-law trademark protection begins when a mark first is used in commerce. As the mark is used on goods, consumers begin to associate the mark with a particular source. As long as that linkage exists, the company retains the right to control the mark. If the owner ceases to use the mark, it can be abandoned. Or if the mark ceases to represent a particular good from a particular source and instead comes to identify a class or type of product (e.g., aspirin), it loses its status as a trademark and its owner loses the right to control it. Such a mark has become “generic.”

If a mark acts as a source identifier, it can be enforced at the Federal and State levels. Each State maintains its own register of marks, which can be enforced under State law. The State registration systems function primarily to afford protection for marks that have not been used throughout the United States and therefore cannot be Federally registered. (We identify trademark laws in each State in Chapter 5.) In 1946, Congress enacted the Lanham Act,

which allows businesses whose marks are national or international in scope to apply for Federal registration.¹¹⁴ International protection for trademarks is available under the Madrid Protocol.¹¹⁵

Federal registration (and to an extent State registration) has important legal advantages over common-law protection. Registration may result in increased money damages and the award of attorneys' fees against infringers.¹¹⁶ It also serves as conclusive evidence of the owner's exclusive right to use the mark and as prima facie evidence of validity¹¹⁷—all matters that must be proven in common-law trademark litigation. And in contrast to State registration, Federal registration gives constructive notice nationwide.¹¹⁸ During the sixth year after Federal registration, a mark may acquire incontestable status, meaning that a competitor cannot claim prior rights.¹¹⁹ Finally, Federal registration may be used to exclude importation through U.S. Customs of goods bearing infringing marks.¹²⁰ It is important to note that *unregistered* trademarks also are protectable under State and Federal common law, but require additional elements of proof.

For decades, the Government took the view that trademarks are irrelevant to procurement law, because the Government neither seeks nor uses trademarked names and is not a participant in a commercial market as a seller or provider of goods and services. Today, however, the Government has gradually acknowledged that trademarks have relevance in the Government contracting sphere, and on occasion even has infringed commercial trademarks in providing competing goods and services.¹²¹

114. See 15 U.S.C. § 1051 *et seq.*

115. The full text of the Madrid System for the International Registration of Marks is available at <http://www.wipo.int/madrid/en/> (last visited November 13, 2008).

116. 15 U.S.C. §1117.

117. 15 U.S.C. §1115.

118. 15 U.S.C. §§ 1072, 1111.

119. 15 U.S.C. §1065.

120. 15 U.S.C. §1124.

121. See *Preferred Risk Mutual Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996) (holding that consumers were actually confused because FEMA offered products under the name PREFERRED RISK).

CHAPTER 2

Federal Procurement Practices

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A. The Role of Government in the Federal Procurement System

The Government fosters the development of cutting edge science and technology by providing billions of dollars annually to fund private-sector research and development (R&D)—referred to as “extramural” R&D activities.¹ These extramural activities have been held up as an international model to be followed and are widely utilized by universities to transfer Federally funded university research to the private sector.² For this reason, *The Economist* once called the Bayh-Dole Act,³ which governs the disposition of patent rights for the majority of extramural research, “perhaps the most inspired piece of legislation to be enacted in America over the past half-century” and that “[m]ore than anything, this single policy measure helped to reverse America’s precipitous slide into industrial irrelevance.”⁴ The Government has been markedly successful in transferring technology by allowing title to remain with private-sector participants in extramural research.

While the Government acquires some rights through intramural research, it obtains most of the intellectual property rights it needs from parties with whom it contracts. Under most circumstances, the Government retains residual IP rights in inventions created under Government contracts.⁵ This is consistent with the expectation that an employer should use technology developed by an employee hired to do experimental and design work.⁶

With the exception of certain technologies developed by the National Aeronautics and Space Administration (NASA)⁷ or the Department of Energy

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1. A detailed discussion of the Government’s efforts to transfer and commercialize technologies resulting from in-house research and development—referred to as “intramural” R&D activities—is provided in Chapter 3.
 2. Statements of Dr. Mark Allen & Arundeeep S. Pradhan to the Committee on House Science and Technology Subcommittee on Technology and Innovation, *Rights to Patents Developed With Federal Research Dollars* (July 17, 2007).
 3. 35 U.S.C. Chapter 18, *Patent Rights in Inventions Made With Federal Assistance*, often referred to as “Bayh-Dole.” Although covering both intramural and extramural inventions, the most relevant sections for extramural research and federal procurements are 35 U.S.C. §§ 200-204, and 210.
 4. THE ECONOMIST, *Innovation’s Golden Goose* (Dec. 12, 2002), quoted with approval in House Report 109-409—EXPRESSING THE SENSE OF THE CONGRESS REGARDING THE SUCCESSFUL AND SUBSTANTIAL CONTRIBUTIONS OF THE AMENDMENTS TO THE PATENT AND TRADEMARK LAWS THAT WERE ENACTED IN 1980 (PUBLIC LAW 96-517; COMMONLY KNOWN AS THE “BAYH-DOLE ACT”), ON THE OCCASION OF THE 25TH ANNIVERSARY OF ITS ENACTMENT.
 5. FAR 27.302.
 6. *Ordnance Eng’r Corp v. United States*, 68 Ct. Cl. 301 (1929) and 84 Ct. Cl. 1 (1936), cert. denied, 302 U.S. 708 (1937) (implied license arose where, without collaboration with Government, patents “would not have come into existence”).
 7. 42 U.S.C. § 2457.

(DoE),⁸ the trend has been away from Government ownership of patents developed with outside funds, and toward a model under which contractors retain intellectual property rights to inventions created under Government contracts.⁹ Indeed, even for those limited situations where title automatically vests in the Government, the responsible agencies generally encourage the filing of waivers to allow the commercial contractor to retain title to inventions.¹⁰ The policy favoring private ownership of intellectual property developed in part at Government expense “has been consistently hailed as an unqualified success in stimulating the commercial development of discoveries emerging from government-sponsored research in universities.”¹¹

Within the Government, the ownership of contractor-developed intellectual property is an especially sticky problem for the DoD, because it builds and maintains technologies. Unlike other agencies, whose mission is to forward science or human welfare, the DoD’s primary mission is developing and fielding weapons systems. Commercialization of the technologies associated with this primary mission is a mechanism to reduce outlays by sharing system maintenance costs with the private sector.¹² This distinction has been highlighted as a possible reason DoD intramural research inventions are difficult to license.¹³

Given this distinction, the DoD has been at the vanguard of finding a balance between acquiring too many rights (and driving away contractors) and not having enough rights (and not being able to maintain technologies in a cost-effective manner). The result of the balance is generally monitored by

8. 42 U.S.C. §§ 2182 and 5908.

9. Indeed, it is possible that the Government does not need intellectual property rights at all. The taxpayers get their money’s worth when the Government obtains the technology it needs. Abandoning patent rights might well reduce the costs of Government contracting—and it would certainly give the private sector a greater incentive to pursue Government contracts. Beyond that, any economic “multiplier” caused by private-sector applications of this government technology ultimately benefits the broader economy.

10. NFS 1827.302(b)(ii) DEAR 952.227-13(b)(1); 10 C.F.R. Part 784; 14 C.F.R. Part 1245.

11. Rebecca S. Eisenberg, *Symposium on Regulating Medical Innovation: Public Research and Private Development: Patents and Technology Transfer in Government Sponsored Research*, 82 VA. L. REV. 1663, 1708 (1996).

12. This does not address the special case of defense technologies, which are held by the Government for reasons of national security. See, e.g., 35 U.S.C. § 181, which authorizes the Government to withhold a patent and issue a binding secrecy order on any invention whose disclosure “might . . . be detrimental to the national security.” See also 42 U.S.C. § 2182, which imposes restrictions on the patentability of inventions “useful in the production or utilization of special nuclear material or atomic energy.” Note that an inventor whose patent is suppressed under 35 U.S.C. § 181 is able to obtain compensation from the Government. 35 U.S.C. § 183.

13. Wendy H. Schacht, *Technology Transfer: Use of Federally Funded Research and Development*, CONGRESSIONAL RESEARCH REPORT RL33527 (July 2007); GAO, *Administration of the Bayh-Dole Act By Universities*, GAO Report No. 98-126 (May 1998).

other agencies, and the lessons learned will likely be adopted as their needs to maintain high technologies grow.

The DoD created the “modern” intellectual property rights balance beginning in about 1965. Around that time, contractors gained the right to retain title to patented inventions first built or conceived of during the performance of a Government contract. The Government received a simple right to use the invention.¹⁴ This right was fixed and non-negotiable; contractors were able to acquire a minimum but predictable set of rights. In addition, where the contractor created a protectable trade secret without Government aid, it was able to protect that information by the use of appropriate labels. These implementing clauses have been adjusted frequently in order to strike an appropriate balance between the rights of the creator and the right of the enabler. This process, coupled with Congressional and Executive enactments, has resulted in the system found today in Federal Acquisition Regulation (FAR) 27, Defense FAR Supplement (DFARS) 227, and the provisions of 10 U.S.C. §§ 2320–2321 and 35 U.S.C. §§ 200–204.¹⁵ The DoD now relies on a strategy based not on ownership but instead on license rights.

The Department of Homeland Security (DHS) faces similar long-term maintenance issues for technology provided to local agencies and first responders, who often cannot afford to maintain the technologies delivered to them under DHS grants due to local budgeting constraints.¹⁶ Key to maintaining these technologies will be the ability of DHS to competitively procure replacement parts and upgrades on behalf of these localities. Add to this

14. Compare Armed Services Procurement Regulations 7-302.23, Patent Rights (License) (Dec. 1969) in which the Government received only a license to the invention, *with* Armed Services Procurement Regulations 7-302.23, Patent Rights (Title) (Dec. 1969), in which the Government received title. However, the use of the license clause was not necessarily automatic when first introduced. See William O. Quesenberry, *Government Patent Policy: A Time for Compromise*, 17 IDEA 5 (1975) (discussing changes in title versus license philosophies in patent clauses).

15. The modern clauses reflect an interesting dichotomy in rights: The DoD realized that it did not need to actually own a patent, but instead found that merely having a license would be sufficient for reprourement purposes. This is in contrast to other Government agencies, which usually required that contractors deliver title to all inventions created under a Government contract. But when Government agencies took title to inventions, there was little evidence that the Government was able to use them to fulfill agency missions. In addition, there was anecdotal evidence that this practice discouraged potential contractors from working with these agencies. By way of comparison, due to its progressive thinking on intellectual property issues, the DoD found that allowing contractors to retain title to inventions created under Government contracts encouraged commercial uses for these inventions, helped achieve its agency mission by growing the military-industrial complex, and encouraged more contractors to work with the Department. Congress appears to have adopted the DoD's patent rights philosophy under the Bayh-Dole Act, 35 U.S.C. §§ 202–204.

16. Mary Beth Sheridan, *Upkeep Of Security Devices A Burden*, WASH. POST, Page A01 (August 13, 2007).

long-term need the risk-averse nature of most Government procurement professionals, along with a complex regulatory structure, and the result is a desire to obtain as much IP as possible under the applicable laws and regulations as opposed to acquiring enough intellectual property to fulfill the mission.

For other Government entities, ownership of intellectual property acquired from contracted research has been viewed as the primary mechanism to achieve the agency mission. Both the DoE and NASA are required to rely on such mechanisms for patent rights. And many agencies rely on the standard FAR data and software clauses, which generally do not allow submission of Government-funded technical information or computer software with any restriction.¹⁷

But these agencies are not primarily concerned with maintaining complex systems, and instead require IP rights in order to foster additional research as well as grow new industries.

B. The Role of the Private Sector in the Federal Procurement System

1. Government and Private Sector Uses of and Needs for IP

While the Government has numerous and conflicting reasons for acquiring intellectual property rights, private companies seek protection for a simpler reason: They are attempting to generate profits for shareholders by developing new products. “Industrial R&D today is characterized by increased industry spending and the globalization of R&D investments.”¹⁸ Intellectual property protections enhance their ability to demand premium rents for these products and allow them to recoup up-front development costs.¹⁹ Profit is strongly linked with innovation.

The impact of this effort on the economy is hard to ignore. According to a 2005 study, IP-based industries represented 20 percent of U.S. private-industry gross domestic product (GDP), but accounted for 40 percent of

17. FAR 27.404.

18. Nancy K. Sumpton, *Other Transactions: Meeting the Department of Defense’s Objectives*, 28 PUB. CONT. L. J. 365, 379 (1999).

19. See, e.g., Philip Areeda & Louis Kaplow, *ANTITRUST ANALYSIS* ¶ 336 (1997); Kevin W. McCabe, *Implications of the CellPro Determination on Inventions Made With Federal Assistance: Will the Government Ever Exercise Its March-In Rights?*, 27 PUB. CONT. L. J. 645, 646–48 (1998) (“the patent holder or its licensees may be able to obtain an enhanced return in the subject invention. * * * The market exclusivity provided by patent protection [also] affords patent owners the opportunity to realize a return on their initial investment”).

the growth achieved by all of U.S. private industry, 40 percent of the GDP of U.S. exportable products, and 60 percent of the growth of U.S. exportable high-value-added products and services in 2003.²⁰ Gross exports in these industries are estimated at \$455 billion in 2004.²¹ The jobs in IP-based industries tend to be highly paid—up to 40 percent more than jobs in other industries.²² Given the importance of maintaining and acquiring IP to the economic health of a private-sector company, R&D is a major component of most budgets, and many industrial contracts assert rights in *any* invention developed on company time using company facilities—even if the invention is only tangentially related to the employee’s job function.

For private companies, IP rights function as a barrier to market entry. Developing patentable technologies requires high capital investment, both in facilities and in R&D. In turn, the existence of patent rights guarantees monopoly profits—which allows companies to continue their high investment in research and development. This cycle of monopoly profit and reinvestment enables companies to continually advance the state of the art. For some products, a patent allows the holder to be the sole-source supplier of a given market. Intellectual property is viewed as a company asset, the care for which must be assured under applicable securities laws.²³ Strong IP rights regimes are associated with wider diffusion of technologies and increased investment in the underlying assets.²⁴

The Government, and especially the DoD, puts its intellectual property to different uses than the private sector. DoD is not primarily interested in selling products to consumers, and thus does not use its intellectual property primarily to generate revenue. It wants to use and maintain its systems. Thus, the Government needs, at a minimum, the right to use the invention and enough associated technical information to maintain, repair, and upgrade it.

20. Stephen E. Siwek, *Engines of Growth: Economic Contributions of the U.S. Intellectual Property Industries*, at 3 (2005 Economists Incorporated).

21. *Id.*

22. *Id.* at 4.

23. See § 302 of Sarbanes-Oxley, Pub. L. No. 107-204, July 30, 2002. For more discussions on the impact of Sarbanes-Oxley and Financial Accounting Services Board (FASB) rules 141 and 142 on intellectual property management, see R. Mark Halligan, *Duty to Identify, Protect Trade Secrets Has Arisen: Sarbanes-Oxley Requires Internal Controls Over How They Are Valued*, THE NATIONAL LAW JOURNAL (August 29, 2005); James Pooley & Katherine Nolan-Stevaux, *Trade Secrets and Corporate Governance: Best Practices*, 11TH ANNUAL INSTITUTE ON INTELLECTUAL PROPERTY LAW (Practicing Law Institute 2005); Russ Banham, *Valuing IP Post-Sarbanes-Oxley*, JOURNAL OF ACCOUNTANCY (AICPA) (November 2005); Stephen R. Wilson, *Public Disclosure Policies: Can A Company Still Protect Its Trade Secrets?*, 38 NEW ENG. L. REV. 265 (Winter 2004).

24. Robert P. Merges, *Intellectual Property Rights, Input Markets, Transactions, and the Value of Intangible Assets*, at <http://www.law.berkeley.edu/bclt/pubs/merges/iprights.pdf> (visited Oct. 12, 2001).

Everything is driven by use, not marketability; in that sense, the DoD is a consumer of intellectual property, rather than a producer. Even those items it develops in-house or under contract are intended for Government use, not commercialization to third parties. The DoD has historically used its intellectual property portfolio to ensure that it can obtain spare parts and to protect itself from lawsuits while using a technology.²⁵ Thus, for inventions developed internally, DoD has sufficient rights to ensure full and open competition for spare parts embodying those inventions.

For other agencies, such as the DoE and the National Institute of Health, the Government is interested in developing new technologies to be used by the private sector. In this sense, the Government acts as a facilitator and uses its intellectual property accordingly.²⁶

The Government enjoys special privileges regarding patent infringement not enjoyed by the private sector. Government infringement of private patent rights is characterized as an “unauthorized use” for which the inventor is only entitled to “reasonable and entire compensation.”²⁷ While injunctive relief may be available, it is only of limited value against a Government contractor (if at all).²⁸

2. IP Developers versus Second-Source Contractors

Because the Government, and especially the DoD, relies upon others to manufacture new products and spare parts to keep existing systems operational, the DoD utilizes second-source contractors other than the originator of the technology. This is somewhat in contrast to other agencies who, while still practicing full and open competition, are not purchasing these spare parts on the scale or for the duration that the DoD does. This has resulted in a whole category of second-source contractors that specialize in providing spare parts and upgrades to existing systems.

The Government usually attempts to purchase sufficient rights in trade secrets, copyrights, and patents to ensure that it can give plans for spare parts

25. See FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY, REPORT ON GOVERNMENT PATENT POLICY, at 1 (combined Dec. 31, 1973, Dec. 31, 1974, Dec. 31, 1975, Sept. 30, 1976) (the DoD was one of the few agencies to allow contractors to retain title to inventions developed under Government contract).

26. For an interesting discussion on the use of Government policies in using rights in intellectual property to forward the goals of the National Institute of Health, see Barbara M. McGarvey and Annette C. Levey, *Patents, Products, And Public Health*, 14 BERKLEY TECH. L. J. 1095 (Fall 1999).

27. 28 U.S.C. § 1498 (a). Government contractors acting in the course and scope of their contract enjoy the same immunity.

28. See Chapter 4 for a more detailed discussion on the 28 U.S.C. § 1498 and its effects.

to third-party contractors. These second sources help keep the total ownership costs for older “legacy” systems to a minimum and programs are directed to account for such rights in an effort to calculate total life cycle costs when acquiring nonstandard rights.²⁹ Due to the length of time that the DoD uses technology, the costs of failing to acquire sufficient intellectual property rights can be quite high. It is likely that the Government will already have a license to any asserted patent such that no additional fees would be owed should the spare part or system upgrade infringe.³⁰ Even where it is not licensed, the Government enjoys freedom from injunction under 28 U.S.C. §1498 for most forms of intellectual property and is not liable for treble damages. Section 1498 was specifically established to “stimulate contractors to furnish what was needed for the War, without fear of becoming liable themselves for infringements.”³¹ Thus, such second-source purchases can be made relatively freely as compared to how the private sector operates in regard to patents.

In contrast to patents, when the Government does not receive sufficient license rights in trade secrets, it is unable to acquire “second-source” products.³² If the Government negotiates a poor division of intellectual property rights, contractors can extract monopoly profits from the Government. Contractual restrictions are one of the few means by which a contractor can require the DoD to deal with the owner of a particular trade secret on a sole-source basis.³³ This tactic, sometimes called “cherry picking,” has driven suppliers to become increasingly reliant on trade secret restrictions to maximize profits on Government contracts.³⁴

29. Public Law 110-417, § 822; PEO-IWS 7, *Naval Open Architecture Contract Guidebook*, pp. 4-6 (v. 1.1 Oct. 2007) (Naval OA Guide), available at the Naval Open Architecture (OA) website at <https://acc.dau.mil/oa> (last visited December 23, 2008); UNDERSECRETARY OF DEFENSE FOR ACQUISITION, TECHNOLOGY AND LOGISTICS, INTELLECTUAL PROPERTY: NAVIGATING THROUGH COMMERCIAL WATERS, at 3-4 (October 2001) (the DoD IP Guide), available at <http://www.acq.osd.mil/dpap/specificpolicy/intelprop.pdf> (last visited November 20, 2008).

30. *Mine Safety Appliances Co. v. United States*, 364 F.2d 385, 392 (Ct. Cl. 1966).

31. *Richmond Screw and Anchor Co. v. United States*, 275 U.S. 331, 345 (1928). See also *Madey v. Duke*, 413 F.Supp.2d 601 (M.D. N.C. 2006).

32. A good example of the long-term effects of trade secret licenses on procurement of spare parts is found in *FN Manufacturing, Inc. v. United States*, 42 Fed. Cl. 87 (1998). In *FN Manufacturing*, the Court of Federal Claims upheld a sole source procurement in 1998 based upon a trade secret license reached in 1967. In this agreement, the Army obtained limited rights to the M16 rifle and the XM177 submachine gun. When Colt developed the M4 and M4A1 carbines, because these weapons were derived from and shared a majority of their parts with the M16, the Court of Federal Claims found that these systems were also governed by the 1967 agreement. As such, a trade secret agreement signed in 1967 remains effective for procurements of the same and related systems.

33. *Id.* See also *Ingersoll-Rand Co.*, B-236495 (Comptroller General Decision, Dec. 12, 1989).

34. The Government rarely attempts to reverse-engineer parts, instead relying on plans and reports supplied by the original supplier. DFARS 217.7503 (Sept. 11, 2001). DFARS 217.7503

While beneficial to suppliers, this tactic is harmful to the Government to the extent that it drives up costs, and is harmful to the spare part and upgrade community, which relies upon the ability to make duplicates of or upgrades to existing technology using the supplier's software and technical data. Second-source contractors have always been an important constituency group in the Government procurement field. Since the late 1950s, there have been major Congressional reports and two laws passed on the subject of data rights for the DoD.³⁵ A review of the pace of alterations to the DFARS indicates that there is sufficient interest in the subject to force periodic reviews of DoD policy on the appropriate uses of data acquired from contractors.³⁶

Indeed, the last major review of the technical data laws was based, in part, on the concern that the DoD was not able to obtain sufficient rights to allow competition for follow-on contracts. This resulted first in 10 U.S.C. §§ 2320 and 2321, which provided minimum protections to contractors and subcontractors while assuring sufficient rights to allow second-source contracts and upgrades. In order to protect the intellectual property rights of suppliers, the DoD implements these trade secret protections at DFARS 227.71 and 227.72 for commercial and noncommercial items. These protections generally do not allow a third party to upgrade software or manufacture spare parts as a second source.

In 2006, due to concerns that this system was being abused and the pressure for second-source contracts, a pair of laws made significant changes to the ability of a supplier to utilize these protections for large-value technologies: the National Defense Authorization Act (NDAA) for Fiscal Year 2006³⁷ and the John Warner NDAA for Fiscal Year 2007.³⁸

Under the NDAA for Fiscal Year 2006, Congress altered a supplier's ability to use standard commercial practices to provide and protect trade secrets to the DoD for major weapon systems. Section 803 of the Act created 10 U.S.C. §2379, which requires that, prior to acquiring a major weapon system

indicates that reverse-engineering is the least desirable means to obtain sufficient information to enable a second source manufacturer to make a part. The failure to follow these procedures could, in theory, actually prevent the Government from using independently created plans. *Westech Gear Corp. v. Department of the Navy*, 733 F. Supp. 390 (D.D.C. 1989).

35. See, e.g., 10 U.S.C. §§ 2320–2321 (governing modern rights in technical data under DoD procurements); *Hearings on Proprietary Rights and Data before Subcommittee No. 2 of the House Select Committee on Small Business*, 86th Cong., 2d Sess. (1960) (discussing practices of DoD contractors with regard to intellectual property developed by subcontractors). See, generally, FEDERAL COUNCIL FOR SCIENCE AND TECHNOLOGY, REPORT ON GOVERNMENT PATENT POLICY, at 1–5 (Combined Dec. 31, 1973, Dec. 31, 1974, Dec. 31, 1975, Sept. 30, 1976).
36. A good review of these changes is found in *Bell Helicopter*, 85-3 BCA 18,415 (ASBCA 1985), as well as in Appendix E of the DoD IP Guide, *supra* note 29.
37. Pub. L. 109-163, January 6, 2006.
38. Pub. L.109-364, October 17, 2006.

as a commercial item under FAR Part 12 and DFARS Part 212, the vendor must obtain a waiver from the Secretary of Defense. To grant this waiver, the Secretary must find both that the major weapon system is a commercial item, as defined in Section 4(12) of the Office of Federal Procurement Policy Act,³⁹ and that using commercial item acquisition procedures is “necessary to meet national security objectives.” If the waiver is granted, “the congressional defense committees are notified at least 30 days before such treatment or purchase occurs.” It is important to note, however, that subsystems and components of the major weapon system are exempt from the national security determination prong of the waiver requirement under 10 U.S.C. § 2379(b), and thus can, in theory, still be supplied under standard commercial item acquisition procedures. In effect, Section 2379 restricts a contractor’s ability to enforce standard commercial licenses, which generally incorporate more restrictive trade secret protection, for items sold as a major weapon system.

The ramification is that, for noncommercial items (which is now the presumption for major weapon systems), the contractor must follow prescribed rules for delivery of trade secrets in the form of technical data and software and maintain evidence of private development or risk losing its proprietary rights. In contrast to prior practice, contractors for major weapons systems no longer can characterize major weapons systems as “commercial items” based upon commercial marketing alone. Major weapons system suppliers thus face an increased risk that their IP will be transferred to the Government or second-source suppliers.

The John Warner National Defense Authorization Act for Fiscal Year 2007 further increased the risk to suppliers of major systems. The Warner Act amended 10 U.S.C. § 2321 to modify the process for validating proprietary restrictions for technical data⁴⁰ related to a major system. Now, when commercial technologies incorporated into major systems they are no longer entitled to the same supplier-friendly presumptions and procedures that otherwise apply to commercial technologies.

If the DoD challenges a contractor’s assertion of proprietary status for a particular technology because the Government believes it provided funding for development of the technology the contractor is allowed to present rebuttal evidence.⁴¹ Under 10 U.S.C. § 2321(f), commercial items are generally presumed to have been developed entirely at private expense (which allows treatment as a trade secret), and thus the Government’s challenge will fail unless the Government can provide evidence to demonstrate its funding.

39. Codified at 41 U.S.C. § 403 (12).

40. By policy, a similar process is used for computer software. DFARS 227.7203-13 and 252.227-7019. Thus, when the DFARS implements these new statutory requirements for technical data, it is likely that a similar rule will be applied to computer software.

41. 10 U.S.C. § 2321, implemented at DFARS 252.227-7037 (technical data) and DFARS 252.227-7019 (software).

But the new subsection 10 U.S.C. § 2321(f)(2) eliminates this presumption for technical data relating to major systems, and arguably reverses the presumption once the Government has met the threshold burden to initiate the challenge.

More specifically, the new law stated that a challenge to “a use or release restriction that is asserted with respect to technical data of a contractor or subcontractor (whether or not under a contract for commercial items) for a major system or a subsystem or component thereof on the basis that the major system, subsystem, or component was developed exclusively at private expense, . . . shall be sustained unless information provided by the contractor or subcontractor demonstrates that the item was developed exclusively at private expense.”⁴² This shift in burden of proof could be critical to whether a challenge is upheld (and the trade secret lost), since the vendor is now obligated (for major weapon systems) to provide financial evidence regarding the development funding for that item or system. This further weakens the ability of suppliers of major weapons systems to leverage a “commercial item” designation in order to avoid Government-unique procedures.

C. The Evolution of the Federal Acquisition System and Procurement Practices

As discussed in Chapter 1, the contracting party must ensure that the Government official signing the procurement vehicle has the actual authority to do so, and that there is a statutory basis for any variation from the standard clause.⁴³ For this reason, most contracts rely on pre-set rules that regulate government contracts and reflect the various procurement statutes applicable to a particular issue.

In an effort to interpret the laws that regulate government contracts consistently, the Office of Federal Procurement Policy Act led to the drafting of standard contract terms and regulations. The law was directed to the creation

42. 10 U.S.C. § 2321(f)(2).

43. *Hazeltine Corp. v U.S.* 10 Cl.Ct. 417 (Cl. Ct. 1986) (no evidence Department of Transportation contracting officer had authority to agree to modification of patent rights clause); *McDonnell Douglas Corp. v. United States*, 670 F.2d 156 (Cl. Ct. 1982) (contracting officer had no authority to grant exemption from patent rights clause under ASPR at 32 C.F.R. § 9-107-5 (1965)). However, where the procurement regulations give the authority to make deviations, the contracting officer can modify the patent rights clause. *The Bendix Corp. v. United States*, 186 U.S.P.Q. 289 (Cl. Ct. 1975) (contracting officer had authorization to make change under 1946 regulations as evidenced by months of negotiations on subject); *Mine Safety Appliance Co. v. United States*, 364 F.2d. 385 (Cl. Ct. 1966) (no express exclusion from authorized contracting officer to remove patent rights clause included in 1946 contract).

of a “single, simplified, uniform Federal procurement regulation and . . . procedures for insuring compliance with such provisions by all Federal agencies.”⁴⁴ The result is the Federal Acquisition Regulations (FAR)⁴⁵ and agency-specific supplements.⁴⁶ Among the more well known of these supplements, for the purposes of intellectual property, are the DFARS,⁴⁷ the DoE Acquisition Regulations (DEAR),⁴⁸ and the NASA FAR Supplement (NFS).⁴⁹

While some of these regulations allow some leeway in negotiating IP terms, this flexibility sometimes is not exercised or is not sufficient for the private party. So other contractual vehicles (most notably “other transactions”)⁵⁰ have been developed to give the Government the authority to vary from these procedures.⁵¹ A more detailed discussion on OTs as a non-traditional procurement technique can be found in Chapter 3.

Intellectual property terms in Government contracts are strictly construed. This strict interpretation can be worrisome given the numerous requirements for reporting,⁵² notices,⁵³ dispute provisions,⁵⁴ and later rights

44. 41 U.S.C. § 405a.

45. Chapter 1 of 48 C.F.R.

46. Chapters 2 to 54 of 48 C.F.R.

47. Chapter 2 of 48 C.F.R.

48. Chapter 9 of 48 C.F.R.

49. Chapter 18 of 48 C.F.R.

50. “Other transactions” (OTs) collectively refer to agreements that are authorized for use by DoD pursuant to 10 U.S.C. § 2371, or by NASA under the 1958 Space Act (Pub. L. No. 85,568; 72 Stat. 426 438 (Jul. 29, 1958), as amended). Due to the success of this particular arrangement, other agencies have been granted authority to enter into OTs, or are currently seeking this authority. *E.g.*, 42 U.S.C. § 7256(g)(1), (granting DoE OT authority consistent with 10 U.S.C. § 2371). The Departments of Homeland Security and Health and Human Services and the National Institutes of Health also have been granted provisional OT authority. This list is by no means comprehensive.

51. David S. Bloch & James G. McEwen, “*Other Transactions*” With Uncle Sam: A Solution to the High-Tech Government Contracting Crisis, 10 TEX. INTELL. PROP. L. J. 195, 205–207 (2002); Richard N. Kuyath, *The Untapped Potential of the Department of Defense’s “Other Transaction” Authority*, 24 PUB. CONT. L.J. 521, 522–24 (1995).

52. *E.g.*, FAR 52.227-11(c)(1) (Dec. 2007) (disclosing new inventions); DFARS 52.227-7038 (e)(7) (Dec. 2007) (annual interim reports and a final report on subject inventions); DFARS 252.227-7017 (requiring pre-award identification of technical data and computer software to be delivered with restrictions); DFARS 252.227-7013(e) (requiring post-award identification of technical data to be delivered with restrictions); DFARS 252.227-7014(e) (requiring post-award identification of software to be delivered with restrictions); DFARS 252.227-7038(f) (reporting utilization of subject inventions on which elected to take title); and NFS 1852.227-71 (request for advance waiver to retain rights to subject inventions).

53. *E.g.*, FAR 52.227-11(c)(4) and DFARS 252.227-7038(e)(4) (requires modifying specification of application to identify contract and Government’s rights); and DFARS 252.227-7013(f) and 252.227-7014(f) (requires specific markings to claim restrictions on delivered technical data or software).

54. *E.g.*, DFARS 252.227-7038(k) (withholding of money for failure to comply); FAR 52.227-11(h) and DFARS 252.227-7038(h) (setting forth march-in procedures with reference to

to use.⁵⁵ Additionally, many requirements cannot be waived.⁵⁶ For instance, failure to abide by the reporting requirements under FAR 52.227-11 resulted in the Government taking title to a patent in *Campbell Plastics Eng'g & Mfg., Inc. v. Brownlee*.⁵⁷ And in *Ervin & Associates, Inc. v. United States*, the contractor's failure to provide timely notice of proprietary status resulted in a loss of trade secret protection for data delivered under FAR 52.227-14.⁵⁸ These cases reflect that the clauses (and their enforcement) remain a source of great confusion on the part of industry.⁵⁹ When entering into a contract, it is important to thoroughly understand the pre-set regulations that will govern the IP delivered or created under a particular contract.

D. Inventions and Patents in Federal Procurements

In general, the FAR and its supplements are governed by the Bayh-Dole Act.⁶⁰ Under the Bayh-Dole Act, small businesses and nonprofit organizations (including universities) may elect to retain title to their inventions rather than transferring ownership to the Government. The policy impact of the Bayh-Dole Act on Government rights has been significant. For instance, while Congress initially declined to mandate Bayh-Dole to large businesses⁶¹, the same basic rights have been extended to all companies by Presidential

37 CFR 401.6); and DFARS 252.227-7019 and DFARS 252.227-7037 (validation of markings procedures).

55. E.g., FAR 52.227-11(h) and DFARS 252.227-7038(h) (setting forth the use of 37 CFR 401.6 to implement march-in procedures to allow Government to issue licenses); and DFARS 252.227-7018(b)(4) and FAR 52.227-20(d) (defining sunset of SBIR data rights after which Government obtains unlimited rights).
56. For instance, the requirements for notifying the Government of a subject invention and electing to prosecute an application contained in FAR 52.227-11 are included in 35 U.S.C. § 202(c). Similarly, the requirements for technical data challenges contained in DFARS 252.227-7037 are included in 10 U.S.C. § 2321.
57. 389 F.3d 1243 (Fed. Cir. 2004).
58. 59 Fed. Cl. 267 (2004).
59. For general background, see Nancy O. Dix, Fernand A. Lavelle, and Kimberly Welch, *Fear and Loathing of Federal Contracting: Are Commercial Companies Really Afraid to Do Business with the Federal Government*, 33 PUB. CONT. L. J. 5 (Fall 2003); Bloch & McEwen, *supra* note 51; Kuyath, *supra* note 51; and DoD IP Guide, *supra* note 29.
60. Bayh-Dole Act, 35 U.S.C. §§ 200–12.
61. In the context of the Bayh-Dole Act and its implementation in federal acquisitions, we use the term “large business” to refer to any person or organization other than a “small business firm” or “nonprofit organization” as those terms are defined at 35 U.S.C. §§ 201(h) and (i), respectively.

Memorandum,⁶² amendments to Bayh-Dole,⁶³ and Executive Orders.⁶⁴ Except in cases where the agency has special statutory authority, the basic Bayh-Dole scheme is applied by Federal agencies to all of their contractors, regardless of the size or type of contractor.⁶⁵ Even where contractual instruments fall outside of the Bayh-Dole Act, it still forms the starting point for many Government negotiations on patent rights.⁶⁶

In rare circumstances, the Government's rights acquired through contract can act as a defense for private infringers.⁶⁷ However, the more common defense relies upon the Government's license in the context of patent claims under 28 U.S.C. §1498. The law provides the Government with a paid-up license to any invention conceived or reduced to practice during the term of

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62. Under Presidential Memorandum to the Heads of Executive Departments and Agencies on Government Patent Policy, dated February 18, 1983, the Bayh-Dole Act was applied to large businesses and other non-small businesses and for-profit organizations. However, the Memorandum also carved out some exceptions by noting that "any of the rights of the Government or obligations of the performer described in 35 U.S.C. 202-204 may be waived or omitted if the agency determines (1) that the interests of the United States and the general public will be better served thereby as, for example, where this is necessary to obtain a uniquely or highly qualified performer; or (2) that the award involves co-sponsored, cost sharing, or joint venture research and development, and the performer, co-sponsor or joint venturer is making substantial contribution of funds, facilities or equipment to the work performed under the award."
63. In Congressional response the carve-out contained in the Presidential Memorandum, *supra* note 62, 35 U.S.C. § 210(c) was amended to require that all funding agreements must provide the Government with its standard license rights specified at § 202(c)(4), and march-in rights specified at § 203. Section 501(13) of P.L. 98-620, 98 Stat. 3367, November 8, 1984.
64. Executive Order 12591, *Facilitating access to science and technology*, April 10, 1987 (52 Fed. Reg. 13414, April 22, 1987), amended by EO 12618, *Uniform treatment of Federally funded inventions*, December 22, 1987 (52 Fed. Reg. 48661, December 24, 1987).
65. FAR 27.303(b)(1) prescribes the basic patent rights clause FAR 52.227-11, Patent Rights—Ownership by the Contractor, for small business and nonprofits in all cases, and for large businesses unless there is specific authority to use another clause. Only the DoD, DoE, and NASA are recognized as eligible to use other than the FAR 52.227-11 clause for their large business contractors.
66. For instance, for Other Transactions for Prototypes, "the Agreements Officer should seek to obtain intellectual property rights consistent with the Bayh-Dole Act (35 U.S.C. 201–204) for patents and 10 U.S.C. 2320–2321 for technical data, but may negotiate rights of a different scope when necessary to accomplish program objectives and foster government interests." Under Secretary Of Defense For Acquisition, Technology And Logistics, "OTHER TRANSACTIONS (OT) GUIDE FOR PROTOTYPE PROJECTS," C2.3.1.4 (21 Dec. 2000).
67. *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1550 (Fed. Cir. 1992), *cert. denied*, 114 S.Ct. 85 (1993) (1993) ("Congress intended that inventions made under this Contract be available to the 'general public,' of which Hydranautics is a member, [so] it would be contrary to the intent of Congress to permit FilmTec to preclude Hydranautics from practicing such an invention"). See Robert A. Molan, *FilmTec: A Hard Lesson in Patent Rights and Government Contracting*, 28 PUB. CONT. NEWSL. 5 (Summer 1993). See Chapter 4 for a more complete discussion of the government title defense.

a Government contract⁶⁸—whether or not the resulting patent is directly related to the product the contractor was hired to produce.⁶⁹ As opposed to obtaining rights in trade secrets, the analysis is based on function, not funding. The Government has been found to have rights in inventions even where gaps in funding exist.⁷⁰

The Bayh-Dole Act, as implemented by the FAR, requires any patent application for a “subject invention” to contain a notation that the invention was developed with Government money and may be subject to Government rights.⁷¹ In addition, the Bayh-Dole Act has unique notice and election-of-title requirements: if a proper election is not made within eight months, the contractor may lose his rights in favor of the Government.⁷² The enforcement of such Government-unique requirements arguably reduces the pool of government contractors, to the detriment of the public.⁷³ Because Government contracting is both complex and abstruse, an unknown but probably significant number of technology companies avoid government work altogether. “[P]rivate industry finds required government procedures burdensome and time-consuming.”⁷⁴

The Government has waived sovereign immunity for patent infringement only in specific circumstances. The effect of this limited waiver is that the Government has a nonexclusive right to use or manufacture a patented invention subject to a reasonable royalty.⁷⁵ This waiver can be extended to a contractor either explicitly through a contract clause,⁷⁶ or implicitly by Government authorization.⁷⁷ In this manner, the Government ensures a

68. 15 U.S.C. § 3710a(b)(2).

69. 35 U.S.C. § 201(e); see Kevin W. McCabe, *Implications of the CellPro Determination on Inventions Made With Federal Assistance: Will the Government Ever Exercise Its March-In Rights?*, 27 PUB. CONT. L. J. 645, 653 (1998).

70. *Appeal of American Nucleonics Corp.*, 73-1 BCA 10025 (ASBCA Apr. 17, 1973) (interpreting *Mine Safety Appliances Co. v. United States*, 364 F.2d 385, 392 (Ct. Cl. 1966)).

71. 35 U.S.C. § 202(c)(6).

72. 35 U.S.C. § 202(c)(3); FAR 52.227-11(d); DFARS 252.227-7038(d).

73. Robert C. Spreng, Wayne Prochniak, Honeywell International, and Dick Kuyath, *Maximizing the National Value of the Bayh-Dole Act in 2008?*, IDCC WHITE PAPER (2004).

74. GAO REPORT NO. GAO/PEMD-91-23, *DIFFUSING INNOVATIONS: IMPLEMENTING THE TECHNOLOGY TRANSFER ACT OF 1986, A REPORT TO THE CHAIRMAN, COMMITTEE ON SCIENCE, SPACE, AND TECHNOLOGY, HOUSE OF REPRESENTATIVES* (1991). See also Diane M. Sidebottom, *Updating the Bayh-Dole Act: Keeping the Federal Government on the Cutting Edge*, 30 PUB. CON. L. J. 225 (2001) (arguing that the Bayh-Dole Act needs to be rewritten to account for needs of modern commercial practices).

75. 28 U.S.C. § 1498(a) provides relief “[w]henever an invention described in and covered by a patent of the United States is used or manufactured by . . . the United States without license of the owner thereof or lawful right to use or manufacture the same.”

76. FAR 52.227-1.

77. 28 U.S.C. § 1498(a) also provides relief “[w]henever an invention described in and covered by a patent of the United States is used or manufactured . . . for the United States without license of the owner thereof or lawful right to use or manufacture the same.” Courts have

continuous supply of goods while assuring a contractor that it will be free from infringement liability.⁷⁸ Given that 28 U.S.C. § 1498(a)⁷⁹ only relates to unauthorized use or manufacture of a patented product, the contractor's ability to avoid liability is necessarily tied to the Government's liability. The waiver under 28 U.S.C. § 1498 only applies to liability commensurate with 35 U.S.C. § 271(a), leaving the Government immune to other types of infringement.⁸⁰ As a result, for those types of infringement for which the Government is immune, the contractor would appear to be liable for performing the contract.⁸¹

1. Rights versus Ownership

Historically, whether the Government acquired ownership of or a license to subject inventions depended on two factors: the agency awarding the contract, and the year of the clause in the contract. Contractors could not expect to receive the same rights in their inventions when dealing with different agencies in the same year, or the same agency in different years. But via Bayh-Dole⁸² and President Reagan's Executive Order,⁸³ contractors generally are allowed to retain title. The Government receives a right to use the subject inventions for Government purposes (including procurement).⁸⁴ This leaves the entire commercial market to the contractor. While there are circumstances in which the Government can obtain title as opposed to a license under Bayh-Dole, the Government must take affirmative action to require the transfer of title to the subject invention. In this manner, the provisions of the Bayh-Dole Act are not self-enforcing and instead require a conscious

interpreted this statutory provision to allow authorization and consent even when no FAR clause explicitly provides consent.

78. *Richmond Screw and Anchor Co. v. United States*, 275 U.S. 331 (1928). See also *Madey v. Duke*, 413 F. Supp.2d 601 (M.D. N.C. 2006).

79. And therefore the authorization and consent clause at FAR 52.227-1.

80. *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006).

81. *Madey v. Duke*, 413 F. Supp.2d 601 (M.D. N.C. 2006) (28 U.S.C. § 1498 acts as an affirmative defense, applicable only to the extent the infringing activity was authorized by the Government within the scope of 28 U.S.C. § 1498); Jerry Stouck, *Patent Owners, Take Heed of Zoltek Ruling*, IP LAW 360 (July 30, 2007). This holding is also consistent with State law on the subject. *State of Texas v. Herbert W. Holland*, 2007 Tex. LEXIS 314; 50 Tex. Sup. J. 642 (Tex. 2007); and *A.C. Aukerman Co. v. State of Texas*, 902 S.W.2d 576 (Tex. App.—Houston [1st Dist.] 1995, writ denied).

82. 35 U.S.C. § 202.

83. Executive Order 12591. See also *Memorandum on Government Patent Policy to the Heads of Executive Departments and Agencies* (February 18, 1983).

84. 35 U.S.C. § 202(c)(4) (the Government shall receive "nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world."). See also FAR 52.227-11(d)(2); and DFARS 52.227-7038(d)(2).

decision to contractually divest title otherwise presumed to be with the contractor.⁸⁵ Failure to request title is not subject to review under the Administrative Procedures Act.⁸⁶ Therefore, outside of exceptional circumstances, the Government will typically allow the contractor to retain title to an invention even where it might otherwise be contractually permitted to divest title from the contractor.

It is also important to note that not all agencies follow the Bayh-Dole paradigm for contracts with other than small businesses or nonprofit organizations. The DoE⁸⁷ and NASA⁸⁸ have their own statutes controlling ownership of subject inventions of large businesses. For contracts with these agencies, Congress made a special determination that certain technologies must be controlled by the Government in order to ensure public accessibility to Government-funded technology. In these limited cases, Congress directed that title automatically vests in the Government.⁸⁹ But the agencies can waive this requirement in exchange for a nonexclusive license. And they usually encourage contractors to seek waivers in order to ensure more effective commercialization of agency-sponsored inventions.⁹⁰ The policy favoring private ownership of intellectual property developed in part at Government expense “has been consistently hailed as an unqualified success in stimulating the commercial development of discoveries emerging from government-sponsored research in universities.”⁹¹

85. *Central Admixture Pharmacy Services Inc. v. Advanced Cardiac Solutions P.C.*, 482 F.3d 1347 (Fed. Cir. 2007) (failure to file confirmatory instrument needed to confirm Government rights as condition of Government waiver of title option under 35 U.S.C. § 202(d) did not divest title from inventor without affirmative action by Government); *Campbell Plastics Engineering & Mfg. Inc. v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004) (contracting officer has discretion to request title where contractor breaches patent rights clause notification provisions); *Mead Corp. v. United States*, 490 F.Supp. 405 (D.D.C. 1980) *aff'd* 652 F.2d 1050 (D.C. Cir. 1981) (inventor’s failure to secure rights from university to inventor does not automatically divest title from inventor and transfer title to Government). However, a minority of courts have found the patent rights clause title provisions to automatically divest title in limited circumstances. *TM Patents v. IBM*, 121 F.Supp.2d 349 (S.D.N.Y. 2000) (inventor’s failure to secure rights from university to inventor does automatically divest title from inventor and transfer title to Government).

86. 5 U.S.C. § 702. *Mead Corp. v. United States*, 652 F.2d 1050 (D.C. Cir. 1981).

87. 42 U.S.C. §§ 2182, 5908.

88. 42 U.S.C. § 2457.

89. *U.S. Department of Energy v. White*, 653 F.2d 479 (C.C.P.A. 1981) (reviewing congressional intent to vest title in certain inventions under 42 U.S.C. § 2182).

90. NFS 1827.302(b)(ii); DEAR 952.227-13(b)(1); 10 C.F.R. Part 784; 14 C.F.R. Part 1245. These waivers are routinely in the solicitation itself. See DEAR 952.227-84 and NFS 1852.227-71.

91. Rebecca S. Eisenberg, *Symposium on Regulating Medical Innovation: Public Research and Private Development: Patents and Technology Transfer in Government Sponsored Research*, 82 VA. L. REV. 1663, 1708 (1996).

2. “Subject Inventions” Made Under Contract

a. Making a Subject Invention

For patents, the Government obtains license rights in “subject inventions.” Subject inventions include inventions first conceived or actually reduced to practice during performance of a funding agreement.⁹² Thus, Bayh-Dole is inapplicable to procurement contracts of nondevelopmental or “off the shelf” items.⁹³ Unless the work is being performed outside of the United States,⁹⁴ the Government typically only obtains a license right as opposed to ownership to the subject invention.⁹⁵ As such, the mere fact that a patent covers a “subject invention” does not mean that the patent is owned by the Government rather than the contractor.⁹⁶

Conception or actual reduction to practice must occur during a research and development effort called for under the contract, and not merely during any contract period.⁹⁷ These events are also at least nominally independent from funding as long as the work falls within the statement of work (SoW) in the agreement. Thus, unlike rights in data (as will be discussed below), whether the Government obtains rights in an invention is dependent mostly on the statement of work for a particular funding agreement.

Conception under the Bayh-Dole Act generally follows the contours of “conception” under 35 U.S.C. § 102(g). Conception is the:

formation in the mind of the inventor, of a definite and permanent idea of the complete and operative invention, as it is hereafter to be applied in practice. An idea is sufficiently definite and permanent for conception if it provides one skilled in the art with enough guidance to understand the invention, that is,

92. Funding agreements include grants, contracts, and cooperative agreements. See 35 U.S.C. § 201(b). Procurement contracts do not include Cooperative Research and Development Agreements (CRADAs) or other transactions.

93. *Erie Resistor Corp. v. United States*, 279 F.2d 231 (Cl.Ct. 1960) (no rights in invention developed under procurement contract that did not involve research or development).

94. FAR 27.303(c) and FAR 52.227-13.

95. FAR 52.227-11 (small businesses and nonprofits) and DFARS 52.227-7038 (large business).

96. FAR 52.227-13 requires Government ownership of subject inventions, and NASA requires patent ownership for subject invention absent advance waivers. See NFS 1852.227-70(b).

97. *Erie Resistor Corp. v. United States*, 279 F.2d 231 (Cl. Ct. 1960) (no rights in invention developed during procurement contract not involving research and development); *Boeing Co. v. United States*, 670 F.2d 156 (Cl. Ct. 1982) (no rights in invention created under internal research and development effort but not included in statement of work overlapping same time period); *Rutgers v. United States*, 41 Fed. Cl. 764 (Fed. Cl. 1998) (no rights in invention created during contract period but outside of statement of work).

when the inventor has a specific, settled idea, a particular solution to the problem at hand, not just a general goal or research plan he hopes to pursue.⁹⁸

Conception requires more than an “accidental and unappreciated duplication of an invention.”⁹⁹ Instead, there must be a definite creation of the invention that can be reduced to practice without undue experimentation, and this creation must occur within the SoW.

If conception occurs outside of the SoW, the invention is not a subject invention. For instance, in *Rutgers v. United States*,¹⁰⁰ the Court of Federal Claims found that an invention conceived during a contract but outside the statement of work was not a subject invention. The Court reached this decision even though the statement of work was later modified to include the invention, because there was no evidence that the invention was later actually reduced to practice under the contract with the enlarged SoW. Thus, especially for conception, the statement of work defines the metes and bounds of when the Government acquires rights.

Similarly, actual reduction to practice requires that a workable version of the invention be created during the performance period. This is generally in line with the traditional law governing patent reductions to practice. “In order to establish an actual reduction to practice, the inventor must prove that: (1) he constructed an embodiment or performed a process that met all the limitations of the interference count; and (2) he determined that the invention would work for its intended purpose.”¹⁰¹ Given the number of factors that must be evidenced, actual reduction to practice is heavily fact-specific.

Reduction to practice often occurs after conception. So the Government may acquire rights in existing conceptions (sometimes patent pending inventions) due to its involvement in the development of the first working prototype. This is one of the more controversial aspects of the Bayh-Dole Act. For inventors, this provision appears to be taking what was private property merely because the contractor used Government funds to complete a working prototype of an already-realized invention. While an inventor may equate the filing of an application, which results in a *constructive* reduction to practice, with *actual* reduction to practice, the mere filing of the application is insufficient to show that the device itself was constructed.¹⁰² Thus, inventors are often surprised to learn the extent of the Government’s rights when they

98. *Invitrogen Corp. v. Clontech Laboratories Inc.*, 429 F.3d 1052 (Fed. Cir. 2005) (citations and internal quotation marks omitted).

99. *Id.*, quoting *Silvestri v. Grant*, 496 F.2d 593, 597 (CCPA 1974).

100. 41 Fed.Cl. 764 (Fed. Cl. 1998).

101. *Cooper v. Goldfarb*, 154 F.3d 1321, 1331 (Fed. Cir. 1998).

102. *Pilley v. United States*, No. 05-382 C (Fed. Cl. 2006).

use a patented but unproven technology for the first time under a Government contract.

The Government's justification for obtaining patent rights in these situations relates to the relative risks and investments of the parties. The first actual reduction to practice is easily the most expensive part of the inventive process and involves the most risk. Creating a working prototype can cost many times more than the cost of coming up with a workable (but unproven) concept. Where the Government undertakes the risk, it gets some of the reward. But this justification does not cut across all types of technology and can yield results that may appear unjust where the Government's contribution was de minimis. So an unstated requirement is read into the Bayh-Dole Act: the extent of Government assistance will guide whether the Government will exercise its rights.

The Government is more likely to obtain rights for inventions first actually reduced to practice with Government assistance where that assistance is substantial. In the seminal case illustrating this point, *Mine Safety Appliances Co. v. United States*,¹⁰³ the first reduction to practice occurred between contract phases but was within the statement of work. The result was deemed a subject invention because it had a "close and umbilical connection" to the work and because the inventors had worked "cheek by jowl" with research admittedly covered by the Navy's agreement. Significant in this analysis was (1) the extensive and interwoven Government involvement in the development, (2) the use of Government resources, and (3) the belief that the inventors would not have been able to develop the invention without the Government's assistance. A similar result occurred in *Technical Development Corp. v. United States*,¹⁰⁴ where the Court declared that TDC's new product was a "subject invention" despite the absence of a patent rights clause in a sub-subcontract because the sub-subcontractors were intimately involved in the first actual reduction to practice, were paid by the Government for substantially all of the development, and were sufficiently involved in the prime contract to be characterized as "co-entrepreneurs" with the prime contractor. As such, despite there not being an actual contract at the specific time, the substantial nature of the Government's assistance can warrant classifying an innovation as a "subject invention."¹⁰⁵

One way to demonstrate a substantial relationship is by looking at the comparative monetary contributions of the parties. The source of funding is a useful signal to distinguish whether new technologies first built during a

103. 176 Ct. Cl. 777; 364 F.2d 385 (Ct. Cl. 1966).

104. 171 U.S.P.Q. 353 (Cl. Ct. 1971).

105. See also *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546 (Fed. Cir. 1992) and *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568 (Fed. Cir. 1991), where the Government obtained title pursuant to the Saline Water Conversion Act even though there was no evidence that the inventor was required to assign his rights to his employer (who had a Government contract).

contract period are subject inventions. In *Hazeltine Corp. v. United States*, for example, the Court of Federal Claims justified the Government's acquisition of rights in an existing, but unproven, invention. "Under the '598 contract . . . , considerable time, effort and money was devoted to proving the efficacy of the tuned array concept. The money funding this investigation was provided by the government which, rather than Hazeltine, thus bore the risk that its investment could ultimately be for naught."¹⁰⁶ In *Hazeltine*, the Court noted that Hazeltine had spent only \$20,000 on its own for precontract conceptualization, whereas the Government expended \$400,000 to actually make the invention workable. Similarly, in *McDonnell Douglas v. United States*,¹⁰⁷ the Government spent more than \$3,000,000 to create a workable prototype, whereas the contractor spent less than \$600,000 to come up with a concept and a computer simulation that turned out to be inaccurate. As in *Mine Safety*, the courts concluded that the Government had "subject invention" rights to an existing invention based, in part, on the relative contributions of the parties.

By contrast, in *Boeing Co. v. United States*,¹⁰⁸ the SoW for an existing contract indicated that the research and development phase should use an inventive aluminum-lithium alloy as a mechanism for comparison with other materials being developed. But Boeing introduced evidence that the research on the alloy was conducted outside of the contract using its own internal R&D program. Moreover, the funding levels were so low that the SoW could not have envisioned funding development of the alloy. Even though the research and development efforts overlapped, the relative expenditures helped establish that the alloy was not a subject invention. Thus, while technically there is no monetary component to the "subject invention" analysis, in reality the courts are quick to justify such rights when the Government, rather than the contractor, incurs disproportionate the risk or expense.

It is important to understand that while the Government acquires rights in subject inventions, conversely, it does not acquire rights in other existing or non-subject inventions unless specifically provided for.¹⁰⁹ These are referred to as "background inventions" and are outside the contract's scope. If background inventions are needed, the Government is required to pay for the licensed use of these background inventions.¹¹⁰ This licensing is consistent

106. *Hazeltine Corp. v. United States*, 10 Cl. Ct. 417, 230 U.S.P.Q. 721, 755 (Cl. Ct. 1986) *aff'd* 820 F.2d 1190 (Fed. Cir. 1987).

107. 670 F.2d 156 (Cl. Ct. 1982).

108. 69 Fed. Cl. 397 (Fed. Cl. 2006).

109. E.g., FAR 52.227-12 (m) (Jan 1997); DFARS 252.227-7038(i) (Dec. 2007); DEAR 952.227-13 (c)(1)(v); and NFS 1852.227-70 (c)(2) (no rights are obtained in "any invention other than a subject invention").

110. E.g., FAR 27.306 (requiring head of agency approval for licensing background inventions for use by the Government within meaning of 28 U.S.C. § 1498(a)); FAR 27.201 (requiring authorization and consent clauses to prevent injunctions for use of nonsubject inventions within meaning of 28 U.S.C. § 1498(a)); and DFARS 227.7004 (discussing DoD regulations

with the limited waiver of sovereign immunity contained in 28 U.S.C. § 1498(a), which does not allow injunctive relief, but does allow “reasonable and entire compensation for such use and manufacture” where a patented invention “is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same.”¹¹¹

b. Contractor Must Have Disclosure System in Place

In addition to introducing the idea of the “subject invention,” Bayh-Dole defined specific monitoring and reporting requirements. These requirements must be obeyed if contractors want to keep their intellectual property or avoid other penalties. First, Bayh-Dole requires the contractor to keep records to ensure that the Government obtains the benefit of the acquired right.¹¹² The requirement for a plan is implied for small businesses and nonprofit organizations, because a failure to monitor and properly report a subject invention can result in loss of title. For a large business, the requirement is express. Indeed, for large businesses, the assurance that such a plan exists is a condition of compliance with the clause in the first place and can be grounds for withholding of final payment.¹¹³

Such administration need not be unnecessarily elaborate. As long as there is some point of contact to help identify patentable inventions, the contractor is likely in compliance with this requirement. And the contemplated system is something most businesses already have in place. Lastly, it is noted that, for cost reimbursable contracts, the costs of such administration may be reimbursable to the extent that the costs are directly attributed to the contract (e.g., reports of inventions, invention disclosure report preparation, etc.), as well as legal costs related to patents.¹¹⁴

for settlement of claims and licenses). This requirement is also consistent with Article 31 of Annex 1C, Agreement on Trade-Related Aspects of Intellectual Property Rights, to GATT (Uruguay Round) and North American Free Trade Agreement (NAFTA) as set forth in FAR 27.204.

111. Courts have not always been uniform in this analysis. *Compare Boeing v. United States*, 69 Fed. Cl. 397 (Fed. Cl. 2006) (restrictive view of subject invention) with *AMP Inc. v. United States*, 389 F.2d 448 (Cl. Ct. 1968) (broader view of subject invention).
112. E.g., FAR 52.227-11(e)(2) (Dec. 2007); FAR 52.227-12(f)(2) (Jan. 1997); DFARS 252.227-7038 (e)(2) (Dec. 2007) (requiring giving instructions to employees on compliance); and FAR 52.227-12(f)(5) (Jan. 1997); DFARS 252.227-7038(c)(1) (Dec. 2007); and NFS 1852.227-70(e)(1) (requiring administration of patent rights sufficient to identify inventions within six months).
113. E.g., DFARS 52.227-7038(k)(1)(i); and NFS 1852.227-70(g)(1)(i) (withholding of final payment for failing to “establish and maintain active and effective procedures” to assure that subject inventions “are promptly identified and disclosed”).
114. FAR 31.205-30; DCAA Contract Audit Manual 7640.1 § 7-702.1 (July 2007). However, more speculative costs cannot be reimbursed. *In re Fiber Materials, Inc.* ASBCA 53616 (April 17, 2007 ASBCA).

c. Invention Disclosure and Election of Title

Pursuant to this administrative plan, the contractor must generally disclose each subject invention within two months of identifying it, or for large businesses with the DoD, within six months of discovery.¹¹⁵ There is no required form on which to disclose the inventions, but in order for the disclosure to be contractually meaningful, the Federal Circuit has instructed that the information should be “in a single, easily identified form on which to disclose inventions.”¹¹⁶ After reporting the existence of the subject invention, the contractor is required to inform the Government, within two years after disclosure for small businesses,¹¹⁷ or eight months after disclosure for large businesses with the DoD,¹¹⁸ whether the contractor will be keeping ownership of the invention and in which countries. The contractor then must complete the patent application within one year of election or prior to any potential patent bar date.¹¹⁹ It also must report the filing of an international application, abandonment of the application, or discontinuation of maintenance fees.¹²⁰ The contractor may need to make an annual report that discloses the inventions made during the year.¹²¹ And at the end of the contract, the contractor may also have to write a final report disclosing all inventions for the entire contract period.¹²²

For DoE and NASA contracts, an advance waiver is required prior to contracting to ensure that title remains with the contractor.¹²³ Alternatively, the DoE offers the option of applying for a waiver of identified inventions, which allows a contractor to request a waiver of title for individual inventions after they are reported as subject inventions under the contract.¹²⁴

At the close of the contract, the Government releases any amounts withheld pending resolution of invention reporting issues.¹²⁵ Even if the

115. *E.g.*, FAR 52.227-11(c)(1) (disclosing new inventions); DFARS 252.227-7038(c)(1).

116. *Campbell Plastics Engineering v. Brownlee*, 389 F.3d 1243, 1249 (Fed. Cir. 2004). While not required, a common format is found using a DD-882, Report of Inventions and Subcontracts.

117. FAR 52.227-11(c)(2).

118. DFARS 252.227-7038(c)(2).

119. The applicable bar dates are, generally, publication of technical reports and offers for sale of the subject invention under 35 U.S.C. § 102. Since the filing must be made prior to either occurrence, patent applications are often filed well before this one-year deadline.

120. FAR 52.227-11(d) (Dec. 2007); FAR 52.227-12(c)(3) (Jan. 1997); DFARS 252.227-7038(d) (Dec. 2007).

121. FAR 52.227-12(f)(7) (Jan. 1997); DFARS 252.227-7038(e)(7) (Dec. 2007); DFARS 252.227-7039; DEAR 952.227-13(e)(3); and NFS 1852.227-70(e)(4).

122. *Id.*

123. NFS 1852.227-71 and DEAR 952.227-84 (request for advance waiver to retain rights to subject inventions).

124. 10 C.F.R. § 784.5.

125. FAR 27.305.

Government authorizes a final payment, it is not estopped from later claiming that a contractor innovation is a “subject invention.” As noted in *McDonnell Douglas Corp. v. United States*, the “purpose of the reporting requirement is not to limit the Government’s rights in inventions, but to apprise the United States of the inventions in which it has an interest.”¹²⁶ Thus, the failure to discover a subject invention prior to final payment, or the failure to contest a negative invention report, is not a form of estoppel preventing the Government from later claiming the invention to be a subject invention.

Sometimes, neither the contractor nor the Government elects title. In these circumstances, the rules are vague as to whether the inventor retains rights. For small businesses and nonprofit organizations, the Bayh-Dole Act explicitly allows the Government and contractor to agree to allow the inventor to retain title, subject to the Government’s rights.¹²⁷ But this rule is not included in the patent rights clauses themselves. It is, instead, a policy, which applies to contractors of all sizes.¹²⁸ Given the lack of an agreed-upon format for such clauses, courts have been inconsistent in determining what an inventor needs to do to secure title, and whether title automatically divests if the inventor does not follow these rules or only divests at the option of the Government.¹²⁹

In at least one reported decision, the District Court for the Southern District of New York held that, under the Bayh-Dole Act, the Government is presumed to have title unless the contractor elects or, in the alternative, the inventor is granted rights *and* conveys all required confirmatory instruments to the Government.¹³⁰ This decision appears improperly to rely on *FilmTec Corp. v. Hydranautics*¹³¹ and *FilmTec Corp. v. Allied-Signal Inc.*,¹³² which interpreted automatic ownership in the Government in the context of a different statute having an opposite presumption than in the Bayh-Dole Act or the patent rights clauses. The decision seems further to conflict with D.C.

126. 670 F.2d 156 (Cl.Ct. 1982).

127. 35 U.S.C. § 202 (d).

128. FAR 27.304-1(c).

129. *Compare Central Admixture Pharmacy Svcs v. Advanced Cardiac Solutions*, 482 F.3d 1347 (Fed. Cir. 2007) (failure to submit confirmatory instrument does not automatically divest inventor of title since Government must act affirmatively to take title) *with TM Patents v. International Business Machines*, 121 F.Supp.2d 349 (S.D.N.Y. 2000) (Government automatically obtains title unless contractor elects title or inventor, pursuant to an agreement, executes and returns a confirmatory instrument confirming rights in the Government).

130. *TM Patents*, 121 F.Supp.2d 349.

131. 982 F.2d 1546 (Fed. Cir. 1992). *See also* Richard C. Nash, Jr. & Leonard Rawicz, *INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS: INTELLECTUAL PROPERTY RIGHTS* 268 (5th ed. 2001).

132. 939 F.2d 1568 (Fed. Cir. 1991).

Circuit case law¹³³ and more recent Federal Circuit decisions,¹³⁴ which instead vest in the Government the *option* to take title for failure to comply with the reporting and conveyance requirements.

Those later cases focused on the patent rights clauses, which state that the Court “may only request title within 60 days after learning of the failure of the Contractor to disclose or elect within the specified times.”¹³⁵ As noted by the Federal Circuit in *Central Admixture Pharmacy Svcs v. Advanced Cardiac Solutions*, because the word “may” is used, the “government must take an affirmative action to establish its title and invoke forfeiture.”¹³⁶ As such, since title is presumed in the contractor and not in the Government, the general rule is that third parties cannot rely on a contractor’s failure to take action as a defense to infringement without significant Government involvement to attempt to invoke its forfeiture rights under the patent rights clauses. The reporting requirements are sporadically enforced, causing large backlogs and preventing final payment of contracts until all inventions are accounted for.¹³⁷ The consequences of this backlog are difficult to quantify, especially given that the reporting requirements are imperfectly followed and inadequately monitored.¹³⁸

The idea of a reporting requirement may be inimical to business models based on trade secrecy, because reporting can lead to the Government exercising discretion to file a patent application on the subject invention should the contractor elect not to. This requirement increases the likelihood that trade secret rights will be lost or the underlying technology will be compulsorily licensed.¹³⁹ Similarly, for companies that utilize open source licenses, the GNU General Purpose License is inconsistent with licensing under the Bayh-Dole Act.¹⁴⁰ In these situations, the only mechanism by which contractors

133. *Mead Corp. v. United States*, 652 F.2d 1050 (D.C. Cir. 1981).

134. *Central Admixture Pharmacy Svcs v. Advanced Cardiac Solutions*, 482 F.3d 1347; *Campbell Plastics Eng’g & Mfg., Inc. v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004).

135. FAR 52.227-11(d)(1)(i) (Dec. 2007); FAR 52.227-12(d)(1) (Jan. 1997); DFARS 252.227-7038(d)(1)(ii) (Dec. 2007).

136. 482 F.3d at 1353. See also *Campbell Plastics Eng’g & Mfg., Inc.*, 389 F.3d 1243.

137. A chart showing this process can be found in OFFICE OF THE DEPUTY SECRETARY OF DEFENSE, REPORT OF THE WORKING INTEGRATED PROCESS TEAM ON CONTRACT CLOSEOUT, at 41–47 (Apr. 1999), which also argues that significant cost savings can be realized by reform of the invention reporting requirements.

138. See, generally, GAO REPORT NO. GAO/RCED 99-242, TECHNOLOGY TRANSFER: REPORTING REQUIREMENTS FOR FEDERALLY SPONSORED INVENTIONS NEEDS REVISION (Aug. 1999).

139. Richard N. Kuyath, *Barriers to Federal Procurement: Patent Rights*, PROCUREMENT LAWYER, 36 (1), at 12–13 (Fall 2000); Diane M. Sidebottom, *Updating the Bayh-Dole Act: Keeping the Federal Government on the Cutting Edge*, 30 PUB. CONT. L. J. 225, 239 (2001).

140. For instance, under the GNU GENERAL PUBLIC LICENSE, Section 11 (Version 3, 29 June 2007), when the contractor knows an open source program is covered by a patent and received a patent license, the contractor needs to disclaim the license or extend the license to downstream users. In contrast, under Patent Rights Clauses, such as FAR 52.227-11(b)(2),

can ensure that they retain ownership of a subject invention (and thus comply with their business models and licenses) is to file the application. Should a contractor at any stage decline to prosecute the application anywhere in the world, the Government has the right to take title and prosecute the application itself.¹⁴¹ And where neither party elects title, the inventor may be able to apply for a patent in his own name. In that circumstance, the contractor would be required to ensure that the inventor either does not file the application or complies with any applicable licenses constraints. For these companies, the issuance of a patent (or even a publication of the application) could destroy trade secrecy or jeopardize the ability to utilize open source software.¹⁴²

3. Commercializing the Subject Invention

a. March-In Rights

Even if the contractor follows all the reporting requirements, the Government may exercise its march-in rights if it determines the contractor has failed to commercialize the patent to its fullest possible extent.¹⁴³ March-in rights remain the most controversial part of the Bayh-Dole Act, though they have never been exercised. They function as the Government equivalent of a best-efforts clause for commercialization of subject inventions. Under march-in provisions, when the contractor retains the title to the subject invention, the Government has the right to grant additional licenses (1) because the contractor has not taken or is not expected to take, within a reasonable time, effective steps to achieve practical application of the subject invention in such field of use, (2) to alleviate health or safety needs that are not reasonably satisfied by the contractor, (3) to meet the requirements for public use specified by federal regulations where such requirements are not reasonably satisfied by the contractor, or (4) because the agreement to commercialize the invention has not been obtained or waived or because the agreement has been

where the Government obtains title to a subject invention, the contractor's license does not allow for downstream users to automatically receive the same license and any such licenses to noncontractors are required to be consistent with 35 U.S.C. § 207. If the Government takes or elects title to the subject invention, it is possible that the contractor will be in material breach of the GPL for the open source program and will not be able to further distribute the works.

141. 35 U.S.C. 202(c)(2); FAR 52.227-11(d) (Dec. 2007); FAR 52.227-12(d) (Jan. 1997); DFARS 252.227-7038(d) (Dec. 2007).

142. These risks can be significantly mitigated when using nontraditional procurement devices, such as other transactions, as discussed in Chapter 3.

143. 35 U.S.C. § 203.

breached.¹⁴⁴ Thus, the Government can take and license a contractor's patented subject invention pursuant to an administrative proceeding.¹⁴⁵

The march-in process is set forth in 37 C.F.R. § 401.6. The process is generally as follows. If the agency receives "information that it believes might warrant the exercise of march-in rights, before initiating any march-in proceeding," the agency will contact the affected contractor and give it 30 days to reply or contest the initiation of the march-in proceeding. If no reply is received or 60 days after receiving the reply, the agency may initiate a full march-in hearing.¹⁴⁶ If sufficient evidence exists to warrant the exercise of march-in rights, the agency will give written notice to the affected contractor stating "the reasons for the proposed march-in in terms sufficient to put the contractor on notice of the facts upon which the action would be based and shall specify the field or fields of use in which the agency is considering requiring licensing."¹⁴⁷ The contractor may submit, within 30 days of the 37 C.F.R. § 401.6(c) notice, any arguments or information to oppose the proposed march-in.¹⁴⁸ The proceeding will resemble a court proceeding, with counsel for the contractor and Government providing fact-finding through documents and witness testimony in a process intended to be "consistent with principles of fundamental fairness."¹⁴⁹ At the conclusion of the fact-finding process, the written findings and a recommended determination are sent to the head of the agency, at which time the contractor will have a further 30 days to submit written arguments to the head of the agency, including possible oral arguments.¹⁵⁰ The head of the agency then makes the final determination, which is then appealable to the United States Court of Federal Claims under 35 U.S.C. § 203(b).

"The Government's march-in right has existed in relative obscurity—never used and largely forgotten—since 1964."¹⁵¹ Though these rights occasionally attract academic and media attention,¹⁵² there have been no recorded exercises of march-in rights.¹⁵³ This may be because market forces drive private products quickly to market.¹⁵⁴

144. 35 U.S.C. § 203.

145. FAR 27.304-1(g) and 37 C.F.R. § 401.6 describe the general process requiring notice and response time frames.

146. 37 C.F.R. § 401.6(b).

147. 37 C.F.R. § 401.6(c).

148. 37 C.F.R. § 401.6(d).

149. 37 C.F.R. § 401.6(e).

150. 37 C.F.R. § 401.6(f).

151. Kevin W. McCabe, *Implications of the CellPro Determination on Inventions Made With Federal Assistance: Will the Government Ever Exercise Its March-In Rights?*, 27 PUB. CONT. L. J. 645, 649 (1998).

152. *Id.*

153. DoD IP Guide, *supra* note 29, at 4–13.

154. McCabe, *supra* note 151, at 662–64.

Like commercial best-efforts clauses, there are strong policy reasons for the Government to insist on including march-in rights in subject inventions. The Government helped in the conception and reduction phases of the invention. The Government's expenditure of public money was not for the purpose of allowing patent holders to withhold the resulting technology from the commercial market. The whole goal of march-in is to ensure—with both sticks and carrots—that contractors bring subject inventions to market.

But despite this seemingly compelling rationale, contractors fear that march-in rights may be abused and thus oppose them whenever possible. This fear is not altogether unfounded. There have been several attempts by public interest groups to force the Government to utilize march-in rights. For example, the National Institutes of Health is periodically petitioned to enforce march-in rights for subject inventions covering patented medicine, though never successfully.¹⁵⁵ Further, while there are extensive protections for the contractor, these protections come at a price because the contractor must engage counsel, conduct discovery, provide testimonial evidence, and possibly engage in an appeal merely to maintain rights that are normally unmolested in a private contractual setting. Thus, while arguably a reasonable provision from a public policy perspective, this provision is contrary to the security in ownership for patents required in the commercial world and is sometimes a cause for concern in patent licensing.

b. Commercialization Reports

While the march-in rights themselves have never been exercised and excite the greatest amount of public interest, there are other potentially troublesome provisions regarding required reporting (at the option of the Government) of commercialization for the subject invention. These often-overlooked reports require disclosure of commercial sales, gross revenue, development status, and “such other data and information as the agency may reasonably specify.”¹⁵⁶ The contents of a patent license probably should be turned over to the Government as part of a commercialization report.

Any information turned over is protected as proprietary and exempt from release under FOIA.¹⁵⁷ Outside of a march-in proceeding, the Government

155. Examples of such petitions are *In Re Petition of CellPro, Inc.* (1997), *In the Case of NORVIR* (2004), and *In the Case of Xalatan* (2004), copies of which can be found online at the NIH Office of Technology Transfer (OTT) (<http://ott.od.nih.gov/policy/Reports.html> (last visited December 18, 2008)). A discussion on one of these petitions is found in McCabe, *supra* note 151, at 649.

156. This right is required by statute under 35 U.S.C. § 202(c)(5) and Presidential Memorandum on Government Patent Policy to the Heads of Executive Departments and Agencies dated February 18, 1983, and Executive Order 12591. This requirement is implemented at FAR 52.227-11(h) and FAR 52.227-12(h) (Jan. 1997); DFARS 252.227-7038(g) (Dec. 2007).

157. 35 U.S.C. § 202(c)(5).

can only request commercialization information annually and “to the extent feasible, in the format that the contractor normally prepares it for its own internal purposes.”¹⁵⁸ While the reports are intended to be similar to what are normally prepared by the contractor, the Government has the right to request additional information. Moreover, while the reports are intended to be proprietary, the contractor must be ready to defend any nonrelease of the information should the agency so request.

c. Preference for U.S. Industry

Another often-overlooked provision deals with exclusive licensing. The patent rights clauses require that, prior to the subject invention being *exclusively* licensed, the contractor must require the exclusive licensee to manufacture the subject invention substantially in the United States.¹⁵⁹ It is unclear what “substantially” means in the context of manufacturing the subject invention, in that final assembly of imported components may or may not qualify. But it certainly appears that manufacturing, and not merely further licensing, is contemplated unless the licensee has made “reasonable but unsuccessful efforts” to find a domestic manufacturer or that “under the circumstances domestic manufacture is not commercially feasible.”¹⁶⁰

While title is not affected by the breach of this provision, the breach does give the Government grounds to institute the march-in rights in order to grant nonexclusive licenses on its own (thereby destroying the exclusivity of the license).¹⁶¹ Of course, most case law concludes that the Government is not required to exercise march-in rights for violations of 35 U.S.C. § 204, and the failure to institute a march-in proceeding does not automatically render the exclusive license illegal or convert it into a nonexclusive license.¹⁶² Further, while it is grounds for march-in where domestic manufacture is not being performed by an exclusive licensee, patent owners can request a waiver citing the difficulty in meeting the domestic manufacture requirement.¹⁶³ Specifically, waivers of the requirement for domestic manufacture by an exclusive licensee will generally be granted if the patent owner can show that it has made “reasonable but unsuccessful efforts” to find an exclusive licensee who can perform this domestic manufacture or that “under the circumstances

158. 37 C.F.R. § 401.8 as implemented at FAR 52.227-11(h) and FAR 52.227-12(h) (Jan. 1997); DFARS 252.227-7038(f)(1) (Dec. 2007).

159. FAR 52.227-11(i); FAR 52.227-12(i) (Jan. 1997); DFARS 252.227-7038(g) (Dec. 2007); *see* 35 U.S.C. § 204.

160. *Id.*

161. FAR 52.227-11(j)(4); FAR 52.227-12(j)(4) (Jan. 1997); DFARS 252.227-7038(h) (Dec. 2007) (referencing 37 CFR 401.6).

162. *Ciba-Geigy Corp. v. Alza Corp.*, 804 F.Supp 614 (D.N.J. 1992).

163. 35 U.S.C. §§ 203(a)(4), 204.

domestic manufacture is not commercially feasible.”¹⁶⁴ However, while a waiver may be obtained, the accidental failure to comply with this preference for U.S. manufacture could result in the Government exercising its march-in rights¹⁶⁵ for the licensed subject invention, therefore interrupting an exclusive licensing arrangement. As such, this provision is a trap for the unwary contractor hoping to utilize subject inventions as part of a licensing campaign, and even more so for third-party “patent troll” purchases of patents subject to Government Bayh-Dole obligations.

4. Subcontracting Issues

Recognizing that many research and development contracts involve subcontractors, the patent rights clauses include a requirement to include (*i.e.*, “flowdown”) the same clauses in subcontracts involving research and development.¹⁶⁶ This requirement extends to all tiers of the contract, with the higher-tier contractor choosing and including the applicable patent rights clause in the lower-tier contracts. The flowdown clauses stipulate that the prime contractor does not receive the benefit of the Government’s rights in subject inventions.¹⁶⁷ Indeed, FAR 27.304-3(c) explicitly prohibits prime contractors from using “their ability to award subcontracts as economic leverage to acquire rights for themselves in inventions resulting from subcontracts.” As such, the prime contractor is not a licensee for subject inventions, although it has a right to use the subject inventions while working on the prime contract.

Where a subcontract includes the patent rights clause, the Government’s rights are the same as outlined above.¹⁶⁸ Thus, the Government will receive the ordinary nonexclusive license to use the subject invention, and failure to report a subject invention can have harsh consequences, including the taking of title from the subcontractor. In fact, the patent rights clauses take this Government-contractor-subcontractor relationship to a nearly unprecedented extreme by requiring all three parties (at each tier) to expressly agree that “the mutual obligations of the parties created by this clause constitute a

164. FAR 52.227-11(i); FAR 52.227-12(i) (Jan. 1997); DFARS 252.227-7038(g) (Dec. 2007).

165. 35 U.S.C. § 203(a)(4).

166. FAR 52.227-11(k); FAR 52.227-12(g) (Jan. 1997); DFARS 252.227-7038(l) (Dec. 2007); DEAR 952.227-11 (g); DEAR 952.227-13 (h); and NFS 1852.227-70(h).

167. FAR 52.227-11(g)(3); FAR 52.227-12(g)(3) (Jan. 1997); DFARS 252.227-7038(l)(2) (Dec. 2007).

168. When used in the subcontract, the clauses may be modified only as needed to identify the parties: the references to the Government are unchanged, and the subcontractor has all the rights and obligations of the contractor. FAR 52.227-11(k)(3); DFARS 252.227-7038(l).

contract between the subcontractor and the Government with respect to those matters covered by this clause.”¹⁶⁹

Finally, if, for whatever reason, the subcontract does not include the applicable patent rights clause, it is likely that the clause would be read into the subcontract pursuant to the *Christian Doctrine*,¹⁷⁰ since Bayh-Dole defines subcontracts as being a funding agreement covered by the act.¹⁷¹

5. Agency-Specific Statutes and Requirements

a. Department of Energy Patent Clauses

The DoE uses unique patent clauses¹⁷² for contracts with large businesses instead of the standard FAR-based clauses. They have many similarities to the FAR patent rights clauses in regard to reporting requirements and the definition of “subject invention” but they are not based on the Bayh-Dole Act.¹⁷³ Instead, the DoE large business patent clauses are based upon 42 U.S.C. §§ 2182¹⁷⁴ and 5908,¹⁷⁵ which require the contractor to convey title to the Government for specific technologies. At least the specific technologies in Sections 2182 and 5908, the Government’s rights are based on statute, not regulation.¹⁷⁶

169. FAR 52.227-11(k)(4), and DFARS 252.227-7038(k)(2)(ii) (noting, however, that “nothing in this paragraph is intended to confer any jurisdiction under the Contract Disputes Act in connection with [march-in] proceedings under paragraph (h) of this clause”).

170. Discussed at Chapter 1, Section B.3.

171. Under 35 U.S.C. § 201, “funding agreement” includes “any assignment, substitution of parties, or subcontract of any type entered into for the performance of experimental, developmental, or research work under a funding agreement as herein defined.” *E.g., FilmTec Corp. v. Hydranautics*, 982 F.2d 1546 (Fed. Cir. 1992) and *FilmTec Corp. v. Allied-Signal Inc.*, 939 F.2d 1568 (Fed. Cir. 1991) (under patent rights provisions of Saline Water Conversion Act, contractor created a subject invention even though there was no evidence that the inventor was required to assign rights to his employer).

172. DEAR 952.227-11 (a tailored version of the FAR 52.227-11 for small businesses and non-profit organizations) and DEAR 952.227-13 (all other contractors).

173. 35 U.S.C. § 202(a)(iv) (exception applies for funding agreements related to Government-owned, contractor-operated DoE facility that is “primarily dedicated to that Department’s naval nuclear propulsion or weapons-related programs”).

174. 42 U.S.C. § 2182 specifically relates to inventions “useful in the production or utilization of special nuclear material or atomic energy, made or conceived in the course of or under any contract.” The term “useful” includes any subject invention that is “reasonably related to a use in the production of special nuclear material or atomic energy.” *U.S. Department of Energy v. White*, 653 F.2d 479 (C.C.P.A. 1981).

175. 42 U.S.C. § 5908 specifically relates to inventions “made or conceived in the course of or under any contract of the Secretary, other than nuclear energy research, development, and demonstration pursuant to the Atomic Energy Act of 1954.”

176. Outside of specific contract language, 42 U.S.C. § 2182 requires the United States Patent and Trademark Office to forward to the DoE copies of applications for inventions useful to

While the DoE patent clauses also use the term “subject invention” from the FAR patent rights clauses, it in certain circumstances obtains broader rights in technology and background inventions. DoE requires a contractor to convey title unless it is small or a nonprofit. A large business can retain title only where a waiver is obtained.¹⁷⁷ In order to effectuate this policy, small businesses and nonprofit organizations use DEAR 952.227-11, which tracks FAR 52.227-11 and allows the contractor to retain title. Thus, small businesses and nonprofit organizations, whether contracting directly with the DoE or as a subcontractor, are governed by the standard Bayh-Dole right to elect title and need not apply for advance waivers to retain title in a subject invention.

In contrast, large businesses use DEAR 952.227-13. DEAR 952.227-13 requires the contractor to convey title to the Government. The contractor is allowed to retain a nonexclusive paid-up license to the subject invention.¹⁷⁸ As such, it is important to understand that, when entering into a research and development contract with the DoE, a large business must apply for an advance waiver.

The waiver requirements are set forth in 10 C.F.R. § 784. Under the regulations, there are three types of possible waivers: an advance waiver under Section 784.4, invention-specific waivers under Section 784.5, and class waivers under Section 784.7. The class waiver applies “to a class of persons or to a class of inventions,” and is thus applicable to entire contracts, laboratories, or types of inventions.¹⁷⁹ They are therefore somewhat independent of the specific contract or invention. Contractors should inquire whether a class waiver exists for specific contractual efforts and review the published class waivers included on the DoE Web site.¹⁸⁰

An advance waiver applies to inventions “that may be conceived or first actually reduced to practice in the course of or under a particular contract.” By way of comparison, an invention-specific waiver applies where the subject invention has already been first conceived or first actually reduced to practice. In both instances, the waiver request generally includes a “full and detailed statement of facts . . . directed to each of the considerations set forth in [10 C.F.R. §§] 784.4 or 784” and “a statement applying such facts and considerations to the policies set forth in [10 C.F.R. §] 784.3.”¹⁸¹ Where the

special nuclear material or atomic energy. The DoE can then review the application and require a statement from the applicant as to the circumstances of the development, and if the statement indicates the invention may be a subject invention, the DoE can claim property rights in the invention. *See, e.g., U.S. Department of Energy v. White*, 653 F.2d 479 (C.C.P.A. 1981).

177. DEAR 927.302(a).

178. *Id.*

179. 10 C.F.R. § 784.7.

180. [Http://www.gc.doe.gov/patents.htm](http://www.gc.doe.gov/patents.htm) (last visited November 17, 2008).

181. 10 C.F.R. § 784.9(a).

request relates to an identified subject invention, additional information is required regarding the specific inventors, as well as any patent applications that have been filed.¹⁸² To reduce confusion, waiver forms are available from the patent counsel of the individual laboratories or from the DoE itself.¹⁸³ Facts submitted in waiver requests are not exempt from release under the Freedom of Information Act. As such, 10 C.F.R. § 784.9(c) specifically warns that the waiver requests “should not normally contain information or data that the requestor is not willing to have made public.”

Advance waiver requests need to be submitted to the Contracting Officer directly or through a prime contractor prior to or within 30 days of contract execution.¹⁸⁴ For waivers for identified inventions, the request must be made directly to the patent counsel of the laboratory at the “time the invention is to be reported to DoE or not later than eight months after conception and/or first actual reduction to practice, whichever occurs first in the course of or under the contract.”¹⁸⁵ These time periods can be extended for good cause. If the request is approved, the contract is amended to include the waiver, possibly through replacement of DEAR 952.227-13 with DFARS 252.227-7038.¹⁸⁶ If the request is denied, the contractor has 30 days to seek reconsideration.¹⁸⁷

The DoE also can obtain rights in nonsubject inventions. These nonsubject inventions are background patents, which are owned by the contractor and are necessarily infringed “upon the practice of any specific process, method, machine, manufacture, or composition of matter (including relatively minor modifications thereof) which is a subject of the research, development, or demonstration work performed under this contract.”¹⁸⁸ This right is limited to research and development purposes¹⁸⁹ and extends to third parties “for purposes of practicing a subject of this contract, nonexclusive licenses under any background patent on terms that are reasonable under the circumstances.”¹⁹⁰ The contractor can contest such licenses under DEAR 952.227-13(k)(3) where commercial substitutes are available (such that infringement can be avoided) or the contractor shows it is supplying the

182. 10 C.F.R. § 784.9(b).

183. 10 C.F.R. § 784.9(a). See <http://www.gc.doe.gov/patents.htm> (last visited November 17, 2008).

184. 10 C.F.R. § 784.8(b).

185. 10 C.F.R. § 784.8(c).

186. DEAR 927.303(b) actually refers to FAR 52.227-12, which has been moved to DFARS 252.227-7038 pursuant to Defense Federal Acquisition Regulation Supplement; Patent Rights Ownership by the Contractor (DFARS Case 2001-D015), 72 Fed. Reg. 69159-69162 (Dec. 7, 2007).

187. 10 C.F.R. § 784.8(h).

188. DEAR 952.227-13(k)(1)(ii).

189. DEAR 952.227-13(k)(2).

190. DEAR 952.227-13(k)(3).

background patent in the commercial marketplace at a reasonable price.¹⁹¹ In any case, it is important for large businesses to recognize that the DoE patent rights clauses include a right to use and require licenses to existing patents that are admittedly not subject inventions.

b. NASA Patent Clauses

Like the DoE, NASA's patent clauses for other than small businesses or non-profit organizations are based upon separate statutory authority. Pursuant to 42 U.S.C. § 2457,¹⁹² the Government acquires title to any invention that is conceived or first reduced to practice "in the performance of any work under any contract of the Administration." As such, like the DoE, NASA can rely on statutory authority requiring title to subject inventions even where the contract does not specifically include a patent rights clause.¹⁹³

NASA generally requires a contractor to convey title in all circumstances unless the contractor is a small business or nonprofit. Small businesses and nonprofit organizations, whether contracting directly with NASA or as a subcontractor, are presumed to have title and need not apply for advanced waivers to retain title of a subject invention. In order to effectuate this policy, small businesses and nonprofit organizations use a modified version of FAR 52.227-11. But the NASA version includes the additional reporting requirements not found in the basic clause at FAR 52.227-11¹⁹⁴ but which are authorized for agencies to include in their FAR supplements.¹⁹⁵

By contrast, large businesses can retain title only where a waiver is obtained.¹⁹⁶ They use NFS 1852.227-70, which normally requires the contractor to convey title to the Government. The contractor is allowed to retain a nonexclusive paid-up license to the subject invention.¹⁹⁷

An advance waiver is available, however, so that the contractor can retain title to inventions developed under NASA contracts. However, as in other waiver situations, such retention requires the foresight of applying for the waiver. These waiver requirements are set forth in 14 C.F.R. § 1245. There are

191. DEAR 952.227-13(k)(4).

192. Sometimes referred to as Section 305 of the National Aeronautics and Space Act of 1958.

193. Outside of specific contract language, 42 U.S.C. § 2457 requires the United States Patent and Trademark Office to forward to NASA copies of applications for inventions having "significant utility in the conduct of aeronautical and space activities." NASA can then review the application and require a statement from the applicant as to the circumstances of the development, and if the statement indicates the invention may be a subject invention, NASA can claim property rights in the invention. *See, e.g., Hummer and Upton v. Administrator of NASA*, 500 F.2d 1383 (C.C.P.A. 1974).

194. NFS 1852.227-11.

195. *See* FAR 27.303(b)(2).

196. NFS 1827.302(b) and (d).

197. NFS 1852.227-70.

two possible waivers: an advance waiver under 14 C.F.R. § 1245.104 and an invention-specific waiver under Section 1245.105. An advance waiver applies to inventions “may be made under a contract.”¹⁹⁸ An invention-specific waiver applies where the subject invention has already been first conceived or actually reduced to practice, but where no advance waiver has been given. In both instances, a waiver request generally includes “the nature and extent of the rights requested, and a positive statement that waiver of rights under the cited section is being requested.”¹⁹⁹ Where the request relates to an identified subject invention, the applicant also must disclose the inventors and any patent applications that have been filed.²⁰⁰ As stated in 14 C.F.R. §§ 1245.104 (b) and 1245.105 (b), the NASA Inventions and Contributions Board generally approves waivers unless it “finds that the interests of the United States will be better served by restricting or eliminating all or part of the rights of the contractor.”²⁰¹

Because waivers usually are granted, the problem for contractors is remembering to properly request the waiver within the required deadlines. For advance waivers, the request should be submitted to the Contracting Officer directly or through a prime contractor prior to or within 30 days of contract execution.²⁰² Waivers for identified inventions must be requested directly from the Contracting Officer within 8 months of first disclosure to NASA.²⁰³ Extensions are available for good cause. If the request is approved, an Instrument of Waiver is executed by NASA to confirm the waiver as well the

198. 14 C.F.R. § 1245.104(a).

199. 14 C.F.R. § 1245.110(a)(4).

200. 14 C.F.R. § 1245.110(a)(7).

201. The situations in which the waiver may be denied are “(1) When the contractor is not located in the United States or does not have a place of business in the United States or is subject to the control of a foreign government; (2) When a determination has been made by Government authority which is authorized by statute or Executive order to conduct foreign intelligence or counter-intelligence activities that the restriction or elimination of the right to retain title to any inventions made in the performance of work under the contract is necessary to protect the security of such activities; or (3) Where the Board finds that exceptional circumstances exist, such that restriction or elimination of the right to retain title will better promote one or more of the following objectives: (i) Promoting the utilization of inventions arising from federally supported research and development; (ii) Encouraging maximum participation of industry in federally-supported research and development; (iii) Ensuring that inventions are used in a manner to promote free competition and enterprise; (iv) Promoting the commercialization and public availability of inventions made in the United States by United States industry and labor; and (v) Ensuring that the Government obtains sufficient rights in federally-supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions.” 14 C.F.R. § 1245.104(b).

202. 14 C.F.R. § 1245.104(b).

203. 14 C.F.R. § 1245.105(b)(1).

nonexclusive rights of the Government in the subject invention.²⁰⁴ If the request is denied, the contractor has 15 days to request reconsideration and submit any additional facts.²⁰⁵

6. Third-Party Inventions and Patents

a. Authorization and Consent

As noted above, under 28 U.S.C. §1498, the Government has agreed to a limited waiver of sovereign immunity for specified acts. The Government is also authorized to extend this waiver to contractors to the extent these acts are being performed with the Government's authorization and consent. As this authorization is statutorily based, it exists by nature of 28 U.S.C. §1498 and can be used as a defense even without an explicit statement in a contract.²⁰⁶ However, while technically not required, this right is extended under the FAR 52.227-1 Authorization and Consent clause. The purpose of this clause is to "ensure that work by a contractor or subcontractor under a Government contract may not be enjoined by reason of patent infringement."²⁰⁷

The purpose to prevent an injunction does not necessarily mean that the contractor will not be ultimately liable, but will at least provide a limited shield to claims of treble damages or an injunction.²⁰⁸ In this manner, the Authorization and Consent clause has a similar purpose to the Bayh-Dole Act in regard to ensuring contractors are not enjoined from performing needed work, while ensuring the Government is able to extend the broadest possible nonexclusive license to the contractor for subject inventions.²⁰⁹

As discussed in Chapter 4 in greater detail, there is little debate as to whether a contractor acting properly under the authorization and consent clause can use 28 U.S.C. § 1498 as a defense and thus prevent normal patent liability (such as treble damages and injunctions). As long as the infringement is based upon a contractual requirement, the contractor can utilize the

204. NFS 1827.302(b)(ii).

205. 14 C.F.R. § 1245.112(b).

206. *TVI Energy Corporation v. Blane*, 806 F.2d 1057 (Fed. Cir. 1986) (Government authorization implied where infringement was required during a demonstration pursuant to a bidding procedure); *Hughes Aircraft Co. v. United States*, 534 F.2d 889 (Cl. Ct. 1976) (Government can consent "by contracting officer instructions, by specifications or drawings which impliedly sanction and necessitate infringement, by post hoc intervention of the Government in pending infringement litigation against individual contractors").

207. FAR 27.201(a).

208. FAR 27.201(a) and FAR 27.203-1.

209. *Duke v. Madey*, 413 F. Supp.2d at 615.

authorization and consent clause as an affirmative defense.²¹⁰ However, where the liability is not primarily based upon 35 U.S.C. § 271(a), it is unclear to what extent authorization and consent provide an adequate defense. Recently, in *Zoltek Corp. v. United States*,²¹¹ the Federal Circuit held that there was no cause of action under 28 U.S.C. § 1498 for infringement where liability would otherwise arise under 35 U.S.C. § 271(g) for performing contractual work overseas using a patented method. Specifically, the Federal Circuit clarified that 28 U.S.C. § 1498 only covers direct infringement occurring in the United States. Since the work performed by the contractor was performed overseas, no liability existed for the United States under 28 U.S.C. § 1498.²¹²

While dismissing the cause of action against the United States, the mere fact that the United States is not liable does not make the contractor not liable. Instead, by narrowly reading the waiver under 28 U.S.C. § 1498, the contractor now lacks an affirmative defense to infringement, and may be sued for infringement under 35 U.S.C. § 271, since any authorization and consent given by the Government extends to the limits of the Government's potential liability. Such a theory would be a logical outgrowth of *Duke v. Madey*,²¹³ and such holdings against contractors where no waiver of sovereign immunity exists have occurred in State law.²¹⁴ Since authorization and consent is only a defense and not a jurisdictional bar to recovery,²¹⁵ the question remains as to what the effect will be on the contractor who no longer can rely on the authorization and consent clause as an affirmative defense. Therefore, due to this restricted reading, the Government's ability to use 28 U.S.C. § 1498 to shield its contractors and to ensure a continuous supply is in jeopardy, since the Government contractor is now subject to possible injunction²¹⁶ and willfulness damages for any form of indirect infringement or other forms of infringement not covered by 28 U.S.C. § 1498.²¹⁷

210. *Sevenson Environmental Services Inc. v. Shaw Environmental Inc.*, 477 F.3d 1361 (Fed. Cir. 2007) (authorization and consent applies where Government selected method which infringed third-party patent).

211. 442 F.3d 1345 (Fed. Cir. 2006).

212. *Id.* at 1350.

213. 307 F.3d 1351 (Fed. Cir. 2002).

214. For examples of State holdings that a contractor is liable where the State has not waived sovereign immunity, see *State of Texas v. Herbert W. Holland*, 2007 Tex. LEXIS 314; 50 Tex. Sup. J. 642 (Tex. 2007); and *A.C. Aukerman Co. v. State of Texas*, 902 S.W.2d 576 (Tex. App.—Houston [1st Dist.] 1995, writ denied).

215. *Toxgon Corp. v. BNFL Inc.*, 312 F.3d 1379 (Fed. Cir. 2002)

216. Injunctions are discretionary and historically disfavored when relating to an essential Government function. Note, *Government Use of Patented Inventions*, 54 HARV. L. REV. 1035, 1056 (1940–1941) (discussing discretion not to enjoin contractors where working for Government outside of authorization or consent).

217. Jerry Stouck, *Patent Owners, Take Heed of Zoltek Ruling*, IP LAW 360 (July 30, 2007), a copy of which is available at <http://www.gtlaw.com/portalresource/lookup/wosid/contentpilot-core-2301-5927/pdfCopy.pdf?view=attachment> (last visited November 13, 2008).

b. Patent Indemnity

The FAR prescribes²¹⁸ the optional use of a special clause 52.227-3, Patent Indemnity, to obtain the contractor's indemnity against any Government liability under 28 U.S.C. § 1498 for the contractor's unauthorized use of a patented invention in the performance of the contract. This clause is intended to cover only situations in which the infringing item or service is a commercial item.²¹⁹ Similarly, for contracts under FAR Part 12, a more broad-based indemnity is provided to also cover copyrights, trademarks, and foreign patents.²²⁰

E. Copyrights and Trade Secrets in Federal Procurements

In both the private and public sectors, contracts involving the development or acquisition of technology typically address both copyrights and trade secrets. This allows the parties to leverage the pros, and avoid or mitigate the cons, of these two IP protection schemes when used independently.²²¹ Moreover, most technology licenses combine elements of both copyrights and trade secrets in "hybrid" license.²²² The same approach is used in federal procurements, where the license granted to the Government covers activities that implicate both copyright and trade secret.

More specifically, the "hybrid" licensing scheme in federal procurements addresses the Government's authorization to use, reproduce, modify or prepare derivative works, perform or display publicly, disclose, and release or distribute the licensed work. The policies and procedures are provided in two primary bodies of authority: FAR Subpart 27.4, *Rights in Data and*

218. FAR 27.201-2(c).

219. *Id.*

220. See FAR 52.212-4(h); William C. Anderson, *Comparative Analysis of Intellectual Property Issues Relating to the Acquisition of Commercial and Noncommercial Items by the Federal Government*, 33 PUB. CONT. L. J. 37, 60-61 (Fall 2003).

221. For example, copyright effectively protects the expression of a creative work by reserving six exclusive rights for the author. However, copyright does not protect the ideas embodied in the work, nor does it provide defense against independent creation or reverse engineering. Similarly, trade secrets provide a mechanism for protecting ideas independently of a particular expression of the concept, and typically address restrictions on reverse engineering. However, trade secrecy is fragile in that if the information becomes generally known, the trade secret loses its value.

222. In some cases, it is preferable to structure this hybrid license in two stages: (1) a grant of a (trade secret) license in proprietary information contained in the licensed work; and (2) a grant a copyright license in the copyrighted elements of the licensed work that is "coextensive" with the proprietary information license.

Copyrights, applies to all executive agencies other than the DoD; and DFARS Subpart 227.71, *Rights in Technical Data*, and Subpart 227.72, *Rights in Computer Software and Computer Software Documentation*, which govern DoD acquisitions.

Although there are several key differences between the FAR and DFARS approaches, there are also numerous similarities. The following is an overview of the key policies and procedures that govern procurements of copyrighted or trade secret technologies under the FAR and DFARS approaches:

- The Government generally receives only a license in the IP being acquired; the contractor retains title or ownership, and all other rights that are not granted to the Government.
- All technology licensing is divided up between two mutually exclusive categories of deliverables: technical data, and computer software. The policies and procedures governing acquisition of technical data are based on statutes; analogous policies and procedures are generally extended to computer software by policy.
- To ensure a successful acquisition, the contract must address both the delivery requirements, and the associated data rights, in all technologies developed or delivered under the contract.
- The Government generally seeks to acquire only the minimum deliverables, and associated license rights, necessary to meet its needs.
- The Government's license rights are determined in one of three primary ways: (1) by using one of the standard, Government-unique license categories that are defined in the acquisition regulations; or (2) by using the contractor's standard license agreement for a commercial technology; or (3) by negotiation of the parties to create specialized, mutually acceptable terms and conditions.
- The acquisition must distinguish noncommercial and commercial technologies; there are special policies and presumptions, and streamlined procedures, that govern acquisition of commercial technologies.
- In most cases, the scope of the Government's standard license rights in noncommercial technologies are directly proportional to the relative level of Government funding provided for development of the technology: more Government funding results in a license of broader scope.
- For commercial technologies the Government generally receives the same deliverables, and same license rights, that are customarily provided to the public. Commercial technologies are presumed to have been developed entirely at private expense and thus would otherwise result in the Government receiving a license of narrow scope.
- In all cases, the parties are free to negotiate specialized license rights that most effectively balance the parties interests. In some cases, the

statutes or regulations provide certain minimum license rights that the Government must receive.

- The regulations generally require that the parties identify and resolve these issues as early as possible in the acquisition—preferably prior to contract award.
- The regulations generally apply the same rules at both the prime and subcontract levels; in most cases, the Government and subcontractor may transact matters directly regarding rights in data or software.

The remainder of the coverage in this section will provide additional details regarding the policies and procedures listed above, followed by a discussion of the six critical steps in protecting data and data rights.

1. Technical Data versus Computer Software

In the FAR and DFARS, delivery requirements and associated (hybrid) license rights are designed to manage two primary categories of deliverables: “technical data” and “computer software.” Although there are some important differences in the treatment of these two, for the most part the statutorily-based scheme governing technical data is extended by policy to computer software. Thus, it is quite common to refer to these issues using the generic terms “data” or “data rights”—which are intended to refer collectively to technical data and computer software and their associated license rights.²²³

“Technical data” is any recorded information of a scientific or technical nature—regardless of the form or method of recording.²²⁴ Technical data

223. The FAR defines “data” as “recorded information, regardless of form or the media on which it may be recorded. The term includes technical data and computer software. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing or management information.” FAR 27.401.

224. Compare the definitions of technical data at 41 U.S.C. § 403(8) and 10 U.S.C. § 2302(4) (including the requirement that the information “relat[e] to supplies procured by an agency”); with the implementing definitions at FAR 2.101 and 52.227-14(a), and DFARS 252.227-7013(a)(14) (including no requirement that the information relate to items, components, or processes). This distinction highlights two sub-types of technical data: that which relates to items, components, or processes (ICP) to be acquired by the agency; and that which does not relate to ICPs. The FAR and DFARS data rights schemes are both designed to cover both subtypes of technical data—albeit using a slightly different approach: the FAR uses a basic definition of “limited rights data” in which the information must pertain to ICPs, but allows an alternate definition for when the relevant information does not relate to ICPs (see FAR 27.401, and 52.227-14(a) (ALT I)); while the DFARS provides only the generic definition that does not require relation to ICPs, but expressly addresses both subtypes of data when necessary in the clause, such as in the determination of development

expressly includes “computer software documentation”²²⁵ and “computer databases”²²⁶ of scientific or technical information. Such data are used most for manufacture, upgrade, or repair of items, components, or processes (ICPs) being acquired by the Government, or to further scientific study. The term expressly excludes “computer software”²²⁷ and financial, administrative, cost or pricing, or management data or other information incidental to contract administration.

“Computer software” is defined to cover two subcategories of information: (1) a “computer program,” which refers to the machine-readable instructions that cause the computer to perform specific operations,²²⁸ and (2) related information such as the source code, design details, algorithms, flow charts, and other documentation that would allow the program to be created, reproduced, or compiled.²²⁹

To highlight the relationships and distinctions between these key terms, it is helpful to examine two other closely related defined terms: “computer software documentation” and “computer databases.”²³⁰ As stated previously, these terms are expressly included within the definition of technical data, and excluded from the definition of computer software—which might seem counterintuitive at first.

“Computer software documentation” is defined as “owner’s manuals, user’s manuals, installation instructions operating instructions and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.”²³¹ This type of information is an example of a statutorily recognized type of technical data—that which is necessary for operation, installation, maintenance,

funding (see, e.g., DFARS 227.7103-4; and DFARS 252.227-7013, at ¶¶ (b)(1)(i) through (iii), (b)(2)(i), and (b)(3)(i)).

225. Defined at FAR 2.101 and 52.227-14(a); and DFARS 252.227-7013(a)(4) and 252.227-7014(a)(5).

226. Defined at FAR 2.101 and 52.227-14(a); and DFARS 252.227-7013(a)(1) and 252.227-7014(a)(2).

227. Defined at FAR 2.101 and 52.227-14(a); and DFARS 252.227-7013(a)(3) and 252.227-7014(a)(4).

228. This is often referred to as the “executable code” or “object code.”

229. Defined at FAR 2.101 and 52.227-14(a); and DFARS 252.227-7013(a)(3) and 252.227-7014(a)(4).

230. However, the extent to which computer software also includes related information depends on the agency and the version of the clause. Prior to December 2007, the FAR defined “computer software” to include “computer data bases and documentation thereof.” In December 2007, the FAR clause was revised to mirror the long-standing the DFARS definition. FAR Case 1999-402, FAR Part 27 Rewrite in Plain Language, 72 Fed. Reg. 63045-75 (Nov. 7, 2007).

231. FAR 2.101 and 52.227-14(a); and DFARS 252.227-7013(a)(4) and 252.227-7014(a)(5).

or training (OMIT).²³² Thus, is merely a type of technical data pertaining to an item, component, or process (ICP)—and in this case the ICP is computer software.²³³

“Computer database” is a collection of recorded information in a form capable of, and for the purpose of, being stored in, processed, and operated on by a computer.²³⁴ The term does not include computer software.²³⁵ The FAR adds some insight into the determination to define a database as technical data, vice computer software, in the discussion of protection for limited rights data: “If data that would otherwise qualify as limited rights data is delivered as a computer database, the data shall be treated as limited rights data, rather than restricted computer software, for the purposes of paragraph (g) of the clause at 52.227-14.”²³⁶ Thus, the definition works to preserve the nature of technical data that is stored or organized for delivery, use, access in a data management structure, *i.e.*, the technical data does not cease to be technical data merely because it is organized into a database structure. However, this should not be interpreted to mean that computer program that is used to manage the database will lose its status as computer software and be treated as technical data.²³⁷ The fact that technical data and computer software may be combined and delivered as an integrated, functioning “end item” does not mean that the integrated whole must be treated in its entirety as either technical data or computer software.

232. The release notes accompanying the 1995 rewrite of DFARS Part 227 explained as follows: “Computer software documentation is technical data. It is defined narrowly to include only owner’s manuals, user’s manuals, installation instructions, operating instructions, and similar items that explain the capabilities of computer software or provide instructions for using the software. Such data is necessary for operation, maintenance, installation, or training. Consequently, under 10 U.S.C. 2320, a contractor may not restrict the Government’s rights to release or disclose such data or to permit others to use the data.” 60 Fed. Reg. 33464, at 33467 (June 28, 1995).

233. Perhaps more accurately, it is the “computer program” subtype of computer software—the executable code, vice the source code or software design. However, this does raise an issue concerning the inclusion of the second subtype of documentation in the definition of computer software: it is unclear why recorded technical information such as “. . . design details, algorithms, flow charts, and other documentation that would allow the program to be created, reproduced, or compiled” would not also be considered technical data related to a computer program.

234. FAR 2.101 and 52.227-14(a); *see also*, DFARS 252.227-7013(a)(1) and 252.227-7014(a)(2) (defining computer database” as “collection of data recorded in a form capable of being processed by a computer. The term does not include computer software.”).

235. *Id.*

236. FAR 27.404-2(c)(3).

237. *See* release notes accompanying the publication of the final FAR Part 27 rewrite, *supra* note 230, at 63047 (noting that “[t]he individual elements of recorded information that are stored or formatted for delivery as a database must be distinguished from the computer software that may be required to view or manipulate the content of the database using a computer.”)

2. Data Deliverables versus Data Rights

“Data deliverables” or “data requirements” refers to the contractual obligation to deliver technical data or computer software having a predetermined content and format.²³⁸ “License rights” or “data rights” refers to the authorized or permitted *uses* of the deliverable or IP in question.²³⁹

The meaningful distinction between data delivery and data rights is highlighted by contrasting the FAR and DFARS approaches to protecting proprietary data. The FAR uses a “withholding” model to restrict delivery of the proprietary data, while the DFARS generally contemplates delivery of the proprietary information with restrictions on the associated license rights. Under the basic FAR data rights clause, limited rights data and restricted computer software are not delivered to the Government at all; the contractor withholds delivery and provides “form, fit, and function data”²⁴⁰ in lieu of the detailed proprietary data.²⁴¹ In contrast, the DFARS clauses do not provide for any such withholding as a standard practice, but instead assigns its most restrictive standard licenses to govern such data—allowing specific delivery requirements to be determined on a case by case basis.

Once the Government determines that it requires delivery of a certain type of data or software,²⁴² challenges still remain in specifying the delivery requirements to ensure a meeting of the minds. Delivery requirements for technical data or computer software should always specify:

1. The required content (*e.g.*, the level of detail or nature of information, such as top-level users manuals versus detailed design specifications);

238. See the DoD IP Guide, *supra* note 29, at pp. 2–7.

239. *Id.* Note that the term “use” here is intended to encompass all of the activities addressed in the standard license grant: use, reproduction, modification, release, disclosure, performance, and display.

240. FAR 27.401, and 52.227-14(a) (defining “form, fit, and function data” as “data relating to items, components, or processes that are sufficient to enable physical and functional interchangeability, and data identifying source, size, configuration, mating, and attachment characteristics, functional characteristics, and performance requirements. For computer software it means data identifying source, functional characteristics, and performance requirements but specifically excludes the source code, algorithms, processes, formulas, and flow charts of the software”).

241. FAR 27.404-2(a), and 52.227-14(g)(1).

242. See guidance regarding the determination to allow withholding under the basic clause, or seek delivery with restrictions under Alternates II or III, at FAR 27.404-2(d)(2) (noting that “unlike other data, computer software is also an end item in itself” and “[t]hus, the contracting officer shall use Alternate III if delivery of restricted computer software is required to meet agency needs”). See also, FAR 27.404-2(c)(2) and (d)(5) (advising of the benefit of using the clause at FAR 52.227-15 to help determine whether to use the Alternates).

2. The recording or storage format (*e.g.*, image files versus word processing format); and
3. The mechanism for delivery (*e.g.*, CD-ROM versus remote online access).

It is particularly important to distinguish human-readable source code from machine-readable executable code—both are included in the definition of “computer software” at DFARS 252.227-7014(a)(4) and FAR 52.227-14(a). In many cases, however, there are multiple terms used to refer to the items throughout the SoW or other contract documents: computer software, software, code, executable, source code, server, etc. It may be that the agency and the contractor agree on the language in the contract, but each attributes different meanings to the same words. The parties should both make every effort to express the delivery requirements with clear terminology that specifically uses the modifiers “source” and “executable.”

Both the FAR and DFARS recognize that the Government might not be able to adequately identify, early in the acquisition process, its entire requirement for data or software deliverables. The solution is a “deferred ordering” process that may be applied to particular contracts via an optional clause.²⁴³ The process allows the Government to order delivery of technical data or computer software that was generated²⁴⁴ under the contract—for up to three years after the end of the contract.²⁴⁵ The contractor must deliver the data when ordered, but must be compensated for converting the data into the prescribed form, and for reproduction and delivery.²⁴⁶ The Government’s rights are to be determined in accordance with the applicable data rights clause in the contract.²⁴⁷ This is an important tool for the Government in view of the policy to seek only the minimum deliverables and rights to meet Government needs. This deferred ordering process allows the Government to order up-front only the data that it knows it needs, rather than requiring delivery of

243. FAR 52.227-16, Additional Data Requirements; and DFARS 252.227-7027, Deferred Ordering of Technical Data or Computer Software.

244. The FAR uses the phrase “first produced or used.” FAR 52.227-16(a). The DFARS uses the term “generated” (vice developed), but does not include the concept of data that was merely used during the contract.

245. The end of the contract is considered to be the date when all items (other than data) have been accepted. FAR 52.227-16(a); DFARS 252.227-7027. DFARS 252.227-7027 also recognizes an alternative date for the end of the contract, by adding “or termination of the contract.”

246. FAR 52.227-16(c); DFARS 252.227-7027.

247. FAR 52.227-16(b) references “[t]he [FAR 52.227-14] Rights in Data-General clause or other equivalent clause.” DFARS 252.227-7027, which is dated April 1988, referencing the “Rights in Technical Data and Computer Software” clause, which is the October 1988 predecessor to the current family of clauses that were issued in 1995; the referenced 1988-era DFARS clause combined technical data and computer software, both commercial and noncommercial, in a single clause.

data for which there is only a potential or contingent requirement, to ensure that the data is available “just in case.” However, to balance the contractor’s business interests, this mechanism is limited in both time and the scope of the data that may be ordered.²⁴⁸

Additional details and recommendations regarding the keys to balancing delivery and data rights issues are provided in the discussion of Critical Steps in Protecting Data and Data Rights.

3. Strategic Use of Rights

Historically, Government contractors adopted a strategy for copyright and trade secret protection by carving out protected elements of delivered data according to whether that data was Limited or Restricted Rights. The reasons for this strategy are twofold. First, it allowed the contractor to require the Government to limit distribution and copying of delivered data packages. This limitation was consistent with preserving the contractor’s trade secret and copyrights in the commercial marketplace, and also formed a ground for preventing release of the data package pursuant to FOIA.²⁴⁹

Second, these restrictions prevented the Government from giving the data to a competitor in the procurement marketplace.²⁵⁰ The result was that the Government, if otherwise unable to distribute the data, was effectively forced to grant sole-source contracts to the data owner.²⁵¹ Success in procurement thus often hinged on trade secret protection, which was used to circumvent the Competition in Contracting Act²⁵² by enjoining competitors from building spare parts and production models.

It is important to understand that these rights assertions can affect procurements well beyond the normal commercial lifetime of a product. This is because, unlike a commercial product, the Government will use the same

248. The ordering would not apply to pre-existing data or software (most likely privately developed) that was not created (or used, in case of the FAR) under the contract. In addition, the FAR clause expressly prohibits the Government from requiring delivery of limited rights data or restricted computer software that is authorized to be withheld from delivery under the applicable FAR clause.

249. 5 U.S.C. § 552.

250. *Data Gen. Corp.*, 55 Comp. Gen. 1040 (1976); *To Lockheed Propulsion Co.*, 52 Comp. Gen. 312 (1972); *To the Secretary of the Air Force*, 49 Comp. Gen. 29 (1969); *To the Director, Defense Supply Agency*, 43 Comp. Gen. 193 (1963); *To the Secretary of the Air Force*, 42 Comp. Gen. 346 (1963); *To the Secretary of the Air Force*, 41 Comp. Gen. 148 (1961); *To F. Trowbridge vomBauer*, B-152684, 44 Comp. Gen. 451 (1965). See also, William Munves, *Proprietary Data In Defense Procurement*, 1962 MIL. L. REV. 155 (October 1962) (Dept. of the Army Pam. 27-100-18) (discussing the effect of data rights on procurement and on bid protest in the late 1950s through the early 1960s).

251. FAR 6.302-1(b)(2).

252. 10 U.S.C. § 2304.

platform for decades, and only perform minor upgrades as needed. For instance, in *FN Manufacturing v. United States*,²⁵³ the enforced data rights clause was signed in 1967. A strategically worded data rights license created early in the development of a new platform will affect the Government's procurement, supply, and repair of for the platform's lifetime.

Rights in technical data or computer software under the standard contract provisions are affected not only by when the item was developed, but also by the type of money used in its development.²⁵⁴ Like patent rights, data rights are independent of actual delivery.²⁵⁵ Indeed, it is by no means uncommon to have different categories of rights for data developed over time in the same technical data or computer software delivery. When this occurs, the contractor can (and should) enforce the rights originally obtained based on the then-existing development contract.²⁵⁶ Later delivery of earlier-developed data is governed by the earlier contract, and the contract clauses often have special procedures for existing data rights.²⁵⁷

Today, more than ever, a contractor seeking to do business with the Government must carefully consider the strategic use of IP rights. With the continuing reliance on cutting edge technologies, preference for commercial and nondevelopmental technologies, and heightened interest in new "open" business models, Government agencies are seeking to leverage IP in source selections to reduce their dependence on proprietary technologies. This is especially true in DoD, where there are new requirements to fully address technical data and computer software requirements in acquisition strategies for major systems.²⁵⁸ Although the DoD is prohibited from requiring offerors to relinquish more than a minimum set of rights in proprietary technologies as a condition of receiving a contract,²⁵⁹ DoD is not prohibited from evaluating the impact that such proprietary restrictions may have on evaluation

253. 42 Fed. Cl. 87, (1998).

254. Mathew S. Simchak, *Protecting Rights in Technical Data and Computer Software: Applying Ten Practical Rules and the Corollaries*, 33 PUB. CONT. L. J. 139, 148–54 (Fall 2003).

255. Having rights in data or software that has not been delivered is sometimes referred to as having "inchoate" rights.

256. *Bell Helicopter Textron*, 85-3 BCA 18,415 (ASBCA Sept. 23, 1985).

257. DFARS 252.227-7013(f)(5), DFARS 252.227-7014(f)(5).

258. DFARS 207.106(S-70), implements the requirements of 10 U.S.C. § 2320(e), and extends that requirement to computer software. The basic statutory requirements are also implemented in the new DoD Instruction 5000.02, *Operation of the Defense Acquisition System* (December 8, 2008), at Encl. 12, par. 9, "Data Management and Technical Data Rights," available at <http://www.dtic.mil/whs/directives/corres/pdf/500002p.pdf> (last visited December 23, 2008).

259. 10 U.S.C. § 2320(a)(2)(F), implemented for technical data at DFARS 227.7103-1(c) and (d), and extended to computer software via DFARS 227.7203-1(c) and (d). However, note that 10 U.S.C. § 2305(d)(4), authorizes circumstances in which DoD may require offerors responding to solicitations for major system contracts to make proposals that enable the competitive procurement of items developed at private expense.

factors, such as the total life cycle cost of the system.²⁶⁰ It is likely that future solicitations—competitive and sole source—will include a more rigorous evaluation of the IP elements of the proposals.²⁶¹ In order to prepare for this highly competitive and potentially complex, potential offerors must ensure that they fully understand their options for proposing licenses that effectively balance their proprietary interests with the Government’s needs—which necessarily builds on a thorough understanding of the standard license rights categories.

4. The Standard Rights Categories

The phrase “standard rights categories” generally refers to the set of pre-defined license rights that are established in FAR or DFARS and applied most often to noncommercial data or software—as distinguished from licenses rights determined by other means, such as negotiation, or from a commercial source. The most well-known criteria for assigning these license rights to a particular item of data or software is based on the source of funding for development of the technology. The greater the level of Government development funding for the technology, the greater the rights granted under the standard license categories.

The first step in determining the applicable rights category based on development funding is identifying the relevant standard for “development.”²⁶² In general, technology is considered “developed” only when it exists and has been analyzed or tested sufficiently to demonstrate that it is likely to operate as intended. Although the FAR is silent on the specific standards, the DFARS provides a detailed definition of “developed” for each major category of data: technical data,²⁶³ computer programs,²⁶⁴ computer

260. See DFARS 227.7103-10(a)(5) and 227.7203-10(a)(5). See also DFARS 227.7103-1(e), partially implementing 10 U.S.C. § 2305(d)(4) (discussed *supra* at note 259).

261. For example, see the Navy OA Guidebook, *supra* note 29, at pp. 4–6, 24–25, 32–33, 36–40, 43–44, 48.

262. It is only funding for development of the technology that is relevant in determining the applicable rights.

263. For technical data, the “item, component, or process must exist and must be workable, and [t]hus, the item or component must have been constructed or the process practiced.” DFARS 252.227-7013(a)(6). The definition also provides details regarding standards for workability, but expressly refutes any implication that the technology must meet standards for being “reduced to practice” under Title 35, U.S.C. *Id.* This definition is based largely on the guidance from the Armed Services Board of Contract Appeals in *Bell Helicopter Textron*, ASBCA 21192, 85-3 BCA ¶ 18,415.

264. For computer program, “developed” means that it “has been successfully operated in a computer and tested to the extent sufficient to demonstrate to reasonable persons skilled in the

software (other than computer programs),²⁶⁵ and computer software documentation.²⁶⁶

The next step is determining the extent to which the development was accomplished entirely at private expense, entirely at Government expense, or in some combination thereof. The DFARS seeks to resolve these issues by defining the key terms. “Developed exclusively at private expense” means that means development was accomplished entirely with costs charged to indirect cost pools,²⁶⁷ costs not allocated to a government contract, or any combination thereof.²⁶⁸ “Developed with mixed funding” means that development was accomplished partially with costs charged to indirect pools or costs not allocated to a government contract, and partially with costs charged directly to government contracts.²⁶⁹ “Developed exclusively with government funds” means that the development was not accomplished exclusively or partially at private expense.²⁷⁰

The standard license rights based on development funding are Limited Rights, Restricted Rights, Government Purpose Rights, Small Business Innovation Research (SBIR) Rights, and Unlimited Rights. After a review of each of these standard licenses, a discussion of the “Doctrine of Segregability” will provide insight into applying these rights to technologies that include multiple systems or components that each may have been subject to different development funding scenarios.

a. Most Restrictive: Limited and Restricted Rights

The Government obtains the fewest rights under the license categories of Limited Rights (for technical data) and Restricted Rights (for computer software). Limited Rights is the standard license category for technical data

art that the program can reasonably be expected to perform its intended purpose.” DFARS 252.227-7014(a)(6)(i).

265. For computer software, other than computer programs, “developed” means that it “has been tested or analyzed to the extent sufficient to demonstrate to reasonable persons skilled in the art that the software can reasonably be expected to perform its intended purpose.” DFARS 252.227-7014(a)(6)(ii).

266. For computer software documentation, “developed” means that it “has been written, in any medium, in sufficient detail to comply with requirements under that contract.” DFARS 252.227-7014(a)(6)(iii).

267. *E.g.*, independent research and development (IR&D), or bid and proposal

268. DFARS 252.227-7013(a)(7) and 252.227-7014(a)(7). Note also that “(i) private expense determinations should be made at the lowest practicable level; and (ii) under fixed-price contracts, when total costs are greater than the firm-fixed-price or ceiling price of the contract, the additional development costs necessary to complete development shall not be considered when determining whether development was at government, private, or mixed expense.” *Id.*

269. DFARS 252.227-7013(a)(9) and 252.227-7014(a)(9).

270. DFARS 252.227-7013(a)(8) and 252.227-7014(a)(8).

relating to technologies developed at private expense.²⁷¹ Restricted Rights pertains to computer software developed at private expense.²⁷² In both cases, these licenses authorize use and disclosure of the data primarily only within the Government, and do not allow release or disclosure outside the Government except in very limited scenarios that are closely tied to supporting the Government's internal use, or with the express written permission of the contractor.

Under Limited Rights, the Government is authorized to use and disclose the information within the Government for any purpose other than manufacture, but can not release or disclose the technical data outside the Government or authorize the technical data to be used by another party.²⁷³ The DFARS also expressly authorizes release or disclosure outside the Government for emergency repair or overhaul, provided that the contractor is notified of the disclosure, and the third-party recipient of the information is subject to a prohibition on any further use or disclosure of the data.²⁷⁴

Similarly, Restricted Rights authorizes use and disclosure by the Government only as needed to meet the Government's internal operational requirements, with specific limitations including that the software can be:

- Used only on the computers for which it is acquired, and can be used and reproduced only as required for backup, safekeeping or archiving; the software may be transferred to any other Government computer, as long as the original copy is destroyed;²⁷⁵

271. FAR 52.227-14(a); and DFARS 252.227-7013(b)(3). Note that the FAR definition of "limited rights data" covers only technical data that also "embody trade secrets or are commercial or financial and confidential or privileged." FAR 52.227-14(a).

272. FAR 52.227-14(a); and DFARS 252.227-7014(b)(3). Note that the FAR definition of "restricted computer software" covers only computer software that "is a trade secret; is commercial or financial and is confidential or privileged; or is copyrighted computer software, including minor modifications of the computer software."

273. DFARS 252.227-7013(a)(13); *see also* FAR 52.227-14(g)(3) (Alt. II).

274. DFARS 227.7103-5(c) and DFARS 252.227-7013(a)(13). Typically the prohibition prong is satisfied by using either the Standard Use and Non-Disclosure Agreement from DFARS 227.7103-7, or the clause at DFARS 252.227-7025. The notice prong is satisfied as long as notice is provided as soon as practicable. DFARS 227.7103-5(c)(3). Although rarely used, the DFARS also allows release of limited rights data (other than detailed manufacturing or process data) to, or use by, a foreign government for evaluation or information purposes when it is in the U.S. Government's interest to do so. DFARS 227.7103-5(c) and DFARS 252.227-7013(a)(13). This release is also subject to the prohibition and notice requirements, although the notice must be provided prior to the intended release. DFARS 227.7103-5(c)(3).

275. FAR 52.227-14(g)(4) (Alt. III) (at paragraph (b)(1)-(3) and (6) of the Restricted Rights Notice); and DFARS 252.227-7014(a)(14)(i) -(iii).

- Modified or adapted as needed to be interoperable with other systems, or to correct deficiencies;²⁷⁶ and
- Released to the Government's support contractors only for support of the Government's otherwise-authorized uses under the Restricted Rights license.²⁷⁷

Thus, the Government's data rights are typically more greatly restricted when the data is software rather than technical data.

For DoD contracts, these minimum rights are required by statute for Limited Rights in technical data, which are extended by policy to computer software.²⁷⁸ But they are interpreted strictly. For instance, in *Appeal of Ship Analytics International, Inc.*,²⁷⁹ the Armed Services Board of Contract Appeal rejected a contracting officer's attempt to categorize a software upgrade as software maintenance allowed under DFARS 252.227-7013, and instead found that the upgrade constituted a breach of the Restricted Rights license. The Government cannot simply use repair or maintenance as an excuse to avoid the limitations on delivered data in future procurements.

It is important to note another key distinction between the FAR and DFARS implementation of these standard license categories. Under the DFARS scheme, Limited Rights and Restricted Rights are a specific set of defined license rights, which can not be modified even by mutual agreement. If the parties desire to revise the Government's license rights for privately developed data, they can do so as a "Specially Negotiated License"—but the resulting license can not provide less than Limited Rights in technical data or Restricted Rights in computer software.²⁸⁰

In contrast, under the FAR implementation, the terms Limited Rights and Restricted Rights refer to a basic or standard set of rights that are *normally* the minimum rights that the Government will accept. However, the parties can modify these basic licenses and the resulting specially tailored license rights

276. FAR 52.227-14(g)(4) (Alt. III) (at paragraph (b)(4) of the Restricted Rights Notice); and DFARS 252.227-7014(a)(14)(iv).

277. FAR 52.227-14(g)(4) (Alt. III) (at paragraph (b)(5) of the Restricted Rights Notice); and DFARS 252.227-7014(a)(14)(v) and (vi). Note that under the DFARS implementation, this right expressly references the need to "diagnose and correct deficiencies," or modifications necessary "to respond to urgent tactical situations," or needed for "emergency repairs or overhaul of the items procured under this or a related contract." *Id.*

278. 10 U.S.C. § 2320(a)(2)(D) authorizes release or disclosure outside the Government for emergency repair or, but only to the extent a nondisclosure agreement is provided to the receiving party.

279. 01-1 BCA 31,253 (2001) (*reconsideration denied* as untimely filed in a decision of May 21, 2001).

280. DFARS 252.227-7013(b)(4); DFARS 252.227-7014(b)(4). Specially Negotiated Licenses are discussed in more detail in this chapter at Section E.7.

are still categorized as Limited Rights or Restricted Rights.²⁸¹ The FAR expressly acknowledges that the parties may negotiate for greater or lesser rights than Restricted Rights for computer software, although the scheme appears to treat the basic Limited Rights as the minimum allowed for technical data.²⁸²

b. Government Purpose Rights

Where some Government funding and some private funding are used to develop the technology, the DoD has established another standard rights category: Government Purpose Rights.²⁸³ The FAR has no comparable standard license for data developed with mixed funds.

With Government Purpose Rights, the Government has unlimited use and distribution within the Government, and can release outside the Government for any “Government purpose.”²⁸⁴ The Government is not otherwise allowed to release or distribute the data, including pursuant to a FOIA request or for commercial purposes.²⁸⁵

But unlike Limited or Restricted Rights, Government Purpose Rights are not perpetual. Instead, they convert to Unlimited Rights at the end of five years, unless the parties agree otherwise.²⁸⁶

281. See FAR 27.404-2(c)(1) (providing examples of the additional types of disclosures or other rights that Government may desire to include in Limited Rights); FAR 52.227-14(g)(3) (ALT II) (providing a fill-in-the-blank in the Limited Rights Notice for specially tailored additional disclosure rights); FAR 27.404-2(d)(4) (noting that the listing of rights set forth in the Restricted Rights Notice “are the minimum rights the Government normally obtains . . . [h]owever, the contracting officer may specify different rights” to meet the Government’s needs); and FAR 52.227-14(g)(4) (ALT III) (the Restricted Rights Notice acknowledges that the parties may increase or decrease the basic set of rights specified in the notice, as long as the changes are “expressly stated in, or incorporated in, the contract”).

282. *Id.*

283. DFARS 252.227-7013(b)(2) and 252.227-7014(b)(2).

284. DFARS 252.227-7013(a)(12) and DFARS 252.227-7014(a)(11). “Government Purpose” is defined at DFARS 252.227-7013(a)(11) and DFARS 252.227-7014(a)(10), as “any activity in which the United States Government is a party, including cooperative agreements with international or multinational defense organizations, or sales or transfers by the United States Government to foreign governments or international organizations . . . includ[ing] competitive procurement, but [not including] the rights to use, modify, reproduce, release, perform, display, or disclose technical data for commercial purposes or authorize others to do so.” Of course, what is a government purpose is broadly interpreted to the extent there is an identifiable purpose. See Simchak, *supra* note 254, at 154–56.

285. *Tax Analysts v. U.S. Dep’t of Justice*, 913 F. Supp. 599 (D.D.C. 1996). Dept. of Justice, FREEDOM OF INFORMATION ACT GUIDE, pp. 55–56 (March 2007), available at http://www.usdoj.gov/oip/foia_guide07.htm (last visited November 18, 2008).

286. DFARS 252.227-7013(b)(2)(ii) and 252.227-7014(b)(2)(ii) (the protection period begins at the execution of the contract, subcontract, letter contract (or similar contractual

c. SBIR Rights

Where an item is developed under a Small Business Innovation Research (SBIR) award, the FAR and DFARS provide a special form of protection called “SBIR Rights” or “SBIR Data Rights.”²⁸⁷ A contractor is entitled to claim SBIR rights for all data developed under the SBIR contract, regardless of funding source.²⁸⁸ As such, SBIR Rights attach even where the contractor has not included any private funding as long as the data was generated during performance of the SBIR contract. For privately funded data that was or is not generated under the SBIR effort, the contractor is allowed to assert Limited Rights or Restricted Rights to the same extent as a non-SBIR award.²⁸⁹

Like Government Purpose Rights, SBIR Rights exist for a set number of years.²⁹⁰ On expiration, they become Unlimited Rights. SBIR Rights allow the Government to use and disclose the data within the Government for any

instrument), contract modification, or option exercise that required development of the technology). *E.g., L-3 Communications Westwood Corp. v. Robichaux et al.*, 2008 U.S. Dist. LEXIS 15682 (E.D. La. Feb. 29, 2008) (loss of trade secret rights in source code since Government Purpose Rights expired, giving Government Unlimited Rights). The extension of the GPR protection period beyond the basic 5-year period qualifies as a “Specially Negotiated License.” DFARS 252.227-7013(b)(4) and 252.227-7014(b)(4). Changes to the government purpose rights period may be made at any time prior to delivery—without consideration from either party, and longer periods should be negotiated when a five-year period does not provide sufficient time to apply the data for commercial purposes or when necessary to recognize subcontractors’ interests in the data. DFARS 227.7103-5(b)(2), and 227.7203-5(b)(2).

287. FAR 52.227-20(a); DFARS 227.7104 and 252.227-7018(a) and (b)(4).

288. FAR 52.227-20(a); and DFARS 252.227-7018(b)(4). These clauses are prescribed for all three phases of the SBIR program. FAR 27.409(h); and DFARS 227.7104(a).

289. FAR 52.227-20(b)(2)(iv) (allowing the contractor to withhold Limited Rights Data and Restricted Computer Software from delivery); and DFARS 252.227-7018(b)(2) and (3) (Limited Rights and Restricted Rights, respectively).

290. The SBIR Rights Notice in the FAR provides a basic protection period of 4 years from the acceptance of all items delivered under the contract. FAR 52.227-20(d). However, this period can be extended pursuant to FAR 27.409(h), which references the Small Business Administration (SBA) “Small Business Innovation Research Program Policy Directive,” September 24, 2002, available at http://www.sba.gov/idc/groups/public/documents/sba_program_office/sbir_policy_directive.pdf (last visited December 23, 2008). Section 8(b)(2) of the SBA Policy Directive allows the SBIR data protection period to be extended when “such data that is also protected and referenced under a subsequent SBIR through the protection period of that subsequent SBIR award.” As long as the subsequent award occurs during an unexpired SBIR protection period, this “daisy-chaining” process could continue in perpetuity. The DFARS establishes a default protection period that ends “five years after completion of the project from which such data were generated” and does not expressly recognize the SBA’s daisy-chaining procedure, although DoD would likely be required to observe the process notwithstanding the lack of DoD-specific guidance, since the SBA Policy Directive is the governing authority implementing 15 U.S.C. § 638(j).

Government purpose.²⁹¹ The Government is not allowed to use or disclose the data outside the Government, except for its support services contractors or as otherwise expressly permitted by the contractor.²⁹² Thus, SBIR rights represent a hybrid between Government purpose rights and Limited or Restricted Rights, and are specifically designed to encourage the SBIR contractor to develop a commercial product within the limited SBIR protection period.

d. Unlimited Rights

The final major category of rights is Unlimited Rights. Unlimited Rights pertain to items developed exclusively with Government funds,²⁹³ and for certain other types of data for which development funding is irrelevant.²⁹⁴ The Government has no restrictions on use or disclosure of Unlimited Rights data. However, the FAR does limit *public distribution* of Unlimited Rights computer software.²⁹⁵ Thus, the Government can generally use Unlimited Rights data for procurement, and can release such data pursuant to FOIA. Such unlimited rights are the default commercial norm for specially commissioned software and reports, but this default is often adjusted contractually to meet the needs of the parties.²⁹⁶

e. The Doctrine of Segregability

The “Doctrine of Segregability” refers to an overall approach to determining the source of development funding of the underlying technology, which defines the standard or default license that will apply unless the parties negotiate a special license agreement.²⁹⁷ In many cases, the overall or end-item

291. FAR 52.227-20(d) (in SBIR Rights Notice); and DFARS 252.227-7018(b)(4)

292. FAR 52.227-20(b); DFARS 252.227-7018(b)(4)(ii). Note that the DFARS also expressly allows disclosures outside the Government “[f]or evaluational purposes” and as “necessary for emergency repair or overhaul of items operated by the Government.” DFARS 252.227-7018(b)(4)(ii)(B) and (C).

293. FAR 52.227-14(b)(1); DFARS 252.227-7013(b)(1); DFARS 252.227-7014(b)(1).

294. *Id.* As discussed in this Chapter at Section E.5., examples include form, fit, and function data; data necessary for operation, installation, maintenance, or training (OMIT) purposes; and corrections or changes to government-furnished data.

295. FAR 52.227-14(c)(1)(iii) (noting that the Government’s Unlimited Rights in copyrighted computer software do not include the right “to distribute copies to the public”).

296. *E.g., Asset Marketing Systems, Inc. v. Kevin Gagnon, d/b/a Mister Computer, D.C. 542 F3d 748 (9th Cir. 2008)* (unlimited rights license in source code and executable code where contract did not provide for IP license and contractor paid substantial sums of money for custom computer software).

297. See DFARS 227.7103-4(b) and 227.7203-4(b). The principle is also incorporated into the DoD clauses via the definition of “development entirely at private expense” at DFARS 252.227-7013(a)(7) and 252.227-7014(a)(7).

deliverable technology will be the result of a mixed Government and private funding. If the default Government Purpose Rights²⁹⁸ license is not mutually satisfactory to the parties, the item or software can be segregated to the lowest practicable level, and rights determined on the source of funding for each segregable element.²⁹⁹ For technical data pertaining to items, components, or processes, this permits segregation to any practicable sub-item or sub-component level, or any segregable portion of a process.³⁰⁰ For computer software, this means segregation down to a module or subroutine that performs a specific function—if necessary.³⁰¹

If this process is taken to its authorized extreme, the resulting data package may appear—to both the Government and the contractor—as though there are numerous “holes” in the preferred rights scheme governing that deliverable.³⁰² This result may provide motivation for negotiating a special license agreement that covers the entire deliverable and more appropriately balances the parties’ needs.

5. Standard Rights Based on Criteria Other Than Funding

License rights are granted in certain types of technical data, regardless of the relative source of funding for the development of the technology. For example, the FAR and DFARS grant unlimited rights in certain types of data, even if the underlying technology was developed entirely at private expense, including: form, fit, and function data;³⁰³ data necessary for operation, maintenance, installation, or training purposes (OMIT data);³⁰⁴ and computer software documentation.³⁰⁵

The FAR also grants unlimited rights in all “data first produced in the performance of this contract,”³⁰⁶ except to the extent such data are minor

298. Government Purpose Rights (GPR) applies only under the DARS scheme, where GPR is the standard license for mixed-funding technologies resulting from a mixed funding, but they provide a convenient vehicle to discuss scenarios involving a combination of Government- and privately-funded technologies.

299. *Id.*

300. See DFARS 227.7103-4(b).

301. *Id.*

302. Sometimes referred to as “the Swiss cheese effect.”

303. FAR 52.227-14(b)(1)(ii); and DFARS 252.227-7013(b)(1)(iv), and 252.227-7015(b)(1)(ii).

304. FAR 52.227-14(b)(1)(iii) (exempting data that is “restricted computer software” and applying only to “routine” maintenance activities); DFARS 252.227-7013(b)(1)(v), and 252.227-7015(b)(1)(iv) (exempting “detailed manufacturing or process data”).

305. DFARS 252.227-7014(b)(1)(ii). Note that “computer software documentation,” as defined in the FAR and DFARS, is technical data that would otherwise qualify as OMIT data. See *supra* note 232.

306. FAR 27.404-1(a), and 52.227-14(b)(1)(i).

modifications to limited rights data or restricted computer software.³⁰⁷ Although it is likely that most data created during contract performance will also be developed at Government expense,³⁰⁸ this funding determination is not required.

In addition, the DFARS establishes the basic principle that if noncommercial technical data or computer software has previously been delivered to the DoD, any future deliveries of that same data or software will be governed by the same license rights, unless the parties agree otherwise or the previously agreed restrictions have expired.³⁰⁹

6. Commercial Technologies and Licenses

Perhaps the most challenging aspect of acquiring rights in data is the treatment of commercial technologies and licenses. More specifically, it is the integration of commercial and noncommercial technologies in a single procurement, or in multiple procurements for a particular system, that presents the most significant challenges. This is due in large part to the fact that the FAR and DFARS use specialized rules for acquiring commercial items, which focus on leveraging streamlined, best commercial practices, rather than using Government-unique procurement rules. This potential conflict is found throughout the policies and procedures for acquiring data and data rights.

The first step in managing these issues is defining and distinguishing commercial from noncommercial technologies. The foundation of this determination is the definition of “commercial item,” which is based on statute,³¹⁰ and implemented at FAR 2.101. This term is critical to interpreting several other key terms, including “nondevelopmental item,”³¹¹ “commercial computer

307. *Id.* Note that the clause’s grant of unlimited rights in this category at paragraph (a)(1) does not express the minor modification carve out that specified at FAR 27.404-1; however, the definitions of “limited rights data” and “restricted computer software” both cover minor modifications of data or software that otherwise meet the definition.

308. See, e.g., the cost accounting rules regarding Independent Research and Development (IR&D), at FAR 31.205-18 (excluding from definition of IR&D the “costs of effort . . . required in the performance of a contract”). See also, *United States v. Newport News Shipbuilding, Inc.*, 276 F.Supp.2d 539 (E.D. Va. 2003) (noting that “the plain meaning of ‘required in the performance of a contract’ includes those efforts that are implicitly required to perform the work as well as those efforts explicitly called for in the contract”).

309. DFARS 252.227-7013(b)(6), and DFARS 252.227-7014(b)(6) (establish the rights category “Prior government rights”).

310. 41 U.S.C. § 403(12); referenced in 10 U.S.C. § 2302(3)(I). Implemented in contracts via FAR 52.202-1.

311. 41 U.S.C. § 403(13) (referenced in 10 U.S.C. § 2302(3)(J)); and FAR 2.101, and 52.202-1.

software,”³¹² and “commercially available off-the-shelf item.”³¹³ Once it is determined that a commercial technology is being acquired, the next step is to identify the relevant acquisition policies and procedures that will apply.

a. Generally

When acquiring commercial technologies, the overarching policy governing technical data and computer software is that the Government shall accept the same deliverables, and associated license rights, as are customarily provided to the public—except under specific, limited circumstances.³¹⁴ The exceptions and details are established in a two-layer analysis: first, the general rules and policies are established at FAR Part 12 and amplified at FAR Part 27; and second, agency-specific exceptions and implementations are addressed in the agency FAR supplements.

b. The FAR Implementation

For technical data pertaining to commercial items, FAR 12.211³¹⁵ reinforces the general rule (Government receives the typical commercial deliverables

312. Compare FAR 2.101 (“commercial computer software” means any computer software that is a commercial item”) with DFARS 252.227-7014(a)(1) (“commercial computer software” means software developed or regularly used for non-governmental purposes which— (i) Has been sold, leased, or licensed to the public; (ii) Has been offered for sale, lease, or license to the public; (iii) Has not been offered, sold, leased, or licensed to the public but will be available for commercial sale, lease, or license in time to satisfy the delivery requirements of this contract; or (iv) Satisfies a criterion expressed in paragraph (a)(1)(i), (ii), or (iii) of this clause and would require only minor modification to meet the requirements of this contract”). Despite the differences, there is no indication that the DFARS definition is intended—in policy or practice—to deviate from the FAR definition. The FAR definition was not added until December 2007 (as part of the FAR Part 27 Rewrite in Plain Language, see *supra* note 230); and the release notes accompanying the publication of the DFARS definition in June 1995 indicate an intent to be consistent with the Federal Acquisition Streamlining Act of 1994, which provided the definition of “commercial item”. See *supra* note 232, at 33467 (“The definition of commercial computer software has been modified to reflect requirements in the Federal Acquisition Streamlining Act of 1994”).

313. 41 U.S.C. 431(c)(1), and DFARS 202.101 (“Commercially available off-the-shelf item” means “any item of supply that is (i) a commercial item (as defined in FAR 2.101); (ii) sold in substantial quantities in the commercial marketplace; and (iii) Offered to the Government, without modification, in the same form in which it is sold in the commercial marketplace;” but the term “does not include bulk cargo . . . such as agricultural products and petroleum products”).

314. See, generally, William C. Anderson, *Comparative Analysis of Intellectual Property Issues Relating to the Acquisition of Commercial and Noncommercial Items by the Federal Government*, 33 PUB. CONT. L. J. 37, 53–58 (Fall 2003).

315. FAR 12.211: “Except as provided by agency-specific statutes, the Government shall acquire only the technical data and the rights in that data customarily provided to the public with a

and license rights); requires the Government to presume that the data was developed exclusively at private expense;³¹⁶ and requires the contracting officer to include appropriate requirements governing data rights in the solicitations and contracts in accordance with FAR Part 27.4 or agency FAR supplements. At FAR 27.4, there are no separate requirements or special procedures provided to distinguish technical data related to commercial items. Since the basic civilian technical data statutes³¹⁷ apply to technical data regardless of whether the data relate to commercial or noncommercial items, the core, mandatory, FAR clauses will also apply.³¹⁸ Thus when combined with the mandatory presumption of development at private expense, this means that commercial technical data will generally be treated as “limited rights data” under the FAR 27.4 clause.

Regarding computer software, FAR 12.212³¹⁹ adds some important limitations to the general rule, by requiring that the Government shall acquire software, and related documentation, “under licenses customarily provided to the public *to the extent* such licenses are consistent with Federal law *and* otherwise satisfy the Government’s needs.”³²⁰ However, it is clear that these limitations are to be narrowly tailored, because the Government is “generally” prohibited from requiring technical information or documentation, or associated license rights, that is not customarily provided to the public except as mutually agreed by the parties.³²¹ Finally, FAR 12.212 requires that

commercial item or process. The contracting officer shall presume that data delivered under a contract for commercial items was developed exclusively at private expense. When a contract for commercial items requires the delivery of technical data, the contracting officer shall include appropriate provisions and clauses delineating the rights in the technical data in addenda to the solicitation and contract (see Part 27 or agency FAR supplements).”

316. This presumption is critical for determining the applicable license rights, and in the process for validation of asserted restrictions.

317. 41 U.S.C. §§ 418a, and 253d.

318. However, note that the statutes do not apply to subcontracts for commercial items, pursuant to FAR 12.504 and DFARS 212.504.

319. FAR 12.212: “(a) 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. Generally, offerors and contractors shall not be required to (1) Furnish technical information related to commercial computer software or commercial computer software documentation that is not customarily provided to the public; or (2) Relinquish to, or otherwise provide, the Government rights to use, modify, reproduce, release, perform, display, or disclose commercial computer software or commercial computer software documentation except as mutually agreed to by the parties. (b) With regard to commercial computer software and commercial computer software documentation, the Government shall have only those rights specified in the license contained in any addendum to the contract. For additional guidance regarding the use and negotiation of license agreements for commercial computer software, see 27.405-3.”

320. *Id.* (emphasis added).

321. *Id.*

the governing license rights be attached or incorporated in the contract, and references FAR 27.405-3 for guidance regarding negotiation of specialized license agreements. FAR 27.405-3 reinforces the basic rules from 12.212, describes the Government's considerations in determining whether it needs to negotiate for specialized license terms and conditions, cautions against using standard commercial terms that are not designed for a Government customer, and permits the use of the clause at 52.227-19 as an optional method for helping describe the Government's minimum license requirements, while taking advantage of the customary commercial license as much as possible.

c. The DFARS Implementation

The DoD implementation is discussed as the leading example of the implementation of the general rules in a context involving agency-specific statutory requirements. The DFARS coverage for commercial technical data is provided at Section 227.7102, and is quite streamlined in comparison to the noncommercial coverage. The coverage reinforces the mandatory presumption of development exclusively at private expense, and the basic FAR rule that the Government will normally only receive the data and rights that are customarily provided to the public.³²² The DFARS integrates within this basic scheme several DoD-specific requirements. Only those requirements and clauses that directly implement the DoD's governing statutory mandates are required.³²³ For example, building on the special statutory data categories, the DFARS allows the DoD to require delivery of form, fit, and function data; OMIT data having a level of detail necessary for DoD purposes; and data describing modifications made at Government expense in order to meet the requirements of a Government solicitation.³²⁴

Regarding the associated data rights, the DFARS prescribes a specialized clause to address the statutory minimum rights and apply other DoD-specific procedures.³²⁵ The clause as DFARS 252.227-7015 lists five special categories

322. DFARS 227.7202, and .7202-1

323. 10 U.S.C. §§ 2320 and 2321. Note that the DoD statutes expressly apply to technical data related to commercial items. *See, e.g.*, 10 U.S.C. §§ 2320(b)(1) ("in the case of a contract for a commercial item, the item shall be presumed to be developed at private expense unless shown otherwise in accordance with [10 U.S.C.] section 2321(f)"), and 2321(f) ("in the case of a challenge . . . with respect to technical data of a contractor or subcontractor under a contract for commercial items. . .").

324. DFARS 227.7102-1(a). Note that the implementing clause also provides the standard unlimited rights in the FFF and OMIT data. DFARS 252.227-7015(a)(1)(ii) and (iii).

325. Note, however, that the DFARS mandates the use of the standard noncommercial clause, DFARS 252.227-7013, instead of the commercial clause, "if the Government will pay any portion of the development costs." DFARS 227.7102-3(b). This result may not be as harsh as it might appear at first glance: under the noncommercial clause at DFARS 252.227-7013,

of data for which the Government receives unlimited rights,³²⁶ and then mandates that the Government shall receive the equivalent of Limited Rights in the remainder of the deliverable data.³²⁷ The clause also specifically recognizes that the parties may negotiate for greater rights under mutually acceptable terms;³²⁸ and requires the contractor to release the Government from liability for the otherwise unauthorized use or release of technical data that are not marked to indicate such restrictions.³²⁹

The only other clause prescribed for mandatory use is DFARS 252.227-7037, which implements the statutorily mandated³³⁰ procedures for validation of asserted restrictions. This clause incorporates special procedures for challenges involving data related to commercial items, including the mandatory presumption of development at private expense, and the elimination of the requirement for contractor to provide information demonstrating development at private expense (*i.e.*, the mandatory presumption of development at private expense carries the day unless the Government can demonstrate that it funded some portion of the development).³³¹

in full observance of the Doctrine of Segregability (see discussion in this Chapter at Section E.4.e), only those segregable portions of the commercial item that are affected (perhaps infected) by Government development funding will result in a standard license other than Limited Rights (which is essentially the same license provided for the

326. DFARS 252.227-7015(b)(1) provides unlimited rights for data that is already publicly available without restriction; FFF data; OMIT data; a correction to Government-furnished data; and have been previously provided to the Government with unlimited rights.
327. DFARS 252.227-7015(b)(2) authorizes the data for use within the Government, prohibits even internal Government use for manufacturing additional quantities of the commercial item, and allows release outside the Government only for emergency repair or overhaul of the commercial items furnished under the contract—unless expressly authorized by the contractor. Note that the clause does not require notice to the contractor of the authorized release to third parties for emergency purposes, nor require such third parties to be subject to prohibitions on further use—notwithstanding that these are requirements at 10 U.S.C. § 2320(a)(2)(D)(ii) and (iii).
328. DFARS 252.227-7015(c).
329. DFARS 252.227-7015(d). The clause does not prescribe the specifics of a restrictive marking, but presumably any commercially reasonable marking would suffice. In effect, this requirement results in the Government having something more akin to Unlimited Rights in any unmarked deliverable data. It is unclear whether a copyright notice, alone, would invoke this release from liability, since a copyright notice is not considered a “restrictive” marking under the DFARS noncommercial marking scheme (*e.g.*, it is allowed for unlimited rights data), or whether the Government would provide the 6-month grace period for re-marking inadvertently unmarked noncommercial data under DFARS 227.7103-10(c).
330. 10 U.S.C. § 2321.
331. Note that § 802(b) of the FY 2007 NDAA, as amended by § 815(a)(2) of the FY 2008 NDAA, modified the validation procedures and presumptions in cases when the commercial item is also a major system. The DFARS has not yet implemented these new requirements in its guidance or clauses.

The DoD's coverage for commercial computer software and commercial computer software documentation at DFARS 227.7202 essentially mirrors, nearly verbatim, the key elements of the general policy at FAR 12.212.³³² There is no clause—mandatory, optional, or otherwise—prescribed for commercial computer software or documentation.³³³

d. Special Subcontracting Considerations

Under the FAR and DFARS coverage for commercial technologies, there is an additional special consideration regarding commercial technologies provided by subcontractors. Although the technical data statutes for both civilian and DoD apply generally to technical data for both commercial and noncommercial items, the FAR and DFARS have exempted subcontracts for commercial items from these statutory requirements.³³⁴ As a result, the statutes, and implementing clauses, are mandatory at the prime contract level, but are not applicable to the subcontracts. In fact, the DFARS expressly prohibits contracting officers from requiring flowdown of the clauses,³³⁵ and the clauses themselves provide exceptions to flowdown to commercial item subcontracts.³³⁶

e. "Open Source" Technologies

There is potentially some confusion regarding how, or even whether, "open source software" (OSS)³³⁷ is covered under the FAR or DFARS data rights schemes. The short answer is that, in nearly all cases, OSS will be treated as

332. However, the DoD is allowed to require delivery of information documenting any specific modifications made at Government expense to the software or document in order to meet the requirements of a Government solicitation. DFARS 227.7202-1(c)(1).

333. See DFARS 227.7202, and specifically .7202-4. Since computer software documentation is technical data, which is governed by 10 U.S.C. §§ 2320 and 2321, it is unclear how the DFARS scheme avoids applying the statutory requirements.

334. See FAR 12.504(a)(5) and (9); and DFARS 212.504(a)(iii) and (iv).

335. DFARS 227.7102-3(a) and (b) ("[d]o not require the contractor to include this clause in its subcontracts" for commercial items or components).

336. See DFARS 252.227-7013(k)(2) (requiring flowdown only for noncommercial technical data), DFARS 252.227-7015 (a complete absence of flowdown requirements in the clause, combined with the direction at 227.7102-3(a)), and DFARS 252.227-7037(l) (flowdown required "except for contractual instruments for commercial items or commercial components).

337. Do not One should be careful not to confuse OSS with other "open" technology development or interoperability models, such as "open architecture," "open standards," or "open systems approach." For a general discussion of the open technology issues, see Naval OA Guide, *supra* note 29; and the *Open Technology Development Roadmap Plan*, (April 2006), available at <http://www.acq.osd.mil/jctd/articles/OTDRoadmapFinal.pdf> (last visited December 23, 2008).

commercial computer software under both the FAR and DFARS. In both regimes, computer software being acquired will fall into either one of the two main categories: commercial computer software, or noncommercial computer software.³³⁸

Although there is no universally accepted definition for OSS, the “open” and widely or publicly available distribution model will almost always result in the software meeting the criteria for treatment as commercial computer software.³³⁹ This is a good thing—since the commercial software acquisition models are a better fit for OSS: the Government will generally take the same deliverables, and under the same license terms, as are customarily provided to the public, and if the Government needs greater or different rights, it must negotiate for mutually acceptable licensing terms.

If for some reason the OSS failed to qualify as commercial computer software, then it would be subject to the rules that apply to noncommercial computer software. This would generally be a poor fit, as the Government-unique rules and requirements (e.g., marking requirements, validation procedures) would not easily be accommodated by the prevailing OSS vending models.

7. Specially Negotiated Licenses

Negotiation of specialized license agreements is permitted in all federal acquisitions of data or software—regardless of whether the technology is commercial or noncommercial. However, the negotiation process is managed differently under the FAR and DFARS. The DFARS establishes a separate license category called “specifically negotiated license rights”³⁴⁰ for noncommercial data and software. Under DFARS 252.227-7013(b)(4) and DFARS 252.227-7014(b)(4), the parties can negotiate by mutual agreement any other license restrictions “to provide such rights as the parties consider appropriate” as long as the license does not provide less than limited rights in technical data, or restricted rights in noncommercial computer software. Similarly, the DFARS expressly authorizes the parties to negotiate mutually

338. This is especially clear in the DFARS implementation, where “noncommercial computer software” is defined as “computer software that does not qualify as commercial computer software.” DFARS 252.227-7014(a)(13).

339. See *supra* note 312, for comparison of the definitions of “commercial computer software” at FAR 2.101 and DFARS 252.227-7014(a)(1).

340. DFARS 252.227-7013(b)(4), and 252.227-7014(b)(4). These licenses are often referred to as “special licenses” or “special license agreements”—perhaps due to the fact that the prescribed legend uses the label “Special License Rights.” See DFARS 252.227-7013(f)(4) and 252.227-7014(f)(4).

acceptable specialized licenses for commercial technical data,³⁴¹ and for commercial computer software.³⁴²

In contrast, the FAR does not use a separate license category to negotiated licenses for noncommercial technical data and computer software. Instead, as discussed previously, the FAR allows the parties to negotiate specialized license terms and conditions as a part of the license categories of Limited Rights (for technical data) and Restricted Rights (for computer software).³⁴³ For commercial computer software, the FAR expressly recognizes negotiation of specialized provisions as an alternative to the standard commercial license, or using the optional clause for commercial software at 52.227-19.³⁴⁴

In all cases under the FAR and DFARS, the resulting specialized licenses must be attached or otherwise incorporated into the contract to ensure that the parties respective rights are clear and preserved for the record in the governing legal document.³⁴⁵ As a best practice, parties should also take care to ensure that the contract specifically identifies which attached licenses (specially negotiated or otherwise) apply to which data (deliverable or otherwise).

Additional details and recommendations regarding negotiation of specialized licenses are provided in the discussion of Critical Steps in Protecting Data and Data Rights.

341. See DFARS 227.7102-2(b), and 252.227-7015(c). The negotiated license must be negotiated by voluntary, mutual agreement, and must provide the Government with no less than the minimum rights specified at 252.227-7015(b)(2) (equivalent to minimum limited rights authorized for noncommercial technical data).

342. DFARS 227.7202-3(b) requires the Government to negotiate by mutual agreement for any changes to the standard commercial license agreement.

343. See FAR 27.404-2(c)(1) (providing examples of the additional types of disclosures or other rights that Government may desire to include in Limited Rights); FAR 52.227-14(g)(3) (ALT II) (providing a fill-in-the-blank in the Limited Rights Notice for specially tailored additional disclosure rights); FAR 27.404-2(d)(4) (noting that the listing of rights set forth in the Restricted Rights Notice “are the minimum rights the Government normally obtains . . . [h]owever, the contracting officer may specify different rights” to meet the Government’s needs); and FAR 52.227-14(g)(4) (ALT III) (the Restricted Rights Notice acknowledges that the parties may increase or decrease the basic set of rights specified in the notice, as long as the changes are “expressly stated in, or incorporated in, the contract”).

344. See FAR 27.405-3(a) (“[a]dditional or lesser rights may be negotiated using the guidance concerning restricted rights as set forth in 27.404-2(d), or the clause at 52.227-19. If greater rights than the minimum rights identified in the clause at 52.227-19 are needed, or lesser rights are to be acquired, they shall be negotiated and set forth in the contract”).

345. DFARS 252.227-7013(b)(4) (noncommercial technical data), 252.227-7014(b)(4) (non-commercial computer software), 252.227-7015(c) (commercial technical data), and 227.7202-3(b) (commercial computer software); and FAR 27.404-2(c)(1) (requiring the additional rights to be listed in the limited rights notice at 52.227-14(g)(3) (ALT II)), 27.404-2(d)(4) (noting that when different rights are used, those rights shall be stated in the contract and the restricted rights notice at 52.227-14(g)(4) (ALT III) modified accordingly), and 27.405-3 (commercial computer software).

8. Asserting Restrictions: Listing and Marking Requirements

Under both the FAR and DFARS schemes, there are two critical steps to managing restrictions on proprietary technical data or computer software: (1) identify all asserted restrictions as early as possible in the acquisition; and (2) ensure that all deliverables are appropriately marked with the applicable restrictive legend. These steps are expressly required by the regulations in nearly all cases, but even in the absence of a requirement,³⁴⁶ following these procedures benefits both the Government and the contractor.

Whenever a contract will require the delivery of technical data or computer software, the offeror or potential contractor will be required to submit, as a part of the offer or pre-contract negotiations, a list of the all data or software that the offeror asserts should be delivered with restrictions.³⁴⁷ The DFARS specifically limits the circumstances under which this list can be modified after award.³⁴⁸ The contractor is prohibited from delivering any technical data or computers software with a restrictive legend unless that data or software is identified on the required listing.³⁴⁹

The second step in effectively asserting restrictions on deliverable data or software is absolutely critical: marking the deliverable³⁵⁰ with the appropriate restrictive legend.³⁵¹ A complete omission of restrictive markings presents a potential catastrophe for the IP owner: under both the FAR and DFARS schemes, when data or software is delivered without any restrictive markings, the Government is deemed to have received Unlimited Rights in the deliverable.³⁵² However, in the event that a marking is inadvertently omitted from a deliverable, the Government is encouraged to allow the contractor to correct the error—at the contractor’s expense and under several other conditions.³⁵³

346. For example, there is no express requirement to mark commercial computer software under the DFARS Subpart 227.7202.

347. FAR 52.227- 15, Representation of Limited Rights Data and Restricted Computer Software (Dec. 2007); and DFARS 252.227-7017, Identification and Assertion of Use, Release, or Disclosure Restrictions (Jun. 1995). Note that the DFARS clause is prescribed only for non-commercial technical data and computer software. DFARS 227.7103-3(b), 227.7104(e)(2), and 227.7203-3(a).

348. The list of restricted data and software can be amended only “. . . when based on new information or inadvertent omissions unless the inadvertent omissions would have materially affected the source selection decision.” DFARS 252.227-7013(e) and 7014(e).

349. DFARS 252.227-7013(e) and 7014(e).

350. In some cases when the deliverable itself can not be marked effectively, the contractor is permitted to mark the transmittal documents, cover sheets, or other alternative means. See DFARS 252.227-7013(f)(1) and 7014(f)(1).

351. For noncommercial data and software, the precise language of the required restrictive legend is specified in the applicable clauses.

352. See DFARS 227.7103-10(c) and 227.7203-10(c).

353. *Id.* (the contractor must “(i) Identify the technical data that should have been marked; (ii) Demonstrate that the omission of the marking was inadvertent, the proposed marking is justified and conforms with the requirements for the marking . . . ; and (iii) Acknowledge,

If the delivery is made with a restrictive marking that is not authorized by the applicable clauses, or fails to conform to the specified form or substance of the authorized marking, the marking is characterized as “non-conforming.”³⁵⁴ The applicable clauses specify the procedure for identifying and correcting nonconforming markings.³⁵⁵

If the marking conforms to the required form and format, the marking may still be considered “unjustified” if it does not accurately reflect the appropriate license rights. Procedures for resolving this type of dispute is governed by a “validation” process that is based on statutory requirements for technical data,³⁵⁶ and which is extended to computer software by policy.³⁵⁷

In addition to rights and protections for information developed under the contract, precontract submissions allow trade secrets to be marked “proprietary” under a solicitation’s intellectual property provisions. For proposals, FAR 3.104, 15.609, and 52.215-1(e) provide a process to alert the recipient, and a requirement for marking the cover page and each page that contains the restricted information. Further, submissions other than formal proposals can be made using non disclosure agreements (NDAs), which are discussed in greater detail in Chapter 3. Even without an explicit contract provision, the Government is bound by such statements and can be found liable for misusing such data³⁵⁸ or prohibited from using the submissions for competitive procurement.³⁵⁹

9. Subcontracting Issues

The prime contractor is responsible to ensure that all subcontractors will provide the required data rights under the contract.³⁶⁰ This also means that the

in writing, that the Government has no liability with respect to any disclosure, reproduction, or use of the technical data made prior to the addition of the marking or resulting from the omission of the marking”).

354. See DFARS 252.227-7013(h)(2) and -7014(h)(2). See also FAR 52.227-14(f) (Dec. 2007).

355. *Id.*

356. See 10 U.S.C. § 2321, implemented at DFARS 252.227-7037; and 41 U.S.C. § 253d, implemented at 52.227-14.

357. See DFARS 252.227-7019; and FAR 52.227-14.

358. Examples include implied-in-fact contracts. But while it may be possible to bring such actions under the CDA, after the Federal Circuit’s decision in *Wesleyan Co., Inc. v. Harvey*, 454 F.3d 1375 (Fed. Cir. 2006), the only claim for breach of confidentiality for unsolicited proposals appears to be in the Court of Federal Claims under the Tucker Act, 28 U.S.C. § 1491.

359. *The Source*, B-266362, 96-1 CPD (Feb. 7, 1996); *Zodiac of North America, Inc.*, B-220012, 85-2 CPD P: 595 (Nov. 25, 1985). See Comptroller General Decisions for *Dayton Aircraft Products*, B-143711 (1960-61) and *Aircraftsmen*, 41 Comp. Gen. 151 (1961) as described in William Munves, *Proprietary Data in Defense Procurement*, 1962 MIL. L. REV. 155, 174-77 (October 1962) (Dept. of the Army Pam. 27-100-18).

360. FAR 52.227-14(h); DFARS 252.227-7013(k); DFARS 252.227-7014(k).

prime contractor must ensure that the proper markings and identifications are made by the subcontractor. Importantly, the prime contractor needs to ensure that the subcontractor understands and accepts the data rights terms at the time of subcontracting, because “[i]f a subcontractor refuses to accept terms affording the Government such rights, the Contractor shall . . . not proceed with subcontract award without further authorization.”³⁶¹

Additionally, where the prime contractor is operating under a DoD contract, it is authorized to use the DFARS clauses only to preserve subcontractor rights.³⁶² Prime contractors are specifically prohibited from using “their power to award contracts as economic leverage to obtain rights in computer software or computer software documentation from their subcontractors or suppliers.”³⁶³ This language reflects longstanding tension between subcontractor and prime contractor rights, which was effectively resolved by 10 U.S.C. § 2320.³⁶⁴

10. Critical Steps in Protecting Data and Data Rights

While many contractors understand the rights that they are entitled to claim, they very often forget to take the small administrative steps actually required to perfect these rights. For instance, in *Ervin & Associates, Inc. v. United States*,³⁶⁵ the contractor asserted proprietary restrictions on delivered data based upon their development at private expense, but did not follow the requirements of FAR 52.227-14 in withholding the data and did not utilize the prescribed markings set forth in FAR 52.227-14(g) in Alternates II and III. The Court of Federal Claims held that the Government is entitled to rely on the contractor’s failure to mark as an acknowledgment that the data was delivered with Unlimited Rights. The failure to follow FAR 52.227-14 or otherwise mark the data could not be cured by extra-contractual oral statements to the contrary. Thus, the contractor’s simple failure to mark the data or utilize routine contractual procedures resulted in the loss of proprietary rights in the delivered data.

361. FAR 52.227-14(h).

362. DFARS 252.227-7014(k)(1); DFARS 252.227-7013(k)(2). Note also that, for technical data, the DFARS contemplates the possibility that the subcontractor may deliver data directly to the Government, entirely bypassing the prime or higher tier subcontractor (DFARS 252.227-7013(k)(3)); this language is not mirrored in the corresponding provision for noncommercial computer software at DFARS 252.227-7014(k).

363. DFARS 252.227-7014(k)(2). See also DFARS 252.227-7013(k)(4).

364. For background on this issue, see *Hearings on Proprietary Rights and Data before Subcommittee No. 2 of the House Select Committee on Small Business*, 86th Cong., 2d Sess. (1960) (discussing practices of DoD contractors with regard to intellectual property developed by subcontractors).

365. 59 Fed. Cl. 267 (2004).

a. Early Identification and Listing of Asserted Restrictions

The basic assumption for contracts is that all data is being delivered with unlimited rights. Therefore, prior to contracting, it is incumbent on the contractor to identify any data that will be delivered with any restrictions.

For commercial data and software, this identification means that the contractor needs to provide a copy of the proposed commercial license agreement to the contracting officer prior to contracting.³⁶⁶ Identification also can take place after contracting if the contractor proposes to use commercial data in connection with ongoing contract performance.³⁶⁷

Noncommercial data and software to be delivered with restrictions must be identified prior to contracting,³⁶⁸ with the DFARS providing a specific format for such identification.³⁶⁹ Both the FAR and DFARS envision allowing later identification after award. However, the DFARS is more restrictive; it will not allow later-identified data to be delivered when “the inadvertent omissions would have materially affected the source selection decision.”³⁷⁰

b. Apply the Correct Marking Before Delivery

The FAR and the DFARS take opposite approaches to specifying markings for commercial data. While the commercial software clause of the FAR includes a suggested marking,³⁷¹ the DFARS technical data rights clause³⁷² lacks any specific marking language. Similarly, there is no suggested marking for commercial computer software FAR or DFARS. But given that it is the commercial norm to mark delivered software and technical data with proprietary markings to preserve trade secrecy and inform potential infringers,

366. FAR 12.211 and 12.212 require contracting officer to include commercial terms in contract.

367. FAR 52.227-15 (pre-contract identification of limited or restricted rights data); FAR 27.404-2(c)(2) and -2(d)(4) outline process for amending data rights clause for later delivery of withheld data.

368. FAR 27.404-3(b) (contractor shall not incorporate copyrighted data not developed during contractor without permission); FAR 27.404-2(c) and (d) (discussing when to use Alternatives II and III to allow delivery of limited rights or restricted rights data prior to delivery).

369. DFARS 252.227-7017.

370. DFARS 252.227-7013(e)(3) (allowing delivery of proprietary data later identified during the contract “when based on new information or inadvertent omissions”); DFARS 252.227-7014(e)(3) (allowing delivery of proprietary software later identified during the contract “when based on new information or inadvertent omissions”).

371. FAR 52.227-19(c). However, the marking is only to the extent feasible.

372. DFARS 252.227-7015. However, note that a restrictive marking of some kind is required to preserve proprietary rights: provides that the Government “shall have no liability for any release or disclosure of technical data that are not marked to indicate that such data are licensed data subject to use, modification, reproduction, release, performance, display, or disclosure restrictions.” *Id.* at paragraph (d); *see also*, DoD IP Guide, *supra* note 29, at pp. 2–10.

such markings are likely required even when using standard commercial practices.³⁷³

With regard to noncommercial data being delivered under FAR 52.227-14, which applies to most non-DoD contracts, contractors are not allowed to deliver *any* limited or restricted data under the basic clause. Instead, FAR 52.227-14(g)(1) requires that the data be withheld from delivery and form, fit, function data be provided in its place. Only after the contracting officer amends the contract to include specific alternatives to FAR 52.227-14 (*i.e.*, Alternative II or III) can proprietary information be delivered. Otherwise, even marked data is deemed delivered with unlimited rights.³⁷⁴ It is noted that copyright notices can be affixed to delivered technical data and copyrights under FAR 52.227-14(c) without running afoul of this requirement.

By contrast, the DoD scheme requires the delivery of restricted noncommercial data, but sets forth specific markings to be used.³⁷⁵ The markings generally indicate the category of rights asserted, the contract number, the contractor, and the contractor's address. This information is needed to ensure that contractor ownership can be determined for validation proceeding. If the marking is improper, the Contracting Officer can require a compliant marking to be placed on the data in order to ensure that it meets the data rights categories allowed under the contract.³⁷⁶

c. Maintain Records for Validation Proceedings

Because contractors and contracting officers may disagree on whether data is properly restricted for whatever reason, the Government has a specific alternative dispute process to resolve such disputes.³⁷⁷ Often referred to as

373. Failure to label documents is deemed a failure to take reasonable steps to protect a trade secret. Raymond S. E. Pushkar, *Corporate Trade Secrets: Protecting Company Assets*, CONT. MGMT. MAG., pp. 24–27 (NCMA July 2005); R. Mark Halligan, Esq. and Richard F. Weyand, *The Economic Valuation of Trade Secret Assets*, J. INTERNET L., pp. 19–24 (Aspen Pub) (Feb. 2006); Eric Faragi and Todd Smith, *Trade Secrets: General Guidelines Every Employee Should Know*, ANDREW LITIG. REP., Vol. 13, Issue 21 INTEL. PROP. LITIG. REP. (Andrews Litigation Reporter) (Jan. 30, 2007); *e.g.*, *Diamond Power Int'l, Inc. v. Davidson*, 540 F. Supp. 2d 1322 (N.D. Ga. 2007); *Richard Niemi v. American Axle Manufacturing & Holding, Inc.*, 2007 WL 29383 (Mich. App. 2007) (failure to mark files “confidential” indicated lack of take reasonable steps to maintain the secrecy). This assumption is made by the Government. William C. Anderson, *Comparative Analysis of Intellectual Property Issues Relating to the Acquisition of Commercial and Noncommercial Items by the Federal Government*, 33 PUB. CONT. L. J. 37, 58–59 (Fall 2003).

374. FAR 52.227-14(b)(1) requires all data delivered to be delivered with unlimited rights unless satisfying one of the noted exceptions.

375. DFARS 252.227-7013(f); DFARS 252.227-7014(f).

376. DFARS 252.227-7013(h); DFARS 252.227-7014(h).

377. Concern of these disputes was great enough for the DoD that Congress enacted 10 U.S.C. § 2321 to ensure a specific validation proceeding was implemented.

“data rights challenges,” the general process requires the contracting office to inform the contractor that there is a dispute over proprietary markings. The contractor will have an opportunity to respond with evidence that the rights category is correct (usually in the form of evidence that the item was developed at private expense). The contracting officer then makes a decision based upon the response, which is appealable under the Contract Dispute Act.³⁷⁸

It is noted that technical data for commercial items are presumed to be developed at private expense. However, this presumption has been removed where the technical data relates to major system. Specifically, for developers of major systems which are claimed to be commercial, there is a presumption that the commercial data was developed entirely with Government money such that developers need to be ready to respond to a challenge to any restrictions on the delivered technical data.³⁷⁹ The downside to this process, from a contractor’s point of view, is that the contractor will need evidence of private development for each item. Thus, it is important to maintain records sufficient to justify an assertion of private development in case the data should later be challenged.³⁸⁰

d. Focus on Deliverables, Not Just Rights

It is important to understand that the standard DFARS clauses that establish the rights in technical data or computer software do not create any requirement for the delivery of data or software. Delivery requirements are set forth elsewhere in the contract. The DoD IP Guide³⁸¹ outlines a number of options for structuring mutually acceptance IP deliverable requirements:

- Altering the form or content of the deliverable. For example, reducing the level of detail required (e.g., requiring “form, fit, and function” data for detailed design data); or requiring delivery in a different format (e.g., drawings as CAD-CAM files, rather than image files).
- Establishing life-cycle maintenance/support agreements with the original contractor-developer/vendor. This reduces DoD’s need for detailed design data. Life-cycle support can be incorporated into an earlier procurement (e.g., option item).

378. FAR 52.227-14(e) (validation for software and technical data); DFARS 252.227-7019 (validation for software); DFARS 252.227-7037 (validation for technical data).

379. 10 U.S.C. § 2321(f)(2). Note that the presumption of development at private expense still applies to “commercially available off-the-shelf items.”

380. Under the DFARS, financial records need only be maintained for three years for data rights challenges as required under 10 U.S.C. § 2321. No such limitation is made for software under the DFARS or for any data under the FAR.

381. DoD IP Guide, *supra* note 29, at pp. 2–9.

- Providing for inspection of the data/software at the contractor's facility.³⁸²
- Utilizing deferred ordering under DFARS 252.227-7027 or FAR 52.227-16. This option permits the Government to require delivery of any data/software generated under the contract. The right expires three years after (i) acceptance of all items, or (ii) termination of the contract.
- Selecting deferred delivery procedures under DFARS 252.227-7026. This provision may apply to any data/software designated in the contract. The right expires two years after (i) acceptance of all items, or (ii) termination of the contract.
- Third-party escrow arrangements. These are more common in the commercial arena. Generally, the contractor-developer delivers a copy of relevant "deliverable" to a neutral third party for safekeeping during a predefined escrow period. Within the escrow period, the Government may obtain delivery of the item if certain conditions are met. The parties must negotiate (i) the escrow period, (ii) the conditions under which Government can require delivery, the (iii) procedures for requesting delivery and verification, and (iv) payment of escrow fees.

e. Ensure that Both Sides Understand the IP Aspects of the Proposal

Market research, acquisition planning, solicitation provisions, up-front negotiations. This is the critical first step—with the burden on the Government—that will set the tone for the acquisition. The Government should identify the most likely technology areas that will rely on commercial or nondevelopmental technologies, and structure the acquisition plan to accommodate anticipated uses of commercial and nondevelopmental technology, allow for unanticipated developments (*e.g.*, an anticipated technology is not mature, or an unexpected commercial solution becomes available), and request creative solutions from the offerors.

Both sides should have a common concept for how commercial or nondevelopmental technologies will be integrated with the R&D investment. It is preferable to focus agency investment on the integration effort and ensuring interoperability within the operational modules/components, which may be cutting-edge commercial or privately developed technologies.

Intellectual property *rights* are only one element of the deal. It is necessary to clarify how these other terms and conditions will satisfy the agency's actual needs, without requiring additional deliverables or license rights. The agency's interests in securing affordable and effective life-cycle support for the technology might be satisfied by:

382. See FAR 52.227-14 with its Alt V; this civilian agency clause is not directly applicable to DoD, but may serve as a model.

- Long-term partnering opportunities;
- Options for future needs;
- Discounts from standard commercial rates for purchase or service;
- Priority technical support;
- Contingency-based deliverables and rights; or
- Directly licensing third-party sources.

f. Negotiate for the Best Deal

Both the agency and its contractors should be reminded of the nearly unfettered ability to negotiate an IP license agreement that is specially tailored for their needs. This is available in all scenarios involving technical data and commercial software, including both commercial and noncommercial technologies. The parties should negotiate a special license agreement whenever the customary deliverables or default/standard license rights do not adequately balance the parties' interests. Before entering into any license negotiations, it is crucial that both parties have clearly identified their core requirements, needs, and objectives. For DoD, this requires that IP considerations have been fully integrated into the acquisition plan.

Despite the preference for a specially tailored license, however, what may initially look like a license-rights issue may actually be solved by (1) modifying the IP deliverable requirements, (2) following the DFARS or FAR guidance concerning source-of-funding determinations at the lowest practicable level, and/or (3) verifying whether the data/software should be treated under the commercial or noncommercial rules.³⁸³

i. Warm Up a Reluctant Negotiator

In many cases, the biggest obstacle to effective negotiations is that one or both parties are fearful of unintentionally giving up important rights. Agency principles should alleviate these concerns—and are a valuable tool, especially when a contractor faces a recalcitrant Contracting Officer:

- DoD IP Guide Core Principle #4: “Negotiate specialized IP provisions whenever the customary deliverables or standard license rights do not adequately balance the interests of the contractor and the Government.”³⁸⁴
- DoD IP Guide Core Principle #5: “Seek flexible and creative solutions to IP issues, focusing on acquiring only those deliverables and license rights necessary to accomplish the acquisition strategy.” Agency policy

383. See the DoD IP Guide, *supra* note 29, at pp. 2–8.

384. *Id.* at 1-1, -3.

is to acquire the minimum deliverables, and rights, that are necessary to satisfy its needs.³⁸⁵

- With this in mind, if the contractor is requesting a special license to better accommodate its interests, and the standard or default license applicable under the clauses gives the agency any greater rights than the minimum to meet its needs (as defined by the acquisition strategy), then there is a strong, policy-driven, requirement to enter into good faith negotiations.
- Maximizing the potential market for the contractor—by negotiating for only the minimum rights needed for agency—will allow efficiencies similar to those desired for commercial technologies, such as lower unit costs and technical support via cost-spreading across a wider customer base. This point is more persuasive if accompanied by a proposed license that provides the agency with everything it needs.
- It will be easier for all parties to handle and protect the data/software if the entire deliverable is governed by a single Special License Agreement rather than being segregated into multiple sub-elements, each subject to different standard licenses.

ii. Pick a Good Starting Point and Adapt to Meet the Parties' Special Needs³⁸⁶

When negotiating a special license, it is important to identify which party will take the lead in drafting the proposed license, and to carefully select the starting point or template for the license agreement. As a general strategy, the parties may consider starting with the standard or default license that would otherwise apply. If the negotiation involves commercial technologies, the preferred starting is typically the license agreement that is customarily offered to the public. If the negotiation involves noncommercial technologies, consider starting with the standard DFARS or FAR license that most closely parallels the relative funding obligations of the parties. For development funded primarily at private expense, start with Limited Rights or Restricted Rights and add the additional rights the Government needs; for development funded primarily funded at Government expense, start with Government Purpose Rights and add limitations to preserve additional rights for the contractor, while ensuring that the Government's needs are satisfied.

After selecting the appropriate starting point, there are several general principles to keep in mind when crafting specialized provisions:

- The Government cannot accept less than Limited Rights in non-commercial technical data, the standard license rights in commercial

385. *Id.* at 1-1, -4; see also DFARS 227.7102-1, .7103-1, .7202-1, and .7203-1.

386. See DoD IP Guide, *supra* note 29, at pp. 2–9.

technical data, or Restricted Rights in noncommercial computer software.³⁸⁷

- The license should clearly set forth the data/software covered by the license, by identifying specific deliverables or establishing well-defined classes, categories, or types of deliverables; and the specific rights granted to the Government, by enumerating all restrictions on the Government's ability to use, reproduce, modify, release, perform, display, and disclose the licensed materials, and to authorize others to engage in those activities.³⁸⁸

iii. Government Purpose Rights as a “Standard” Alternative to Unlimited Rights

The Unlimited Rights category allows the Government to disclose delivered data/software to anyone and everyone. Although this may ensure wide dissemination of the information, it may simultaneously reduce the incentive for individual companies to take the lead and invest in commercializing the item (*i.e.*, once a market is created, there is no ability to exclude competitors), which ultimately reduces the availability of that technology to the public in a useful form. Government Purpose Rights may be a better compromise: it permits the royalty free use of that IP for any and all Government purposes, but allows the contractor-developer to retain exclusive rights for commercial uses. This allows contractors to recoup their development expenses without any further cost to the Government.

But for technologies or products that have a primarily Government customer market, especially in mixed-funding scenarios in which the contractor funded a significantly larger proportion of the items' development cost, even GPR will be a less attractive license arrangement. In this case, the contractor must try to recoup its development expenses primarily through sales to the Government. This increases the Government's unit cost, and the up-front cost to the contracting agency that is negotiating for GPR, because it is in effect buying a license for third-party contractors to use the data/software in the performance of contracts for any Government agency.

iv. Use Interest-Based Negotiation Techniques

Interest-based negotiation has been used effectively in alternative dispute resolution. It also can be used throughout contract formation and performance to ensure that there is a meeting of the minds while avoiding unnecessary posturing and adversarial negotiation techniques. Most negotiations are

387. See DFARS 252.227-7013(b)(3), -7015(b), and -7014(b)(3), respectively.

388. Additional examples and suggestions for Special License provisions are discussed in the DoD IP Guide, *supra* note 29, at Chapter 4, Issue Category 3.

position-based (e.g., “We need Unlimited Rights, or at least Government Purpose Rights”). A better approach is to focus on the interests that drive those positions—the business and operational goals (e.g., “I need to be able to use the data package in a competitive source selection for future production”). In some cases, the best result requires yet another step to identify the core interest (e.g., “I need to ensure that I can afford to maintain and upgrade this technology throughout its life cycle”). In all cases, both sides of the negotiating table must seek to offer, and be willing to receive, creative solutions to protect these interests. Keep in mind that IP rights are only one element of an overall business deal.

F. Trademark Protection in Federal Procurements

Trademarks protect the source-identifying name of a service or product as perceived by the consumer. Trademarks thus protect the consumer even though they are owned by individual registrants. In a collaborative system where the Government designs the product and the contractor builds it, the owner of the mark may be unclear: the Government often controls the quality of the end product and thus may be perceived as the product’s source.³⁸⁹

With the passage of the Trademark Amendments Act of 1999,³⁹⁰ there may be strategic advantages in asserting trademarks because the contractor may enjoin the Government in any district court. The implications of this waiver are explored in greater detail in Chapter 4. The procurement community has not really come to terms with the full implication of this sovereign immunity waiver, and the Government has provided little guidance. The FAR and DFARS do not provide any instructions on how to proceed when faced with a trademark infringement claim, or even how to plan for obtaining sufficient trademark rights to protect against Lanham Act violations.

The only substantive mention of trademarks appears in the commercial items indemnity clause at FAR 52.212-4(h),³⁹¹ which is broader than its

389. DoD organizations may have a additional interests in securing trademark rights, in view of the relatively new authority to retain royalties from trademark licensing at 10 U.S.C. § 2260. See also, DoD Directive 5535.09, DoD Branding and Trademark Licensing Program, December 19, 2007, available at <http://www.dtic.mil/whs/directives/corres/pdf/553509p.pdf> (last visited November 20, 2008).

390. TRADEMARK AMENDMENTS ACT OF 1999, Section 4, Pub. L. No. 106-43 amending 15 U.S.C. §§ 1114, 1122, and 1127.

391. “The Contractor shall indemnify the Government and its officers, employees and agents against liability, including costs, for actual or alleged direct or contributory infringement of, or inducement to infringe, any United States or foreign patent, trademark or copyright,

noncommercial equivalent at FAR 52.227-3³⁹² and explicitly includes trademarks as a basis for indemnity. Because this provision is required in all commercial contracts pursuant to FAR 12.301(b)(3), a commercial contractor could face an indemnity liability due an injunction against the Government for trademark infringement. It is important, therefore, to ensure that the commercial data license explicitly disclaims such liability.

G. Beyond Procurement Contracts

To counterbalance the highly regulated world of FAR-based procurement contracting, there are a growing number of alternative contracting or partnering instruments. Although no significant business transaction with the Government goes entirely unregulated, these other agreements generally offer greater flexibility in structuring a mutually beneficial business arrangement—with a significant element of this flexibility involving the allocation of intellectual property rights. As is to be expected, there is a tradeoff for this enhanced flexibility. Each contracting vehicle is available for use in a limited set of partnering scenarios or involves other restrictions. Nevertheless, when used in combination with more traditional FAR-based contracting, these instruments help provide a more complete and flexible range of options for managing intellectual property rights in business transactions with the Government.

The best-established alternative contracting and partnering instruments include assistance agreements, such as grants and cooperative agreements, technology investment agreements (TIAs), and a specialized type of statutorily authorized cooperative research and development agreements. In addition, some new and creative business arrangements—venture funding and prize authorities—are growing in popularity. Between these two ends of the spectrum sit other transaction (OT) agreements, which, although still relatively new in the grand scheme of alternatives, have gained favor in recent years. All of these alternatives are discussed more fully in Chapter 3.

arising out of the performance of this contract, provided the Contractor is reasonably notified of such claims and proceedings.”

392. The patent indemnity clauses cover indemnity only for patent infringement and do not include other forms of IP, notably copyright and trademark infringement.

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CHAPTER 3

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A. The Government as a Developer of Intellectual Property

Private industry has often relied upon the Government to conduct basic R&D. Indeed, basic research is a core mission of entire Government agencies, including NASA and the Department of Energy.¹ Underscoring the importance of their role as innovators, the Government is required by statute to own IP derived from research by DoE² and NASA.³ There is some reason to believe that this requirement was intended to help ensure widespread disclosure and commercialization of Government technologies.⁴ This is in contrast to most other agencies (including the Department of Defense), which are not obligated to take title to agency-related inventions and which generally believe that allowing title to remain with contractors is more likely to stimulate economic growth and technological dispersion.⁵

Though the techniques and commercialization philosophies may differ across agencies, the basic mandate is consistent. Under 42 U.S.C. § 2451, NASA is expected to preserve “the role of the United States as a leader in aeronautical and space science and technology and in the application thereof to the conduct of peaceful activities within and outside the atmosphere,” as well as assist in the development of energy-conserving ground propulsion systems. In like fashion, the Department of Energy is to encourage the development of renewable energy resources and conservation technologies.⁶

In order to effectuate this policy of stimulating commercialization, the Government has invested heavily in patenting its inventions. Indeed, it is consistently one of the top twenty-five patenting organizations.⁷ Historically, the number of Government-owned patents was even higher; it averaged over 1000 issued patents per year for the years between 1981 and 1987.⁸

1. 42 U.S.C. § 4251(d) (objectives of NASA including exploring technology and maintaining research leadership in air and space exploration and technology); 42 U.S.C. § 7112 (DoE to ensure development of energy-related technologies to maximum general benefit).

2. 42 U.S.C. §§ 2182., 5908.

3. 42 U.S.C. § 4257.

4. *E.g., U.S. Department of Energy v. White*, 653 F.2d 479 (C.C.P.A. 1981) (purpose of government retaining title to inventions useful to production of atomic energy is to control growth of atomic energy industry for benefit of public that financed the subject invention).

5. 35 U.S.C. § 200.

6. 42 U.S.C. §§ 5905(b)(3)(A), 7112(6).

7. USPTO, *Preliminary List of Top Patenting Organizations* (2005); USPTO, *Preliminary List of Top Patenting Organizations* (2004); USPTO, *Preliminary List of Top Patenting Organizations* (2003); USPTO, *Preliminary List of Top Patenting Organizations* (2002).

8. GAO, *FEDERAL AGENCIES' PATENT LICENSING ACTIVITIES*, GAO/RCED-91-80 (April 1991).

But despite possessing a rather impressive patent portfolio, Government has had difficulty transmitting inventions to the commercial marketplace. Estimates of usage for Government-owned patents range between 5 and 10 percent.⁹

While overall use may be low, notable exceptions do exist. The National Institutes of Health are one success story, pushing new medical breakthroughs via aggressive licensing of Government-owned patents and material transfer agreements.¹⁰ NIH's patent licensing strategy generated over \$82 million in licensing revenue in 2006 alone.¹¹ It is credited with licensing the vast majority of all Government patents that actually reach the private sector.¹² NASA is another successful transferor of Government IP.¹³ By contrast, the Department of Defense, whose development of technology is driven by the need to create advanced weapons systems, has been less successful in transferring inventions to the consumer marketplace.

The Government has long desired to see more Government IP put to use in the private sector, and this desire has led to a number of creative licenses and other knowledge-sharing mechanisms. Since at least the 1980s, the Government has actively sought to transfer technologies developed in the course of Government contracts to the private sector. Promoting "the commercialization and public availability of inventions made in the United States by United States industry and labor" is an explicit goal of Government technology procurement.¹⁴ The original impetus for these "technology transfer" efforts was the perceived competitive advantages enjoyed in the 1970s by Japanese and, to a lesser extent, German companies.¹⁵ (The same concerns led to the creation of the Federal Circuit.¹⁶) In both countries, governments

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9. Wendy H. Schacht, *TECHNOLOGY TRANSFER: USE OF FEDERALLY FUNDED RESEARCH AND DEVELOPMENT*, CONGRESSIONAL RESEARCH REPORT RL33527 (July 2007); GAO, *ADMINISTRATION OF THE BAYH-DOLE ACT BY UNIVERSITIES*, GAO REPORT NO. 98-126 (May 1998).
 10. See GAO/REPORT NO. GAO/RCED-99-173, *TECHNOLOGY TRANSFER: NUMBER AND CHARACTERISTICS OF INVENTIONS LICENSED BY SIX FEDERAL AGENCIES*, at 6 (June 1999) (National Institute of Health accounted for 95.1 percent of all Federal licensing of patented technology).
 11. NIH Office of Technology Transfer (OTT) (http://ott.od.nih.gov/about_nih/statistics.html) (last visited November 17, 2008).
 12. See GAO/REPORT NO. GAO/RCED-99-173, *supra* note 10.
 13. See *Transfer of Space Technology to the American Consumer: The Effect of NASA's Patent Policy*, 52 MINN. L. REV. 789 (1968).
 14. 35 U.S.C. § 200; see also the Stevenson-Wydler Technology Innovation Act, 15 U.S.C. §§ 3701 *et seq.*, which encourages technology transfer by Federal laboratories and research facilities.
 15. "Technology transfer . . . originated during the late 1970s, when the nation began seriously to perceive that its competitive position was eroding, vis-à-vis Japan, and, to a certain extent, European countries, notably Germany." W. Bruce Shirk, *Technology Transfer and Technology Reinvestment—A Comparison of Two Statutory Frameworks*, 41 FED. B. NEWS & J. 64, 64 (1994); William S. Dietrich, *IN THE SHADOW OF THE RISING SUN*, 1-11 (1991).
 16. Herbert F. Schwartz, *PAT. LAW & PRACT.* 3 (3d ed. 1996).

play an active role in funding technological development. Experience now shows that the Japanese and German government-industrial models are less supple than the more market-oriented American system.¹⁷ Nevertheless, the impulse to commercialize Government inventions remains, with the main debate centering on the best ways to achieve this goal.

Conceptually, technology transfer to private industry can take place in a handful of ways. The Government can license-out or sell acquired intellectual property rights. It can commercialize inventions itself. A hybrid approach allows public-private partnerships (e.g., Sematech),¹⁸ public corporations (the U.S. Postal Service), or specially-designated private corporations (Network Solutions, Inc.). The distinction is important: "The ways that patented inventions are licensed to transfer technology (that is, exclusively, nonexclusively, or perhaps through a lottery) may be as important as encouraging product development as when a specific invention . . . is patentable."¹⁹

There is no definitive study as to whether the Government is effectively using the nation's intellectual property, though some research suggests that "universities and government agencies achieved royalty rates in licensing-out activities comparable or somewhat higher than their commercial counterparts."²⁰ Further, the Government does have an extensive network of

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17. Many other countries have passed or have considered legislation mirroring the Bayh-Dole Act. See Manisha Singh Nair, *Indian Bayh-Dole on its Path*, IPFRONTLINE (Oct. 8, 2007) (discussing India's efforts to emulate Bayh-Dole in the context of university research), available online at <http://www.ipfrontline.com/depts/article.asp?id=16248&deptid=4> (last visited November 17, 2008); J. Steven Rutt & Stephen B. Maebius, *Technology Transfer Under Japan's Bayh-Dole: Boom or Bust Nanotechnology Opportunities?* NANOTECHNOLOGY LAW & BUSINESS, Vol. 1, No. 3, Article 8 (2004) (discussing the Japanese Government's efforts to emulate Bayh-Dole for nanotechnology); John Fraser and Ashley Stevens, *Understanding the Importance of Bayh-Dole*, MANAGING INTELLECTUAL PROPERTY (Dec. 2005/Jan. 2006) ("Countries around the world are expressing their agreement by adopting laws similar to the Bayh-Dole Act. Germany, Korea and Taiwan are the most recent countries allowing academic institutions, as opposed to individual professors, to own inventions resulting from research in their labs. In Japan, the government is privatizing the entire university system in part because they want Japanese universities to become economic catalysts, like their US counterparts. The British and Canadian governments have established pools of funds to accelerate the commercialization of university research").
18. Sematech is a research and development consortium composed of leading U.S. semiconductor companies and funded in part by DoD. See Rob Pivnick, *Do Antitrust Laws Hinder American Technological Innovation?* 64 J. ATR L. & COMMERCE 1257 (1999); Thomas A. Piraino, Jr., *Reconciling Competition and Cooperation: A New Antitrust Standard for Joint Ventures*, 35 WM. & MARY L. REV. 871, 912 (1994).
19. Reid Adler, *Genome Research: Fulfilling the Public's Expectation for Knowledge and Commercialization*, 257 SCIENCE 908, 910 (Aug. 1992).
20. Daniel M. Gavock et al., *Licensing Practices, Business Strategy, and Factors Affecting Royalty Rates: Results of a Survey*, 13 LICENSING L. & BUS. REP. 205, 215 (Mar.-Apr. 1991).

technology transfer offices that search for potential licensees.²¹ Indeed, the Government has a unique licensing advantage in that the Government is able to convey a right to sue to nonexclusive licensees,²² whereas amongst private parties only exclusive licensees have standing to sue.²³ But the Government's ability to capitalize on these advantages is limited by laws restricting Government licensing,²⁴ conflict of interest statutes,²⁵ and conflicting policies emphasizing the defensive use of patents over their commercialization potential.²⁶ As noted in a recent Congressional Research report:

The federal laboratories have received a mandate to transfer technology. This, however, is not the same as a mandate to help the private sector in the development and commercialization of technology for the marketplace. While the missions of the government laboratories are often broad, direct assistance to industry is not included, with the exception of the National Institute of Standards and Technology. The laboratories were created to perform the R&D necessary to meet government needs, which typically are not consistent with the demands of the marketplace.²⁷

In contrast, as discussed in Chapter 2, the provisions of technology transfer relating to extramural research have been held up as an international model to be followed and are widely utilized by universities to transfer Federally-funded research to the private sector in the form of new businesses.²⁸

Though the Government can (and sometimes must) own patents, it is not allowed to use most other forms of IP to protect its technological developments. For instance, the Government cannot obtain a copyright in any Government-created work.²⁹ Similarly, the Government generally does not

21. For example, the Federal Laboratory Consortium was established under the Federal Technology Transfer Act of 1986, P.L. 99-502, specifically to organize and coordinate the technology transfer efforts of the Federal laboratories.

22. 35 U.S.C. § 207(a)(2). See *Nutrition 21 v. United States*, 930 F.2d 867 (Fed. Cir. 1991) (confirming Federal agency's power under 35 U.S.C. § 207 to confer to nonexclusive licensee the right to sue without joining the Government as a necessary party).

23. *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1553 (Fed. Cir. 1995) (en banc); *Ortho Pharmaceutical Corp. v. Genetics Institute, Inc.*, 52 F.3d 1026, 1031 (Fed. Cir. 1995).

24. E.g., 35 U.S.C. §§ 209(b) (U.S. manufacture of licensed invention) and 209 (c) (preference for small business).

25. Wendy H. Schacht, TECHNOLOGY TRANSFER: USE OF FEDERALLY FUNDED RESEARCH AND DEVELOPMENT, CONGRESSIONAL RESEARCH SERVICE REPORT RL33527 (July 2007).

26. GAO, FEDERAL AGENCIES' PATENT LICENSING ACTIVITIES, GAO/RCED-91-80 (April 1991).

27. Schacht, *supra* note 25.

28. Statements of Dr. Mark Allen and Arundeeep S. Pradhan to the Committee on House Science and Technology Subcommittee on Technology and Innovation, RIGHTS TO PATENTS DEVELOPED WITH FEDERAL RESEARCH DOLLARS (July 17, 2007).

29. 17 U.S.C. § 105.

maintain Government-created information as a trade secret—except in the most limited circumstances.³⁰ In contrast, the Government can and does own trademarks, as discussed in Chapters 1 and 4. These policies reflect a need to ensure that Government works and information are freely shared. But they also may have the unintended “benefit” of inhibiting technology transfer—especially for technologies that are promising, but that require additional investment to mature the technology or adapt it for specific applications in the commercial marketplace. In such situations, technology transfer is inhibited since investors are less likely to provide the necessary funding for continued development in the absence of exclusive IP rights that will help guarantee a return on their investment.

Chapter 2 explained how DoD, DoE, and NASA use the FAR and its supplements to transfer contractor-generated IP, perfected in conjunction with Government contractual involvement, to the contractor, and thence presumably to the broader public. For the balance of this chapter, we will discuss nonprocurement vehicles for transferring technologies—usually Government-created technologies—to the private sector.

B. Overview of Nonprocurement Transactions

To counterbalance the highly regulated world of FAR-based procurement contracting, there are a growing number of alternative contracting or partnering instruments. Although no significant business transaction with the Government goes entirely unregulated, these other agreements generally offer greater flexibility in structuring a mutually beneficial business arrangement—with a significant element of this flexibility involving the allocation of intellectual property rights.

As is to be expected, there is a tradeoff for this enhanced flexibility. Specifically, each of these different types of contracting vehicles is available for use in a limited set of partnering scenarios or involves other restrictions. Nevertheless, when used in combination with more traditional FAR-based contracting, these instruments help provide a more complete and flexible range of options for managing intellectual property rights in business transactions with the Government.

30. 5 U.S.C. § 552 (popularly known as the Freedom of Information Act) mandates release of information except in limited circumstances. The most well established examples of a Government “trade secret” include: 35 U.S.C. § 205, which allows the Government to withhold technical information from public release for a reasonable period in order to file and prosecute a patent application.

The most well-established and widely known alternative contracting and partnering instruments include assistance agreements (grants and cooperative agreements), technology investment agreements (TIAs), a specialized type of statutorily authorized cooperative research and development agreement (CRADAs), and other transaction (OT) agreements. In addition, some even more creative business arrangements—venture funding and prize authorities—are beginning to gain popularity. Each of these nonprocurement instruments is discussed more fully in Sections D through H of this Chapter.

Fortunately, the Government also provides focused assistance in navigating these myriad types of nonprocurement instruments and partnering opportunities. Most agencies that are active in research and development (R&D) also maintain public outreach activities to help potential business partners identify opportunities at their agency. As might be expected, this information is most typically provided through the agency websites,³¹ which offer information regarding their most active technology areas and products, patents or other IP available for licensing, listing of open solicitations or requests for proposals, descriptions and samples of the agency's preferred types of partnering instruments, and listings of upcoming events and agency points of contact. In addition, some agencies utilize Partnership Intermediaries³² to identify and support public-private partnering for R&D and technology transfer.³³

31. A representative sampling of websites providing information on federal Government technology transfer and R&D partnering includes: the Federal Laboratory Consortium (FLC), at <http://www.federallabs.org/>; Department of Defense TechTRANSIT, at <http://www.acq.osd.mil/ott/techtransit/>; Air Force Research Laboratory (AFRL), at <http://www.wpafb.af.mil/afrl/index.asp>, which operates the Air Force Technology Transfer Program, at <http://www.wpafb.af.mil/library/factsheets/factsheet.asp?id=6026>; the Army Research Laboratory (ARL), at <http://www.arl.army.mil/www/default.cfm?Action=6&Page=6>; the Naval Research Laboratory (NRL), at <http://www.nrl.navy.mil/content.php?P=TECHTRANSFER>; the Defense Advanced Research Projects Agency (DARPA), at <http://www.darpa.mil/#funding>; the Missile Defense Agency (MDA), at <http://www.mda.mil/mdalink/html/transfer.html>; the Department of Energy (DoE), at http://www.er.doe.gov/Technology_Transfer/index.htm; the National Aeronautics and Space Administration (NASA) Innovative Partnerships Program (IPP), at <http://www.ipp.nasa.gov/index.htm>; the National Institutes of Health (NIH) Office of Technology Transfer, at <http://ott.od.nih.gov/>; and National Institute of Standards and Technology (NIST), at <http://patapsco.nist.gov/ts/220/external/index.htm>. (All sites last visited November 20, 2008).

32. Authorized by 15 U.S.C. § 3715.

33. See, e.g., DoD TechMatch, at <http://www.dodtechmatch.com/DOD/index.aspx>; FirstLink, at <http://www.dodtechmatch.com/DOD/index.aspx>; T2Bridge, at <http://www.t2bridge.org/>; and TechLink, at <http://techlinkcenter.org/cgi-bin/techlink/index.html>.

Recent legislative developments indicate that more detailed guidance and requirements governing IP rights in nonprocurement transactions is imminent. Section 822 of Public Law 110-417³⁴ requires DoD to issue guidance regarding the appropriate balance of technical data rights in “non-FAR agreements.”³⁵ This guidance must also require the parties to establish these rights during preliminary negotiations for the agreement, and obligates the Government to assess the long-term data needs for certain high-priority systems development.³⁶ As such, it is likely there will be less flexibility in what IP rights are obtained under OTs and increased emphasis on how such data rights fit into possible later production of the developed prototype.

C. Nondisclosure Agreements

The first step in partnering with the Government to develop cutting edge technology—so often overlooked in the discussion of IP legal issues—is that the parties must identify a common technological interest that presents opportunities for collaboration. It’s relatively easy at the macro level, using public or open source information, to determine that both parties are working in the same technology areas. However, before putting forth any serious effort or resources (or revealing any proprietary information), the parties will typically seek a more detailed analysis of the unique technologies or capabilities that the other side brings to the table.

In most cases, this will require disclosure of proprietary technical information to the potential business partner. And when the information pertains to a company trade secret—perhaps even one of the “crown jewels”—this disclosure presents an immediate risk of losing an important business asset. The primary method to manage this risk is to ensure that the party receiving the proprietary information is aware of, and legally bound by,

34. The Duncan Hunter National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2009, Pub. L. 110-417, October 14, 2008.

35. A “non-FAR agreement” is “an agreement that is not subject to laws pursuant to which the Federal Acquisition Regulation is prescribed,” and expressly includes OTs under 10 U.S.C. § 2371, and CRADAs under 15 U.S.C. § 3710a. *Id.* at § 822(c).

36. More specifically, the law requires a “program manager for a major weapon system or an item of personnel protective equipment that is to be developed using a non-FAR agreement to assess the long-term technical data needs of such system or item.” *Id.* at § 822(a)(3). This language is notably similar to the advance planning requirement for major weapons systems technical data in DFARS procurements, pursuant to 10 U.S.C. § 2320(e) (added by § 802(a) of the FY 2007 NDAA (Pub.L. 109-364, October 24, 2006)).

clear restrictions on the use and further dissemination of information.³⁷ The most commonly used mechanism is the Non-Disclosure Agreement (NDA).³⁸

In most cases, the NDA will fall into one of two categories: “unilateral,” in which only one of the parties is disclosing proprietary information; and “bilateral,” in which both parties are making disclosures.³⁹ Regardless of the number of parties or disclosures involved, in all cases there are two roles that must be managed—practically and legally: the Disclosing Party and the Receiving Party. In fact, it is quite common for NDAs to use these terms, to allow the boilerplate language to be reused without requiring numerous edits to identify the specific parties involved, and also in cases of bilateral or multi-party NDAs, to ensure that all parties are under consistent obligations, regardless of whether they are disclosing or receiving information.

Although these agreements and exchanges are common in private industry, there are special considerations required when at least one of the parties is the Government. The most common scenario involves the Government requesting or receiving information needed to evaluate a private party’s proprietary technology. In many cases, the issue arises almost literally at the last minute, as the Government personnel arrive at the meeting site and are asked to sign an NDA prior to receiving any proprietary information. If the NDA presented to the Government personnel is lengthy and complex, or appears to provide for extreme legal remedies, this may result in an emergency phone call back to the office of a government IP lawyer—which unfortunately may bring things to a grinding halt.

1. The Traditional Solution: Leveraging the Trade Secrets Act

Historically, private parties have relied on leveraging the special legal restrictions and obligations that require the Government to protect trade secret or proprietary information. Under the Trade Secrets Act (TSA),⁴⁰ federal Government employees are subject to criminal and administrative penalties for any unauthorized use or disclosure of any proprietary information they receive in performance of their official duties. Thus, a common practice had

37. Recall that a core element of trade secret law is that the owner of the information must take reasonable steps to keep the information as a secret. See Chapter 1, Section D.2.

38. The NDA may present itself under other monikers, such as a Proprietary Information Exchange Agreement, Technology Evaluation Agreement, or even Beta Test License.

39. Although most NDAs involve only two parties, in circumstances when multiple parties are meeting to explore potential business opportunities, a multi-party NDA may be required.

40. 18 U.S.C. § 1905.

developed in which, prior to receiving any proprietary information, the Government employee was asked to acknowledge a relatively short and straightforward recognition of these obligations under the TSA.

This practice results in a signed document that is more appropriately characterized as a Non-Disclosure *Acknowledgement*, rather than *Agreement*—since the obligation to protect the information applies *by operation of law*, regardless of whether the Government employee *agrees* to the restriction. Thus, this NDA serves primarily as a reminder of the obligations, and also as evidence that the Government employee was aware of the restrictions at the time of receiving the information.⁴¹ This NDA is typically extremely terse. In many cases, it is merely a copy of the statutory language, signed and dated by the Government employee. In other cases, the document may also identify the Disclosing Party, include a basic description or identification of the proprietary information to be disclosed, and perhaps will recite the purpose for the disclosure.

Although this procedure has proven effective for decades, there are two potential shortcomings. First, the parties may have a slightly exaggerated confidence in the TSA as the mechanism to set appropriate restrictions on the Government's use and disclosure of the information. There is a common misconception that the TSA prohibits any further disclosure of the information outside the Government. In reality, the TSA provides penalties only for an *unauthorized* disclosure of the information—there is no express statement that prohibits disclosures outside the Government, nor to any other person.⁴² Thus, the parties may not have a common understanding regarding the authorized limits on the distribution of the received proprietary information.

Second, the Disclosing Party may feel that its legal remedies for breach of the NDA are not adequate. The TSA expressly provides only for criminal penalties and administrative actions against the Government employee—it does not provide directly for a private cause of action by the disclosing party. Although the TSA may be combined effectively with other authorities to provide the basis for private causes of action,⁴³ this may not be sufficient assurance for a risk-averse trade secret holder who may be considering partnering with the Government for the very first time.

41. This allows the Disclosing Party to demonstrate that it had taken reasonable precautions to maintain the trade secret status of the information—by disclosing the information only after the receiving party acknowledged the restrictions on any further unauthorized use or release of the information.

42. 18 U.S.C. § 1905.

43. For example, a violation of TSA may provide the basis for injunctive relief under the Administrative Procedures Act, and may provide support for claims of breach of contract and tort claims for trade secret misappropriation and breach of confidential relationship. See Chapter 4 for a complete discussion of IP remedies and enforcement.

2. The Challenges of Using “Standard” Industry NDAs

As the Government continues to focus on leveraging commercial technologies and business practices, the traditional NDA scenario has fallen into some disfavor. In today’s environment, the expectation is often that the Government will adapt to the standard commercial practice, rather than imposing a Government-unique process on the private party. When exploring opportunities for a public–private partnering, the private party will often demand that Government personnel sign an NDA—*just like everybody else*.

In this case, the NDA is likely a standard form agreement that the disclosing party uses with nongovernmental receiving parties. This type of NDA is likely to take the form of a binding contractual document, rather than an acknowledgement of overarching statutory restrictions. In addition to the covering the basics, such as identifying the parties, the specific information being disclosed, the authorized uses and restrictions on further release, this type of NDA will often require that both the signer and the signer’s employer are to be bound by the agreement, recite specific legal remedies for any breach of the agreement (with an emphasis on injunctive relief), provide for choice of law (typically the laws of the disclosing party’s State), and include statements regarding indemnification for liability and disclaimers of implied warranties.

In this scenario, the parties may determine that there is no mutually acceptable path forward, even if the NDA can be signed. Typically, the Government personnel involved are technical experts, rather than Contracting Officers or others with the authority to bind the Government in a contractual instrument. Accordingly, the Government employee’s signature serves only to bind the employee,⁴⁴ as a private individual, and will not serve to bind any other person, including the Government. Even in cases where the Government personnel do have authority to bind the Government, the private party’s standard NDA may include terms and conditions to which the Government can not agree.⁴⁵ Although these difficulties may be addressed by tailoring the provisions of the NDA for exchanges with the Government, engaging in this additional effort may seem too big an obstacle for a private party who is contemplating its first engagement with the Government—in fact it may exacerbate any pre-conceived notion that the Government will not be able to restrict the information even with the NDA.

44. Agency counsel will generally not permit a Government employee to execute a document that subjects the employee to additional, personal, liability for actions the employee is performing as an official duty.

45. For example, open-ended indemnification requirements, subjecting the Federal government to state law, requiring the use of binding arbitration or other specific dispute resolution procedures.

3. The Hybrid NDA

A “Hybrid NDA” (H-NDA) combines the positive characteristics, and avoids the negative aspects, of the NDA approaches described previously. Although the instrument may take many forms, an H-NDA can be characterized as having at least two key elements:

Element 1: Acknowledgement of Statutory Obligations. The H-NDA adopts the “traditional” approach of requiring the Government employee to acknowledge the relevant statutory obligations to privately held trade secrets or proprietary information. The most important and often-cited statutory requirements are the Trade Secrets Act,⁴⁶ the Economic Espionage Act,⁴⁷ and the Freedom of Information Act (FOIA).⁴⁸ This approach avoids the problematic aspect of most standard private sector NDAs in that it does not require the employee to have authority to bind the Government (i.e., the employee and the Government are already bound) or other persons, and avoids placing unwarranted personal liability on the individual who is performing official duties.

Element 2: Limited Authorization and Specific Restrictions. The H-NDA will also include a specific recitation of the uses and disclosure that are authorized, and perhaps a listing of specific activities or restrictions that are expressly prohibited. In most cases, this list may be compiled by excerpting the corresponding aspects of the private party’s standard NDA. For example:

- A description of the protected information that is being exchanged. This element may also be supplemented by clarifying the types of information that are excluded from the protections of the NDA, even though the information may be included in the information provided.⁴⁹

46. 18 U.S.C. § 1905.

47. 18 U.S.C. §§ 1831–1839. The Economic Espionage Act (EEA) applies to all persons and organizations, providing penalties and remedies for the misappropriation and unauthorized use of trade secrets, including criminal penalties (i.e., a fine, jail time, or both), criminal forfeiture of the trade secret materials, and civil injunction by the Attorney General.

48. 5 U.S.C. § 552. Especially relevant in this context is FOIA Exemption 4 for trade secrets and commercial or financial information, *Id.* at § 552(b)(4); and Executive Order 12600, *Predisclosure notification procedures for confidential commercial information*, which requires that agencies provide the information owner with notice and opportunity to participate in justifying the withholding of proprietary information in response to a FOIA request. See Chapter 4 for a complete discussion of IP enforcement and remedies.

49. For example, information that is already publicly available, or becomes available, without restriction and through lawful means; information that is already in the possession of the receiving party at the time of the disclosure; information that is created by persons or organizational elements of the receiving party that were not provided access to the disclosed information (i.e., independently developed).

- A listing of the specific types of uses or disclosures that are authorized by the Disclosing Party. These activities should be narrowly defined to enable only the activities that are directly related to the purpose of the exchange (e.g., evaluation of the technology). This element may also be supplemented by a list of specific activities that are prohibited, even if they might otherwise be considered within the scope of the authorized activities.
- Marking requirements. As a best practice, the parties on both sides will prefer that the information being exchanged will be marked with a restrictive legend, to ensure that all covered information is easily identifiable and to avoid any unintentional mishandling or inadvertent disclosure.
- Handling of oral or visual (i.e., nonrecorded) information. In many cases, in addition to exchanging documentary or recorded information, the parties will engage in discussions of the underlying technologies, and these discussions may reveal additional proprietary information that is not necessarily included in the recorded materials. These provisions will typically require that, within some reasonable time after the oral/visual disclosure, the disclosing party will reduce to writing a summary of the information disclosed and provide it to the Receiving Party.

The H-NDA can be widely used since it does not require the employee to have authority to bind the Government, but also sets clear boundaries regarding the specific authorizations and safeguarding procedures that must be used to protect the information. The resulting document more effectively demonstrates the trade secret owner's reasonable efforts to maintain the confidentiality of the proprietary information, but the document does not seek to place unwarranted personal liability on the employee who is acting in his official capacity.

4. The Special Purpose CRADA

Cooperative research and development agreements (CRADAs) are discussed in detail in Section F of this chapter. However, a quick overview of CRADA basics is provided here because federal agencies have recently been adapting these agreements in specialized forms for use as limited-purpose NDAs.

CRADAs are specialized, statutorily authorized⁵⁰ agreements in which a federal laboratory and at least one nonfederal entity engage in specified

50. 15 U.S.C. § 3710a.

research or development activities that are consistent with the mission of the laboratory.⁵¹ CRADAs are widely used throughout Government, and because these instruments do not allow the Government to provide funds toward the effort,⁵² the agreements are relatively straightforward. Most Government agencies have a pre-approved “model” CRADA that may be adapted by the “local” signing authorities (e.g., the laboratory Directors) for specific research or development projects.

Some agencies have taken this paradigm a step further, creating highly specialized model CRADAs that have been narrowly tailored for a specific type of transaction.⁵³ Recently, several DoD organizations⁵⁴ have created such “special purpose” CRADAs for the routine exchange of technical information—serving as standardized, legally binding NDA between the DoD and the private party. In this model, the Statement of Work for the CRADA is focused on the type of information exchanged, the nature of the Government’s analysis and evaluation, and the process for the parties to communicate regarding that analysis, such as identifying potential areas of mutual interest for further R&D efforts. Of course, this process can also be tailored for a bilateral information exchange, in cases where the Government also has relevant but nonpublic technical information that it may be providing to the nonfederal partner for simultaneous evaluation.

Using a special purpose CRADA as an NDA solves several of the problems that are raised by the other NDA alternatives discussed previously. Issues regarding signature authority to bind the Government are already well-settled, and the signature authority for such a narrowly focused, limited purpose, transaction may be delegated to a lower organizational level that otherwise would be required for a more complex transaction. Similarly, the “boilerplate” CRADA language requiring appropriate safeguarding of proprietary information has already been crafted and approved by the agency counsel. Finally, the parties may take advantage of the same enforcement mechanisms and remedies that are available for CRADAs generally.⁵⁵

51. *Id.* at § 3710a(d)(1).

52. *Id.*

53. The Material Transfer Agreement (MTA) is a well established special purpose CRADA, in which research materials (e.g., biological materials) are transferred between a Government laboratory and the nonfederal partner.

54. *E.g.*, the Air Force Technology Transfer Program of the Air Force Research Laboratory (AFRL); for additional information see <http://www.wpafb.af.mil/library/factsheets/factsheet.asp?id=6026> (last visited November 20, 2008).

55. See Chapter 4 for a complete discussion of enforcement and remedies.

D. Assistance and Partnering Basics: Grants and Cooperative Agreements

Assistance agreements are a specialized type of contract to facilitate Government stimulation or support of a public purpose. Although these agreements are “contracts” in the sense that they are written and the Government is bound by their terms, they are not procurement instruments. So they are not governed by the FAR and other associated statutory or regulatory requirements. Nevertheless, certain elements of these nonprocurement assistance agreements may be governed by procurement-related statutes. For example, assistance agreements are covered by the Bayh-Dole Act, which encompasses all “funding agreements.” Under 35 U.S.C. § 200, “funding agreements” include both grants and cooperative agreements.

1. Determining the Type of Assistance Agreement to Be Used

Different assistance agreements are subject to different rules. So determining what type of assistance agreement is available will profoundly influence what requirements, restrictions, and flexibilities will be available from the Government side when negotiating IP rights. Three are three key considerations in determining what assistance agreements the parties can use: (1) whether the contract is for procurement or assistance; (2) what statutory authority authorizes the transaction; and (3) whether there are agency-specific regulations. We will discuss each consideration in turn.

a. Step 1: Procurement or Assistance?

Under the Federal Grants and Cooperative Agreements Act of 1977 (FGCA), the parties must determine what type of contract instrument is appropriate.⁵⁶ This, in turn, will depend on the business relationship between the parties, an analysis that decomposes into two parts:

First, is the primary purpose of the relationship for the Government to acquire property or services for its own direct benefit? Or is the relationship instead driven by the Government’s mandate to carry out a public purpose relating to technology support or stimulation?⁵⁷ If the former, then the parties must use a procurement contract.⁵⁸ There is still substantial IP flexibility

56. 31 U.S.C. § 6301 *et seq.* (originally codified at 41 U.S.C. § 501 *et seq.*).

57. *Id.* at § 6303(1). “Acquire” includes purchase, lease, and barter. *Id.* at § 6303(1).

58. *Id.* at § 6303.

in procurement contracts, as discussed in Chapter 2. But the FAR and supplements are nevertheless less flexible than the alternatives discussed here. If the latter, then an assistance agreement is appropriate as the need is not procurement itself.

Where an assistance agreement is appropriate, the second step determines whether the proposal should be viewed as part of a grant or cooperative agreement. The question is do the parties anticipate *substantial involvement* by the Government in carrying out the activities? If so, the parties must use a cooperative agreement.⁵⁹ If not, they must use a grant.⁶⁰

b. Step 2: Identify the Statutory Authority for the Activity

The FGCA also requires that the public purpose served by the agreement be expressly authorized by law.⁶¹ For the purposes of analyzing IPRs in assistance agreements, the most common scenario is the conduct of R&D, for which the use of assistance agreements is well established. The DoD is authorized to perform basic research,⁶² applied research,⁶³ or advanced research⁶⁴ and development⁶⁵ projects using grants and cooperative agreements⁶⁶ in accordance with the FGCA, or using other transactions (OTs) agreements.⁶⁷ NASA and DoE also have express statutory authorities. Other agencies may lack this extensive statutory authorization.

c. Step 3: Determine Agency-Specific Requirements

After determining that an assistance agreement is an authorized mechanism and verifying that the activities to be performed are statutorily authorized, the key to determining precisely how intellectual property rights will be handled in the transaction depends on the regulations governing these agreements for the specific Government agency. Numerous OMB circulars⁶⁸

59. *Id.* at § 6305.

60. *Id.* at § 6304.

61. *Id.* at § 6304(1), and § 6305(1). See also the DoD Grant and Agreement Regulations (DODGARS), §§ 22.410–22.420 (32 C.F.R. §§ 22.410–22.420)

62. See definition of “basic research” at DODGARS § 22.105 (32 C.F.R. § 22.105).

63. See definition of “applied research” at DODGARS § 22.105 (32 C.F.R. § 22.105).

64. See definition of “advanced research” at DODGARS § 22.105 (32 C.F.R. § 22.105).

65. See definition of “development” at DODGARS § 22.105 (32 C.F.R. § 22.105).

66. 10 U.S.C. §§ 2358(a), (b)(1).

67. 10 U.S.C. § 2371.

68. Available at <http://www.whitehouse.gov/omb/circulars> (last visited November 17, 2008). The applicable OMB guidance typically depends on the specific type of agreement and the nature of the non-Federal party. E.g., OMB Circular A-102, *Grants and Cooperative Agreements with State and Local Governments* (10/07/1994) (further amended Aug. 29, 1997); and OMB Circular A-110, *Uniform Administrative Requirements for Grants and Other Agreements with*

establish Government-wide requirements for various aspects of assistance agreements. Additionally, most agencies have integrated these OMB requirements in more detailed agency-specific regulations. For example, the DoE has a set of assistance agreement regulations⁶⁹ and the Department of Defense provides extremely detailed and clear guidance in the DoD Grant and Agreement Regulations (DODGARS).⁷⁰ To facilitate the analysis of intellectual property rights in specific types of assistance instruments, we will use the DODGARS as the baseline for the following more detailed discussion. Unless otherwise indicated, we also presume that the agreement provides some form of R&D.⁷¹

2. The Difference Between Grants and Cooperative Agreements

The primary difference between a grant and cooperative agreement is the level of involvement by the Government in the R&D activities. The Government is expected to be substantially involved in cooperative agreements, but is only a sponsor and source of funding in connection with grants. (The Government also may act as an informal sounding board during the grant period.) For a cooperative agreement for R&D with substantial Government involvement, there is a greater chance for a joint invention or other joint development, which should be fully addressed in the agreement.⁷²

3. Patent Rights: Bayh-Dole Revisited

Both grants and cooperative agreements are included within the definition of “funding agreement”⁷³ and thus are covered by the Bayh-Dole Act. The procedures and allocation of rights in subject inventions is based on Bayh-Dole

Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations (as amended Sep. 30, 1999).

69. 10 C.F.R. Part 600.

70. DoD 3210.6-R, *Department of Defense Grant and Agreement Regulations* (32 C.F.R. Parts 21–37) (Change #4, effective Sep. 22, 2005), which implement DoD Directive 3210.6, “Defense Grant and Agreement Regulatory System” (Feb. 27, 1995).

71. Note, however, that in the DoD a cooperative agreement for R&D using the authority of 10 U.S.C. § 2358 is treated as a technology investment agreement, which is addressed specifically in Section E, *infra*.

72. The Government’s rights in employee inventions are described at 37 C.F.R. Part 501, *Uniform Patent Policy for Rights in Inventions Made by Government Employees*, and based on E.O. 10096, *Providing for a Uniform Patent Policy for the Government with respect to Inventions made by Government Employees and for the Administration of such Policy*.

73. 35 U.S.C. § 201.

and its Government-wide regulations at 37 C.F.R. Part 401.⁷⁴ But because only limited portions of the Bayh-Dole Act are mandated for large, for-profit businesses, there is additional flexibility in implementing these requirements for assistance agreements with large businesses as compared to assistance agreements for small businesses and nonprofit organizations.⁷⁵

4. Copyrights and Trade Secrets

There is no statutory guidance that addresses the allocation of rights in copyrights or trade secrets under R&D grants or cooperative agreements.⁷⁶ The most prevalent approach, based in part on OMB guidance,⁷⁷ is that the agreement recipient may retain ownership to copyrighted materials it created under the agreement, or for which ownership is purchased under an award. The Government receives a royalty-free, nonexclusive, irrevocable right to reproduce, publish, or otherwise use the work for “Federal purposes.” “Federal purposes” is not defined, but would not—or at least should not—be interpreted to include commercial purposes. This principle is set forth expressly in the DOD’s guidance on TIAs at DODGARS §37.845(a).⁷⁸ It is similar to the concept of Government Purpose Rights in the DFARS (as discussed in Chapter 2), which apply to technical data and computer software developed with mixed funding. But the DODGARS language also uses the word “publish” (*vice* “release . . . or . . . disclose” as used in the DFARS), which rings of more open publication as opposed to a restricted dissemination to personnel directly supporting a Government activity. This license is expressly extended to cover data first produced in an award, regardless of whether it is copyrightable or the recipient may intend to hold it as a trade secret.⁷⁹

In addition, there are special requirements applicable to data necessary to validate published research findings resulting from an award to an institution of higher education, hospital, or nonprofit organization. In response to a FOIA request for such data, the recipient must provide the Government with

74. See, e.g., DODGARS §§ 32.36(b), 34.25(a), and required provision 4 at App. A to Part 34. The Bayh-Dole Act and its procedures are discussed in greater detail in Chapter 2.

75. See DODGARS § 34.25(a)(2)(ii) (noting that 35 U.S.C. § 210(c) does not limit the agency’s ability to negotiate disposition of rights in accordance with the Presidential Memorandum on Government Patent Policy of February 18, 1983).

76. E.g., 10 U.S.C. § 2320 does not apply. However, agency-specific statutes that authorize the activities covered by the agreement may include such requirements.

77. See OMB Circular A-110, *supra* note 68, at § C.36, *Intangible Property*; DODGARS §§ 32.36, 33.34, and 34.25.

78. DODGARS §37.845(a).

79. OMB Circ. A-110, *supra* note 68, § C.36(c); DODGARS §§ 32.36(c), 34.25(b). However, for a for-profit recipient, the DoDGARs expressly recognizes that the Government may waive this license in such data.

assistance and information for release to the public (or suppression, if necessary) in accordance with FOIA procedures.⁸⁰ Whether this is worth fighting over is an open question given that “research data” does not include trade secrets, commercial information, or similar information protected by law.⁸¹

E. Technology Investment Agreements (TIAs)

A technology investment agreement (TIA) is an assistance award to support or stimulate R&D, as authorized by either 10 U.S.C. § 2358, or 10 U.S.C. § 2371. In addition, the Department of Energy uses TIAs to implement its other transactions (OT) authority under 42 U.S.C. § 7256(g). Pursuant to the DoE implementing regulations,⁸² DoE uses TIAs to increase involvement of commercial firms in its research, development, and demonstration programs.

While much of the following analysis refers to DoD model agreements and guidance, such guidance is of general applicability for model agreements at multiple agencies. However, each agency will have its own model agreements which should be consulted when entering into an agreement with that particular agency.⁸³

Requirements and guidance for TIAs are provided in the relatively new DODGARS Part 37.⁸⁴ This new set of regulations offers the most comprehensive discussion of intellectual property rights throughout the guidance documents for assistance agreements.⁸⁵ So we will rely primarily on DODGARS Part 37 as a baseline for outlining TIA requirements Government-wide.

In general, the DODGARS guidance reinforces the Government’s flexibility in crafting nonprocurement agreements. DoD is expected to encourage the participation of commercial firms in its R&D efforts and help leverage those private investments, with the ultimate goal of increasing the likelihood that future defense requirements will be satisfied by commercially

80. OMB Circ. A-110, *supra* note 68, § C.36(c); DODGARS § 32.36(d). Note that this provision is only included in the coverage for recipients that are educational institutions, hospitals, or nonprofit organizations.

81. OMB Circ. A-110, § _36(d)(2)(i)(A) and DODGARS § 32.36(d)(2)(i)(A) specifically define “research data” to not include “Trade secrets, commercial information, materials necessary to be held confidential by a researcher until they are published, or similar information which is protected under law.” Note also that Exemption (b)(4) under FOIA also protects such information.

82. 10 C.F.R. Part 603.

83. For a representative sampling of websites providing information on agency-specific procedures, including sample agreements, *see supra* note 31.

84. Part 37, *Technology Investment Agreements*, became effective on September 8, 2003 (68 F.R. 47150).

85. *See* DODGARS §§ 37.840–.875 (32 C.F.R. §§ 37.840–.875).

available technologies.⁸⁶ DODGARS Part 37 encourages the Government to negotiate for appropriate IP provisions that balance the parties' interests and investments in the technologies.⁸⁷ This implies that the Government should negotiate for only those rights that are important to protect the Government's (possibly substantial) investment in the development of the technology. In turn, it implies that contractors should expect to convey to the Government rights commensurate with the Government's involvement.

1. Patent Rights: Bayh-Dole Revisited . . . But Optional

TIAs are not considered "funding agreements" under 35 U.S.C. § 200 and thus are not subject to the Bayh-Dole Act. Rather, when using a TIA the Government is encouraged to negotiate for rights in inventions and patents that most effectively balance the parties' interests.⁸⁸ Although recognizing that Bayh-Dole requirements were specifically designed to balance the parties' interests in funding agreements and thus may be a good place to start,⁸⁹ the Government is free to negotiate for the most appropriate provisions, even if they are inconsistent with the traditional clause language⁹⁰ or requirements.⁹¹

If the negotiated provisions end up being consistent with Bayh-Dole, then the TIA can be characterized as a "cooperative agreement."⁹² If they are inconsistent with Bayh-Dole, then the TIA is instead considered an "other transaction." A TIA that is an OT is not covered by Bayh-Dole and may contain any patent rights provisions that are acceptable to all parties (and consistent with DoD policy).⁹³ This determination should be made *after* the patent rights provisions are negotiated by the parties, rather than serving as a driving factor in determining how to structure the agreement.⁹⁴

Regarding march-in rights, the DODGARS reinforces the important policy bases for this requirement in Bayh-Dole and strongly encourages that they rights be included in the agreement—suitably modified to meet the needs of the program—in all but the most unusual cases.⁹⁵

86. *Id.*

87. *Id.* at § 37.840.

88. *Id.* at § 37.860.

89. *Id.* at § 37.860(b)–(d).

90. *E.g.*, 37 C.F.R. § 404.14.

91. DODGARS § 37.860 (32 C.F.R. § 37.860).

92. A TIA that is a cooperative agreement, authorized by 10 U.S.C. § 2358, is required to comply with Bayh-Dole.

93. As authorized by 10 U.S.C. § 2371.

94. DODGARS § 37.860(a)(2) (32 C.F.R. § 37.860(a)(2)) and App. B to Part 37.

95. *Id.* at § 37.865. March in rights and its procedures are discussed in greater detail in Chapter 2.

2. Copyrights and Trade Secrets

The DODGARS TIA approach is similar for allocating rights in data. In general, the parties are allowed to negotiate any license rights that effectively balance the parties' respective interests and investments; but in most cases the Government should seek the standard license for Government purposes.⁹⁶ This TIA-specific guidance also aligns more clearly with the definition of Government Purpose Rights specified in the DFARS.⁹⁷ It specifically notes that Government Purposes include any activity in which the Government participates, but does not include commercial purposes.⁹⁸

Additionally, the parties should ensure that the "data rights" provisions safeguard the valuable data or software from unauthorized use or release. As with procurement instruments, a critical component of protecting data under a TIA is the use of restrictive markings to identify any deliverable items that are subject to disclosure restrictions.⁹⁹ Similarly, whenever the Government releases or discloses the restricted data or software to a third party, that third party should be required to sign an appropriate nondisclosure agreement (NDA). The NDA should authorize only those uses that support Government purposes, and require permission of the licensor (the TIA awardee) for any further releases or disclosures.¹⁰⁰

F. Cooperative Research and Development Agreements (CRADAs)

Do not be misled by the name of this type of agreement: a cooperative research and development agreement (CRADA) is not merely a cooperative agreement that involves research and development.¹⁰¹ A CRADA is a unique R&D partnering vehicle that is specially authorized by 15 U.S.C. § 3710a. CRADA authority is a key element of the Stevenson-Wydler Technology Innovation

96. *Id.* at § 37.845.

97. See discussion, *supra*, at Section D(4); DFARS 252.227-7013(a)(11)-(12) in the context of noncommercial technical data, and 252.227-7014(a)(10)-(11) for noncommercial computer software.

98. DODGARS § 37.845(a) (32 C.F.R. § 37.845(a)).

99. *Id.* at § 37.850. However, the DODGARS does not specify any particular markings to be used, which allows the parties to take advantage of commercial best practices or a specially crafted marking.

100. *Id.* at § 37.855. This is analogous to the DFARS requirement for nondisclosure agreements prior to releasing any noncommercial technical data or computer software that is subject to restrictions. See DFARS 227.7103-7 and 252.227-7025.

101. 15 U.S.C. § 3710a(d)(1) (defining CRADA to exclude procurement contracts and cooperative agreements as those terms are used at 31 U.S.C. §§ 6303-6305). A cooperative agreement for R&D would be referred to as a technology investment agreement (TIA).

Act of 1980.¹⁰² CRADAs allow private companies and the Government to pool resources, share technical expertise, and increase the commercialization of federally developed technology.

1. Overview of the Nature and Use of CRADAs

A CRADA is a contract between one or more Government laboratories¹⁰³ and one or more private parties (the “collaborator” or “collaborating party”)¹⁰⁴ for the conduct of specified research and development activities consistent with the mission of that laboratory.¹⁰⁵ The statute authorizes the Government to accept, retain, and use funds, personnel, services, and property received from a collaborating party, and to provide personnel, services, and property to the collaborating party.¹⁰⁶ However, it is important to recognize that the Government is *not* authorized to provide funds to the collaborator.¹⁰⁷ In effect, CRADAs allow private companies to hire out Government labs for private product development work. They leverage the creativity of Government scientists in a nonprocurement context. CRADAs permit the collaborating party to use the substantial nonmonetary resources (e.g., equipment, facilities, know-how, and intellectual property) of Government laboratories. The Competition in Contracting Act does not apply to CRADA agreements, meaning that private parties can enter into CRADAs with Government facilities without competition from competitors.

102. Stevenson-Wydler Technology Innovation Act of 1980 (P.L. 96-480), codified at 15 U.S.C. § 3701 *et seq.*

103. A “laboratory” is defined as “(A) a facility or group of facilities owned, leased, or otherwise used by a Federal agency, a substantial purpose of which is the performance of research, development, or engineering by employees of the Federal Government; (B) a group of Government-owned, contractor-operated facilities (including a weapon production facility of the Department of Energy) under a common contract, when a substantial purpose of the contract is the performance of research and development, or the production, maintenance, testing, or dismantlement of a nuclear weapon or its components, for the Federal Government; and (C) a Government-owned, contractor-operated facility (including a weapon production facility of the Department of Energy) that is not under a common contract described in subparagraph (B), and the primary purpose of which is the performance of research and development, or the production, maintenance, testing, or dismantlement of a nuclear weapon or its components, for the Federal Government; but such term does not include any facility covered by Executive Order No. 12344, dated February 1, 1982, pertaining to the naval nuclear propulsion program.” 15 U.S.C. § 3710a(d)(2).

104. The non-Federal party can be “units of State or local government; industrial organizations (including corporations, partnerships, and limited partnerships, and industrial development organizations); public and private foundations; nonprofit organizations (including universities); or other persons (including licensees of inventions owned by the Federal agency).” 15 U.S.C. § 3710a(a)(1).

105. 15 U.S.C. § 3710a(d)(1).

106. *See* 15 U.S.C. §§ 3710a(b)(3)(A), (d)(1).

107. *Id.*

CRADAs go one step further than Bayh-Dole in accommodating small businesses. In the “contract considerations” section of the Stevenson-Wydler Act,¹⁰⁸ the laboratory director is directed to give special consideration to small business firms and consortia involving small businesses in deciding what CRADAs to enter.¹⁰⁹ The director also is subject to a statutory preference for business units located in the U.S., provided that the products embodying the inventions made under the CRADA or produced through the use of such inventions will be manufactured substantially in the U.S.¹¹⁰ Such requirements can be met flexibly, depending on the agency. For instance, the DoE allows, as an alternative to requiring that all CRADA partners manufacture in the U.S., CRADA partners instead to offer an alternate plan for providing a net benefit to the U.S. economy.¹¹¹ These provisions are designed to entice the private commercial business into collaborative arrangements that benefit the overall U.S. economy, and also can potentially contribute positively to the cashflow situation of Government-run laboratories and research institutions.

2. Patent Rights in CRADAs

Patent rights under a CRADA are similar in many respects to Bayh-Dole, with some added flexibility and special benefits thrown in for the collaborating party. The collaborator is guaranteed the right to retain title to any invention made¹¹² solely by the collaborator under the CRADA, in exchange for “normally” granting the Government a Government Purposes license.¹¹³ This use of the modifying term “normally” to describe the exchange of rights provides authorization to alter the standard Government license rights in appropriate circumstances.

108. 15 U.S.C. § 3710a(c)(4)(B).

109. 15 U.S.C. § 3710a(c)(4)(A).

110. 15 U.S.C. § 3710a(c)(4)(B).

111. DoE M 483.1-1, Article XXII.

112. “Invention” and “made” are defined consistently with those terms as used in Bayh-Dole, 35 U.S.C. § 201, which provides as follows: “‘Invention’ means any invention or discovery which is or may be patentable or otherwise protected under title 35 or any novel variety of plant which is or may be protectable under the Plant Variety Protection Act (7 U.S.C. §§ 2321, *et seq.*)”; and “‘Made’ when used in conjunction with any invention means the conception or first actual reduction to practice of such invention.” See 15 U.S.C. §§ 3703(9), (10), respectively.

113. See 15 U.S.C. § 3710a(b)(2). More specifically, the well-known “nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention or have the invention practiced throughout the world by or on behalf of the Government for research or other Government purposes.” *Id.*

There is, however, no further guidance in the statute or legislative history regarding what these circumstances might be. Presumably, if an invention was conceived and constructively reduced to practice with significant investment by the collaborating party prior to the CRADA, with the first actual reduction to practice occurring under the CRADA—again at the collaborator's expense and perhaps with minimal or no other support (e.g., personnel, equipment, facilities, etc.) from the Government—the Government would accept something less than Government Purpose Rights. In this hypothetical, granting a royalty-free Government-wide license may not be an equitable arrangement. To appropriately gauge the equities, the parties should evaluate the entire exchange of consideration under the CRADA.

Regarding inventions made in whole or in part by a laboratory employee (in other words, solely by the laboratory employee, or jointly by laboratory and collaborator employees), the Government may grant (or agree in advance to grant) IP rights to the collaborating party. This may take the form of patent licenses or assignments, or options for licenses or assignments.¹¹⁴

Where appropriate, the Government also may grant—subject to the requirements of 35 U.S.C. § 209—licenses to Federally owned inventions for which a patent application was filed before the signing of the agreement.¹¹⁵ Such licenses should be to IP that is directly within the scope of the CRADA and provide for reasonable compensation to the Government. Moreover, the Government is required to ensure that the collaborator has the option for an exclusive license in a pre-negotiated field of use.¹¹⁶ If there is more than one collaborating party, that the collaborating parties are offered the option to hold licensing rights that collectively encompass the rights that would be held under such an exclusive license by one party.¹¹⁷

Government employees can be authorized to participate in the commercialization of the invention.¹¹⁸ The Government may waive in advance, in whole or in part, any right of ownership the Government may have to any subject invention made under the agreement by the collaborating party.¹¹⁹

In all cases, the Government retains a nonexclusive, nontransferable, irrevocable, paid-up license to practice the invention for Government purposes.¹²⁰ And if the Government grants such an exclusive license or assignment, it retains march-in rights similar to those under Bayh-Dole.¹²¹

114. See 15 U.S.C. § 3710a(b)(1).

115. *Id.*

116. *Id.*

117. *Id.*

118. 15 U.S.C. § 3710a(b)(3)(C).

119. 15 U.S.C. § 3710a(b)(3)(D).

120. 15 U.S.C. §§ 3710a(b)(1)(A), (b)(3)(D).

121. 15 U.S.C. § 3710a(b)(1)(B).

CRADA collaborators also are granted an important new right to inventions made under a CRADA by any support contractors that the Government uses to perform or support the Government's obligations under the CRADA. But it is critical to understand that this potentially important right is granted not under the CRADA statute, but rather in the regulations governing the Government's procurement contract with the support contractor. In April 2004,¹²² 37 C.F.R. § 401.14 was amended to provide an alternative version of the basic Bayh-Dole patent rights clause for optional use when the contractor will or may be performing work on behalf of the Government at a Government laboratory in support of the Government's obligations under CRADAs.¹²³ This alternate clause allows the Government to require the contractor to negotiate an agreement with the CRADA collaborating party or parties regarding the allocation of rights to any subject invention the Contractor makes, solely or jointly, under the CRADA.¹²⁴ The contractor is required to negotiate the agreement prior to undertaking the CRADA work or, with the permission of the Government, upon the identification of a subject invention.¹²⁵ In the absence of such an agreement, the contractor agrees to grant the collaborating party or parties an option for a license in its inventions of the same scope and terms set forth in the CRADA for inventions made by the Government.¹²⁶

Without this alternative language, the collaborator would have no direct legal right to the support contractors' invention, in contrast to the significant rights and opportunities it would receive if that invention had been made by a laboratory employee. Thus, during CRADA negotiations, the collaborator should ensure that it verifies whether any Government support contractors may perform any portion of the Government's work, and whether those contracts contain or may be modified to contain the new clause language.

3. Copyrights and Trade Secrets in CRADAs

The CRADA statute addresses copyrighted and trade secret information by providing important protections against unauthorized uses or compelled release under the FOIA. The Government is expressly prohibited from disclosing any trade secrets or commercial or financial information received

122. See 64 F.R. 17299 (April 2, 2004).

123. See 37 C.F.R. § 401.3(a)(5) (the prescription for the alternate clause) and 37 C.F.R. § 401.14(c) (the alternate language for paragraph (b) of the basic clause).

124. See 37 C.F.R. § 401.14(c) (providing this right at alternative paragraph 37 C.F.R. § 401.14(b)(2)).

125. *Id.*

126. *Id.*

from the collaborator.¹²⁷ The prohibition covers “trade secrets or commercial or financial information that is privileged or confidential, under the meaning of Section 552(b)(4) of title 5, United States Code.”¹²⁸ Although the statutory language generically prohibits “disclosing” such information, this should be interpreted as prohibiting delivery to any third party unless authorized by the collaborator.¹²⁹ Similarly, the Government is expressly prohibited from publicly disclosing any such information during the otherwise-authorized practice of a CRADA invention.¹³⁰ In both instances, the protected information is more specifically defined as “trade secrets or commercial or financial information that is privileged or confidential within the meaning of [FOIA Exemption 4, 5 U.S.C. § 552(b)(4)].” In order to take advantage of the full protection of these restrictions, the collaborator must take appropriate steps to identify such information as restricted, e.g., with appropriate CRADA provisions and markings on any delivered or shared information.

In addition, the CRADA statute creates a very specialized form of protection for information created by the Government in performing R&D. More specifically:

[F]or a period of up to 5 years after development of information that results from research and development activities conducted under this [chapter] and that would be a trade secret or commercial or financial information that is privileged or confidential if the information had been obtained from a non-Federal party participating in a cooperative research and development agreement, may provide appropriate protections against the dissemination of such information, including exemption from [the FOIA.]¹³¹

This FOIA Exemption 3 safe harbor protection also covers information generated prior to entering into a CRADA.¹³² But this provision does not guarantee that the collaborator will receive any rights, exclusive or otherwise, to use this information during the five-year protection period, absent CRADA language granting IP rights.

127. 15 U.S.C. § 3710a(c)(7)(A). The prohibition covers “trade secrets or commercial or financial information that is privileged or confidential, under the meaning of Section 552(b)(4) of title 5, United States Code.” *Id.*

128. *Id.*

129. *See also* the prohibitions of the Trade Secrets Act, 18 U.S.C. § 1905, which protects trade secret and other commercially valuable information from any disclosure not authorized by law.

130. 15 U.S.C. § 3710a(b)(1)(A).

131. 15 U.S.C. § 3710a(c)(7)(B).

132. *See DeLorme Pub. Co. v. NOAA*, 917 F. Supp. 867 (D. Me. 1996) (Government-generated raster files created in its R&D efforts prior to a CRADA were protected from mandatory disclosure under FOIA).

The Government and collaborator are otherwise free to negotiate any set of rights or restrictions that do not conflict with this statutory scheme—or, of course, any agency-specific policies implementing CRADA authority. When entering into a CRADA, both the private company and the Government should identify their preexisting intellectual property rights and establish their expectations in connection with IP as part of the negotiation process. Proprietary information remains confidential as long as it has been so identified in the CRADA. As always, contractors must make sure they appropriately mark any information submitted, shared, or delivered as part of the CRADA.

G. Other Transactions (OTs)

The most well-known type of other transactions (OTs) are agreements—other than contracts, grants, or cooperative agreements—that are authorized for use by the DoD pursuant to 10 U.S.C. § 2371.¹³³ Due to the success of this particular vehicle, other agencies have been granted authority to enter into OTs or are currently seeking this authority.¹³⁴

OT authority is generally limited and will expire without reauthorization. For instance, while initially a temporary authority,¹³⁵ Congress frequently updates and extends the expiration date for the DoD's other transactions authority through the annual National Defense Authorization Acts (NDAA). The statutory scheme governing OTs allows near-total flexibility with regard to intellectual property rights: Bayh-Dole does not govern Government rights in inventions; the DoD's technical data statutes¹³⁶ do not apply; and there are no other unique statutory limitations. This authority was put in place specifically to entice commercial firms and other nontraditional defense contractors into creative and flexible business arrangements that will ultimately serve DoD purposes. Within this scheme, there are two distinct types of OTs: research-type OTs and prototype OTs.

133. This authority was championed by the Defense Advanced Research Projects Agency (DARPA), and was reportedly inspired by NASA's 1958 Space Act (Pub. L. No. 85,568; 72 Stat. 426 438 (Jul. 29, 1958), as amended).

134. *E.g.*, 42 U.S.C. 7256(g)(1) (granting Department of Energy other transactions authority consistent with 10 U.S.C. § 237). Additionally, the Department of Homeland Security (6 U.S.C. § 391), Health and Human Services, and the National Institutes of Health have been granted provisional other transactions authority. This list is by no means comprehensive.

135. The current authority expires September 30, 2013. *See* P.L. 110-181, Div A, Title VIII, Subtitle C, § 823 (Jan. 28, 2008).

136. 10 U.S.C. §§ 2320 and 2321.

1. Research-Type Other Transaction Agreements (a.k.a. TIAs)

A research-type OT agreement merely refers to the basic statutory authority to perform basic, applied, or advanced research or development projects pursuant to 10 U.S.C. § 2371. This is a form of assistance instrument that is now more commonly called a technology investment agreement (TIA) and is implemented in detail in the DoD at Part 37 of the DODGARS,¹³⁷ as discussed above.

2. Prototype Other Transaction Agreements (a.k.a. OTs for Prototype Projects)

A prototype OT—or more accurately an OT for prototype projects—is simultaneously very similar, to and quite different from, a research-type OT (or TIA). (These agreements are also sometimes referred to as “Section 845” agreements, because the initial authorization appeared at Section 845 of the NDAA for 1994.¹³⁸) Prototype OTs are similar in that neither is subject to the laws and regulations governing procurement contracts and thus there is extreme flexibility and freedom to negotiate the terms and conditions of the agreement. And both are designed to entice nontraditional defense contractors to participate in a cost-sharing environment. But they are different in that the prototype OT is a procurement instrument, whereas a TIA is an assistance agreement. Most importantly, the DoD prototype OT contract is limited to technologies that are directly relevant to weapons systems.

The DoD guidance and implementation for prototype OTs is provided primarily through individual DoD memoranda and the official guidebook “*Other Transactions*” (*OT*) *Guide for Prototype Projects* (the OT Guide),¹³⁹ published by the Under Secretary of Defense for Acquisition, Technology, and Logistics (USD (AT&L)).¹⁴⁰ In addition, this temporary authority is frequently updated through the annual NDAs.

The OT Guide, Section C2.3, outlines the approach for IP. Although the prototype OT is an acquisition instrument, Bayh-Dole does not govern rights in inventions, the usual technical data statutes¹⁴¹ do not apply, and neither

137. See DoD 3210.6-R, *Department of Defense Grant and Agreement Regulations* (32 C.F.R. Parts 21–37).

138. National Defense Authorization Act (NDAA) for 1994 (Pub. L. 103-160) § 845, codified at 10 U.S.C. § 2371 note.

139. “*Other Transactions*” (*OT*) *Guide for Prototype Projects*, available at <http://www.acq.osd.mil/dpap/Docs/policy/otherTransactions/current%20otguideconformed%20Jan%202001.doc> (last visited December 16, 2008).

140. *Id.*

141. 10 U.S.C. §§ 2320 and 2321.

the FAR nor DFARS are controlling.¹⁴² The parties are encouraged to generally seek rights that are consistent with the typical procurement rules,¹⁴³ but are free to negotiate any IP rights, terms, and conditions that are mutually acceptable.¹⁴⁴

3. Integrating Other Transactions into FAR-Based Procurement Contracts

Chapter 2 outlines the various issues and considerations that the parties should keep in mind as they tailor the standard FAR or DFARS language or otherwise negotiate specialized IP terms. The basic principles are consistent with the policies underlying the current DFARS coverage: the Department's policy is to acquire the minimum rights necessary to meet the DoD's needs, to promote the commercialization of the technologies being developed, to leverage private investments in technology by utilizing commercial or non-developmental technologies to the maximum extent possible, and to protect valuable IP from unauthorized use, release, or disclosure.¹⁴⁵ However, the prototype OT has the distinct advantage that nothing is off limits at the negotiating table—any and all elements of the typical IP procurement scheme that are undesirable or ill-suited for the particular business arrangement can be tailored to balance the parties' interests.

With that being said, one must be careful not to throw out the baby with the bath water in trying to break away from traditional FAR or DFARS language. Even though the FAR or DFARS implementation for a particular issue may be unsatisfactory, the parties should seek to modify or tailor those requirements to maintain and protect the *interests* that are addressed by the offending language—that is, use “interest-based negotiation” techniques.

For example, even if the parties were to agree that the standard DFARS restrictive marking scheme is too complex and arcane, and does not reflect the current best practices in today's world of digital information sharing, the preferred solution should not be to completely eliminate the OT's coverage for restrictive markings. Instead, the OT should specifically address the parties' mutual understanding regarding the markings that will be used, to avoid any misunderstandings downstream that might result in the inadvertent use or release of valuable IP.

142. See OT Guide, *supra* note 139, at C2.3.1.1.

143. *Id.* at C2.3.1.4.

144. *Id.*

145. Compare the OT Guide, *supra* note 139, at Section C2.3; the DFARS Part 227; and the USD (AT&L) guidebook *Intellectual Property: Navigating Through Commercial Waters: Issues And Solutions When Negotiating Intellectual Property With Commercial Companies* (October 2001) (the IP Guide).

The same issues that sometimes lead to unhappy results in the traditional FAR-based contracting world may still persist when using an OT. For example, the DFARS data rights program provides significant flexibility to negotiate special license agreements. But this authority is seldom used. The contractor community reports that Government personnel often refuse to negotiate specialized terms, digging in their heels to stick to the standard or default license rights. Government acquisition personnel respond that they have not been trained appropriately to negotiate IP rights and are afraid they will give up something important. Switching to a less structured contracting vehicle like an OT will not solve this problem; it may simply give both sides greater flexibility to structure a business deal that satisfies neither. A key to future success in this area is more widespread and coordinated training throughout the Government acquisition community, on both IP and negotiation skills.

In addition to the top-level coverage of these issues in the OT Guide, both the Government and the OT awardee may benefit from reviewing the USD (AT&L)'s guidebook *Intellectual Property: Navigating Through Commercial Waters—Issues And Solutions When Negotiating Intellectual Property With Commercial Companies*.¹⁴⁶

One key element to ensuring that the prototype OT is the beginning of a long and successful business relationship is recognizing that the parties must at some point transition the prototype technologies to a more traditional procurement scheme. Even if a prototype technology is wildly successful, it will most likely enter into DoD service only through traditional FAR-based contracting. Unless this eventuality was contemplated and addressed in the OT agreement, the parties may have failed to structure the business deal for longer-term success.

The good news is that there is a new mechanism available to facilitate this transition from prototype OTs to traditional FAR-based procurement contracting. New DFARS Subpart 212.70¹⁴⁷ establishes a pilot program that allows DoD to use FAR Part 12 commercial item acquisition procedures to acquire technologies developed under prototype OTs¹⁴⁸—even when those items do not otherwise qualify as commercial items. These streamlined procedures are more consistent with commercial practices and generally more

146. Available at <http://www.acq.osd.mil/dpap/specificpolicy/intelprop.pdf> (last visited November 20, 2008), especially Chapter 4, Issues and Solutions.

147. Authorized by Section 847 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2004 (Pub. L. 108-136).

148. Note that § 824 of the FY 2009 NDAA, Pub. L. 110-417, October 14, 2008, expanded this pilot program to cover technologies developed under research-type OTs under 10 U.S.C. 2371; and extended the pilot program through September 30, 2010. Corresponding changes to the DFARS are expected to follow.

desirable for nontraditional defense contractors. And they will allow the DoD to more quickly incorporate these technologies into defense systems.

Regarding rights in technical data and computer software, the pilot program reinforces the well-established DFARS policy that the Government seeks only the minimum deliverables and rights necessary to meet its needs,¹⁴⁹ establishes a rebuttable presumption that prototype OT technology was developed with mixed funding,¹⁵⁰ and requires the use of the standard noncommercial DFARS clauses.¹⁵¹ This would, by default, result in the Government receiving Government Purpose Rights, which are intended to balance the parties' interests and investments by permitting the DoD unrestricted use for its own purposes, while preserving the commercial marketplace for the contractor. If these rights do not effectively balance the parties' interests, the rule directs the parties to negotiate specialized license rights.¹⁵²

H. Going Beyond OTs

While other transaction agreements offer nearly unrestricted flexibility for the Government and contractors to negotiate mutually beneficial and creative business arrangements, there are new partnering models on the horizon that may provide even more innovative solutions. Examples of such innovative solutions include venture funding or prize authorities, which are discussed below.

1. Venture Funding

Venture funding represents one attempt to develop commercial solutions that will also benefit the Government. Venture funding relies on the commercial market to develop new products. The Government acts as a venture capitalist, investing in promising technologies in the hopes that they eventually yield products to further Government missions. The CIA's In-Q-Tel is the oldest and most prominent of this type of venture fund institution.

Venture funds, however, have their drawbacks. They lack guidance and protection. Additionally, unlike other assistance agreements and procurement instruments, competitors may be enjoined and/or be subjected to treble

149. See DFARS 212.7003(a) and (b).

150. This is virtually inescapable due to the cost-sharing requirements in prototype OTs. See 10 U.S.C. § 2371 note.

151. See DFARS 212.7003.

152. *Id.* at 212.7003(b)(4).

damages for pursuing a particular funded technology if it eventually is held to infringe a third-party patent or copyright; there is little reason to think 28 U.S.C. § 1498 would apply to a Government-backed investment fund acting as a venture-capital market participant.

There is also the added complication that a venture-fund investor typically receives stock in funded companies rather than licenses to their resulting technologies. March-in problems under Bayh-Dole take on an added layer of seriousness if the Government has an equity stake in a patentee seeking to enforce its rights. To help resolve this problem, In-Q-Tel usually only asks for an observer seat on a funded company's Board of Directors, and sometimes does not seek a Board seat at all. If the Government does acquire a voting right by virtue of a venture funding event, its interest in the direction of the company may differ from the shareholders' interest in maximizing investment profit.

2. Prize Authorities

Another new instrument on the horizon is the "prize authority." Under a prize authority, the Government sets up prizes for solutions to Government-identified problems (e.g., Defense Advanced Research Projects Agency's desert race, the X Prize, the H prize). Prize authorities allow anyone—the garage inventor or a high school science department—to participate. Prize authorities maximize competition in research and generate excitement in the field. Prize authorities, however, are useful only when there is a well-defined goal and the prize is sufficient to entice private companies and partnerships to invest their research dollars.

Like venture funds, there is no guarantee that a participant in such a competition would be covered by authorization and consent under 28 U.S.C. § 1498, thereby exposing a competitor for the prize to potential patent or copyright infringement damages.

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CHAPTER 4

Enforcement of Intellectual Property Rights in Federal Contracts

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A. Use of Intellectual Property to Influence Procurement Decisions

In order to ensure that it has access to the highest caliber of private contractor, the Government must not only allow more flexibility in its approach to procurement, but also provide sufficient assurance that appropriate remedies exist when the Government misbehaves. The ability to sue the Government is a bulwark against abuse—it guarantees review by a disinterested third party with the power to resolve disputes based on pre-set rules known by both litigants. The relief a private contractor can obtain from the Government, though, may be different from the remedies available in private lawsuits. Because the treatment of Government as a party to a dispute differs from the treatment of a private actor, additional safeguards are needed—to protect both an innocent contractor from Government malfeasance and the public's interest in seeing that tax dollars are not consumed in protracted and unnecessary litigation. The modern Government contracting system has done a good job of reconciling these two goals. Because this is so, contractors have increasingly deployed intellectual property rights strategically to influence procurement decisions.

This is harder than it appears, because the restrictive rights granted by intellectual property are in tension with the open-competition mandates of the Competition In Contracting Act (CICA).¹ Under CICA, a Government agency seeking to procure services without engaging in a competitive bidding process must submit a written justification and approval. The agency must consider the following factors before awarding a sole-source bid:

- Would the competitive bidding process result in significantly adverse consequences to the agency?
- Is there an alternative way to serve the agency's needs without restricting the bidding?
- Do the benefits of a sole-source contract outweigh the costs (including the costs of a possible bid protest)?
- Does the sole-source contract have a significant impact on the overall integrity of the CICA competitive-bidding system?²

1. 31 U.S.C. § 3553; 41 U.S.C. § 251 (2008) *et seq.*

2. *Reilly's Wholesale Produce v. United States*, 73 Fed. Cl. 705, 711 (2006); see Michael F. Mason and Christopher G. Dean, *Living the Life of Reilly's: Recent U.S. Court of Federal Claims Decisions Highlight Need for Improved Regulatory Guidance in CICA Override Determinations*, 87 (3) FED. CONTRACTS RPT. 90 (Jan. 23, 2007).

These competing imperatives have sometimes erupted into open conflict. For example, the fact that the Government is able to acquire copyrighted commercial software via license gives software vendors a way to “capture” the Government customer. As long as the agency issues a written justification and approval offering reasonable grounds to support a sole-source award, the courts generally will defer to the agency’s judgment.³ “An agency may properly take into account the existence of software data rights and licenses when determining whether only one responsible source exists.”⁴

However, the mere allegation of IP infringement is not enough to justify a deviation from CICA. In 2006, for example, the General Accounting Office voided a sole-source software procurement on the grounds that the State Department had failed to put its budgeting software out to bid—even though the incumbent software vendor’s license prevented the use of third party software. The GAO concluded that the State Department should have investigated the possibility of buying expanded license rights that would have permitted full competition.⁵ Similarly, the potential for infringement of unlicensed copyrights or patents does not provide justification for a sole-source procurement since “the exclusive remedy for a patent holder who claims patent infringement by the government or by a government contractor who acts with the authorization or consent of the government is a suit against the government in the United States Court of Federal Claims.”⁶ As such, the mere appearance of unlicensed intellectual property does not necessarily influence federal procurement.

B. The Anatomy of a Federal Contract Dispute

As discussed in Chapter 1, suing the Government differs from taking a private party to court because the Government possesses sovereign immunity. Unless waived, sovereign immunity acts as a complete bar to liability.⁷ This is true at

3. *Matter of MFVega & Assocs., LLC*, B-291605.3, 2003 U.S. Comp. Gen. LEXIS 40, 2003 Comp. Gen. Proc. Dec. ¶ 65, citing 10 U.S.C. § 2304 (f)(1)(A) and (B), FAR 6.302-1 (d)(1), 6.303, and 6.304.

4. *Id.*, citing FAR 6.301 (b)(2), *AAI ACL Techs. Inc.*, B-258679.4, 95-2 C.P.D. ¶ 243 (Nov. 28, 1995), and *Marconi Dynamics, Inc.*, B-252318, 93-1 C.P.D. ¶ 475 (June 21, 1993).

5. U.S. General Accounting Office, *eFedBudget Corp.*, GAO, B-298627 (Nov. 15, 2006).

6. U.S. General Accounting Office, *Council for Adult & Experiential Learning*, B-299798.2 (August 28, 2007) relying on *Odetics, Inc.*, B-246008 (Feb. 13, 1992), and *Lab Prods., Inc.*, B-252452 (Mar. 19, 1993).

7. *United States v. Mitchell*, 463 U.S. 206, 212 (1983).

both the State⁸ and Federal levels,⁹ and the Federal Government cannot waive a State's immunity.¹⁰ Thus, an intellectual property rights-holder's first step in seeking redress through litigation is to establish that the Government has consented to possible liability by waiving its immunity.¹¹

The Federal Government has waived some, but not all, sovereign-immunity rights for disputes involving infringement or violation of patents and copyrights,¹² trademarks,¹³ and trade secrets.¹⁴ Even where waivers are found, they are strictly construed in favor of the Government.¹⁵ If the Government waives its sovereign immunity, the litigant may be entitled to injunctions and/or damages for the infringement, depending on the rights involved.

The litigant's rights also differ based on whether or not the litigant is in contractual privity with the Government. Contractors sometimes are entitled to statutory interest pursuant to 41 U.S.C. § 611; noncontractors are not. Similarly, subcontractors are generally not eligible to bring claims under the Contract Disputes Act¹⁶ since subcontractors are not in direct privity with the Government.¹⁷ In the context of intellectual property, such privity should exist where the prime is required to flow down the intellectual property clauses revised to ensure a direct license between the subcontractor

8. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999). A more complete discussion of the immunity for each state is found in Chapter 5.

9. See *United States v. Clarke*, 33 U.S. 436, 444 (1834) ("As the United States are not suable of common right, the party who institutes such suit must bring his case within the authority of some act of Congress, or the court cannot exercise jurisdiction over it").

10. For a discussion of the reasons behind the *Florida Prepaid* decision, see David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": *Can the Government Control the Effects of Federal Trademark Liability?* 33 PUB. CONT. L. J. 209, 216–19 (2003).

11. See *Mitchell*, 463 U.S. at 212.

12. 28 U.S.C. § 1498.

13. 15 U.S.C. §§ 1114, 1122, 1127; see Bloch & McEwen, *supra* note 10, at 216–19 (2003).

14. 5 U.S.C. § 552; 28 U.S.C. § 1491.

15. See, e.g., *Zoltek v. United States*, 442 F.3d 1345 (Fed. Cir. 2007), *reh'g den.* (finding 28 U.S.C. § 1498 did not waive immunity for infringements under 35 U.S.C. § 271(g), which covers importation of goods made using a method protected by a U.S. patent).

16. 41 U.S.C. §§ 601–613.

17. 41 U.S.C. §601(4) (for purposes of Contract Disputes Act, the term "contractor" means "a party to a Government contract other than the Government"); *United States v. Johnson Controls*, 713 F.2d 1541 (Fed. Cir. 1983) (dismissing subcontractor claim since subcontractor not a contractor under 41 U.S.C. §601(4)); *Mr. Michael Ronchetti and RFIDcomplete, LLC*, ASBCA No. 56201 (2008) (citing *United States v. Johnson Controls* for proposition that subcontractor does not have privity allowing direct assertion of claim under CDA); Section of Public Contract Law, GOVERNMENT CONTRACT LAW, at 499 (American Bar Association 2007).

and Government such that CDA jurisdiction may lie in those contexts.¹⁸ However, while CDA jurisdiction may lie in certain contexts, exceptions exist. For instance, FAR 52.227-14(h) (Dec. 2007) does not specifically require privity be directly between the subcontractor and the prime contractor,¹⁹ although such privity would seemingly be the norm. As such, where no privity exists, subcontractors and other contractors not in a direct relationship with the Government must find other avenues to obtain relief.

But certain rules remain in place regardless. For example, the Government is not bound by contractual liquidated damages provisions.²⁰ With respect to third-party infringement claims, FAR 52.212-4(h) (Feb. 2007) requires indemnity for all intellectual property violations for commercial contracts entered pursuant to FAR Part 12. And there are extra remedies for making false claims against the Government.²¹

All of this means that an intellectual property holder may or may not be able to seek legal recourse against the Government. In IP cases, the question often turns on whether there has been a Government *procurement*.²² “Procurement” refers to the “acquisition by purchase, lease or barter, of property or services for the *direct benefit or use* of the Federal Government.”²³

18. *E.g.*, FAR provision 52.227-11(k)(3) (Dec 2007) (requiring the prime contractor include in subcontract the FAR clause modified “to identify the parties as follows: references to the Government are not changed, and the subcontractor has all rights and obligations of the Contractor in the clause”); DFARS 252.227-7013(k)(2)(Nov. 1995) (“Contractor shall use this same clause in the subcontract . . . without alteration, except to identify the parties”); DFARS 252.227-7019(c) (Jun. 1995) (“The Contractor agrees that the Contracting Officer may transact matters under this clause directly with subcontractors or suppliers at any tier who assert restrictions on the Government’s right to use, modify, reproduce, release, perform, display, or disclose computer software”); DFARS 252.227-7037(k) (September 1995) (“The Contractor or subcontractor agrees that the Contracting Officer may transact matters under this clause directly with subcontractors at any tier that assert restrictive markings”).

19. See Ralph C. Nash, Jr. & Leonard Rawicz, *INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS: VOLUME 2: TECHNICAL DATA RIGHTS*, p. 102 (2001) (noting that, unlike Defense contracts using DFARS, FAR-based contracts “allow the contractor to deal with subcontractors in any manner it believes to be appropriate” and FAR 52.227-14(h) “leaves it up to the parties to resolve the issue of the rights in subcontractor data on a case-by-case basis”).

20. 41 U.S.C. § 256a (“Whenever any contract made on behalf of the Government . . . includes a provision for liquidated damages for delay, the Secretary of the Treasury upon recommendation . . . is empowered to remit the whole or any part of such damages as in his discretion may be just and equitable”).

21. 41 U.S.C. § 604.

22. See *Wesleyan Co., Inc. v. Harvey*, 454 F.3d 1375 (Fed. Cir. 2006), affirming in part and reversing in part *Appeal of Wesleyan Co.*, ASBCA No. 53896 (Apr. 22, 2005).

23. *New Era Constr. v. United States*, 890 F.2d 1152, 1157 (Fed. Cir. 1989) (emphasis original).

Whether the dispute arises out of a “procurement” determines whether the litigant can seek relief from the courts under nonprocurement acts, such as the Tucker Act,²⁴ or must first seek redress (if at all) under the Contract Disputes Act.²⁵

1. Procurement Disputes

For a procurement contract, including a contract for the acquisition of intellectual property,²⁶ the contractor cannot run directly to court. Instead, it must follow the administrative dispute-resolution procedures set forth under the Contract Disputes Act,²⁷ although elements will be affected by the Administrative Procurement Act²⁸ and (for military contracts) the Armed Service Procurement Act.²⁹ Under this scheme, the contractor’s first recourse is to the Contracting Officer.³⁰ Where the claim is by a subcontractor, the subcontractor must take an additional step and obtain sponsorship of the claim from the prime contractor in order to be considered a contractor for purposes of the Contract Disputes Act.³¹

Prior to the Contract Disputes Act, a contractor might then have had to appeal up the chain of command to the agency head or his designated representatives, depending on the clause then in existence.³² But since the enactment of the Contract Disputes Act, the contractor is required to appeal any adverse decision to an applicable Board of Contract Appeals. The relevant agency BCA reviews the matter *de novo*,³³ although some BCA decisions suggest that the contracting officer should be accorded limited deference under the CDA.³⁴ The Board of Contract Appeals process involves no or

24. 28 U.S.C. § 1491 (b)(1).

25. 41 U.S.C. § 602 (a).

26. See 41 U.S.C. § 602 (a)(1) (applying these rules to “any express or implied contract . . . entered into by an executive agency for the procurement of property, other than real property in being”).

27. 41 U.S.C. § 605 (2008).

28. See Administrative Procedures Act, 5 U.S.C. §§ 700–706.

29. See 10 U.S.C. §§ 2301–2329.

30. 41 U.S.C. § 605.

31. *United States v. Johnson Controls*, 713 F.2d 1541 (Fed. Cir. 1983).

32. *Crown Coat Front Co. v. United States*, 386 U.S. 503 (1967).

33. 41 U.S.C. §§ 257, 438, 606–607; see, generally, *Monroe Garment Co. v. United States*, 488 F.2d 989 (Ct. Cl. 1973).

34. *Appeal of Roubin & Janeiro, Inc.*, 81-1 BCA ¶ 14868, GSBCA No. 4991-R, 1981 WL 7285 (G.S.B.C.A.) (“In reaching what it considers to be the proper resolution of a dispute, the Board is constrained neither by the findings and determinations of the contracting officer nor by the issues framed in the pleadings. That rule was prospectively changed by the Contract Disputes Act of 1978, with its jurisdictional emphasis on contracting officers’

limited discovery, though BCAs are empowered to issue subpoena and the like.³⁵ Agency decisions are entitled to substantial statutory deference.³⁶ As a general rule, an administrative decision “shall be final and conclusive” unless the contractor can show fraudulent, arbitrary and capricious, grossly erroneous or bad faith conduct by the agency, or else show that the agency’s decision “is not supported by substantial evidence.”³⁷

Note, however, that the BCAs have strictly limited jurisdiction, especially in the context of breaches of intellectual property licenses. For instance, in 2006 *Wesleyan Co. v. Harvey* put to rest the notion of administrative “pendent jurisdiction,” allowing the Armed Services Board of Contract Appeal to hear only those portions of a larger case that tie directly to the Government’s procurement of goods or services.³⁸ BCAs cannot hear declaratory judgment claims,³⁹ and similarly cannot hear infringement actions not arising out of a contract.⁴⁰ And even where an action is brought for a breach of contract, the claim must be for a set amount (a sum certain) and cannot be for a range of damages.⁴¹ Yet those are often the only damages intellectual property owners can seek for license breaches. However, BCAs do have jurisdiction over intellectual property cases resulting from a breach of contract, including claims of breach of the patent rights clause where the Government has taken title.⁴²

decisions on all claims relating to a contract (including Government claims) and the options provided a contractor to litigate those contracting officers’ decisions with which it disagrees before either an agency board or the United States Court of Claims”) (citations omitted).

35. 41 U.S.C. § 610.

36. See, generally, *Arundel Corp. v. United States*, 515 F.2d 1116 (Ct. Cl. 1975).

37. 41 U.S.C. § 321.

38. *Wesleyan Co. v. Harvey*, 454 F.3d 1375 (Fed. Cir. 2006). See also *Appeal of CANVS Corp.*, ASBCA No. 56347 (BCA lacked jurisdiction over appeal concerning an unsuccessful bid because appellant was not a “contractor” within the meaning of the Contract Disputes Act).

39. *Appeal of Grinberg*, 87-3 BCA ¶ 20102, DOTCAB No. 1543, 1987 WL 45903 (D.O.T.C.A.B.).

40. See notes 51–53 *infra*.

41. *Appeal of Rex Systems, Inc.*, ASBCA 54436 (ASBCA, Nov. 6, 2007) (denial of breach-of-implied-contract claim for misuse of Limited Rights data package, because calculation of minimum reasonable damages or license fees for unauthorized use of trade secrets as “15 percent of the value of all transactions entered into, performed by or made possible by the Government unauthorized use of RSI’s trade secret information” is not a sum certain).

42. See, e.g., *Campbell Plastics Engineering v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004) (facts resolved by ASBCA in resolving breach of patent rights clause entitled to deference under CDA).

A procurement dispute cannot be pursued through the court system until all administrative remedies have been exhausted.⁴³ So it is only after all of these steps have been followed that the matter may be brought before the United States Court of Federal Claims (or, under very limited circumstances, a United States District Court).⁴⁴ A Tucker Act Takings Clause claim is subject to a six-year statute of limitations,⁴⁵ but the administrative process tolls the statute. The statute of limitations is, at least in this instance, jurisdictional in nature rather than an affirmative defense.⁴⁶ Trial is *de novo*; the contracting officer's decision is entitled to no deference in the courts,⁴⁷ although some deference is paid to the contracting officer's fact-finding by BCAs.⁴⁸

2. Nonprocurement Disputes

For an intellectual property dispute not involving procurement, the plaintiff can go straight to the Court of Federal Claims, which has jurisdiction over "any express or implied contract with the United States," or any other United States District Court.⁴⁹ In contrast to BCAs, the Court of Federal Claims can hear declaratory judgment cases.⁵⁰ Various Boards of Contract Appeal cases confirm that the Boards do not have jurisdiction to hear Fifth Amendment Takings claims,⁵¹ patent, copyright infringement or trade secret misappropriation claims,⁵² or other causes of action not specifically contemplated by the Contract Disputes Act.⁵³ Without a contractual relationship, however, a plaintiff's recourse is limited to those causes of action where a specific waiver of sovereign immunity applies.

43. See *Sanders Associates, Inc. v. United States*, 423 F.2d 291 (Ct. Cl. 1970).

44. 41 U.S.C. § 609.

45. 28 U.S.C. § 2501.

46. *John R. Sand & Gravel Co. v. United States*, 457 F.3d 1345 (Fed. Cir. 2006).

47. *Wilner v. United States*, 24 F.3d 1397 (Fed. Cir. 1994); *Ervin & Assocs. v. United States*, 59 Fed. Cl. 267 (2004).

48. See *supra* note 34.

49. 28 U.S.C. § 1491 (b)(1).

50. *United Sales, Inc. v. United States*, 34 Fed.Cl. 88, 93-94 (Fed. Cl. 1995)

51. See, e.g., *BAE Systems Information & Electronic Systems Integration, Inc.*, ASBCA 44832, 01-2 BCA ¶ 31,495; *United Technologies Corp., Pratt & Whitney Group*, ASBCA 46880, 95-1 BCA ¶ 27,456; *Data Enterprises of the Northwest v. General Services Administration*, GSBCA 15607, 2004-1 B.C.A. (CCH) ¶ 32,539 (Feb. 4, 2004).

52. See, e.g., *CANVS Corp.*, ASBCA No. 56347 (Jun. 20, 2008); *People Management, Inc.*, EBCA 390-5-87, 91-1 BCA 23,288 (1990); *McKirchy & Co.*, ASBCA 51824, 99-2 BCA 30,468; *Data Enterprises*, GSBCA 15607, 2004-1 B.C.A. (CCH) 32,539 (Feb. 4, 2004).

53. *Dan Parish v. General Services Administration*, GSBCA 16025, 03-01 BCA 32,211; *Data Enterprises*, GSBCA 15607, 2004-1 B.C.A. (CCH) 32,539.

C. Remedies Against the Government

Intellectual property infringement is a statutory tort, but the Federal Tort Claims Act⁵⁴ does not apply to most intellectual property claims.⁵⁵ Instead, IP claims are based on specific sovereign immunity waivers. The Federal Government has capped the damages available under most intellectual property laws and removed the possibility of injunctive relief for any type of lawsuit arising under the Patent and Copyright Acts.⁵⁶ We address the remedies for patent, copyright, trade secret, and trademark infringement *seriatim*.

1. Remedies for Patent Infringement

The analysis of Government patent infringement tracks its private-company counterpart: Courts construe patent claims and then compare them to Government's accused products or services.⁵⁷ While it is possible for the Government to be accused of directly infringing a patent, due to the Government's reliance on contractors to accomplish its tasks, the Government more often is accused of infringing by acquiring or using a contractor's product. In order to ensure that the Government is able to secure contractor-provided goods and services, however, it has an advantage many private infringers lack: it can extend its immunity to contractors and thereby ensure that the contractors cannot be enjoined.⁵⁸ So the Government can use its "authorization and consent" authority to prevent interruptions in its supply lines, and for commercial items, can require patent indemnity for commercial supplies and services.⁵⁹

In the event the Government is accused of direct infringement or infringement by proxy, it can assert the same defenses as can private parties in a civil infringement suit. Thus, such litigation will involve the same issues of

54. See 28 U.S.C. § 2671 *et seq.*

55. See, generally, Bloch & McEwen, *supra* note 10, at 212–16 (2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). However, a narrow exception has been found for cases of trade secret misappropriation under the facts set forth in *Jerome Stevens Pharmaceuticals, Inc. v. Food & Drug Administration*, 402 F.3d 1249 (D.C. Cir. 2005).

56. 28 U.S.C. § 1498.

57. *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), is the latest word on claim construction.

58. 28 U.S.C. §1498. See also David R. Lipson, *We're Not Under Title 35 Anymore: Patent Litigation Against the United States Under 28 U.S.C. §1498(a)*, 33 PUB. CONT. L. J. 243, 247 (Fall 2003).

59. FAR 27.201-1 and 52.212-4 (f) (Feb. 2007).

infringement, validity, and inequitable conduct that arise in commercial litigation. In addition, the Government can deny liability using the Government employee exception. The Government employee exception occurs where a Government employee asserts a patent that was invented by the Government employee while in the employment of the Government, or where the Government employee induced the infringement.⁶⁰ Moreover, the Government can raise its contractual license rights clauses in an effort to assert control over a “subject invention.” As discussed in greater detail in Chapter 2, such license defenses typically hinge on patent rights clauses contained in prior contracts⁶¹ or inferred from 35 U.S.C. § 202. But the courts tend to construe these clauses narrowly, often to the benefit of the contractor. For example, in *Boeing Co. v. United States*, the Court of Federal Claims concluded that Boeing’s patented alloy (used for Space Shuttle fuel tanks) was not a “subject invention” despite ongoing contractual relations pertaining generally to the subject matter of the Boeing patent.⁶² Given that most charges of infringement against the Government are related to technologies at least partially sponsored by the Government, the licensing defense is more prevalent in allegations of Government infringement than as a private party’s defense in commercial patent litigation.

a. Injunctions

The Government may not be enjoined for infringing a patent, and to the extent such infringing use is authorized by the Government, neither can a Government contractor. Where the Government utilizes a privately owned patent, the exclusive remedy available to the owner is set forth in 28 U.S.C. § 1498 (a), which limits relief to “recovery of [the patentee’s] reasonable and entire compensation for such use and manufacture.” The same recovery for unauthorized uses of plants protected by a certificate of plant variety protection is available under Section 1498 (d) and for registered mask works under Section 1498 (e). The Fifth Amendment’s Takings Clause does not prevent Government infringement, nor is the Tucker Act available to an aggrieved patentee.⁶³

60. 28 U.S.C. § 1498(a). This exception is likely a jurisdictional prerequisite that must be established by the patent owner. *C.f.*, *Blueport Co. v. United States*, 533 F.3d 1374 (Fed. Cir. 2008) (analyzing the government employee exception in the context of copyright infringement claims under 28 U.S.C. § 1498(b)).

61. Such clauses are typically in FAR 52.227-11 and 52.227-13, DFARS 252.227-7038, DEAR 952.227-11 and 952.227-13, NFS 1852.227-70 and 1852.227-11.

62. *Boeing Co. v. United States*, 69 Fed. Cl. 397 (Ct. Cl. 2006).

63. *Zoltek v. United States*, 442 F.3d 1345 (Fed. Cir. 2007), *reh’g den.*

As noted, the actions of contractors and subcontractors may be imputed to the Government when they act with the Government's authorization and consent. Thus, a patent defendant may assert an authorization-and-consent defense to infringement, and seek indemnity or at least the benefit of the Government's special defenses.⁶⁴ The Government's authorization and consent may be implied by the Government's direct action⁶⁵ or it may be expressed based on the inclusion of the appropriate FAR provisions.⁶⁶ The defense applies to contracts, grants, cooperative research and development agreements, and other transactions.⁶⁷ But where the action exceeds the scope of the purported authorization, the contractor may be directly enjoined since the defense is no longer applicable. Further, where the Government's purported authorization and consent exceeds the Government's ability to protect the contractor under 28 U.S.C. § 1498, the contractor will be left exposed.⁶⁸ Moreover, even in situations where the contractor should be able to rely on authorization and consent, since authorization and consent is a defense which must be proven by the accused contractor with specificity, the contractor may not have the requisite documents to sustain the burden of proof needed to substantiate the defense. In these situations, contractors need to be ready to defend themselves as would any other commercial company acting in the marketplace.

Because 28 U.S.C. § 1498 provides an exclusive remedy where the unauthorized use is "manufactured by or for the United States," virtually all public contracts are governed by this provision. This exclusivity has been interpreted broadly. For instance, in *Madey v. Duke University*, the Federal Circuit held that a recipient of a Federal grant was using a patent "on behalf of the Government" such that recovery was limited by the provisions of

64. See Lipson *supra* note 58 at 248–49.

65. *TVI Energy Corporation v. Blane*, 806 F.2d 1057 (Fed. Cir. 1986) (Government authorization implied where infringement was required during a demonstration pursuant to a bidding procedure); *Hughes Aircraft Co. v. United States*, 534 F.2d 889 (Cl. Ct. 1976) (Government can consent "by contracting officer instructions, by specifications or drawings which impliedly sanction and necessitate infringement, by post hoc intervention of the Government in pending infringement litigation against individual contractors").

66. FAR 27.201-1, cl. 52.227-1 (Dec. 2007). See, e.g., *TDM America, LLC. v. United States*, No. 06-472C (Fed. Cl. September 17, 2008) (contractor acted within FAR 52.227-1 by complying with contract specifications in manner not breaching contract).

67. See Chapter 3 for a discussion of CRADAs and OTs.

68. *Zoltek v. United States*, 442 F.3d 1345 (Fed. Cir. 2007); Jerry Stouck, *Patent Owners, Take Heed Of Zoltek Ruling*, IP LAW 360 (July 30, 2007), a copy of which is available at <http://www.gtlaw.com/portalsresource/lookup/wosid/contentpilot-core-2301-5927/pdfCopy.pdf?view=attachment> (last visited November 13, 2008).

Section 1498 (a).⁶⁹ In suits against a contractor (or anyone using a patent with the Government's permission), the defendant can interpose Section 1498 as an affirmative defense.⁷⁰ And because Section 1498 provides exclusive remedies, the plaintiff's recovery may not include injunctive relief or a trebling of damages—despite the fact that these avenues of relief would be available to private litigants under Title 35 of the U.S. Code.⁷¹

Private parties accused of patent infringement in the course of a Government contract can and do plead the Bayh-Dole “government license” defense.⁷² This defense generally is raised when it becomes clear that the contractor's use is authorized as discussed above. However, defendants in cases not involving the Government also sometimes assert a patent title defense alleging that Government patent rights clauses automatically divested the inventor of title and granted the title to the Government at the time of invention, thus calling into question the ownership of the patent in suit. Such defenses are rarely successful, since the vast majority of research and development contracts follow the provisions of the Bayh-Dole Act, which presumes ownership in the inventor outside of specific Government intervention and therefore does not automatically divest title from the inventor.⁷³ The “government title” defense is more likely to succeed in cases where a specific statute requires divested title.⁷⁴ As discussed in greater detail in Chapter 2, both NASA and DOE are the most prominent agencies to have such requirements, but are likely to grant waivers to allow title to

69. *Madey v. Duke Univ.*, 307 F.3d 1351 (Fed. Cir. 2002). For additional information on suits under 28 U.S.C. § 1498, see Ralph C. Nash & Leonard Rawicz, *INTELLECTUAL PROPERTY IN GOVERNMENT CONTRACTS*, VOL. 3: COMPUTER SOFTWARE, INFORMATION, AND CONTRACT REMEDIES 239–74 (5th ed. 2001).

70. *Crater Corp. v. Lucent Technologies, Inc.*, 255 F.3d 1361 (Fed. Cir. 2001). See Lipson *supra* note 58 at 248–49.

71. See Lipson *supra* note 58 at 249–50.

72. *Madey v. Duke University*, 336 F. Supp. 2d 583 (D. N.C. 2004).

73. *Central Admixture Pharmacy Services Inc. v. Advanced Cardiac Solutions P.C.*, 482 F.3d 1347 (Fed. Cir. 2007) (failure to file confirmatory instrument to confirm Government rights as condition of Government waiver-of-title option under 35 U.S.C. § 202(d) did not divest title from inventor without affirmative act by Government); *Campbell Plastics Engineering & Mfg. Inc. v. Brownlee*, 389 F.3d 1243 (Fed. Cir. 2004) (contracting officer has discretion to request title where contractor breached patent rights notification provisions); *Mead Corp. v. United States*, 490 F.Supp. 405 (D. D.C. 1980), *aff'd*, 652 F.2d 1050 (D.C. Cir. 1981) (inventor's failure to secure rights from University does not automatically divest title from inventor and transfer title to Government). A minority of courts have found the patent rights clause title provisions to automatically divest title in limited circumstances. *TM Patents v. IBM*, 121 F. Supp.2d 349 (S.D.N.Y. 2000) (inventor's failure to secure rights from University automatically divests title from inventor and transfer title to Government).

74. E.g., *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1554 (Fed. Cir. 1992), relying on the Saline Water Conversion Act.

automatically remain with the inventors. However, where the inventors have neglected to obtain such waivers, the Government title defense would likely be applicable.

In the context of follow-on procurements, contractors would prefer to use patents to prevent award of contracts to competitors. However, under the Competition in Contracting Act,⁷⁵ the Government is not even allowed to limit bidding competitions based upon a potential infringement of a third-party patent. Given that Section 1498 authorizes infringing use, a low bidder may exclude any needed patent infringement royalties when drafting a winning bid and allow the Government to obtain any license rights it needs under a separate license. Government policies explicitly state that the full-and-open-competition requirements of the Competition in Contracting Act may not be limited by reason of potential patent infringement.⁷⁶ Because the remedies afforded a patent owner against the Government are so attenuated, these IPRs have relatively little strategic value in public contracting, as compared to their value in the commercial marketplace—a fact that probably explains the relative paucity of patents obtained by traditional Government contractors as compared to their commercial counterparts.

While the Government may not be ordered to cease infringing an unlicensed patent,⁷⁷ it is unclear whether a breach-of-contract claim could be used to enjoin the Government pursuant to terms of a patent license. An injunction seems likely, though, given the Government's similar treatment of breaches of copyright and trade secret license agreements.⁷⁸

b. Damages

Damages for Government infringement are limited, regardless of willfulness.⁷⁹ The successful plaintiff will recover actual damages only, measured as (1) a “reasonable royalty” based on the hypothetical willing buyer/willing

75. 10 U.S.C. §§ 2302–2306.

76. See *supra* note 6, FAR 6.302-1(b)(2) (2008) (“the mere existence of such rights or circumstances does not in and of itself justify the use of these authorities [to allow other than full and open competition] (See FAR 27)”); FAR 27.102(b) (2008) (“Generally, the Government will not refuse to award a contract on the grounds that the prospective contractor may infringe a patent”); *Virginia Panel Corp.*, Comp. Gen. B-247825, 1992, 91-2 CPD 515.

77. 28 U.S.C. § 1498.

78. Examples of suits over breaches of contract include *Data Enterprises v. GSA*, GSCBA 15607 (Fed. 17, 2004) (breach of license under FAR 52.227-19 compensable under CDA); *Appeal of Ship Analytics International, Inc.*, 01-1 BCA 31,253 (2001), *reconsideration denied* as untimely filed in a decision of May 21, 2001 (ASBCA has jurisdiction for breach of software license under DFARS 252.227-7013).

79. See *Lipson supra* note 58 at 257–60. Willful infringement is increasingly hard to prove in the civil context, as well. See *In Re Seagate Technology*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

seller approach,⁸⁰ (2) a lost profits analysis,⁸¹ or (3) the savings-to-the-Government approach.⁸² The “reasonable royalty” analysis is the preferred approach.⁸³ For nonprofit organizations, small business with less than 500 employees, or an independent inventor, reasonable compensation also includes attorney and expert witness fees.⁸⁴ Attorney and expert witness fees are not viewed as enhanced damages, but rather are viewed as compensatory in nature; Section 1498 specifically requires that “[r]easonable and entire compensation shall include . . . reasonable fees for expert witnesses and attorneys.”⁸⁵ Finally, damages may include costs associated with lateness (i.e., the benefit conferred on the Government in not having paid royalties when it otherwise should have).⁸⁶

Patent damages are limited to the prior six years of unauthorized use.⁸⁷ If the contractor files an administrative claim, however, the statute of limitations is tolled for up to the earlier of when the claim is finally denied or six years after the filing of the claim.⁸⁸ As such, there is a potential for up to twelve years of damages measured from the time an administrative claim is filed to when a suit is brought.

80. See *Georgia-Pacific Corp. v. United States Plywood Corp.*, 318 F. Supp. 1116, 1120 (S.D.N.Y. 1970); see also *Calhoun v. United States*, 197 Ct. Cl. 41, 453 F.2d 1385 (Ct. Cl. 1972); *Amerace Esna Corp. v. United States*, 199 Ct. Cl. 175, 462 F.2d 1377 (1972); *Pitcairn v. United States*, 212 Ct. Cl. 168, 547 F.2d 1106 (1976), *cert. denied*, 434 U.S. 1051 (1978); *Penda Corp. v. United States*, 29 Fed. Cl. 533, 573 (1993).

81. See *Gargoyles Inc. v. U.S.*, 113 F.3d 1572, 42 U.S.P.Q.2d 1760 (Fed. Cir. 1997), *Data Enterprises*, GSBGA 15607, 2004-1 B.C.A. (CCH) ¶ 32,539; *Imperial Mach. & Foundry Corp. v. United States*, 69 Ct. Cl. 667 (1930); *Penda Corp. v. United States*, 29 Fed. Cl. 533, 573 (1993).

82. See *Decca Ltd. v. United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980); see also *Shearer v. United States*, 101 Ct.Cl. 196, *cert. denied*, 323 U.S. 676 (1944); *Marconi Wireless Tel. Co. v. United States*, 99 Ct.Cl. 1 (1942), *rev'd in part*, 320 U.S. 1 (1943); *Olsson v. United States*, 87 Ct.Cl. 642, 25 F.Supp. 495 (1938), *cert. denied*, 307 U.S. 621 (1939); *Penda Corp. v. United States*, 29 Fed. Cl. 533, 573 (1993).

83. *Decca Limited*, 640 F.2d at 1167, and n. 22; *Leesona Corp. v. United States*, 599 F.2d 958 (Ct. Cl.), *cert. denied*, 444 U.S. 991 (1979); see *Penda Corp.*, 29 Fed. Cl. at 574 (“savings to the government are not used as a measure of compensation in preference to a reasonable royalty, . . . but these savings may be employed in estimating the amount a willing buyer would offer a willing seller”) (citations omitted).

84. 28 U.S.C. § 1498(a).

85. See *Lipson supra* note 58 at 260–62.

86. *Hughes Aircraft Co. v. United States*, 86 F.3d 1566 (Fed. Cir. 1996). See also *Nash & Rawicz, supra* note 69, at 251–54; Robert L. Harmon, PATENTS AND THE FEDERAL CIRCUIT § 15.1(a) (8th ed.) (BNA 2007).

87. 35 U.S.C. § 286.

88. *Id.*

2. Remedies for Trade Secret Infringement

The private bar has traditionally protected client intellectual property in the custody of the Government using trade secret protection.⁸⁹ Reverse-Freedom of Information Act lawsuits can prevent the Government from making unauthorized disclosure or use of trade secrets under the Freedom of Information Act.⁹⁰ In the context of procurements, trade secrecy also can be used to prevent competitive sourcing using the protected material.⁹¹ So trade secrets (including computer software or technical data) are in many ways the most valuable type of IP that can be asserted against the Government. Remedies include money damages for breaches of contract and, more significantly, injunctive relief preventing the Government's improper use of the trade secrets.

Additionally, if a contractor provides marked data under contract and the Government believes that the markings are incorrect, the Government must use validation procedures, like the ones outlined in 10 U.S.C. § 2321 for the Department of Defense. Such procedures must be implemented prior to removing such markings or otherwise using the data contrary to the applied markings, which effectively enjoins the Government from using the marked data until the procedure is completed. Relief may also be possible through the protest process where the Government is attempting to utilize confidential information for a procurement. But this cause of action is viable only if the protest is filed with the Comptroller General prior to award.⁹² Therefore, for contractually-delivered data, there is a robust alternative dispute resolution process to prevent unauthorized disclosure.

For marked data delivered to the Government outside of a contract, the Administrative Procedure Act essentially provides a reverse Freedom of Information Act right: the Government does *not* have the discretion to reveal proprietary information, particularly pertaining to marked technical data and computer software.⁹³ In the context of New Drug Applications, in which

89. See, e.g., 5 U.S.C. § 552(b); 18 U.S.C. § 1905.

90. Gregory H. McClure, *The Treatment of Contract Prices Under the Trade Secrets Act and Freedom of Information Act Exemption 4: Are Contract Prices Really Trade Secrets?*, 31 PUB. CONT. L. J. 185 (2002); Ronald Backes, Comment, *Freedom, Information, Security*, 10 SETON HALL CONST. L. J. 927, 973–983 (2000).

91. See *Chrysler Corp. v. Brown*, 441 U.S. 281, 291–92 (1979); see, generally, David F. Dowd & Lisanne E. S. Cottingham, *Do You Know Where Your Prices Are?*, 36 PROCUREMENT LAW 10 (Winter 2001). Additional protection are available for pre-award information under the Procurement Integrity Act, 41 U.S.C. § 423. See Thomas S. McConville, *The Procurement Integrity Act: A Little-Used But Effective Statute in Criminal Prosecutions*, 43 THE PROCUREMENT LAWYER 3 (Fall 2007) (discussing case study of criminal prosecution caused by sharing technical data in bid prior to award).

92. Nash & Rawicz, *supra* note 69, at 289–98.

93. See 5 U.S.C. §§ 552 and 702.

confidential information is submitted to the Food and Drug Administration, the DC Circuit has held that disclosure of confidential information is a statutory tort justifying suit under the Federal Tort Claims Act⁹⁴ but not the APA.⁹⁵ It is not clear whether this exception is limited to New Drug Applications such that the FTCA can be used to obtain relief in limited circumstances for unauthorized disclosure of trade secrets.

Lastly, there are a number of criminal laws that prevent disclosure of trade secrets held by the Government. For instance, the Trade Secrets Act prohibits disclosure of proprietary materials by Government employees.⁹⁶ Similar protection exists for unpublished patent applications.⁹⁷ However, these criminal laws do not provide a private cause of action, and are therefore mainly cited as grounds to prevent release of trade secrets using a reverse Freedom of Information Act claim.

a. Procedural Requirements for Trade Secret Enforcement

Where a trade secret is provided under a Government contract, it is protected under the general rubric of “Data Rights.” In order to protect intellectual property delivered to the Government under the FAR or an applicable Agency-specific supplement, special contractual provisions need to be negotiated.⁹⁸

For example, when a trade secret is delivered to the Department of Defense, it is protected under the DFARS. Under the DFARS, the quantum of trade secret protection depends on the timing of development and the contract under which development or delivery is made. The timing of the development, in turn, determines the year of the DFARS clause utilized in determining rights in the developed data, although a later delivery contract may use yet another version of the clause. Because these clauses change regularly, the year of the clause can significantly affect what information is protectable. Nevertheless, traditionally, information developed at private expense (*i.e.*, outside of a Government contract) is protectable, whereas other information receives less protection in relation to the extent of

94. 28 U.S.C. §§ 2671-2680.

95. *Jerome Stevens Pharmaceuticals, Inc. v. Food & Drug Administration*, 402 F.3d 1249 (D.C. Cir. 2005); compare *Pi Electronics Corp. v. United States*, 55 Fed. Cl. 279 (2003) (treating trade secret misappropriation as a breach of contract via conversion); see also Katherine E. White, *Trade Secrets and the Federal Tort Claims Act*, *THE ARMY LAWYER*, pp. 125-26 (Jan. 2006) (noting *Jerome Stevens* appears to allow trade secret misappropriation tort claims to be pursued under FTCA).

96. 18 U.S.C. § 1905; see *Pi Electronics Corp.* 55 Fed. Cl. 279.

97. 35 U.S.C. § 122(a) (2008).

98. 48 C.F.R. § 252.227-7013(c)-(e); see *Secure Serv. Tech., Inc. v. Time & Space Processing, Inc.*, 722 F. Supp. 1354, 1359-62 (E.D. Va. 1989); Lionel M. Lavenue, *Technical Data Rights in Government Procurement: Intellectual Property Rights in Computer Software and the Indicia of Information Systems and Information Technology*, 32 U.S.F. L.R. 1 (1997).

Government support.⁹⁹ The determination of whether data is protectable is governed by separate DFARS provisions. Each data clause has unique requirements.¹⁰⁰ Further, the trade secret is protected differently if it can be characterized as “computer software.” So where the data is to be delivered and is preexisting, it is classifiable as “Limited Rights” or “Restricted Rights” under DFARS 252.227-7013 or 252.227-7014 as defined in clause in use at time of the contract calling for its delivery. The DFARS requirements (like any commercial trade secret license) include rules regarding the proper marking of the data to indicate the data’s status.¹⁰¹ The FAR and other agency supplements are discussed in greater detail in Chapter 2.

Each FAR and DFARS clause has a unique dispute-resolution provision, which changes periodically. These provisions require validation of markings on delivered technical data or software, and specify the procedure for resolving the dispute. However, these provisions also change over time such that the procedures and burdens of proof can vary from contract to contract and are not uniform from agency to agency. For the Department of Defense alone, from 1959 to present, there have been roughly seven different validation procedures, some of which are required under 10 U.S.C. § 2321, and some of which are based upon earlier versions of Defense Acquisition Regulations.¹⁰² An additional change was made under the John Warner National Defense Authorization Act for Fiscal Year 2007, which reversed a presumption for technical data delivered under major weapons system

99. See, generally, Chapter 2; Nash & Rawicz, *supra* note 69 (discussing the requirements of different clauses used at different periods and their requirements for protecting information delivered under Government contract).

100. Classification of delivered technical data is discussed at length in *Bell Helicopter Textron*, ASBCA No. 21192, 85-3 BCA 18,415 (Sept. 23, 1985); see also Lionel M. Lavenue, *Technical Data Rights in Government Procurement: Intellectual Property Rights in Computer Software and the Indicia of Information Systems and Information Technology*, 32 U.S.F. L.R. 1 (1997), and Nash *supra* note 99.

101. E.g., FAR 52.227-14 and Alternates II or III (Jun. 1987) (marking on data delivered under FAR data rights clause with limited or restricted rights); FAR 52.227-14 and Alternates II or III (Jan 2008) (marking on data delivered under FAR data rights clause with limited or restricted rights); FAR 52.227-19(c) (Jan. 2008) (marking on delivered commercial software); DFARS 252.227-7013(f) (1995) (markings on delivered noncommercial technical data); DFARS 252.227-7014(f) (Jan. 2008) (markings on delivered noncommercial software). These clauses also require the contractor to apply the correct markings. See *Appeal of Teledyne Continental Motors*, 75-2 BCA 11553 (ASBCA 1975) (contractor required to remove patent notices on delivered unlimited rights technical data).

102. For 1959 to 1962, the process is spelled out in ASPR 9-203.1; for 1964–1965, the process is spelled out in ASPR 9-203(b); for 1965-1969, the process is spelled out in ASPR-7-104.9(a); for 1972–1977, the process is spelled out in ASPR 7.104-9; for 1981, the process is spelled out in ASPR 7.104-9 and DFARS 52.227-7013; and from 1987, the process is spelled out in DFARS 252.227-7037.

contracts in a manner adversely affecting a contractor's ability to protect its trade secrets during a validity challenge.¹⁰³

The current DoD procedure is outlined in DFARS 252.227-7037 (Sept. 1999) for technical data and DFARS 252.227-7019 (Jun. 1995) and calls for an elaborate proceeding including prechallenge requests for information, timetables for responses and appeals, and restrictions on what types of challenges can be brought more than three (3) years after delivery or final payment on the contract. Additionally, since other contractual vehicles may be used instead of the DFARS and FAR data clauses,¹⁰⁴ these other vehicles may have their own unique validation proceedings. These rights are also required to be included in subcontracts such that subcontractors are uniquely able, at least under DOD procedures, to defend their trade secrets directly.¹⁰⁵ As such, for long-term procurements, defending the status of data delivered in batches with updates over multiple decades can prove difficult: the clauses will likely have changed between the initial and follow-on contracts, thereby changing the parties' respective rights based on the effective dates of the contracts. As such, when defending against a validation challenge, it is of particular importance to cite to both the correct clause and the date when determining the rights of the parties in a particular data item. Validation procedures create an additional layer of complication in attempting to protect contractually-delivered trade secrets.

In general, where data is delivered under a standard contract, the contractor will be using the standard rights (e.g., limited rights, restricted rights, etc.) discussed in greater detail in Chapter 2. Since these rights are well understood and are defined in the regulations incorporated into the contract, a contractor can generally rely on the well defined nature of the rights to determine what are the respective rights of the parties. However, if the contract includes unique license rights and the data is delivered using these unique rights, the contractor is well advised to keep a copy of the clause under which the license rights are given in order to ensure that the clause is enforced. These clauses and special license rights are enforceable. But enforcement often occurs decades after the contract is written, so enforcement may not be possible if the contractor has not kept meticulous records including keeping a copy of the license.¹⁰⁶ For instance, *FN Manufacturing v. United States*, the enforced

103. Pub. L.109-364. A more complete discussion on this change is found in Chapter 2.

104. For a discussion of other types of contractual vehicles, see, generally, Chapter 3; Undersecretary of Defense for Acquisition, Technology and Logistics, NAVIGATING THROUGH COMMERCIAL WATERS, Version 1.1 (2001).

105. DFARS 252.227-7019(c) (Jun 1995); DFARS 252.227-7037(k) (September 1995).

106. See, e.g., *Appeal of Ship Analytics International, Inc.*, ASBCA No. 50914, 01-1 BCA 31, 253 (2001), *reconsideration denied* as untimely filed in a decision of May 21, 2001 (contractor's use of local clause in addition to DFARS 252.227-7013 (May 1981) for data delivered under a 1986 contract was enforced by an ASBCA decision on January 11, 2001).

clause was signed in 1967, while the decision was rendered in 1999.¹⁰⁷ Since the Government may not maintain a copy of this license indefinitely, for purposes of enforcement, contractors are well advised to ensure that all such special license provisions are maintained in case their use is required in later enforcement proceedings.

Since a contractor's right to protect data delivered to the Government generally depends on its trade secrecy status, it is important to recognize that trade secret litigation is complex and proving a trade secret is difficult. The trade secret owner must prove all elements of trade secret misappropriation—a task that goes well beyond merely showing that information was properly marked. A plaintiff bears this burden even where the defendant is in the best position to disprove plaintiff's allegations.¹⁰⁸ The contractor must prove continued trade secret status under contractually-required methodologies, which vary from contract to contract. At the very least, all allegedly confidential information must be marked in accordance with applicable contractual regulations or contract clauses, or all protection will be lost.¹⁰⁹ As such, although trade secret protection is available, obtaining relief remains a difficult and expensive process, the outcome of which is by no means assured merely by marking the delivered data.

b. Injunctions

In contrast to the rules regarding patent infringement, the Government may be enjoined from trade secret misuse. This means that a contractor may utilize trade secrecy to enjoin the Government from disclosing proprietary data to third parties. The inability to obtain the necessary data to provide a product or service is explicit grounds for awarding sole source contracts.¹¹⁰ Trade secrets are thus the standard method of preventing competitors from copying designs and to prevent awards to competitors to work on infringing technologies.

Absent such protections, an innovator that develops technology pursuant to a Government contract could be at risk of losing the more lucrative

107. *FN Manufacturing v. United States*, 44 Fed. Cl. 449 (1999).

108. See, e.g., *Penalty Kick Mgmt. Ltd. v. Coca Cola Co.*, 318 F.3d 1284 (11th Cir. 2003) (failure to prove defendant did not independently develop proprietary technology allows for summary judgment against plaintiff); *Moore v. Kulicke & Soffa Indus.*, 318 F.3d 561 (3d Cir. 2003) (plaintiff retains burden of proof to show that defendant did not independently develop technology because plaintiff's burden is to prove unauthorized use of trade secret). Additionally, the trade secret owner must show that the information has value and is not readily ascertainable publicly, from third parties, or through legitimate reverse-engineering.

109. *The Xerxe Group v. United States*, 278 F.3d 1357 (Fed. Cir. 2002); *Appeal of General Atronics Corp.*, ASBCA No. 49196 (Mar. 19, 2002); *Night Vision Corp. v. United States*, 68 Fed. Cl. 368 (Fed. Cl. 2005).

110. See FAR 6.302-1(b)(2) (2008).

production contracts on the technology it developed. In *Night Vision Corp. v. United States*, the Federal Circuit concluded that the innovator's successful development of a new technology under a Small Business Innovative Research contract did not automatically entitle the innovator to the follow-on manufacturing contracts.¹¹¹ It is noted that this result that might have been avoided had Night Vision properly marked its products to ensure it retained some kind of proprietary rights, which the court had previously found Night Vision had not done in a manner consistent with the applicable contract clauses.¹¹²

Contractors have used a variety of creative solutions to obtain injunctive relief for trade secret misuse. These include protests to the Comptroller General and suits under the Trade Secrets Act, the Freedom of Information Act, and the Administrative Procedures Act.

Misappropriation of trade secrets has long been considered a Taking, actionable under the Tucker Act.¹¹³ But Federal law provides no direct cause of action to enjoin the disclosure of trade secrets. Thus, a contractor may not bring a general tort action for improper disclosure of proprietary data against the United States and expect an injunction. Instead, contractors may seek injunctive relief in the context of a breach-of-contract action in the Court of Federal Claims¹¹⁴ or the appropriate Board of Contract Appeals.¹¹⁵ Before initiating such suits, it is important to ensure that the trade secret owner has exhausted whatever agency procedures are required, since exhaustion of remedies is a pre-requisite to suit under the FTCA, the Contract Disputes Act, and the APA.¹¹⁶

By contrast, the Trade Secrets Act¹¹⁷ prevents disclosure of proprietary information by a Government officer or employee, but does not provide a private cause of action.¹¹⁸ Therefore, in *Chrysler*, the Supreme Court found that Chrysler could not prevent disclosure of sensitive employment information

111. *Night Vision Corp. v. United States*, 469 F.3d 1369 (Fed. Cir. 2006).

112. *Night Vision Corp. v. United States*, 68 Fed. Cl. 368 (Fed. Cl. 2005).

113. See, e.g., *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003–04 (1984). But see Shubha Ghosh, *Toward a Theory of Regulatory Takings for Intellectual Property: The Path Left Open After College Savings v. Florida Prepaid*, 37 SAN DIEGO L. REV. 637, 698–99 (2000) (criticizing the Supreme Court's reasoning in *Ruckelshaus*).

114. *Aktiebolaget Bofors v. United States*, 194 F.2d 145 (D.C. Cir. 1951).

115. Examples of such suits include *Bell Helicopter Textron*, ASBCA No. 21192, 85-3 BCA 18,415 (Sept. 23, 1985), and, more recently, *Appeal of Ship Analytics International, Inc.*, ASBCA No. 50914, 01-1 BCA 31,253 (2001).

116. See, generally, Nash & Rawicz, *supra* note 69 at pp. 301–302 (discussing claim requirements for FTCA and CDA actions) and Executive Order 12,600 (regarding pre-release procedures under the APA).

117. 18 U.S.C. § 1905.

118. *Chrysler v. Brown*, 441 U.S. 281, 294–316 (1979). Although there is no case on point, a congruent theory could be applied using the Economic Espionage Act, 18 U.S.C. § 1832, which likewise makes it illegal to distribute proprietary information without authorization.

under the TSA.¹¹⁹ This is because the TSA is a criminal statute that does not create a corresponding civil cause of action. Instead, the Supreme Court held out two potential causes of action: first, if the release is pursuant to a FOIA request, the owner may bring a modified reverse-FOIA claim;¹²⁰ second, the owner may assert that the release was arbitrary and capricious under the APA. Both of these statutes allow for injunctive relief.

FOIA Exemption 4 holds that “trade secrets and commercial or financial information” are exempt from disclosure.¹²¹ The Government’s failure to honor this exemption may lead to reverse-FOIA lawsuits, under which injunctive relief is available.¹²² In a pure reverse-FOIA claim, the owner of proprietary information sues under the authority of FOIA claiming that the agency may not release information.¹²³

Similarly, under FOIA Exemption 3, the Government may not release materials “specifically exempted from disclosure by statute.”¹²⁴ It has been argued that the TSA provides such a statutory exemption. “Therefore, a corporation may seek to protect proprietary business information from disclosure to competitors by bringing an action to enjoin Government disclosure as a violation of the Trade Secrets Act, or other nondiscretionary law.”¹²⁵ But in *Chrysler*, the Supreme Court held that FOIA contains no such private cause of action to prevent disclosure. Therefore, in order to utilize the FOIA exemptions, the trade secret owner must file an action under the APA.¹²⁶ To amplify, *Chrysler* holds that FOIA is a disclosure statute and does not contain a cause of action by which a party can prevent disclosures. Under the APA, however, the party can request review of a decision to release information to determine whether the review was adequate and ensure that release will not violate existing law. The Agency must first decide to release the information pursuant to a FOIA request.¹²⁷ The owner is then free to sue in district court, claiming

119. *Chrysler*, 441 U.S. 281.

120. 5 U.S.C. § 552.

121. 5 U.S.C. § 552(b)(4).

122. David F. Dowd & Lisanne E. S. Cottingham, *Do You Know Where Your Prices Are?*, 36 *PROCUREMENT LAW* 10 (2001); see Tom Arnold & Jeff Garrett, *Trial Tactics in Trade Secret Cases*, 340 *PLI/PAT.* 249, 277–78 (1992); see also *Honeywell Info. Sys., Inc. v. NASA*, No. Civ.A. 76-353, Civ.A. 76-377 WL 181137, (D.C. Cir. July 28, 1976).

123. Justice Department Guide to the Freedom of Information Act, “Reverse” FOIA (May 2004), available at <http://www.usdoj.gov/oip/reverse.htm> (last accessed November 13, 2008); 37 *Am. Jur. 2d, Freedom of Information Act* §§ 175–177 (1994).

124. 5 U.S.C. § 552(b)(3).

125. Ronald Backes, *Comment: Freedom, Information, Security*, 10 *SETON HALL CONST. L.J.* 927, 976 (2000).

126. See 5 U.S.C. §§ 5 U.S.C. §§ 701–706 (2008).

127. See, e.g., 10 *C.F.R.* § 1004.11 (providing an informal hearing to decide on FOIA requests for proprietary information); Executive Order 12,600 (establishing pre-disclosure notification requirements to prevent reverse FOIA suits).

that the Agency decision was either contrary to law (including the TSA) or arbitrary and capricious.¹²⁸

In general, FOIA will not allow an agency to release trade secrets.¹²⁹ This exception has been found to be at least co-extensive with the TSA.¹³⁰ Thus, if the information is a trade secret under the TSA, an agency decision to release the information is contrary to law. Because agencies cannot violate the law,¹³¹ the courts have substantially more freedom to grant an injunction. If the information in question does not qualify as a trade secret under the TSA, the courts will review the agency action under the “arbitrary and capricious” standard, which is more deferential to the agency.

Courts have denied jurisdiction under the APA where the lawsuits are largely based on contracts.¹³² The theory is that courts will not use the APA or other statutes to circumvent the Tucker Act¹³³ or the Contract Disputes Act,¹³⁴ which Congress designed to provide the exclusive remedies for contract disputes. Thus, if the claim is essentially one of contract interpretation, the courts may not hear it under the APA and must deny jurisdiction. Later decisions have severely limited this rule, allowing for injunctive relief if the Government’s conduct injures contractor rights that pre-date the contract in question.¹³⁵

As an alternative, contractors have obtained relief before the Comptroller General. While the Comptroller General cannot enter an injunction, it will recommend cancellation of a contract solicitation where it improperly incorporates proprietary data and inform Congress if its recommendation is not followed.¹³⁶ Since Congress controls the funding of programs and contracts, the Government will generally follow the recommendation of the

128. 5 U.S.C. § 706; *Megapulse, Inc. v. Lewis*, 672 F.2d 959 (D.C. Cir. 1982).

129. 5 U.S.C. § 552 (b)(4).

130. *General Motors Corp. v. Marshall*, 654 F.2d 294, 296–97 (4th Cir. 1981), cited by *Anderson v. Department of Health and Human Servs.*, 907 F.2d 936 (10th Cir. 1990).

131. Watergate notwithstanding, lawbreaking is not within the agency’s expertise.

132. *International Eng’g Co. v. Richardson*, 512 F.2d 573 (D.C. Cir. 1975).

133. 28 U.S.C. §§ 1346, 1449.

134. 41 U.S.C. § 602 (a).

135. *Megapulse, Inc. v. Lewis*, 672 F.2d 959 (D.C. Cir. 1982) (finding that claims that merely involve a Government contract may be brought under the APA); *Conax Florida Corp. v. United States*, 824 F.2d 1124 (D.C. Cir. 1986) (allowing claim for injunction but requiring that the standard be set by the contractual standard); *Williams Int’l Corp. v. Lehman*, No. 84-1122 (D. D.C. filed Nov. 6, 1984) (granting summary judgment to enjoin the Government using solely the APA despite the existence of a contractual standard). See, generally, Nash & Rawicz *supra* note 116, at 314–24 discussing the historical use of injunctions to prevent unauthorized disclosure of proprietary data).

136. See GAO Office of the General Counsel, PRINCIPLES OF FEDERAL APPROPRIATIONS LAW, GAO-04-261SP, pp. 1–40 (3rd ed. 2004) (“The Comptroller General has no power to enforce decisions. Ultimately, agency officials who act contrary to Comptroller General decisions may have to respond to congressional appropriations and program oversight committees”).

Comptroller General. Therefore, if a competitor learns that an award is to be made based on a solicitation that uses the competitor's trade secrets, it can successfully protest the award at the General Accounting Office.¹³⁷ But in order to prevail, the protester must present clear and convincing evidence that the procurement will violate its proprietary rights.¹³⁸ This is a difficult standard to meet, although the term "proprietary" is not dependent on the existence of an actual contract or markings on the delivered data as long as the data was delivered in confidence.¹³⁹

c. Damages

A contractor can recover contract damages—that is, actual damages plus possibly unjust enrichment—for trade secret misappropriation by the Government. "The entrepreneur whose trade secret is stolen is entitled to monetary damages and an injunction framed to preserve the commercial advantage created by the trade secret."¹⁴⁰ However, in contrast to commercial trade secret litigation, the punitive remedies are available under the Uniform Trade Secrets Act—double damages and attorneys' fees—such punitive remedies are not available against the Government.

3. Remedies for Copyright Infringement

The Court of Federal Claims has exclusive jurisdiction over copyright infringement claims asserted against the Government.¹⁴¹ Like patent infringement, the exclusive jurisdiction pertains both to claims of direct infringement, and through use of the work by a contractor under the Government's authorization and consent. As such, contractors can use the same authorization and consent defenses outlined above in the context of

137. *Data Gen. Corp.*, 55 Comp. Gen. 1040 (1976), 76-1 CPD ¶ 287; *To the Lockheed Propulsion Company*, 52 Comp. Gen. 312 (1972); *To the Secretary of the Air Force*, 49 Comp. Gen. 29 (1969); *To the Director, Defense Supply Agency*, 43 Comp. Gen. 193 (1963); *To the Secretary of the Air Force*, 42 Comp. Gen. 346 (1963); *To the Secretary of the Air Force*, 41 Comp. Gen. 148 (1961); *Space Corp.*, B-152684, 44 Comp. Gen. 451 (1965).

138. *Chromalloy Division Oklahoma of Chromalloy of American Corp.*, 56 Comp. Gen. 537 (1977), 77-1 CPD ¶ 262; 52 Comp. Gen. 773 (1973); *To T.K. International Inc.*, B-177436, 1974, 74-1 CPD ¶ 126, *aff'g* 53 Comp. Gen. 161 (1973).

139. *Eagle Crusher Co.*, B-150369, 43 Comp. Gen. 193 (1963).

140. D. Kirk Jamieson, *Just Desserts: A Model to Harmonize Trade Secret Injunctions*, 72 NEB. L. REV. 515, 516 (1993) (the Westlaw version of this article bears the title "Just Deserts," which is almost certainly a transcription error on the part of Westlaw rather than the author).

141. 28 U.S.C. § 1498 (b); *see O'Rourke v. Smithsonian Institution Press*, 399 F.3d 113 (2d Cir. 2005) (dismissing infringement claims against the Smithsonian Institution in New York in favor of exclusive Court of Federal Claims jurisdiction).

patent infringement claims against the Government. Moreover, the Government can deny liability using a Government employee exception. The Government employee exception applies where a Government employee asserts a copyright for a work developed by the Government employee while in the employment of the Government, or where the Government employee induced the infringement.¹⁴² The Federal Circuit recently addressed this issue in *Blueport Co. v. United States*, 533 F3d 1374 (Fed. Cir. 2008) and found that, where a former Government employee is asserting copyright infringement, the plaintiff must prove, as a jurisdictional pre-requisite, that the “Government employee defense” does not apply. As such, this exception is not so much of a defense as a required pleading when bringing a claim of copyright infringement.

Additionally, claims must fall under the Copyright Act proper. While copyright is the primary intellectual property right protecting computer software, other copyright-related laws, like the Digital Millennium Copyright Act,¹⁴³ do not contain an explicit Government waiver and thus cannot form the basis for suit even in the face of clear wrongdoing. For instance, no sovereign immunity waiver was found under 28 U.S.C. § 1498(b) despite evidence that the Air Force attempted to circumvent encryption measures in commercial software.¹⁴⁴ Boards of Contract Appeals, however, can hear breach-of-contract claims in which the gravamen of the suit is infringement or misuse of copyrighted material.¹⁴⁵ The statute of limitations (three years for copyright claims) is tolled if an administrative claim was timely filed with the infringing department or agency.¹⁴⁶

a. Marking Copyrighted Goods

In general, copyright owners are encouraged to mark their works with a © in order to give notice that the work is protected by Federal copyright. Moreover, by applying such a marking, an infringer cannot rely on an innocent infringer defense to limit damages.¹⁴⁷ Copyright owners are allowed, generally, to

142. 28 U.S.C. §1498(b) precludes liability where was a Government employee was “in a position to order, influence, or induce use of the copyrighted work by the Government” or where the work was “prepared by a person while in the employment or service of the United States, where the copyrighted work was prepared as a part of the official functions of the employee, or in the preparation of which Government time, material, or facilities were used.”

143. 17 U.S.C. § 1201 *et seq.*

144. *See Blueport Co. LLP v. United States*, 71 Fed.Cl. 768, (2006) *aff’d Blueport Co. v. United States*, 533 F3d 1374 (Fed. Cir. 2008).

145. *Data Enterprises of the Northwest v. General Services Administration*, GSBICA 15607, 2004-1 B.C.A. (CCH) ¶ 32,539 (Feb. 4, 2004); *Appeal of Ship Analytics International, Inc.*, ASBCA No. 50914 (ASBCA 2001).

146. 28 U.S.C. § 1498 (b).

147. 17 U.S.C. § 401(d).

include copyright notices on material delivered to the Government, but must ensure that the notices are not misleading such as where the data is being delivered under a contract.¹⁴⁸ However, for copyrighted data delivered under a contract, the Government's potential liability for infringement is defined in part by the rights the Government acquired in copyrighted software or technical data.¹⁴⁹ So, while a general copyright notice is sufficient in commercial litigation, where copyrighted goods are being delivered as part of a Government contract, the proper marking in accordance with the provisions of the contract is a particular concern in copyright cases since the proper marking limits the Government's ability to make and distribute copies. Failure to properly mark an item could grant the Government unlimited rights, thereby allowing unlimited copies and alterations of a copyrighted work.¹⁵⁰

As discussed in greater detail in Chapter 2, the basic categories of copyright protection for software under a Government contract are:

- **Restricted Rights.** The "Restricted Rights" designation is preferred by software companies. Restricted Rights software has been developed at private expense and may also include trade secrets. A Restricted Rights designation prevents the Government from making copies of copyrighted programs, except to switch computers or perform software maintenance. Restricted Rights software code cannot be released under the FOIA or disclosed for competitive bidding purposes.
- **Limited Rights.** The "Limited Rights" designation is preferred by software and nonsoftware companies. Limited Rights relates to technical data, such as reports, blueprints, computer databases and computer software documentation, which has been developed at private expense and may also include trade secrets. A Limited Rights designation does not prevent the Government from making copies of copyrighted technical data, but does prevent use or modification by any non-Governmental entities. Like Restricted Rights software code, Limited Rights technical data cannot be released under the FOIA or disclosed for competitive bidding purposes.
- **Government Purpose Rights.** Government Purpose Rights limit the Government's ability to distribute software or technical data outside the Government. Generally, Government Purpose Rights convert to Unlimited Rights after five years, unless the parties agree otherwise

148. FAR 27.404-3.

149. *Id.* DFARS 227.7103-9; DFARS 227.7203-9. *See, generally*, David S. Bloch & James G. McEwen, *Why Software Companies Should Consider The Government Market*, THE STERLING REPORT (August 2006), available at <http://www.sterlinghoffman.com/cgi-bin/index.pl?p=newsletter/archives/archives.html> (last visited November 13, 2008).

150. *Ervin & Assocs. v. United States*, 59 Fed.Cl. 267 (2004).

(as very often they do). Software or technical data subject to Government Purpose Rights usually has been developed in part with Government funds under a particular contract. Software or technical data subject to Government Purpose Rights cannot be released pursuant to a FOIA request, but may be disclosed for competitive bidding purposes. Government Purpose Rights are most commonly sought in Department of Defense contracts.

- **Small Business Innovation Research (SBIR) Rights.** For software or technical data developed under SBIR grants, the Government is limited in its ability to distribute the software or technical data and in the number of copies it can use. The duration and nature of this limitation varies with the SBIR contract under which the software or technical data was created. During the limitation period, SBIR software or technical data cannot be released under FOIA or disclosed for competitive bidding purposes. Like Government Purpose Rights, after the limitation period expires, the Government's rights become Unlimited.
- **Unlimited Rights.** As the name implies, the Government has no limitations on distribution or the number of copies it uses of "Unlimited Rights" software or technical data. Unlimited Rights software or technical data has been developed wholly at public expense and can be released both under FOIA and disclosed for competitive-bidding purposes.¹⁵¹

Rights allowed by the contract are strictly and narrowly construed.¹⁵²

b. Injunctions

The courts cannot issue an injunction merely to prevent copyright infringement. But injunctions are available to prevent copying, displaying, using, or distribution in excess of the Government's rights, e.g. Restricted Rights.

c. Damages

Similar to patent law, recovery for unauthorized uses of copyrights is governed by a "reasonable and entire compensation" standard under 28 U.S.C. § 1498 (a). Damages for infringement may include actual damages and profits, as well as the minimum statutory damages defined by 17 U.S.C. § 504 (c). The actions of contractors, subcontractors, or any person, firm, or corporation

151. See *Ervin*, 59 Fed. Cl. 267.

152. See *Appeal of Ship Analytics International, Inc.*, ASBCA No. 50914 (ASBCA 2001) (holding that the right to perform software maintenance does not extend to upgrades since allowing upgrades would amount to the granting of Unlimited Rights).

may be imputed to the Government on an authorization-and-consent theory. There are no other special statutory defenses for Government copyright infringement. But because Government uses affect the private market, courts are reluctant to find Governmental fair use.¹⁵³

Data Services of the Northwest holds that damages for lost net worth are too speculative, and that Boards of Contract Appeals cannot award “reasonable royalty” damages, but can award lost profits.¹⁵⁴ In the BCAs, a copyright/breach of contract plaintiff faces the additional hurdle of establishing that its damages are a direct and foreseeable result of the Government’s breach.¹⁵⁵ As such, from a purely monetary standpoint, it would appear that bringing a claim under 28 U.S.C. § 1498 (b) is preferable to relying on breach-of-contract remedies before the Boards of Contract Appeals.

4. Remedies for Trademark Infringement

In 1999, the Federal Government waived its sovereign immunity for trademarks.¹⁵⁶ This waiver is separate from the waivers related to patents and copyrights contained in 28 U.S.C. § 1498 and the tort liability waiver contained in the Federal Tort Claims Act. It places the Government in the same position as a commercial company for purposes of determining trademark infringement claims.¹⁵⁷ Insofar as enforcement is concerned, trademark infringement provides the most commercially-familiar mechanism for enforcing private rights. Notwithstanding this (relatively) new form of liability for the Government, however, the procurement regulations have not been revised to address these issues in the context of Federal acquisitions.¹⁵⁸

Traditionally, contractors found little advantage in owning trademarks. Today, however, there are strategic advantages in asserting trademarks because the contractor may enjoy the Government in any district court and possibly even in State court.¹⁵⁹ In addition, contractors increasingly use

153. See *American Geophysical Union v. Texaco, Inc.*, 60 F.3d 913 (2d Cir. 1995) (making copies of scientific journals for research purposes is not fair use because copying obviated the need for Government researchers to buy more copies from the publishers).

154. *Data Enterprises*, GSBGA 15607, 2004-1 B.C.A. (CCH) ¶ 32,539 .

155. *Ship Analytics International, Inc.*, ASBCA No. 50914.

156. Title 15, Chapter 22, of the United States Code, commonly referred to as the Lanham Act, allows an applicant to register marks for goods or services used in interstate commerce. For marks registered under the Lanham Act, enforcement mechanisms include, among other remedies, injunctions and damages as set forth in 15 U.S.C §§ 1116 and 1117.

157. The Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 4, 113 Stat. 218 (1999).

158. See, generally, Bloch & McEwen, *supra* note 10.

159. 15 U.S.C. § 1122 (a) (“The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, shall not be immune from suit in Federal or

commercial sales in addition to Government sales, and also license their marks for use on products such as for toys, software, or civilian versions of military equipment. The Government has a similar interest both in terms of protecting its programs as well as for licensing to third parties.¹⁶⁰ Thus, there appears to be increased interest by contractors and the Government in owning trademarks related to Government programs, which would appear to indicate an increased likelihood of conflicts over ownership.

a. Effects of the Waiver on the Government Contractor and the Government Contractor Defense

For the contractor, there may be strategic reasons not to seek trademark protection for a Government-related good or service. If a contractor builds a product according to Government specifications, the Government becomes a possible owner of the trademark. This may be to the contractor's advantage, because quality control by the Government provides contractors with possible immunity. The "Government contractor defense" protects companies from product defect suits if the contractor can show that the Government made the design choices.¹⁶¹ Trademark assertion by the contractor could be construed as a waiver of this tort immunity; trademark ownership requires a level of quality control inconsistent with merely following pre-approved plans, as is required under the Government contractor defense. For commercial or other products built to performance specifications, however, the Government contractor defense likely would not be helpful. In those cases, it may be to the contractor's benefit to apply for trademarks when available and to police the Government market to prevent knock-offs or inferior repair jobs.

According to 15 U.S.C. § 1122(a), the waiver allows suit both against the Government as well as any contractor acting with the Government's authorization and consent. Thus, it appears that the authorization and consent provision of 15 U.S.C. § 1122(a) was intended to mirror the authorization and consent provisions of 28 U.S.C. § 1498. Thus, where a contractor is accused of trademark infringement, the contractor should be able to raise the authorization and consent defense and allow the suit to proceed solely against the Government. However, unlike other intellectual property rights, trademark rights may be asserted in federal or State courts by any person, including any governmental or nongovernmental entity, and against any entity except a

State court by any person, including any governmental or nongovernmental entity, for any violation under this chapter").

160. 10 U.S.C. § 2260(c) was expanded in 2008 by Public Law 110-181 § 882 to explicitly allow trademark licenses for toys.

161. See *Boyle v. United Technologies Corp.*, 487 U.S. 500 (1988).

State government.¹⁶² As such, the plaintiff in such a suit would be able to maintain the suit in whichever forum despite having the contractor being excused from the litigation, although it is unclear how such a suit could be maintained in a State court as seemingly allowed under 15 U.S.C. § 1125(a).¹⁶³ Outside of traditional procurement, a Government agency may be directly liable for trademark infringement by distributing a commercial product purchased under FAR Part 12 to its employees or sister agencies. Liability also can extend to contractors performing work on behalf of the Government to the extent that such “other persons [are] acting for the United States and with the authorization and consent of the United States.”¹⁶⁴ If there is “authorization and consent,” Government contractors that violate trademarks may nevertheless be liable under the indemnification provisions defined by FAR 52.212-4(h).

Since each agency conducts its procurement separately, inferior repair jobs or knock-offs at one agency will likely affect the contractor’s reputation at other agencies, and thus could affect the contractor’s ability to obtain new work from the Government. Trademark-infringing goods can harm the contractor’s commercial market due to news reports or discussions between Government personnel and nongovernmental buyers. As such, false attribution in the governmental context may result in harm in the commercial and Government markets.¹⁶⁵

Outside of traditional infringement claims relating to direct infringement of a mark or shape, it is noted that any re-manufacture or reconstruction involving a trademarked product may constitute infringement if the re-manufactured or reconstructed product still has the name of the owner or if the shape of the item is identified with a particular manufacturer. In *Karl Storz Endoscopy-America, Inc. v. Surgical Technologies, Inc.*, Karl Storz sold a surgical instrument with its name attached to the core part.¹⁶⁶ Surgical Technologies then reconstructed the instrument with the labeled part.¹⁶⁷ The court enjoined Surgical Technologies because the label resulted in confusion regarding the source of the reconstructed product.¹⁶⁸ Such an injunction also would halt a procurement contract if it were lodged against the

162. 15 U.S.C. § 1122 (a). This anomalous state of affairs is discussed in Chapter 5, and also in Bloch & McEwen, *supra* note 158, at 209.

163. One possible explanation is that the waiver allows for suits against the Federal government for infringement of a State-registered trademark such that the only jurisdiction would be in State court. Even assuming this was possible, the Government should be able to remove such a case to Federal court.

164. 15 U.S.C § 1122 (a).

165. For a detailed discussion of Government trademark liability, see Bloch & McEwen, *supra* note 158, at 209.

166. See *Karl Storz Endoscopy v. Surgical Technologies*, 285 F.3d 848 (9th Cir. 2002).

167. *Id.*

168. *Id.*

Government¹⁶⁹ and might expose the Government to enhanced damages should the infringement be found willful.¹⁷⁰ Moreover, since one of the remedies allowed for trademark infringement is destruction of the infringing articles, there is the possibility that a court could order the reconstructed product to be destroyed.¹⁷¹ So the potential exposure to which the Government is subjected due to this sovereign immunity waiver is quite large, especially given the breadth of services and products used and developed by the Government.

Because this remedy is still generally unexplored by the Government and the contracting community, additional background on trademarks in the procurement context is provided below.

b. Early Efforts to Enforce Trademark Rights Against the Government

Trademark infringement is a tort, albeit a tort implemented using a Federal statutory scheme.¹⁷² Thus, the Government must consent to be sued for trademark infringement.¹⁷³ Prior to the passage of the Trademark Amendments Act of 1999,¹⁷⁴ plaintiffs seeking redress for trademark infringement against the Government needed to find a waiver of sovereign immunity that permitted redress for the trademark injury. Plaintiffs looked to the FTCA, the Tucker Act, and the APA. But none of these efforts met with consistent success.

i. Trademark Infringement Under the Federal Tort Claims Act

Under the FTCA, the Government may be held liable “for money damages . . . for injury or loss of property, or personal injury or death caused by the negligent or wrongful act or omission of any employee of the Government while acting within the scope of his office or employment, under circumstances where the United States, if a private person, would be liable

169. *Karl Storz* is discussed at greater length in Bloch & McEwen, *supra* note 158, at 233–34.

170. 15 U.S.C. § 1117.

171. 15 U.S.C. § 1118.

172. See, e.g., *Union Nat'l Bank of Texas, Laredo v. Union Nat'l Bank of Texas, Austin*, 909 F.2d 839, 843 n.10 (5th Cir. 1990) (trademark infringement is an intentional tort); *Global Mail Ltd. v. United States Postal Service*, 142 F.3d 208, 211 (4th Cir. 1998) (“The Lanham Act creates in essence a federal statutory tort, derived from the common law tort of unfair competition”); *U.S. Gold & Silver Invs., Inc. v. United States ex rel. Director, U.S. Mint*, 885 F.2d 620 (9th Cir. 1989) (Lanham Act is not a State-based cause of action such that plaintiffs can sue under the FTCA).

173. See, e.g., *Porter v. United States*, 473 F.2d 1329, 1337 (5th Cir. 1973) (Government must consent to be sued for intellectual property infringement).

174. Pub. L. No. 106-43, § 4, 113 Stat. 218 (1999).

to the claimant in accordance with the law of the place where the act or omission occurred.”¹⁷⁵ Because trademark infringement and unfair competition under the Lanham Act are actions sounding in tort, the Federal Tort Claims Act would appear to grant relief for trademark infringement.

Nevertheless, because the Federal Tort Claims Act requires that the injury be “in accordance with the law of the place where the act or omission occurred,” it is generally limited to State-law causes of action.¹⁷⁶ Actions under the Lanham Act allege Federal torts, and thus are not fairly construed as State suits. Therefore, the Federal Tort Claims Act does not provide an avenue for relief for Federal trademark infringement.¹⁷⁷ Whether violation of a State trademark law would trigger FTCA jurisdiction remains unclear.¹⁷⁸

ii. Trademark Infringement Under the Tucker Act

The United States may be sued in the U.S. Court of Federal Claims for actions based “upon any express or implied contract with the United States, or for liquidated or unliquidated damages in cases *not sounding in tort*.”¹⁷⁹ At least one attempt has been made to use this waiver to assert trademark infringement using a pendent jurisdiction theory. Under pendent jurisdiction, a Federal court can hear a nonfederal cause of action over which it has no original jurisdiction as long as the facts are highly related to a cause of action over which the court has original jurisdiction.¹⁸⁰ In *Lockridge v. United States*, the plaintiff sued the Government under 28 U.S.C. § 1491 for trademark infringement related to the Government’s alleged misuse of plaintiff’s patents and copyrights. In rejecting the claim of jurisdiction under Section 1491, the Court of Federal Claims noted that trademark actions sound in tort, and that torts are explicitly barred by the Court’s enabling legislation. The Court of Federal Claims thus rejected the use of pendent jurisdiction even though the patent and copyright claims were properly brought under 28 U.S.C. § 1498.¹⁸¹

175. 28 U.S.C. § 1346 (b)(1).

176. *FDIC v. Meyer*, 510 U.S. 471 (1994).

177. *U.S. Gold & Silver, Inc. v. United States ex rel. Director, U.S. Mint*, 885 F.2d 620 (9th Cir. 1989); see also *Global Mail. v. U.S. Postal Service*, 142 F.3d 208, 211 (4th Cir. 1998) (“It is undisputed that the FTCA does not provide a waiver of sovereign immunity for torts created under federal law”); *Federal Express Corp. v. U.S. Postal Service*, 959 F.Supp. 832 (W.D. Tenn. 1997), *aff’d*, 151 F.3d 536 (6th Cir. 1998) (discussing case law on attempts to use FTCA in Federal trademark actions).

178. We discuss State trademark laws in Chapter 5.

179. 28 U.S.C. § 1491(a)(1) (emphasis added).

180. *Lockridge v. United States*, 218 Cl. Ct. 687, 689 (1978); BLACK’S LAW DICTIONARY 1134 (6th ed. 1979).

181. *Lockridge* at 689.

Lockridge was decided before the Government waived sovereign immunity under the Trademark Amendments Act of 1999.¹⁸² A large part of the court's analysis stemmed from congressional failure to waive trademark immunity, in contrast with the explicit waivers for patent and copyright infringement. Now, however, a theory of pendent jurisdiction might allow trademark claims to be brought in the Court of Federal Claims in conjunction with patent or copyright claims brought under 28 U.S.C. § 1498.

iii. Trademark Infringement Under the Administrative Procedure Act

Under the APA, "a person suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute, is entitled to judicial review thereof."¹⁸³ Judicial review is limited to injunctive relief; the APA does not provide for damages.

There are a few hurdles to surmount for a plaintiff taking the APA route: the plaintiff must have exhausted the procedure provided by the agency,¹⁸⁴ there must be a "final disposition,"¹⁸⁵ and there must be no other remedy at law.¹⁸⁶ A final disposition is defined as the instant the agency action begins to affect the rights of an individual.¹⁸⁷ Often, a disposition is not "final" until it has passed through the entire agency appellate process. A plaintiff wishing to invoke the APA thus needs to provoke some sort of agency action in order to obtain an appealable final disposition before the courts will intervene. This usually is accomplished by submitting a written claim to the agency.

Even once there is a final disposition, the courts have limited powers to act. Courts are empowered to grant injunctions prohibiting agency actions that are arbitrary and capricious, or contrary to law.¹⁸⁸ But where the action in question was discretionary in nature, courts are reluctant to challenge the agency's expertise. Reviewing courts therefore accord substantial deference to agency interpretations of both vague laws¹⁸⁹ and findings of fact¹⁹⁰ that are within the agency's expertise. Courts feel no similar restraint with respect to laws outside of the scope of the agency's expertise.¹⁹¹

182. 15 U.S.C. § 1122.

183. 5 U.S.C. § 702.

184. 5 U.S.C. § 704.

185. 5 U.S.C. § 551.

186. 5 U.S.C. § 704.

187. See *International Te. & Tel. Corp., Communications Equip. and Sys. Div. v. Local 134, Intern. Broth. of Elec. Workers*, 419 U.S. 428 (1975) (final disposition must have determinate consequences for the party to the proceeding).

188. 5 U.S.C. § 706.

189. *Chevron U.S.A., Inc. v. National Res. Def. Council*, 467 U.S. 837 (1984).

190. *Universal Camera Corp. v. NLRB*, 340 U.S. 474 (1951).

191. *McPherson v. Employment Div.*, 591 P.2d 1381 (Or. 1979).

For example, courts will not defer to agency interpretations of general law or the Constitution.¹⁹²

Initially, it appeared that the APA provided relief for trademark infringement. In *Preferred Risk Mutual Insurance Co. v. United States*,¹⁹³ the plaintiff had used the registered trademark Preferred Risk® since 1947 for insurance services. Some years later, the Federal Emergency Management Agency (FEMA) adopted the same term, despite repeated requests to cease and desist.¹⁹⁴ The District Court for the Southern District of Iowa held that FEMA's continued use of "Preferred Risk" violated the plaintiff's Federal trademark in an arbitrary and capricious manner. The court enjoined FEMA's continued use of the "Preferred Risk" mark under the APA.

On appeal, the U.S. Court of Appeals for the Eighth Circuit concluded that there was no legal violation supporting an APA action. Because the Lanham Act does not prohibit the Government from using Federally-registered trademarks, FEMA's continued use did not break the law. And without a legal wrong to be redressed, the APA is inapplicable.¹⁹⁵

c. The Federal Waiver of Sovereign Immunity for Trademark Infringement

As a result of *Preferred Risk*, Congress passed the Trademark Amendments Act of 1999. This law waived sovereign immunity and subjected the Government to the full remedies allowed by the Lanham Act. Because Section 1122 has a checkered (and somewhat obscure) history, it is helpful to walk through some prior enactments before speaking directly to the 1999 trademark amendments.

In 1992, the Congress enacted the Trademark Remedy Clarification Act. This Act was enacted in response to the Supreme Court's ruling in *Atascadero State Hospital v. Scanlon*, which held that any waiver of a State's sovereign immunity must be explicitly and unambiguously in a statute's text.¹⁹⁶ *Woelffer v. Happy States of America* extended *Atascadero* to trademark claims.¹⁹⁷ The Trademark Remedy Clarification Act of 1992 was enacted "to specifically meet all of the requirements of the *Atascadero* holding" and eliminates the

192. See, e.g., *Mathews v. Eldridge*, 424 U.S. 319 (1976) (finding that the procedure deemed adequate by the State agency was inadequate for purposes of due process).

193. *Preferred Risk Mut. Ins. Co. v. United States*, U.S.D.C., S.D. Iowa, Case No. 4-93-CV-10393 (filed July 14, 1995).

194. *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789, 790-91 (8th Cir. 1996), cert. denied, 520 U.S. 1116 (1997).

195. *Id.*

196. *Atascadero State Hosp. v. Scanlon*, 473 U.S. 234 (1985).

197. *Woelffer v. Happy States of Am.*, 626 F. Supp. 499 (N.D. Ill. 1985).

“limited and inconsistent substitutes” to trademark infringement claims available at the State level.¹⁹⁸

But in *College Savings Bank v. Florida Prepaid*, the Supreme Court struck down those portions of the Trademark Remedy Clarification Act¹⁹⁹ purporting to waive a State’s Eleventh Amendment immunity from suit.²⁰⁰ The Supreme Court’s decision in *Florida Prepaid* invalidated 15 U.S.C. § 1122 (b), which provided that “[a]ny State, instrumentality of a State or any officer or employee of a State or instrumentality of a State acting in his or her official capacity, shall not be immune, under the Eleventh Amendment of the Constitution of the United States or under any other doctrine of sovereign immunity, from suit in Federal court by any person, including any governmental or nongovernmental entity for any violation under this chapter.” But *Florida Prepaid* did not address Section 1122 (a), which waives sovereign immunity for trademark claims against the Federal Government. Section 1122 (a) states:

The United States, all agencies and instrumentalities thereof, and all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States, shall not be immune from suit in Federal or State court by any person, including any governmental or nongovernmental entity, for any violation under this chapter.²⁰¹

The reason the Supreme Court did not invalidate section 1122 (a) is clear. Although the U.S. Congress may not waive the sovereign immunity guaranteed to the States under the Eleventh Amendment, it may waive the Federal Government’s own immunity to suit.²⁰² Manifestly, the Congress decided in 1999 to waive its immunity—it enacted the Trademark Amendments Act of 1999 only two months after the Court announced *Florida Prepaid*.²⁰³ “The Trademark Amendments Act of 1999 . . . provides a private cause of action against the federal government for the entire range of Lanham

198. S. REP. NO. 280, at 7–8 (1992).

199. Pub. L. No. 102-542 (1992).

200. *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999). See also *Board of Regents of University of WI System v. Phoenix Software Intern., Inc.* 5 (W.D. Wis. 2008) (dismissing counterclaims alleging infringement under 15 U.S.C. §§ 1114, 1125 in response to cancellation suit brought by the Board in district court).

201. 15 U.S.C. § 1122 (a).

202. *United States v. King*, 395 U.S. 1, 4 (1969); *FDIC v. Meyer*, 510 U.S. 471, 475 (1994); *Lane v. Pena*, 518 U.S. 187, 192 (1996). The Tucker Act and the Federal Tort Claims Act are just such waivers.

203. The decision in *Florida Prepaid* was announced on June 23, 1999. The Trademark Amendments Act of 1999, Pub. L. No. 106-43, § 1, 113 Stat. 218 (amending 15 U.S.C. §§ 1114, 1122, and 1127), was enacted August 5, 1999.

Act actions: trademark infringement, dilution, trade dress infringement and false advertising.”²⁰⁴

The reasons for the Congress’s decision to waive its own sovereign immunity so close to the Supreme Court’s decision in *Florida Prepaid* are not entirely clear. The published legislative history of the Trademark Amendments Act is entirely silent with respect to Congress’s reasoning.²⁰⁵ Ironically, it appears that this section was enacted so that State governments could not criticize the Federal Government for imposing on the States something it would not itself accept. As the Senate Report accompanying Public Law No. 102-542 explains,

To promote innovation, the Patent code and the Trademark Act must be applied uniformly. Just as there is no distinction between a State versus a private school, there is no distinction between the Federal Government and a State government, especially to the patent or trademark holder who must sacrifice the results of his/her investments at the hands of an immune governmental body. This legislation will rectify the situation and provide uniform protection throughout the patent and trademark systems.²⁰⁶

Note that the Government cannot waive State immunity for patent infringement, either.²⁰⁷

In the past, some argued that the Federal Tort Claims Act acted as an implicit waiver of Federal sovereign immunity with respect to trademark infringement.²⁰⁸ But in *Preferred Risk*, the Eighth Circuit rejected that view.²⁰⁹

204. Jerome Gilson, 3 *Trademark Protection & Practice* § 8.16[2][f] (1999).

205. See 113 Stat. 218-220 (1999).

206. S. REP. NO. 280, at 9 (1992). The International Trademark Association takes the position that, “[g]iven this clear history, there can be no doubt that Congress intended the States and the federal government to be treated similarly.” Stephen R. Baird, Anne S. Jordan & Jeffrey M. Samuels, *Brief Amicus Curiae of International Trademark Association in Support of Petition in Preferred Risk Mutual Insurance Company v. United States of America*, 87 TRADEMARK REP. 230, 238 (1997).

207. *Biomedical Patent Mgmt. Corp. v. Cal. Dep’t of Health Svcs.*, 505 F.3d 1328 (Fed. Cir. 2007).

208. Peter S. Menell, *Economic Implications of State Sovereign Immunity from Infringement of Federal Intellectual Property Rights*, 23 LOYOLA L.A. L. REV. 1399, 1440 n.46 (2000) (“The federal government formally waived its immunity from Lanham Act infringement in 1999 . . . although courts have previously held that the Federal Tort Claims Act waived such immunity for trademark infringement”); but see *Other Recent Developments in Intellectual Property Law*, 4 (2) INTEL. PROP. L. BULL. 29 (1999) (“The 1999 Amendment . . . eliminated federal government immunity from trademark infringement actions, allowing both private citizens and corporate entities to sue the federal government and its contractors for trademark infringement”).

209. *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996), cert. denied, 520 U.S. 1116 (1997); see Jeffrey M. Samuels & Linda B. Samuels, *Recent Developments in*

After *Florida Prepaid* and *Preferred Risk Mutual Insurance*, perhaps the Congress wanted to make the waiver explicit.

Alternatively, the congressional momentum toward passage of the Trademark Amendments Act may have been too great to divert, even after *Florida Prepaid*. It is fair to speculate that the Federal Government might not have waived its immunity from trademark suit had it known that the Supreme Court would abrogate its waiver of State immunity; the Government now finds itself in the unexpected position of accepting liability for trademark infringement despite the fact that States enjoy sovereign immunity.

In either case, it appears that 15 U.S.C. § 1122 (a) is a severable provision and remains enforceable against the Government.²¹⁰ Additionally, the legislative history makes it abundantly clear that the congressional intent in waiving sovereign immunity was to “level the playing field by amending the Lanham Act to allow for private citizens and corporate entities to sue the Federal Government for trademark infringement”²¹¹—a motivation similar to the one that has persuaded several courts to permit Lanham Act suits against the United States Postal Service.²¹² Pursuant to 15 U.S.C. § 1122 (a), the Government is bound to recognize and respect contractor or third party trademarks.

d. Implications of the Government’s Waiver

Would the Eighth Circuit decide *Preferred Risk* the same way under Section 1122? Almost certainly not. The Eighth Circuit’s decision is explicitly predicated on the conclusion that “the Lanham Act does not apply to the federal government.”²¹³ But Section 1122(a) changes that: “The United States . . . shall not be immune from suit in Federal or State court by any person . . . for any violation” of Title 15 of the United States Code. Hence, direct infringement of a registered trademark by a Government agency is specifically contemplated; the waiver of sovereign immunity is crystal-clear. Under Section 1122, Preferred Risk Mutual Insurance Co. would have prevailed in its suit against the Government. Moreover, Preferred Risk would have been able to enjoy the full range of trademark remedies. Not only would it have been able

Trademark Law and Practice, 79 J. PAT. & TRADEMARK OFF. SOC’Y 181, 185 (1997) (“The court held that the federal government cannot be sued for [trademark] infringement absent an express waiver of sovereign immunity”).

210. For a discussion on severability, see, generally, John C. Nagle, *Severability*, 72 N.C. L. REV. 203 (1993); Israel E. Friedman, *Inseverability Clauses in Statutes*, 64 U. CHI. L. REV. 903 (1997).

211. Trademark Amendments Act of 1999, H.R. REP. NO. 106-250 at 10 (1999).

212. *Global Mail v. U.S. Postal Service*, 142 F.3d 208 (4th Cir. 1998), *Federal Express Corp. v. U.S. Postal Service*, 959 F.Supp. 832 (W.D. Tenn. 1997), *aff’d*, 151 F.3d 536 (6th Cir. 1998).

213. *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.3d 789 (8th Cir. 1996), *cert. denied*, 520 U.S. 1116 (1997).

to recover damages, it would have been able to prevent FEMA from further use of the “Preferred Risk” mark. The same is true of *Lockridge v. United States*, in which the Court of Federal Claims declined to extend pendent jurisdiction to trademark claims on the theory that Congress had failed to waive sovereign immunity.²¹⁴ Since the enactment of Section 1122(a), cases like *Preferred Risk* and *Lockridge* would be decided in favor of the private party.

Because the Government has comprehensively waived sovereign immunity, it should be liable both for direct infringement (as in *Preferred Risk*) and for contributing to infringement by others. In general, contributory infringement consists of any act of assistance rendered to an infringer in disseminating products bearing the infringing mark.²¹⁵ A contributor can help the infringer distribute infringing products, supply raw materials, redistribute products, advertise them, etc.²¹⁶ Anyone who “participates in the preparation, distribution and sale of infringing goods or services is potentially liable as a contributory infringer.”²¹⁷ Contributory liability only applies to those “who knowingly cooperate in illegal and tortious activity.”²¹⁸ But the Government *always* knows of the existence of registered marks. “Registration of a mark on the principal register . . . shall be constructive notice of the registrant’s claim of ownership thereof.”²¹⁹ And the Government is the registrar.

The effect of this constructive notice is that the use of a mark which is the same or confusingly similar to plaintiff’s mark, as stated in its federal registration certificate, cannot be justified by a claim of innocence, good faith or lack of knowledge on the part of a junior user. . . . Once the registration is effected, national protection is afforded and no subsequent adoption and use of the same or a similar mark for the same or similar goods can be justified on a claim of good faith.²²⁰

The heightened notice standard created by Federal trademark registrations can present a serious problem for the Government, because confusion may be assumed when knowledge is inferred. “When the alleged infringer knowingly adopts a mark similar to another’s, reviewing courts presume that the defendant can accomplish his purpose: that is, that the public will

214. *Lockridge v. United States*, 218 Cl. Ct. 687 (1978).

215. 4 J. Thomas McCarthy, MCCARTHY ON TRADEMARKS AND UNFAIR COMPETITION § 25:18 (4th ed. 2001).

216. *Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 854–855 (1982).

217. McCarthy, *supra* note 215 § 25:19.

218. *Id.* § 25:17.

219. 15 U.S.C. § 1072 (2008).

220. *Geoffrey, Inc. v. Toys R’ Us (Nostotros Somos Los Juguetes), Inc.*, 756 F. Supp. 661, 665–66 (D. P.R. 1991) (citations and internal quotation marks omitted).

be deceived.”²²¹ Because the Government has actual notice of all registered trademarks, courts might assume that the Government intends to deceive the public if it employs a similar mark. After the enactment of Section 1122(a), one could easily argue that *any* Government infringement of a registered mark is willful by definition.

Section 1122(a) exposes the Government to liability for “all individuals, firms, corporations, other persons acting for the United States and with the authorization and consent of the United States.” Below is an outline of potential situations in which Government procurement could be impacted by trademark infringement.

i. Repair and Reconstruction

The Ninth Circuit’s 2002 decision in *Karl Storz Endoscopy v. Surgical Technologies* illustrates how Government contractors may use the Government’s waiver of sovereign immunity for trademark infringement.²²² In *Karl Storz*, defendant Surgical Technologies refurbished (and in some cases completely rebuilt) Karl Storz endoscopes, leaving the Karl Storz trademark on the refurbished goods. The Ninth Circuit concluded that the mere transportation of the refurbished endoscopes was sufficient to qualify as a “use in commerce.”²²³ And although repair and return to the original owner should not, without more, trigger liability under the Lanham Act,²²⁴ *Karl Storz* also confirmed a series of earlier cases in the Ninth and Federal Circuits to the effect that “an action for trademark infringement can in fact be based upon confusion of nonpurchasers.”²²⁵

This is an important issue for Government contractors. Commonly, the Government repairs trademarked products or hires others to perform repairs. To the extent that these repairs could tarnish the trademark owner’s reputation—in the Government’s eyes, the eyes of the individual employees using the refurbished goods, or even those of the general public—there may be an argument that the products are unlawful under the Lanham Act. The key inquiry is whether the refurbisher has created “a different product.”

There is no brightline test for determining whether a company that repairs or reconstructs goods and retains the original manufacturer’s trademark on the goods is using the trademark in commerce. However, there are a number of

221. *AMF, Inc. v. Sleekcraft Boats*, 599 F.2d 341, 354 (9th Cir. 1979).

222. *Karl Storz Endoscopy-America, Inc. v. Surgical Techs., Inc.*, 285 F.3d 848 (9th Cir. 2002).

223. *Id.*

224. *Id.* at 855–56 (9th Cir. 2002); see *Bell Helicopter Textron, Inc. v. H-S Tools and Parts, Inc.*, U.S. D.C., W.D. Wash., Case No. C02-1295C (Aug. 15, 2003).

225. *Karl Storz* at 854 (citing *Payless Shoesource, Inc. v. Reebok Int’l Ltd.*, 998 F.2d 985, 989 (Fed. Cir. 1993); *Levi Strauss & Co. v. Blue Bell, Inc.*, 632 F.2d 817, 822 (9th Cir. 1980)).

factors to consider in determining whether the company has made a different product. Those factors include the nature and extent of the alterations, the nature of the device and how it is designed (whether some components have a shorter useful life than the whole), whether a market has developed for service and spare parts . . . , and, most importantly, whether end users of the product are likely to be misled as to the party responsible for the composition of the product.²²⁶

As previously discussed, the Government has addressed objections to second-source supply in the patent and copyright contexts. As a consequence of the Government's compulsory license rights, a contractor may not use a claim of patent or copyright infringement to prevent the Government from seeking second sources for components to technologies purchased by the Government.²²⁷ But—perhaps unknowingly—the Government has opened itself up to trademark objections. The impact of *Karl Storz* is that, if second-sourcing or repair tasks are not performed to adequate specifications by a Government contractor, the original supplier under a Government contract may have a Lanham Act claim.

In *Bell Helicopter Textron, Inc. v. H-S Tools and Parts, Inc.*, Bell Helicopter sued H-S Tools and Parts and a variety of other companies offering after-market repair of Bell Helicopter parts.²²⁸ These repair services conformed with Federal Aviation Administration regulations, but arguably did not comply with Bell Helicopter guidance on part tolerances. Following *Karl Storz*, Bell argued that “the parts in question are worn beyond their useful life and thus any reconditioning or repair of the parts . . . is so basic and extensive that it is a misnomer to allow them to bear their original marks.”²²⁹ The Western District of Washington granted summary judgment in favor of the defendants, holding that their compliance with FAA regulations concerning “repairs” meant as a matter of law that the parts in question had not been altered so significantly that they could no longer bear their original Bell Helicopter markings.²³⁰ But it does not stretch the imagination to

226. *Karl Storz*, 285 F.3d at 856–57 (citing *Bottom Line Mgmt., Inc. v. Pan Man, Inc.*, 228 F.3d 1352, 1355–56 (Fed. Cir. 2000); *Rolex Watch, U.S.A., Inc. v. Michel Co.*, 179 F.3d 704, 709–10 (9th Cir. 1999)).

227. See Bloch & McEwen *supra* note 158, at 203 (“the Government usually attempts to purchase sufficient rights in trade secrets, copyrights, and patents to ensure that it can give plans for spare parts to third-party contractors. This allows it to obtain second sources for these parts”).

228. *Bell Helicopter Textron, Inc. v. H-S Tools and Parts, Inc., et al.*, U.S. D.C., W.D. Wash., Case No. C02-1295C (Aug. 15, 2003).

229. *Id.* at 4.

230. *Id.* at 7–9.

envision a different result where the defendant's activities went beyond mere repairs.

ii. Trade Dress Infringement

There are multiple types and categories of products that are sold to the Government with distinctive parts. For an example of the trademarking of a distinctive part (the HUMVEE grille) for use in off-road vehicles sold to consumers and the Government, see *AM General Corporation v. DaimlerChrysler Corporation*.²³¹ As long as the design of these distinctive parts is not governed by utilitarian purposes, trademarking the design is perfectly legitimate.

But if the Government attempts to obtain a second source for these products, it may encounter strategic litigation. This likelihood is greatly increased if the distinctive part is included in a technical data package the Government purchased and supplied to the second-source supplier. For instance, the distinctive shapes of helicopters and helicopter parts were cited as protectable elements of trade dress in *Bell Helicopter Textron Inc. v. Electronic Arts Inc.*²³² While this case concluded without resolution of the issue, it highlights the type of argument that could be raised by contractors attempting to protect trade dress incorporated into delivered products.

iii. Infringing Names

The "distinctive part" of a delivered product also may be the product's institutional name. Because the institutional name is often used to describe the product being purchased, and because the second source may deliver the same product as the institutionally named one, the Government may be forced to change institutional names to obtain a second source for the product.²³³ This would have been the likely outcome for Preferred Risk in *Preferred Risk Mutual Insurance, Co. v. United States*.²³⁴

231. *AM General Corp. v. DaimlerChrysler Corp.*, 311 F.3d 796 (7th Cir. 2002). In *AM General*, although there was a long history of use of Jeeps and Humvees by the Government as well as the trademarking of the grilles used in both vehicles, there was insufficient evidence of a likelihood of confusion between the Jeep and the H2, a next-generation Humvee, based solely on grille design.

232. *Bell Helicopter Textron Inc. v. Electronic Arts Inc.*, Case No. 4:2006cv00841 (N.D. Tx.) (filed Dec. 1, 2006).

233. Examples of institutional names given to products supplied by contractors include V-22 OSPREY (Trademark Application No. 78/201,351), AH-64 (Trademark Application No. 78/195,011); GLOBAL HAWK (Registration No. 2,680,508), TALON (Registration No. 2,361,433), HUMVEE (Registration No. 1,697,530), JSF (Trademark Application No. 78/093,022), F-117 (Registration No. 2,448,603).

234. *Preferred Risk Mutual Insurance, Co. v. United States*, No. 4-93-CV-10393 (S.D. Iowa filed July 14, 1995), *rev'd on jurisdictional grounds*, 86 F.3d 789 (8th Cir. 1996).

e. Elements of Liability in the Procurement Context

A contractor must establish two elements to prove a trademark infringement claim. First, the contractor must show that it owns protectable trademarks. Second, it must show a likelihood of consumer confusion as to the source, sponsorship, or origin of the goods in question.²³⁵ Likelihood of confusion, in turn, decomposes into four elements:

1. Use in commerce;
2. Of a reproduction or colorable imitation of the plaintiff's mark;
3. In connection with the distribution of goods or services;
4. Where such use is likely to confuse the public.²³⁶

We discuss each prong, as it applies in the Government contracting setting, individually:

Existence of a valid trademark. As a threshold matter, a contractor seeking to assert its trademark rights must establish that it has the exclusive right to use the mark in question. Federal trademark registrations create the presumption that the registrant has the exclusive right to use the marks throughout the United States.²³⁷ Common law rights also are protectable under 15 U.S.C. § 1125. But before suit, the contractor must confirm that it has not inadvertently licensed the mark to the Government.

Use in commerce. Infringement also requires a finding that the Government, without the contractor's consent, used the contractor's trademark *in commerce*.²³⁸ At first blush, it would appear that the Government is immune from infringement suits because it rarely finds itself in the business of selling contractor-supplied materials. "In commerce," however, is broader than simple sale or advertising.²³⁹ "The United States Supreme Court has held that courts must construe the phrase 'in commerce' liberally, because the Lanham Act 'confers broad jurisdictional powers upon the courts of the United States.'"²⁴⁰ As a consequence of this expanded definition, the "in commerce" requirement is almost never a bar to litigation. "It is difficult to conceive of an act of infringement which [sic] is not 'in commerce' in the sense of modern

235. *Ocean Garden, Inc. v. Marktrade Co.*, 953 F.2d 500, 506 (9th Cir. 1991).

236. 15 U.S.C. § 1114(1)(a) (2004).

237. *See Vuitton et Fils, S.A. v. J. Young Enters., Inc.*, 644 F.2d 769, 775 (9th Cir. 1981).

238. *Dynamet Tech., Inc. v. Dynamet, Inc.*, 593 F.2d 1007, 1011 (C.C.P.A. 1979); *Invisible, Inc. v. National Broad. Co.*, 212 U.S.P.Q. 576, 578 (C.D. Cal. 1980); *Gordon Bennet & Assocs., Inc. v. Volkswagen of America, Inc.*, 186 U.S.P.Q. 271, 272-73 (N.D. Cal. 1975).

239. *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283 (1952).

240. *Kraft Food Holdings, Inc. v. Helm*, 205 F. Supp. 2d 942, 947 (N.D. Ill. 2002) (quoting *Steele v. Bulova Watch Co.*, 344 U.S. 280, 283 (1952)).

decisions.”²⁴¹ Nearly any sale, distribution, or other use constitutes a “use in commerce” for purposes of the Lanham Act.²⁴²

Use of a reproduction, counterfeit, copy, or colorable imitation. The Lanham Act broadly applies to reproductions, counterfeits, copies, or colorable imitations of a registered mark.²⁴³

Use in connection with distribution or sale. Case law interprets “distribution” and “sale” liberally to encompass a wide variety of marketplace activity. For example, mere advertising—without any evidence of consummated sales—is sufficient to support a claim under the Lanham Act.²⁴⁴ Indeed, the Lanham Act prohibits any deceptive statements.²⁴⁵ Other forms of publicity that do not lead directly to sales (press releases, etc.) also could trigger liability.

Use likely to confuse the public. Finally, the Government’s use of the contractor’s mark must be likely to confuse the public, to cause mistake, or to deceive.²⁴⁶ The key phrase here is “to confuse the public,” because it emphasizes the extent to which trademark law is about the general population, not narrow categories of customer or end-user. “The relevant public for purposes of determining the broad question of likelihood of confusion is the cross-section of the populace that comes into contact with the mark . . . and the experience of the general public . . . is relevant in the analysis of such factors as strength of the mark, similarity of the marks and actual confusion.”²⁴⁷ Thus, for purposes of Government injunctions, “the public” consists of both Government contracting agents, program managers who request procurements from the contracting agents, federal end-users, fellow contractors and competitors, and that subsection of the general population that may come into contact with the Government’s or the contractor’s products or services.

A likelihood of confusion exists when an ordinary viewer or consumer, upon seeing the mark, probably would assume that the product or service the mark represents is associated with the source of a different product or service identified by a similar mark.²⁴⁸ In *AMF v. Sleekcraft*, the Ninth Circuit

241. McCarthy, *supra* note 215, at § 25:57.

242. *But see Bell Helicopter Textron, Inc. v. H-S Tools and Parts, Inc.*, U.S. D.C., W.D. Wash., Case No. C02-1295C (Aug. 15, 2003) (holding that repairs do not constitute a “use in commerce”).

243. 15 U.S.C. § 1114(1)(a).

244. *Council of Better Bus. Bureaus, Inc. v. Bailey & Assocs., Inc.*, 197 F. Supp. 2d 1197, 1212 (E.D. Mo. 2002).

245. *Herbko Int’l, Inc. v. Gemmy Indus. Corp.*, 916 F. Supp. 322, 330 (S.D.N.Y. 1996); *Radio Today, Inc. v. Westwood One, Inc.*, 684 F. Supp. 68, 74 (S.D.N.Y. 1988).

246. 15 U.S.C. § 1114 (1)(a).

247. *PostX Corp. v. The docSpace Co.*, 80 F. Supp. 2d 1056, 1063 (N.D. Cal. 1999).

248. *Lord Simon Cairns v. Franklin Mint Co.*, 24 F. Supp. 2d 1013, 1040 (9th Cir. 1998); *Fuddrucker, Inc. v. Doc’s B. R. Others, Inc.*, 826 F.2d 837, 845 (9th Cir. 1987); *Lindy Pen Co. v. Bic Pen Corp.*, 725 F.2d 1240, 1243 (9th Cir. 1984).

articulated eight factors to consider in determining whether a likelihood of confusion exists. They are (1) the strength of the mark in question, as measured by arbitrariness or other conventional trademark doctrines; (2) the relatedness of the goods using the mark; (3) the similarity of sight, sound, and meaning between the parties' marks; (4) evidence of actual confusion; (5) similarity of marketing channels used by the parties; (6) the types of goods bearing the mark and the attentiveness of intended customers; (7) the infringer's intent; and (8) the likelihood of expansion into other markets.²⁴⁹

While these factors are generally understood in the context of commercial litigation, of special interest in such cases is element (6). Specifically, it is arguable that Government purchasers, specifically Contracting Officers, are sophisticated users which mitigates against a finding of a likelihood of confusion.²⁵⁰ However, the Contracting Officer is only one member of the interested public at issue in infringement, and not all of these members of the public are sophisticated users. Further, even where the end user is sophisticated, confusion as to sponsorship may still exist (i.e., one contractor being blamed for the actions of another) and result in the requisite likelihood of confusion. As noted in *Communications Satellite Corporation v. Comcat, Inc.* "the expertise of purchasers does not always assure the absence of confusion. Even buyers of specialized equipment may assume that related corporations are the source of noncompetitive goods."²⁵¹ Thus, while an issue, the sophistication of the public in question is both in doubt and is by no means dispositive in the context of government procurement.

These factors are nonexhaustive and must be analyzed with care. They "should not be rigidly weighed."²⁵² Instead, they "are intended to guide the court in assessing the basic question of likelihood of confusion."²⁵³ Indeed, "[u]nless properly used, this long list of factors has the potential to befuddle the inquiry."²⁵⁴ In most cases, only a "subset of the *Sleekcraft* factors are needed to reach a conclusion as to whether there is a likelihood of confusion."²⁵⁵ Despite the fact that the Government almost certainly will not satisfy some prongs, an infringement holding is still a distinct possibility.

249. *AMF Inc. v. Sleekcraft Boats*, 599 F.2d 341, 348-49 (9th Cir. 1979). Each Circuit has adopted its own particular formulation for how to identify and analyze a "likelihood of confusion." But as the analysis generally provides a consistent result, for the sake of brevity, we focus on case law from the Ninth Circuit.

250. *Perini Corp. v. Perini Construction Inc.*, 915 F.2d 121, 16 U.S.P.Q.2d 1289, 1292 (4th Cir. 1990).

251. 429 F.2d 1245, 166 U.S.P.Q. 353, 358 (4th Cir. 1970).

252. *Dreamwerks Prod. Group, Inc. v. SKG Studio*, 142 F.3d 1127, 1129 (9th Cir. 1998).

253. *E. & J. Gallo Winery v. Gallo Cattle Co.*, 967 F.2d 1280, 1290 (9th Cir. 1992).

254. *Thane Int'l, Inc. v. Trek Bicycle Corp.*, 305 F.3d 894, 901 (9th Cir. 2002).

255. *GoTo.com, Inc. v. Walt Disney Co.*, 202 F.3d 1199, 1206 (9th Cir. 2000).

f. Remedies for Trademark Infringement

Trademark law treats the Government as any other trademark user, so trademark litigation offers the contractor the same remedies against the Government that it would have against a private infringer:

In a suit described in subsection (a) or (b) of this section for a violation described therein [that is, a trademark infringement suit], remedies (including remedies both at law and in equity) are available for the violation to the same extent as such remedies are available for such a violation in a suit against any person other than the United States or any agency or instrumentality thereof, or any individual, firm, corporation, or other person acting for the United States and with authorization and consent of the United States, or a State, instrumentality of a State, or officer or employee of a State or instrumentality of a State acting in his or her official capacity. Such remedies include injunctive relief under [15 U.S.C. § 1116], actual damages, profits, costs and attorney's fees under [15 U.S.C. §1117], destruction of infringing articles under [15 U.S.C. § 1118], the remedies provided for under [15 U.S.C. §§ 1114, 1119, 1120, 1124, and 1125], and for any other remedies provided under this chapter.²⁵⁶

A successful trademark plaintiff thus is entitled to injunctive relief,²⁵⁷ monetary damages (sometimes enhanced),²⁵⁸ destruction of infringing articles,²⁵⁹ import bans,²⁶⁰ and cancellation of infringing or improper registrations.²⁶¹

i. Injunctions

Because trademarks are used to identify origin, injunctions are a standard trademark remedy.²⁶² “The remedy of injunction is traditional in unfair competition and trademark infringement litigation.”²⁶³ Damages or a reasonable royalty, without injunctive relief, would largely vitiate both purposes. Consumers would continue to be confused, and the company's good will would remain at the mercy of the infringer, because the owner would not be able to prevent an infringer from continuing to use (and thereby systematically

256. 15 U.S.C. § 1122(c).

257. 15 U.S.C. § 1116.

258. 15 U.S.C. § 1117.

259. 15 U.S.C. §§ 1116 (d), 1118.

260. 15 U.S.C. § 1124.

261. 15 U.S.C. § 1119.

262. 15 U.S.C. § 1116.

263. David Rees Davies, *Litigating Trademark Cases*, 264 PLI/LIT. 61, 98 (1984).

reduce the value of) the mark. As such, while injunctions are increasingly more difficult to obtain in the realm of patent law,²⁶⁴ injunctions remain a primary remedy for trademark infringement.

Mark owners should not merely rely on a presumption of harm, however; they should be ready to show evidence that the owner and the consuming public will be harmed without the grant of an injunction.²⁶⁵

ii. Damages

The waiver of Government sovereign immunity also means that trademark owners can recover monetary damages. In trademark cases, a successful plaintiff is entitled to the defendants' profits, the plaintiff's actual losses, *and* the costs of the lawsuit.²⁶⁶ The plaintiff's burden is merely to show defendants' sales; the defendant then must prove "all elements of cost or deduction claimed."²⁶⁷ The court has the power to treble actual damages and award attorneys' fees "according to the circumstances of the case." In such instances these enhanced amounts are statutorily deemed compensation rather than punitive damages.²⁶⁸ This is interpreted to mean that punitive damages are unavailable under the Lanham Act.²⁶⁹ But given that enhanced damages often are available, their characterization as "punitive" versus "compensatory" is relatively unimportant. Moreover, most Federal trademark cases include tag-along State-law claims, for which punitive damages are available.²⁷⁰ For cases involving counterfeit marks, the Court *must* treble the plaintiff's actual damages and award attorneys' fees unless it identifies "extenuating circumstances."²⁷¹

The plaintiff also has the right to elect statutory damages as an alternative to actual damages. Statutory damages range from \$500 to \$100,000 per counterfeit mark per type of goods or services sold, and up to \$1,000,000 if the defendant is adjudged to be a willful infringer.²⁷² For domain names, statutory damages range from \$1000 to \$100,000 per registration.²⁷³ If a plaintiff elects to pursue statutory damages, however, it waives its right to seek attorney fees.²⁷⁴

264. See *eBay Inc. v. MercExchange*, 547 U.S. 388 (2006).

265. *North American Medical Corporation v. Axiom Worldwide, Inc.*, 522 F.3d 1211 (11th Cir. 2008).

266. 15 U.S.C. § 1117 (a).

267. *Id.*

268. *Id.*

269. *Getty Petroleum Corp. v. Bartco Petroleum Corp.*, 858 F.2d 103, 112 (2d Cir. 1988).

270. See, e.g., *Jacquin et Cie v. Destileria Serrales, Inc.*, 921 F.2d 467, 472 (3d Cir. 1990).

271. 15 U.S.C. § 1117 (b).

272. 15 U.S.C. § 1117 (c).

273. 15 U.S.C. § 1117 (d).

274. *K&N Engineering, Inc. v. Bulat*, 510 F.3d 1079 (9th Cir. 2007).

iii. Other Relief

Trademark plaintiffs are entitled to block the importation of infringing goods.²⁷⁵ And under Section 36 of the Lanham Act, a plaintiff can demand the destruction of infringing goods, including goods seized by the United States Attorney.²⁷⁶

The Court also has the power to cancel infringing or improper registrations, or convey them to their rightful owners.²⁷⁷

g. Existing Government Policies Regarding Trademarks

The Government has provided scant guidance to its procurement community on how to deal with trademark issues. The FAR and DFARS do not provide any directions on how to proceed when faced with a trademark infringement claim, or even how to plan for obtaining sufficient trademark rights to protect against Lanham Act violations. Only one attempt has been made to create a FAR clause to account for trademarks developed during the course of a Government contract, and this proposal was roundly criticized by groups like the International Trademark Association.²⁷⁸ *Federal Acquisition Regulation, Trademarks for Government Products: FAR Case 1998-018* intended to implement a mechanism for ownership of marks. The proposed clause apportioned rights based upon the filing of trademark applications, and thus appears to have been modeled on FAR patent rights clauses. Industry concerns focused on the possibility that the clause would affect pre-existing marks, as well as a parochial concern over basic tenets of trademark law.²⁷⁹

The debate highlights the apparent misunderstanding by procurement professionals of the extent of trademark rights—and the Government’s vulnerability to suit under them. It also reveals a misunderstanding regarding how the Government procures goods and services. For many departments, like NASA and the DoD, procurement follows a model analogous to that used in original equipment manufacturer agreements: contractors make products to order according to Government-provided specifications and plans. Indeed, although the 2001 commercial-contracting manifesto published by the Under Secretary of Defense for Acquisition, Technology and Logistics, *NAVIGATING THROUGH COMMERCIAL WATERS*, Version 1.1, defines trademarks, no guidelines are available as to how to deal with potential trademark issues in the procurement context. Other documents, such as

275. 15 U.S.C. § 1124.

276. 15 U.S.C. §§ 1116 (d), 1118.

277. 15 U.S.C. § 1119.

278. See Letter from International Trademark Association to the General Service Administration FAR Secretariat (MVP) (Oct. 8, 2001), available at http://www.inta.org/index.php?option=com_content&task=view&id=667&Itemid=152&getcontent=3 (last visited November 13, 2008).

279. *Id.*

the Department of Defense *Guidance on Other Transactions Authority*, merely state that the acquisition plan should “account for” trademarks in the same way that it accounts for potential infringement of mask works and vessel hulls.²⁸⁰ This position is irrational, because—as discussed above—a contractor’s remedies for infringement of mask works and vessel hulls are limited by statute and consequently are far less threatening to the Government than trademark infringement suits.

In sum, there is little guidance on trademark issues for the average FAR procurement. This uncertainty could provide fertile ground for trademark infringement suits regarding Government products and services.

And a little-noticed provision of the FAR could have drastic effects on commercial contractors utilizing FAR Part 12 instead of regular, noncommercial procurement channels. Specifically, under the contractual indemnity provisions of FAR 52.227-3, a contractor is only liable for patent infringement. In contrast, the indemnity clause in FAR 52.212-4(h) is far broader and includes trademarks as a basis for indemnity.²⁸¹ Because this provision is required in all commercial contracts pursuant to FAR 12.301(b)(3), a commercial contractor could face indemnity liability consisting of damages due to the entire Federal Government being enjoined for trademark infringement.

D. Administrative Claims

Uniquely, the Federal Government allows a patent or copyright holder to bring an administrative claim against the Government for unlicensed use of third-party intellectual property. A claimant is not required to use this process prior to filing suit under 28 U.S.C. § 1498, but such claims are encouraged and may be advantageous. For instance, the claimant, in filing a claim relating to unlicensed use of a patent may be able to claim up to another six years of damages occurring during the course of the claim. Similarly, the claimant may be able to recover to another three years of copyright damages if an administrative claim was timely filed with the infringing department or agency.²⁸² Agencies are encouraged to resolve such claims to prevent unnecessary litigation.²⁸³

280. Under Secretary of Defense for Acquisition, Technology and Logistics, “OTHER TRANSACTIONS” (OT) GUIDE FOR PROTOTYPE PROJECTS, Sections C.2.3.1.1 through 2.3.1.4 (2001).

281. “The Contractor shall indemnify the Government and its officers, employees and agents against liability, including costs, for actual or alleged direct or contributory infringement of, or inducement to infringe, any United States or foreign patent, trademark or copyright, arising out of the performance of this contract, provided the Contractor is reasonably notified of such claims and proceedings.”

282. 28 U.S.C. § 1498 (b).

283. Notably, there is no formal claims process trademarks. However, it is assumed that the same claims process would be followed for like reasons.

Another benefit of the claims process is reduced cost. There is no formal hearing, no formal discovery, and reduced elements of proof. In the context of a patent claim, the process envisions that the claimant has not already had a chance to review the infringing article.²⁸⁴ These benefits are intended to facilitate the avoidance of litigation by offering a low-cost method to obtain a license or settle allegations of infringement.²⁸⁵ And while a claim cannot be pending while suit proceeds against the Government, it *can* be pending while litigation is proceeding against a commercial use of the invention not authorized by the Government.

A further benefit is that the Government, unlike a commercial company, cannot file a declaratory judgment action in view of an administrative claim. Additionally, the contractor should also be barred from bringing a declaratory action merely due to the filing of the administrative claim. Since an administrative claim specifically claims that the contractor is working under the authorization and consent of the Government, any potential infringement within the scope of the claim is necessarily covered by this defense such that the patent holder could not bring such a suit directly against the contractor in Federal court.²⁸⁶ Also, where a contractor is providing both commercial and Government versions of a common product, a patent owner may bring both an administrative claim for the Government version of the product and a traditional infringement action for the commercial version. Alternately, the patent owner could merely file the administrative claim, and the contractor would be required to participate pursuant to FAR 52.227-2 (Dec. 2007) (and thus be put on notice of the potential infringement). As no suit has been filed or even threatened due to the patent administrative claim process, the contractor would have a more difficult time establishing a “case or controversy” for purposes of a declaratory judgment complaint.²⁸⁷ As such, there may be tactical benefits to filing an administrative claim.²⁸⁸

Each agency follows its own procedures for resolving claims. The Department of Defense procedure is spelled out in DFARS 227.70, and the

284. DFARS 227.7004(b) lists an element-by-element comparison of the accused device as an optional element of the claim.

285. DFARS 227.7001.

286. Sanctions could be available under Fed. R. Civ. P. 11 since the patent owner would not have a good faith belief that relief would be possible given the authorization and consent defense known to exist when an administrative claim is filed.

287. While recent jurisprudence indicates it is easier to obtain a declaratory judgment where it is clear a defendant could be exposed to liability, as in *SanDisk Corp. v. STMicroelectronics Inc.*, 480 F.3d 1372 (Fed. Cir. 2007), in the unique Government environment, the contractor is likely not liable for damages or an injunction should infringement be found. Thus, due to the provisions of 28 U.S.C. § 1498(a), the contractor would not be required to “bet the farm” as was the plaintiff in *MedImmune, Inc. v. Genentech Inc.*, 549 U.S. 118 (2007).

288. Additional benefits can be found in Nash & Rawicz, *supra* note 69, at 238–39 (5th ed. 2001).

Department of Energy procedure is at 10 C.F.R. § 782. The Department of Defense process is the model for many agencies in resolving claims for infringement, so we discuss its procedures below.²⁸⁹ The same general process is followed for both patent and copyright claims.²⁹⁰

To bring a claim, the patent owner must first send a written notice to the Office of Counsel of the agency in question, describing its intellectual property rights, presenting evidence of ownership, discussing its particular grievance, and identifying the relief it seeks. While not required, the claim should include an identification of any relevant procurement or Government program, as well as an identification of the system or method alleged to infringe. The agency response may include a counter-offer, a license, or an initial decision. In reply, the claimant may contest the agency's facts or otherwise attempt to convince the agency that the claim is valid. There is no limit on the number of responses either side can file. Eventually, however, a final agency decision will issue either a proposed license or a final denial of the claim. If the matter is not resolved to the claimant's satisfaction through a license, the claimant may proceed in the Court of Federal Claims. The precise timing is agency-specific.

Whether a claim is appropriate turns on whether the agency has statutory or other authority to settle the claim. Without authority, the agency may not be able to expend money on a license, and thus cannot resolve the claim. Also, the tolling provisions of 35 U.S.C. § 286 and 28 U.S.C. § 1498 (b) require that the agency have authority to settle such that the strategic use of the claim in tolling the damages period is lessened where the agency has no settlement authority. Thus, when evaluating whether to file an administrative claim, it is important to determine whether a particular agency has settlement authority for a particular form of infringement. Below is a listing of settlement authorities and the types of intellectual property infringement to which they apply:

<i>Agency</i>	<i>Statute</i>	<i>Intellectual Property</i>
Department of Defense	10 U.S.C. §2386	Patents, copyrights, "unauthorized use of technical data or computer software"
Department of Energy	42 U.S.C. §7261	Patents, copyrights, "manufacturing data"
Department of Education	20 U.S.C. §3480	Patents, copyrights, "manufacturing data"
NASA	42 U.S.C. §2473	Patents

289. See General Accounting Office, *NASA's Administrative Review of a Patent Infringement Claim*, B-285211 (August 8, 2008) (NASA infringement claims process modeled on Department of Defense process).

290. DFARS 227.7003.

For the most part, the administrative claim process is used for the resolution of patent claims. But there is no reason agencies could not use the same procedures to resolve other IP infringement claims although the precise form of licensing settlement will depend on the contractual vehicles available at that agency.

While there are multiple benefits to pursuing an administrative claim instead of litigation, the administrative claims process also has its drawbacks. For instance, there are perceived disincentives to resolving administrative claims at an agency level, since agency resolution would require payment using agency funds, whereas damages paid as a result of litigation would be drawn from the Department of Justice's Judgment Fund and thus not impact the agency's available funds.²⁹¹ The Department of Justice, of course, may require reimbursement for infringement claims using agency money,²⁹² and may decline to take a case to trial where a claim has been improperly denied.²⁹³ So this tactic may or may not be effective in avoiding expenditure of agency funds.

Also, there is a concern amongst the private bar about high denial rates and tendencies to resolve such claims.²⁹⁴ But high denial rates could as easily reflect low-quality claims and legitimate agency findings of noninfringement. Moreover, there is no comparable statistic on how many requests for licenses are denied in the private sector or the length of negotiations needed to resolve complex licensing overtures. Thus, while there are clearly drawbacks to filing administrative claims, they may nevertheless be a viable, low-cost litigation alternative, especially where proof of Government IP misuse is strong.

291. Department of Justice's Judgment Fund is established at 31 U.S.C. § 1304. See Christine Hlvaka, *Contractor Patent Bandits: Preventing the Government from Avoiding 28 U.S.C. § 1498 Liability for Its Contractors' Unauthorized Use of Patented Material by Outsourcing One or More Steps of the Process Abroad*, 37 PUB. CONT. L. J. 321, 326 (2008).

292. While we did not find a specific mechanism, such reimbursements could be based on a finding that 31 U.S.C. § 1304(a)(1) is not met, since payment for such claims is provided for under the infringing agency's authority to settle intellectual property administrative claims. *But see* NASH & RAWICZ, *supra* note 69, at 234 (noting that the Attorney General has previously ruled that a predecessor DoD statute only applied to settlement of pre-litigation claims and that settlement authority is exclusively with the Attorney General).

293. United States Department of Justice, *United States Attorney's Manual*, 4-3.200 (2007).

294. See Hlvaka *supra* note 291.

CHAPTER 5

State Procurement Practices

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A. The Role of the State Procurement System

1. State Procurement Systems

Like the Federal Government, the States are very substantial consumers of goods and services—increasingly so, in light of anti-terrorist measures.¹ State and local markets for information technology alone are projected to grow from \$48.4 billion to \$64 billion from 2008 to 2009,² while spending on public safety was approximately \$1.2 billion in 2008.³ Looking ahead, State and local spending on health care technology is expected to reach \$10.8 billion by 2012⁴ and social services technology purchases may top \$9.2 billion by 2013.⁵

States also are significant producers of intellectual property. Each State is different, and each therefore is discussed individually below.⁶ But there are certain important commonalities among the States that distinguish State-level procurement from Federal Government procurement. These include:

- **No defense or space sectors.** National defense is among the areas expressly reserved to the Government by the Constitution.⁷ Accordingly, States have only modest defense obligations, which are carried out by the National Guards. While States procure a small amount of military technology in connection with National Guard activities, they neither acquire nor fund sophisticated, IP-intensive weapon systems. Similarly, the States are not involved in the space program or other major national scientific and technological endeavors. This means that the State market is much less intensively focused on high-end technologies, and generally assumes that the commercial market will provide solutions. There are fewer mission-critical technologies and products that must be acquired for the State to fulfill its mission, and consequently less need to ensure a particular product is available as compared to products acquired by the Government for use in defense or space programs.
- **Large education and health-care sectors.** In contrast, States expend very substantial resources on “citizen-facing” goods and services in

1. See Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 164–65 (2003).

2. [Http://www.input.com/corp/press/detail.cfm?news=1386](http://www.input.com/corp/press/detail.cfm?news=1386) (last visited July 2, 2008).

3. [Http://www.input.com/corp/press/detail.cfm?news=1351](http://www.input.com/corp/press/detail.cfm?news=1351) (last visited July 2, 2008).

4. [Http://www.input.com/corp/press/detail.cfm?news=1353](http://www.input.com/corp/press/detail.cfm?news=1353) (last visited July 2, 2008).

5. [Http://www.input.com/corp/press/detail.cfm?news=1370](http://www.input.com/corp/press/detail.cfm?news=1370) (last visited July 2, 2008).

6. See, generally, Huffman & O’Sullivan, *supra* note 1.

7. U.S. CONST. art. I, § 8, cls. 10–16; U.S. CONST. art. II, § 2, cl. 1.

areas like public safety, education, and health care. There is arguably a greater need to ensure wide dissemination of the resulting intellectual property in these sectors. As a result, there are fewer opportunities to prevent disclosure of intellectual property, and contractors can expect that ownership of State-funded research will likely rest with the State.

- **State-funded research universities.** Government research is conducted via Federal labs (mostly run by the Departments of Defense and Energy) or grants to private research institutions. The States, by contrast, each fund one or more sophisticated university systems. State universities are primarily educational institutions, of course. But they also support substantial basic and applied technological research programs, which generate large volumes of copyrighted and patentable material. To address funding issues and further public missions, State universities have extremely active out-licensing programs. This necessitates that even sponsored research is generally owned by the State as opposed to the funding sponsor. As discussed below, Oklahoma has started to break this mold. And because States may or may not extend sovereign immunity to activities by educational institutions, “[e]ach state university . . . must be considered on the basis of its own particular circumstances.”⁸
- **Heterogeneous intellectual property regimes.** In some areas—like trade secret protection and freedom of information—most States have adopted relatively uniform laws and standards. But as a general proposition, States approach intellectual property with their citizens in mind. Thus, California has an aggressive marketing and licensing program, intended to generate revenues from both its first-rate research universities and its State-funded noneducational research institutions, like the California Institute for Regenerative Medicine, a \$3 billion Proposition 71 stem cell research program headquartered in San Francisco.⁹ And the California legislature is particularly solicitous of celebrities (having passed a new law guaranteeing descendants of celebrities the exclusive right to the celebrity likeness for a period of 70 years after death) and “appellation” wineries (to leverage the superior reputation of Napa and Sonoma counties). Similarly, several Southwestern States have passed special statutes protecting American Indian artifacts, artworks, and names.¹⁰

8. *Greenwood v. Ross*, 778 F.2d 448, 453 (8th Cir. 1985).

9. CAL. CONST. art. XXXV.

10. For example, Arizona requires authenticity disclosure for American Indian goods and other fraud prevention schemes, Ariz. Rev. Stat. § 44-1231.01 *et seq.*, as do New Mexico (N.M. Stat. § 30-33-1), Montana (Mont. Code Ann. § 30-14-603), and Nevada (Nev. Rev. Stat. § 597.900). California has an authentication law for American Indian goods, Cal. Bus. & Prof. Code §§ 17569-17569.9 (“[a]ny article bearing a trademark or label registered by Indian persons, groups, bands, tribes, pueblos, or communities with the Indian Arts and Crafts Board

- **In-State preferences.** States follow competitive bidding procedures that are generally similar to the Competition in Contracting Act.¹¹ But they often prefer in-State businesses to out-of-State enterprises. States also have varying set-asides, local-business requirements, and affirmative action mandates, which generally exceed the small-, minority-, and women-owned business set-asides that exist in the Federal procurement system. Even in States where affirmative action and other set-aside programs have been formally eliminated by statute or referendum,¹² many preferential policies remain on the books.
- **Early disclosure of trade secrets in litigation.** In California and other jurisdictions adopting versions of the Uniform Trade Secrets Act, the law requires a trade secret plaintiff, “before commencing discovery relating to the trade secret, . . . [to] identify the trade secret with reasonable particularity.”¹³ This is in contrast to Federal marking and validation procedures, which require markings at the time of delivery and thus can make identification and enforcement of trade secrets much easier as compared to having to later identify the trade secrets just prior to litigation.

All of this means that States, perhaps more so than the Federal Government, are both producers and consumers of intellectual property. Predictably, States are acclimated to their roles as “market participants” rather than sovereigns.

2. State Sovereign Immunity

States play a unique role within the Federal system. Rather than being subordinate to the Government, States are sovereign entities, co-equal in their own spheres. Indeed, State sovereign immunity is guaranteed under the Tenth Amendment: “powers not delegated to the United States by the Constitution, nor prohibited by it to the States, are reserved to the States respectively, or to

in Washington, D.C., or with the American Indian Historical Society, Incorporated, in San Francisco, California, shall be presumed to be authentic”).

11. 10 U.S.C. § 2304.

12. For example, California’s Constitution was amended in 1996 to eliminate racial and sexual preferences by Proposition 209. CAL. CONST. art. 1. § 31(a). Likewise, the Michigan Civil Rights Initiative in 2006 amended the Michigan Constitution to prohibit discrimination as well as preferential treatment. MICH. CONST. art. I § 26.

13. CAL. CODE CIV. PROC. § 2019 (d); *IDX Sys. Corp. v. EPIC Sys. Corp.*, 165 F. Supp. 2d 812 (W.D. Wisc. 2001) (mere comparison of functionality of competing products with allegation that must utilize plaintiff’s trade secret is insufficient to particularly show trade secret).

the people.”¹⁴ Thus, many of the basic attributes of federal sovereignty described in Chapters 1 and 4 apply with equal force to the States.

In this country, sovereign immunity dates back to English common law, where it meant the king could do no wrong.¹⁵ The various colonies enjoyed sovereign immunity as Crown possessions well before the Declaration of Independence, and the States retained these sovereign rights after the creation of the United States of America. As applied, the concept prevents suits against a government by its citizenry unless there has been an explicit waiver of sovereign immunity.¹⁶ Therefore, no suit against any State government may proceed unless the State has decided to allow liability on that claim.¹⁷

The Supreme Court’s ruling in *Atascadero State Hospital v. Scanlon* holds that Congress may waive a State’s sovereign immunity,¹⁸ but that any such waiver must be explicitly and unambiguously stated in a statute’s text and based on a specifically delegated congressional power.¹⁹ This rule has been applied by lower courts to most intellectual property actions.

a. Copyrights

Copyright claims have been off-limits since 1962.²⁰ The 1990 Copyright Remedy Clarification Act (CRCA)²¹ attempted to restore State liability under the Commerce Clause, but the Supreme Court’s *Seminole Tribe of Florida v. Florida* decision eliminated that avenue²² and implicitly invalidated the CRCA, returning States to their earlier immunity.²³ CRCA’s invalidation was confirmed by the Fifth Circuit in *Chavez v. Arte Publico Press*.²⁴ *Chavez* concluded that the CRCA was unconstitutional because Congress had failed to establish “a pattern of unconstitutional infringement of copyrights by the states.”²⁵ *Marketing Information Masters v. The Board of Trustees of the*

14. U.S. Const. amend. X.

15. *Pennhurst State Sch. & Hosp. v. Halderman*, 465 U.S. 89, 142–44 (1984).

16. See, e.g., Federal Torts Claims Act, 28 U.S.C. §§ 2671–80 (allowing suits in tort against the Federal Government).

17. *United States v. Sherman*, 312 U.S. 584, 586 (1941).

18. 473 U.S. 234 (1985); see also *Fitzpatrick v. Bitzer*, 427 U.S. 445 (1976).

19. *Atascadero*, 473 U.S. 234.

20. *Witholt v. Crow*, 309 F.2d 777 (8th Cir. 1962); see also *Lane v. First Nat’l Bank of Boston*, 687 F. Supp. 11, 15–17 (D. Mass. 1988), *aff’d on other grounds*, 871 F.2d 166 (1st Cir. 1989).

21. Pub. L. No. 101–553.

22. *Seminole Tribe of Florida v. Florida*, 517 U.S. 44 (1996).

23. See *Chavez v. Arte Publico Press*, 204 F.3d 601 (5th Cir. 2000); *Rodriguez v. Texas Comm’n on the Arts*, 199 F.3d 279 (5th Cir. 2000).

24. *Chavez*, 204 F.3d 601.

25. See also *Infomath v. University of Arkansas et al.*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878 (E.D. Ark. Dec. 21, 2007).

California State University similarly concluded that CRCA is unconstitutional and that States are immune from copyright infringement under the Eleventh Amendment.²⁶ *National Association of Boards of Pharmacy v. University of Georgia* provides further confirmation that States are immune from copyright infringement liability, though it leaves open a sliver of hope that State officials acting outside the scope of their authority may be held liable under *Ex parte Young* and its progeny.²⁷ We discuss the *Ex parte Young*²⁸ exception (allowing suit against State officials in their individual capacities) below.

b. Patents

Chew v. California extended this same premise to patent infringement actions, holding that the Patent Act²⁹ is insufficiently clear to satisfy *Atascadero*.³⁰ It is very likely that the State sovereign immunity waivers in the Plant Variety Protection Act, which was passed around the same time as CRCA, also are invalid.³¹ In 2007, the Federal Circuit upheld California's sovereign immunity from patent infringement claims even in cases where the State is clearly acting as a market participant with respect to the technology in dispute.³²

c. Trademarks

Woelffer v. Happy States of America extended State sovereign immunity to trademark claims.³³ Congress attempted to "remedy" this problem by passing the Trademark Remedy Clarification Act of 1992,³⁴ enacted "to specifically meet all of the requirements of the *Atascadero* holding" and eliminate the "limited and inconsistent substitutes" to trademark infringement claims available at the State level.³⁵

26. *Marketing Information Masters v. The Board of Trustees of the California State University*, 552 F.Supp.2d 1088 (S.D. Cal. 2008).

27. *National Association of Boards of Pharmacy v. University of Georgia*, 86 U.S.P.Q.2d 1683 (M.D. Ga. 2008).

28. *Ex parte Young*, 209 U.S. 123 (1908).

29. 35 U.S.C. § 101 *et seq.*

30. *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990); *see also Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999) (holding Patent Remedy Act unconstitutional).

31. *Infomath*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878.

32. *Biomedical Patent Mgmt. Corp. v. Cal. Dep't of Health Servs.*, 505 F.3d 1328, 1343 (Fed. Cir. 2007).

33. *Woelffer v. Happy States of Am.*, 626 F. Supp. 499 (N.D. Ill. 1985).

34. Pub. L. No. 102-542 (1992).

35. S. REP. NO. 280, at 7-8 (1992), *reprinted in* 1992 U.S.C.C.A.N. 3087,3093-94.

What the Trademark Remedy Clarification Act highlighted, however, is that State-level sovereign immunity is often misunderstood, even by the Federal Government. Hence the Supreme Court's 1999 rebuke to Congress in *College Savings Bank v. Florida Prepaid*, a pair of related cases confirming that the Government cannot waive State sovereign immunity unless the States have somehow given the Government permission to do so via the Fourteenth Amendment or some other specific grant of rights.³⁶

In *Florida Prepaid*, the Supreme Court struck down those portions of the Trademark Remedy Clarification Act³⁷ purporting to waive a State's Eleventh Amendment immunity from suit.³⁸ It explained that the Government lacks the power to waive a State's sovereign immunity except under the Fourteenth Amendment, which is not implicated by the Lanham Act.³⁹ As the Court stated:

[W]e have understood the Eleventh Amendment to stand not so much for what it says, but for the presupposition of our constitutional structure which it confirms: that the States entered the federal system with their sovereignty intact; that the judicial authority in Article III is limited by this sovereignty, and that a State will therefore not be subject to suit in federal court unless it has consented to suit, either expressly or in the "plan of the convention."⁴⁰

This means that, insofar as the State instrumentality is a contracting entity, it is absolutely immune from suit except to the extent it has specifically agreed to be sued:

[T]he sovereign immunity of the States neither derives from nor is limited by the terms of the Eleventh Amendment. Rather, as the Constitution's structure, and its history, and the authoritative interpretations by this Court make clear, the States' immunity from suit is a fundamental aspect of the sovereignty which the States enjoyed before the ratification of the Constitution, and which they retain today (either literally or by virtue of their admission into the Union upon an equal footing with the other States) except as altered by the plan of the Convention or certain constitutional Amendments.⁴¹

36. See *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999); *Florida Prepaid Postsecondary Educ. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999).

37. Pub. L. No. 102-542 (1992).

38. *College Savings Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999).

39. *Id.* at 676–77; see also Peter S. Menell, *Economic Implications of State Sovereign Immunity from Infringement of Federal Intellectual Property Rights*, 23 LOY. L.A. L. REV. 1399, 1401 (2000).

40. *Blatchford v. Native Village of Noatak*, 501 U.S. 775, 779 (1991).

41. *Alden v. Maine*, 527 U.S. 706, 713 (1999).

Consequently, “sovereign immunity . . . was neither validly abrogated by the Trademark Remedy Clarification Act, nor voluntarily waived by the State’s activities in interstate commerce,” and “the federal courts are without jurisdiction to entertain this suit against an arm of the State. . . .”⁴² *Florida Prepaid* thus validates lower-court holdings concerning State liability for Federal IP violations, and stands generally for the proposition that Congressional action may not abrogate the Eleventh Amendment.⁴³ The State must decide for itself whether it will consent to suit in Federal courts.⁴⁴

Justice John Paul Stevens has observed that the Supreme Court’s modern Eleventh Amendment jurisprudence “prevents Congress from providing a federal forum for a broad range of actions against States, [including] those sounding in copyright and patent law.”⁴⁵ State sovereign immunity has obvious consequences for private companies contracting with State-affiliated entities. And—as noted—Federal efforts to abrogate States’ Eleventh Amendment immunity have been flatly rebuffed. Private-sector contractors thus face 51 separate sovereigns, each with its own rules concerning if and when it will consent to be sued, on what Federal or State-based causes of action, and the extent to which the contractor is liable for claims against a contractor working under a State or Federal contract.

d. Trade Secrets

Federal trade secret laws do not create a private right of action. So the extent to which States are vulnerable to trade secret liability depends on the language of their trade secret laws. Those States that have adopted the substance of the Uniform Trade Secrets Act usually have waived sovereign immunity by defining the term “person” to include governmental entities.

3. Suits Against State Officials as Exception to State Immunity

For Federal IP relief against a State, there remains only *Ex parte Young*, a 1908 case in which the Supreme Court held that a State agent may be enjoined from violating a private party’s Federal rights.⁴⁶ But such a lawsuit

42. *Florida Prepaid*, 527 U.S. at 691.

43. U.S. CONST. amend. XI (“The Judicial power of the United States shall not be construed to extend to any suit in law or equity, commenced or prosecuted against one of the United States by Citizens of another State, or by Citizens or Subjects of any Foreign State”).

44. *Barnes v. Missouri*, 960 F.2d 63, 65 (8th Cir. 1992).

45. *Seminole Tribe of Florida v. Florida*, 517 U.S. 44, 77 (1996) (Stevens, J., dissenting).

46. *Ex parte Young*, 209 U.S. 123 (1908).

must be against a particular State official in his individual capacity rather than against the State itself. In addition, *Ex parte Young* does not provide for damages.⁴⁷ While its overall vitality is questionable in light of *Florida Prepaid*, actions to enforce Federal intellectual property rights have succeeded in situations where the State was otherwise immune from suit.⁴⁸ Moreover, *Ex parte Young* claims against individuals arguably are distinguishable from *Florida Prepaid* in that they are not based upon a Congressional effort to waive State sovereign immunity. Some commentators contend that this remains a significant weapon to prevent State misappropriation of intellectual property, at least in the context of Federal trademarks and copyrights.⁴⁹

4. Market Participation and Statutory Enactments as Waivers of Sovereign Immunity

Most States have enacted some form of sovereign immunity waiver. They usually enjoy roughly the same sovereign immunity as the Federal government, albeit with occasional deviations.⁵⁰ Some—like California,⁵¹ Illinois,⁵² and Florida⁵³—have imposed specific restrictions, while others have enacted far broader waivers than that granted by the Federal Government. Washington State has entirely abrogated its sovereign immunity,⁵⁴ and New York comes reasonably close.⁵⁵ Occasional outliers, like Alabama,

47. See *Edelman v. Jordan*, 415 U.S. 651, 666–67 (1974) (suit against State official asserting federal violations can only enjoin future violations).

48. *Anderson v. Brown*, 852 F.2d 114 (4th Cir. 1988); *Unix System Labs., Inc. v. Berkeley Software Design, Inc.*, 832 F. Supp. 790 (D.N.J. 1993); *National Association of Boards of Pharmacy v. University of Georgia*, 86 U.S.P.Q.2d 1683 (M.D. Ga. 2008); *The Presbyterian Church (U.S.A.) v. United States*, 870 F.2d 518 (9th Cir. 1989) (suggesting that *Ex parte Young* has been superseded by the 1976 amendments to the APA, 5 U.S.C. § 702). See also Daniel Meltzer, *Statement before the Subcommittee on Courts and Intellectual Property, Committee on the Judiciary, U.S. House of Representatives* (July 27, 2000) (outlining the remaining mechanisms for enforcing intellectual property rights at a state law level after *Florida Prepaid* and highlighting the use of *Ex parte Young* causes of action).

49. See Bruce E. O'Connor & Emily C. Peyser, *Ex Parte Young: A Mechanism for Enforcing Federal Intellectual Property Rights Against States*, 10 B.U. J. SCL. & TECH. L. 17 (2004).

50. See, e.g., Ariz. Rev. Stat. § 12-820.02(A); Idaho Code Ann. § 6-904; Nev. Rev. Stat. § 41.035; Neb. Rev. Stat. § 13-926; N.J. Stat. Ann. § 59:2-6.

51. Cal. Gov't Code § 820 *et seq.*

52. 745 Ill. Comp. Stat. 5/1, 505/8.

53. Fla. Stat. ch. 768.28.

54. Wash. Rev. Code § 4.92.090; see generally Michael Tardif & Rob McKenna, *Washington State's 45-Year Experiment in Governmental Liability*, 29 SEATTLE U. L. REV. 1 (2005).

55. See N.Y. Ct. Cl. Act §§ 8, 12.

sharply restrict sovereign immunity waivers or have not enacted any at all.⁵⁶

There are five important State-level waivers of IP sovereign immunity. These waivers do not exist for all States, but generally apply to the majority of them.

- First, if a State initiates a complaint, it has waived sovereign immunity for matters relating to that complaint. Thus, in the patent infringement context, several cases have concluded that a State-affiliated plaintiff has implicitly consented to jurisdiction over compulsory counterclaims.⁵⁷ But this waiver is increasingly narrowly construed.⁵⁸
- Second, if the State is involved in the acquisition of intellectual property, it is liable like any other applicant with respect to related administrative and judicial proceedings. Thus, the State may participate in interference proceedings at the USPTO, but also must abide by the results of any appeals of interference decisions.⁵⁹ Both of these are basically intellectual property implementations of the “market participant” exception to sovereign immunity.⁶⁰
- While Federal patent and copyright laws mostly preempt State law, States often have their own system for other intellectual property, like trademarks and trade secrets. The third exception relates to organic causes of action that the State implemented and for which it has explicitly (perhaps accidentally) waived sovereign immunity. Important examples of these are found in many State enactments of the Uniform Trade Secrets Act, which waives governmental sovereign immunity in Section 1 (3). States also often include government agencies in the definition of “person” for purposes of State-level trademark infringement.
- The fourth exception lies in possible Federal or State Takings jurisprudence. Following an 1897 Supreme Court decision, the Takings Clause applies to the States.⁶¹ Separately and independent of whether the Takings Clause applies, each State has its own constitution, which creates causes of action based upon the wording of the applicable State

56. ALA. CONST. art. I, § 14.

57. See *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335 (Fed. Cir. 2006); *Regents of the Univ. of New Mexico v. Knight*, 321 F.3d 1111 (Fed. Cir. 2003).

58. See *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007).

59. *Vas-Cath Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007).

60. See, e.g., *Hughes v. Alexandria Scrap Corp.*, 426 U.S. 794 (1976); *Reeves, Inc. v. Stake*, 447 U.S. 429 (1980).

61. *Chicago, Burlington & Quincey Railroad Co. v. City of Chicago*, 166 U.S. 226 (1897).

clause, and thus can provide broader protection than that afforded by the Takings Clause of the Federal Constitution.⁶² State Takings clauses can be coextensive with the Federal Takings clause under the Fifth Amendment, or can be more protective of a citizen's rights.⁶³ Thus, even assuming intellectual property is not "property" for Fifth Amendment purposes after *Zoltek v. United States*,⁶⁴ IP still could be construed as "property" under a State constitution. So claimants might be able to obtain relief at the State level for actions that do not rise to the level of a Takings under Federal law.⁶⁵

- The fifth, and final, important exception is that States, in general, have neglected to extend State sovereign immunity to their contractors. So contractors are generally exposed to intellectual property infringement liability while working on behalf of the State, and may even be required to indemnify the State for any costs incurred due to the contractor's infringement.

B. The Role of the Private Sector in the State Procurement System

As befits the different roles served by States in our system of government, procurement at the State level follows different rules. States more commonly contract out governmental services—prisons, hospitals, etc.—rather than seeking particular technologies that the States themselves will use. Thus, the State-level contractor communities are typically smaller and more focused on service industries or on the supply of existing commercial goods.

More importantly, however, States have been far more aggressive (and far more successful) at commercializing State intellectual property. State university patent programs aggressively seek intellectual property protection from innovative academics, and they are not shy about suing when they believe

62. Timothy Sandefur, *Don't Mess with Property Rights in Texas: How the State Constitution Protects Property Owners in the Wake of Kelo*, 41 REAL PROPERTY, PROBATE & TRUST J., 43 (Summer 2006).

63. While referred to for simplicity as Takings under the Fifth Amendment, since the Fifth Amendment technically only applies to Federal actions, the Fifth Amendment is made applicable against State Governments under the Fourteenth Amendment. *Kelo v. City of New London*, 545 U.S. 469, n. 1 (2005).

64. 442 F.3d 1345 (Fed. Cir. 2006).

65. E.g., *State of Texas v. Herbert W. Holland*, 2007 Tex. LEXIS 314; 50 TEX. SUP. J. 642 (Tex. 2007) (while denying infringement due to a lack of intent to take property, court left open possibility of asserting patent infringement claim under Article I, section 17 of the Texas Constitution for non-contractual patent infringement claims).

their rights are being violated.⁶⁶ The Bayh-Dole Act⁶⁷ also has contributed to the robust technology-transfer programs at most State universities. State licensing programs have become a very significant source of State revenue. Perhaps for this reason and in addition to the natural reluctance to waive immunity, State legislatures often tilt the playing field in favor of universities in terms of IP enforcement.

C. State-by-State Analysis of Intellectual Property and Government Contract Laws

1. Alabama⁶⁸

a. Intellectual Property Laws

i. Trade Secrets

Alabama has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁶⁹ As such, Alabama prevents misappropriation of a trade secret by any “person,” which is defined to include natural persons and corporations, as well as the government or a governmental subdivision or agency.⁷⁰

Under the Alabama Open Records Act,⁷¹ any citizen shall have the right to access and copy “any public writing of this state, except as otherwise expressly provided by statute.”⁷² This act is generally directed to creations by State employees, but could arguably be read to include contractor submissions to the extent that they are used or modified by a State employee and are needed

66. *E.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335 (Fed. Cir. 2006) (patent infringement); *Eolas v. Microsoft*, 457 F.3d 1279 (Fed. Cir. 2006) (infringement suit brought by licensee and university). Cases are not limited to patent infringement, as universities have shown a willingness to pursue professors who obtain patents inside the scope of their research and fail to disclose the discovery to the university. See Patent Baristas, *Former Professor Sued for Patent Infringement*, <http://patentbaristas.com/archives/2006/02/09/former-professor-sued-for-patent-infringement/> (last visited Jun. 5, 2008).

67. 35 U.S.C. §§ 200–212.

68. Our thanks to Whitney Mims Swatloski, Innovation Coordinator, Alabama Institute for Manufacturing Excellence, the University of Alabama, and Dr. Rick Swatloski, licensing associate at the University of Alabama's Office of Technology Transfer, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

69. Ala. Code § 8-27-1 *et seq.*

70. Ala. Code § 8-27-2(3).

71. Ala. Code § 36-12-40.

72. Ala. Code § 36-12-40.

to ascertain the activities of the State.⁷³ Additionally, Alabama has specific exemptions for proprietary information delivered pursuant to certain regulatory acts.⁷⁴ For other types of proprietary information, the owner has the right to contest any requested release of the proprietary information, but must provide evidence that the information was first submitted to the State with an expectation of privacy.⁷⁵ Therefore, while the Alabama Open Records Act is to be construed liberally to afford access to public writings, the interpretations are governed by a rule of reason that provides grounds for contesting a pending release and thus affords reasonable protection for government contractors.⁷⁶

Alabama also has enacted the Alabama Computer Crime Act at Title 13A, Article 5. Under this Act, “an offense against intellectual property is a Class A misdemeanor,” but can be categorized as a felony in certain circumstances.⁷⁷ The Act is directed to unauthorized hacking into computer systems, but the offenses are not specifically limited to hacking. As long as the offense is related to computer software, there is potential criminal liability. Under Ala. Code § 13A-8-102 (a), it is a criminal offense to “willfully, knowingly, and without authorization” access, communicate, examine, or modify “data, computer programs, or supporting documentation residing or existing internal or external to a computer, computer system, or computer network.” It is a

73. Ala. Code § 36-12-2. See *Stone v. Consolidated Publishing Co.*, 404 So.2d 678 (Ala. 1981).

74. Ala. Code § 2-21-32 (relating to information obtained pursuant to the Alabama Commercial Feed Law); Ala. Code § 9-16-87 (relating to information obtained pursuant to a Permit for coal exploration); Ala. Code §§ 15-22-1.1 and 44-2-10 (relating to information relevant to a hearing before Interstate Compact for the Supervision of Parolees and Probationers); Ala. Code § 22-6-124 (preventing release of records of the State Medicaid Agency and its agents which include “trade secrets, proprietary information, rebate amounts for individual drugs or individual manufacturers, percentage of rebates for individual drugs or manufacturers, and manufacturer’s pricing”); Ala. Code §§ 22-14-6, 22-22-9, 22-30-2, 22-30-9, 22-30-18, 22-30-19, 22-36-8. For HMOs, Ala. Code § 27-21A-24. For Executive Sessions, Ala. Code § 36-25A-7. For revenue rulings containing trade secrets, Ala. Code § 40-2A-5.

75. *Stone v. Consolidated Publishing Co.*, 404 So. 2d 678 (Ala. 1981) (“Recorded information received by a public officer in confidence, sensitive personnel records, pending criminal investigations, and records the disclosure of which would be detrimental to the best interests of the public are some of the areas which may not be subject to public disclosure”); *Chambers v. Birmingham News Co.*, 552 So.2d 854 (Ala. 1989) (trial court noted as a factor in allowing release of resumes that applicants had requested the resumes be kept confidential).

76. *Chambers*, 552 So.2d at 856 (“There is a presumption in favor of public disclosure of public writings and records expressed in the language of § 36-12-40. Limitations to the broad language of the statute are, nevertheless, necessary, and, as stated in *Stone*, absent legislative action, the judiciary has to apply the ‘rule of reason.’ However, it must be noted that this ‘rule of reason’ shall not be applied so as to hamper the liberal construction of § 36-12-40”).

77. Ala. Code § 13A-8-102(d).

further offense to destroy such information,⁷⁸ or to disclose, use, or take it.⁷⁹ In the context of the Alabama Computer Crime Act, the term “data”⁸⁰ is quite broad. It includes any “representation of information, knowledge, facts, concepts, or instructions . . . and is intended to be processed, is being processed, or has been processed in a computer system or computer network.” “Data” need not be in any particular form, and includes both printed and stored information. This statute would appear to expressly prohibit unauthorized modification or use of a computer program, and would prevent release of software and software documentation to the extent the release would destroy the value of the underlying data. The law is somewhat analogous to the Computer Fraud and Abuse Act, 18 U.S.C. § 1030. The CFAA can be utilized on a Federal level as a civil mechanism to enforce trade secret laws; perhaps the Alabama CFFA could be used in the same way to supplement Alabama trade secret laws for data stored on a computer or accessed improperly using a computer.⁸¹

Consistent with the Alabama Computer Crime Act, Ala. Code § 13A-8-10.4 makes “theft of trade secrets or trademarks” a Class C felony. The definition of “trade secrets” appears broad enough to cover any protectable material, as defined by the Alabama Trade Secrets Act.⁸² The “theft” includes unauthorized reproductions or copies of the trade secret as long as the owner has not consented to the reproduction.⁸³

Arguably, revelation of a trade secret related to the software would be criminal “destruction” of the intellectual property or at least an “unauthorized” use or modification of the computer software and related data. Ala. Code § 13A-8-10.4 has provisions that would criminalize both the theft and the copying of an article including a trade secret. This should serve to block disclosure of records that include trade secrets under the Alabama Open Records Act.

ii. Trademarks

Alabama has a State-level trademark system.⁸⁴ It implements the substance of the International Trademark Association’s Model State Trademark Bill of

78. Ala. Code § 13A-8-102(b).

79. Ala. Code § 13A-8-102(c).

80. Ala. Code § 13A-8-101(1).

81. See John R. Bauer, *Computer Fraud and Abuse Act (CFAA) Enforcement Update*, in 2006–2007 Report for ABA IPL Committee 410 Trade Secrets and Interference With Contracts, pp. 6–9 (2007).

82. Compare Ala. Code § 8-27-2(1) with Ala. Code § 13A-8-10.4(a)(4).

83. Ala. Code § 13A-8-10.4(b).

84. Ala. Code § 8-12-1 *et seq.*

1964.⁸⁵ The application is made to the Secretary of State,⁸⁶ and a registered mark is effective for renewable ten-year terms.⁸⁷ The penalties for infringement include civil actions, including injunctive relief,⁸⁸ and can be the basis for a criminal action in certain circumstances.⁸⁹ Alabama law does not provide for punitive damages for trademark infringement.⁹⁰

The definition of persons eligible to be sued does not include the State of Alabama or other governmental entities.⁹¹

iii. Copyrights

As discussed, the Alabama Computer Crime Act would appear to expressly prohibit unauthorized modification or use of a computer program over and above a possible copyright infringement action.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

As a general matter, Alabama's procurement laws can be found at Volume 41, Chapter 16. It has adopted the substance of the American Bar Association's Model Procurement Code. Alabama does not include in its general procurement statute specific laws requiring intellectual property rights in certain contracting situations.⁹² However, Alabama law does require that Alabama and the Alabama Supercomputer Authority disclaim any proprietary interest in any product, process, idea, concept, or procedure developed, invented, or discovered "through the utilization of [the Alabama Supercomputer Authority's] supercomputer and associated resources."⁹³ Otherwise, there do

85. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

86. Ala. Code § 8-12-8.

87. Ala. Code § 8-12-10.

88. Ala. Code § 8-12-15 *et seq.*

89. Ala. Code § 13A-8-10.4.

90. See Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

91. Ala. Code § 8-12-6(3).

92. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 166 (2003).

93. Ala. Code § 41-10-398.

not appear to be any uniform laws requiring specific ownership rights in intellectual property developed using State resources.

Through regulation, certain contracts are required to include specific intellectual property provisions. For instance, where the Alabama Department of Senior Services provides a grant or procurement using Older Americans Act funds and other State agency-administered funds, Chapter 70 of the Alabama Administrative Code provides some required contractual terms. For patents, Alabama Administrative Code r. 70-X-9-.06 specifies that the contracts need to comply with 45 C.F.R. Parts 6 and 8. 45 C.F.R. Parts 6 and 8 (which are being revised as of 2008) pertain to contracts and grants through the Department of Health and Human Services, and generally correspond to 37 C.F.R. § 401. Alabama does not retain background information and instead directs that such documentation be “permanently retained by the grantee and contractor, and their subcontractors.”⁹⁴ For copyrighted works, the grantee can retain ownership of the copyright, but Alabama retains a “royalty-free, nonexclusive, and the irrevocable license to reproduce, publish, or otherwise use, and to authorize others to use” any copyrighted work resulting from the project “for federal and/or state purposes.”⁹⁵ As such, grants and procurements with the Alabama Department of Senior Services appear to be allocated Bayh-Dole Act-type rights while also being allowed to deliver technical data and computer software with less than unlimited rights.

Similarly, the general terms and conditions for work performed for the Alabama Building Commission requires that the contractor acquire any necessary intellectual property rights to perform the work, and indemnify both the State and any contractor agents and employees for any infringement.⁹⁶ As such, it appears that Alabama does not extend its State sovereign immunity to its contractors.

c. Technology Transfer

Outside of general contracting, the main source of State-sponsored intellectual property generation occurs at the University of Alabama. According to the *University of Alabama Policy And Procedures For Faculty And Staff Participating In Companies Commercializing University Technology*, the University of Alabama will typically own the rights to any invention resulting

94. Ala. Admin. Code r. 70-X-12-.02. Source documents include “official minutes to board meetings, audit reports, equipment records, personnel records, and records concerning patents and copyright material should be permanently retained by the grantee and contractor, and their subcontractors. It is recommended that all books of account, indirect cost rate computations or proposals, and cost allocation plans also be permanently retained.”

95. Ala. Admin. Code r. 70-X-7-.06.

96. Ala. Building Commission Admin. Code 170-X, Appendix, Article 12 Of The General Conditions Of The Contract.

from research funded by the university, or if not funded by the university, if a company utilizes university personnel or resources in the generation of the patent.⁹⁷ However, these rights are only applicable for commercialization of existing university-owned intellectual property where a faculty member has an ownership interest in the company. As such, the university can agree to vary from the general terms and conditions upon agreement of the Patent Committee.⁹⁸

d. Sovereign Immunity Waivers

Alabama has comprehensive sovereign immunity, which it has not waived: “the State of Alabama shall never be made a defendant in any court of law or equity.”⁹⁹ This is amongst the Nation’s strongest sovereign-immunity provisions.

Arguably, Alabama still can be sued for breach of contract as a “private actor” or “market participant,” which would at least allow State contractors to recover for infringements in violation of contractual rights.¹⁰⁰ Similarly, where Alabama has consented to suit, such as by asserting infringement of State-owned intellectual property, Alabama might be deemed to have waived its sovereign immunity.¹⁰¹ No cases use the provisions at Ala. Stats. §§ 8-27-1 *et seq.* to either enjoin or obtain damages due to governmental trade secret misappropriation. And even there, Alabama’s immunity under both the State and the Federal Constitution is a nontrivial barrier.

At the same time, under Art. I, § 23, of the Alabama Constitution, Alabama provides a proscription against State Takings of private property that is arguably broader than the Takings provisions of the Federal Constitution. Unless IP infringement can be categorized as a form of Taking or breach of contract,

97. The University Of Alabama Patent Policy § 4, available at <http://faculty senate.ua.edu/handbook/append-g.html> (last visited Mar. 11, 2008).

98. The University Of Alabama Patent Policy § 7.

99. Ala. Const. art. I, § 14.

100. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

101. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

Alabama will not allow suit against the State. While we have not identified any Takings cases specifically addressing intellectual property, Alabama courts have held that the State waives its sovereign immunity when it takes property from individuals or corporations without just compensation.¹⁰² This could extend to intellectual property violations, which is consistent with the State being considered a person for purposes of the Alabama Trade Secrets Act.¹⁰³ And the Supreme Court has held in *Ruckelshaus v. Monsanto Co.* that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁰⁴ However, in light of *Zoltek v. United States*,¹⁰⁵ it is possible that an Alabama court could refuse to recognize other forms of intellectual property as “property” for Takings purposes under both Federal and State Constitutions.

We discuss *Zoltek* in more detail elsewhere, but the salient point is that, according to the Federal Circuit, intellectual property rights do not qualify as “property” for purposes of the Fifth Amendment’s Takings Clause. If this is so, State-level Takings-type arguments and Baby Tucker Act-type tort claims also are called into question. Because *Zoltek* is a recent decision whose full import is unclear, we cannot say with confidence whether IP would be considered “property” for purposes of State law, except in those instances where the State has enacted specific legislation on the subject.

2. Alaska

a. Intellectual Property Laws

i. Trade Secrets

Alaska has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁰⁶ However, the definition of trade secret used in Alaska merely applies to “information,” and does not specifically mention items included in the Uniform Trade Secret Act.¹⁰⁷ Nor does Alaska define the term “person”

102. *Ala. Power Co. v. Keystone Lime Co.*, 191 Ala. 58, 67 So. 833 (1914), *relied upon by City of Huntsville v. Roland H. Rowe*, No. 1020868 (Ala. March 26, 2004).

103. Ala. Code § 8-27-1 *et seq.*

104. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

105. 442 F.3d 1345 (Fed. Cir. 2006).

106. Alaska Stat. §§ 45.50.910-45.50.945.

107. The Uniform Trade Secret Act gives examples of such information as including formulas, patterns, compilations, program devices, methods, techniques, and processes. These examples are not included in the trade secret definition at Alaska Stat. § 45.50.940(3).

to include government or government agencies as well as natural persons and corporations.¹⁰⁸

Alaska has also enacted an Open Records Act in order to ensure that public documents are disclosed.¹⁰⁹ However, there is a specific exemption for intellectual property related to ongoing research at the University of Alaska.¹¹⁰ Another exemption relates to trade secrets provided to the Alaska Aerospace Development Corporation for purposes related to the corporation.¹¹¹ Those purposes include extramural research to the extent it relates to “space-related economic growth and educational and research development in the state by the use of innovative development methods designed to stimulate space-related business and educational and research development and improve the entrepreneurial atmosphere in the state.”¹¹²

Additionally, Alaska has specific exemptions for proprietary information delivered pursuant to certain regulatory acts.¹¹³ Otherwise, the Alaska Open Records Act is to be construed liberally to afford access to public writings subject to a demonstrable need by the State not to release the record that outweighs the public interest in the record.¹¹⁴

108. Alaska Stat. § 45.50.940 does not include section 1(3) of the Uniform Trade Secret Act, which explicitly defines a person to include “a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity.”

109. Alaska Stat. §§ 40.25.110-121.

110. Alaska Stat. § 14.40.453 exempts “writings or records that consist of intellectual property or proprietary information received, generated, learned, or discovered during research conducted by the University of Alaska or its agents or employees until publicly released, copyrighted, or patented, or until the research is terminated.”

111. Alaska Stat. § 14.40.453.

112. Alaska Stat. § 14.40.861(6).

113. Alaska Stat. § 18.60.099 (trade secrets obtained by the Department of Labor and Workforce Development in connection with an inspection or proceeding related to enforcement); Alaska Stat. § 21.06.060 (excluding from insurance scoring models to be publicly disclosed “any trade secrets contained in the models”); Alaska Stat. § 27.21.200 (trade secrets to be kept confidential upon request in relation to coal exploration permit); Alaska Stat. § 43.82.310 (trade secrets to be kept confidential upon request if relates to applications for stranded gas development); Alaska Admin. Code tit. 3, § 48.045 (outlining procedures to classify record as confidential in relation to contracts and proceedings before the Regulatory Commission of Alaska); Alaska Admin. Code tit. 6, § 93.070 (records including trade secrets relating to the Governor/Western Alaska Community Development Quota Program (CDQ)); Alaska Admin. Code tit. 8, § 61.060 (trade secrets revealed during an inspection an employer); Alaska Admin. Code tit. 18, § 31.015 (relating to trade secrets for food related permitting); Alaska Admin. Code tit. 20, § 15.830 (relating to trade secrets in submissions to the Alaska Student Loan Corporation by investment banks); Alaska Admin. Code tit. 20, § 25.110 (relating to trade secrets in applications to plug a suspended oil/gas well).

114. *Municipality of Anchorage v. Anchorage Daily News*, 794 P.2d 584 (Alaska 1990).

ii. Trademarks

Alaska has a State-level trademark system codified at Alaska Stat. § 45.50, Article 010. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹¹⁵ Trademark applications are made to the Commissioner of the Department of Commerce, Community, and Economic Development,¹¹⁶ and a registered mark is effective for renewable five-year terms.¹¹⁷ The penalties for infringement include civil actions, including injunctive relief, for infringement of a registered mark,¹¹⁸ as well as for dilution of a State mark.¹¹⁹ Punitive damages of up to three times profits and actual damages are available.¹²⁰

The State has created a special trademark regime for using marks to identify timber being floated downriver,¹²¹ and the State is directed to acquire a trademark under 15 U.S.C. § 1051 for the service mark "AlaskAdvantage" in relation to education loans.¹²²

iii. Copyrights

Alaska has special rights in regard to retention of copyrights in certain works. For instance, a municipality can optionally obtain a copyright for software that is either "created by the municipality or developed by a contractor for the municipality," and has an independent enforcement right for that copyright.¹²³

Outside of software development, Alaska has certain rules relating to government interference with television programming, even if copyrights are at stake.¹²⁴ Alaska requires copyright owners and performance-rights societies to provide a special notice prior to contracting for "payment of royalties by a business proprietor" and will prevent collection of such royalties where the

115. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.—Dec. 2006).

116. Alaska Stat. § 45.50.020.

117. Alaska Stat. § 45.50.070.

118. Alaska Stat. § 45.50.180.

119. Alaska Stat. § 45.50.180(d).

120. Alaska Stat. § 45.50.180; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, and John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

121. Alaska Stat. § 45.50.205.

122. Alaska Stat. § 14.43.990.

123. Alaska Stat. § 29.71.060.

124. Alaska Stat. § 44.21.320(d) ("The [Department of Administration] may not engage in any activity that interferes with a contract or program right relating to commercial television programming, including but not limited to any right protected by copyright").

notice is not provided.¹²⁵ This notice rule is limited to musical or visual works, and specifically does not apply to software publishers.¹²⁶ The impact of such provisions on procurement is minimal.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Alaska has adopted the substance of the American Bar Association's Model Procurement Code. Proposals can be maintained in confidence to the extent that they are marked as containing "trade secrets and other proprietary data" and the procurement officer agrees.¹²⁷ This requirement is further expanded upon at Alaska Administrative Code Title 2, Section 12.770, which allows the chief procurement officer and the commissioner of transportation and public facilities to "establish procedures to protect the confidentiality of trade secret and confidential technical data." A similar regulation is found in relation to applications for grants to the Alaska Science and Technology foundation.¹²⁸

The general procurement statutes in Chapter 36 of the Alaska Statutes are silent as to the treatment of intellectual property after award. But while the procurement statutes are silent as to the treatment of copyrights in general, Alaska allows both State agencies and municipalities to optionally obtain a copyright for software developed by a contractor for the State.¹²⁹ Therefore, at least for software, both at the State and local level, a public contract can require ownership to be conveyed for software developed under a contract. The standard contract used by Alaska for professional services requires that Alaska be given ownership of the copyright.¹³⁰

c. Technology Transfer

Alaska has specific technology transfer laws to encourage the creation of businesses resulting from University of Alaska research. For instance,

125. Alaska Stat. § 45.45.500.

126. Alaska Stat. § 45.45.560.

127. Alaska Stat. § 36.30.230. This requirement is also restated by the Department of Administration Division of Administrative Services in the *Procurement Policies and Procedures Manual* 33 (April 1999).

128. Alaska Admin. Code tit. 3, § 233.950.

129. Alaska Stat. §§ 29.71.060, 44.99.400.

130. STANDARD AGREEMENT FORM FOR PROFESSIONAL SERVICES, app. A, art. 10, available at <http://www.state.ak.us/dgs/pdf/alternate.pdf> (last visited May 29, 2008).

the president of the University of Alaska is authorized to contract with a university employee to create a spin-off business using intellectual property created by the employee while performing research and development for the university.¹³¹ There is a specific exemption preventing release, under the Open Records Act, of “writings or records that consist of intellectual property or proprietary information received, generated, learned, or discovered during research conducted by the University of Alaska or its agents or employees” while the research is being conducted.¹³² The University of Alaska also has unique powers regarding technology transfer for Alaska-generated intellectual property.

Similarly, the Alaska Aerospace Development Corporation has a broad power to withhold proprietary information received pursuant to a purpose of the corporation.¹³³ This includes the power to withhold proprietary or trade secret materials submitted as a bid or proposal to the extent it is marked “proprietary.”¹³⁴

d. Sovereign Immunity Waivers

Alaska has enacted a partial sovereign immunity waiver, though it retains full immunity for discretionary acts.¹³⁵ This waiver extends to contractual disputes (including IP disputes with contractors) and likely also would include intellectual property infringement claims by third parties. Economic damages are available according to proof, but noneconomic damages are capped at \$1,000,000.¹³⁶

Where Alaska has consented to suit, such as by asserting infringement of State-owned intellectual property, Alaska might be considered to have waived sovereign immunity.¹³⁷ Such a waiver may exist in relation to a prohibition

131. Alaska Stat. § 14.40.210.

132. Alaska Stat. § 14.40.453.

133. Alaska Stat. § 14.40.881.

134. Alaska Aerospace Development Corporation Regulations § 1030(a)(8)(B).

135. Alaska Stat. § 09.50.250.

136. Alaska Stat. § 09.17.020.

137. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376, (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

on interference with television programming contained in Alaska Statute § 44.21.320.

Moreover, Alaska courts have held that the State waives its sovereign immunity when it takes property from individuals or corporations without just compensation.¹³⁸ And Alaska has recognized trade secrets as a form of property subject to the Takings analysis.¹³⁹ But in order to find a Taking based upon a release of proprietary data, there would need to be a finding that the release was contrary to the owner's "reasonable investment-backed expectations," which necessarily is limited where a regulation clearly states that a release will occur.¹⁴⁰ No cases use the provisions at Alaska Statutes § 45.50.940 to either enjoin or obtain damages due to governmental trade secret misappropriation or to define whether the term "person" includes governmental agencies. Lastly, no cases have been found in which "property," for purposes of Takings claims under the Alaska Constitution, includes Federal intellectual property rights in addition to trade secret rights. However, in light of *Zoltek v. United States*,¹⁴¹ it is possible that an Alaska court would refuse to recognize other forms of intellectual property as "property" for Takings purposes under both Federal and State Constitutions.

3. Arizona

a. Intellectual Property Laws

i. Trade Secrets

Arizona has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁴² Arizona prevents misappropriation of a trade secret by any "person," which is defined to include natural persons and corporations, as well as the government or a governmental subdivision or agency.¹⁴³

Arizona also has enacted an Open Records Act at Arizona Revised Statute § 39-121. Courts will order disclosure where the public need for access

138. Article 1, Section 18 of the Alaska Constitution provides that "Private property shall not be taken or damaged for public use without just compensation." See also *City of Kenai v. Burnett*, 860 P.2d 1233 (Alaska 1993) (Takings applies to inverse condemnations for property occur where a state action deprives a "property owner of the 'economic advantages of ownership'").

139. *Dept. of Natural Res. v. Arctic Slope Reg'l Corp.*, 834 P.2d 134 (Alaska 1991) (citing *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1000 (1984)).

140. *Id.*

141. 442 F.3d 1345 (Fed. Cir. 2006).

142. Ariz. Rev. Stat. § 44-401 *et seq.*

143. Ariz. Rev. Stat. § 44-401(3).

outweighs the State's need to maintain confidentiality.¹⁴⁴ A binding confidentiality agreement with the State is sufficient grounds to withhold information, to the extent that the information in question qualifies as a trade secret under Arizona Revised Statute § 44-401.¹⁴⁵ As such, while nominally written to require broad disclosure of public records, there are statutory and common-law confidentiality exceptions that limit what records are to be released.

ii. Trademarks

Arizona has a State-level trademark system codified at Arizona Revised Statutes §§ 44-1441 *et seq.* It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹⁴⁶ Trademark applications are made to the Secretary of State,¹⁴⁷ and a registered mark is effective for renewable ten-year terms.¹⁴⁸ The penalties for infringement include civil actions for infringement of a registered mark¹⁴⁹ as well as for dilution of a famous mark.¹⁵⁰ The definition of "persons" liable for such infringement does not include the State of Arizona.¹⁵¹

Further, there are criminal penalties for counterfeiting.¹⁵² A unique provision makes it a felony to knowingly uses an unauthorized copy of computer software that "when used depicts, incorporates or displays or causes to be depicted, incorporated or displayed a mark that has been registered under this article for computer software."¹⁵³ But punitive damages are not available.¹⁵⁴ Lastly, a separate provision is provided to register trade names for businesses.¹⁵⁵

144. *Phoenix Newspapers, Inc. v. Keegan*, 201 Ariz. 344, 35 P.3d 105 (Ct. App. 2001).

145. In *Phoenix Newspapers*, the State attempted to use Ariz. Rev. Stat. § 44-401 as a grounds to prevent release, but was unable to show that the portions to be released had economic value or were still trade secrets due to subsequent disclosures by the State.

146. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

147. Ariz. Rev. Stat. § 44-1443.

148. Ariz. Rev. Stat. § 44-1445.

149. Ariz. Rev. Stat. § 44-1451.

150. Ariz. Rev. Stat. § 44-1448.01.

151. Ariz. Rev. Stat. § 44-1441(4).

152. Ariz. Rev. Stat. §§ 44-1453, 44-1456.

153. Ariz. Rev. Stat. § 44-1455.

154. See Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

155. Ariz. Rev. Stat. § 44-1460.

iii. Copyrights

Arizona has retained, at the county level, the power to license and sell copyrighted material “prepared for use by the public and by employees.”¹⁵⁶ This includes the ability to sell “informational publications that are uniquely prepared for use by the public and by employees.” It also confers the right to “license and sell information systems and intellectual property developed from county resources that the county is not obligated to provide as a public record.” As such, it appears that the County Boards of Supervisors have a broad power to retain copyrights in information they generate (or that is generated for them), as well as to sell and license such copyrighted works. No case law defines the extent to which this power is exercised at the county level.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Arizona has adopted the substance of the American Bar Association’s Model Procurement Code. Under the Arizona Procurement Code,¹⁵⁷ there is no specific provision governing intellectual property. Instead, such provisions exist in the Arizona Administrative Regulations,¹⁵⁸ based on the broad rulemaking authority conferred by the procurement statutes.¹⁵⁹ Under the regulations, offerors can incorporate trade secrets into an offer to the extent that the offer is properly marked confidential.¹⁶⁰ If the agency wishes to challenge the confidential status, there is a challenge procedure in which the offeror is notified in writing and given a chance to respond.¹⁶¹ A statutory exception prevents the procurement officer from revealing those portions of the winning bid or proposal that contain confidential information.¹⁶²

156. Ariz. Rev. Stat. § 11-251(57).

157. Ariz. Rev. Stat., Tit. 41, Ch. 23.

158. Ariz. Admin. Code § 2-7-101 *et seq.*

159. Ariz. Rev. Stat. § 41-2504.

160. Ariz. Admin. Code § 2-7-103.

161. Ariz. Admin. Code § 2-7-101, § 2-7-103(D) and (E).

162. Ariz. Rev. Stat. §§ 41-2533, 14-2534.

Arizona has a set of Uniform Terms and Conditions¹⁶³ that are included in all contracts.¹⁶⁴ In Articles 3.7 and 3.8 of these Uniform Terms and Conditions, the State owns all intellectual property (including patents, copyrights, trademarks, and trade secrets) “created or conceived pursuant to or as a result of this contract and any related subcontract.” Article 3.8 has a specific reporting provision requiring notification within thirty days of the creation of this intellectual property. In addition, Article 6.3 requires that the contractor indemnify the State “against any liability, including costs and expenses, for infringement of any patent, trademark or copyright arising out of Contract performance or use by the State of materials furnished or work performed under this Contract.” It is unclear how this provision would be enforced given the broad immunity from intellectual property liability enjoyed by the State as compared to the contractor.¹⁶⁵

c. Technology Transfer

Outside of procurements, Arizona has specific laws to govern technology transfer at multiple levels within the government. For instance, at the county level, Ariz. Rev. Stat. § 11-251 empowers the County Board of Supervisors to sell “informational publications that are uniquely prepared for use by the public and by employees,” and also to “license and sell information systems and intellectual property developed from county resources.” In order to encourage the cotton industry, the Cotton Research and Protection Council is empowered to obtain and license plant variety patents “for plant varieties resulting from seed breeding or other programs authorized by the council.”¹⁶⁶ To encourage the growth in “medical, scientific and engineering research programs and infrastructure,” Arizona established the Arizona Twenty-First Century Competitive Initiative Fund, which is partially financed through intellectual property developed using Fund-sponsored research.¹⁶⁷

The University of Arizona has a special statutory exception for proprietary information related to technology transfer. This exception prevents release of proprietary information under the Arizona Open Records Act for (1) proprietary information in grant applications, (2) third-party data provided as “confidential,” or (3) materials developed by a public employee where

163. *Uniform Terms and Conditions* (ver. 7.0, 2003), available at <http://www.azdoa.gov/spo/documents-forms/docs-forms/UTCv7.pdf> (last visited May 29, 2008).

164. *Uniform Instructions to Offerors*, Article 12 (Version 7.1) (2003), available at <http://www.azdoa.gov/spo/documents-forms/docs-forms/UIOv7.pdf> (last visited May 29, 2008).

165. *Coll. Savs Bank v. Fl. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999), interpreted by *Tegic Commc'ns Co. v. Bd. of Regents of the Univ. of Tx. Sys.*, 458 F.3d 1335 (Fed. Cir. 2006) and *Pennington Seed, Inc. v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006).

166. Ariz. Rev. Stat. § 3-1083 (C)(7).

167. Ariz. Rev. Stat. § 41-1505.09(E).

“the disclosure of this data or material would be contrary to the best interests of this state.”¹⁶⁸ Moreover, universities are expected to make effective use of their intellectual property and to contribute a share of IP royalties to the State general fund.¹⁶⁹ While the University of Arizona takes the position that all intellectual property generated under an agreement should be the property of the university, regardless of source, this policy does not appear to be statutorily based.¹⁷⁰

d. Sovereign Immunity Waivers

Arizona has enacted a partial sovereign immunity waiver with exceptions for “governmental functions.”¹⁷¹ This waiver would presumably allow suit both by contractors and third parties in connection with infringements of intellectual property rights. The Arizona Constitution states that “[n]o private property shall be taken or damaged for public or private use without just compensation having first been made,” but no cases apply this provision to IP.¹⁷² Whatever the rules are, they will apply with equal force to the Arizona State university system, which has been held to be an arm of the State enjoying full sovereign immunity rights.¹⁷³

Similarly, while no cases specifically address Takings for intellectual property under the Fifth Amendment and Art. 2, § 17, of the Arizona Constitution, Arizona courts might view a State Taking of IP without just compensation to be within the State’s waiver of sovereign immunity.¹⁷⁴ This would be consistent with Arizona’s inclusion of the State as a “person” for purposes of trade secret misappropriation.¹⁷⁵ It also is consistent with the Federal view of

168. Ariz. Rev. Stat. § 15-1640(1).

169. Ariz. Rev. Stat. § 15-1670.

170. *Common Topics in Reaching An Agreement For A Sponsored Project With The University of Arizona, A Public University*, <http://www.orca.arizona.edu/topics.html> (last visited May 29, 2008).

171. Ariz. Rev. Stat. § 12-820.

172. Ariz. Const., art. II, § 17. In Alaska and Alabama, similar statutory or constitutional provisions have justified State liability for IP and non-IP takings. See *City of Kenai v. Burnett*, 860 P.2d 1233 (Alaska 1993) (takings applies to inverse condemnations for property occur where a State action deprives a “property owner of the ‘economic advantages of ownership’”); *Alabama Power Co. v. Keystone Lime Co.*, 191 Ala. 58, 67 So. 833 (1914), *relied upon by City of Huntsville v. Roland H. Rowe*, No. 1020868 (Ala. March 26, 2004); *Dept. of Natural Resources v. Arctic Slope Reg’l Corp.*, 834 P.2d 134 (Alaska 1991) (release of proprietary data can be basis for takings).

173. *Rutledge v. Arizona Board of Regents*, 660 F.2d 1345, 1349-1350 (9th Cir. 1981) (Arizona State University).

174. Whether a Taking is for public purposes is a judicial question “determined as such without regard to any legislative assertion that the use is public” under Ariz. Const. art. 2, § 17.

175. Ariz. Rev. Stat. § 44-401(3).

trade secrecy.¹⁷⁶ But—in light of *Zoltek v. United States*¹⁷⁷—an Arizona court could be tempted to refuse to recognize certain other forms of intellectual property as “property” for Takings purposes. And no cases use Arizona Revised Statutes §§ 44-401 *et seq.* to either enjoin or obtain damages caused by State trade secret misappropriation.

4. Arkansas¹⁷⁸

a. Intellectual Property Laws

i. Trade Secrets

Arkansas has adopted the 1979 version of the Uniform Trade Secrets Act.¹⁷⁹ As such, Arkansas prevents misappropriation of a trade secret by any “person,” which is defined to include natural persons and corporations, as well as the government or a governmental subdivision or agency.¹⁸⁰ Where misappropriation occurs, the trade secret owner is entitled to request damages and/or an injunction.¹⁸¹ Further, there is a criminal penalty for trade secret theft.¹⁸²

In addition to a general trade secret law, Arkansas has a separate law that provides for criminal and civil penalties where a “person” knowingly accesses, modifies, transfers, or uses data or programs on a computer or network.¹⁸³ The law is written broadly enough to encompass the theft of trade secrets stored on a computer and is therefore somewhat analogous to the Computer Fraud and Abuse Act.¹⁸⁴ Since the CFAA can be utilized on a Federal level as a civil mechanism to enforce trade secret laws, it is likely that this separate law would be useful to protect trade secrets stored on a computer or accessed improperly using a computer.¹⁸⁵

Arkansas has also enacted a Freedom of Information Act at Arkansas Code § 25, Chapter 19. The Arkansas FOIA requires that all public records be

176. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

177. 42 F.3d 1345 (Fed. Cir. 2006).

178. Our thanks to Susie Engle of the University of Arkansas for her review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

179. Ark. Code § 4-75-601 *et seq.*

180. Ark. Code §§ 4-75-601(2), (3).

181. Ark. Code §§ 4-75-604, 4-75-606.

182. Ark. Code § 5-36-107.

183. Ark. Code § 5-41, subch. 2.

184. 18 U.S.C. § 1030.

185. See John R. Bauer, *Computer Fraud and Abuse Act (“CFAA”) enforcement update, 2006–2007 REPORT FOR ABA IPL COMMITTEE 410 TRADE SECRETS AND INTERFERENCE WITH CONTRACTS 6–9* (2007).

made available for inspection unless the release would be contrary to law.¹⁸⁶ Within the FOIA, there is a detailed listing of what is not to be released, including items such as income tax records, medical records, personnel records, and other items of similar nature.¹⁸⁷ There is a specific exemption for the release of records that “would give advantage to competitors or bidders.”¹⁸⁸ Further, the term “public record” does not include software “acquired by purchase, lease, or license,” thus ensuring that procured software is exempt from release under the Freedom of Information Act.¹⁸⁹ Outside of the Act itself, there are a number of independent statutes that recognize the need to maintain certain documents confidentially obtained by the State pursuant to various State regulatory functions and are thus exempt from release under the Freedom of Information Act as “contrary to law.”¹⁹⁰ Additionally, there are subject-area exemptions for other State materials, such as library records¹⁹¹ or related to the State’s participation in obtaining patents.¹⁹² Where no

186. Ark. Code § 25-19-105.

187. Ark. Code § 25-19-105(b).

188. Ark. Code § 25-19-105(b)(9).

189. Ark. Code § 25-19-103(5)(B).

190. Ark. Code § 2-37-113 (criminal penalty for revealing trade secret related to livestock or feed provided to Plant Board); Ark. Code § 8-4-308 (confidentiality of trade secrets for air quality control data obtained by the Arkansas Department of Environmental Quality or the Arkansas Pollution Control and Ecology Commission); Ark. Code § 8-7-811 (confidentiality of trade secrets for underground storage tank data obtained by the Arkansas Department of Environmental Quality or the Arkansas Pollution Control and Ecology Commission); Ark. Code § 8-7-511 (confidentiality of trade secrets related to remediation of released hazardous materials obtained by the Arkansas Department of Environmental Quality or the Arkansas Pollution Control and Ecology Commission); Ark. Code § 8-7-1012 (procedure to withhold chemical formula from material safety data sheet or workplace chemical list provided to public employees); Ark. Code § 23-15-210 (confidentiality of trade secrets obtained by Arkansas Public Service Commission related to oil and gas pipelines); Ark. Code §§ 23-86-313(3), 23-86-207 (confidentiality of trade secrets related to medical insurance information to be provided by insurer to small businesses); Ark. Code § 23-67-219(1)(C)(iv) (confidentiality of trade secrets included in workers compensation and liability insurance plan submitted to the Insurance Commissioner); Ark. Code § 20-60-214(9) (confidentiality of trade secrets revealed during meat inspections).

191. Ark. Code §§ 13-2-701, 13-2-703 (prohibiting release of confidential library records, which includes records that identify a patron’s request for books, materials, computer database searches, interlibrary loan transactions, reference queries, patent searches, requests for photocopies of library materials, title reserve requests, or the use of audiovisual materials, films, or records).

192. Ark. Code § 15-4-1403 (protecting from release inventor’s proposals, marketing information, state-assisted patent searches and data obtained or developed under the Inventor’s Assistance Act); Ark. Code § 13-2-701 (defining a class of nonreleasable library records to include patent searches at the library).

specific exemption exists, proprietary information can be protected from release under a common-sense approach.¹⁹³

ii. Trademarks

Arkansas has a State-level trademark system codified at Title 4, Chapter 71 of the Arkansas Code. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹⁹⁴ Under this registration system, the application is made to the Secretary of State.¹⁹⁵ The registration lasts for a term of five years, which is renewable.¹⁹⁶ The remedies on showing of infringement include both monetary and injunctive relief¹⁹⁷ and can be the basis for criminal penalties in certain circumstances.¹⁹⁸ Infringement "with knowledge or in bad faith" is punishable by punitive damages of up to three times profits and damages or reasonable attorney fees.¹⁹⁹

The definition of persons who are eligible to be sued does not include the State of Arkansas.²⁰⁰

iii. Copyrights

The Arkansas Code provides civil and criminal penalties for copyright-related misconduct committed on a computer or using software.²⁰¹ There are

193. ARKANSAS FREEDOM OF INFORMATION HANDBOOK 22 (12th ed. 2006) (where the exemption is ambiguous, the "court will balance the interests between disclosure and nondisclosure using a common sense approach. *ADFA v. Pharmacy Assoc.*, 333 Ark. 451, 970 S.W.2d 217 (1998)").

194. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

195. Ark. Code §§ 4-71-203, 4-71-204.

196. Ark. Code § 4-71-206.

197. Ark. Code § 4-71-214.

198. Ark. Code § 20-56-202 (penalty where mark misused for selling counterfeit substances in violation of the Food, Drug, and Cosmetic Act); Ark. Code § 20-64-302 (penalty where mark misused for selling counterfeit drugs in violation of the Drug Abuse Control Act); Ark. Code § 20-64-302 and 2-16-410 (penalty where pesticide is misbranded by not having the proper trademark); Ark. Code §§ 2-19-201, 2-19-205 (penalty where container for fertilizer is misbranded by not having the proper trademark); Ark. Code §§ 4-108-206, 4-108-208, and 4-108-209 (penalty where special use engine fuels not registered to refer to the proper trademark); Ark. Code § 15-75-406 (penalty where liquefied petroleum gas containers bearing trademark of the owner to be refilled by another person); Ark. Code § 27-36-203 (approved lamps and other devices having trademarks must display trademark when installed).

199. Ark. Code § 4-71-214; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

200. Ark. Code § 4-71-201(5).

201. Ark. Code, Title 5, Chapter 41.

two subchapters to the law. Subchapter 1 provides criminal and civil penalties related to fraud, but defines the fraud as including when a “person intentionally and without authorization accesses, alters, deletes, damages, destroys, or disrupts any computer, computer system, computer network, computer program, or data” during the commission of trespass on the system²⁰² or similarly uses the system for purposes of committing fraud.²⁰³ Subchapter 2 provides for criminal and civil penalties where a person knowingly accesses, modifies, transfers, or uses data or programs on a computer or network²⁰⁴ or “causes the use of, accesses, attempts to gain access to, or causes access to be gained to a computer, system, network, telecommunications device, telecommunications service, or information service.”²⁰⁵ While these laws are generally aimed at preventing hacking and fraud using computers,²⁰⁶ they are written broadly enough to encompass fact patterns consistent with copyright infringement. As such, Arkansas litigants have a second cause of action to prohibit unauthorized modification or use of a computer program in addition to a possible copyright infringement claim.

Arkansas requires copyright owners and performance-rights societies to provide a special notice prior to contracting for payment of royalties by a business proprietor and will prevent collection of such royalties where the notice is not provided.²⁰⁷ This notice is limited to music and does not apply to motion picture or audiovisual works.²⁰⁸ Since the protections specifically are limited to licensing of musical works by performing rights societies, the impact of these provisions on procurement of software or other copyrighted items is minimal.

Arkansas has a specific requirement for copyrighted instructional material that is used electronically for purposes of providing the material to students with disabilities. The State requires the providers of instructional materials to provide, for use with disabled students, an accredited institution of higher learning with “any printed instructional material in an electronic format mutually agreed upon by the publisher or manufacturer and the school” and “at no additional cost and in a timely manner.”²⁰⁹ A similar requirement exists for nonprinted instructional material.²¹⁰ Where this information is provided and a student is allowed to access the electronic version of the instruction material directly, “the disk or file shall be copy-protected” or the

202. Ark. Code § 5-41-104.

203. Ark. Code § 5-41-103.

204. Ark. Code § 5-41-202(a).

205. Ark. Code § 5-41-203(b).

206. Ark. Code § 5-41-101.

207. Ark. Code § 4-76-103.

208. Ark. Code § 4-76-102.

209. Ark. Code § 6-68-102.

210. Ark. Code § 6-68-104.

material otherwise provided in a manner that prevents copyright infringement.²¹¹ Lastly, there is a specific statement that Arkansas is not authorizing any use that would be considered copyright infringement. This statement would likely mean that the State has not waived sovereign immunity where a student or a school violates the copyright on the provided instructional material, since Arkansas has specifically not authorized such use.²¹²

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Under the Arkansas Procurement Law,²¹³ there is no provision specifically outlining intellectual property license or ownership rights. However, under the implementing regulations, there is a recognition that proprietary rights need to be respected: one ground for sole-source procurement is that a service is patented or proprietary.²¹⁴ Further, there is a Freedom of Information Act exemption for procurement information that would give an advantage to competitors or bidders. This would seemingly include proprietary material in a contract bid.²¹⁵

At an agency level, Arkansas has unusual software licensing requirements. In order to ensure that software licenses rights are respected, the Governor-issued Executive Order EO-00-12.²¹⁶ Executive Order EO-00-12 requires each agency to respect software licenses, to ensure that there are regulations in place to only acquire software not “in violation of U.S. copyright and applicable licensing restrictions,” and to only allow licensed software on agency computers. No equivalent directive applies to other forms of IP.

The Arkansas Department of Human Services has general terms and conditions that define all contractor-developed software or modifications to existing software as Department property owned by the State.²¹⁷ If the

211. Ark. Code § 6-68-103.

212. Ark. Code § 6-68-106.

213. Ark. Code, Title 19, Chapter 11.

214. Arkansas State Procurement Rule R1(e)(5) (implementing Ark. Code § 19-11-232).

215. Ark. Code § 25-19-105(b)(9)(A); see also Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 168 (2003).

216. State of Arkansas Governor Proclamation: EO-00-12: An Executive Order To Prevent And Combat Computer Software Piracy.

217. ARKANSAS DEPARTMENT OF HUMAN SERVICES, CONTRACT MANUAL FOR PROFESSIONAL/CONSULTANT SERVICE CONTRACTS AND GRANTS 175, 184–85 (Oct. 2003).

contractor uses contractor-owned software in the performance of the contract, the contractor implicitly licenses the software “to the State of Arkansas at no additional cost, subject to customary confidentiality and other license terms and conditions.”²¹⁸ It is unclear to the extent that these general terms and conditions are compliant with the Executive Order EO-00-12.

c. Technology Transfer

Outside of procurement, Arkansas has created specific programs in order to assist inventors and receive proposals for new technologies. The Arkansas Inventors’ Assistance Act established a Center for Prototype Development and Emerging Technologies at the University of Arkansas at Little Rock.²¹⁹ Inventors can submit their proposals to the Center and receive aid, including patent searches and market analysis, supporting the development of a particular technology.²²⁰ The Center also can help bring the product to market, including preparing and filing patent applications, with Arkansas receiving an “equitable percentage of any consideration received from the sale, licensing, or transfer of any interest in intellectual property or proprietary products” developed under the Act.²²¹

A somewhat similar program is implemented by the Arkansas Science & Technology Authority, which was established by Title 15, Chapter 3, of the Arkansas Code. The Arkansas Science & Technology Authority’s programs are designed to stimulate the growth of new industries. It uses grants for this purpose. Each grant application has specific procedures to ensure that proprietary information included in the grant application remains confidential and is not released under the Freedom of Information Act.²²² There does not appear to be any reservation of rights for intellectual property developed under these grants.

The University of Arkansas performs a technology stimulation and transfer function. Under the University of Arkansas Patent and Copyright Policy, the university owns any intellectual property developed by an employee using

218. *Id.*

219. Ark. Code § 15-4-1401 *et seq.*

220. Ark. Code § 15-4-1404.

221. Ark. Code § 15-4-1407.

222. Applied Research Grant Program Rules, § 4.2; Seed Capital Investment Program (confidentiality form), available at <http://www.accessarkansasscience.org/pdf/seedagree.pdf> (last visited May 29, 2008); Technology Development Program (confidentiality form), available at <http://www.accessarkansasscience.org/pdf/tdp-confidentiality-Agreement.pdf> (last visited May 29, 2008); Technology Transfer Assistance Grant Program Rules § 7.0, available at <http://asta.ar.gov/pdf/ttagrules.pdf> (last visited May 29, 2008).

at least some university funds.²²³ However, this policy can be waived for sponsored research.²²⁴

d. Sovereign Immunity Waivers

Arkansas has created a civil Claims Commission to adjudicate damage claims against the State. The university system enjoys the same sovereign immunity as does any other State instrumentality, and thus is also subject to the exclusive jurisdiction of the Claims Commission.²²⁵ Federal courts have upheld the exclusive jurisdiction of the Claims Commission with respect to both patent²²⁶ and copyright²²⁷ claims, confirming in the process that State-level administrative proceedings generally will be sufficient to afford IP holders a remedy consistent with the U.S. Constitution.

As noted by the Federal Circuit in *Pennington Seed v. Produce Exchange No. 299, et al.*,²²⁸ the Arkansas Claims Commission has the power to summarily rule on claims (including patent claims, as were at issue in *Pennington Seed*) for under \$10,000, and the State legislature may consider claims and appropriate monetary awards greater than \$10,000 (a legislative remedy).²²⁹ In *Infomath v. University of Arkansas*, the Claims Commission awarded \$15,000 in damages for copyright infringement.²³⁰ As a general rule, damages against the State are capped at \$10,000, though this seems geared toward personal injuries rather than IP violations.²³¹ The Eighth Circuit has held that injunctions are available against Arkansas officials, but not against the State itself.²³² This is inconsistent with the inclusion of the State of Arkansas as a “person” for purposes of trade secret misappropriation—an inclusion that suggests (but apparently does not establish) that the State is liable for both injunctive and monetary relief.²³³ But no cases use the provisions at Ark. Stats. §§ 4-75-601 *et seq.* to enjoin or obtain damages arising from State trade secret misappropriation.

223. University of Arkansas Patent and Copyright Policy §§ (C)(1) and (D)(1).

224. University of Arkansas Patent and Copyright Policy § H.

225. *Greenwood v. Ross*, 1988 WL 156151 (E.D. Ark. Jan. 29, 1988); *Infomath v. University of Arkansas et al.*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878 (E.D. Ark. Dec. 21, 2007).

226. *Pennington Seed v. Produce Exchange No. 299, et al.*, 457 F.3d 1334 (Fed. Cir. 2006).

227. *Infomath*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878.

228. *Pennington Seed*, 457 F.3d 1334.

229. Ark. Code § 19.10.201 *et seq.*

230. 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878.

231. Ark. Code § 19.20.201.

232. *Pediatric Specialty Care, Inc. v. Ark. Dep't of Human Services*, 443 F.3d 1005, 1017 (8th Cir. 2006).

233. Ark. Code §§ 4-75-601(2), (3).

Several Arkansas cases suggest that a State taking of property (including IP) would be compensable as an *ultra vires* act.²³⁴ The Federal Circuit in *Pennington Seed*²³⁵ alluded to a possibility of such compensation under a theory of conversion, citing *Austin v. Arkansas State Highway Commission*²³⁶ and *Cammack v. Chalmers*²³⁷ to support damages and possible injunctive relief for *ultra vires* acts. This line of reasoning may have been rejected in *Infomath*, in which the University of Arkansas was held immune from suit under the Eleventh Amendment, while the two accused university researchers were held immune from monetary damages but liable to be enjoined.²³⁸ The *Infomath* Court also upheld the Claims Court award of \$15,000 as reasonable.²³⁹

5. California²⁴⁰

a. Intellectual Property Laws

i. Trade Secrets

California has adopted the 1979 version of the Uniform Trade Secrets Act,²⁴¹ plus separate provisions governing disclosure for purposes of litigation.²⁴² Interestingly, customer lists are specifically designated as trade secrets, although former employees may have a limited right to use them.²⁴³ California prevents misappropriation of a trade secret by any “person,” which is defined to include natural persons and corporations, as well as the government or a governmental subdivision or agency.²⁴⁴ California Code of Regulations Title 8, Appendix D, provides specific guidance on what criteria should be considered

234. *Pennington Seed*, 457 F.3d 1334; *Austin v. Ark. State Highway Comm'n*, 895 S.W.2d 941, 943 (Ark. 1995); *Cammack v. Chalmers*, 680 S.W.2d 689 (Ark. 1984). Indeed, the Arkansas Constitution emphasizes the importance of property rights, stating that the “right of property is before and higher than any constitutional sanction.” ARK. CONST. Art. 2, § 22.

235. *Pennington Seed*, 457 F.3d 1334.

236. *Austin*, 895 S.W.2d at 943.

237. *Cammack*, 680 S.W.2d 689.

238. *Infomath*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878.

239. *Id.*

240. Our thanks to Wendy D. Streitz, Director, Policy, Analysis, and Campus Services, Office of Technology Transfer, University of California, and University Counsel P. Martin Simpson for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

241. Cal. Civ. Code § 3426 *et seq.*

242. Cal. Civ. Code § 2019(d); Cal. Evid. Code §§ 1060-1063; Cal. Penal Code § 1102.6.

243. Cal. Bus. & Prof. Code §§ 16606-16607.

244. Cal. Civ. Code § 3426.1(c).

in evaluating trade secrets. The statutory authority for this guidance is uncertain, given the State's definition of a trade secret under the Uniform Trade Secrets Act.²⁴⁵

Theft²⁴⁶ and attempted theft²⁴⁷ of trade secrets are crimes under California law.

For purposes of evaluating trade secrets in the context of information required to be on material data safety sheets, chemical identities that are "readily discoverable through qualitative analysis" are not considered trade secrets.²⁴⁸ This exclusion does not appear in the definition of "trade secrets" under the Uniform Trade Secrets Act.²⁴⁹

The California Public Records Act encompasses "any writing containing information relating to the conduct of the public's business prepared, owned, used, or retained by any state or local agency."²⁵⁰ There is no specific provision for trade secrets submitted in the procurement context, but the State is entitled to protect records whose disclosure "is exempted or prohibited pursuant to federal or state law"²⁵¹ as well as through California Evidence Code Section 1060. Broadly, this might allow a contractor to argue that California's Uniform Trade Secrets Act forbids disclosure. Outside such a theory, various California statutes allow or require IP to be reviewed or discussed with the Government in confidence, as long as it is properly marked or otherwise designated.²⁵²

245. Cal. Lab. Code §§ 6390-6396.

246. Cal. Penal Code §§ 484-502.9.

247. Cal. Penal Code §§ 528-539.

248. Cal. Code Regs. tit. 8, § 5194.

249. Cal. Civ. Code § 3426.1(d).

250. Cal. Gov't Code §§ 6250-6270.

251. Cal. Gov't Code § 6254(k).

252. Cal. Health & Safety Code §§ 125290.10 through .70 (Independent Citizen's Oversight Committee may conduct closed sessions when it meets to consider or discuss IP), 25531-25543.3 (stationary source reporting), 43100-43108 (information submitted by motor vehicle manufacturers), 39660-39664, 44340-44346, 57000-57020 (California Environmental Protection Agency), 25500-25520, 114419-114423 (food facilities), 111791-111793.5 (chemicals in cosmetics), 32100-32111 (healthcare facilities), 25350-25359.7 (department or regional water quality control board), 25280-25299.8 (Unified Program Agency); Cal. Rev. & Tax. Code §§ 19441-19443, 9260-9278, 55321-55337, 41160-41176, 40200-40216, 50156-50156.18, 32460-32476, 43511-43527, 46611-46628, 60621-60637, 45856-45872, 30458-30459.8, 7080-7099.1, 38701-38800 ("[t]he public record shall not include any information that relates to any trade secret, patent, process, style of work, apparatus, business secret, or organizational structure, that if disclosed, would adversely affect the taxpayer or the national defense"); Cal. Unemp. Ins. Code §§ 1231-1237 (same); Cal. Welf. & Inst. Code §§ 14087.3-14087.48; Cal. Pub. Res. Code §§ 40050-40063 (information provided pursuant to the California Integrated Waste Management Act), 42465-42465.3; Cal. Lab. Code §§ 6390-6399.2 (hazardous material information disclosed to the Director of Industrial Relations), 6300-6332 (Labor Department inspections); Cal. Penal Code §§ 11180-11181

ii. Trademarks

In 2008, California's Assembly Bill 1484 adopted the International Trademark Association's Model State Trademark Bill of 2007, repealing the 1949 edition of the Bill.²⁵³ Under the new law, California has adopted the Patent and Trademark Office's classification of goods and services. It allows registrants to include multiple classifications in a single applicant. Applications now must be accompanied by a "declaration of accuracy." A false statement is punishable by up to \$10,000 in civil penalties.

Registration costs \$70, with \$30 renewals available for as long as the registrant continues to use the mark in-State.²⁵⁴ But a California trademark now lasts for only five years (down from ten). Federal Lanham Act precedents are considered nonbinding but persuasive authority.²⁵⁵

The enactment of the Model State Trademark Act did not disturb other trademark-related provisions of California law. For example, the California Corporations Code provides independent protection for registered corporate names.²⁵⁶ And the names of insurance companies are subject to separate regulatory review to ensure they are not confusing or misleading.²⁵⁷

For purposes of trademark infringement, the term "person" does not include government bodies or agencies, but does cover any "organization capable of suing and being sued in a court of law."²⁵⁸ Whether this is sufficient to render the State a "person" for purposes of State trademark infringement is unclear.

(Interstate Commission); Cal. Gov't Code §§ 6250-6270 (Director of Pesticide Regulation), and 54950-54963 (Report Involving Trade Secrets under the Ralph Brown Act), 37600-37625 (hospital trade secrets); Cal. Food & Agric. Code §§ 78921-78928; Cal. Code Regs. tit. 4, § 8080 (California Pollution Control Financing Authority); Cal. Code Regs. tit. 10, § 2355.8; Cal. Code Regs. tit. 11, § 999.5 (transfer of health care facilities); Cal. Code Regs. tit. 14, §§ 2945 (recycling centers and scrap dealers), 17044, 17046, 17948, 18612, 18619.4 (used oil recycling program); Cal. Code Regs. tit. 17, §§ 33050 (submissions under Health & Safety Code), 60055.25, 60065.26, 60075.26, 60065.34, 60075.34, 91022 (air resource board); Cal. Code Regs. tit. 18, § 313 (State Board of Equalization—Property Tax hearings); Cal. Code Regs. tit. 19, § 2729.2 (hazardous material business plans); Cal. Code Regs. tit. 20, §§ 1370 (petroleum information reports), 2505; Cal. Code Regs. tit. 22, §§ 64825 (certification of environmental laboratory), 66266.1 (disposal of recyclable hazardous waste), 67100.3 (hazardous waste source reduction and management reports); Cal. Code Regs. tit. 23, §§ 2711-2714 (underground tank regulations); Cal. Code Regs. tit. 26, § 17-30194 (Department of Health license applications); Cal. Code Regs. tit. 27, § 15180 (certified unified program agencies).

253. Cal. Bus. & Prof. Code § 14200 *et seq.*

254. Cal. Gov't Code §§ 12180-12197.

255. Cal. Bus. & Prof. Code §§ 14200-14272.

256. Cal. Corp. Code §§ 31000-31019.

257. Cal. Code Regs. tit. 10, §§ 2052.4, 2536.9.

258. Cal. Bus. & Prof. Code § 14202(e). *Cf., Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

California has enacted a gray-market goods law. “Gray market” goods are defined as:

[C]onsumer goods bearing a trademark and normally accompanied by an express written warranty valid in the United States of America which are imported into the United States through channels other than the manufacturer’s authorized United States distributor and which are not accompanied by the manufacturer’s express written warranty valid in the United States.²⁵⁹

Such products are not illegal *per se*, as long as the retailer discloses what warranties are available.²⁶⁰

Misuse and counterfeiting are violations of criminal law, both generally²⁶¹ and relating specifically to food, drugs, cosmetics, and medical devices.²⁶²

Some organizations enjoy particular statutory trademark benefits outside the Trademark Act. For example, trade and labor unions have the right to their registered trademarks by virtue of Labor Code Sections 1010-1018. Products bearing the trademarks of the Indian Arts and Crafts Board or the American Indian Historical Society in San Francisco are deemed authentic by the State.²⁶³ And—as is true in all States—certain goods *must* bear trademarks.²⁶⁴

Agricultural marks must be registered with the California Department of Agriculture.²⁶⁵

California—as home of the nation’s entertainment industry—has enacted an unusual set of laws protecting celebrity likenesses. Under California Civil Code § 3344 (a), it is illegal to use another’s name, voice, signature, photograph

259. Cal. Civ. Code §§ 1797.8-1797.86.

260. Cal. Civ. Code § 1797.82.

261. Cal. Penal Code §§ 346-368.

262. Cal. Health & Safety Code §§ 109875-110040.

263. Cal. Bus. & Prof. Code §§ 17569-17569.9.

264. *E.g.*, Cal. Bus. & Prof. Code §§ 13480-13490 (petroleum products), 13530-13540 (vehicle fuel); Cal. Food & Agric. Code §§ 15325-15327 (labeling of foodstuffs), 27631-27644 (eggs), 14281-14396 (livestock drugs), 14991-14996 (commercial feed), 12851-12859 (pesticides), 42941-42951 (fruits, nuts, vegetables), 47020-47022.7 (foods sold at farmer’s markets), 14511-14564 (fertilizer); Cal. Veh. Code §§ 5301-5309 (commercial vehicles), 24000-24018 (new cars); Cal. Health & Safety Code §§ 111070-111195 (bottled water); Cal. Code Regs. tit. 8, §§ 344.90 (manufactured protective covers), 507 (excess flow valves), 538 (hoses and tubing), 1596 (roll-over protective structures), 2554.21 (projectors and other equipment), 2554.34 (same), 2840 (circuit breakers), 2904 (same), 2904 (lightning arresters), 3021 (hoistway door interlock and gate locks), 5046 (metal mesh slings); Cal. Code Regs. tit. 22, § 66263.23 (hazmat trucks); Cal. Code Regs. tit. 13, §§ 630 (lenses), 631 (lighting equipment), 634 (optical units), 933.1 (liquefied petroleum gas fuel supply containers), 934 (compressed natural gas fuel supply containers), 935.1 (liquefied natural gas fuel supply containers), 1023 (highway patrol sirens), 1054 (mufflers), 1256 (big rigs).

265. Cal. Food & Agric. Code §§ 12811-12837, 15305-15320.

(in which the individual is “readily identifiable”), or likeness for advertising or sales without permission from the person so depicted. An aggrieved plaintiff is entitled to all profits generated thereby, plus the greater of either actual damages or a \$750 statutory award, and possibly punitive damages. separate provision (the “Astaire Law,” after an advertisement to which the late Fred Astaire’s family objected) prevents unauthorized use of a dead person’s likeness for advertising purposes for 70 years after his death. The same penalties apply.²⁶⁶

California has created special protections for domain name cybersquatting in the celebrity/right of personality context. California’s anti-cybersquatting act renders it illegal to register in bad faith another person’s name, living or dead. A court dealing with an action under this section of the Business & Professions Code may consider trademark or other IP rights, but need not make its decision based on those IP rights.²⁶⁷

iii. Copyrights

Again given the pre-eminence of California’s entertainment industry, it is only natural that the State should have a well-developed series of copyright-related laws—a corpus of entertainment industry-friendly legislation that supplements without conflicting directly with Federal copyright law. For instance, copyright owners or performing-rights societies attempting to license to restaurants and stores are subject to specific regulations governing when and how they can enter into a contract for the payment of royalties for use of musical works, but the protections do “not apply to contracts between copyright owners or performing-rights societies and broadcasters licensed by the Federal Communications Commission.”²⁶⁸ The failure to heed such regulations can result in a civil fine and possible treble damages.²⁶⁹

Bootlegging music (that is, distributing commercial recordings without the permission of the copyright owner) is a crime.²⁷⁰ California also uses professional licensure obligations to punish copyright infringement.²⁷¹ And the City of Los Angeles has enacted a copyright piracy law claiming that piracy is a “public nuisance.”²⁷²

266. Cal. Civ. Code § 3344.1.

267. Cal. Bus. & Prof. Code § 17526.

268. Cal. Bus. & Prof. Code §§ 21750-21758.

269. Cal. Bus. & Prof. Code §§ 21754, 21755.

270. Cal. Penal Code §§ 639-653.1.

271. See, e.g., Cal. Admin. Code tit. 16, § 160 (“[a]n architect shall not have been found by a court to have infringed upon the copyrighted works of other architects or design professionals”); Cal. Admin. Code tit. 16, § 2670 (a “landscape architect shall not have been found by a court to have infringed upon the copyrighted works of other landscape architects or design professionals”).

272. Los Angeles County Counterfeit Goods Nuisance Abatement Law tit. 13, ch. 13.90 (May 6, 2008).

California provides a statutory definition of “employee” for purposes of the Federal work-for-hire doctrine. In California, an employee is:

Any person while engaged by contract for the creation of a specially ordered or commissioned work of authorship in which the parties expressly agree in a written instrument signed by them that the work shall be considered a work made for hire, as defined in Section 101 of Title 17 of the United States Code, and the ordering or commissioning party obtains ownership of all the rights comprised in the copyright in the work.²⁷³

Whether this is a valid exercise of State power is unclear. On the one hand, the Copyright Act contains a specific, explicit definition of the conditions under which the work-for-hire doctrine applies. On the other, employment law clearly is governed by the State rather than the Federal Government. We have not found any cases exploring this possible tension. Interestingly, the same rule does not apply to artwork created under grants from the California Arts Council:

The California Arts Council shall not claim ownership, copyright rights, royalties or any other claims to artwork produced as a result of a California Arts Council grant or contract. The California Arts Council may request documentation or copies of artwork for purposes of the California Arts Council record.²⁷⁴

The State obtains full ownership of any work of art it purchases, except that the artist retains the right to reproduce the work, subject to applicable copyright provisions and any related contractual provisions.²⁷⁵ This in turn reflects California’s copyright “moral rights” legislation, Civil Code § 987 (c), which states that “[n]o person . . . shall intentionally commit, or authorize the intentional commission of, any physical defacement, mutilation, alteration, or destruction of a work of fine art.” Section 987 only applies to works of visual art, and in concept tracks the Federal Visual Artists’ Rights Act.²⁷⁶ A June 2008 Northern District of California case confirms that these provisions (as well as tortious-interference with business claims relating to copyright infringement) are not pre-empted by Federal copyright law.²⁷⁷

A 1999 Executive Order requires all State agencies to purchase legitimate, fully-licensed software, and to ensure that all procurement contracts contain language concerning copyright infringement.²⁷⁸ While the Executive Order

273. Cal. Lab. Code §§ 3350-3371; *see also* Cal. Unemp. Ins. Code §§ 675-687.2 (employer retains ownership of copyrights created by employee).

274. Cal. Admin. Code tit. 2, § 3628.

275. Cal. Gov’t Code §§ 15813-15813.8.

276. 17 U.S.C. § 106A.

277. *Brackett v. Hilton Hotels Corp.*, 2008 U.S. Dist. LEXIS 88143 (N.D. Cal., June 30, 2008).

278. Cal. Exec. Order No. D-10-99 (Oct. 15, 1999).

theoretically “does not create any right or benefit, substantive or procedural, at law or equity by a party against the State of California,” to the extent that the Executive Order requires that each agency “give effect to copyrights associated with computer software,” it appears that the State agencies must at least consider requests for retroactive licenses (and applicable fees) for past unlicensed use. The agency otherwise would not be fighting piracy as required.²⁷⁹ It is unclear if any such licenses have been sought.

The California Truth in Music Advertising Act (a model bill pushed by certain performing-rights societies) regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers (and, presumably, the fact that not all “original” members will be performing at a given gig). This law was passed in 2007, and is found at California Business & Professions Code § 17537.12. California is one of a number of States that have recently passed such legislation.²⁸⁰

iv. Patents

California, like many other States, regulates invention developers.²⁸¹ It sets mandatory terms and conditions for invention development contracts,²⁸² including specific language on the contract’s cover sheet,²⁸³ and gives the inventor the right to back out of the contract within a set time.

California also protects inventors from assignment clauses in employment contracts. If an invention is developed without company resources or does not relate to the employer’s business, the inventor (and not the company) owns the resulting IP—regardless of any contractual provisions to the contrary.²⁸⁴

b. Procurement Laws

California procurement laws are scattered throughout the California Code.²⁸⁵ But the primary source of law is the Public Contract Code, and the State’s

279. Cal. Exec. Order No. D-10-99(1) and (5).

280. According to the Vocal Group Hall of Fame Foundation, the following states have similar legislation: Pennsylvania, Connecticut, Illinois, Michigan, Massachusetts, Maine, South Carolina, North Dakota, Virginia, New Jersey, Florida, Wisconsin, Tennessee, Missouri, Texas, Nevada, and New York. See http://www.vocalgroup.org/truth_states.htm (last visited April 26, 2008).

281. Cal. Bus. & Prof. Code § 22372 *et seq.*

282. Cal. Bus. & Prof. Code § 22379.

283. Cal. Bus. & Prof. Code §§ 22372-22378.

284. Cal. Labor Code §§ 2870-2872.

285. See Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 168–169 (2003) (itemizing the various places where California procurement law is codified); see also Summary of Statutory and Policy Requirements for State Contracts—May, 2001, <http://www.pd.dgs.ca.gov/Publications/spsummary.htm> (last visited May 29, 2008).

primary purchaser is the Procurement Division.²⁸⁶ While there are multiple sources of authority, “[t]o encourage competition for public contracts and to aid public officials in the efficient administration of public contracting, to the maximum extent possible, for similar work performed for similar agencies, California’s public contract law should be uniform.”²⁸⁷ California’s preference for competition also is made clear in the Cartwright Act, California’s antitrust statute.²⁸⁸

California has a flexible competitive procurement system,²⁸⁹ with statutory preferences for small businesses.²⁹⁰ Public Contract Code sections 2000-2001, 10115-10115.16, and 10500.5 allow procurement officials to deviate from the basic selection rule in order to grant additional affirmative-action awards to minority and women-owned contractors. But while these provisions remain on the books, they likely are dead letters as a consequence of California’s Proposition 209, which banned all racial preferences in State affairs.²⁹¹

There is a general prohibition on drafting specifications that de facto require a sole-source.²⁹² State Contracting Manual Paragraph 3.B2.1 dictates that a specification not identify “a particular brand name, product or a feature of a product that is peculiar to one manufacturer, except for reference purposes.” Accordingly, a solicitation that calls for a trademarked good should proceed only under sole-source authorization.²⁹³ There is separate authority for noncompetitively bid contracts at Chapter 4 of the State Contracting Manual under the following conditions:

- The proposed goods and services are the only ones that meet the State’s needs.²⁹⁴ This allows the State to contract on a noncompetitive/sole-source basis for patented or copyrighted materials. The Department of General Services must approve any such procurements exceeding \$25,000.²⁹⁵

286. Procurement Division Homepage, <http://www.pd.dgs.ca.gov/default.htm> (last visited May 29, 2008).

287. Cal. Pub. Cont. Code § 102.

288. Cal. Bus. & Prof. Code §§ 16720-16728.

289. Cal. Pub. Cont. Code §§ 100, 10290 *et seq.*; see STATE PROCUREMENT MANUAL ch. 3 (November 2007).

290. Cal. Gov’t Code §§ 14835, 14838; Cal. Code Regs. tit. 2, § 1896 *et seq.*; Cal. Pub. Cont. Code § 2002.

291. Cal. Const. art. 1, § 31.

292. Cal. Pub. Cont. Code §§ 10318-10319; STATE ADMINISTRATIVE MANUAL ¶¶ 3503, 5230.1.

293. Cal. Pub. Cont. Code §§ 10301, 10348, 12102; Exec. Order W-103-94; Cal. Management Memo 99-16.

294. Cal. Pub. Cont. Code § 12102(a)(1).

295. Cal. Pub. Cont. Code § 10301 (“Except in cases when the agency and the department agree that an article of a specified brand or trade name is the only article that will properly meet the needs of the agency. . . .”)

- Emergency procurement situations, to protect the public's health, welfare, or safety.²⁹⁶ This also could encompass IP procurements for, e.g., pharmaceuticals.
- Procurements valued under \$5000.²⁹⁷
- And miscellaneous categories of procurement unrelated to IP.²⁹⁸

Using this authority, the State is able to maintain existing contracts for proprietary software maintenance and upgrades²⁹⁹ and acquire new proprietary software.³⁰⁰

The Procurement Division's State Model Information Technology Software Special Provisions (1/21/03) are intended to be included with all IT contracts, absent special circumstances³⁰¹ and excluding the higher education system.³⁰² Under Paragraph 1(a), the State receives a nonexclusive, nontransferable license to software products provided under a government contract, subject further to any other terms and conditions of the contract. Though the license is site- and CPU-specific, the software nevertheless may be used by the State "in the conduct of its own business, and any division thereof." The contractor also must provide any necessary encryption/CPU ID authorization codes. The State is authorized under Paragraph 3 to pay running license fees. For commercial software, acceptance "will be governed by the terms and conditions of the license agreement governing such Software."³⁰³ For custom software, acceptance is assumed after sixty days or upon written notice.³⁰⁴ Paragraph 6 (a) of the Model IT Software Special Provisions allows the State to perform certain maintenance tasks but affirms that "[t]he original, and any copies of the Software Product, which are made hereunder shall be the property of the Contractor." In all cases, an Executive Order requires agencies to ensure that they only procure legal copies of software.³⁰⁵

Bids are confidential before award but must be disclosed upon award.³⁰⁶ Similarly, all cost and pricing data must remain public.³⁰⁷ According to Paragraph 3.A1.1 of the State Procurement Manual, "[t]otal confidentiality during the procurement process is vital to preserve the integrity of the process.

296. Cal. Pub. Cont. Code §§ 10101(b), 12102(a)(2), 22050.

297. Cal. Gov't Code § 14838.5(c).

298. See STATE CONTRACTING MANUAL ¶¶ 4.4.0 *et seq.*

299. STATE CONTRACTING MANUAL ¶ 4.3.0 (Nov. 2007).

300. STATE CONTRACTING MANUAL ¶ 4.3.1 (Nov. 2007).

301. Cal. Pub. Cont. Code §§ 12100-12113; see generally STATE CONTRACTING MANUAL ¶¶ 1.B2.0 *et seq.*, 1.C3.0 *et seq.*, 1.C4.0 *et seq.* (Nov. 2007).

302. Cal. Pub. Cont Code § 12100.5.

303. State Model Information Technology Software Special Provisions (1/21/03) ¶ 5(a).

304. *Id.* ¶ 5(b).

305. Cal. Exec. Order No. D-10-99(1), (5) (Oct. 15, 1999).

306. Cal. Pub. Cont. Code §§ 10304-10305, 10341-10342.

307. Cal. Pub. Cont. Code § 10344(b)(1)-(2).

It cannot be over emphasized.” Nevertheless, a bidder is required to obtain a court order to bar release of procurement documents post-award, even if they are marked “confidential” or “proprietary.” The contractor must maintain the confidentiality of State data provided under contract.³⁰⁸

Different departments and divisions within California’s government treat IP very differently. California’s Model Information Technology General Terms and Conditions, for example, indicate that all software prepared under contract is owned by the State.³⁰⁹ By comparison, IP developed under an award governed by the Public Resources Code must be shared with the State under flexible allocation rules:

To the extent that intellectual property is developed under this chapter, an equitable share of rights in the intellectual property or in the benefits derived therefrom shall accrue to the State of California. The commission may determine what share, if any, of the intellectual property, or the benefits derived therefrom, shall accrue to the state. The commission may negotiate sharing mechanisms for intellectual property or benefits with award recipients.³¹⁰

The Education Code (which governs K-12 education only) contains similar provisions allowing State subdivisions to enter “appropriate contracts with terms and conditions not limited to protection of any ownership rights of intellectual property of the state that result” from Lead Education Agency activities.³¹¹ School districts can possess copyrights but are not permitted to spend money to secure them,³¹² while county boards of education can.³¹³ Community colleges are subject to essentially identical regulations.³¹⁴ There are other examples throughout the Food & Agriculture Code,³¹⁵ the Government Code,³¹⁶ and others.³¹⁷ And in at least two instances,

308. STATE CONTRACTING MANUAL ¶ 3.A1.3 (Nov. 2007).

309. State Model Information Technology General Terms & Conditions ¶ 5, available online at <http://www.pd.dgs.ca.gov/modellang/ITModules.htm> (last visited April 7, 2008).

310. Cal. Pub. Res. Code §§ 25620.4; see also Cal. Pub. Res. Code § 3810(c)(1) (“The commission may require that the intellectual property developed, made possible, or derived, in whole or in part, as a result of the award repayment or program reimbursement agreement, revert to the state”).

311. Cal. Educ. Code § 11800.

312. Cal. Educ. Code §§ 32360-32361.

313. Cal. Educ. Code §§ 1040-1047.

314. Cal. Educ. Code §§ 81450-81460.

315. Cal. Food & Agric. Code §§ 71070-71091 (Commission can develop, own, and control the use of IP), 71120-71138 (IP owned by Commission to be transferred to the California Secretary of Agriculture, who will use it for the benefit of the California rice industry).

316. Cal. Gov’t Code §§ 26100-26110 (County board of supervisors can provide for IP licensing consistent with the County’s marketing plan).

317. E.g., Cal. Admin. Code tit. 5, § 15535 (“Each child nutrition entity approved for funding shall establish a management procedure which shall include, but need not be limited to, the

the Public Contract Code provides for progress payments for goods “manufactured by the contractor specially for the state and not suitable for sale to others in the ordinary course of a contractor’s business” while remaining entirely silent on the possibility of resulting IP rights.³¹⁸

Normally, a final award cannot be made until all protests are resolved by the Department of General Services Office of Legal Services on a very quick turnaround—sometimes as short as five days.³¹⁹ The Public Contract Code even creates a Customer and Supplier Advocate to assist aggrieved bidders.³²⁰ But there are restrictions on protesters, too. “Within 10 days after filing a protest, the protesting bidder shall file with the State Board of Control a full and complete written statement specifying in detail the ground of the protest and the facts in support thereof.”³²¹ Protests of different sorts of bidding are governed by different procedures, but in all instances administrative remedies must be exhausted³²²:

- IT bid protests must be raised first to the Protest Resolution Coordinator.³²³ The Director of the Department of General Services has final authority over initial protests.
- For traditional protests, the Procurement Division will convey the protest to the California Victim Compensation and Government Claims Board.³²⁴ The Board has jurisdiction over claims for money or damages under an express contract, or an injury for which the State is liable.³²⁵
- There is, however, an alternative protest pilot program, under which agencies can conduct best-value negotiations, alternative procurements, and performance-based solicitations, and can reject (or even sanction) frivolous bid protests.³²⁶ The Office of Administrative Hearings resolves disputes under the APP.³²⁷

The process for all of these protest systems is described in Chapter 6 of the State Contracting Manual. A public works contractor dissatisfied with the result of an administrative protest has ninety days to file a request for arbitration.³²⁸ This request must include the State agency in question, of course, and

following: . . . Any application for copyright of material developed under a project shall first be approved by the State Department of Education”).

318. Cal. Pub. Cont. Code §§ 10314, 22109.

319. Cal. Pub. Cont. Code § 10345.

320. Cal. Pub. Cont. Code § 10300.

321. Cal. Pub. Cont. Code § 10306.

322. Cal. Pub. Cont. Code § 10240.2.

323. Cal. Pub. Cont. Code § 12102(h).

324. Cal. Pub. Cont. Code § 12102.

325. Cal. Gov’t Code § 905.2(b)(3).

326. Cal. Pub. Cont. Code § 12125 *et seq.*; Cal. Code Regs. tit. 1, § 1400 *et seq.*

327. Cal. Code Regs. tit. 1, §§ 1400-1418.

328. Cal. Pub. Cont. Code § 10240.1; *see* Cal. Code Regs. tit. 1, §§ 1420-1440.

also may voluntarily join subcontractors or other entities if there is otherwise a risk of inconsistent results.³²⁹ Public Contract Code Section 10240.3 envisions a single neutral arbitrator. Arbitration awards must be in writing, state the basis for the decision, and be based on substantial evidence.³³⁰ The parties can, however, jointly waive arbitration in favor of State court litigation.³³¹ All of these procedures are subject to limited judicial confirmation and review pursuant to Cal. Code of Civil Procedure §§ 1285 *et seq.*³³²

In situations involving labor violations, a claim for money damages on a contract with the State must be commenced within six months of accrual of the cause of action or any final agency decision.³³³ In the event of a post-award lawsuit by a winning bidder, the contractor must continue to perform under its contract.³³⁴ Settlement of contract claims is encouraged: “A public entity shall have full authority to compromise or otherwise settle any claim relating to a contract at any time.”³³⁵

Allegations of procurement misconduct relating to confidentiality are not subject to administrative exhaustion or mandatory arbitration. “The state, or any person acting on behalf of the state, may bring a civil action seeking a determination by the Superior Court that a contractor or other transaction has been entered”³³⁶ by obtaining or disclosing proprietary information obtained in the negotiation, execution, or performance of a public contract.³³⁷ Violations of confidentiality are grounds for voiding a contract, and persons convicted of such violations are guilty of a misdemeanor³³⁸ or felony³³⁹ and liable for double the State’s damages.³⁴⁰

c. Technology Transfer

The University of California (UC)—a single institution with multiple campuses, governed by a Board of Regents—has arguably the nation’s most vigorous and successful technology transfer program,³⁴¹ claiming upward of \$210 million in revenue in 2006 alone.³⁴² Though there are branch offices at

329. Cal. Pub. Cont. Code § 10240.9.

330. *Id.*, § 10240.8.

331. *Id.*, § 10240.10.

332. *Id.*, § 10240.12.

333. *Id.*, § 19100.

334. STATE CONTRACTING MANUAL ¶ 6.5.0 *et seq.* (Nov. 2007).

335. Cal. Pub. Cont. Code § 9201(a).

336. *Id.*, § 10421.

337. *Id.*, § 10426.

338. Cal. Pub. Cont. Code § 10425.

339. *Id.*, §§ 10422-10423.

340. *Id.*, § 10424.

341. *See, generally*, University of California Office of Technology Transfer, <http://www.ucop.edu/ott/> (last visited May 29, 2008).

342. UC TECHNOLOGY TRANSFER ANNUAL REPORT (2006), available at <http://www.ucop.edu/ott/genresources/documents/OTTRptFY06.pdf> (last visited May 29, 2008).

each UC campus,³⁴³ the program is overseen as a whole directly by the president of the University of California system.³⁴⁴ As part of that program, all employees must sign invention assignment agreements. It should be clear by now that the university is strongly encouraged to procure³⁴⁵ and enforce³⁴⁶ intellectual property rights. The California State University system, though not research-focused, also has an IP and technology transfer mandate, and detailed guidelines contained in formal *Guidance for CSU Policies on Intellectual Property: Intellectual Property, Fair Use, and the Unbundling of Ownership Rights*.³⁴⁷

Regarding California more generally (though not specifically with respect to the University of California system), the Public Contract Code clearly delineates responsibilities relating to IP, indemnity, and related matters. Any State agency that enters into a prime contract with NASA or DoE, for example, may not indemnify the Federal entity “with respect to products liability, intellectual property, and general liability claims arising out of the activities to be carried out by the center pursuant to the contract.”³⁴⁸ However, it is unclear to what extent (if any) such State laws conflict with Federal requirements regarding indemnification.³⁴⁹

California’s multibillion-dollar stem cell research initiative includes detailed regulations governing the distribution of intellectual property. Under these regulations, stem cell donors are not entitled to any patent rights on research conducted using their genetic materials.³⁵⁰ Grantee organizations bear the burden of applying for patents in the name or for the benefit of the California Institute for Regenerative Medicine.³⁵¹

343. *E.g.*, <http://www.techtransfer.berkeley.edu/> (UC Berkeley) (last visited April 24, 2008); http://invent.ucsd.edu/index_flash.htm (UC SD) (last visited April 24, 2008).

344. University of California Patent Policy, *available online at* http://www.ucop.edu/ott/genresources/pat-pol_97.html (last visited April 24, 2008); University of California at Berkeley Patent Policy, *available online at* <http://www.spo.berkeley.edu/Policy/patentpolicy.html#pol> (last visited April 24, 2008); Lawrence Berkeley Laboratories R.P.M. § 5.03, *available online at* <http://www.lbl.gov/Workplace/RPM/R5.03.html> (last visited April 24, 2008) (Note that Lawrence Berkeley is a Federally-funded, contractor-run facility, so it is governed primarily by rules required by the Department of Energy.).

345. *See, e.g.*, Cal. Health & Safety Code §§ 104145, 104175-104189 (IP developed under the Cancer and Breast Cancer Research Funds shall be treated according to State and Federal law).

346. *See, e.g., Eolas v. Microsoft*, 457 F.3d 1279 (Fed. Cir. 2006).

347. *See* http://www.calstate.edu/AcadSen/Records/Reports/Intellectual_Prop_Final.pdf (July 6, 2008).

348. Cal. Pub. Cont. Code § 12502(b).

349. *See, generally*, Chapter 2(D)(6)(b) for a general discussion on Federal indemnification requirements.

350. Cal. Code Regs. tit. 17, § 100100.

351. Cal. Code Regs. tit. 17, § 100305.

For agreements under the Space Enterprise Development Act, California Governmental solicitations must include “[a]n agreement among all project participants as to intellectual property rights relative to the project.”³⁵² And technology transfer grantees pursuant to the Challenge Grant Program cannot spend grant funds without a workable agreement providing for a resolution of IP rights relative to the project and setting forth the ongoing roles of the public and private participants.³⁵³ However, there is no further guidance as to what the agreement must contain.

d. Sovereign Immunity Waivers

California has a complicated system of liabilities and immunities, including waivers for certain IP claims.³⁵⁴ A public entity generally is not liable for any “injury,”³⁵⁵ which by statute includes “damage to or loss of property, or any other injury that a person may suffer to his person . . . or estate, of such nature that it would be actionable if inflicted by a private person.”³⁵⁶ But a public entity *is* liable “for injury proximately caused by an act or omission of an employee of the public entity within the scope of his employment if the act or omission would . . . have given rise to a cause of action against that employee.”³⁵⁷ This seems to open the door to liability for patent or copyright infringement committed by State employees in the course and scope of their employment. The employees themselves are jointly and severally liable.³⁵⁸ Intentional torts are excluded, but that proviso would act at most to bar willfulness claims.³⁵⁹ The fact that California is not liable for punitive damages is confirmed by Government Code Section 818.

In addition, California has waived its sovereign immunity in regard to trade secret misappropriation³⁶⁰ and possibly also for trademark infringement (to the extent the agency in question is empowered to sue).³⁶¹ No cases use the provisions of the California Uniform Trade Secrets Act to enjoin or obtain damages arising from State trade secret misappropriation, but at least one case has presumed that an injunction was available.³⁶² Nor do any cases

352. Cal. Gov’t Code § 13999.4(b)(2)(E).

353. *Id.*, § 13994.4(a).

354. *Id.*, § 810 *et seq.*

355. *Id.*, § 815(a).

356. *Id.*, § 810.8.

357. *Id.*, §§ 815.2(a), 815.4.

358. *Id.*, § 820.

359. Cal. Gov’t Code § 815.3(a).

360. Cal. Civ. Code § 3426.1(c).

361. Cal. Bus. & Prof. Code § 14202(e).

362. *Syngenta Corp Protection, Inc. v. Helliker*, 42 Cal.Rptr.3d 191, 138 Cal.App.4th 1135 (Cal. App. 2006).

conclude that California has waived sovereign immunity for trademark infringement by the State.

California has waived sovereign immunity for Takings claims,³⁶³ which can be brought in any “court of competent jurisdiction in the county in which the property is situate[d].”³⁶⁴ Whether this allows suit in the relevant Federal District Court is, on its face, unlikely. There is some reason to think that California considers intellectual property as “property” for purposes of State Takings litigation. IP is included in the definition of “asset” under a variety of different statutes.³⁶⁵ The California Code of Regulations defines patents, trademarks, and copyrights as “intangible personal property.”³⁶⁶ The State is obligated to respect software copyrights and is required not to use unlicensed copies.³⁶⁷ So there are grounds to believe that IP is considered “property” for purposes of Article I, Section 19, of the California Constitution such that IP infringement could be considered a State Taking requiring compensation.

For purposes of Federal Takings claims, there is a split in authority on the subject as to whether IP is “property” for purposes of the U.S. Constitution. Specifically, there is tension between *Ruckelshaus v. Monsanto Co.*,³⁶⁸ which holds that trade secrets are Fifth Amendment “property,” and *Zoltek v. United States*,³⁶⁹ which holds that patents are not Fifth Amendment “property.” Arguably, *Zoltek* is purely concerned with Federal Takings of Federal intellectual property rights whereas *Ruckelshaus* is related to Federal Takings of State-based intellectual property. How this plays out under the California Constitution is an open question. But California courts have followed *Ruckelshaus* in regard to State Takings claims,³⁷⁰ and have found that intangible property is “property” for purposes of Article I, § 19, of the California Constitution.³⁷¹ All of this suggests that, especially for trade secrets, California courts may be amendable to finding intellectual property misappropriation to be a form of Taking

363. Cal. Gov’t Code § 905.1.

364. Cal. Gov’t Code § 955.

365. *Id.*, §354.45(a)(4); Cal. Prob. Code § 16362.; Cal. Code Regs tit. 2, §. 18705.1(d)(1)(B).

366. Cal. Code Regs. tit. 2, § 1138.22; Cal. Code Regs. tit. 18, § 13303.3.

367. Cal. Exec. Order No. D-10-99(1) and (5) (Oct. 15, 1999).

368. 467 U.S. 986 (1984).

369. 442 F.3d 1345 (Fed. Cir. 2006).

370. *Allegretti & Co. v. County of Imperial*, 138 Cal.App.4th 1261, 42 Cal.Rptr.3d 122 (Cal. App. 2006) (applying *Ruckelshaus* in determining whether regulation upon a landowner interfered with reasonable investment-backed expectations was a takings under the California Constitution).

371. *Syngenta Corp Protection, Inc. v. Helliker*, 42 Cal.Rptr.3d 191, 138 Cal.App.4th 1135 (Cal. App. 2006); *San Diego Metropolitan Transit Development Bd. v. Handlery Hotel, Inc.*, 86 Cal.Rptr.2d 473, 73 Cal.App.4th 517 (Cal. App. 4 Dist. 1999).

Claims for money or other injuries ordinarily must be brought (usually, but not always, within six months of accrual) before the California Victim Compensation and Government Claims Board.³⁷² Specific rules govern the form and contents of such a claim.³⁷³ These rules, however, may be altered by contract.³⁷⁴

This complex and abstract statutory framework is significantly affected by State and Federal case law and a series of *de facto* market-actor waivers. California is among the most active and market-oriented States, and “[a] public entity may sue and be sued.”³⁷⁵ Because it is so active in business, its courts have often held the State liable for IP violations even when there is no express statutory waiver of sovereign immunity. For example, in rejecting the University of California’s effort to assert sovereign immunity against a patent declaratory relief action, the United States District Court for the Eastern District of California stated: “The Regents wish to take the good without the bad. The court can conceive of no other context in which a litigant may lawfully enjoy all the benefits of a federal property or right, while rejecting its limitations”³⁷⁶ So the Regents (and hence the State) can be subject to declaratory judgment jurisdiction concerning State-owned patents. This seems likely to extend more generally to assertions of IP rights against the State. And it undermines earlier Court of Appeals case law that dismissed patent³⁷⁷ and copyright³⁷⁸ infringement lawsuits against the State of California on the theory that the Federal Government cannot validly waive the State’s sovereign immunity for IP violations. The extent of market-participant liability for State actors is in flux. In 2007, the Federal Circuit concluded (in a case brought against the University of California) that State market participants do not waive their Eleventh Amendment immunities, an issue that has since been appealed to the U.S. Supreme Court.³⁷⁹ And in 2008 the Southern District of California invalidated the Copyright Remedy Clarification Act of 1990, rejecting Congress’s effort to waive State sovereign immunity for copyright infringement.³⁸⁰

372. Cal. Gov’t Code § 905.2.

373. Cal. Gov’t Code §§ 910-915.4.

374. Cal. Gov’t Code §§ 930-930.6.

375. Cal. Gov’t Code § 945.

376. *Star Lasers v. Regents of California*, 63 F. Supp. 2d 1240, 1244 (E.D. Cal. 1999).

377. *Chew v. California*, 893 F.2d 331 (Fed. Cir. 1990) (patent infringement suit dismissed against state because the Patent Act is not clearly applicable to States).

378. *BV Eng’g v. UCLA*, 858 F.2d 1394 (9th Cir. 1988) (sovereign immunity bars copyright infringement claim against State entity).

379. See *Biomedical Patent Mgmt. Corp. v. State of California, Dep’t of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007).

380. *Marketing Information Masters v. The Board of Trustees of the California State University*, 552 F.Supp.2d 1088 (S.D. Cal. 2008).

There are no damage caps, but awards of over \$100,000 are subject to a mandatory settlement conference at which the parties must discuss structured-payment options.³⁸¹

6. Colorado³⁸²

a. Intellectual Property Laws

i. Trade Secrets

Colorado has adopted a version of the 1985 amended version of the Uniform Trade Secrets Act.³⁸³ As such, while there are minor variations in terminology as compared to the Uniform Trade Secrets Act, Colorado prevents misappropriation of a trade secret³⁸⁴ by any “person.” The term “person” is left undefined in the act, but likely would not include a State or State agency—a departure from the definition in the Uniform Trade Secrets Act.³⁸⁵

Where misappropriation occurs, the trade secret owner is entitled to request damages and/or an injunction.³⁸⁶ Further, there is a criminal penalty for trade secret theft.³⁸⁷

Colorado has also enacted an Open Records Act at Title 24, Article 72, Part 2, of the Colorado Revised Statutes. The Open Records Act requires that all public records be made available for inspection unless “otherwise specifically provided by law.”³⁸⁸ The term “public record” does not include material related to the Collegeinvest program, including software used by the Collegeinvest program.³⁸⁹ Within the Open Records Act, Colorado Revised Statute § 24-72-204 provides a number of exceptions and specifically prevents release of trade secrets provided by third parties.³⁹⁰ This statutory exception has been interpreted as providing grounds not to release sensitive

381. Cal. Gov’t Code § 962.

382. Our thanks to Professor Arthur H. Travers of the University of Colorado for his comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

383. Colo. Rev. Stat. § 7-74-101 *et seq.*

384. Colo. Rev. Stat. § 7-74-102(4) defines “trade secret” more broadly as compared to the Uniform Trade Secret Act at least to the extent that Colorado does not specifically list as many examples of trade secrets as are contained in the Uniform Act § 1(4).

385. Uniform Trade Secrets Act § 1(3).

386. Colo. Rev. Stat. §§ 7-74-103, 104.

387. Colo. Rev. Stat. § 18-4-408.

388. Colo. Rev. Stat. § 24-72-201.

389. Colo. Rev. Stat. § 24-72-202(6)(b)(III).

390. Colo. Rev. Stat. § 24-72-204(3)(a)(IV).

bid information,³⁹¹ and there is a specific procurement regulation used to identify and protect confidential information submitted during a procurement process.³⁹² Such protections are not afforded to the State: the law allows the State to develop intellectual property as long as the acquired copyright or trademark does not “restrict public access to or fair use of copyrighted materials and shall not apply to writings that are merely lists or other compilations.”³⁹³

Outside of the general prohibition on the disclosure of trade secrets, the Open Records Act has a further prohibition on releases that are contrary to law.³⁹⁴ Pursuant to this provision, a number of additional laws prevent disclosure of records containing trade secrets or confidential information.³⁹⁵ Lastly, where no specific exemption exists, proprietary information can be protected from release consistent with Federal law.³⁹⁶

391. *Int'l Bhd. of Elec. Workers v. Denver Metro. Major League Stadium Dist.*, 880 P.2d 160 (Colo. Ct. App. 1994).

392. Procurement Rule R-24-103-202a-08.

393. Colo. Rev. Stat. § 24-72-204(3)(a)(IV).

394. Colo. Rev. Stat. § 24-72-204(1)(a).

395. Colo. Rev. Stat. § 6-18-302 (provider may request that specified information submitted to the division of insurance be kept confidential because it is a trade secret); Colo. Rev. Stat. § 8-1-115 (penalty for disclosing information required by the Department of Labor and Employment); Colo. Rev. Stat. § 25-4-1605 (non disclosure of submitted plans for restaurant that includes trade secret); Colo. Rev. Stat. § 25-4-1605 (penalty for disclosure of confidential information received under Pure Food and Drug Act); Colo. Rev. Stat. § 25-5-503 (penalty for disclosure of confidential information received under Products Control Act); Colo. Rev. Stat. § 25-7-111 (Department of Public Health and Environment shall “assure” non disclosure of trade secrets by the division); 6 Colo. Code Regs. § 1015-4 (regulation to prevent release of received confidential information contained in Regional Emergency Medical and Trauma Advisory Council plans); 5 Colo. Code Regs. § 1001-5, Regulation 3 (regulation on protection of and procedure to ensure protection of confidential information received as part of filing of an Air Pollutant Emission Notice or permit application, or submitting reports pursuant to Regulation No. 3, Part C, sections V.C.6., or V.C.7., may request that information contained in such an Air Pollutant Emission Notice, permit application, or report relating to secret processes or methods of manufacture or production be kept confidential); 5 Colo. Code Regs. § 1004-1 (requests for confidentiality of permit applications and reports related to Environmental Management permit); 4 Colo. Code Regs. § 723-1 (regulation to allow for protection of trade secrets submitted to Public Utility Commission); 6 Colo. Code Regs. § 1007-3 (regulation to allow for protection of trade secrets submitted under Colorado Hazardous Waste Regulations); 6 Colo. Code Regs. §§ 1009-2, 1009-5, and 1009-7(g) (protection of trade secrets revealed in photographs taken according to various investigations by the Disease Control and Environmental Epidemiology Division); 6 Colo. Code Regs. § 1010-3 (prohibition of disclosure of information received under Colorado Manufactured Milk and Dairy Products regulations); 10 Colo. Code Regs. § 2505-2 (regulation to protect confidential information related to health care coverage cooperatives).

396. See Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J.

ii. Trademarks

Colorado's State-level trademark system is codified at Title 7, Article 70, of the Colorado Revised Statutes.³⁹⁷ Under this system, the application for registration is made to the Secretary of State.³⁹⁸ Each registration is for a renewable ten-year term.³⁹⁹ Remedies include monetary and injunctive relief as available for common law infringement,⁴⁰⁰ and infringement can be the basis for criminal penalties in certain circumstances.⁴⁰¹ The trademark statute does not provide for punitive damages.⁴⁰²

Colorado can apply for and obtain trademarks, but only to the extent that the trademarks do not restrict access to public records.⁴⁰³ There is a specific prohibition on using a trade name owned by the State in association with the Colorado Education Savings Program.⁴⁰⁴ There is, however, no definition of "persons" who are eligible to be sued, which likely indicates that the State is not included.

Colorado has not enacted a trademark dilution law.⁴⁰⁵

163, 171 (2003), *relying on Int'l Bhd. of Elec. Workers v. Denver Metro. Major League Baseball Stadium Dist.*, 880 P.2d 160 (Colo. Ct. App. 1994).

397. An overview of the system can be found at Arthur H. Travers, *The Revision of the Colorado Trademark Registration Statute*, 36 THE COLORADO LAWYER 39 (January 2007).

398. Colo. Rev. Stat. § 7-70-102.

399. Colo. Rev. Stat. § 7-70-104.

400. The 2007 revision of the Colorado Trademark law removed Colo. Rev. Stat. §§ 7-70-111, 112, which provided these remedies by statute. The law now relies upon common law remedies. *See* Session Law 2006, Chapter 36, enacting House Bill 06-1140 into law. It is likely that a Colorado court would apply the same remedies based upon common law during enforcement of trademarks registered with the State.

401. Colo. Rev. Stat. § 18-5-110.5 (criminal penalty for knowingly selling counterfeit goods); Colo. Rev. Stat. §§ 18-18-423 and 25-5-415 and 3 Colo. Code Regs. § 719-1 (criminal penalties for knowingly selling counterfeit controlled substance or misbranded drugs); Colo. Rev. Stat. § 35-9-113 and 8 Colo. Code Regs. § 1203-1, pt. 6 (criminal penalty for knowingly selling misbranded pesticides); Colo. Rev. Stat. § 8-20-220 (criminal penalty for selling counterfeit liquid fuels, lubricating oils, or other like products); Colo. Rev. Stat. § 10-3-1304. (requirement to ensure auto replacement parts to have identifiable name or trademark of the manufacturer); Colo. Rev. Stat. § 12-59-117 (prohibition on use of trademark for a school name "which represents falsely, directly or by implication, the quality, scope, nature, size, or integrity of the school or its educational services"); Colo. Rev. Stat. § 10-3-1304 (requirement to ensure lamps for vehicles to have approved name or trademark of the manufacturer).

402. *See* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

403. Colo. Rev. Stat. § 24-72-203.

404. Colo. Rev. Stat. § 23-15-110.5.

405. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.-Dec. 2006).

iii. Copyrights

State Agencies can acquire copyrights in State works. Colorado law requires the Colorado Revised Statutes to be copyrighted and owned by the State.⁴⁰⁶ But while State copyright ownership is allowed, such copyrights cannot be used to prevent public access to records that otherwise should be disclosed under the Open Records Act or where the release is protected by fair use.⁴⁰⁷ As such, while Colorado can own and use copyrights, the State must ensure at least fair and noncommercial use of these copyrighted works by the public.

Colorado encourages the teaching of intellectual property and copyrights in the schools as part of an “Internet safety plan.” But while the law appears to encourage student compliance with copyrights, it does not outlaw copyright infringement by schools.⁴⁰⁸

Colorado requires copyright owners and performance-rights societies to provide a special notice prior to contracting for payment of royalties by a business proprietor, and will prevent collection of such royalties where the notice is not provided.⁴⁰⁹ Moreover, where the proprietor can show a violation resulted in damages, the proprietor can seek to recover them in a counterclaim.⁴¹⁰ This provision is limited to musical or visual works, and therefore does not apply to software publishers.⁴¹¹ As such, the impact of these provisions on procurement is likely minimal.

Lastly, Colorado has specific criminal penalties for certain copyright-related offenses. Title 18, Article 4, Part 6, of the Colorado Revised Statutes criminalizes music piracy and the sale of illegally recorded live performances. These provisions do not apply to recordings and copies made for home or noncommercial use.⁴¹² To avoid pre-emption issues, the “copyright” being enforced is a common-law right as opposed to a Federal registration.⁴¹³ Additionally, Colorado criminalizes unauthorized access to, use, or modification of a computer or computer software.⁴¹⁴ And the Colorado Government is prohibited by Executive Order from acquiring pirated software.⁴¹⁵

406. Colo. Rev. Stat. § 2-5-115.

407. Colo. Rev. Stat. § 24-72-203.

408. Colo. Rev. Stat. § 22-32-109.1(2)(c).

409. Colo. Rev. Stat. § 6-13-103.

410. Colo. Rev. Stat. § 6-13-104.

411. Colo. Rev. Stat. § 6-13-101.

412. Colo. Rev. Stat. § 18-4-605.

413. Colo. Rev. Stat. § 18-4-601.

414. Colo. Rev. Stat. § 18-5-5-102.

415. Executive Order D 002 00 (Gov. Bill Owens).

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Colorado has adopted the substance of the American Bar Association's Model Procurement Code. Under the Colorado Procurement Code at Title 24, Articles 101 through 112, there is no specific provision governing intellectual property. However, the State's standard Terms and Conditions contain several provisions relating to intellectual property. In Article 5, the State obtains ownership of all "software, research, reports, studies, data, photographs, negatives or other documents, drawings or materials delivered by vendor in the performance of its obligations under this purchase."⁴¹⁶ This ownership requirement can be contractually waived.⁴¹⁷ There is a broad indemnification requirement relating to claims of IP infringement for "any article sold or delivered under this purchase order is covered by any patent, copyright, trademark, or application therefore."⁴¹⁸ Lastly, due to Governor's Executive Order D-002-00, it is a breach of contract and grounds for contract termination to use contract funds "for the acquisition, operation, or maintenance of computer software in violation of federal copyright laws or applicable licensing restrictions."⁴¹⁹ Arguably, Colorado's Purchase Order Terms and Conditions conflict with the Executive Order, in that the Terms and Conditions may require that the contractor turn over ownership of existing software in violation of the Executive Order. This tension is likely inadvertent; Colorado procurement regulations more likely require both the use of licensed software and ownership in any modifications to that software.

While no standard term or condition directly addresses the contractor's ability to maintain pre-existing confidential information as a trade secret while performing as a State contractor, there is a specific exemption from the Open Records Act for trade secrets received from a third party.⁴²⁰ Colorado also has a regulation that allows for submission and nondisclosure of proprietary information contained in a bid⁴²¹ as well as a process for resolving any disputes as to whether the information is truly confidential.⁴²² As such,

416. PURCHASE ORDER TERMS AND CONDITIONS, art. 5, available at <https://www.gssa.state.co.us/BidTC> (last visited May 29, 2008).

417. *Id.*

418. *Id.* at art. 14.

419. *Id.* at art 8.

420. Colo. Rev. Stat. § 24-72-204(3)(a)(IV).

421. Procurement Rule: R-24-103-202a-08(b).

422. Procurement Rule: R-24-103-202a-08(c).

Colorado at the very least allows for protection of confidential information submitted as part of a bid and, by implication, also during the procurement process.

c. Technology Transfer

Colorado has a number of programs to encourage the growth of certain industries.⁴²³ But program funds carry restrictions. For instance, under Colorado Revised Statutes § 24-48.5-108, the Colorado Office of Economic Development can give a grant to research new bioscience discoveries. While this requirement has since been eliminated,⁴²⁴ prior to 2008, such grants were allowed only at research institutes and on the conditions that (1) “[t]he intellectual property resulting from the bioscience research project is not obligated to a private entity”⁴²⁵ and (2) the intellectual property will remain owned by the research institute receiving the grant.⁴²⁶ It is unclear whether an “obligation” under these restrictions includes IP that has been or will be licensed by a private entity as opposed to an obligation to assign. The best interpretation is that the “obligation” restriction does not restrict licensing, because preventing licensing would be contrary to the legislative purposes in implementing a “process of advancing bioscience research discoveries toward commercialization”⁴²⁷ and encouraging related job creation.⁴²⁸ In contrast, the Renewable Energy Authority has a broader authority to fund and license intellectual property subject to a requirement that the Authority retain 50 percent of the licensing revenue.⁴²⁹

Colorado presumes ownership of all intellectual property made using university funds or with substantial university resources.⁴³⁰ Colorado generally presumes ownership even in situations where no funding is provided as long as university resources have been expended. But such ownership rights are subject to negotiation, and the university has a provision allowing waiver or modification of the ownership presumption.⁴³¹

423. Colo. Rev. Stat. § 24-48.5-108 (grants for bioscience research); Colo. Rev. Stat. § 24-47.5-102 (matching funds for research into renewable energies).

424. Session Law 2008, Chapter 173, enacting H-08-1001 into law.

425. Colo. Rev. Stat. § 24-48.5-108(3)(c)(I)(D).

426. Colo. Rev. Stat. § 24-48.5-108(3)(c)(I)(C).

427. Colo. Rev. Stat. § 24-48.5-108(1)(a)(II).

428. Colo. Rev. Stat. § 24-48.5-108(1)(a)(III).

429. Colo. Rev. Stat. § 24-47.5-102.

430. UNIVERSITY OF COLORADO, INTELLECTUAL PROPERTY POLICY ON DISCOVERIES AND PATENTS FOR THEIR PROTECTION AND COMMERCIALIZATION, § 3 (January 16, 2003).

431. UNIVERSITY OF COLORADO, INTELLECTUAL PROPERTY POLICY ON DISCOVERIES AND PATENTS FOR THEIR PROTECTION AND COMMERCIALIZATION § 8 (January 16, 2003).

d. Sovereign Immunity Waivers

Colorado is generally immune from suit, which thus extends to intellectual property infringement by a State under the Eleventh Amendment without a valid waiver of that immunity.⁴³² However, in recognizing the potential inequitable result from a complete waiver of sovereign immunity,⁴³³ Colorado has waived its liability in the circumstances set forth in Title 24, Article 10, of the Colorado Revised Statutes. This waiver is generally limited to tortious injuries related to the operation of a State motor vehicle, the operation of specified public facilities, or a dangerous condition at specified public buildings.⁴³⁴ Therefore, while certain forms of intellectual property infringement (theft of trade secrets and trademark infringement) sound in tort, it is likely that Colorado's waiver does not abrogate sovereign immunity for intellectual property-related offenses.⁴³⁵ No cases use Colorado Revised Statutes § 7-74-101 *et seq.* to enjoin or obtain damages arising from State trade secret misappropriation or otherwise extend Colorado's sovereign immunity waiver to IP claims.

Beyond the limited waiver in Title 24, Article 10, Colorado can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁴³⁶

Where Colorado has consented to suit, such as by asserting infringement of State-owned intellectual property, Colorado might be considered to have waived its sovereign immunity.⁴³⁷ And while no cases discuss Takings for

432. *Coll. Savs. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 119 S. Ct. 2219, 144 L. Ed. 2d 605 (1999).

433. Colo. Rev. Stat. § 24-10-102.

434. Colo. Rev. Stat. § 24-10-106.

435. The Federal Government, while also acknowledging that IP can sound in tort, denied relief under 28 U.S.C. § 1346(b) for intellectual property-related offenses through narrow interpretations of the Federal Tort Claims Act. *See, generally*, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CON. L.J. 210, 212-16 (Fall 2003). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

436. *Baum Research and Dev. Co., Inc. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

437. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had "waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum," but "did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court"); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 137 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

intellectual property under Colorado law, it is possible that the Colorado courts would view a State Taking of IP without just compensation as an implied waiver of sovereign immunity.⁴³⁸ In *City of Northglenn v. Grynberg*,⁴³⁹ the Colorado Supreme Court applied *Ruckelshaus v. Monsanto Co.*⁴⁴⁰ for the proposition that trade secrets are “property” within the meaning of the Takings clause, but ultimately denied relief because the information in dispute did not qualify as a trade secret.⁴⁴¹ This logic would apply with equal force to other IP violations, though in light of *Zoltek v. United States* it is possible that a Colorado court could be tempted to refuse to recognize other forms of IP (especially patents and copyrights) as “property” for Takings purposes.⁴⁴²

7. Connecticut⁴⁴³

a. Intellectual Property Laws

i. Trade Secrets

Connecticut has adopted the substance of the 1979 version of the Uniform Trade Secrets Act.⁴⁴⁴ As such, while there are minor variations in terminology as compared to the current Uniform Trade Secrets Act, Connecticut prevents misappropriation of a “trade secret” by any “person.” Conn. Gen. Stat. § 35-51(d) defines trade secret more broadly than the Uniform Trade Secret Act, at least to the extent that Connecticut does not specifically list as many examples of trade secrets as are contained in the Uniform Trade Secrets Act § 1(4). It is not dependent on differing definitions of trade secrets

438. Whether a Taking is for public purposes is a judicial question “determined as such without regard to any legislative assertion that the use is public” under C.R.S.A. Const. Art. 2, § 15. The Federal Circuit in *Pennington Seed v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006) alluded to a possibility of such compensation under a theory of conversion, and cited to *Austin v. Ark. State Highway Comm’n*, 895 S.W.2d 941, 943 (Ark. 1995) and *Cammack v. Chalmers*, 680 S.W.2d 689 (Ark. 1984) for providing theories that might support damages and possible injunctive relief if the act was *ultra vires* under the similarly-worded provision in the Arkansas Constitution at Ark. Const. Art. 2, § 22.

439. 846 P.2d 175 (Colo., 1993).

440. 467 U.S. 986 (1984).

441. 846 P.2d at 183-184. See James W. Griffin, *Protectable Property Rights, Trade Secrets, and Geophysical Data After City of Northglenn v. Grynberg*, 71 DENV. U.L. REV. 527 (1994) (arguing that Colorado would likely apply *Ruckelshaus* to enforce trade secret data).

442. 442 F.3d 1345 (Fed. Cir. 2006).

443. Our thanks to Carol S. Wilson, C.P.M., Director of Procurement, Department of Administrative Services, and Jacqueline Shirley, Procurement Manager of IT Contracts & Purchases, Department of Information Technology (DOIT), for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

444. Conn. Gen. Stat. § 35-50 *et seq.*

appearing in other Connecticut statutes.⁴⁴⁵ Where misappropriation occurs, the trade secret owner is entitled to request damages and an injunction.⁴⁴⁶ The term “person” is defined in Section 35-53(c) of the Connecticut General Statutes to include government and government agencies (which is consistent with the definition in the Uniform Trade Secrets Act⁴⁴⁷).

Connecticut has also enacted a Freedom of Information Act (FOIA) at Title 1, Chapter 14 of the Connecticut General Statutes. The Connecticut FOIA law requires that all public records be made available for inspection.⁴⁴⁸ Certain records are protected against disclosure, including records related to trade secrets,⁴⁴⁹ financial information given in confidence,⁴⁵⁰ and confidential records relating to software whose disclosure would “compromise the security or integrity of an information technology system.”⁴⁵¹ These confidential records can only be exempted from release to the extent that they are received in confidence or are otherwise transmitted in a manner consistent with a true trade secret.⁴⁵² The Connecticut FOIA law has a general exclusion for records whose release is contrary to law,⁴⁵³ and there are a number of additional specific grounds to prevent disclosure of records containing trade secrets or confidential information.⁴⁵⁴ Lastly, where no specific exemption

445. Conn. Gen. Stat. § 35-51(d) specifically defines trade secrets “notwithstanding” the provisions of Conn. Gen. Stat. § 1-210 (records exempted under FOIA), Conn. Gen. Stat. §§ 31-40j to 31-40p (employee right to know about toxic substances), and Conn. Gen. Stat. § 12-62(c) (reevaluation of tax assessments).

446. Conn. Gen. Stat. §§ 35-52, 53.

447. Uniform Trade Secrets Act § 1(3).

448. Conn. Gen. Stat. § 1-210(a).

449. Conn. Gen. Stat. § 1-210(b)(5)(A).

450. Conn. Gen. Stat. § 1-210(b)(5)(B).

451. Conn. Gen. Stat. § 1-210(b)(20).

452. Conn. Gen. Stat. § 1-210(b)(5)(A) requires trade secrets to be “subject of efforts that are reasonable under the circumstances to maintain secrecy” and Conn. Gen. Stat. § 1-210(b)(5)(B) requires that the “Commercial or financial information [be] given in confidence, not required by statute.” While distinguishable, both categories require transmissions of the information in confidence with some form of marking indicating the protected status of the information. However, these categories are treated differently, as set forth in *Chief of Staff v. Freedom of Information Commission*, 25 Conn. L. Rptr. 270 (Conn. Super. Ct. 1999), and discussed in Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 171–72 (2003).

453. Conn. Gen. Stat. § 1-210(b)(10).

454. Conn. Gen. Stat. § 32-457 (nonrelease of information related to a requests for financial assistance); Conn. Gen. Stat. § 32-244 (designating certain information related to requests for financial assistance with the Economic and Community Development, the Connecticut Development Authority or any implementing agency as trade secrets under Conn. Gen. Stat. § 1-210(b)(5)).

exists, proprietary information can be protected from release consistent with Federal law.⁴⁵⁵

ii. Trademarks

Connecticut has a State-level trademark system codified at Title 35, Chapter 621a of the Connecticut General Statutes. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.⁴⁵⁶ Under this system, an application for registration is made to the Secretary of State,⁴⁵⁷ and each registration is for a renewable five-year term.⁴⁵⁸ The term "person" includes government bodies or agencies,⁴⁵⁹ which would seemingly work a waiver of sovereign immunity for infringement by the State as well as allow Connecticut to apply for and obtain State-level trademarks. Outside of registering State trademarks, certain agencies are specifically empowered to obtain Federal trademark rights in State-developed marks.⁴⁶⁰

The remedies for infringement include monetary and injunctive relief,⁴⁶¹ and there are potential criminal penalties for certain types of counterfeiting activity.⁴⁶² Connecticut also has a very unusual criminal statute that makes it illegal to not attach the name of a manufacturer or artist on a sold record, tape, or disc.⁴⁶³ Treble damages are available at the court's discretion where the defendant behaved willfully or in bad faith.⁴⁶⁴

iii. Copyrights

Connecticut specifically authorizes the State Board of Education to obtain intellectual property, including copyrights, "for inventions, discoveries and literary, artistic, musical or other products of authorship."⁴⁶⁵ It appears that this authorization is limited to works created by or on behalf of State educational institutions other than Universities. By contrast, the Connecticut State

455. See Huffman & O'Sullivan *supra* note 452 at 172.

456. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

457. Conn. Gen. Stat. §35-11c.

458. Conn. Gen. Stat. §35-11e(b).

459. Conn. Gen. Stat. § 35-11a(5).

460. Conn. Gen. Stat. § 10-4f.

461. Conn. Gen. Stat. §35-11i(b).

462. Conn. Gen. Stat. § 53-347a.

463. Conn. Gen. Stat. § 53-142c.

464. Conn. Gen. Stat. § 35-11i(b); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

465. Conn. Gen. Stat. § 10-4f.

University system leaves copyright ownership with the employee.⁴⁶⁶ Connecticut law otherwise is silent as to whether the State can copyright works created by public employees.

Connecticut has outlawed piracy of copyrighted music or film by criminalizing the transfer of sounds or images for profit.⁴⁶⁷ Moreover, Connecticut has a computer crime law that bars the unauthorized use of a computer or network.⁴⁶⁸ Because “unauthorized use” includes any use (1) without authority and with the intent to make copies,⁴⁶⁹ or (2) involving the removal or alteration of computer data⁴⁷⁰ or access to a system, the Connecticut computer crimes law shares elements with copyright infringement claims.

In 2006, Connecticut’s Governor M. Jodi Rell signed the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Under the Connecticut Procurement Code, Title 4a, Chapter 58, there is no specific provision governing intellectual property. While winning bids are subject to public inspection,⁴⁷¹ such inspections are subject to the FOIA exemptions noted above.⁴⁷² There are two types of contracts: contracts for goods and services, and contracts for computers.

For goods and services, the standard terms and conditions for State contracts as of 2007 provide that title in intellectual property delivered as a good or service (other than software) remains with the State.⁴⁷³ (The model contract

466. Conn. Gen. Stat. § 10a-98g.

467. Conn. Gen. Stat. § 53-142b.

468. Conn. Gen. Stat. § 53-451.

469. Conn. Gen. Stat. § 53-451(b)(6).

470. Conn. Gen. Stat. § 53-451(b)(2).

471. Conn. Gen. Stat. § 4a-59(e).

472. Conn. Gen. Stat. § 1-210(b)(5)(B) (confidential information given in confidence); Conn. Gen. Stat. § 1-210(b)(5)(A) (trade secrets).

473. Sample Contract art. 17(v), on file with the authors. This document originally was *available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_042407.pdf, but as of May 2008 the link had been disabled, suggesting that the State may be in the process of revising the model contract. Citations to the model contract are to the version available online as of 2007.

may be undergoing revision in 2008.) Consistent with this requirement is a warranty not to copyright the deliverable without the State's prior written permission.⁴⁷⁴ The standard terms provide for the submission of confidential information and prevent release under the Connecticut FOIA law, but only to the extent that the contractor specifically marks those sections entitled to protection as "confidential" and provides an explanation sufficient to "justify each exemption consistent with the FOIA" in a manner that emphasizes "the prospective harm to the competitive position of the Bidder or Contractor that would result if the identified material were to be released and the reasons why the materials are legally exempt from release pursuant to the FOIA."⁴⁷⁵ The standard terms also require the contractor to indemnify the State against claims relating to "confidentiality of any part of or all of the Bid or any Records, any intellectual property rights, other proprietary rights of any person or entity, copyrighted or uncopyrighted compositions, secret processes, patented or unpatented inventions, articles or appliances furnished or used in the Performance of the Contract."⁴⁷⁶ Consistent with this provision, the contractor must warrant that the goods do not infringe third-party intellectual property rights.⁴⁷⁷

Similar terms are required in small contracts authorized under General Letter #71 for purchases of less than \$50,000 in terms of ownership rights,⁴⁷⁸ indemnification,⁴⁷⁹ warranties,⁴⁸⁰ and the delivery of confidential information.⁴⁸¹

For purchases of software, Connecticut requires that the agency abide by the applicable software license. Connecticut policy is that "agencies of the State of Connecticut will comply with all provisions of" the Copyright Act.⁴⁸² Where software is being developed at State expense, Connecticut may require State ownership, but only where "it is in the best interest of the State of

474. Sample Contract art. 17(y), *originally available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_042407.pdf.

475. Sample Contract art. 38, *originally available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_042407.pdf.

476. Sample Contract art. 6, *originally available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_042407.pdf.

477. Sample Contract art. 17(aa), *originally available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_042407.pdf.

478. Form Contract art. 26(u), *available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_AGENCY.pdf.

479. Form Contract art. 15, *available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_AGENCY.pdf.

480. Form Contract art. 26(aa), *available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_AGENCY.pdf.

481. Form Contract art. 47, *available at* http://www.das.state.ct.us/Purchase/Info/Form_Contract_AGENCY.pdf.

482. PROPERTY CONTROL MANUAL, ch. 7 (2006), *available at* <http://www.osc.state.ct.us/manuals/PropertyCntl/index.html> (last visited May 29, 2008).

Connecticut to retain the copyright on software being developed by outside contractors.”⁴⁸³ Under these same standard terms, the developer is required to warrant that it will not deliver software encumbered with third-party rights. The contractor must indemnify the State against claims “based upon facts contrary to or inconsistent with any of the representations and warranties stated herein,” including claims of patent or copyright infringement.⁴⁸⁴ This indemnification does not extend to liability arising due to (1) the contractor’s compliance with State-provided plans, (2) alterations by the State, (3) use of the software in an unintended manner, or (4) where the State owns the copyright or patent in question.⁴⁸⁵

The general terms and conditions for computer services define State-provided proprietary information to be delivered to the contractor in confidence. They also provide an identification mechanism to maintain the confidentiality of the contractor’s proprietary software and documentation.⁴⁸⁶ Where the contract relates to public records, the contractor cannot obtain ownership rights in the public records or in modifications thereof.⁴⁸⁷ These records remain the property of the State,⁴⁸⁸ and the contractor must maintain their confidentiality.⁴⁸⁹ A contractor is generally entitled to joint ownership of jointly-developed technology, and complete ownership where the technology is contractor-developed. The State retains the “public” portion of a jointly-developed invention.⁴⁹⁰

c. Technology Transfer

Connecticut has set up a University Research Foundation to obtain and license patents owned by the Connecticut State University system.⁴⁹¹ The rules for ownership of and rights in intellectual property developed by State employees are consistent with those of regular State employees,⁴⁹² except that copyright ownership remains with the university employee.⁴⁹³ To spur technology transfer for inventions developed by the universities, the Office of

483. PROPERTY CONTROL MANUAL, app. D.

484. PROPERTY CONTROL MANUAL app. D, art. C.

485. *Id.*

486. PROPERTY CONTROL MANUAL app. D, art. D.

487. Conn. Gen. Stat. § 4d-34.

488. Conn. Gen. Stat. § 4d-35.

489. Conn. Gen. Stat. § 4d-36.

490. Conn. Gen. Stat. § 4-61a(b).

491. Conn. Gen. Stat. § 10a-98a.

492. Conn. Gen. Stat. §§ 10a-98, 10a-98b(a).

493. Conn. Gen. Stat. § 10a-98g.

Workforce Competitiveness provides grants to “verify the technical and commercial feasibility” of university-developed patented technology.⁴⁹⁴

For sponsored agreements, inventions developed by a contractor’s employees remain the contractor’s, and joint inventions are jointly owned.⁴⁹⁵ But the university owns copyrighted software resulting from sponsored agreements.⁴⁹⁶

In order to promote stem cell research, Connecticut has created the Stem Cell Research Fund. Where a grant is provided under the Stem Cell Research Fund, the application must include a proposal for sharing royalties from any patent or similar rights “developing from any stem cell research made possible by the awarding of such grant-in-aid.”⁴⁹⁷ Connecticut desires grant results to be published and disseminated, and reserves the right to use any published results for State purposes.⁴⁹⁸

Connecticut also has created a venture corporation, Connecticut Innovations, Inc., which is chartered with the purpose of entering into “venture agreements with persons . . . for the research, development and application of specific technologies, products, procedures, services and techniques, to be developed and produced in this state.”⁴⁹⁹ Among the powers given to Connecticut Innovations is the power to hold title to intellectual property.⁵⁰⁰ Connecticut Innovations manages a number of funds and programs to stimulate research in specified technology areas.⁵⁰¹ It can set up Advanced Technology Centers at which cooperative research and development can be performed. But to set up an Advanced Technology Center, there needs to be an application which, like grants under the Stem Cell Research Fund, provide some explanation as to how the agreement will result in a benefit to the State. Royalty payments for patents resulting from the Center would qualify.⁵⁰²

494. Conn. Gen. Stat. § 4-124hh(d).

495. Standard Sponsored Research Agreement art. 11.1, *available at* <http://www.osp.uconn.edu/document.php?id=122> (last visited May 29, 2008).

496. Standard Sponsored Research Agreement art. 11.5, *available at* <http://www.osp.uconn.edu/document.php?id=122> (last visited May 29, 2009).

497. Conn. Gen. Stat. § 19a-32e(b).

498. 2007-2008 Application for Grant, 12, *available at* http://www.ct.gov/dph/lib/dph/2007-08_Application.doc (last visited May 29, 2008).

499. Conn. Gen. Stat. § 32-39(2).

500. Conn. Gen. Stat. § 32-39(6)

501. *See* Funding Opportunities from Connecticut Innovations, http://www.ctinnovations.com/funding/introduction/ci_funding.php, for a complete list (last visited May 29, 2008).

502. Conn. Gen. Stat. § 32-40a(3).

d. Sovereign Immunity Waivers

In view of Article 11, Sec. 4, of the Connecticut Constitution, Connecticut has established the Office of the Claims Commissioner (OCC) to resolve claims against the State.⁵⁰³ This limited waiver allows only money damages. Injunctive relief is not available. Any claim for damage to property must be provided within one year of the injury.⁵⁰⁴ Given that OCC claims cover breach of contract and damage to property, they may cover forms of intellectual property infringement to the extent IP rights are considered “property.” This interpretation is consistent with the directive for State agencies to respect software licenses and the Copyright Act.⁵⁰⁵ It also is consistent with Connecticut’s defining the term “person” to include government bodies or agencies for purposes of State-level trademark infringement⁵⁰⁶ and misappropriation of trade secrets.⁵⁰⁷ But no cases confirm that Connecticut can be sued for trade secret misappropriation or trademark infringement, and no reported cases reflect IP claims brought against the State through the Office of the Claims Commissioner. The OCC process is required prior to filing suit in State court.⁵⁰⁸ In addition to the limited waiver provided by the Office of the Claims Commissioner, certain State agencies, such as Connecticut Innovations, have the power to sue, which functions as a transactional waiver of sovereign immunity.⁵⁰⁹

Lastly, it is possible that the Connecticut courts would view a State Taking of intellectual property without just compensation to be a waiver of sovereign immunity under the Fifth Amendment and Article 11, Sec. 4, of the Connecticut Constitution.⁵¹⁰ The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis,⁵¹¹ though the Federal Circuit’s decision in *Zoltek v. United States* tends to undermine this interpretation for patents.⁵¹² Thus, the status of intellectual property as “property” for purposes of Takings claims is currently in doubt under both the State and Federal Constitutions.

503. Conn. Gen. Stat. § 4-53.

504. Conn. Gen. Stat. § 4-148.

505. PROPERTY CONTROL MANUAL ch. 7 (2006).

506. Conn. Gen. Stat. § 35-11a(5).

507. Conn. Gen. Stat. § 35-51(c).

508. Conn. Gen. Stat. § 4-141.

509. Conn. Gen. Stat. § 32-39(9).

510. The Federal Circuit in *Pennington Seed v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006) alluded to a possibility of such compensation under a conversion theory.

511. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

512. 442 F.3d 1345 (Fed. Cir. 2006).

8. Delaware

a. Intellectual Property Laws

i. Trade Secrets

Delaware has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁵¹³ Delaware prevents misappropriation of a trade secret⁵¹⁴ by any “person.” Where misappropriation occurs, the trade secret owner is entitled to request damages and an injunction.⁵¹⁵

Delaware has also enacted a Freedom of Information Act (FOIA) at Title 29, Chapter 100, of the Delaware Code. The Delaware FOIA requires that all public records be made available for inspection.⁵¹⁶ Certain records are not “public records,” including those related to trade secrets or confidential financial information⁵¹⁷ and records whose release would be contrary to statute or common law.⁵¹⁸ There are a number of additional specific grounds to prevent disclosure of records containing trade secrets or confidential information.⁵¹⁹ Where there is no specific exemption, proprietary information still can be protected from release consistent with Federal law.⁵²⁰

ii. Trademarks

Delaware’s State-level trademark system is codified at Title 6, Chapter 33, of the Delaware Code. It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1964.⁵²¹ Under this system, the application for registration is made to the Secretary of State.⁵²² Each registration is for a renewable ten-year term.⁵²³ The remedies

513. Del. Code, Title 6, Ch. 20, §§ 2001 *et seq.*

514. Del. Code tit. 6, § 2001(4).

515. Del. Code tit. 6, §§ 2002, 2003.

516. Del. Code tit. 29, § 10003.

517. Del. Code tit. 29, § 10002(g)(2).

518. Del. Code tit. 29, § 10002(g)(2).

519. Del. Code tit. 7, § 7803 (nonrelease of trade secrets provided under the Pollution Prevention Act); Del. Code tit. 16, § 2416 (nonrelease of trade secrets provided under Hazardous Chemical Information Act).

520. See Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 172 (2003).

521. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

522. Del. Code tit. 6, § 3304.

523. Del. Code tit. 6, § 3305.

on showing of infringement include both monetary and injunctive relief,⁵²⁴ and there are potential criminal penalties for certain types of counterfeiting activity.⁵²⁵ Delaware also provides a State-level cause of action for dilution of a State mark.⁵²⁶ The Delaware statute does not provide for punitive damages.⁵²⁷

Under the Delaware Uniform Deceptive Trade Practices Act, Delaware allows a mark owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion with the mark owner.⁵²⁸ The Deceptive Trade Practices Act provides similar injunctive relief to trademark infringement and is therefore an alternative cause of action where damages are not sought.⁵²⁹

Under the trademark laws, the term “person” does not include government bodies or agencies,⁵³⁰ which would seem to indicate that Delaware has not waived sovereign immunity for infringement by the State. By contrast, the Delaware Uniform Deceptive Trade Practices Act includes the Government in its definition of “persons.”⁵³¹ So even assuming Delaware has not waived sovereign immunity for trademark infringement, it may have waived sovereign immunity for deceptive trade practice claims under Title 6, Chapter 25, of the Delaware Code.

iii. Copyrights

Delaware has specific laws to protect copyright owners against counterfeiters.⁵³² It also has a telecommunications crime law that prohibits the unauthorized use, alteration, reprogramming, or distribution of a computer used in a telecommunications device so as to steal a telecommunication service.⁵³³ Similarly, Delaware Code Title 11, §§ 931-936, criminalizes the unauthorized use, alteration, reprogramming, or distribution of a computer or computer network. The Delaware computer crime laws have some elements in common with copyright infringement claims. The Computer Crime Act defines “person” to include the government, thus providing a potential ground for a sovereign immunity waiver for acts in violation of Delaware Code Title 11,

524. Del. Code tit. 6, §§ 3312, 3314.

525. Del. Code tit. 11, § 926.

526. Del. Code tit. 6, § 3313.

527. See Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

528. Del. Code tit. 6, ch. 25.

529. Del. Code tit. 6, § 2533.

530. Del. Code tit. 6, § 3302(3).

531. Del. Code tit. 6, § 2531(5).

532. Del. Code tit. 6, § 3314.

533. Del. Code tit. 11, § 850.

§§ 931-936 or possibly as grounds to prevent release under the Delaware FOIA law.⁵³⁴

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Under the Delaware Procurement Code at Title 29, Chapter 69, there is no specific provision governing intellectual property. While winning bids are subject to public inspection,⁵³⁵ this does not extend to proprietary data identified by the bidder as confidential with “a statement that explains and supports the firm’s claim that the bid items identified as confidential contain trade secrets or other proprietary data.”⁵³⁶ For like reasons, such information would be exempt from release under the Delaware FOIA⁵³⁷ and where the law otherwise prohibits disclosure.⁵³⁸

The standard terms and conditions for a contract relating to copyright depend on the type of contract. For contracts resulting from an invitation to bid, there is no provision affecting copyrights. By contrast, for contracts resulting from requests for proposals, the standard terms and conditions require that no copyright shall be asserted on any material “produced in whole or part” under a State contract.⁵³⁹ Further, the State has “unrestricted authority to publish, disclose, distribute and otherwise use, in whole or in part, any reports, data, or other materials prepared under this contract” to the extent that the use of any contractor-developed design or engineering plans is for their intended purpose under the contract.⁵⁴⁰ While the contractor retains the right to use and publish the scientific findings resulting from a contract, it is required to acknowledge the State’s support.⁵⁴¹ This means that Delaware does not acquire unlimited rights in all of the material developed,

534. Del. Code tit. 11, § 931 (13).

535. Del. Code tit. 29, § 6923(c)(3).

536. Del. Code tit. 29, § 6923(j)(4). *See also* Request For Proposal, art. 51, available at http://gss.omb.delaware.gov/contracting/documents/agencyboilers/rfp_boiler_030308.doc (last visited May 29, 2008); Invitation to Bid, art. A.14, available at http://gss.omb.delaware.gov/contracting/documents/agencyboilers/itb_boiler_030308.doc (last visited May 29, 2008).

537. Del. Code tit. 29, § 10002(g)(2).

538. Del. Code tit. 29, § 10002(g)(2).

539. Request For Proposals, art. 39, available at http://gss.omb.delaware.gov/contracting/documents/agencyboilers/rfp_boiler_030308.doc (last visited 29, 2008).

540. Request For Proposals, art. 39.

541. Request For Proposals, art. 39.

because any material related to the design or engineering plans are restricted to their intended contractual use.

Where the contractor is utilizing existing proprietary information properly identified in the proposal, the State will not acquire excess rights in this IP (outside of a license).⁵⁴²

The Delaware standard contract terms and conditions require the contractor to warrant that it has or will obtain any necessary patent rights to perform the contract and allow the State to use the results. The contractor must acquire any necessary right “by suitable legal agreement with the patentee or owner” and file a copy of the agreement with the State.⁵⁴³

The contractor also is obligated to hold the State harmless from any claim of infringement due to “any patented design, device, material, or process to be used or furnished under this contract.”⁵⁴⁴ This patent requirement has two effects. The first effect is, arguably, to require that the contractor provide a license to any invention developed under the contract, as the contractor would not otherwise be providing for the use of “any patented design, device, material, or process to be used or furnished under this contract.” The second effect is to expressly *not* extend State sovereign immunity to the contractor. This is opposite to the immunity granted to contractors by the Federal Government under 28 U.S.C. § 1498.

A similar requirement for indemnification (without the requirement of filing a copy of an acquired license) applies in contracts for professional services. Indeed, for professional services, the requirement extends to proprietary data in addition to patent infringement—a step beyond the patent indemnity required for goods and services.⁵⁴⁵ Moreover, the indemnification clause allows the contractor another option beyond acquisition of a license for the necessary IP: modification of the delivered service to avoid infringement.⁵⁴⁶

c. Technology Transfer

Delaware has implemented the Delaware Technical Innovation Program,⁵⁴⁷ which uses matching funds to help Delaware businesses obtain Small Business Innovation Research (SBIR) and Small Business Technology Transfer

542. Request For Proposals, art. 39.

543. Request For Proposals, art. C.4, Invitation to Bid, art. C.4.

544. Request For Proposals, art. C.4, Invitation to Bid, art. C.4.

545. Request For Proposals For Professional Services, § D.5.e., available at http://gss.omb.delaware.gov/contracting/documents/agencyboilers/pro_services_rfp_080106.doc (May 29, 2008).

546. Request For Proposals For Professional Services, §§ D.5.e(2)(b), (c).

547. Del. Code tit. 29, §§ 5035-5038.

Program (STTR) Federal contracts. No requirement is made for license rights or royalties derived from any intellectual property developed under such SBIR or STTR programs. Similarly, the Delaware Economic Development Office implements an “Advanced Technology Center Account,” which is used to “support the basic and applied research and development and technology application needs of the State’s technology-intensive industries.”⁵⁴⁸ Lastly, Delaware has acquired the licensing rights to certain donated patents, which are available for licensing by the State to encourage the growth of Delaware businesses through technology. Delaware’s Economic Development Office has contracted with the Center for Advanced Technology and Innovation to promote this unique technology transfer program.⁵⁴⁹

While no rights are prescribed for intellectual property developed out of grants, where IP is conceived or reduced to practice in the course of research conducted by the University of Delaware, the State likely acquires some rights. For patents, the State acquires sole title where only university researchers first conceive or reduce to practice a patentable invention, and jointly own the patented invention where the university researcher is only one of the inventors when the invention is first conceived or reduced to practice. Where ownership remains with the contractor but the invention was first conceived or reduced to practice during the contract or where the contractor obtains an exclusive license from the university, the university retains a nonexclusive license to use the patented invention for research and development purposes.⁵⁵⁰

While confidential information can be submitted for purposes of the contract, the contractor must follow a strict requirement to ensure confidentiality because the contractor cannot require the researchers (other than the principal investigator) to sign confidentiality agreements and must coordinate with researchers whose publications might otherwise disclose the submitted confidential information.⁵⁵¹ Where a copyrighted work is first produced under the contract, the university retains copyright ownership regardless of the author.⁵⁵² However, such rights appear negotiable under the university IP policies.⁵⁵³

548. Del. Code tit. 29 § 6102A(k).

549. <http://dedo.delaware.gov/IPprogram.shtml> (May 30, 2008).

550. Standard Research and Development Agreement, art. 8, available at <http://www.udel.edu/research/doc/StandardResearchAgreement.doc> (last visited May 29, 2008).

551. Standard Research and Development Agreement, arts. 7, 9.

552. Standard Research and Development Agreement, art. 9.

553. UNIVERSITY OF DELAWARE POLICIES AND PROCEDURES MANUAL, Policies 6-06, 6-07, and 6-09, <http://www.udel.edu/ExecVP/polprod/research.html> (last visited May 29, 2008).

d. Sovereign Immunity Waivers

Delaware enjoys broad sovereign immunity. Sovereign immunity is shared by the Delaware State university system.⁵⁵⁴ Its narrow areas of waiver—buildings, automobiles, and pollution—do not include intellectual property claims.⁵⁵⁵ Accordingly, the State is immune from IP suit unless the matter is raised in the context of a State contract. This immunity does not extend to private parties acting on behalf of the State, however, nor to private parties that induce patent infringement (even though the State itself is immune).⁵⁵⁶ Title 10, Chapter 40, appears to foreclose tort claims against the State.

Specific IP-related waivers fare no better outside of trade secrets and specific forms of tradename disputes and software crimes. While the term “person” is defined at Delaware Code Title 6, Section 2001 (3), to include government and government agencies, which is consistent with the definition in the Uniform Trade Secrets Act,⁵⁵⁷ Delaware has never been sued for trade secret misappropriation. Nor is there any evidence that Delaware’s potential waivers under the Uniform Deceptive Trade Practices Act or the Computer Crime Act have been asserted against the State. As such, these waivers remain untested.

In view of Article I, Section 8, of the Delaware Constitution, Delaware cannot take property without just compensation and can be sued according to regulations provided by the State. It is possible that the Delaware courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or the Delaware Constitution.⁵⁵⁸ The Takings provision of the Delaware Constitution has been held to be self-executing such that Takings claims against property do not need an explicit waiver of sovereign immunity.⁵⁵⁹ This would appear to extend to IP violations to the extent they can be characterized as an “offense against property.” Such a characterization is consistent with Delaware’s definition of “person” to include government bodies or agencies for purposes of State-level trade secret misappropriation, trade

554. *Gordenstein v. University of Delaware*, 381 F. Supp. 718, 725 (D. Del. 1974).

555. Del. Code tit. 10, § 4013.

556. *Syrrx, Inc. v. Oculus Pharmaceuticals, Inc.*, 2002 U.S. Dist. LEXIS 14893 *8 (D. Del. 2002); accord, *National Association of Boards of Pharmacy v. University of Georgia*, 86 U.S.P.Q.2d 1683 (M.D. Ga. 2008).

557. Uniform Trade Secrets Act § 1(3).

558. The Federal Circuit in *Pennington Seed v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006), alluded to a possibility of such compensation under a conversion theory.

559. *Rhinehardt v. Bright*, C.A. No. 03C-05-005 RBY (Del. Super. Ct. August 3, 2005) (citing *Donovan v. Del. Water and Air Res. Comm'n*, 358 A.2d 717, 722 (Del. 1976) and *State v. 0.24148 Acres*, 171 A.2d 228, 231 (Del. 1961)).

practices, and computer crimes. But in light of *Zoltek v. United States*,⁵⁶⁰ a Delaware court could as easily refuse to recognize IP as “property” for Takings purposes.⁵⁶¹

9. Florida⁵⁶²

a. Intellectual Property Laws

i. Trade Secrets

Florida has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁵⁶³ Injunctions and damages are available for misappropriation.⁵⁶⁴ Moreover, like the Uniform Trade Secrets Act, Florida defines the term “person” for purposes of determining misappropriation to include government or government agencies as well as natural persons and corporations.⁵⁶⁵ Separately, there is a criminal penalty for the theft of “trade secrets,” which uses a definition similar but not identical to the one in the Florida Uniform Trade Secrets Act.⁵⁶⁶ And there is a separate offense prohibiting disclosure of computer software and supporting documentation that incorporate trade secrets.⁵⁶⁷

Florida has also enacted an Open Records Act to ensure that public documents are disclosed.⁵⁶⁸ The term “records” broadly includes documents as well as software, photographs, and films received pursuant to a legal requirement or official agency business.⁵⁶⁹ While no general exemption exists for confidential or proprietary information, Florida statutes include a multitude

560. 442 F.3d 1345 (Fed. Cir. 2006).

561. See *New Castle County School Dist. v. State*, 424 A.2d 15 (Del. Supr. 1980) (“Although the federal and State constitutional questions are stated alternatively, our courts have generally proceeded on the basis that the constitutional guarantees here involved provide the same degree of protection against governmental takings of property without just compensation”).

562. Our thanks to David L. Day of the University of Florida and Barbara Wingo, Associate General Counsel for the University of Florida, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

563. Fla. Stat. § 688.001 *et seq.*

564. Fla. Stat. §§ 688.003, 688.004.

565. Fla. Stat. § 688.002(3).

566. Fla. Stat. § 812.081.

567. Fla. Stat. § 815.04(3)(b).

568. See Florida Statutes, Ch. 119.

569. Fla. Stat. § 119.011(11).

of specific exceptions in order to allow the State to obtain needed information.⁵⁷⁰ Some exemptions include the following:

- Bids and proposals submitted for public contract until the time for bid acceptance.⁵⁷¹
- Data processing software licensed from third parties and that contain trade secrets.⁵⁷²
- Any computer software or supporting documentation held by an agency and including trade secrets.⁵⁷³ To the extent that the data-processing software is agency-developed, it still can be exempted if designated “sensitive.”⁵⁷⁴
- The Space Florida program has a broad exemption for records “including trade secrets of Space Florida, any spaceport user, or the space industry business.”⁵⁷⁵
- Florida Statutes § 1004.22 exempts confidential information “received, generated, ascertained, or discovered during the course of research conducted within the state universities.”

Without a specific exemption, however, the Florida Open Records Act is to be construed liberally to afford access to public writings.

570. Fla. Stat. § 403.73 (exemption for confidential information provided to Department of Environmental Protection on showing of confidential); Fla. Stat. § 381.83 (exemption for confidential information provided to Department of Health on showing of confidential); Fla. Stat. § 366.093 (exemption for confidential records provided to public utility); Fla. Stat. § 364.183 and 350.121 (exemptions for proprietary information received by Florida Public Service Commission); Fla. Stat. § 334.049 (exemption for confidential information obtained by the Department of Transportation as a result of research and development projects); Fla. Stat. § 125.025 (exemption for received confidential trade information); Fla. Stat. § 125.012 (26) (exemption for received confidential trade information); Fla. Stat. § 288.047 (exemption for received confidential information relating to the Quick Response Training Program); Fla. Stat. § 721.071(1) (exemption for confidential information provided by developer); Fla. Admin. Code Ann. r. 19-8.029 (exemption for provided confidential information related to insured values submitted to Florida Hurricane Catastrophe Fund). *See also Florida Soc. of Newspaper Editors, Inc. v. Florida Pub. Serv. Comm'n*, 543 So. 2d 1262, 14 Fla. L. Weekly 1075 (Fla. 1st Dist. Ct. App. 1989) *interpreting* Fla. Stat. §§ 364.183, 350.121 exemptions.

571. Fla. Stat. §§ 119.071(1)(b)1.a, 119.071(1)(b)2.a.

572. Fla. Stat. § 119.071(1)(f). Trade secrets are defined relative to the criminal misappropriation statute, Fla. Stat. § 812.081, as opposed to the Florida trade secrets act.

573. Fla. Stat. § 815.04(3)(a).

574. Fla. Stat. § 119.071(1)(f).

575. Fla. Stat. § 331.326. Trade secrets are defined relative to the criminal misappropriation statute, Fla. Stat. § 812.081, as opposed to the Florida trade secrets act. Fla. Admin. Code Ann. r. 57-2.001 clarifies that Space Florida is empowered to determine what is a trade secret for purposes of the exemption.

ii. Trademarks

Florida's State-level trademark system is codified at Chapter 495 of the Florida Statutes. As of 2007, Florida law implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.⁵⁷⁶ Under this system, the application for registration is made to the Department of State.⁵⁷⁷ Each registration is for a renewable five-year term.⁵⁷⁸ The remedies for infringement include monetary and injunctive relief,⁵⁷⁹ and there are potential criminal penalties for certain types of counterfeiting activity or false associations with manufacturers.⁵⁸⁰ Moreover, Florida provides a State-level cause of action for dilution of a State mark.⁵⁸¹ And Florida House Bill 1417, which makes counterfeiting that results in death or serious bodily injury a felony punishable by up to thirty years in jail, went into effect October 1, 2008. Despite this fact, Florida law does not provide for punitive damages for trademark infringement.⁵⁸² And the term "person" does not include government bodies or agencies,⁵⁸³ suggesting that Florida has not waived sovereign immunity for infringement by the State.

In view of the importance of Florida's agricultural industries, the State requires registration of brands associated with grades of produce, thereby effectively creating an alternative trademark registration system for citrus fruits.⁵⁸⁴

Other trademarks are reserved for State programs—notably the Space Florida program—and are not available for private-sector use.⁵⁸⁵

iii. Copyrights

Florida law specifically authorizes agencies to copyright and license-out their software.⁵⁸⁶ No similar authorization exists for other copyrighted works, although various agencies and bodies are given authority to own intellectual

576. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

577. Fla. Stat. § 495.035.

578. Fla. Stat. § 495.071.

579. Fla. Stat. § 495.141.

580. Fla. Stat. § 559.9335(17); Fla. Stat. § 559.809(7); Fla. Stat. § 831.03; Fla. Stat. § 559.809; Fla. Stat. § 817.56; Fla. Stat. § 499.003; Fla. Stat. § 210.185.

581. Fla. Stat. § 495.035.

582. See Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

583. Fla. Stat. § 495.011(8).

584. Fla. Admin. Code Ann. r. § 20-42.001.

585. Fla. Stat. § 331.355.

586. Fla. Stat. § 119.084.

property and through these instrumentalities the Florida government can acquire copyrights in other State-created works.⁵⁸⁷ The State Technology Office generally holds copyrights in State-created works, but must release them for use by State agencies or under the Florida Open Records Act.⁵⁸⁸ Bodies performing research and development can retain ownership of their IP.⁵⁸⁹

Florida's computer crime law prohibits the unauthorized use of a computer or network,⁵⁹⁰ as well as the unauthorized alteration or destruction of computer software.⁵⁹¹ Because "unauthorized use" and "modification" connote any unauthorized uses, the Florida computer crimes law shares elements with copyright infringement claims.

Florida requires copyright owners and performance-rights societies to provide a special notice prior to contracting for payment of royalties by a business proprietor and will prevent collection of such royalties where the notice is not provided.⁵⁹² This notice is limited to musical or visual works and does not apply to software publishers. As such, the impact of these provisions on procurement is minimal. The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

iv. Patents

After the Supreme Court's decision in *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*,⁵⁹³ there would seem to be little room to create *sui generis*

587. Fla. Stat. § 282.22 generally authorizes the State Technology Office to own copyrights in government-created works to the extent the material can be used by state agencies and can be released under the Florida open records act. Other Florida statutes generally allow for copyright ownership at a more specific agency level. Fla. Stat. § 331.355 (Space Florida); Fla. Stat. § 334.049 (Department of Transportation); Fla. Stat. § 601.101 (Department of Citrus); Fla. Stat. § 373.608 (Water Management Districts); Fla. Stat. § 378.101 (Florida Institute of Phosphate Research); Fla. Stat. § 1004.23 (Universities); Fla. Stat. § 1004.726 (Community College Boards); Fla. Stat. § 943.146 (Department of Law Enforcement).

588. Fla. Stat. § 282.22.

589. Fla. Stat. § 331.355 (copyright ownership by Space Florida); Fla. Stat. § 334.049 (copyright ownership by Department of Transportation); Fla. Stat. § 601.101 (copyright ownership by Department of Citrus); Fla. Stat. § 373.608 (copyright ownership by water management district); Fla. Stat. § 378.101 (copyright ownership by Florida Institute of Phosphate Research); Fla. Stat. § 1004.23 (copyright ownership by Universities); Fla. Stat. § 1004.726 (copyright ownership by community college board); Fla. Stat. § 943.146 (copyright ownership by Department of Law Enforcement).

590. Fla. Stat. §§ 815.06, 119.084.

591. Fla. Stat. § 815.04.

592. Fla. Stat. § 501.93.

593. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141 (1989).

patent-like intellectual property rights at the State level. But Florida nevertheless has created a new form of intellectual property for “the use of an idea, procedure, process, system, method of operation, concept, principle, discovery, thought, or other creation that is not a work of authorship protected under federal copyright law.”⁵⁹⁴ This cause of action is limited to written contracts to use such items and is not intended to supplant claims for patent, copyright, trademark, or trade secret violations. No cases have been reported on how this section is applied or the extent to which it might conflict with Federal IP protections.

b. Procurement Laws

Under the Florida Procurement Code (Chapter 287 of the Florida Statutes), there is no specific provision governing intellectual property for the majority of contracts. Proprietary materials included in bids and proposals are exempt from public release until the bids are opened.⁵⁹⁵

Certain Florida statutes appear to indirectly affect IP procurement for IT and educational services. For instance, all educational materials, including those covered by intellectual property, resulting from research and development under the direction of the Department of Education shall be made available to all teachers, students, and administrators “at the earliest practicable date and in the most economical and efficient manner possible.”⁵⁹⁶ These requirements would likely impact the ability of a contractor to restrict dissemination of such materials where the contractor participated in research and development efforts. Also, publishers must warrant that instructional materials provided to schools do not violate copyrights and grant the Department of Education the right to reproduce the materials in Braille, large print, or as sound recordings for the visually-impaired.⁵⁹⁷

And the Florida Department of Management Services is required to obtain sufficient rights to allow State and local government entities to use materials developed through its research and development efforts.⁵⁹⁸ Intellectual property plays a role in the outsourcing of services, but only to the extent that the contract must include a provision for the ownership of IP generated by these services.⁵⁹⁹ What the specific rights are is uncertain. For information technology contracts, the Department of Management Services is empowered to acquire, own, and license IP, but no minimum terms are required by

594. Fla. Stat. § 501.972.

595. Fla. Stat. §§ 119.071(1)(b)1.a., 2.a.

596. Fla. Stat. § 1006.39.

597. Fla. Stat. § 1006.38.

598. Fla. Stat. § 282.22.

599. Fla. Stat. § 287.0574(5)(k).

statute.⁶⁰⁰ There is also, for licensed data-processing software, a specific provision protecting against release under the Open Records Act. This implicitly allows the use of most standard software licenses in Florida procurements.⁶⁰¹

While there does not appear to be a standard contract for all purchases, under the standard Terms and Conditions for small purchases (below \$25,000), the contractor is required to provide a broad indemnification for any intellectual property claims.⁶⁰²

Contractors in contracts between property appraisers and the Department of Revenue may not publish, copyright, or patent data furnished pursuant to the contract.⁶⁰³ They must grant Florida a license to use any invention or trade secret developed under the contract⁶⁰⁴ and indemnify the State against patent infringement claims based upon contractor-furnished equipment.⁶⁰⁵ It would be reasonable to expect that other Florida procurement contracts would have like indemnity requirements.

c. Technology Transfer

In general, where intellectual property is generated by or on behalf of Florida and the State is to own it, the Florida Department of State is the specific entity that takes title.⁶⁰⁶ The Department of State has licensing authority; no use of Florida IP by a third party is possible without the written consent of the Department.⁶⁰⁷

Agencies, however, are treated differently from the State as a whole. Despite the pride of place given to the Department of State, other agencies and government entities have separate authorizations to own and license IP they acquired or developed.⁶⁰⁸ Pursuant to this authority, the Department of Citrus has promulgated regulations ensuring that the Department “recognizes the relative rights and equities of all parties concerned with regard to inventor assignments and royalties” for inventions resulting from research

600. Fla. Stat. §§ 282.102(5), (6).

601. Fla. Stat. § 119.071(1)(f).

602. State Purchasing Agreement (PUR 7722), art. 10(b), *available at* <http://dms.myflorida.com/dms2/content/download/726/3459/file> (last visited May 29, 2008).

603. Fla. Admin. Code Ann. r. 12D-15.004.

604. Fla. Admin. Code Ann. r. 12D-15.006.

605. Fla. Admin. Code Ann. r. 12D-15.007.

606. Fla. Stat. § 286.021.

607. Fla. Stat. § 286.031. *See also* Fla. Stat. § 286.021 (“no person, firm or corporation shall be entitled to use the [State-owned intellectual property] without the written consent of said Department of State”).

608. Fla. Stat. §§ 282.102 (the Department of Management Services for information technology); 331.355 (for Space Florida); Fla. Stat. § 334.049 (Department of Transportation); 601.101 (Department of Citrus); 373.608 (Water Management Districts); and 378.101 (Florida Institute of Phosphate Research).

and development.⁶⁰⁹ A similar “recognition” balancing the contributions of contractor and State applies to research performed by the Florida Institute of Phosphate Research.⁶¹⁰ It seems likely that equitable recognition of the contributions of the parties is expected when negotiating Florida research and development agreements.

The Florida Biomedical Research Programs are administered by the Florida Department of Health for different areas of biomedical research. These include the James & Esther King Biomedical Research Program⁶¹¹ and the Bankhead-Coley Cancer Research Program.⁶¹² Biomedical Research Programs do not have any statutory requirements for ownership of intellectual property. According to grant terms and conditions, however, the grantee retains ownership of such inventions subject to a nonexclusive license to practice inventions resulting from the grant, “including in whatever form [the invention] enters production or otherwise in the commercial marketplace, on behalf of the State of Florida.”⁶¹³ Moreover, the grantee is required to indemnify the State for any claims of infringement due to the work under the grant and is not covered by the State’s sovereign immunity.⁶¹⁴

Universities also have a separate authorization to own, acquire, and license intellectual property.⁶¹⁵ A separate institute within the university system, the Florida Institute for Human and Machine Cognition, Inc., was established within the University of West Florida and has an independent authorization to acquire, own, and license intellectual property.⁶¹⁶ Each State university has its own licensing and technology-transfer protocol. Generally, the policies presume that IP developed by the university under a sponsorship agreement is owned by the university, subject to the right of the sponsor to obtain an

609. Fla. Admin. Code Ann. r. 20-107.002. See also Fla. Admin. Code Ann. r. 20-107.004(5) (requiring negotiation to determine ownership relative to contractor).

610. Fla. Stat. § 378.101(2)(a) (The institute “shall consider contributions by institute personnel, contractors, and grantees in the development of such products and shall enter into written agreements with them establishing the interests of the respective parties in each patent, copyright, or trademark it secures”).

611. Fla. Stat. § 215.5602.

612. Fla. Stat. § 381.922.

613. Florida Biomedical Research Programs, *James & Esther King Biomedical Research Program Terms and Conditions* art. 18, <http://forms.floridabiomed.com/Forms/King08-09NIRTermsConditions.pdf> (last visited May 30, 2008).

614. Florida Biomedical Research Programs, *James & Esther King Biomedical Research Program Terms and Conditions*, art. 21 (<http://forms.floridabiomed.com/Forms/King08-09NIRTermsConditions.pdf>).

615. Fla. Stat. § 1004.23. A similar authorization exists for the community colleges at Fla. Stat. § 1004.726.

616. Fla. Stat. § 1004.447(2)(e).

exclusive license.⁶¹⁷ But because this is not a legal requirement, exceptions presumably can be made.

d. Sovereign Immunity Waivers

The Supreme Court of the United States has held that Florida is generally immune from suit and that the State's Eleventh Amendment immunity extends to intellectual property infringement absent a valid and explicit waiver.⁶¹⁸

But Florida has not exercised its sovereign immunity to its fullest limits. Instead, it has enacted a waiver covering all tort liabilities to which private parties are subject. State liability is capped at \$200,000 unless economic damages are substantially greater.⁶¹⁹ This "private person" liability typically is interpreted to exclude governmental functions.⁶²⁰ No cases confirm that this waiver applies to IP-related offenses under a tort theory.⁶²¹ And at least one Federal Circuit case holds that Florida governmental bodies are immune from patent infringement suits pursuant to sovereign immunity, which the State has not waived.⁶²² Lanham Act unfair competition claims also are barred.⁶²³ Note, however, that this immunity does *not* extend to private contractors operating under Florida contracts.⁶²⁴

While Florida apparently is immune from suit for patent infringement, it apparently has waived its sovereign immunity for trade secret misappropriation. As noted, the term "person" includes government entities for purposes of the Florida Trade Secrets Act.⁶²⁵ This probably operates as a sovereign

617. University of Florida Intellectual Property Policy, C.3; Florida Atlantic University Intellectual Property Policy, C.2; University of North Florida Policy No. 2.0020P, Patents, Copyrights, Trademarks and Other Intellectual Property, IV(A) (2007); Florida International University, Inventions And Patents (2005); Florida Gulf Coast University Policy No. 2.12, Intellectual Property Policy, D(2)(B); University of Central Florida Management Procedures, Intellectual Property; Florida Institute of Technology Policy 2.19, Policy on Patents and Copyrights, 2.19.2(2).

618. *Coll. Savs. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999).

619. Fla. Stat. ch. 768.28.

620. Michael Tardif & Rob McKenna, *Washington State's 45-Year Experiment in Governmental Liability*, 29 SEATTLE U. L. REV. 1, 54 n. 300 (2005).

621. The Federal Government, while acknowledging that intellectual property can sound in tort, has denied relief under 28 U.S.C. § 1346(b) for IP-related offenses through a narrow interpretations of the Federal Tort Claims Act. *See, generally*, David S. Bloch and James G. McEwen, "Like Toddlers in Big Surf": *Can the Government Control the Effects of Federal Trademark Liability?*, 33 PUB. CONT. L.J. 210, 212–16 (Fall 2003). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

622. *Jacobs Wind Elec. Co. Inc. v. Florida Dept. of Transp.*, 919 F.2d 726 (Fed. Cir. 1990).

623. *State Contracting & Eng'g Corp. v. Florida*, 258 F.3d 1329, 1340 (Fed. Cir. 2001).

624. *Id.*

625. Fla. Stat. § 688.002(3).

immunity waiver, though no cases address the question in the specific context of Florida Statutes § 688.001 *et seq.*⁶²⁶ Nevertheless, under Florida law, the inclusion of the government as a “person” subject to liability works as a clear waiver of sovereign immunity.⁶²⁷

Moreover, the Florida Supreme Court has held that the State’s authorization to enter commercial contracts acts as an implied waiver of sovereign immunity and accordingly subjects the State to ordinary contract liability.⁶²⁸ But this waiver is interpreted narrowly; under *County of Brevard v. Miorelli Engineering*, the contractor was not entitled to recover for additional work exceeding the scope of a written agreement despite oral instructions from the State to proceed.⁶²⁹ In the procurement context, Florida can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁶³⁰ Further, where Florida has consented to suit, such as by asserting infringement of State-owned intellectual property, Florida might be considered to have waived its sovereign immunity.⁶³¹ Lastly, it is possible that the Florida courts would view a State Taking of IP without just compensation under Article X, Section 6, of the Florida Constitution or the Fifth Amendment of the Federal Constitution to be a waiver of sovereign immunity.⁶³² However, in light of *Zoltek v. United States*,⁶³³ Florida courts could easily reject such a claim.

626. The inclusion of the term “person” can indicate a waiver of sovereign immunity. *C.f. Maggio v. Fla. Dept. of Labor & Emp. Sec.*, 899 So. 2d 1074 (Fla. 2005) (“The inclusion of the State in the definition of ‘person’ and, hence, ‘employer’ [for purposes of the Florida Civil Rights Act] evidences a clear, specific, and unequivocal intent to waive sovereign immunity”).

627. *Maggio v. Fla. Dept. of Labor & Emp. Sec.*, 899 So. 2d 1074 (Fla. 2005).

628. *See Pan-Am Tobacco Corp. v. Dep’t of Corrections*, 471 So. 2d 4 (Fla. 1984).

629. *County of Brevard v. Miorelli Eng’g, Inc.*, 703 So. 2d 1049 (Fla. 1997).

630. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

631. *See, e.g., Tegic Commc’ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep’t of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

632. The Federal Circuit in *Pennington Seed v. Produce Exch. No. 299*, 457 F.3d 1334 (Fed. Cir. 2006) alluded to a possibility of such compensation under a conversion theory. *See also City of Northglenn v. Grynberg*, 846 P.2d 175 (Colo. 1993).

633. 442 F.3d 1345 (Fed. Cir. 2006).

10. Georgia⁶³⁴

a. Intellectual Property Laws

i. Trade Secrets

Georgia has adopted a trade secret law modeled on the 1985 amended version of the Uniform Trade Secrets Act.⁶³⁵ However, as compared to the Uniform Trade Secrets Act, Georgia's definition of "trade secret" includes additional types of technical and nontechnical data.⁶³⁶ Injunctions and damages are available for trade secret misappropriation.⁶³⁷ Georgia defines "person" to include government or government agencies as well as natural persons and corporations.⁶³⁸

There is also a criminal penalty for the theft of trade secrets, which uses a definition of a "trade secret" similar to that used in the Georgia Uniform Trade Secrets Act.⁶³⁹

Georgia's Open Records Act ensures that public documents are disclosed.⁶⁴⁰ The term "records" broadly includes documents as well as software, photographs, and films received pursuant to a legal requirement or official agency business.⁶⁴¹ Without a specific exemption, the Georgia Open Records Act is to be construed to afford access to public writings. And these exemptions and exceptions are construed in a policy environment of extremely liberal public access rules. Indeed, Georgia has among the most aggressive open-records laws in the nation.

In order to protect confidential information, Georgia has created a specific exemption to disclosure of records containing trade secrets that are required to be delivered to the State.⁶⁴² While there are often procedures used to ensure the confidentiality of these submissions, under Georgia law, the exemption under Ga. Code. Ann. § 50-18-72(b) is not dependent on the technical

634. Our thanks to Terence McElwee, General Counsel, University of Georgia Research Foundation, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

635. Ga. Code. Ann. § 10-1-760 *et seq.*

636. As compared to the Uniform Trade Secrets Act, § 1(4), Ga. Code. Ann. § 10-1-761(4) defines a trade secret to further include drawings, financial data, financial plans, product plans, or a list of actual or potential customers or suppliers which is not commonly known by or available to the public.

637. Ga. Code. Ann. §§ 10-1-762, 763.

638. Ga. Code. Ann. § 10-1-761(3).

639. Ga. Code. Ann. § 16-8-13.

640. Ga. Code. Ann. §§ 50-18-70 through 77 (2007).

641. Ga. Code. Ann. § 50-18-70(a).

642. Ga. Code. Ann. § 50-18-72(b).

compliance of the submitter in ensuring that the submitted document is property marked “confidential” according to these procedures.⁶⁴³

Aside from Ga. Code. Ann. § 50-18-72 (b), Georgia has additional exemptions in the Open Records Act relating to records that the Federal Government requires be confidential⁶⁴⁴ and confidential information obtained by the Georgia Department of Agriculture for the purposes of the National Animal Identification system.⁶⁴⁵ There are a handful of other Georgia statutes that outlaw the public disclosure of certain information provided to State authorities.⁶⁴⁶ But these exemptions are construed narrowly by the courts. Contractors should proceed with caution.

ii. Trademarks

Georgia’s State-level trademark system is codified at Title 10, Chapter 1, Article 16, of the Georgia Code. It implements some of the substance of the International Trademark Association’s Model State Trademark Bill of 1964 insofar as it allows for injunctive relief for dilution or injury to business reputation,⁶⁴⁷ but otherwise differs from the INTA model system.⁶⁴⁸ Under the Georgia system, the application for registration is made to the Secretary of State.⁶⁴⁹ Each registration is for a renewable ten-year term.⁶⁵⁰ The term “person” does not include government bodies or agencies,⁶⁵¹ which seems to indicate that Georgia has not waived sovereign immunity for infringement by the State.

643. *Georgia Dept. Nat. Res. v. Theragenics Corp.*, 545 S.E.2d 904 (Ga. 2001).

644. Ga. Code. Ann. § 50-18-72(a)(1).

645. Ga. Code. Ann. § 50-18-72(a)(10.3).

646. Ga. Code. Ann. §§ 2-7-62, 68 (unlawful to reveal any confidential information relative to pesticide formulas acquired by Commissioner of Agriculture); Ga. Code. Ann. § 2-13-5 (unlawful to reveal any confidential information relative to commercial feeds acquired by Commissioner of Agriculture); Ga. Code. Ann. § 10-1-207 (antifreeze information that is confidential information and is submitted to Commissioner of Agriculture will not be disclosed and is not subject to subpoena); Ga. Comp. R. & Regs. 515-3-1-11 (procedure for submitting trade secrets to be protected when part of material required by Public Service Commission); and Ga. Comp. R. & Regs. 515-12-1-30 (procedure for an Institutional Telecommunication Service provider to provide file information to be protected); Ga. Comp. R. & Regs. 40-7-1-73 (Department of Agriculture shall treat as confidential trade secrets contained on inspection report forms and in submitted plans and specifications); Ga. Comp. R. & Regs. 40-7-8-18 (on proper evidence of trade secrecy, the Commissioner of Agriculture will not reveal confidential information related to Vidalia onions).

647. Ga. Code Ann. § 10-1-451(b).

648. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

649. Ga. Code. Ann. § 10-1-442.

650. Ga. Code. Ann. § 10-1-445.

651. Ga. Code. Ann. § 10-1-440(a)(2).

The remedies for infringement include monetary and injunctive relief,⁶⁵² and there are potential criminal penalties for certain types of counterfeiting activity or false associations with manufacturers.⁶⁵³ There is also a criminal penalty for misusing a mark in the context of a computer communication.⁶⁵⁴ But the Georgia statute does not provide for punitive damages.⁶⁵⁵

Under the Georgia Uniform Deceptive Trade Practices Act, Georgia allows a mark owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion with the mark owner.⁶⁵⁶ These provisions provide similar injunctive relief to trademark infringement, and therefore may offer an alternative avenue for relief where damages are not being sought.⁶⁵⁷ Significantly, as opposed to the definition of a person for purposes of trademark infringement, the Georgia Uniform Deceptive Trade Practices Act includes the government in its definition of “person.”⁶⁵⁸ So even assuming Georgia has not waived sovereign immunity for trademark infringement, Georgia may well have waived sovereign immunity for deceptive trade practice causes of action under Title 10, Chapter 1, Article 15, of the Georgia Code.

In view of the importance of certain agricultural industries, Georgia has specific laws relating to quality of trademarked goods where mark includes the name “Georgia.”⁶⁵⁹ And to protect the valuable Vidalia onion market, Georgia has authorized the Commissioner of Agriculture to obtain trademarks and license such marks in connection with the sale of these onions.⁶⁶⁰ Marks reserved for use by the State appear restricted to the agricultural context.

iii. Copyrights

Georgia does not explicitly allow the State or State agencies to acquire copyrights in State works. But Georgia does require that court reports shall be copyrighted and that the copyright shall belong to the State.⁶⁶¹

652. Ga. Code Ann. §§ 10-1-449 through 451.

653. Ga. Code Ann. § 10-1-454 (forged or counterfeited trademarks, service marks, or copyrighted or registered designs); Ga. Code Ann. §§ 2-12-2, 2-12-6 (proper marks for fertilizer labels); Ga. Code Ann. §§ 2-12-41 2-12-45 (proper marks for agricultural liming materials); Ga. Code Ann. § 10-1-162 (substitution or misbranding of petroleum products); Ga. Comp. R. & Regs. 40-11-6-.01(1) (pesticide label must show trademark).

654. Ga. Code Ann. § 16-9-93.1.

655. See Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

656. Georgia Uniform Deceptive Trade Practices Act; Ga. Code Ann. tit. 10, ch. 1, art. 15, part I.

657. Ga. Code Ann. § 10-1-373.

658. Ga. Code Ann. § 10-1-371(5).

659. Ga. Code Ann. § 26-2-115.

660. Ga. Code Ann. § 2-14-132.1.

661. Ga. Code Ann. § 50-18-34.

Georgia requires that the Georgia Technology Authority promulgate policies to ensure that State agencies are not violating software copyrights and are otherwise in compliance with software licenses.⁶⁶² However, this requirement does not appear to give rise to a private right of action.

Georgia criminalizes unauthorized access to, use, or modification of a computer or computer software.⁶⁶³

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Under the Georgia Procurement Code,⁶⁶⁴ there is no specific provision governing intellectual property for the majority of contracts. Instead, the Department of Administrative Services is directed to provide specifications and regulations for procurement, which normally would include intellectual property provisions.⁶⁶⁵ It is unclear whether proprietary materials included in bids and proposals⁶⁶⁶ are exempt from disclosure under the Open Records Act. This ambiguity is reflected in the Georgia Vendor Manual, which cautions that merely labeling information “‘Confidential,’ ‘Proprietary,’ or in any other manner may not protect this material from public inspection.”⁶⁶⁷ As such, bidders should be cautious in submitting confidential information unless it is being required by the agency or another exemption applies.

There is a procedure for submitting trade secrets in unsolicited proposals for public-private initiatives with the Department of Transportation. Under Ga. Code. Ann. § 32-2-79, confidential information included in the proposal will be kept in confidence, but only to the extent the trade secret information is required by the Department in evaluating the proposal. This is not an

662. Ga. Code. Ann. § 50-25-7.13.

663. Ga. Code. Ann. § 16-9-93.

664. Title 50, Chapter 5, Article 3, of the Georgia Code.

665. Ga. Code. Ann. § 50-5-54.

666. Georgia specifically addresses a contractor's ability to assert restricted- or limited-rights protections in connection with Government IP transactions. Its rules are roughly similar to the Federal rule. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 207 (2003).

667. Department of Administrative Services (DOAS), Georgia Vendor Manual, Section 1.7 (2007). *C.f.*, Ga. Comp. R. & Regs. 665-2-11-.01 (“The offeror [to the Georgia Technology Authority] may designate documents or records as proprietary or a trade secret however this may not prevent disclosure under the Georgia Open Records Act”). *See also* Huffman & O'Sullivan, *supra* note 666, at 174–75 (discussing the ambiguity).

independent exemption, since the procedure relies upon the definition of exempted “trade secrets” included in the Open Records Act.⁶⁶⁸ Moreover, the proposal itself will not become a public record until after completion of the evaluation process.⁶⁶⁹ While this process appears to provide the necessary protection from release under the Open Records Act during the evaluation process, proposals should include only the minimum trade secrets required by law or protected by an independent disclosure exception.

For issued contracts, there are no statutorily required contractual terms relating to intellectual property. The Department of Administrative Service’s standard terms and conditions for goods and services contain few intellectual property terms beyond a requirement to warranty ownership of the goods,⁶⁷⁰ indemnification by the contractor,⁶⁷¹ and clauses allowing the State to terminate the contract for cause due to infringement claims.⁶⁷²

Agencies are, however, required to comply with software licensing terms according to procedures promulgated by the Georgia Technology Authority.⁶⁷³ And the standard terms and conditions for software licenses include an additional term requiring minimal use rights, including a right to make copies for purposes of backup, migration to new computers, disaster recovery, and storage.⁶⁷⁴

c. Technology Transfer

Outside of procurement, the Department of Economic Development and the Commissioner of Agriculture have independent licensing rights for intellectual property relating to Vidalia onions⁶⁷⁵ and marketing efforts for increasing tourism and economic development.⁶⁷⁶ We did not identify any other licensing authority for State-owned or State-acquired intellectual property.

In the University of Georgia system, there are no common or uniform terms for sponsored research agreements. Each institution has an intellectual property policy that vests ownership in the institution, but ownership can be modified under a variety of circumstances. Those institutions with their

668. Ga. Code. Ann. § 32-2-79(b)(3)(A).

669. Ga. Code. Ann. § 32-2-79(m).

670. State of Georgia Agency Standard Contract Form (Goods) SPD-CP013 & (Services) SPD-CP014, art. J.4.

671. State of Georgia Agency Standard Contract Form (Goods) SPD-CP013 & (Services) SPD-CP014, arts. G.1 & G.4.

672. State of Georgia Agency Standard Contract Form (Goods) SPD-CP013 & (Services) SPD-CP014, art. E.2.

673. Ga. Code. Ann. § 50-25-7.13.

674. State of Georgia Agency Standard Contract Form (Software) SPD-CP016, art. C.2.

675. Ga. Code. Ann. § 2-14-132.1.

676. Ga. Code. Ann. § 50-7-8.

own research foundations, like the University of Georgia and Georgia Tech, have much more latitude when negotiating sponsored research and intellectual property agreements.⁶⁷⁷

d. Sovereign Immunity Waivers

The Georgia Constitution waives immunity for breach of a written contract.⁶⁷⁸ So, in the procurement context, Georgia can therefore also be sued for IP disputes arising out of contract breaches.⁶⁷⁹

Moreover, under the Georgia Tort Claims Act, Georgia has broadly waived immunity for torts committed by State personnel acting within the scope of their official duties.⁶⁸⁰ Damages are capped at \$1,000,000 per occurrence with an aggregate cap of \$3,000,000.⁶⁸¹ To claim sovereign immunity, the State must identify a statutory exception to Georgia's waiver.⁶⁸² But the types of losses compensable under the Georgia Tort Claims Act are limited to tangible property, personal injury, or other damages typically "recoverable in actions for negligence."⁶⁸³ While certain forms of IP infringement (such as trademark violations or theft of trade secrets) sound in tort, no cases extend this waiver to IP-related offenses using State-based tort theories.⁶⁸⁴

While the term "person" includes government entities for purposes of the Georgia Trade Secrets Act,⁶⁸⁵ no cases use Section 10-1-761(3) of the Official

677. Medical College of Georgia Intellectual Property Policy, Section 3(A) (no presumption); Georgia State University, Intellectual Property Policy IV(D) (ownership with university for sponsored work, but "ownership rights may be influenced or determined by the terms of such grant or contract"); Georgia Tech Intellectual Property Policy, 50.6 (no presumption); University of West Georgia Intellectual Property Policy, 402.0304 (no presumption).

678. Ga. Const. art. I, § 2, ¶ 9. Codified at Ga. Code Ann. § 50-21-23.

679. *Baum Research and Dev. Co., Inc. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

680. Ga. Code Ann. § 50-21-23.

681. Ga. Code Ann. § 50-21-29.

682. *Department of Transp. v. Montgomery Tank Lines, Inc.*, 276 Ga. 105, 575 S.E.2d 487 (2003).

683. Ga. Code Ann. § 50-21-22(3).

684. The Federal Government has denied relief under 28 U.S.C. § 1346(b) for IP-related offenses through narrow interpretations of the Federal Tort Claims Act. See generally David S. Blochs James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L.J. 210, 212-16 (Fall 2003); but see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA). Since the Georgia Torts Claims Act (GTCA) has been found to be similar to the FTCA, it is likely that the GTCA would be similarly interpreted. See *Montgomery Tank Lines, Inc.*, 253 Ga. App. 143, 558 S.E.2d 723 ("the relevant Georgia and federal statutes are nearly identical, and it is entirely appropriate to rely on cases interpreting the federal law").

685. Ga. Code Ann. § 10-1-761(3).

Code of Georgia to enjoin or obtain damages arising out of State trade secret misappropriation.

Similarly, the Georgia Uniform Deceptive Trade Practices Act defines “person” to include government entities. Because the Deceptive Trade Practices Act provides that any person who causes a likelihood of confusion with a mark’s owner can be enjoined,⁶⁸⁶ this implies that Georgia can be enjoined for actions causing a likelihood of confusion.⁶⁸⁷

In 2008, the United States District Court for the Middle District of Georgia affirmed the State’s sovereign immunity against copyright infringement claims, though it did allow claims to go forward against two State officials who were alleged to be acting outside the scope of their State duties.⁶⁸⁸

Where Georgia has consented to suit, such as by asserting infringement of State owned intellectual property, Georgia might be considered to have waived its sovereign immunity.⁶⁸⁹

Lastly, it is possible that the Georgia courts would view a State Taking of property without just compensation to be a waiver of sovereign immunity under Art. 1, § 3, ¶ I of the Georgia Constitution and possibly under the Fifth Amendment of the Federal Constitution.⁶⁹⁰ The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.⁶⁹¹ But in light of *Zoltek v. United States*,⁶⁹² a Georgia court could be tempted to refuse to recognize IP as “property” for Takings purposes.

686. Ga. Code. Ann. § 10-1-372; Ga. Code. Ann. § 10-1-373.

687. Ga. Code. Ann. § 10-1-371(5).

688. *National Association of Boards of Pharmacy v. University of Georgia*, 86 U.S.P.Q.2d 1683 (M.D. Ga. 2008).

689. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376, 81 U.S.P.Q.2d 1524 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

690. The Federal Circuit in *Pennington Seed v. Produce Exch. No. 299.*, 457 F.3d 1334 (Fed. Cir. 2006) alluded to a possibility of such compensation under a conversion theory. See also *City of Northglenn v. Grynberg*, 846 P.2d 175 (Colo. 1993).

691. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

692. 442 F.3d 1345 (Fed. Cir. 2006).

11. Hawaii⁶⁹³

a. Intellectual Property Laws

i. Trade Secrets

Hawaii has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁶⁹⁴ Injunctions and damages are available for trade secret misappropriation.⁶⁹⁵ Moreover, like the Uniform Trade Secrets Act, Hawaii defines “person” to include government or government agencies as well as natural persons and corporations.⁶⁹⁶

Hawaii has enacted the Uniform Information Practices Act to ensure that public documents are disclosed.⁶⁹⁷ Specific exemptions prevent the release of records whose disclosure would frustrate a legitimate government function. According to the court in *Kaapu v. Aloha Tower Development Corp.*, the “frustration of a legitimate government function” standard encompasses multiple types of confidential information without designating specific categories.⁶⁹⁸

The court in *Kaapu* relied upon the legislative intent of Haw. Rev. Stat. § 92F-13(3) to provide nonlimiting examples of records protected against disclosure. These examples include “[i]nformation which, if disclosed, would raise the cost of government procurements or give a manifestly unfair advantage to any person proposing to enter into a contract or agreement with an agency,” “[p]roprietary information such as research methods, records and data, computer programs and software and other types of information owned by an agency or entrusted to it,” and “trade secrets or confidential commercial and financial information.”⁶⁹⁹ As interpreted, “frustration of government purposes” has a similar scope to that of Exemption 4 of the Freedom of Information Act.⁷⁰⁰ Haw. Rev. Stat. § 92F-13 (3) thus provides a broad exemption from disclosure under the Uniform Information Practices Act for confidential information, but only to the extent that it relates to a State function that would be frustrated by disclosure.

693. Our thanks to Richard Cox, Director, Office of Technology Transfer and Economic Development, University of Hawaii, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

694. Chapter 482B of the Hawaii Revised Statutes.

695. Haw. Rev. Stat. §§ 482B-3, 482B-4.

696. Haw. Rev. Stat. § 482B-2.

697. Haw. Rev. Stat. ch. 92F.

698. 74 Haw. 365, 846 P.2d 882 (1993).

699. *Id.* (quoting SEN. STAND. COMM. REP. NO. 2580, in 1988 SENATE JOURNAL at 1093–95).

700. Office of Information Practice Opinion Letters 90-15, 91-21, 94-17, citing to 5 U.S.C. § 552.

In addition to Haw. Rev. Stat. § 92F-13(3), Hawaii protects records required by State or Federal law to be confidential.⁷⁰¹ Examples include records related to investigations and various environmental laws.⁷⁰² Without a specific exemption, the Uniform Information Practices Act is to be construed liberally to afford access to public writings.

ii. Trademarks

Hawaii's State-level trademark system is codified at Chapter 482, Part II, of the Hawaii Revised Statutes. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.⁷⁰³ Under this system, the application for registration is made to the Director of the Department of Commerce and Consumer Affairs.⁷⁰⁴ Each registration is for a renewable five-year term.⁷⁰⁵ The remedies on showing of infringement include both monetary and injunctive relief,⁷⁰⁶ and there are potential criminal penalties for certain types of counterfeiting activity or false associations with manufacturers.⁷⁰⁷ Hawaii also has a State-level cause of action for dilution.⁷⁰⁸ The court may award treble damages and attorney fees in appropriate cases.⁷⁰⁹ The term "person" includes government bodies or

701. Haw. Rev. Stat. § 92F-13(4).

702. Haw. Rev. Stat. § 342B-31 (confidential information related to air pollution permits); Haw. Rev. Stat. § 342D-14 (confidential information related to water pollution permits); Haw. Rev. Stat. § 342F-15 (confidential information related to noise pollution permits); Haw. Rev. Stat. § 342H-14 (confidential information related to waste management reports); Haw. Rev. Stat. § 342P-29 (confidential information related to asbestos reports); Haw. Rev. Stat. § 396-13 (confidential information related to Hawaii Occupational Safety and Health Law investigation); Haw. Rev. Stat. § 397-11 (confidential information related to Boiler and Elevator Safety investigation); Haw. Rev. Stat. § 328-25 (confidential information related to food and drug inspection under Hawaii Food, Drug, and Cosmetic Act); Haw. Rev. Stat. § 231-19.5 (confidential information included in written opinion related to tax); Haw. Rev. Stat. § 231-19.5 (prohibition on revealing confidential information submitted to Department of Health under Sections 328-11, 328-17, or 328-23).

703. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

704. Haw. Rev. Stat. § 482-22.

705. Haw. Rev. Stat. § 482-25.

706. Haw. Rev. Stat. §§ 482-31, 482-33.

707. Haw. Rev. Stat. § 708-875 (counterfeiting); Haw. Rev. Stat. § 328D-6 (trademark requirements for bottled water labels); Haw. Rev. Stat. § 149A-15 (trademark requirements for pesticide labels); Haw. Rev. Stat. § 286-83 (trademark requirements for motor vehicle equipment); and Haw. Rev. Stat. § 329-42 (equipment used to counterfeit drug containers).

708. Haw. Rev. Stat. § 482-32.

709. Haw. Rev. Stat. § 482-33(a); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

agencies,⁷¹⁰ which would seem to indicate that Hawaii has waived sovereign immunity for infringement by the State.

Under the Hawaii Uniform Deceptive Trade Practices Act, Hawaii allows a mark owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion with the mark's owner.⁷¹¹ These provisions provide similar injunctive relief to trademark infringement: the statute is therefore an alternative where damages are not being sought.⁷¹² As with trademark infringement, the Hawaii Uniform Deceptive Trade Practices Act includes the government in its definition of "person."⁷¹³

Hawaii also has its own cybersquatting law at Chapter 481B of the Hawaii Revised Statutes. Under this law, Hawaii provides a cause of action for any person who, in bad faith, registers a domain name that is the same or "confusingly similar" to a mark registered in Hawaii.⁷¹⁴ Where bad faith is shown, relief can include damages and an injunction.⁷¹⁵ "Persons" liable for such cybersquatting include the Government and State agencies.⁷¹⁶

iii. Copyrights

Hawaii allows IP-focused Hawaii governmental agencies (like the Hawaii Strategic Development Corporation and the High Technology Development Corporation) to obtain and license-out copyrights in software developed by or for the State.⁷¹⁷ Ownership of these copyrights belongs to Hawaii.⁷¹⁸

Hawaii has outlawed piracy of copyrighted music or film by criminalizing the transfer of sounds or images for profit.⁷¹⁹ Hawaii also has a computer crime law that criminalizes the unauthorized use of a computer or network or the unauthorized alteration of data on a computer.⁷²⁰

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

710. Haw. Rev. Stat. § 482-1.

711. Haw. Rev. Stat. § 481A-3.

712. Haw. Rev. Stat. § 481A-4.

713. Haw. Rev. Stat. § 481A-2.

714. Haw. Rev. Stat. § 481B-22.

715. Haw. Rev. Stat. § 481B-25.

716. Haw. Rev. Stat. § 481B-21.

717. Haw. Rev. Stat. § 206M-34.

718. Haw. Rev. Stat. § 206M-34.

719. Haw. Rev. Stat. § 482C-1.

720. Haw. Rev. Stat §§ 708-891, 708-895.5–895.7.

b. Procurement Laws

Hawaii has adopted the substance of the American Bar Association's Model Procurement Code. The Hawaiian Procurement Code, at Chapters 103 and 103D, does not specifically address intellectual property. Moreover, the Hawaiian State Procurement Office has not promulgated any regulations or standard contracts with clauses addressing intellectual property. However, Hawaii does recognize a need to maintain, prior to award, the confidentiality of bids and proposals. All bids and proposals are maintained confidential because allowing competitors to review each others' proposals would frustrate a legitimate public purpose.⁷²¹

Post-award, Hawaiian law requires all procurement information, including losing bids and proposals, be made public.⁷²² According to the Office of Information Practice, the Hawaii Revised Statutes "require that both winning and losing public contract bids be available for public inspection, unless their disclosure would frustrate a legitimate government function."⁷²³ The "legitimate government function" exception is set forth in Hawaii Administrative Regulations 3-122-30(c) (which provides a procedure for maintaining confidential information in bids) and Hawaii Administrative Regulations 3-122-58 (which provides a procedure for maintaining confidential information in proposals). Proprietary material in bids and proposals are exempt from disclosure only to the extent that they can be fairly categorized as satisfying this standard.

In interpreting when this standard is met, Hawaiian law relies on Exemption 4 of the Federal Freedom of Information Act as a model.⁷²⁴ There is also the possibility that such a disclosure would be contrary to the Hawaii Uniform Trade Secrets Act—to which Hawaii may have waived sovereign immunity.⁷²⁵ Therefore, there are grounds to prevent disclosure of confidential information contained in proposals and bids even after award.

For issued contracts, there are no statutorily required terms relating to intellectual property. Further, there are no standard contracts or regulations requiring minimum terms and conditions, which would indicate that Hawaii will negotiate such terms in a standard commercial manner. Licensed confidential information, such as in software, would be exempt from release under the Uniform Information Practices Act; any such release would prevent the

721. Office of Information Practice Opinion Letter 90-15.

722. Haw. Rev. Stat. § 103D-105.

723. Office of Information Practice Opinion Letter 90-15.

724. Office of Information Practice Opinion Letters 90-15, 91-21, 94-17. *See, generally*, DEPARTMENT OF JUSTICE, THE FREEDOM OF INFORMATION ACT GUIDE, Exemption 4 (March 2007), available at http://www.usdoj.gov/oip/foia_guide07.htm (last visited May 30, 2008) (discussing the general analysis undertaken in applying exemption 4).

725. Haw. Rev. Stat. § 482B-2.

State from receiving licenses in the future, as discussed in *Kaapu v. Aloha Tower Development Corp.*⁷²⁶

c. Technology Transfer

Hawaii created the Hawaii Software Service Center and the Hawaii Development Corporation to help foster the high-technology business sector in Hawaii.⁷²⁷ The Hawaii Development Corporation is empowered to obtain copyrights for software developed for State use with public funds, and to license out this software (subject to any license terms between agencies and the corporation).⁷²⁸ The Hawaii Software Service Center and the Hawaii Development Corporation are empowered to act as a licensing hub for all software developed for individual agency use and to obtain licenses to software developed at a Hawaii Software Service Center. There is no provision requiring individual agencies to obtain copyrights in software developed by contractors with public funds.

The University of Hawaii generally requires title to inventions resulting from a sponsored research project.⁷²⁹ The sponsor can obtain an exclusive license to any resulting patent, which can be royalty-free where the invention was developed without substantial university expense.⁷³⁰

d. Sovereign Immunity Waivers

Hawaii has enacted a partial sovereign immunity waiver, preserving the standard immunity for governmental functions.⁷³¹ Hawaii law also prohibits the State from sharing in joint and several liability.⁷³² But the State has allowed liability for governmental and operational functions relating to torts.⁷³³ Tort losses can relate to losses of property and thus could include certain forms of intellectual property damages.⁷³⁴ No cases confirm that this waiver extends to IP-related offenses.⁷³⁵

726. 74 Haw. 365, 846 P.2d 882 (1993).

727. Haw. Rev. Stat. § 206M-2.

728. Haw. Rev. Stat. § 206M-34.

729. University of Hawaii Policy E5.500, Administration of the Patent and Copyright Policy, Section IV(8).

730. University of Hawaii Policy E5.500, Administration of the Patent and Copyright Policy, Section IV(8).

731. Haw. Rev. Stat. § 662-1 *et seq.*

732. Haw. Rev. Stat. § 663-10.5.

733. Haw. Rev. Stat. § 662-1 *et seq.*

734. Haw. Rev. Stat. § 662-3.

735. The Federal Government has denied relief under 28 U.S.C. § 1346(b) for IP-related offenses through narrow interpretations of the Federal Tort Claims Act. *See, generally*, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": *Can the Government Control the Effects of*

Hawaii appears to have waived its sovereign immunity for some IP claims by including the State in its definition of “person.” Hawaii is a “person” for purposes of trade secret misappropriation,⁷³⁶ trademark infringement,⁷³⁷ deceptive trade practices,⁷³⁸ and cybersquatting.⁷³⁹ No cases have interpreted these apparent waivers of sovereign immunity.

In the procurement context, Hawaii can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁷⁴⁰ Further, where Hawaii has consented to suit, such as by asserting infringement of State-owned intellectual property, Hawaii might be considered to have waived its sovereign immunity.⁷⁴¹

Lastly, it is possible that the Hawaii courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under Art. 1, § 20, of the Hawaii Constitution or the Fifth Amendment of the Federal Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.⁷⁴² At least one court has applied *Ruckelshaus* in the context of determining whether trade secrets were “property” under Hawaiian law for purposes of divorce.⁷⁴³ This tends to suggest that trade secrets are indeed “property” for Takings purposes. But in light of *Zoltek v. United States*, it also is possible that a Hawaiian court would refuse to recognize other IP as “property” for Takings purposes.⁷⁴⁴

Federal Trademark Liability?, 33 PUB. CON. L. J. 210, 212–16 (Fall 2003). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

736. Haw. Rev. Stat. § 482B-2.

737. Haw. Rev. Stat. § 482-1.

738. Haw. Rev. Stat. § 481A-2.

739. Haw. Rev. Stat. § 481B-21.

740. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

741. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

742. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

743. *Teller v. Teller*, 2002 HI 587 (Hi. 2002) (“trade secrets may be subject to equitable division pursuant to HRS § 580-47”).

744. 442 F.3d 1345 (Fed. Cir. 2006).

12. Idaho⁷⁴⁵

a. Intellectual Property Laws

i. Trade Secrets

Idaho has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁷⁴⁶ Injunctions and damages are available for trade secret misappropriation.⁷⁴⁷ Moreover, as under the Uniform Trade Secrets Act, Idaho defines “person” to include government or government agencies as well as natural persons and corporations.⁷⁴⁸ But unlike the Uniform Trade Secret Acts, the definition of “trade secret” includes computer software and cautions that trade secrets in the possession of the State may nevertheless be subject to the disclosure requirements of the Idaho Public Records Act.⁷⁴⁹ (The Public Records Act does, however, contain a trade secret exemption consistent with the Idaho Trade Secret Act, as discussed below.⁷⁵⁰)

The Idaho Public Records Act was enacted to ensure that public documents are disclosed.⁷⁵¹ In order to protect confidential information, Idaho has created a specific exemption to prevent disclosure of records containing a trade secret received “in response to public agency or independent public body corporate and politic requests for proposal, requests for clarification, requests for information and similar requests.”⁷⁵² This includes the same categories defined for purposes of the Idaho Trade Secret Act,⁷⁵³ but also explicitly includes “unpublished or in progress research.” As made clear in the Idaho Trade Secret Act, “[t]rade secrets as defined in this subsection are subject to disclosure by a public agency according to chapter 3, title 9, Idaho Code” such that the mere categorization of something as a “trade secret” is insufficient to show misappropriation where the information is otherwise available under the Idaho Public Records Act.⁷⁵⁴ The Idaho Public Records Act has a separate exemption for software,⁷⁵⁵ which, however, is subject to

745. Our thanks to Casey Inge, Ph.D.—Special Assistant to the Provost and the Vice President for Research, University of Idaho, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

746. Idaho Code § 48-801 *et seq.*

747. Idaho Code §§ 48-802, 803.

748. Idaho Code § 48-801(3).

749. Idaho Code §§ 9-337 through 9-350.

750. Idaho Code § 48-801(5).

751. Idaho Code §§ 9-337 through 9-350.

752. Idaho Code § 9-340D(1).

753. Idaho Code § 48-801(5).

754. Idaho Code § 48-801(5)(b).

755. Idaho Code § 9-340D(15).

agency waiver by regulation.⁷⁵⁶ Where software also includes proprietary information, it could also be subject to the trade secret exemption.⁷⁵⁷

Further, there are specific exemptions to protect ongoing research. For research materials generated by university employees, the exemption is at Idaho Code § 9-340D (20) and allows the State time to obtain adequate intellectual property protection or to prevent the disclosure from affecting the outcome of the research. For materials collected or utilized by university employees from private entities, the exemption is at Idaho Code § 9-340D (21) and applies to any materials acquired from the private entity.

There also are specific exemptions for records related to investigations or various environmental laws.⁷⁵⁸ A further exemption establishes a presumption of a trade secret for information submitted under the Idaho OnePlan, which relates to farm conservation planning and data.⁷⁵⁹ Without a specific exception, the Idaho Public Records Act is to be construed liberally to afford access to public writings.

Although no Idaho court has addressed the question, e-mail communications between State employees regarding a trade secret, if sufficiently detailed, could be sufficient to bar continued protection of the trade secret—especially if the shared information is not statutorily exempted. Such a communication would likely fail the second requirement of the definition in Idaho Code § 48-801(5)(b), because the parties have not taken adequate measures to ensure secrecy. The Idaho Supreme Court has recently ruled that e-mails between State employees are public records subject to disclosure under the Idaho Public Records Act.⁷⁶⁰

ii. Trademarks

Idaho's State-level trademark system is codified at Title 48, Chapter 5, of the Idaho Code. It implements the substance of the International Trademark

756. See, e.g., IDAPA 31.02.01 (Idaho Public Utilities Commission copyrightable computer programs obtained from third parties is exempt from disclosure under Idaho Code § 9-340D, but commission-developed software is to be released under Idaho Public Records Act).

757. Idaho Code § 9-340D(1).

758. Idaho Code § 9-342A (exemption for confidential information in environmental records); Idaho Code § 26-2916 (exemption for confidential information submitted to the Director of the Department of Finance); Idaho Code § 9-340H (exemption for confidential information submitted under the Uniform Securities Act); and IDAPA 58.01.21 (exemption rules for determining trade secrets to be exempt for confidential information submitted to the Idaho Department of Environmental Quality pursuant to the Hazardous Waste Management Act).

759. Idaho Code § 22-2718 (4)(f). See also *Idaho Conservation League, Inc. v. ISDA*, 146 P.3d 632 (Idaho 2006) (interpreting Idaho Code § 22-2718 (4)(f) exemption to confirm that information submitted through the Idaho OnePlan is presumed a trade secret and is exempt as a trade secret under Idaho Code § 9-340D).

760. *Cowles Publ'g. Co. v. Kootenai County Bd. Of County Comm'rs*, 159 P.3d 896 (Idaho 2007).

Association's Model State Trademark Bill of 1992.⁷⁶¹ Under this system, the application for registration is made to the Secretary of State.⁷⁶² Each registration is for a renewable ten-year term.⁷⁶³ The remedies on showing of infringement include both monetary and injunctive relief,⁷⁶⁴ and there are potential criminal penalties for certain types of counterfeiting activity.⁷⁶⁵ Moreover, Idaho provides a State-level cause of action for dilution of a state mark.⁷⁶⁶ The court may award treble damages and attorney fees in appropriate cases.⁷⁶⁷

The term "person" does not include government bodies or agencies,⁷⁶⁸ which would seemingly indicate that Idaho has not waived sovereign immunity for infringement by the State.

In view of the importance of agriculture in Idaho, Idaho has empowered a number of State Commissions to brand their respective commodity and enforce any resulting trademarks. Examples include the Alfalfa and Clover Seed Commission,⁷⁶⁹ the Cherry Commission,⁷⁷⁰ the Apple Commission,⁷⁷¹ the Hop Growers Commission,⁷⁷² the Mint Commission,⁷⁷³ and the Potato Commission.⁷⁷⁴ The Potato Commission, at least, has been active in IP enforcement, as evidenced by *Idaho Potato Commission v. M&M Produce Farm & Sales*,⁷⁷⁵ *Idaho Potato Commission v. G&T Terminal Packaging Inc.*,⁷⁷⁶ and *Idaho Potato Commission v. Russet Valley Produce Inc.*⁷⁷⁷

iii. Copyrights

Idaho law does not address whether the State or its agencies can acquire copyrights in State works other than the Idaho Code itself.⁷⁷⁸ But Idaho has

761. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

762. Idaho Code § 48-503.

763. Idaho Code § 48-506.

764. Idaho Code § 48-514.

765. Idaho Code § 18-3617; IDAPA 41.04.03 (septic tanks must have trademark of manufacturer or otherwise be identified).

766. Idaho Code § 48-513.

767. Idaho Code § 48-514; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, and John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

768. Idaho Code § 48-501(8).

769. Idaho Code § 22-4207.

770. Idaho Code § 22-3705.

771. Idaho Code § 22-3605.

772. Idaho Code § 22-3105.

773. Idaho Code § 22-3805.

774. Idaho Code § 22-1207.

775. 335 F.3d 130 (2d Cir. 2003).

776. 425 F.3d 708 (9th Cir. 2004).

777. 904 P.2d 566 (Idaho 1995).

778. Idaho Code § 9-350.

created a waiver under the Idaho Public Records Act for software developed by the State⁷⁷⁹ and for intellectual property developed by State researchers.⁷⁸⁰

Notice and licensing restrictions apply to performance-rights societies licensing musical works.⁷⁸¹ Idaho has also a computer crime law that prohibits the unauthorized use of a computer or network or the unauthorized alteration of data on a computer.⁷⁸²

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

The Idaho Procurement Code is at Title 67, Chapter 57, of the Idaho Code. It does not specifically address intellectual property. However, Idaho does recognize that IPRs can be the basis of a sole-source award.⁷⁸³ Moreover, while all bids and proposals are to be opened for public inspection after award,⁷⁸⁴ these disclosures are limited by the Public Records Act's exemption for trade secrets submitted in response to an invitation to bid.⁷⁸⁵ As such, both prior to and after award, it is possible to maintain the confidentiality of information in bids and proposals.

The Idaho Procurement Code does not contain any required terms and conditions. But in view of the exemptions granted under Idaho Code § 9-340D(1) and (15), it appears that contractor confidential information would be protected from disclosure.

The Idaho Division of Purchasing has promulgated a Vendor's Guide, which includes the standard terms and conditions for State purchases.⁷⁸⁶ These standard terms require the contractor to indemnify the State for patent and copyright infringement, subject to the State's duty to cooperate.⁷⁸⁷ There is also a requirement that the contractor protect confidential information received from the State.⁷⁸⁸ Where custom software is developed for the State, the contractor retains title subject to a perpetual nonexclusive license for the

779. Idaho Code § 9-340D (15).

780. Idaho Code § 9-340D (20).

781. Idaho Code § 48-1301 *et seq.*

782. Idaho Code § 18-2202.

783. Idaho Code § 67-2808(2)(a)(v).

784. Idaho Code § 67-5718.

785. Idaho Code § 9-340D(1).

786. Division of Purchasing, *Vendor's Guide To Doing Business with the State of Idaho* 22-33 (Jan. 2007).

787. *Id.* at 27.

788. *Id.*

State to use, maintain, enhance, and modify it.⁷⁸⁹ Further, the contractor is required to warrant that the custom software does not infringe on third-party IP.⁷⁹⁰ Idaho also is one of only a handful of States that specifically addresses a contractor's ability to assert restricted- or limited-rights protections in connection with government IP transactions.⁷⁹¹ Otherwise, the Division of Purchasing appears free to negotiate whatever terms are needed for a particular procurement.

c. Technology Transfer

The State of Idaho requires certain agencies to acquire, license, and protect marks related to various commodities.⁷⁹² It also requires that the State Treasurer acquire trademarks for issued commemorative silver medallions.⁷⁹³ As noted above, these Commissions have been aggressive in their licensing campaigns and have the power of enforcement where terms and conditions are not met or licensees fail to maintain expected quality.⁷⁹⁴

The Idaho Public Records Act protects intellectual property for university research from being prematurely or improperly released.⁷⁹⁵

In general, Idaho universities presume ownership in work performed using university resources.⁷⁹⁶ Although not statutorily required, the State Board of Education (SBOE) is authorized under Idaho Code § 33-107 (2) to "acquire, hold and dispose of title, rights and interests in real and personal property." On the basis of this authorization, and powers granted to it under the Idaho Constitution,⁷⁹⁷ the SBOE claims ownership of inventions, patentable discoveries, and some copyrightable works developed using State resources.⁷⁹⁸ The actions authorized for Idaho postsecondary institutions

789. *Id.* at 31.

790. *Id.*

791. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 207 (2003).

792. Idaho Code § 22-4207 (Alfalfa and Clover Seed Commission); Idaho Code § 22-3705 (Cherry Commission); Idaho Code § 22-3605 (Apple Commission); Idaho Code § 22-1207 (Potato Commission); Idaho Code. § 22-3105 (Hop Growers Commission); Idaho Code § 22-3805 (Idaho Mint Commission).

793. Idaho Code § 67-1223.

794. *Idaho Potato Comm'n v. McM Produce Farm & Sales*, 335 F.3d 130 (2d Cir. 2003); *Idaho Potato Comm'n v. Ge&T Terminal Packaging Inc.*, 425 F.3d 708 (9th Cir. 2004); *Idaho Potato Comm'n v. Russet Valley Produce Inc.*, 904 P.2d 566 (Idaho 1995).

795. Idaho Code § 9-340D (20) and (21).

796. University of Idaho Faculty Staff Handbook, Chapter Five: 5300, Research Policies, Copyrights, Protectable Discoveries and Other Intellectual Property Rights, Section C (February 2007); Idaho State Faculty Handbook, Part 4, Section J(1)(e), Patent Policy.

797. See IDAHO CONST., Art. IX, §§ 2, 10.

798. Idaho SBOE Policies and Procedures, § 5 [Financial Affairs](M) [Intellectual Property].

under SBOE Policies⁷⁹⁹ do not support the assignment of ownership of SBOE/university intellectual property. Rather, licensing appears to be the sole vehicle for the transfer of SBOE/university IP.

Assignment of intellectual property to a commercial enterprise could be considered a violation of Article VII, §2, of the Idaho Constitution, which prohibits the State from engaging in or funding activities that have a primarily private purpose or confer favored status on a private enterprise or person.⁸⁰⁰

d. Sovereign Immunity Waivers

Idaho has enacted a partial waiver of sovereign immunity at Title 6, Chapter 9, for torts committed by government entities. The waiver explicitly excludes governmental functions but may implicitly include IP claims.⁸⁰¹ Covered losses include monetary damages due to property injuries, and thus could include intellectual property claims.⁸⁰² But the term “property” is limited to tangible items, which tends to suggest that intangible intellectual property infringement claims are excluded.⁸⁰³ There is no cap on economic damages.⁸⁰⁴

Idaho can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁸⁰⁵ Further, where Idaho has consented to suit, such as by asserting infringement of State-owned intellectual property, Idaho might be considered to have waived its sovereign immunity.⁸⁰⁶

In addition, Idaho appears to be liable as a “person” for purposes of trade secret misappropriation.⁸⁰⁷ And the United States Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis—which may create an alternative basis for trade secret liability.⁸⁰⁸

799. Idaho SBOE Policies and Procedures, § 5(M)(3).

800. See Idaho *Op. Atty. Gen.* 64-015 (April 5, 1974) and *Op. Atty. Gen.* 74-024 (June 18, 1974).

801. Idaho Code § 6-902.

802. Idaho Code § 6-926.

803. Idaho Code § 6-902(6).

804. Idaho Code § 6-1603.

805. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

806. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

807. Idaho Code § 48-801(3).

808. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

The same might also apply to other forms of IP liability under Federal Fifth Amendment or the Idaho State Constitution. Idaho has taken a very broad view of property protected under Art. I, §14, of the State Constitution such that Idaho may be particularly willing to entertain claims of IP infringement against the State as Takings of property.⁸⁰⁹ However, in light of *Zoltek v. United States*,⁸¹⁰ Idaho courts could reject the interpretation of IP as “property” for Takings purposes.

13. Illinois

a. Intellectual Property Laws

i. Trade Secrets

Illinois has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁸¹¹ Injunctions and damages are available for trade secret misappropriation.⁸¹² There are also criminal laws for certain types of misappropriation.⁸¹³

Like the Uniform Trade Secrets Act, Illinois defines “person” to include government or government agencies as well as natural persons and corporations.⁸¹⁴ Unlike the Uniform Trade Secret Acts, however, the definition of “trade secret” includes nontechnical and technical data, financial data, and customer lists.⁸¹⁵ Additional kinds of information are deemed trade secrets for purposes related to insurance⁸¹⁶ or an Internet deployment strategy submitted to a designated nonprofit group.⁸¹⁷

The Illinois Freedom of Information Act is intended to ensure that public documents are disclosed.⁸¹⁸ The law includes an exemption to prevent disclosure of records containing trade secrets obtained from a person or business.⁸¹⁹ The Act also exempts (1) proprietary information received under

809. See *Coeur d'Alene Garbage Service v. City of Coeur d'Alene*, 759 P.2d 879, 114 Idaho 588 (Idaho, 1988) (“‘private property’ of all classifications” may be taken for public use under the “just compensation” clause of the Idaho Constitution).

810. 442 F.3d 1345 (Fed. Cir. 2006).

811. 765 Ill. Comp. Stat. 1065/1 to 1065/9.

812. 765 Ill. Comp. Stat. 1065/3, 1065/4.

813. 720 Ill. Comp. Stat. 215/4 (data destruction and misappropriation against animal research and production facilities).

814. 765 Ill. Comp. Stat. 1065/2(c).

815. 765 Ill. Comp. Stat. 1065/2(d).

816. 215 Ill. Comp. Stat. 157/40(a) (credit information included in scoring models submitted to the state); 215 Ill. Comp. Stat. 5/368b(b) (fee schedule, the capitation schedule, and the network provider administration manual for health insurance).

817. 20 Ill. Comp. Stat. 661/20(f).

818. 5 Ill. Comp. Stat. 140.

819. 5 Ill. Comp. Stat. 140/7(1)(g).

Section 4002 of the Technology Advancement and Development Act, and (2) commercial or financial information obtained for evaluation purposes relevant to investments by the State.⁸²⁰ There is also an exception for unopened bids and proposals until award,⁸²¹ and a further one for escrowed software received from voting-system vendors.⁸²² Additional exemptions cover records related to investigations of possible violations of various environmental laws,⁸²³ insurance,⁸²⁴ labor investigations,⁸²⁵ food and hazardous substances,⁸²⁶ or consolidation of public utilities.⁸²⁷ Absent a specific exemption, the Illinois Freedom of Information Act is to be construed liberally to afford access to public writings.⁸²⁸

ii. Trademarks

Illinois's State-level trademark system is codified at 765 Ill. Comp. Stat. 1036. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.⁸²⁹ Applications for registration are made to the Secretary of State.⁸³⁰ Each registration is for a renewable five-year term.⁸³¹ Remedies include monetary and injunctive relief,⁸³² and there are potential criminal penalties for certain types of counterfeiting activity.⁸³³

820. 5 Ill. Comp. Stat. 140/7(1)(g)(i), (ii).

821. 5 Ill. Comp. Stat. 140/7(1)(h).

822. 10 Ill. Comp. Stat. 5/23-15.1.

823. 415 Ill. Comp. Stat. 85/5(4), (5), (7) (trade secret information received during participation in Toxic Pollution Prevention Assistance Program); 415 Ill. Comp. Stat. 5/7 (trade secrets received during enforcement of the Environmental Protection Act); 430 Ill. Comp. Stat. 100/13 (trade secrets eligible for protection under Section 322 of the Superfund Amendments and Reauthorization Act of 1986); 415 Ill. Comp. Stat. 5/17.1(b) (trade secrets related to groundwater protection needs assessment).

824. 215 Ill. Comp. Stat. 97/35 (issuer not required to disclose trade secret information); 215 Ill. Comp. Stat. 93/30(c) (trade secret information provided by small employer carrier).

825. 820 Ill. Comp. Stat. 225/22, 220/2.6(d) (trade secrets obtained by the Director of Labor under the Health and Safety Act or the Safety Inspection and Education Act).

826. 430 Ill. Comp. Stat. 35/12 (trade secrets received under Uniform Hazardous Substances Act of Illinois); 410 Ill. Comp. Stat. 620/3.11 (trade secrets obtained under the Illinois Food, Drug, and Cosmetic Act).

827. 220 Ill. Comp. Stat. 5/7-105(d) (trade secrets received in registration statement or application to become a subsidiary of a holding company).

828. 5 Ill. Comp. Stat. 140/1.

829. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

830. 765 Ill. Comp. Stat. 1036/15.

831. 765 Ill. Comp. Stat. 1036/30.

832. 765 Ill. Comp. Stat. 1036/70.

833. 765 Ill. Comp. Stat. 1040 (counterfeiting); 765 Ill. Comp. Stat. 1050 (Registered Container Trade Mark Act); 505 Ill. Comp. Stat. 110/5 (misbranding agricultural, vegetable or other

Illinois courts have the power to impose punitive damages of up to three times the infringer's profits and also may award fees and costs "as the circumstances of the case may warrant."⁸³⁴ Illinois also provides a State-level cause of action for dilution of a State mark.⁸³⁵ In addition to the State-level trademark registration system, Illinois has alternative mechanisms for protecting marks. Examples include special protection for marks related to linens⁸³⁶ and performances by musical groups.⁸³⁷

The term "person" under the trademark law does not include government bodies or agencies but does encompass any "organization capable of suing and being sued in a court of law."⁸³⁸ While it is arguable that certain State agencies have the a right to sue, no cases conclude that Illinois has waived sovereign immunity for State trademark infringement.

In contrast, the Illinois Uniform Deceptive Trade Practices Act includes the government in its definition of "person."⁸³⁹ The Deceptive Trade Practices Act allows a mark owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion.⁸⁴⁰ The law provides similar injunctive relief to trademark infringement and are therefore an alternative where damages are not being sought.⁸⁴¹

iii. Copyrights

Illinois requires State ownership of copyrights in court decisions,⁸⁴² but has placed the Illinois Compiled Statutes in the public domain.⁸⁴³ Illinois

seeds designated by the Department of Agriculture); 505 Ill. Comp. Stat. 120/20 (failure to display brand on soil amendment product container); 415 Ill. Comp. Stat. 60/5 2 (failure to display trademark under which the pesticide is distributed); 410 Ill. Comp. Stat. 620/3.10 (counterfeiting mark required under the Illinois Food, Drug, and Cosmetic Act); 720 Ill. Comp. Stat. 570/406(b)(5) (making, distributing, or possessing any punch, die, or other thing designed to counterfeit trademark, trade name, or other identifying mark upon any controlled substance or container).

834. 765 Ill. Comp. Stat. 1036/70; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

835. 765 Ill. Comp. Stat. 1036/65.

836. 765 Ill. Comp. Stat. 1045.

837. 815 Ill. Comp. Stat. 505/2XX(b).

838. 765 Ill. Comp. Stat. 1036/5(e). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name)).

839. 815 Ill. Comp. Stat. 510/1(5).

840. 815 Ill. Comp. Stat. 510/2, 510/3.

841. 815 Ill. Comp. Stat. 510/3.

842. 705 Ill. Comp. Stat. 65/5.

843. 25 Ill. Comp. Stat. 135/5.04.

does not waive any copyrights to which the State is otherwise entitled.⁸⁴⁴ Also, copyrights are presumed to be State-owned in certain cases.⁸⁴⁵ And the State is entitled to own all papers created by or for the State, which would seem to include copyright ownership.⁸⁴⁶

Illinois's computer crime law prohibits the unauthorized use of a computer or network or the unauthorized alteration of data on a computer.⁸⁴⁷

In 2006, disgraced Illinois Governor Rod Blagojevich signed the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers. Notice and licensing restrictions apply to performance-rights societies in connection with musical works.⁸⁴⁸ In view of the importance of the music industry, there are also laws to prevent music piracy,⁸⁴⁹ although their enforceability is suspect in light of *People v. Williams*.⁸⁵⁰

iv. Patents

Illinois has enacted a law requiring specific disclosures by invention development firms.⁸⁵¹

Despite any employment agreement to the contrary, an employee is entitled to minimum rights in his invention, but only if it was created outside of work.⁸⁵² But the employee-invention law does not override employment agreements where the invention relates to the business or research of the employer, or where the invention is the result of work performed by the employee for the employer.⁸⁵³ It is unclear whether this employee-invention right law conflicts with the Bayh-Dole Act. No cases determine the enforceability of the law where an employee creates a "subject invention" under Federal law that nevertheless would be entitled to minimum rights under Illinois law.

844. 25 Ill. Comp. Stat. 145/5.09.

845. 20 Ill. Comp. Stat. 3950/2 (Governor's Council on Health and Physical Fitness to obtain certain copyrights owned by Illinois Department of Public Health).

846. 5 Ill. Comp. Stat. 160/3.

847. 720 Ill. Comp. Stat. 5/16D.

848. 815 Ill. Comp. Stat. 637.

849. 720 Ill. Comp. Stat. 5/16-7, 5/16-8.

850. 84 U.S.P.Q.2d 1626 (Ill. App. Ct. 2007) (finding 720 Ill. Comp. Stat. 5/16-7(a)(2) preempted by Federal copyright laws but 720 Ill. Comp. Stat. 5/16-8 not preempted).

851. 815 Ill. Comp. Stat. 620/202.

852. 765 Ill. Comp. Stat. 1060/2.

853. RFPs include confidentiality and work product terms which allows contractors to retain ownership of existing ideas and inventions, but gives the State a nonexclusive right to use such items. 765 Ill. Comp. Stat. 1060/2.

b. Procurement Laws

The Illinois Procurement Code is at 30 Ill. Comp. Stat. 500. It does not specifically address intellectual property. There are no standard terms and conditions or regulations that require, as a matter of policy, the State to obtain pre-specified rights. But a review of terms in past requests for proposals suggests that, as a matter of common practice, contractors retain ownership of existing ideas and inventions, subject to a nonexclusive right for the State to use such items.⁸⁵⁴ Moreover, while all bids and proposals are to be opened for public inspection after award,⁸⁵⁵ disclosures are limited by the exemption for trade secrets submitted in response to an invitation to bid.⁸⁵⁶

Certain State agencies have specific intellectual property requirements. For contracts relating to public highways, any specification requiring the use of a patent must also provide a noninfringing equivalent.⁸⁵⁷ The Department of Revenue is required to retain title of “promotional and other proprietary material” acquired “as part of its advertising and promotional activities.”⁸⁵⁸ And other agencies, including the Historic Preservation Agency Division and various sporting authorities, have explicit authority to enter into copyright and trademark licensing and royalty agreements.⁸⁵⁹

c. Technology Transfer

Illinois universities generally presume ownership in work performed using university resources.⁸⁶⁰ But this requirement appears to be a matter of policy, not law.⁸⁶¹ Accordingly, at least some terms and conditions relating to IP ownership may be negotiable.

854. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 177 (2003).

855. 30 Ill. Comp. Stat. 500/20-10(d); 30 Ill. Comp. Stat. 500/20-15(d).

856. 5 Ill. Comp. Stat. 140/7(1)(g).

857. 605 Ill. Comp. Stat. 5/9-110.

858. 20 Ill. Comp. Stat. 1605/14.3.

859. 20 Ill. Comp. Stat. 3405/16 (Historic Preservation Agency Division authority for marking purposes); 70 Ill. Comp. Stat. 3205/8(1) (Illinois Sports Facilities Authority); 70 Ill. Comp. Stat. 3210/35(a)(20) (Downstate Illinois Sports Facilities Authority).

860. University of Illinois, General Rules Concerning University Organization and Procedure, art. III(7)(q) (requiring ownership of University created intellectual property); Southern Illinois University Standard Research Agreement, arts. 8, 11 (requiring University ownership of data and inventions arising from industry-sponsored research); Northern Illinois University, arts. 5, 6; Northern Illinois University Intellectual Property Policy, art. III(a) (requiring University ownership of data and inventions arising from industry-sponsored research).

861. University of Illinois, General Rules Concerning University Organization and Procedure, art. III(5)(q) (ownership of University created intellectual property unless otherwise agreed

d. Sovereign Immunity Waivers

Illinois has enacted a partial waiver of sovereign immunity at 705 Ill. Comp. Stat. 505 for breach of contract claims,⁸⁶² tort claims,⁸⁶³ and claims “founded upon any law of the State of Illinois or upon any regulation adopted thereunder by an executive or administrative officer or agency.”⁸⁶⁴ The State has adopted standard governmental/operational immunities to limit the effect of this waiver.⁸⁶⁵ It is arguable that certain forms of intellectual property, such as theft of trade secrets and trademark infringement, sound in tort. But no cases extend the State’s waiver of sovereign immunity to intellectual property-related offenses.⁸⁶⁶

All claims against the State of Illinois must be brought before the Illinois Court of Claims.⁸⁶⁷ Damages are capped at a mere \$100,000 “for damages in cases sounding in tort, if a like cause of action would lie against a private person or corporation in a civil suit.”⁸⁶⁸

In addition, Illinois may be liable as a “person” for purposes of trade secret misappropriation under the Illinois Trade Secrets Act,⁸⁶⁹ trademark infringement falling within the scope of the Uniform Deceptive Trade Practices Act,⁸⁷⁰ and also perhaps State-level trademark infringement. No cases interpret or confirm these potential waivers.

Further, where Illinois has consented to suit, such as by asserting infringement of State-owned intellectual property, it may have waived its sovereign immunity for compulsory counterclaims, defenses, and appeals.⁸⁷¹

in writing); Southern Illinois University, Intellectual Property, Copyrights and Patents, Addendum C(III)(D) (requiring that agreements between the University and external parties clearly state intellectual property ownership); Northern Illinois University Intellectual Property Policy, art. III(a) (requiring ownership unless otherwise agreed by parties).

862. 705 Ill. Comp. Stat. 505/8(b).

863. 705 Ill. Comp. Stat. 505/8(d).

864. 705 Ill. Comp. Stat. 505/8(a).

865. See, e.g., *People ex rel. Manning v. Nickerson*, 184 Ill. 2d 245, 248 (1998).

866. The Federal Government has denied relief for IP claims under 28 U.S.C. § 1346(b) through narrow interpretations of the Federal Tort Claims Act. See, generally, David S. Bloch & James G. McEwen, “*Like Toddlers in Big Surf*”: *Can the Government Control the Effects of Federal Trademark Liability?*, 33 PUB. CON. L. J. 210, 212–16 (Fall 2003). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

867. 705 Ill. Comp. Stat. 505/1 *et seq.*; 745 Ill. Comp. Stat. 5/1; see, generally, 74 Ill. Adm. Code 790. The Rules and Statutes of the Illinois Court of Claims are available online at http://www.cyberdriveillinois.com/publications/pdf_publications/cc_pub44.pdf (May 30, 2008).

868. 705 Ill. Comp. Stat. 505/8(d). This limitation does not apply to motor vehicle injuries.

869. 765 Ill. Comp. Stat. 1065/2(c).

870. 815 Ill. Comp. Stat. 510/1(5).

871. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341–3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any

Finally, Illinois courts might view a State Taking of IP without just compensation to be a waiver of sovereign immunity under Art. 1, § 15, of the Illinois Constitution or the Fifth Amendment of the Federal Constitution. But in light of *Zoltek v. United States*,⁸⁷² an Illinois court could instead refuse to recognize IP as “property” for Takings purposes.

14. Indiana

a. Intellectual Property Laws

i. Trade Secrets

Indiana has adopted the 1979 version of the Uniform Trade Secrets Act.⁸⁷³ Injunctions and damages are available for trade secret misappropriation.⁸⁷⁴ As in the Uniform Trade Secrets Act, Indiana defines “person” to include government or government agencies as well as natural persons and corporations.⁸⁷⁵ There is also a criminal penalty for the theft of trade secrets.⁸⁷⁶

Indiana has enacted an Open Records Act in order to ensure that public documents are disclosed.⁸⁷⁷ The term “records” broadly includes documents as well as software, photographs, and films received pursuant to a legal requirement or official agency business.⁸⁷⁸ In order to protect confidential information, Indiana has created a specific exemption to disclosure of records containing trade secrets.⁸⁷⁹ The Indiana Open Records Act defines “trade secret” consistently with the Indiana Trade Secrets Act.⁸⁸⁰ Additional exemptions exist for confidential information submitted at the request of the State

counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep’t of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

872. 442 F.3d 1345 (Fed. Cir. 2006).

873. Title 24, Article 2, Chapter 3 of the Indiana Code.

874. Ind. Code §§ 24-2-3-3, Ind. Code 24-2-3-4.

875. Ind. Code § 24-2-3-2.

876. Ind. Code § 35-41-1-23 defines property for purposes of theft and crimes against property as including trade secrets under Title 35, Article 43.

877. Ind. Code tit. 5, art. 14, ch 3.

878. Ind. Code § 5-14-2(m).

879. Ind. Code § 5-14-3-4(a)(4).

880. Ind. Code § 5-14-3-2(o) defines trade secrets to be as defined in Ind. Code § 24-2-3-2.

unless required by statute,⁸⁸¹ information designated a trade secret by Federal or State law or ruling,⁸⁸² and information designated a trade secret by agency regulation.⁸⁸³ The State can protect information related to research proposals, even where it also includes nonconfidential information.⁸⁸⁴ Lastly, there is an additional discretionary exemption to allow an agency not to release computer software “owned by the public agency or entrusted to it and portions of electronic maps entrusted to a public agency by a utility.”⁸⁸⁵

There are additional specific exceptions preventing disclosure that would likely prevent disclosure under the Open Records Act by virtue of being “contrary to law.”⁸⁸⁶ Without a specific exemption, however, the Indiana Open Records Act is to be construed liberally to afford access to public writings.⁸⁸⁷

ii. Trademarks

Indiana’s State-level trademark system is codified at Title 24, Article 2, Chapter 1, of the Indiana Code. It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.⁸⁸⁸ Application for registration is made to the Secretary of State.⁸⁸⁹ Each registration is for a renewable five-year term.⁸⁹⁰ Remedies include monetary and injunctive relief,⁸⁹¹ and there are potential criminal penalties for certain types

881. Ind. Code § 5-14-3-4(a)(5).

882. Ind. Code §§ 5-14-3-4(a)(1), (3).

883. Ind. Code § 5-14-3-4(a)(2).

884. Ind. Code § 5-14-3-4(a)(6) as interpreted by *Robinson v. Indiana University*, 659 N.E.2d 153 (Ind. Ct. App., 1995) (denying release of research information under Ind. Code § 5-14-3-4(a)(6) as extending to nontrade secrets).

885. Ind. Code § 5-14-3-4(b).

886. Ind. Code § 13-22-11-4 (procedure for submission of confidential information in hazardous waste report to be withheld); Ind. Code § 26-3-7-3 (requirement for regulations for nonrelease of confidential information found in inspection by Grain Buyers and Warehouse Agency); Ind. Code § 13-14-11-1 (withholding of confidential information in information submitted to Records of the Department and Boards); Ind. Code § 22-8-1.1-48.4 (withholding of confidential information received pursuant to Indiana Occupational Safety and Health Act); Ind. Code § 15-19-7-46 (withholding of confidential information received related to commercial feed licenses); 329 Ind. Admin. Code 6.1-4-1 (procedure for submission of confidential information to Solid Waste Management Board to be withheld); 327 Ind. Admin. Code 12.1-4-1 (procedure for submission of confidential information to Water Pollution Control Board to be withheld).

887. *Robinson v. Indiana University*, 659 N.E.2d 153 (Ind. Ct. App., 1995).

888. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

889. Ind. Code § 24-2-1-4.

890. Ind. Code § 24-2-1-6.

891. Ind. Code § 24-2-1-14.

of counterfeiting activity.⁸⁹² Courts have discretion to award punitive damages of up to three times the infringer's profits or three times the damages suffered by the plaintiff, and in exceptional cases also can award fees and costs.⁸⁹³ Indiana's celebrity law extends the right of publicity for 100 years after death.⁸⁹⁴ And timber companies can register a brand for their timber in order to facilitate salvage efforts for lost logs.⁸⁹⁵

Indiana provides a State-level cause of action for dilution of State marks.⁸⁹⁶ And it has a specific prohibition on the use of trademarks to create a false sense of association with the State or Federal Government.⁸⁹⁷

The term "person" does not include government bodies or agencies, but does encompass any entity or organization: (1) capable of suing and being sued in a court of law, (2) entitled to a benefit or privilege under the trademark law, or (3) rendered liable under it.⁸⁹⁸ The Indiana Development Corporation is expressly authorized to obtain and license out trademarks for use with products manufactured or developed in Indiana on behalf of the State.⁸⁹⁹ No cases explore whether the State (or at least the Indiana Development Corporation) is rendered liable for trademark infringement by this provision.

iii. Copyrights

Indiana has created a discretionary waiver under the Open Records Act for software developed by the State⁹⁰⁰ and intellectual property developed by State researchers.⁹⁰¹ The State cannot copyright a uniform bookkeeping system or elements used therein without the prior approval of the Governor.⁹⁰²

892. Ind. Code § 25-26-14-4.4 (counterfeiting legend drugs); Ind. Code § 15-16-4-57 (requiring trademark and identification of manufacturer on pesticide packages); 410 Ind. Admin. Code 12.1-2-4 (registration requirements for sales of motor fuel at a retail motor fuel including the trademark of the fuel to be marketed); 355 Ind. Admin. Code 3-2-5 (requiring excess flow valves to display trademark of the manufacturer); and 355 Ind. Admin. Code 3-2-7 (requiring hoses to display, once every five feet, the manufacturer's name or trademark).

893. Ind. Code § 24-2-1-14; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

894. Ind. Code. §32-36.

895. Ind. Code §32-34-9.

896. Ind. Code § 24-2-1-13.5.

897. Ind. Code § 24-2-2-1.

898. Ind. Code § 24-2-1-2(5)(E). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

899. Ind. Code § 4-4-19.

900. Ind. Code § 5-14-3-4(b).

901. Ind. Code § 5-14-3-4(a)(6); Indiana University Intellectual Property Policy.

902. Ind. Code § 5-11-1-19.

Notice and licensing restrictions apply to performance-rights societies in connection with the licensing of musical works.⁹⁰³ And Indiana has a computer crime law that prohibits the unauthorized alteration of data on computers.⁹⁰⁴

iv. Patents

Indiana has a requirement that, for gambling games, the methods of specific patents be used.⁹⁰⁵ Examples include U.S. Patent No. 4,836,553 for Caribbean stud poker,⁹⁰⁶ U.S. Patent No. 5,288,081 for Let it Ride,⁹⁰⁷ and U.S. Patent No. 5,725,216 for Caribbean Draw Poker.⁹⁰⁸ It is unclear if the State has acquired a license to such patents, whether these patents remain enforceable, or whether such a requirement would confer immunity from infringement claims under a theory of State authorization and consent.

b. Procurement Laws

The Indiana Procurement Code is at Title 5, Article 17, of the Indiana Code. It implements the substance of the American Bar Association's Model Procurement Code. As the Indiana Procurement Code does not address intellectual property, terms and conditions relative to IPRs are made at an agency level. Given the broad exceptions in the Indiana Open Records Act, it appears that most trade secrets and confidential information contained in bids and proposals should be exempt from public release.⁹⁰⁹

The State is presumed to own IP developed under State contracts.⁹¹⁰ For software, Indiana strongly prefers to own the code, but recognizes that such terms are not reasonable in all cases and that other terms can be appropriate when the software is commercially-licensed or predates the State contract.⁹¹¹ Indiana's standard terms reserve the right to require the contractor

903. Ind. Code § 32-37.

904. Ind. Code §35-43-1-4.

905. 68 Ind. Admin. Code 10-1-1.

906. 68 Ind. Admin. Code 10-6-4.

907. 68 Ind. Admin. Code 10-7-4.

908. 68 Ind. Admin. Code 10-8-4.

909. *Robinson v. Indiana University*, 659 N.E.2d 153 (Ind. Ct. App. 1995) (denying release of research information under Ind. Code § 5-14-3-4(a)(6) as extending to nontrade secrets).

910. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 178 (2003).

911. Indiana Office of Technology, *IT Contract Manual* 4, 8, 20 (March 2007) ("The contract should make clear which party owns any code, which is distinct from the data, created under the Contract. The State should make every effort to own the code, but sometimes contractors will not contract on that basis.").

and any subcontractors to provide, at State request, “a fully commented copy of any and all Source Code and Object Code.”⁹¹² The State’s standard terms protect confidential information contained in software, but require the contractor to (1) cooperate in order to claim the proper exclusions where a release is requested under the Open Records Act, and (2) ensure that the software is properly marked to identify confidential information.⁹¹³

For procurement of goods other than software, Indiana’s terms require ownership of “all information, data, findings, recommendations, proposals . . . developed, written or produced by the Contractor in furtherance” of the contract.⁹¹⁴ This entails a waiver for the benefit of the State for “any cognizable property right of the Contractor to copyright, license, patent or otherwise use such information, data, findings, recommendations, proposals, etc.”⁹¹⁵ And the contractor must indemnify the State for IP infringement claims related to the delivered goods.⁹¹⁶ State ownership of intellectual property can be waived, however, as was done through regulation by the Energy Development Board.⁹¹⁷

c. Technology Transfer

Indiana has broad authority to maintain the confidentiality of information in technology transfer proposals, in excess of the broad exemption given to the release of trade secrets.⁹¹⁸ For intellectual property developed using university resources, the University of Indiana generally requires ownership,⁹¹⁹ but recognizes that agreements may require “license or transfer ownership of Indiana University’s intellectual property by means of sale, assignment, or exchange.”⁹²⁰ Such agreements should contain confidentiality agreements to protect the results of joint research.⁹²¹

912. *Id.* at 25.

913. *Id.* at 26.

914. Indiana Department Of Administration, Procurement Division, *Streamlining*, p. 23 (March 2007).

915. *Id.*

916. *Id.* at 65. See also Indiana Department Of Transportation, *Standard Specifications*, section 107.03 (2008).

917. 16 Ind. Admin. Code 1-1-9 (waiver of patents, royalties and copyrights) (“Indiana waives title to any invention, patent, or copyright which may result from a project partially or fully funded by the board. However, in no event shall Indiana pay a royalty for its use of materials or processes developed from projects partially or fully funded by the board.”).

918. *Robinson* 659 N.E.2d 153 (denying release of research information under Ind. Code § 5-14-3-4(a)(6) as extending to nontrade secrets).

919. Indiana University Purdue University Indianapolis Research Agreement § 8 (ownership with university subject to option for exclusive license).

920. University of Indiana Intellectual Property Policy (1997).

921. Indiana University Purdue University Indianapolis Research Agreement § 9 (procedure for confidential information). See also *Robinson*, 659 N.E.2d 153 (denying release of research information under IC 5-14-3-4(a)(6) as extending to nontrade secrets).

d. Sovereign Immunity Waivers

Indiana has enacted a partial waiver of sovereign immunity at Title 34, Article 13, Chapter 3, for torts committed by State actors, with exceptions for governmental and operational acts.⁹²² Damages are capped at \$5,000,000.⁹²³ The waiver extends to monetary damages arising out of property losses, and thus could include certain forms of intellectual property. No cases apply the Indiana tort waiver to IP claims.⁹²⁴

In addition, Indiana appears to have waived its sovereign immunity for certain IP claims by including the government in the definition of “persons” subject to suit. But while “person” includes government entities for purposes of the Indiana Trade Secrets Act, no cases use the provisions at Indiana Code § 24-2-3-2 to enjoin or obtain damages for State trade secret misappropriation. Similarly, no cases confirm whether Indiana has waived sovereign immunity under the State trademark act.⁹²⁵

In the procurement context, Indiana can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁹²⁶ Further, where Indiana has consented to suit, such as by asserting infringement of State-owned intellectual property, Indiana may have waived its sovereign immunity.⁹²⁷

Finally, it is possible that the Indiana courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution and Art. 1, § 21, of the Indiana Constitution. The U.S. Supreme Court has held that trade secrets, at least,

922. Ind. Code § 34-13-3-3.

923. Ind. Code § 34-13-3-7.

924. Note that the Federal Government has denied relief for IP claims under 28 U.S.C. § 1346(b) through narrow interpretations of the Federal Tort Claims Act. See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CON. L. J. 210, 212–16 (Fall 2003). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

925. Ind. Code §§ 24-2-3-2, 24-2-1-2(5)(E).

926. *Baum Research and Development Company, Inc., et al. v. University of Massachusetts at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

927. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dept of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

are “property rights” subject to a Fifth Amendment Takings analysis.⁹²⁸ But in light of *Zoltek v. United States*,⁹²⁹ it is equally possible that Indiana would refuse to recognize IP as “property” for Takings purposes. *Zoltek* should be highly persuasive because Indiana interprets “property” under the State Constitution to be coextensive with the Fifth Amendment.⁹³⁰

15. Iowa⁹³¹

a. Intellectual Property Laws

i. Trade Secrets

Iowa has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁹³² Injunctions and damages are available for trade secret misappropriation.⁹³³ There is also a criminal penalty for the theft of trade secrets, in that “property” under Iowa criminal law includes intangible property.⁹³⁴

Unlike the Uniform Trade Secrets Act, Iowa does not define “person” to include the State for purposes of determining misappropriation.⁹³⁵ As such, it is unlikely that the government is subject to the Iowa Trade Secrets Act.

Iowa has enacted an Open Records Act at Chapter 22 of the Code of Iowa to ensure that public documents are disclosed. The Open Records Act includes exceptions for multiple types of confidential documents.⁹³⁶ The Open Records Act defines “trade secret” consistently with the Iowa Uniform Trade Secrets Act.⁹³⁷ A trade secret must have economic value, which can be shown by confidentiality provisions in contracts and licenses to the State,⁹³⁸ the existence of economic value must be more than mere speculation.⁹³⁹ As such, Iowa

928. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

929. 442 F.3d 1345 (Fed. Cir. 2006).

930. *Chidester v. City of Hobart*, 631 N.E.2d 908 (Ind. 1994).

931. Our thanks to Thomas K. Bauer of the UI Research Park, Brenda Akins, associate director of the University of Iowa Research Foundation, and Freda M. Stelzer, Licensing Assistant, University of Iowa Research Foundation, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

932. Iowa Code § 550.1 *et seq.*

933. Iowa Code §§ 550.3, 550.4.

934. Iowa Code §§ 714.1, 702.14. *See also* Iowa Code § 716.6B (accessing computer with confidential records).

935. Iowa Code § 550.2.

936. Iowa Code § 22.7.

937. Iowa Code § 22.7(3) as interpreted by *U.S. West Commc'ns, Inc. v. Office of Consumer Advocate*, 498 N.W.2d 711 (Iowa 1993) and *Brown v. Iowa Legislative Council*, 490 N.W.2d 551 (Iowa 1992).

938. *Brown v. Iowa Legislative Council*, 490 N.W.2d 551 (Iowa 1992).

939. *U.S. West Commc'ns, Inc. v. Office of Consumer Advocate*, 498 N.W.2d 711 (Iowa 1993).

Code § 22.7(3) provides adequate grounds for withholding disclosure of licensed trade secrets or confidential information contained in bids and proposals.

Confidential information submitted in reports to the government also is exempt to the extent that such reports, “if released, would give advantage to competitors and serve no public purpose.”⁹⁴⁰ However, like the trade secrecy provision, there needs to be evidence of economic value or some advantage to competitors in order to maintain protection. And even then, the court is entitled to disregard this advantage if there is a public benefit.⁹⁴¹ A similar exemption relates to information given voluntarily to the State, but only to the extent that revealing such information would discourage voluntary disclosures in the future.⁹⁴² Iowa Code §§ 22.7 (6) and 22.7 (18) thus provide an independent basis for withholding confidential bid and proposal information from disclosure under the Iowa Open Records Act. Other exceptions provide for nondisclosure of computer software developed by the State⁹⁴³ as well as information required by the State or acquired during negotiations.⁹⁴⁴

Outside of the Open Records Act, there are additional confidentiality laws.⁹⁴⁵ There is a specific prohibition of revealing bids or proposals prior to contract award⁹⁴⁶ as well as an exemption for marketing plans, research data, and proprietary intellectual property “owned or held by the authority under contractual agreements” by the Iowa Lottery Authority.⁹⁴⁷ Without a specific exemption, the Iowa Open Records Act is to be construed liberally to afford access to public writings.⁹⁴⁸

940. Iowa Code § 22.7(6).

941. *U.S. West Commc'ns, Inc.*, 498 N.W.2d 711.

942. Iowa Code § 22.7(18).

943. Iowa Code §§ 22.2(3), 22.3A, 22.7(33) (allowing for licensing but not disclosure under open records act).

944. Iowa Code § 22.7(8) (Iowa department of economic development information on an industrial prospect with which the department is currently negotiating); Iowa Code §§ 22.7(12), (25) (financial statements submitted to the department of agriculture and land stewardship); Iowa Code § 22.7(22) (reports to the Iowa insurance guaranty association); Iowa Code §§ 22.7(42), (43) (information obtained by the commissioner of insurance in the course of an investigation); Iowa Code § 22.7(51) (information contained in the information program for drug prescribing and dispensing); Iowa Code §§ 22.7(53), (54) (information obtained and prepared by the commissioner of insurance).

945. Iowa Code § 22.2(1); Iowa Code § 99G.34 (open records exception for “marketing plans, research data, and proprietary intellectual property owned or held by the authority under contractual agreements” with the Iowa Lottery Authority); Iowa Admin. Code r. 875-3.8(88) (nondisclosure of identified trade secrets during inspection).

946. Iowa Code § 72.3.

947. Iowa Code § 99G.34.

948. *Brown v. Iowa Legislative Council*, 490 N.W.2d 551 (Iowa 1992).

ii. Trademarks

Iowa's State-level trademark system is codified at Chapter 548 of the Iowa Code. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.⁹⁴⁹ The application for registration is made to the Secretary of State.⁹⁵⁰ Each registration is for a renewable five-year term.⁹⁵¹ Remedies include monetary and injunctive relief,⁹⁵² and there are potential criminal penalties for certain types of counterfeiting or misbranding activity⁹⁵³ as well as placing marks in a manner deemed a desecration of the flag or State insignia.⁹⁵⁴ Courts have the discretion to impose damages of up to three times a defendant's profits and damages and also may award reasonable attorney fees and costs if the defendant acted in bad faith or punitive damages are otherwise warranted.⁹⁵⁵ Iowa also provides a State-level cause of action for dilution of a State mark.⁹⁵⁶

The term "person" does not include government bodies or agencies, but does cover any other entity or organization "capable of suing and being sued in a court of law."⁹⁵⁷ The State has limited authority to enforce State-owned trademarks.⁹⁵⁸ It is unclear whether State agencies are therefore subject to infringement claims under this definition.

949. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

950. Iowa Code § 548.103.

951. Iowa Code § 548.106.

952. Iowa Code § 548.114.

953. Iowa Code § 124.403 (unlawful to mislabel trademark on drugs or drug containers or to own or use punch/die for mislabeling drugs or drug containers); Iowa Code § 323A (purchasing trademarked fuel from alternate source other than from franchisor); Iowa Code § 714.26 (intellectual property counterfeiting); Iowa Code § 190.10 (misbranding foods); Iowa Code § 715A (forgery of trademarked item); Iowa Code § 547A.2 (misuse of financial institution or insurer name); Iowa Code § 189.9 (labeling of agricultural products required to be labeled with trademark); Iowa Admin. Code. r. 21-45.8 *et seq.* (pesticide labeling with mark and name of the product on the label must not be arranged to be confused with other terms, trade names, or legends).

954. Iowa Code § 718A.1A.

955. Iowa Code § 548.114; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

956. Iowa Code § 548.113.

957. Iowa Code § 548.101(5). *Cf.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

958. Iowa Code § 99G.21(Iowa Lottery Authority); Iowa Code § 22.3A (trademarked software made by state); Iowa Admin. Code. r. 261-164 (Iowa Department of Economic Development for mark of A TASTE OF IOWA).

iii. Copyrights

Iowa has created an exemption under the Iowa Open Records Act for software or software copyrights developed by or for the State.⁹⁵⁹ Agencies are allowed to obtain copyrights.⁹⁶⁰

Notice and licensing restrictions apply to performance-rights societies licensing musical works.⁹⁶¹

Iowa's computer crime law prohibits the unauthorized alteration of data on computers.⁹⁶²

iv. Patents

Like many states, Iowa has enacted a law to protect individual inventors from invention development services.⁹⁶³

The Governor may instruct the Attorney General to participate in patent suits related to highway construction.⁹⁶⁴ This appears to allow the State to defend infringement actions brought against contractors in order to ensure highway construction is completed. There is no statutory requirement that the contractor reimburse the State for such participation. It is unclear whether Iowa's sovereign immunity, extended through authorization and consent by the Government, would operate as a defense in such lawsuits.

b. Procurement Laws

The Iowa Procurement Code is at Title II, Subtitle 3, of the Iowa Code. As the Iowa Procurement Code does not address intellectual property, terms and conditions relative to intellectual property are made at an agency level. There is a requirement not to divulge bid and proposals prior to award.⁹⁶⁵ After award, given the broad exemptions in the Iowa Open Records Act, most categories of trade secrets and confidential information contained in bids and proposals should be protected against disclosure.⁹⁶⁶

Iowa uses standard terms and conditions for contracts set by the Iowa Department of General Services. These terms allow the State to terminate a contract for cause where the contractor's goods infringe a patent.⁹⁶⁷ They also

959. Iowa Code §§ 22.2(3), 22.3A, 22.7(33).

960. Iowa Code § 99G.21 (Iowa Lottery Authority), Iowa Code § 22.3A. (copyrights in state-developed software).

961. Iowa Code ch. 549.

962. Iowa Code §§ 714.1(8), 716.6B.

963. Iowa Code § 523G.

964. Iowa Code §§ 7.5, 307A.2.

965. Iowa Code § 72.3.

966. Iowa Code §§ 22.7(3), 22.7(6), 22.7(18).

967. General Terms and Conditions for Goods Contracts/Solicitations, art. E(2) *available at* http://das.gse.iowa.gov/terms_goods.pdf (last visited Nov. 7, 2008).

require indemnification by the contractor for infringement.⁹⁶⁸ For services, the same basic conditions apply, but there is an additional requirement that the State own all deliverables, including all related IP.⁹⁶⁹ *Brown v. Iowa Legislative Council*⁹⁷⁰ confirms that the State will enter into commercial software licenses and abide by the applicable confidentiality terms despite the broad requirements of the Iowa Open Records Act.

Where research is performed and funded in whole or in part by the State, the inventor must assign a “proportionate part of the inventor’s rights” to the State.⁹⁷¹ It is unclear whether this requirement is truly Statewide or is limited to research funded by the Department of Economic Development.⁹⁷²

c. Technology Transfer

The Department of Administrative Services has the power to license, for a fee, information technology hardware, software, or State-owned IP.⁹⁷³ The Department also has broad authority to enter nondisclosure agreements or “take any other legal action reasonably necessary to secure a right to an interest in information technology development by or on behalf of the state of Iowa” as well as to enforce the State’s intellectual property.⁹⁷⁴ The Department retains general control over information technology contracts but delegates authority as needed. Beyond oversight and operational standard-setting, however, it is unclear to what extent the Department engages in development activity or instead directly contracts or licenses for software on an ad hoc basis. Other agencies have a more limited version of this authority and can license and apply for intellectual property related to software developed by the agency.⁹⁷⁵

In order to help transfer technology and grow technology-based companies in Iowa, the Department of Economic Development is charged with educating businesses about patents and the availability of licenses from State colleges and universities through the hiring of “technology commercialization specialists.”⁹⁷⁶ While colleges are to coordinate with the Department on technology commercialization,⁹⁷⁷ there are no Statewide terms and conditions for such licenses.

968. General Terms and Conditions for Goods Contracts/Solicitations, art. G(1).

969. General Terms and Conditions for Services Contracts/Solicitations, Art. K(1), available at http://das.gse.iowa.gov/terms_services.pdf (last visited May 30, 2008).

970. *Brown v. Iowa Legislative Council*, 490 N.W.2d 551 (Iowa 1992).

971. Iowa Code § 15.108.

972. Iowa Code § 15.108(9)(c).

973. Iowa Code § 8A.202(2)(k).

974. Iowa Code § 8A.202(2)(k). See also Iowa Code § 8A.321, which allows the Department to enforce criminal or civil actions for injury to intellectual property owned by the State.

975. Iowa Code § 22.3A.

976. Iowa Code § 15.115.

977. Iowa Code § 262B.3.

Iowa claims ownership of all IP created at the university level, whether by instructors, students, or other college officials.⁹⁷⁸ In general, ownership will attach where the invention was made with significant use of university resources, and therefore also would generally apply to inventions made under sponsored research agreements.⁹⁷⁹ Where ownership is required, however, the sponsor will generally be able to negotiate for a license to the resulting intellectual property.⁹⁸⁰

Iowa State University operates Ames Laboratory under contract from the U.S. Department of Energy. Ames is the only Federal laboratory whose licensing revenues exceed 5 percent of the facility's total budget. Accordingly, it alone is subject to Bayh-Dole's requirement that the facility (or the university) reimburse the Federal funder. Iowa State University has asked that this threshold be raised to fifteen percent.⁹⁸¹

d. Sovereign Immunity Waivers

Iowa has enacted a partial waiver of sovereign immunity under the Iowa Tort Claims Act.⁹⁸² The waiver is only for money damages, but does allow for compensation for damage or loss of property caused by the "negligent or wrongful act or omission of any employee" to the extent that "the state, if a private person, would be liable to the claimant for such damage."⁹⁸³ There are no damage caps. Because "loss of property" could be read to include intellectual property misuse, it is possible that the Iowa Tort Claims Act could provide an avenue of relief for infringement by the State. No cases explore this avenue, however, and the Federal Government has denied relief under a similar theory.⁹⁸⁴

As noted above, given the definition of a person for purposes of Iowa's state trademark law, Iowa may have waived its sovereign immunity for State

978. Iowa Code § 262.9 (State owns copyrights and patents for inventions created by college students, instructors or officials); Iowa Code § 260C.14 (state owns copyrights and patents for inventions created by community college students, instructors or officials).

979. University of Iowa, *Operations Manual*, ch. 30.3(b)(2); Iowa State University, *Statement Of Principles And Guidelines Governing Sponsored Research And Scholarly Activities At Iowa State University*, art. 3 (Apr. 2003).

980. Iowa State University, *Statement Of Principles And Guidelines Governing Sponsored Research And Scholarly Activities At Iowa State University*, art. 3 (Apr. 2003).

981. Anandashankar Mazumdar, *Iowa State University Seeks Amendment To Bayh-Dole To Avoid Reimbursement*, <http://pubs.bna.com/ip/bna/ptd.nsf/pda/A0B5H2Q3Z6> (October 30, 2007).

982. Iowa Code § 669.

983. Iowa Code § 669.2(3)(a).

984. 28 U.S.C. § 1346(b). See, generally, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212-16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

agencies empowered to sue for trademark infringement.⁹⁸⁵ No cases confirm this waiver, either.

Iowa can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.⁹⁸⁶ Further, where Iowa has consented to suit, such as by asserting infringement of State-owned intellectual property or participating in the defense of patent suits affecting highway construction under Iowa Code § 7.5, Iowa may have waived its sovereign immunity.⁹⁸⁷

Lastly, it is possible that the Iowa courts would view a State Taking of property without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 18, of the Iowa Constitution. While the U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis,⁹⁸⁸ in light of *Zoltek v. United States*,⁹⁸⁹ an Iowa court also could refuse to recognize IP (and especially patents and copyrights) as “property” for Takings purposes.

16. Kansas

a. Intellectual Property Laws

i. Trade Secrets

Kansas has adopted the 1985 amended version of the Uniform Trade Secrets Act.⁹⁹⁰ Injunctions and damages are available for trade secret misappropriation.⁹⁹¹ Like the Uniform Trade Secrets Act, Kansas defines “person” to include government or government agencies as well as natural persons and

985. Iowa Code § 548.101(5).

986. *Baum Research and Dev. Co., Inc. v. University of Massachusetts at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

987. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

988. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

989. 442 F.3d 1345 (Fed. Cir. 2006).

990. Kan. Stat. Ann. § 60-3320 *et seq.*

991. Kan. Stat. Ann. §§ 60-3321, 3322.

corporations.⁹⁹² Kansas also specifically prevents the enforcement of poultry production contracts requiring the release of trade secrets.⁹⁹³

Kansas has enacted an Open Records Act at Title 45, Article 2, of the Kansas Statutes to ensure that public documents are disclosed. The Open Records Act has specific exemptions at Kan. Stat. Ann. § 45-221 (a).⁹⁹⁴ Since the Kansas Uniform Trade Secrets Act defines the government as a “person” capable of misappropriating a trade secret,⁹⁹⁵ Section 45-221 (a) may provide sufficient basis for protecting trade secrets submitted under contracts or as part of bids and proposals.

Prior to award, the specification⁹⁹⁶ and resulting bids must remain confidential.⁹⁹⁷ A separate exemption prevents the release of “engineering or feasibility estimates or evaluations made by or for a public agency” relating to the acquisition of property, but only prior to the award of a contract for such property.⁹⁹⁸ There is no indication whether “property” includes only real property or also covers IP.

There is another broad exception for software programs used by State agencies, whether or not developed by the State.⁹⁹⁹ And the law prevents disclosure of “plans, designs, drawings or specifications” prepared by a contractor or non-State employee; such materials remain the “property of a private person.”¹⁰⁰⁰ Because licenses do not convey ownership, this exemption likely would prevent disclosure of contractor-delivered software or other copyrighted intellectual property. Kansas Statute § 45-221 (a)(34) exempts records relating to “obtaining and processing of intellectual property rights” to the extent partial or full ownership will vest in a State university.

Other laws prevent disclosure of trade secrets in specific contexts.¹⁰⁰¹ Without a specific exemption, the Kansas Open Records Act is to be construed liberally to afford access to public writings.

992. Kan. Stat. Ann. § 60-3320(3).

993. Kan. Stat. Ann. § 16-1701(b).

994. Kan. Stat. Ann. § 45-221(a)(1).

995. Kan. Stat. Ann. § 60-3320(3).

996. Kan. Stat. Ann. § 45-221(a) (27).

997. Kan. Stat. Ann. § 45-221(a)(28).

998. Kan. Stat. Ann. § 45-221(a)(13).

999. Kan. Stat. Ann. § 45-221(a)(16).

1000. Kan. Stat. Ann. § 45-221(a)(18).

1001. Examples include: Kan. Stat. Ann. § 40-5108 (insurance score programs required to be submitted to the State to be treated and protected as trade secrets); Kan. Stat. Ann. § 65-3015 (trade secrets submitted pursuant to air quality regulations entitled to protection as trade secrets); Kan. Stat. Ann. § 66-1220a (trade secrets submitted to Kansas State Corporation Commission and relating to commission proceedings are not to be released); Kan. Stat. Ann. § 48-1614 (trade secrets submitted as part of an investigation or inspection relating to nuclear energy are not to be released); Kan. Stat. Ann. § 65-3447 (trade secrets submitted relating to solid and hazardous waste laws are not to be released).

ii. Trademarks

Kansas's State-level trademark system is codified at Chapter 81, Article, 2 of the Kansas Statutes. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹⁰⁰² The application for registration is made to the Secretary of State.¹⁰⁰³ Each registration is for a renewable five-year term.¹⁰⁰⁴ Additional requirements prevent confusion for trademarks related to commercial fertilizers¹⁰⁰⁵ and commercial feed¹⁰⁰⁶ registered for sale in the State, as well as infringement of a trademark relating to lending institutions.¹⁰⁰⁷ Remedies include monetary and injunctive relief,¹⁰⁰⁸ and there are potential criminal penalties for certain types of counterfeiting or misbranding activity.¹⁰⁰⁹ Kansas courts have the power to impose punitive damages of up to three times the infringer's profits and also may award fees and costs "as the circumstances of the case may warrant."¹⁰¹⁰ Kansas also provides a State-level cause of action for dilution of a State mark.¹⁰¹¹

The term "person" does not explicitly include government bodies or agencies, but does cover any "organization capable of suing and being sued in a court of law."¹⁰¹² The State has limited authority to enforce State-owned trademarks, so may fall within this definition.¹⁰¹³ No case law addresses this question.

1002. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1003. Kan. Stat. Ann. § 81-204.

1004. Kan. Stat. Ann. § 81-207.

1005. Kan. Stat. Ann. § 2-1210.

1006. Kan. Admin. Regs. § 4-3-11.

1007. Kan. Stat. Ann. § 81-301.

1008. Kan. Stat. Ann. § 81-215.

1009. Kan. Stat. Ann. § 21-3763 (counterfeiting); Kan. Stat. Ann. § 2-2203 (sale of agricultural chemicals without trademark on label); Kan. Stat. Ann. § 2-1204 (containers of commercial fertilizer shall have trademark on label); Kan. Admin. Regs. § 4-10-2e (excess flow valves must show trademark of the manufacturer).

1010. Kan. Stat. Ann. § 81-215(a); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1011. Kan. Stat. Ann. § 81-214.

1012. Kan. Stat. Ann. § 81-202(e). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1013. Kan. Stat. Ann. § 74-50,156 (Agricultural Products Development Division authorized to obtain and license marks related to agricultural programs).

iii. Copyrights

Kansas has created an exemption under the Kansas Open Records Act for software and copyrights developed or acquired by the State.¹⁰¹⁴ Further specific authorizations allow agencies to obtain copyrights.¹⁰¹⁵

Notice and licensing restrictions apply to performance-rights societies licensing musical works.¹⁰¹⁶ Kansas has also a computer crime law, which prohibits the unauthorized alteration of data on a computer.¹⁰¹⁷

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

The Kansas Procurement Code is generally at Title 75 of the Kansas Statutes, with specific provisions in Chapters 33 and 37. As the law does not specifically address intellectual property, terms and conditions relative to IP are set by the Department of Administration.¹⁰¹⁸

Bids and proposals are not to be disclosed prior to award,¹⁰¹⁹ and other carve-outs from the Kansas Open Records Act appear to prevent disclosure of proprietary information contained in bids.¹⁰²⁰ Even after award, given the broad exemptions from release discussed above, most categories of trade secrets and confidential information contained in bids and proposals should be protected.

For invitations to bid, the Department of Administration's standard terms and conditions require State ownership of data and software "developed or accumulated" under the contract. The contractor must indemnify the State against infringement for work performed under the contract.¹⁰²¹ A similar rule

1014. Kan. Stat. Ann. § 45-221(a)(16).

1015. Kan. Stat. Ann. § 20-206 (copyright of court reports for benefit of state); Kan. Stat. Ann. § 77-133 (copyright ownership and/or authority for Kansas statutes annotated).

1016. Kan. Stat. Ann. § 57-222.

1017. Kan. Stat. Ann. § 21-3755.

1018. Kan. Stat. Ann. § 75-3738.

1019. Kan. Stat. Ann. § 45-221(a)(28).

1020. Kan. Stat. Ann. § 45-221(a)(1) (nondisclosure if contrary to law such as Kan. Stat. Ann. § 60-3320(3)); Kan. Stat. Ann. § 45-221(a)(16) (software programs used by state agencies); Kan. Stat. Ann. § 45-221(a)(18) (contractor-owned designs, drawings or specifications prepared by a contractor). *See also* Division Of Purchases Memorandum 106, *Confidentiality of Bid Contents* (September 5, 2003) (utilizing Kan. Stat. § 45-221(a)(2) exclusion relating to records privileged under the rules of evidence).

1021. Master Invitation for Bids, sec. III, *available at* <http://www.da.ks.gov/purch/IFBMaster.doc> (last visited May 30, 2008).

applies to requests for proposals,¹⁰²² and ownership of the resulting data and software is an optional requirement.¹⁰²³ However, given that ownership rights are dependent on the creation of new data or software, pre-existing rights should be protected. The State reserves an effective nonexclusive license for inventions resulting from research funded using Community Corrections Funds.¹⁰²⁴

c. Technology Transfer

Kansas created the Kansas Technology Enterprise Corporation (KTEC) to manage IP and perform technology transfer, with a specific emphasis on intellectual property related to biosciences.¹⁰²⁵ KTEC has independent licensing authority for State-owned patents, copyrights, and trade secrets.¹⁰²⁶ KTEC will also directly invest in companies,¹⁰²⁷ but does not appear to require transferring ownership or licensing rights to the State as a condition of such investments.¹⁰²⁸

Kansas claims ownership of all IP created at the university level under a cooperative agreement, with the sponsoring organization receiving a preferential licensing right.¹⁰²⁹ An exception to State ownership is available when the sponsor pays for the entire project. In that situation, the sponsor obtains all rights, subject to the university's right to publish the resulting data.¹⁰³⁰

d. Sovereign Immunity Waivers

Kansas has enacted a partial waiver of sovereign immunity under the Kansas Torts Claims Act,¹⁰³¹ with exceptions for governmental and operational acts.¹⁰³² The waiver applies to the Kansas university system.¹⁰³³ Damages are capped at \$500,000.¹⁰³⁴

The waiver is only for money damages, but does allow compensation for damage or loss of property caused by the "negligent or wrongful act or

1022. Master Request for Proposal, art. 19, available at <http://www.da.ks.gov/purch/RFPMaster.doc> (last visited on May 29, 2008).

1023. Master Request for Proposal, Optional Terms And Conditions.

1024. Kan. Admin. Regs. § 44-11-135.

1025. Kan. Stat. Ann. § 74-99b09; Kan. Stat. Ann. § 74-8104.

1026. Kan. Stat. Ann. §§ 74-8104(a)(21), (22).

1027. Kan. Stat. Ann. §§ 74-8109, 74-8107.

1028. KTEC, Investment Application Guidelines, FISCAL YEAR 2008.

1029. Kansas Board of Regents, Intellectual Property Policy, sec. B(5); The University of Kansas Intellectual Property Policy For the Lawrence Campus, sec. B(5).

1030. Kansas Board of Regents, Intellectual Property Policy, sec. B(6); The University of Kansas Intellectual Property Policy For the Lawrence Campus, sec. B(6).

1031. Kan. Stat. Ann. § 75-6103.

1032. Kan. Stat. Ann. § 75-6104.

1033. *Brennan v. University of Kansas*, 451 F.2d 1287, 1290 (10th Cir. 1971).

1034. Kan. Stat. Ann. § 75-6105.

omission of any of its employees while acting within the scope of their employment under circumstances where the governmental entity, if a private person, would be liable under the laws of this state.”¹⁰³⁵ This may provide an avenue of relief for IP infringement by the State. But no cases explore the issue, and the Federal Government has rejected a similar theory under the Federal Torts Claims Act.¹⁰³⁶

In addition, Kansas has waived its sovereign immunity for trade secret misappropriation¹⁰³⁷ and possibly for trademark infringement, to the extent the agency in question is empowered to sue or be sued.¹⁰³⁸ Again, no cases address these questions.

Kansas can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.¹⁰³⁹ Further, where Kansas has consented to suit, such as by asserting infringement of State-owned intellectual property or participating in the defense of patent infringement suits affecting road and bridge construction,¹⁰⁴⁰ Kansas may have waived its sovereign immunity.¹⁰⁴¹

Lastly, it is possible that Kansas courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution, which is codified at Article 26-501a of the Kansas Statutes Annotated.¹⁰⁴² The U.S. Supreme Court has held that

1035. Kan. Stat. Ann. § 75-6103(a).

1036. 28 U.S.C. § 1346(b). *See, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

1037. Kan. Stat. Ann. § 60-3320(3).

1038. Kan. Stat. Ann. § 81-202(e). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1039. *Baum Research and Dev. Co., Inc., et al. v. University of Massachusetts at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1040. Kan. Stat. Ann. § 68-404.

1041. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

1042. *Garrett v. City of Topeka*, 916 P.2d 21, 259 Kan. 896 (Kan. 1996).

trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁰⁴³ However, in light of *Zoltek v. United States*,¹⁰⁴⁴ a Kansas court also could refuse to recognize intellectual property as “property” for Takings purposes.

17. Kentucky

a. Intellectual Property Laws

i. Trade Secrets

Kentucky has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁰⁴⁵ Injunctions and damages are available for trade secret misappropriation.¹⁰⁴⁶ Like the Uniform Trade Secrets Act, Kentucky defines “person” to include government or government agencies as well as natural persons and corporations.¹⁰⁴⁷

Kentucky has enacted an Open Records Act at Chapter 61, Sections 870 to 884, of the Kentucky Revised Statutes, to ensure that public documents are disclosed. A general exception prevents disclosure of trade secrets or confidential information required by an agency where the information, if disclosed, “would permit an unfair commercial advantage to competitors of the entity that disclosed the records.”¹⁰⁴⁸ This exemption has been used to prevent disclosure of licensed software subject to a confidentiality agreement.¹⁰⁴⁹ As such, where a document contains confidential material and there is evidence that disclosure would give an unfair advantage to a competitor, the document should be withheld.¹⁰⁵⁰ Under this standard, even though Kentucky

1043. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1044. 442 F.3d 1345 (Fed. Cir. 2006).

1045. Ky. Rev. Stat. § 365.880 *et seq.*

1046. Ky. Rev. Stat. §§ 365.882, 884.

1047. Ky. Rev. Stat. § 365.880(3).

1048. Ky. Rev. Stat. § 61.878(1)(c)(1).

1049. *In re: Paul Levy/City of Louisville*, Office of Attorney General Decision 02-ORD-125 (July 10, 2002) (confidentiality clause in software license used to prevent disclosure under Kentucky Open Records Act and is evidence that the disclosure would give an unfair advantage to competition) (citing prior decisions 99-ORD-201, 96-ORD-135, 96-ORD-135, 92-ORD-1134, OAG 88-1, OAG 83-256).

1050. *Southeastern United Medigroup, Inc. v. Hughes*, 952 S.W.2d 195 (Ky. 1997) (“But if it is established that a document is confidential or proprietary, and that disclosure to competitors would give them substantially more than a trivial unfair advantage, the document should be protected from disclosure to those who are not parties to the proceeding”).

law requires all bids and proposals to be opened publicly for inspection after award,¹⁰⁵¹ portions of the submitted bids can be withheld.¹⁰⁵²

In addition, there is an exception for disclosures contrary to State or Federal law.¹⁰⁵³ Since the Kentucky Uniform Trade Secrets Act defines the government as a “person” capable of misappropriating a trade secret,¹⁰⁵⁴ this exemption may protect trade secrets submitted under contracts or as part of a bid or proposal. Prior to contract award, there is an additional regulatory requirement not to release bid or proposal data.¹⁰⁵⁵

Additional specific exceptions prevent disclosure in narrow circumstances.¹⁰⁵⁶ Without a specific exemption, the Kentucky Open Records Act is to be construed liberally to afford access to public writings.

ii. Trademarks

Kentucky’s State-level trademark system is codified at Chapter 365, Sections 561 to 613, of the Kentucky Revised Statutes. The application for registration is made to the Secretary of State.¹⁰⁵⁷ Each registration is for a renewable five-year term.¹⁰⁵⁸ Remedies include monetary and injunctive relief,¹⁰⁵⁹ and there are potential criminal penalties for certain types of counterfeiting or misbranding activity.¹⁰⁶⁰ There are separate causes of action for infringing a trademark relating to financial institutions.¹⁰⁶¹ Kentucky courts have the power to impose punitive damages of up to three times the infringer’s profits

1051. Ky. Rev. Stat. §§ 45A.080(4), 45A.365(4).

1052. *In re: Paul Levy/City of Louisville*, Office of Attorney General Decision 02-ORD-125 (confidential materials submitted as part of RFP can be withheld after award to the extent there is evidence that the disclosure would give an unfair advantage to competition by allowing the competition to copy confidential material) (citing prior decisions 99-ORD-201, 96-ORD-135, 96-ORD-135, 92-ORD-1134, OAG 88-1, OAG 83-256).

1053. Ky. Rev. Stat. §§ 61.878(1)(k), (l).

1054. Ky. Rev. Stat. § 365.880(3).

1055. 200 Ky. Admin. Regs. 5:307(3); 200 Ky. Admin. Reg. 5:306(2).

1056. Examples include Ky. Rev. Stat. § 154A.040 (nondisclosure of confidential information held by Lottery Corporation); Ky. Rev. Stat. § 224.10-212 (confidential information relating to hazardous waste not to be disclosed); Ky. Rev. Stat. § 338.171 (confidential information obtained by Office of Occupational Safety and Health during investigation are not to be disclosed); Ky. Rev. Stat. § 292.500(18) (confidential information during investigation by Office of Financial Institutions not to be disclosed); 405 Ky. Admin. Regs. 30:150 (confidential information in oil shale records not to be disclosed).

1057. Ky. Rev. Stat. § 365.571.

1058. Ky. Rev. Stat. § 365.581.

1059. Ky. Rev. Stat. §§ 365.603.

1060. Ky. Rev. Stat. § 365.241 (counterfeiting); Ky. Rev. Stat. § 217.550(3) (pesticide label must show trademark); Ky. Rev. Stat. § 250.426 (fertilizer names not to be confusingly similar); Ky. Rev. Stat. § 218A.140 (counterfeit controlled substances bearing trademark).

1061. Ky. Rev. Stat. § 286.2-685.

and also may award fees and costs “as the circumstances of the case may warrant.”¹⁰⁶²

For purposes of misappropriation, the term “person” does not include government bodies or agencies but covers any “other organization capable of suing and being sued in a court of law.”¹⁰⁶³ The State has limited authority to enforce State-owned trademarks,¹⁰⁶⁴ and so may fall within this catchall provision. No cases confirm this interpretation.

Kentucky has not enacted a trademark dilution law.¹⁰⁶⁵

iii. Copyrights

Kentucky requires that State court opinions not be copyrighted.¹⁰⁶⁶ But while its legislation is to be available on the Internet, Kentucky explicitly asserts copyrights in the Kentucky Revised Statutes.¹⁰⁶⁷ Moreover, certain bodies, such as the Lottery Corporation, are specifically empowered to hold copyrights.¹⁰⁶⁸

Copyrights must be respected for electronic-format versions of instructional materials given to disabled students.¹⁰⁶⁹ Kentucky’s computer crime law prohibits the unauthorized use of a computer or network or the alteration of data on computers.¹⁰⁷⁰

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

1062. Ky. Rev. Stat. § 365.603; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1063. Ky. Rev. Stat. § 365.563(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1064. Ky. Rev. Stat. § 154A.060(1)(c) (Lottery Corporation has power to hold and license marks).

1065. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 4 (Nov.–Dec. 2006).

1066. Ky. Rev. Stat. § 21A.070.

1067. Ky. Rev. Stat. § 7.500(7).

1068. Ky. Rev. Stat. § 154A.060.

1069. Ky. Rev. Stat. § 164.477(17).

1070. Ky. Rev. Stat. §§ 434.840 through 434.860.

b. Procurement Laws

The Kentucky Procurement Code is generally at Chapter 045A of the Kentucky Revised Statutes. It implements the substance of the American Bar Association's Model Procurement Code. As the law does not address intellectual property, terms and conditions relative to IP are made at an agency level by the Kentucky Finance and Administration Cabinet.¹⁰⁷¹ Bids and proposals are generally not to be disclosed prior to award.¹⁰⁷² Exceptions to the Kentucky Open Records Act should prevent disclosure of proprietary information contained in bids if disclosure would confer an unfair advantage¹⁰⁷³ or violate a licensing agreement.¹⁰⁷⁴ After award, given the broad exemptions from release discussed above, most categories of trade secrets and confidential information contained in bids and proposals should remain protected.¹⁰⁷⁵ But Kentucky reserves the right to use *any* data it receives in the course of the procurement process.¹⁰⁷⁶

Kentucky's standard terms and conditions and associated regulations can be found in the Finance And Administration Cabinet, Manual Of Policies And Procedures,¹⁰⁷⁷ at Title 200, Chapter 5, of the Kentucky Administrative

1071. Ky. Rev. Stat. § 45A.035.

1072. Ky. Rev. Stat. §§ 45A.080(4), 45A.365(4); 200 Ky. Admin. Regs. 5:307(3); 200 Ky. Admin. Regs. 5:306(2).

1073. Ky. Rev. Stat. § 61.878(1)(c)(1); *Southeastern United Medigroup, Inc. v. Hughes*, 952 S.W.2d 195 (Ky. 1997) ("But if it is established that a document is confidential or proprietary, and that disclosure to competitors would give them substantially more than a trivial unfair advantage, the document should be protected from disclosure to those who are not parties to the proceeding"); *In re: Paul Levy*, *supra* note 1049 (July 10, 2002) (confidentiality clause in software license used to prevent disclosure under Kentucky Open Records Act and is evidence that the disclosure would give an unfair advantage to competition) (citing prior decisions 99-ORD-201, 96-ORD-135, 96-ORD-135, 92-ORD-1134, OAG 88-1, OAG 83-256).

1074. Ky. Rev. Stat. §§ 61.878(1)(k), (l) to the extent the disclosure violates the Kentucky Uniform Trade Secrets Act at Ky. Rev. Stat. § 365.880(3).

1075. *Southeastern United Medigroup*, *supra* note 1073 ("But if it is established that a document is confidential or proprietary, and that disclosure to competitors would give them substantially more than a trivial unfair advantage, the document should be protected from disclosure to those who are not parties to the proceeding"); *In re: Paul Levy*, *supra* note 1049 (July 10, 2002) (confidentiality clause in software license used to prevent disclosure under Kentucky Open Records Act and is evidence that the disclosure would give an unfair advantage to competition) (citing prior decisions 99-ORD-201, 96-ORD-135, 96-ORD-135, 92-ORD-1134, OAG 88-1, OAG 83-256).

1076. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 207 (2003).

1077. Finance And Administration Cabinet, Manual Of Policies And Procedures, Sec. I (Revised: January 2006), available at <http://finance.ky.gov/ourcabinet/caboff/oc/policies.htm> (click on "Printable Manual of FAPs") (last visited May 30, 2008).

Regulations.¹⁰⁷⁸ These regulations and terms and conditions lack any uniform IP provisions, suggesting that intellectual property rights will vary for each contract according to negotiated terms.

c. Technology Transfer

Kentucky has authorized the creation of a science and technology organization to facilitate the growth of high-technology companies in Kentucky¹⁰⁷⁹ and to ensure that all funding agreements have “adequately addressed” ownership of the resulting intellectual property.¹⁰⁸⁰ It appears that the State will require at least a royalty right in intellectual property resulting from funding for alternative fuels¹⁰⁸¹ or from the Kentucky Research and Development Infrastructure.¹⁰⁸²

The Kentucky Science & Technology Corporation (KSTC) manages the Kentucky Enterprise Fund in order to stimulate new industries in the State. The KSTC operates as a venture fund and does not require ownership or licenses in the resulting IP. But there is a requirement that the State be given an equity interest and/or repay the funds as a condition of funding.¹⁰⁸³

Kentucky claims ownership of all intellectual property created using university resources.¹⁰⁸⁴ For sponsored research, these rights are negotiated in advance.¹⁰⁸⁵ Under a model agreement, intellectual property ownership remains with the university subject to an option to license.¹⁰⁸⁶

d. Sovereign Immunity Waivers

The State of Kentucky has full sovereign immunity,¹⁰⁸⁷ which it has not waived. Kentucky has enacted a partial waiver at the *local* government level,

1078. General Conditions And Instructions For Solicitations And Contracts, *available at* <http://eprocurement.ky.gov/attachments.htm> (click on “Attachment #1—General Conditions and Instructions for Solicitations and Contracts”) (last visited May 30, 2008).

1079. Ky. Rev. Stat. § 164.6031.

1080. Ky. Rev. Stat. § 164.6039.

1081. Ky. Rev. Stat. § 154.20-420.

1082. Ky. Rev. Stat. § 154.35-030(3).

1083. Kentucky Enterprise Fund, Online Application User Guide (v.012508), *available at* <http://www.startupkentucky.com/?185> (last visited May 30, 2008).

1084. University of Louisville Intellectual Property Policy, art. 4 (July 2005); University of Kentucky Administrative Regulations, AR II-1.1-3, Intellectual Property Disposition and Administrative Regulation, art. III (Jun 1993).

1085. University of Louisville Intellectual Property Policy, art. 10 (July 2005); University of Kentucky Administrative Regulations, AR II-1.1-3, Intellectual Property Disposition and Administrative Regulation, art. IV(C) (Jun 1993).

1086. University of Kentucky Sample Contract Agreement, art. VI, *available at* <http://www.research.uky.edu/ospa/info/docs/modelcompany.doc> (last visited May 30, 2008).

1087. *Coll. Savs. Bank v. Florida Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666 (1999).

but not for the State itself.¹⁰⁸⁸ Thus, noncontractors appear not to have direct recourse against the State.

At the municipal and local levels, the waiver is only for money damages, but does allow for compensation for damage or loss of property caused by negligence.¹⁰⁸⁹ Since certain forms of intellectual property misappropriation and infringement can be construed as torts or wrongful acts, it is possible that infringement by local governments may be actionable. But no cases address the question, and the Federal Government has denied relief on similar theories under the Federal Torts Claims Act.¹⁰⁹⁰

Kentucky may have waived its sovereign immunity in regard to trade secret misappropriation since, as noted above, the state is considered a person capable of misappropriation.¹⁰⁹¹ And Kentucky may also have waived its sovereign immunity in regard to trademark infringement, at least to the extent the agency in question is empowered to sue or be sued.¹⁰⁹² Whether these enactments trump Kentucky's refusal to waive sovereign immunity in general is unclear. While it is more probable that the state has waived immunity in regards to trade secret infringement on balance, such waiver for other forms of intellectual property seems unlikely. No cases address the question.

Kentucky probably can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.¹⁰⁹³ And where Kentucky asserts infringement of State-owned intellectual property, it might have waived its sovereign immunity.¹⁰⁹⁴ It also

1088. Ky. Rev. Stat. § 65.200.

1089. Ky. Rev. Stat. § 65.2002.

1090. 28 U.S.C. § 1346(b); *see, generally*, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

1091. Ky. Rev. Stat. § 365.880(3).

1092. Ky. Rev. Stat. § 365.563(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1093. *Baum Research and Dev. Co., Inc. v. University of Massachusetts at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1094. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341–3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had "waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum," but "did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court"); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver

is possible that the Kentucky courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Section 13 of the Kentucky Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁰⁹⁵ But in light of *Zoltek v. United States*¹⁰⁹⁶ and Kentucky’s clear reluctance to allow suits against the State, it is more likely that a Kentucky court would instead refuse to recognize intellectual property as “property” for Takings purposes.

18. Louisiana¹⁰⁹⁷

a. Intellectual Property Laws

i. Trade Secrets

Louisiana has adopted the 1979 version of the Uniform Trade Secrets Act.¹⁰⁹⁸ Injunctions and damages are available for trade secret misappropriation.¹⁰⁹⁹ Like the Uniform Trade Secrets Act, Louisiana defines “person” to include government or government agencies as well as natural persons and corporations.¹¹⁰⁰ There is also a criminal penalty for the theft of or access to trade secrets.¹¹⁰¹

Louisiana’s Public Records Act ensures that public documents are disclosed.¹¹⁰² While most records are subject to this Act, it does not apply to trade secrets or potentially patentable inventions relating to research and commercialization efforts with State universities.¹¹⁰³ Louisiana also has created an exemption at La. Rev. Stat. § 44:3.2 for certain broad categories of confidential information, including trade secrets submitted in order to obtain or retain approval of an item or method utilizing that trade secret

of sovereign immunity for patent infringement even where State is substantial market participant).

1095. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1096. 442 F.3d 1345 (Fed. Cir. 2006).

1097. Our thanks to Ramesh Kolluru, Ph.D., Assistant VP for Research and Graduate Studies, Executive Director, National Incident Management Systems and Advanced Technologies (NIMSAT), and Institute Director, Center for Business and Information Technologies (CBIT), University of Louisiana at Lafayette, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1098. La. Rev. Stat. § 51:1431 *et seq.*

1099. La. Rev. Stat. §§ 51:1432, 1433.

1100. La. Rev. Stat. § 51:1431(3).

1101. La. Rev. Stat. § 14:67.20 (theft of a business record having confidential information); La. Rev. Stat. § 14:73.2 (accessing or taking proprietary information on computer).

1102. La. Rev. Stat. §44:1.

1103. La. Rev. Stat. § 44:4(16).

information,¹¹⁰⁴ or trade secrets submitted for research, development, or commercialization.¹¹⁰⁵ A precondition of the La. Rev. Stat. § 44:3.2 exemption is that the trade secret be submitted with “a cover sheet that provides in bold type ‘DOCUMENT CONTAINS CONFIDENTIAL PROPRIETARY OR TRADE SECRET INFORMATION’” and with appropriate markings for “each instance of information which is, in his opinion, proprietary or trade secret information.”¹¹⁰⁶ As such, in order to be exempt under La. Rev. Stat. § 44:3.2, the submitter must follow strict submission requirements.

Further, the Louisiana Public Records Act makes a broad exemption for records otherwise exempt by law, but only to the extent that the law is listed in La. Rev. Stat. § 44:4.1(B). Since the Uniform Trade Secret Act is not listed in La. Rev. Stat. § 44:4.1(B), it does not form a basis for withholding trade secrets beyond the exceptions at La. Rev. Stat. § 44:3.2 even though the state is apparently liable for the damages due to the release. Without a specific exemption, the Louisiana Public Records Act is to be construed liberally to afford access to public writings.

ii. Trademarks

Louisiana’s State-level trademark system is codified at Title 51, Part VI, of the Louisiana Revised Statutes. It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1964.¹¹⁰⁷ The application for registration is made to the Secretary of State.¹¹⁰⁸ Each registration is for a renewable ten-year term.¹¹⁰⁹ Certain marks are reserved for the State and are not available for use or registration by others.¹¹¹⁰ Remedies include monetary and injunctive relief,¹¹¹¹ and there are potential criminal penalties for certain types of counterfeiting or misbranding activity.¹¹¹²

1104. La. Rev. Stat. § 44:3.2(A).

1105. La. Rev. Stat. § 44:3.2(B).

1106. La. Rev. Stat. § 44:3.2(C)(1).

1107. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1108. La. Rev. Stat. § 51:214.

1109. La. Rev. Stat. § 51:216.

1110. La. Rev. Stat. § 51:224 (prohibiting registrations that are confusingly similar to educational institution names); La. Admin. Code tit. 7, § 2105 (Official Logo for Louisiana Sweet Potatoes); La. Rev. Stat. § 51:291 (marks related to Louisiana Superdome); La. Rev. Stat. § 51:296 (marks related to Louisiana American Revolution Bicentennial Commission); La. Rev. Stat. § 51:300.1. (mark “Jazzland” related to theme park in New Orleans).

1111. La. Rev. Stat. § 51:223.

1112. La. Rev. Stat. § 14:229 (counterfeit trademarks illegal); La. Rev. Stat. § 14:223.7 (counterfeit labels on recordings illegal); La. Admin. Code tit. 7, § 1127 (mislabeling of fresh fruits and vegetables).

There is no provision for punitive damages.¹¹¹³ There is a separate cause of action for dilution,¹¹¹⁴ and alternate registrations are available for marks used in specific industries.¹¹¹⁵

The term “person” does not include government bodies or agencies, but does cover any public educational institution or “other organization.”¹¹¹⁶ It seems doubtful that “other organization” is intended to capture the State or specific State agencies, but the law clearly does apply to State universities.

iii. Copyrights

Louisiana owns the copyright for anything published in the Louisiana Administrative Code or the Louisiana Register.¹¹¹⁷

Louisiana prohibits unauthorized sound recordings.¹¹¹⁸ It also has computer crime laws that bar the unauthorized use of a computer or network, the alteration of data on a computer,¹¹¹⁹ or the modification and copying of computer-based intellectual property.¹¹²⁰

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

The Louisiana Procurement Code (which implements the substance of the American Bar Association’s Model Procurement Code) is at Title 39, Chapter 17, of the Louisiana Revised Statutes, with a supplemental code for professional service contracts at Title 39, Subpart E, of Chapter 16 of the Louisiana Revised Statutes. Miscellaneous portions of the procurement laws are distributed in other portions of the Louisiana Revised Statutes.¹¹²¹ However, with

1113. La. Rev. Stat. § 51:223; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1114. La. Rev. Stat. § 51:223.1.

1115. La. Rev. Stat. § 51.241 (marks used in bottling, selling, or dealing in any beverage); La. Rev. Stat. § 51.287 (marks used in laundered garments, towels, table linens or other articles).

1116. La. Rev. Stat. § 51.211(E).

1117. La. Admin. Code tit. 1, § 315.

1118. La. Rev. Stat. § 14:223.

1119. La. Rev. Stat. §§ 14:73.7, 73.3.

1120. La. Rev. Stat. § 14:73.2.

1121. As listed by the Office of State Purchasing, *Procurement Handbook*, 1 (2008), available at <http://doa.louisiana.gov/osp/publications/procurementhandbook.pdf> (last visited May 30, 2008), the procurement statutes are contained as follows: La. Rev. Stat. §§ 38:2211–2296 (public contracts); La. Rev. Stat. §§ 39:196–200 (data processing); La. Rev. Stat. §§ 39:1527–1546 (insurance); La. Rev. Stat. § 39:1695 (late payments); La. Rev. Stat. § 39:1761 (lease/

one exception, no portion of Louisiana procurement law specifically addresses intellectual property. The exception is for personal service contracts, where the law and implementing regulations ensure that confidential technical data and information included in proposals are maintained in confidence by the State.¹¹²²

Otherwise, terms and conditions relative to IP are made at an agency level by the Office of Contractual Review within the Department of Administration for personal services contracts,¹¹²³ and by the Office of State Purchasing within the Department of Administration for procurement of other goods and services.¹¹²⁴

Bids and proposals generally are to be revealed after award.¹¹²⁵ But for personal service contracts, agency regulations provide a mechanism to prevent release¹¹²⁶ as does the Louisiana Public Records Act.¹¹²⁷

For the procurement of goods, the contractor is required by regulation to indemnify the State against claims for copyright or patent infringement occurring during performance.¹¹²⁸ The regulation does *not* require indemnification of other forms of intellectual property. But by agency action, there is a broader an indemnification for all forms of intellectual property in software purchases.¹¹²⁹ These provisions are not required for personal service contracts.

Moreover, unlike goods procurements, personal service contracts must include provisions ensuring that technical data and confidential information received by the agency are protected.¹¹³⁰ The State generally requires ownership of software developed for the State under a consultancy agreement, as well as all related intellectual property.¹¹³¹ No similar ownership requirement exists in the sample contract for other forms of services or goods, and certain contracts allow contractors to own intellectual property with the expectation

purchase); La. Rev. Stat. §§ 42:1101–1170 (code of ethics); La. Rev. Stat. §§ 43:1–34 (printing); La. Rev. Stat. §§ 43:111–211 (advertisements).

1122. La. Rev. Stat. § 39:1490.

1123. La. Rev. Stat. § 39:1410.

1124. La. Rev. Stat. §§ 39:1561, 1562.

1125. La. Rev. Stat. § 39:1594 (procurement of goods and services).

1126. La. Rev. Stat. § 39:1490; La. Admin. Code tit. 34, pt. V, § 130.

1127. La. Admin. Code tit. 34, pt. I, § 519(2) provides “opened bids shall be available for public inspection, in accordance with R.S. 44, Chapter I,” which therefore allows for invocation of the trade secret exemption under La. Rev. Stat. § 44.4(16).

1128. La. Admin. Code tit. 34, pt. I, § 525(A).

1129. Office Of State Purchasing Memorandum OSP 04-02, *Guidelines for Procurement of Software, Software Maintenance, Hardware Maintenance and Software Support Services* (June 26, 2003).

1130. La. Admin. Code tit. 34, pt. V, § 130(A).

1131. Standard Data Processing Consulting Contract, cl. 9, available at <http://doa.louisiana.gov/ocr/dpcontra.htm> (last visited May 30, 2008).

that ownership will defray costs in existing contracts.¹¹³² Lastly, through administrative decree, the Department of Administration prohibits the use of software encompassing intellectual property without proper licenses from the owner.¹¹³³

c. Technology Transfer

In order to aid commercialization of inventions made by State universities, Louisiana has specifically made the Louisiana Public Records Act inapplicable to trade secrets provided by a sponsor relating to commercialization.¹¹³⁴ The Louisiana State university system claims ownership of all intellectual property created using university resources.¹¹³⁵ The sponsor is entitled to a license to IP generated under a sponsored research program.¹¹³⁶

d. Sovereign Immunity Waivers

Louisiana has enacted a partial waiver of sovereign immunity for personal injuries,¹¹³⁷ and another partial waiver for other torts where the claims are for money damages.¹¹³⁸ The personal-injury waiver under Title 39, Section 5101 *et seq.*, amounts to a comprehensive waiver for all private claims.¹¹³⁹ It does not cap economic damages.¹¹⁴⁰ Louisiana is, therefore, identical to a private entity for purposes of such suits. The waiver for other torts is restricted to money damages, but does allow for compensation for damage or loss of property caused by negligence to the extent that the damage would make a private person liable under State law.¹¹⁴¹ Thus, because IP infringement can be construed as a tort or wrongful act, infringement by local governments may be actionable. No cases support this idea, however, and the Federal

1132. La. Admin. Code tit. 4, pt. VII, § 1197(A)(1) (royalty income to defray program income for contracts from the Office of Elderly Affairs).

1133. Division of Administration Policy No. 3, *Acceptable Use of Information Technology Systems and Networks*, § V(4) (May 20, 2003).

1134. La. Rev. Stat. § 44:4(16).

1135. Louisiana State University System Bylaws & Regulations, Part II, Chapter VII, § 7-3(a) (Aug. 2007); University of Louisiana System Policy Number: FS.III.VI.-1a, *Intellectual Property And Shared Royalties*, § IV(A) and (B)(3)(F) (Aug. 2007).

1136. Louisiana State University System Bylaws & Regulations, pt. II, ch. VII, § 7-3(b)(1) (Aug. 2007).

1137. La. Rev. Stat. § 13:5101 *et seq.*

1138. La. Rev. Stat. § 39:1538.

1139. La. Rev. Stat. § 13:5101 *et seq.*

1140. La. Rev. Stat. § 13:5106.

1141. La. Rev. Stat. § 39:1538(1).

Government has denied relief for intellectual property infringement under the Federal Torts Claims Act.¹¹⁴²

In addition, Louisiana appears to have waived its sovereign immunity for State trade secret misappropriation¹¹⁴³ and trademark infringement by public educational institutions.¹¹⁴⁴ No cases confirm either waiver.

Louisiana can be sued for breach of contract following a final decision by the Commissioner of Administration.¹¹⁴⁵ This would therefore extend to intellectual property disputes arising through contract breaches.¹¹⁴⁶ The contractor must establish, however, that the State agent was acting within the scope of his authority.¹¹⁴⁷

Where Louisiana has consented to suit, such as by asserting infringement of State-owned intellectual property, Louisiana may have waived its sovereign immunity.¹¹⁴⁸

Lastly, Louisiana courts might view a State Taking of IP without just compensation as a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 4, of the Louisiana Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹¹⁴⁹ But in light of *Zoltek v. United States*,¹¹⁵⁰ a Louisiana court also could refuse to recognize intellectual property as “property” for Takings purposes.

1142. 28 U.S.C. § 1346(b); *see, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). *But see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

1143. La. Rev. Stat. § 51.1431(3).

1144. La. Rev. Stat. § 51.211(E).

1145. La. Rev. Stat. § 39:1525.

1146. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1147. La. Rev. Stat. § 39:1526.

1148. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341–3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

1149. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1150. 442 F.3d 1345 (Fed. Cir. 2006).

19. Maine¹¹⁵¹

a. Intellectual Property Laws

i. Trade Secrets

Maine has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹¹⁵² Injunctions and damages are available for trade secret misappropriation.¹¹⁵³ There is also a criminal penalty for the theft of trade secrets.¹¹⁵⁴ Like the Uniform Trade Secrets Act, Maine defines “person” to include government or government agencies as well as natural persons and corporations.¹¹⁵⁵

The Maine Freedom of Access Act (FOAA), at Title 1, Chapter 13, Subchapter 1 of the Maine Revised Statutes, ensures that public documents are disclosed. Maine law exempts from the definition of “public record” documents that “would be within the scope of a privilege against discovery or use as evidence . . . if the records or inspection thereof were sought in the course of a court proceeding.”¹¹⁵⁶ Since Maine courts can protect against disclosure of trade secrets under both the Rules of Evidence¹¹⁵⁷ and the Rules of Civil Procedure,¹¹⁵⁸ this exception has been used to protect confidential submissions or other information.¹¹⁵⁹

Outside of the broad exemption for trade secrets in Me. Rev. Stat. Ann. tit. 1, § 402 (3) (B), Me. Rev. Stat. Ann. tit. 1, § 402(3)(A) provides an exception where another statute requires information to be protected. This exemption only applies where the law clearly prevents disclosure of confidential information.¹¹⁶⁰ Examples include confidential information received pursuant to

1151. Our thanks to Rita Heimes, Research Professor and Director, Center for Law and Innovation, at the University of Maine School of Law, and Leonard Agneta, Director of the Maine Patent Program and associate general counsel for intellectual property to the University of Maine System, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1152. Me. Rev. Stat. Ann. tit. 10, § 1541 *et seq.*

1153. Me. Rev. Stat. Ann. tit. 10, §§ 1543, 1544.

1154. Me. Rev. Stat. Ann. tit. 17A, § 352(1)(F).

1155. Me. Rev. Stat. Ann. tit. 10, § 1542(3).

1156. Me. Rev. Stat. Ann. tit. 1, § 402(3)(B).

1157. Me. R. Evid. 507.

1158. Me. R. Civ. P. 26(c)(7).

1159. *Bangor Pub. Co. v. Town of Bucksport*, 682 A.2d 227 (Me. 1996) (trade secret not public record under FOAA since protected under Me. R. Evid. 507); *Medical Mut. Ins. Co. of Maine v. Bureau of Ins.*, 2005 ME 12 (Me. 2005) (salary information protectable if satisfy Me. R. Civ. P. 26(c)(7) using evidence that is trade secret); *Town of Burlington v. Hosp. Admin. Dist.*, 2001 ME 59, 769 A.2d 857 (Me. 2001) (compensation information protectable if Me. R. Civ. P. 26(c)(7) is satisfied using evidence that is trade secret).

1160. *Medical Mut. Ins. Co. of Maine*, 2005 ME 12 (statute must explicitly designate record as confidential to prevent disclosure under Me. Rev. Stat. Ann. tit. 1, § 402(3)(A)).

an investigation¹¹⁶¹ and information included in certain proposals and contracts submitted to the Maine Technology Capacity Fund.¹¹⁶² No cases apply the Maine Trade Secrets Act to prevent disclosure of confidential information. But Maine courts have found, in other contexts, that confidential information received with a State assurance of nondisclosure cannot be released.¹¹⁶³ Without a specific exemption, the FOIA is to be construed liberally to afford access to records.

ii. Trademarks

Maine's State-level trademark system codified at Title 10, Chapter 301-A, of the Maine Revised Statutes. It implements the substance of the International Trademark Association's Model State Trademark Bill of 1964.¹¹⁶⁴ Applications for registration are made to the Secretary of State.¹¹⁶⁵ Each registration is for a renewable ten-year term.¹¹⁶⁶ Certain marks are reserved for the State and are not available for use or registration by others.¹¹⁶⁷ There is further a cause of action for dilution,¹¹⁶⁸ and alternate registrations are available for marks used in selected industries.¹¹⁶⁹ Remedies include monetary and injunctive relief,¹¹⁷⁰ and there are potential criminal penalties for certain types of counterfeiting or misbranding activity.¹¹⁷¹ There is no provision for punitive

1161. Me. Rev. Stat. Ann. tit. 10, § 1675 (information received by the Department of the Attorney General pursuant investigations under Petroleum Mark Share Act is confidential); Me. Rev. Stat. Ann. tit. 10, § 9012(1) (confidential information revealed to The Manufactured Housing Board shall be considered confidential).

1162. Me. Rev. Stat. Ann. tit. 5, § 15303-A(2).

1163. *Town of Burlington*, 769 A.2d at 864–65 (information should not be disclosed if it is a protectable trade secret under Me. R. Civ. P. 26(c)(7), where the trade secret is defined by Maine Trade Secret Act). See Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 183 (2003).

1164. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1165. Me. Rev. Stat. Ann. tit. 10, § 1522.

1166. Me. Rev. Stat. Ann. tit. 10, § 1524.

1167. Me. Rev. Stat. Ann. tit. 1, § 204 (prohibiting use of state seal for commercial purposes); Me. Rev. Stat. Ann. tit. 10, § 1602(1) (prohibiting use of trademark adopted by Maine Potato Commission); Me. Rev. Stat. Ann. tit. 10, § 1702 (prohibiting use of a trademark adopted by the Maine Sardine Council).

1168. Me. Rev. Stat. Ann. tit. 10, § 1530.

1169. Me. Rev. Stat. Ann. tit. 10, § 1651 (allowing registration of mark used on containers of kerosene, refined petroleum, gasoline or other burning or illuminating oils or fluids).

1170. Me. Rev. Stat. Ann. tit. 10, § 1531.

1171. Me. Rev. Stat. Ann. tit. 10, §§ 1655 (unlawful to store, offer for sale or sell any internal combustion engine fuels, lubricating oils or other similar products from container having confusingly similar mark), 1656 (unlawful to imitate the design, symbol or trade name of the equipment bearing known mark confusingly similar to recognized brands of internal

damages.¹¹⁷² The term “person” does not include government bodies or agencies,¹¹⁷³ and there are no cases indicating that the government is deemed to have waived its sovereign immunity with regard to trademark infringement.

However, under the Maine Uniform Deceptive Trade Practices Act, Maine allows a mark-owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion.¹¹⁷⁴ These provisions provide similar injunctive relief to trademark infringement, and is therefore an alternative cause of action where damages are not being sought.¹¹⁷⁵ And the Maine Uniform Deceptive Trade Practices Act includes the government in its definition of “persons.”¹¹⁷⁶ As such, even assuming Maine has not waived sovereign immunity for trademark infringement, it may have waived sovereign immunity for like causes of action brought under Title 10, Chapter 206, of the Maine Revised Statutes.

iii. Copyrights

Maine prevents contractors incorporating public records into the InforME system from copyrighting these records; they are owned by Maine.¹¹⁷⁷ Maine allows its Legislative Council to administer copyrights held by the Legislature,¹¹⁷⁸ which include the Maine Revised Statutes.

Maine’s computer crime law prohibits the unauthorized use of a computer or network, the alteration of data on a computer, or the modification and copying of computer information or programs.¹¹⁷⁹ Maine also has a broadly worded anti-piracy law that prohibits unauthorized simulations of another’s work to suggest “an age, rarity, quality, composition, source or authorship which it does not in fact possess.”¹¹⁸⁰

Maine criminalizes the unauthorized transfer of sound recordings.¹¹⁸¹ And the State has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

combustion engine fuels, lubricating oils and similar products), and 1658 (unlawful to fill any container with any internal combustion engine, fuels, lubricating oils or like products other than those sold under the trade name displayed on the container).

1172. Me. Rev. Stat. Ann. tit. 10, § 1531; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1173. Me. Rev. Stat. Ann. tit. 10, § 1521 (4).

1174. Me. Rev. Stat. Ann. tit. 10, ch. 206.

1175. Me. Rev. Stat. Ann. tit. 10, § 1213.

1176. Me. Rev. Stat. Ann. tit. 10, § 1211(5).

1177. Me. Rev. Stat. Ann. tit. 1, § 538(1).

1178. Me. Rev. Stat. Ann. tit. 3, § 162.

1179. Me. Rev. Stat. Ann. tit. 17A, ch. 18.

1180. Me. Rev. Stat. Ann. tit. 17A, § 705(1).

1181. Me. Rev. Stat. Ann. tit. 10, § 1261.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

The Maine Procurement Code is at Title 5, Chapter 155, of the Maine Revised Statutes, and the implementing regulations are promulgated by the Department of Administrative and Financial Services.¹¹⁸² The terms and conditions relative to intellectual property are generally made at an agency level.

Bids and proposals are generally to be revealed after award as a public record, but are kept confidential prior to award.¹¹⁸³ While there is no specific mechanism to ensure that confidential information submitted as part of a bid is not disclosed, Maine law exempts from the definition of a public record documents that “would be within the scope of a privilege against discovery or use as evidence . . . if the records or inspection thereof were sought in the course of a court proceeding.”¹¹⁸⁴ So absent a court order, the bidder must provide evidence of a protectable trade secret in order to prevent disclosure under Me. Rev. Stat. Ann. tit. 1, § 402(3)(B).¹¹⁸⁵

For the procurement of goods, there are few requirements regarding ownership of or required rights in intellectual property. Under the standard terms and conditions for services, the contractor must indemnify the State against claims for “a violation or infringement of any proprietary right, copyright, trademark, right of privacy or other right arising out of publication, translation, development, reproduction, delivery, use, or disposition of any data, information or other matter furnished or used in connection with this Agreement.”¹¹⁸⁶ Outside of this provision for services contracts, the parties can negotiate the needed rights on a contract-by-contract basis.

c. Technology Transfer

In order to aid technology development, Maine has specifically made FOIA inapplicable for trade secrets provided pursuant to proposals and contracts submitted to the Maine Technology Capacity Fund.¹¹⁸⁷ The Maine Technology

1182. Me. Rev. Stat. Ann. tit. 5, § 1811.

1183. Me. Rev. Stat. Ann. tit. 5, § 1825-B (6). Maine Policy Manual, Chapter 110, Section 2(v) (1991).

1184. Me. Rev. Stat. Ann. tit. 1, § 402(3)(B).

1185. *Compare Bangor Pub. Co. v. Town of Bucksport*, 682 A.2d 227 (Me. 1996), with *Medical Mutual Insurance Company of Maine v. Bureau of Insurance*, 2005 ME 12 (Me. 2005), and *Town of Burlington v. Hosp. Admin. Dist.*, 769 A.2d 857, 2001 ME 59 (Me. 2001).

1186. Standard Form BP54 Agreement to Purchases Services art. 18, available at <http://www.maine.gov/purchases/forms/BP54.doc> (last visited May 30, 2008).

1187. Me. Rev. Stat. Ann. tit. 5, § 15303-A(2).

Capacity Fund is administered by the Maine Technology Institute (MTI), which also offers broad-based assistance to early-stage, technology-based companies in Maine.¹¹⁸⁸ MTI has a confidentiality policy for applicants, which provides that rejected applications will not be made public, but instead will be returned or destroyed. For accepted applicants, materials marked “proprietary” are not required to be released under the FOAA, and the Institute actively encourages applicants “to mark all pages containing sensitive information ‘PROPRIETARY.’”¹¹⁸⁹

Maine also has created a Maine Patent Program, which provides education to independent inventors and will prepare and file patent applications for selected inventors.¹¹⁹⁰ The inventor’s only obligations are to (1) share any royalties generated by license, and (2) refund the cost of patent prosecution should the invention be licensed or manufactured out of State.¹¹⁹¹

The University of Maine the Board of Trustees is empowered to protect intellectual property and administer the Maine Economic Improvement Fund.¹¹⁹² In addition, the Board of Trustees can delay publication of a record relating to IP, thus providing an effective FOAA exemption for proprietary information contained in “proposals, grants, contracts or other legal agreements.”¹¹⁹³ Publication of information may be delayed until appropriate measures have been taken to protect the intellectual property.

The State acquires ownership of IP developed by university employees where the intellectual property was created using significant university resources.¹¹⁹⁴ Such rights are theoretically negotiable for sponsored research or for work that is the result of contracts or grants with third parties.¹¹⁹⁵ The State will generally request ownership of IP generated by university employees during the course of a collaboration, but allows the sponsor to retain ownership of intellectual property generated by the sponsor and an option to license any generated intellectual property owned by the university.¹¹⁹⁶

d. Sovereign Immunity Waivers

Maine is generally immune from suit.¹¹⁹⁷ It has waived immunity for a handful of specific tort claims, but none are relevant to IP—and the absence of an

1188. <http://www.mainetechnology.org/> (last visited May 6, 2008).

1189. <http://www.mainetechnology.org/content/265/FAQs/> (last visited May 6, 2008).

1190. Me. Rev. Stat. Ann. tit. 10, § 1921(1).

1191. Me. Rev. Stat. Ann. tit. 10, § 1921(2).

1192. Me. Rev. Stat. Ann. tit. 10, § 948(1).

1193. *Id.*

1194. University of Maine System Intellectual Property Policy, § VI (Feb. 2002).

1195. University of Maine System Intellectual Property Policy, §§ V, VI (Feb. 2002).

1196. University of Maine Collaboration Agreement, Article 1.4 (<http://www.umaine.edu/dic/UM%20%20Research%20Collaboration.doc>); and University of Maine Agreement for Services, Article 9 (<http://www.umaine.edu/dic/UMaine%20Service%20Agreement.doc>).

1197. Me. Rev. Stat. Ann. tit. 14, § 8104-A.

explicit waiver in the face of these other waiver provisions would likely be interpreted as evidence that Maine *does* wish to exercise sovereign immunity in relation to intellectual property claims. In any event, damages are capped at \$400,000.¹¹⁹⁸

The Maine Tort Claims Act is a partial waiver of sovereign immunity for personal injury or property damage resulting from negligent acts relating to operation of vehicles, construction and maintenance, and environmental contamination.¹¹⁹⁹ Maine appears to have waived its sovereign immunity in regard to trade secret misappropriation in the Trade Secret Act.¹²⁰⁰ But Maine law states that all torts related to trade secret misappropriation have been displaced by the Maine Uniform Trade Secrets Act with the exception of the “provisions of the Maine Tort Claims Act, Title 14, chapter 741.”¹²⁰¹ And a trade secret owner can sue the State to prevent disclosure under Me. Rev. Stat. Ann. tit. 1, § 402(3)(B).¹²⁰² As such, there appears to be a tacit assumption that trade secret tort causes of action can be brought under the Maine Tort Claims Act.

Whether this waiver applies to other forms of IP is less clear. Maine may have waived sovereign immunity for deceptive business practices relating to trademark infringement.¹²⁰³ But no cases address the question.

Maine can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.¹²⁰⁴ Further, where Maine has consented to suit, such as by asserting infringement of state owned intellectual property, Maine might have waived its sovereign immunity.¹²⁰⁵

1198. Me. Rev. Stat. Ann. tit. 14, § 8105.

1199. Me. Rev. Stat. Ann. tit. 14, ch. 741.

1200. Me. Rev. Stat. Ann. tit. 10, § 1542(3).

1201. Me. Rev. Stat. Ann. tit. 10, § 1548(1)(E).

1202. *Compare Bangor Pub. Co. v. Town of Bucksport* (trade secret not public record under FOAA since protective order issued under Me. R. Evid. 507), with *Medical Mut. Ins. Co. of Maine v. Bureau of Ins.* (salary information not protectable since no evidence that efforts were made to prevent disclosure by employees of their own salary information as would be required to satisfy Me. R. Civ. P. 26(c)(7)) and *Town of Burlington v. Hosp. Admin. Dist.* (compensation information not protectable since no evidence information would satisfy M.R. Civ. P. 26(c)(7)).

1203. Me. Rev. Stat. Ann. tit. 10, § 1211(5).

1204. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1205. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of

Lastly, Maine courts could view a State Taking of property without just compensation as a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 21, of the Maine Constitution. The United States Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹²⁰⁶ But in light of *Zoltek v. United States*,¹²⁰⁷ a Maine court also could refuse to recognize IP as “property” for Takings purposes.

20. Maryland

a. Intellectual Property Laws

i. Trade Secrets

Maryland has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹²⁰⁸ Injunctions and damages are available for trade secret misappropriation.¹²⁰⁹ There is also a criminal penalty for the theft of trade secrets.¹²¹⁰

Like the Uniform Trade Secrets Act, Maryland defines “person” to include government or government agencies as well as natural persons and corporations.¹²¹¹

The Maryland Public Information Act¹²¹² ensures that public documents are disclosed. Maryland law exempts from disclosure records containing commercial matter that incorporates trade secrets or other confidential information.¹²¹³ This exception is interpreted consistently with Exemption 4 of the Federal Freedom of Information Act,¹²¹⁴ which prohibits disclosure of trade secrets.¹²¹⁵ There also are specific exemptions outside of the Maryland Public Information Act that prevent disclosure.¹²¹⁶

sovereign immunity for patent infringement even where State is substantial market participant).

1206. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1207. 442 F.3d 1345 (Fed. Cir. 2006).

1208. Md. Code, Com. Law tit. 11, subch. 12.

1209. Md. Code, Com. Law §§ 11-1202, 1203.

1210. Md. Code tit. 7, subtit. 1, defines trade secrets as property that can be stolen.

1211. Md. Code, Com. Law § 11-1201(d).

1212. Md. Code, State Gov’t § 10, Part III.

1213. Md. Code, State Gov’t § 10-617(d).

1214. 5 U.S.C. § 552(b)(4).

1215. *Maryland Public Information Act Manual, Chapter III, 28-31 (10th ed. January 2007)*, <http://www.oag.state.md.us/Opengov/ChapterIII.pdf>.

1216. Md. Code, State Gov’t § 10-615 prevents disclosure except as provided by law. Examples of such exceptions include Md. Code, Lab. & Empl. § 5-217(b) (exempting confidential information obtained pursuant to OSHA inspection); COMAR 17.04.14.13 (exempting from disclosure confidential information in the custody and control of the Department of Budget and Management).

All bids and proposals are not disclosed prior to award.¹²¹⁷ In order to protect confidential information submitted as part of a bid or proposal after award, Code of Maryland Regulations (COMAR) 21.05.08.01 provides a specific process allowing a bidder to shield confidential materials, as long as the bidder also includes a justification supporting the assertion of trade secrecy. These portions will not be disclosed if the State concurs that they are entitled to trade secret protection.

Without a specific exemption, the Maryland Public Information Act is to be construed liberally to afford access to records.

ii. Trademarks

Maryland's State-level trademark system is codified at Business Regulations, Title 1, Subtitle 4, of the Maryland Code. Under this system, the application for registration is made to the Secretary of State.¹²¹⁸ Each registration is for a renewable ten-year term.¹²¹⁹ Remedies include monetary and injunctive relief.¹²²⁰ There are potential criminal penalties for certain types of counterfeiting or misbranding activity.¹²²¹ Punitive damages, however, are not available.¹²²²

The term "person" includes government bodies or agencies, and therefore appears to represent an express waiver of State sovereign immunity for trademark infringement.¹²²³ No cases confirm this point.

Maryland has not enacted a trademark dilution law.¹²²⁴

iii. Copyrights

Maryland is one of only two states (neighboring Virginia is the other) to have enacted the Uniform Computer Information Transactions Act (UCITA) for purposes of contracts relating to software.¹²²⁵ The Maryland UCITA

1217. COMAR 21.06.01.02.

1218. Md. Code, Bus. Reg. § 1-412.

1219. Md. Code, Bus. Reg. § 1-410.

1220. Md. Code, Bus. Reg. § 1-414.

1221. Md. Code, Bus. Reg. § 1-415 (misdemeanor to do business using confusingly similar name to that used by another person already doing business in the State); Md. Code, Crim. Law § 8-611(a)(5) (illegal to counterfeit goods).

1222. Md. Code, Bus. Reg. § 1-414; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1223. Md. Code, Bus. Reg. § 1-401.

1224. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 4 (Nov.-Dec. 2006).

1225. Md. Code, Com. Law tit. 22.

covers all information technology contracts. It is designed to settle the validity of shrink-wrap licenses and clarify issues relating to the first sale doctrine.¹²²⁶ Maryland has waived its sovereign immunity in relation to shrink-wrap licenses since, at a subdivision level, government entities are considered “persons” subject to the provisions of Maryland UCITA.¹²²⁷

Maryland’s computer crime law prohibits the unauthorized use of a computer or network, the alteration of data on a computer, or the modification and copying of computer information or programs.¹²²⁸

Maryland Code of Commercial Law § 22-105 prevents enforcement of a contract term “to the extent that it would vary a statute, rule, regulation, or procedure that may not be varied by agreement under the federal copyright law, including provisions of the federal copyright law related to fair use.” Practically speaking, it is unclear to what extent this is duplicative of or precluded by Federal copyright law.

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Maryland has adopted the substance of the American Bar Association’s Model Procurement Code. The Maryland Procurement Code is at State Financial and Procurement, Division II of the Maryland Code, with implementing regulations at Title 21 of the Code of Maryland Regulations. The provisions of the Maryland UCITA apply to procurements of software.¹²²⁹ Since UCITA has certain required indemnification clauses for purposes of intellectual property infringement, these requirements would seemingly be imported into a State contract by operation of law unless specifically disclaimed.¹²³⁰

The Maryland Procurement Code does not require specific IP terms and conditions for procurement contracts. So the terms and conditions are made at an agency level.

1226. See, generally, “UCITA 101,” American Library Association, Oct. 11, 2006, <http://www.ala.org/ala/aboutala/offices/wo/woissues/copyrightb/ucita/ucita101.cfm> (last visited Nov. 11, 2008).

1227. Md. Code, Com. Law § 22-102(a)(51).

1228. Md. Code, Crim. Law § 7-302.

1229. Md. Code, Com. Law § 22-102(a)(51).

1230. Md. Code, Com. Law § 22-401 (warranties of noninfringement). For additional discussion on the effects of UCITA on software licenses and indemnification, see EPSTEIN, DRAFTING LICENSE AGREEMENTS (4th ed.) § 2.02(A)(2) (Aspen Law & Business 2007 Supplement).

Bids and proposals are revealed after award as public records, but are kept confidential prior to award.¹²³¹ Where proprietary information is submitted, Maryland requires that it be specially identified and segregated, so the State can maintain its confidentiality.¹²³²

For the procurement of goods and services, there are few requirements in regard to ownership of or required rights in intellectual property. Under the standard terms and conditions for services, the contractor is required to indemnify the State against “any claim, action, cost or judgment for patent infringement, or trademark or copyright violation.”¹²³³ There is also a specific regulation for Department of Transportation contracts allowing a contractor to retain ownership of contractor-developed IP related to work performed on State computer systems and networks used to electronically access vehicle information and process vehicle title and registration transactions.¹²³⁴ Outside of these provisions, parties can negotiate the necessary rights on a contract-by-contract basis.

c. Technology Transfer

Certain Maryland Agencies have specific authority to contract for and license intellectual property.¹²³⁵ While repealed in 2008, grantees under the Maryland Stem Cell Research Program were required to comply with the IP policies of the granting institution.¹²³⁶

Maryland State universities are encouraged to license university-developed intellectual property and enter into collaborate research and development agreements.¹²³⁷ While the authorization was repealed in 2008, State Universities were authorized to utilize the Maryland Technology Development Corporation to handle IP licensing and enforcement.¹²³⁸ It is unclear whether this authority continues; the website for Maryland Technology Development Corporation does not resolve the issue.¹²³⁹

In general, the State acquires ownership of intellectual property developed by university employees where it results from the use of significant university

1231. COMAR 21.06.01.02.

1232. COMAR 21.05.08.01.

1233. COMAR 21.07.03.18.

1234. COMAR 11.15.31.16.

1235. Md. Code art. 29, § 1-208(b)(1) (Washington Suburban Sanitation Commission has authority license intellectual property).

1236. Md. Code, art. 83A, § 5-2B-08(a)(2)(ii), repealed by Acts 2008, ch. 306, § 1, effective October 1, 2008.

1237. Md. Code, Educ. § 15-107.

1238. Md. Code, art. 83A, § 5-2A-04(b)(2)), repealed by Acts 2008, ch. 306, § 1, effective October 1, 2008.

1239. [Http://www.marylandtedco.org/index.cfm](http://www.marylandtedco.org/index.cfm) (last visited Nov. 12, 2008).

resources.¹²⁴⁰ But sponsors can obtain ownership of the outcomes of sponsored research subject to a use license for the university.¹²⁴¹ The State generally will request ownership of intellectual property generated by university employees, and possibly by sponsor employees using university resources during the course of the collaboration, subject to an option to license any resulting IP.¹²⁴²

d. Sovereign Immunity Waivers

Maryland has enacted the Maryland Tort Claims Act as a partial waiver of sovereign immunity for injury due to torts.¹²⁴³ Liability is subject to the exclusions set forth in Maryland Code, Courts and Judicial Proceedings, § 5-522. Under these waivers, Maryland is liable for breach of any duly-executed contract.¹²⁴⁴ This includes breaches governed by UCITA.¹²⁴⁵ Moreover, the State is prohibited from using sovereign immunity as a defense.¹²⁴⁶ Maryland therefore is liable for IP disputes arising through contract breaches.¹²⁴⁷ It also is liable for noncontract claims, as long as they do not involve the willful or grossly negligent acts by State employees.¹²⁴⁸ IP right-holders thus should have recourse against the State for IP-related torts, though no cases confirm the point. Damages are capped at \$200,000.¹²⁴⁹ A similar act was created for torts committed by local governments under the Local Government Tort Claims Act,¹²⁵⁰ which is also subject to a damages cap.¹²⁵¹

In addition, Maryland has waived its sovereign immunity in regard to trade secret misappropriation¹²⁵² and trademark infringement.¹²⁵³ Again, however, no cases confirm these apparent waivers.

1240. University of Maryland, Baltimore County, Intellectual Property Policy, § IV(F)(1) (July 1, 2002).

1241. Consolidated USMH and UM Policies and Procedures Manual, Chapter IV-3.20(A), University Of Maryland Policy On Intellectual Property, § IV(F)(1)(2004); UMBC Intellectual Property Policy, § IV(F)(1) (July 1, 2002).

1242. University of Maryland Sponsored Research Agreement, §§ V(A), VI, http://www.umresearch.umd.edu/ORAA/administrator/Sample_Agreements/Model_SRA_11.20.07.doc (sponsor owns rights in work of sponsor employees); UMBC Research Agreement, § 9, http://www.umbc.edu/ospa/forms/research_agreement.doc (sponsor employee inventions owned by university).

1243. Md. Code, State Gov't tit. 12, subtit. 1.

1244. Md. Code, State Gov't § 12-201.

1245. Md. Code, Com. Law § 22-102(a)(51).

1246. Md. Code, State Gov't § 12-201.

1247. *Baum Research and Dev. Co., Inc., et al. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1248. Md. Code, Cts. & Jud. Proc. § 5-522.

1249. Md. Code, State Gov't § 12-104(a)(2).

1250. Md. Code, Cts. & Jud. Proc., tit. 5, subtit. 3.

1251. Md. Code, Cts. & Jud. Proc. § 5-303.

1252. Md. Code, Com. Law § 11-1201(d).

1253. Md. Code, Bus. Reg. § 1-401.

Further, where Maryland has consented to suit, such as by bring asserting infringement of State-owned intellectual property, it may have waived sovereign immunity.¹²⁵⁴ And Maryland courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 3, § 40, of the Maryland Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis,¹²⁵⁵ and this analysis has been followed in the context of Takings of other property under the Maryland Constitution.¹²⁵⁶ In light of *Zoltek v. United States*,¹²⁵⁷ a Maryland court still could refuse to recognize intellectual property as “property” for Takings purposes. But though cases in other jurisdictions go both ways on these questions, Maryland’s relative liberality regarding State liability suggest that the State is more likely to accept than reject liability—a favorable situation for contractors.¹²⁵⁸

21. Massachusetts

a. Intellectual Property Laws

i. Trade Secrets

Massachusetts has not adopted the Uniform Trade Secrets Act. Instead, it has its own unique set of trade secret laws.¹²⁵⁹ Theft of a trade secret is a crime.¹²⁶⁰ The basis for trade secret misappropriation is not statutory but is instead based on tort law.

1254. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

1255. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1256. See *Neifert v. Dept. of Environment*, 910 A.2d 1100, 395 Md. 486 (Md. App. 2006) (applying *Ruckelshaus* in the context of denial of access to sewer system as a form of property).

1257. 442 F.3d 1345 (Fed. Cir. 2006).

1258. See *Dua v. Comcast Cable*, 370 Md. 604, 805 A.2d 1061 (Md. App. 2002) (while interpreted generally *in pari material* with Federal due process provisions, property under Article III, § 40 is not the same as property under the Fifth Amendment of the Federal Constitution).

1259. Mass. Gen. Laws ch. 93 §§ 42, 42A; Mass Gen. Laws ch. 93A § 11; Mass Gen. Laws ch. 266 § 30(4).

1260. Mass. Gen. Laws ch. 266 §30(4).

Massachusetts has a Public Records Law at Chapter 66 of the Massachusetts General Laws. The exceptions to this law are found at Chapter 4, Section 7. These include an exemption for trade secrets and other information submitted in confidence to a State agency.¹²⁶¹ But materials submitted to the State in connection with a government contract are presumptively public, and will cease to be confidential following either the award or expiration of the bidding period.¹²⁶² As such, confidential information must be submitted under a nondisclosure agreement. The State will also protect specific kinds of trade secrets identified elsewhere in the General Laws.¹²⁶³

ii. Trademarks

At General Laws Chapter 110B, Massachusetts implements the substance of the International Trademark Association's Model State Trademark Bill of 1964.¹²⁶⁴ The law, which is administered by the Secretary of State, requires proof of use within the State.¹²⁶⁵ Trademarks exist for five-year terms and are renewable indefinitely.¹²⁶⁶ Assignments must be recorded.¹²⁶⁷ Fraudulent registration is actionable by any injured party.¹²⁶⁸ Similarly, counterfeiting is illegal, and can be prosecuted both civilly and criminally; damages, injunctive relief, and destruction of infringing goods are all available remedies.¹²⁶⁹ Injunctive relief is available for trademark dilution.¹²⁷⁰ Courts can award punitive damages of up to three times profits and damages plus reasonable attorney fees where the defendant acted wrongfully, in bad faith, or "otherwise as according to the circumstances of the case."¹²⁷¹ Common law rights are undisturbed.¹²⁷²

1261. Mass. Gen. Laws ch. 4 § 7(26)(g) (defining public record not to include trade secrets for purposes of 66 Mass. Gen. Laws §§ 3, 10).

1262. Mass. Gen. Laws ch. 4 § 7(26)(h).

1263. See e.g., Mass. Gen. Laws ch. 21I § 20 (toxics users); Mass. Gen. Laws ch. 40G § 10 (Massachusetts Technology Development Corporation); Mass. Gen. Laws ch. 75 § 43 (biologic laboratories); Mass. Gen. Laws ch. 40J § 12 (Massachusetts Technology Park Corporation); Mass. Gen. Laws ch. 23H § 4 (Department of Workforce Development); Mass. Gen. Laws ch. 23D § 7 (Massachusetts Industrial Service Program).

1264. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1265. Mass. Gen. Laws ch. 110H §§ 1, 7.

1266. *Id.*, § 6.

1267. *Id.*, § 7.

1268. *Id.*, § 11.

1269. *Id.*, §§ 12, 14.

1270. *Id.*, § 13.

1271. Mass. Gen. Laws ch. 110H §§ 14, 15; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1272. Mass. Gen. Laws ch. 110H § 16.

iii. Copyrights

Excluding matters relating to taxation, and the procurement issues set forth below, Massachusetts law is nearly silent concerning copyrights. Copyrighted molds, dies, engravings, and other artistic or sculptural works can be held by a molder for nonpayment, but this does not confer on the molder/lienholder any rights under the patent and copyright laws.¹²⁷³

Massachusetts regulation of child performers allows a child performer (or a court) to rescind a signed contract, but will not disturb copyright and trademark provisions absent a showing of fraud or misrepresentation.¹²⁷⁴ The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

iv. Patents

Excluding matters relating to taxation, and the procurement issues set forth below, Massachusetts law also is nearly silent concerning patents. Patented molds, dies, engravings, and other artistic or sculptural works can be held by a molder for nonpayment, but this does not confer on the molder/lienholder any rights under the patent and copyright laws.¹²⁷⁵ The Massachusetts State Formulary Commission is prohibited from listing patented drugs on its formulary of interchangeable drug products.¹²⁷⁶

b. Procurement Laws

The Massachusetts Uniform Procurement Act requires competitive procurement processes,¹²⁷⁷ with statutory preferences for minorities, women, and “disadvantaged vendors.”¹²⁷⁸ Procurement records must be maintained for six years and are open to the public,¹²⁷⁹ but only after award.¹²⁸⁰

The law is silent as to IP protection for contractors.¹²⁸¹ So it appears that the State can freely negotiate IP terms and conditions, and can draft provisions to protect proprietary information received both during bidding and

1273. Mass. Gen. Laws ch. 94 § 320; Mass. Gen. Laws ch. 255 § 31G.

1274. Mass. Gen. Laws ch. 231 § 85P1/2(f).

1275. Mass. Gen. Laws ch. 94 § 320; Mass. Gen. Laws ch. 255 § 31G.

1276. Mass. Gen. Laws ch. 17 § 13.

1277. Mass. Gen. Laws ch. 30B §§ 1 *et seq.*

1278. *Id.*, § 18.

1279. *Id.*, § 3.

1280. *Id.*, § 6(d).

1281. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 184 (2003).

after award to prevent release under the Public Records Law.¹²⁸² Standard terms and conditions do, however, require indemnification for IP-related disputes arising during performance of the contract.¹²⁸³

As a matter of policy, “all specifications shall be written in a manner which describes the requirements to be met without having the effect of exclusively requiring a proprietary supply or service, or a procurement from a sole source.”¹²⁸⁴ This would seem to exclude trademark-specific solicitations. Sole-source procurement is allowed under 30B Massachusetts General Laws Section 7 for amounts under \$25,000; library books and other educational materials; or software maintenance services if only one source exists. But “[t]he procurement officer shall procure a proprietary item by competition if more than one potential bidder or offeror for that item exists.”¹²⁸⁵

c. Technology Transfer

The Massachusetts Technology Development Corporation is a State corporation (partially funded by the U.S. Department of Commerce) that provides seed capital for early-stage start-up companies.¹²⁸⁶ There do not appear to be mandatory IP provisions associated with these seed capital grants.

The University of Massachusetts operates the Massachusetts Technology Transfer Center, which facilitates technology transfer to private entities.¹²⁸⁷ The Center’s obligations specifically include advice and counsel on “intellectual property issues, including licensing strategies.”¹²⁸⁸ The Technology Transfer Office presumably works closely with the University of Massachusetts Research Foundation, which is empowered to obtain, administer, and dispose of patents arising out of university research, and to devote “the income therefrom to further research, beneficial to the university and to the commonwealth.”¹²⁸⁹ Policies have been promulgated separately for all university campuses, but they all provide the same basic framework, with the university owning the invention and providing a royalty stream back to the inventor.¹²⁹⁰

1282. *C.f.*, *Baum Research and Dev. Co. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007) (University agreement to maintain confidential information in patent license found enforceable contract with state).

1283. Commonwealth Terms and Conditions § 11 (*available at* http://www.mass.gov/Aosd/docs/contractforms/c_tc.doc) (last visited Nov. 12, 2008).

1284. Mass. Gen. Laws ch. 30B § 14.

1285. *Id.*, § 7(a).

1286. Mass. Gen. Laws ch. 40G §§ 1 *et seq.*

1287. [Http://www.mattcenter.org/](http://www.mattcenter.org/) (last visited Nov. 12, 2008).

1288. Mass. Gen. Law ch. 75 § 45(b)(4).

1289. *Id.*, § 14C.

1290. [Http://www.cvip-umass.net/index.cfm?fuseaction=generic.4](http://www.cvip-umass.net/index.cfm?fuseaction=generic.4) (last visited Nov. 12, 2008).

Other State-funded universities have similar programs.¹²⁹¹ The University of Massachusetts program is in contrast to the John Adams Innovation Institute, which focuses on “socially important” technologies like clean energy and affordable housing.¹²⁹²

For sponsored research, rights are governed by the contract and ownership is seemingly negotiable. The default position is that the university owns the resulting IP.¹²⁹³

d. Sovereign Immunity Waivers

Massachusetts has enacted a broad sovereign immunity waiver based upon the negligent acts or omissions of a government official, with exceptions for governmental functions.¹²⁹⁴ This could provide an avenue of relief for IP infringement by the State, though the Federal Government has denied relief for intellectual property infringement under the conceptually similar Federal Torts Claims Act.¹²⁹⁵

Under Massachusetts court precedents, a relationship “in a contractual setting” is sufficient to create State liability.¹²⁹⁶ Specifically in the context of the State of Massachusetts, the Federal Circuit has ruled that the State can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.¹²⁹⁷ On the other hand, absent a contract or tort liability, the State enjoys broad immunity. The District of Massachusetts has held explicitly that the State is immune from copyright liability.¹²⁹⁸ The tension between these two positions has not been satisfactorily resolved.

Massachusetts courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment

1291. See e.g., <http://www.bridgew.edu/SponProj/> (Bridgewater State University) (last visited Nov. 12, 2008), Mass. Gen. Laws ch. 74 § 46B (Bradford Durgee College of Technology; New Bedford Institute of Technology).

1292. <http://masstech.org/index.asp> (last visited Nov. 12, 2008).

1293. University of Massachusetts Intellectual Property Policy § III(b)(3) (Apr. 1997).

1294. Mass. Gen. Laws ch. 258 § 2.

1295. 28 U.S.C. § 1346(b). See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

1296. *J. A. Sullivan Corp. v. Commonwealth*, 397 Mass. 789 (Mass. 1986) (ordering payment for substantial performance).

1297. *Baum Research and Dev. Co. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

1298. *Lane v. First Nat’l Bank of Boston*, 687 F. Supp. 11, 15–17 (D. Mass. 1988), *aff’d on other grounds*, 871 F.2d 166 (1st Cir. 1989).

of the Federal Constitution or Part 1, Art. 10, of the Massachusetts Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹²⁹⁹ But in light of *Zoltek v. United States*,¹³⁰⁰ a Massachusetts court also could refuse to recognize intellectual property as “property” for Takings purposes.

22. Michigan

a. Intellectual Property Laws

Michigan will provide small business loans for acquisition of intellectual property.¹³⁰¹ Similarly, the Michigan Broadband Development Authority is charged with promoting broadband Internet connections within the State, including entering joint ventures with private companies and acquiring key IP.¹³⁰² As will emerge in the course of this discussion, Michigan has arguably the country’s most robust “industrial policy,” with the State actively involved in selecting which technologies to foster.

i. Trade Secrets

Michigan has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹³⁰³ Like the Uniform Trade Secrets Act, Michigan defines “person” to include government or government agencies as well as natural persons and corporations.¹³⁰⁴

Michigan’s Freedom of Information Act (FOIA) ensures disclosure of public records.¹³⁰⁵ The Michigan FOIA contains a discretionary exemption to prevent release of trade secrets provided in confidence,¹³⁰⁶ but excludes software from the definition of records subject to such release.¹³⁰⁷ Outside of the FOIA, the State also has a series of specific laws preventing disclosure of IP. For example, the Confidential Research and Investment Information Act protects “intellectual property”—defined as “all original data, findings,

1299. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1300. 442 F.3d 1345 (Fed. Cir. 2006).

1301. Mich. Comp. Laws § 125.2088d.

1302. Mich. Comp. Laws §§ 484.3201 *et seq.*

1303. Mich. Comp. Laws §§ 445.1901 *et seq.*

1304. Mich. Comp. Laws §§ 445.1902(c).

1305. Mich. Comp. Laws §§ 15.231-15.246.

1306. Mich. Comp. Laws § 15.243(f). *See also Blue Cross & Blue Shield of Mich. v. Ins. Bureau Hearing Officer*, 304 N.W.2d 499, 104 Mich. App. 113 (Mich. Ct. App. 1981) (discussing discretionary nature of trade secret exemption and burdens of proof to substantiate existence of trade secret).

1307. Mich. Comp. Laws § 15.232(e).

or other products of the mind or intellect commonly associated with claims, interests, and rights that are protected under trade secret, patent, trademark, copyright, or unfair competition law”—from unwarranted disclosure.¹³⁰⁸ Other examples include the Natural Resources and Environmental Protection Act¹³⁰⁹ and related regulations,¹³¹⁰ the Michigan Occupational Safety and Health Act¹³¹¹ and related regulations,¹³¹² electric utility submissions,¹³¹³ gas safety standards,¹³¹⁴ medical records,¹³¹⁵ and asbestos contractor licensing.¹³¹⁶

In the university setting, “trade secrets, commercial information, or financial information, including that information as it relates to computer hardware and software” lawfully provided by a private entity to a State university “is exempt from disclosure as a public record under the freedom of information act” provided that

- (a) the university is using the information for research,
- (b) the materials are properly marked,
- (c) the university has agreed in writing to maintain the confidentiality of the information in question, and
- (d) a “document containing a general description of the information to be received under the confidentiality agreement, the term of the confidentiality agreement, the name of the external source or person with whom the confidentiality agreement was made, and a general description of the nature of the intended use for the information is recorded by the public university or college within twenty regular working days after it is received, is maintained in a central place within the public university or college, and is made available to a person upon request,” as long as the university is not selling the resulting products to the public under a patent.¹³¹⁷

Under a like provision, copyrightable works in a university’s possession can be maintained in confidence against a FOIA request “until a reasonable opportunity is provided for the author to secure copyright registration, not to exceed twelve months from the date the work is first fixed in a tangible

1308. Mich. Comp. Laws §§ 390.1552(2)(c), 390.1553, 390.1554a.

1309. Mich. Comp. Laws §§ 324.5516, 324.11129.

1310. Mich. Admin. Code r. 323.2128 (wastewater discharge).

1311. Mich. Comp. Laws §§ 408.1014b, 408.1014d, 408.1063.

1312. Mich. Admin. Code r. 408.22331.

1313. Mich. Comp. Laws § 460.573.

1314. Mich. Comp. Laws § 483.158.

1315. Mich. Admin. Code r. 325.3472, 325.3472a.

1316. Mich. Admin. Code r. 325.3563.

1317. Mich. Comp. Laws § 390.1553.

medium of expression.”¹³¹⁸ As such, there are a number of provisions which provide both general and specific exemptions to the Michigan Freedom of Information Act.

ii. Trademarks

Michigan maintains a standard State trademark registration system.¹³¹⁹ While it has not enacted a trademark dilution statute,¹³²⁰ it recognizes the tort of trademark dilution at common law.¹³²¹ Any waiver of sovereign immunity would be based upon the tort. Counterfeiting is a misdemeanor, punishable by up to \$1000 in fines or a year’s imprisonment.¹³²² Punitive damages are not available.¹³²³ The State also has enacted a series of agricultural laws protecting relevant seed and livestock trademarks.¹³²⁴ Certain products must contain trademarks designating their manufacture or origin.¹³²⁵ As is typical of agricultural States, Michigan has trademarked a “Seal of Quality,” which it can bestow on in-State businesses.¹³²⁶

The State aggressively brands and polices marks associated with Michigan State University and the University of Michigan.¹³²⁷

Michigan may trademark materials appearing on Michigan historical markers.¹³²⁸

iii. Copyrights

Michigan regulates the collection of music royalties by performing-rights societies.¹³²⁹ These societies must maintain a publicly available computer

1318. Mich. Comp. Laws § 390.1554(1)(b).

1319. Mich. Comp. Laws §§ 429.31 *et seq.*

1320. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.–Dec. 2006).

1321. *Consol. Freightways, Inc. v. Cent. Transp., Inc.*, 201 U.S.P.Q. 524 (E.D. Mich. 1978).

1322. Mich. Comp. Laws § 750.263.

1323. Mich. Comp. Laws § 429.43; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, INTA BULLETIN Vol. 62, No. 14 (Aug. 1, 2007).

1324. *See, e.g.*, Mich. Comp. Laws §§ 286.709 (seed stock), 333.7407 (pharmaceuticals); Mich. Admin. Code r. 285.523.4 (dry edible beans), 285.536.5 (eggs).

1325. *E.g.*, Mich. Admin. Code r. 325.1631b (PVC pipes), 408.4290 (hot water valves), 408.13364 (goggles), 408.13383 (protective footwear), 500.664 (insurers advertising accident and sickness insurance).

1326. Mich. Admin. Code r. 285.534.1.

1327. *See, e.g.*, <http://www.logos.umich.edu/> (last visited Nov. 12, 2008, 2008).

1328. Mich. Comp. Laws § 399.159.

1329. Mich. Comp. Laws § 445.2102.

database of all songs in its licensing portfolio, plus a statement of its costs.¹³³⁰ The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

Michigan has recognized a common-law right of publicity.¹³³¹ But this right does not extend to distinctive sounds or voices. In *Romantics v. Activision, Inc.*, the United States District Court for the Eastern District of Michigan held that, so long as the proper Federal copyright licenses are obtained, a musical group cannot maintain a free-standing claim for misappropriation of personality based on a reproduction of their songs. Thus, members of the 1980s pop-rock band The Romantics were not able to enjoin Activision from including a cover version of their song “What I Like About You” (“as made famous by The Romantics”) in Activision’s Guitar Hero “air guitar” video game.¹³³²

Michigan may copyright materials appearing on Michigan historical markers.¹³³³

iv. Patents

Other than in the tax context, we did not identify any laws specifically dealing with patent rights.

b. Procurement Laws

Michigan employs a competitive-bidding (Request for Proposal [RFP]) procurement system.¹³³⁴ Open RFPs can be reviewed online,¹³³⁵ and municipalities can sign up for State-level procurement via the MiDeal program.¹³³⁶ The system does not provide any particular protections for contractor IP rights, whether in the Compiled Laws¹³³⁷ or in the State’s standard contract

1330. Mich. Comp. Laws § 445.2103.

1331. *Carson v. Here’s Johnny Portable Toilets, Inc.*, 698 F.2d 831, 834 (6th Cir. 1983); *Tobin v. Mich. Civil Serv. Comm’n*, 331 N.W.2d 184, 189 (Mich. 1982).

1332. *Romantics v. Activision Publishing, Inc.*, 532 F.Supp.2d 884 (E.D. Mich. 2008).

1333. Mich. Comp. Laws § 399.159.

1334. Mich. Comp. Laws §§ 18.1101 *et seq.* See <http://www.michigan.gov/buymichiganfirst> (last visited Nov. 12, 2008).

1335. <http://www.state.mi.us/dmb/apps/oop/itbList.asp> (last visited Nov. 12, 2008).

1336. <http://www.michigan.gov/localgov> (last visited Nov. 12, 2008).

1337. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 185 (2003) (“The statute is silent as to contractor confidentiality and intellectual property rights”).

terms and conditions.¹³³⁸ They do, however, require the contractor to warrant that it is not infringing any third-party rights,¹³³⁹ and to fully indemnify the State in the event of patent or copyright infringement claims.¹³⁴⁰ Further, the instructions accompanying Michigan's form contracts indicate that data, reports, media objects, or works of authorship created pursuant to a Michigan contract are "works for hire" owned by the State, while pre-existing IP used to generate such materials remains the property of the owner.¹³⁴¹

Michigan's standard procurement contract terms and conditions provide that bid proposals and public contracts are subject to the Michigan Freedom of Information Act.¹³⁴² Given that the Michigan FOIA protects against disclosure of trade secrets,¹³⁴³ qualifying procurement information presumably can be withheld from public review. This is explicit with respect to pre-award information.¹³⁴⁴ Post-award, the treatment of confidential information is less clear, but since offerors are encouraged to sign nondisclosure agreements to prevent such disclosure in the technology transfer context, it is likely such agreements could also prevent release of confidential information post-award.¹³⁴⁵ Michigan courts tend to follow the lead of the Federal courts in interpreting the Michigan FOIA's provisions,¹³⁴⁶ so it is likely that a contractor's confidential information will be maintained even after bid.

The State Administrative Board of Health may patent any discoveries, and copyright "literary, educational, artistic, or intellectual works" made by or under the Board's auspices.¹³⁴⁷ Indeed, the Board is directed to enter contracts with the goal of obtaining rights to "any invention or discovery of any new and useful process, machine, manufacture, organism, product, or composition of matter, or any new and useful improvement thereof, or any invention or discovery and asexual reproduction of any distinct and new variety of plant, affecting the public health."¹³⁴⁸ The State Administrative Board of Health is thus governed by specific IP laws not otherwise applicable in regular contracts.

1338. See State of Michigan, General Contract Provisions, available at http://www.michigan.gov/documents/GENERAL_CONTRACT_PROVISIONS_41795_7.doc (last visited Nov. 12, 2008).

1339. Information Technology ITB ¶ 7-8.

1340. Information Technology ITB ¶ 8.

1341. See www.michigan.gov/doingbusiness (last visited Nov. 12, 2008).

1342. State of Michigan, General Contract Provisions ¶ 13.

1343. Mich. Comp. Laws § 15.243(1)(g).

1344. Mich. Comp. Laws § 15.243(1)(j).

1345. E.g., Nondisclosure Agreement (2 way) (<http://www.techtransfer.umich.edu/assets/forms/nda2way.pdf>) (last visited Nov. 12, 2008).

1346. See, e.g., *Herald Co. v. City of Bay City*, 614 N.W.2d 873, 880 (Mich. 2000).

1347. Mich. Comp. Laws § 17.401.

1348. Mich. Comp. Laws § 17.401(1).

c. Technology Transfer

The Michigan Economic Development Corporation¹³⁴⁹ is authorized to designate “certified technology parks” as an effort to entice high-tech companies to locate in the State. Under this program, municipalities can grant “preferences for access to and commercialization of intellectual property.”¹³⁵⁰ Recipients are expected to partner with public universities. The university or private entity must demonstrate “a significant commitment . . . to the commercialization of research produced at the certified technology park, as evidenced by the intellectual property and, if applicable, tenure policies that reward faculty and staff for commercialization and collaboration with private businesses.”¹³⁵¹ Concretely, however, it is difficult to see how a municipality can grant a company preferred access to commercialization of IP, except perhaps insofar as local taxes or pre-market regulatory burdens could be lowered. The Michigan Economic Development Corporation’s 21st Century Fund provides additional research and commercialization money for research into life sciences,¹³⁵² alternative energy,¹³⁵³ advanced automotive (manufacturing and materials), and homeland security.¹³⁵⁴

Agricultural grants are provided preferentially to Michigan companies “that are attempting to secure a license for agricultural-related intellectual property to be produced in Michigan.”¹³⁵⁵ Academic product development grants follow the same basic contours, providing financial aid from the Product Development Program Account “for the purpose of financing any new process, technique, product, or device which is or may be exploitable commercially, which has advanced beyond the theoretical state, and which is capable of being or has been reduced to practice without regard to whether a patent has or could be granted.”¹³⁵⁶ Depending on the particular department, IP resulting from State grants will be shared by the State¹³⁵⁷ or else wholly owned by it.¹³⁵⁸

At the university level, technology transfer is strongly encouraged. The University of Michigan Technology Transfer Office maintains an “available

1349. <http://www.michiganadvantage.org/> (last visited Nov. 12, 2008).

1350. Mich. Comp. Laws § 125.2162a(2)(a)(i).

1351. Mich. Comp. Laws § 125.2162a(2)(b).

1352. <http://www.michiganadvantage.org/Targeted-Initiatives/Life-Sciences/Default.aspx> (last visited Nov. 12, 2008).

1353. <http://ref.michigan.org/medc/ttc/Alternative.Energy/Financial.Incentives/> (last visited Nov. 12, 2008).

1354. <http://www.michiganadvantage.org/Targeted-Initiatives/21st-Century-Jobs-Fund/Default.aspx> (last visited Nov. 12, 2008).

1355. Mich. Comp. Laws § 285.302(4)(a)(iii).

1356. Mich. Comp. Laws § 125.2084(2).

1357. Mich. Admin. Code r. 299.2661 (forest and mineral resource development fund).

1358. Mich. Admin. Code r. 299.12615(2)(o) (solid waste program administration).

technologies” Web site that discloses patents and research projects; provides Technology Licensing Representatives to broker introductions to university faculty; and also encourages university-related entrepreneurs to start up new businesses.¹³⁵⁹ The university’s Technology Transfer Policy (implementing Sec. 3.10 of the Bylaws of the Board of Regents) states that IP conceived or first reduced to practice by university-supported or -administered persons is owned by the university.¹³⁶⁰ IP generated in the course of sponsored research is presumptively owned by the university, too, but the Policy provides that this may be altered by contract (as presumably it will be).¹³⁶¹ This policy extends to trademarks and service marks, as well as the more traditional copyright/trade secret/patent protection generally applied to high-tech innovations.¹³⁶²

The Office of Technology Transfer focuses on transfers of patent rights, computer software, and tangible materials.¹³⁶³ Commercialization revenue is split between the inventor, his department, his school or college, and the central administration.¹³⁶⁴ In some circumstances, the inventor can buy back his IP rights, but only by reimbursing the university for all up-front costs and providing a 15 percent royalty on any subsequent revenues.¹³⁶⁵ For private-public partnerships, the university does not have a set formula for royalty-sharing, but does expect a “fair return” and also requires IP indemnity and appropriate insurance coverage.¹³⁶⁶

Disputes arising under the Technology Transfer Policy are appealed first to the Executive Director of the Office of Technology Transfer, and above him to the Vice President for Research.¹³⁶⁷ Presumably, civil litigation is available after this administrative route is exhausted.

Under the university’s Copyright Policy, authors presumptively own copyrightable materials generated in their day-to-day activities. Materials prepared at the university’s direction or employing unusual university resources may be considered works for hire. The policy focuses primarily on scholarly writings, but presumably applies with equal force to source code.¹³⁶⁸

1359. See <http://www.techtransfer.umich.edu/> (last visited Nov. 12, 2008).

1360. Technology Transfer Policy ¶ II.A, available at <http://www.techtransfer.umich.edu/resources/policies.php> (last visited Nov. 12, 2008).

1361. Technology Transfer Policy ¶ II.E.

1362. Technology Transfer Policy ¶ II.F.

1363. Technology Transfer Policy ¶ IV.B.

1364. *Id.*

1365. Technology Transfer Policy ¶ VI.C.

1366. [Http://www.techtransfer.umich.edu/resources/inventors/license_principals.php](http://www.techtransfer.umich.edu/resources/inventors/license_principals.php) (last visited Nov. 12, 2008).

1367. Technology Transfer Policy ¶ VII.A, available at <http://www.techtransfer.umich.edu/resources/policies.php> (last visited Nov. 12, 2008).

1368. University Copyright Policy, available at <http://www.copyright.umich.edu/official-policy.html> (last visited Nov. 12, 2008).

Michigan requires prospective private partners to enter into standard nondisclosure agreements prior to discussing possible commercialization opportunities.¹³⁶⁹

d. Sovereign Immunity Waivers

Michigan has asserted broad sovereign immunity. However, in enacting the Government Immunity Act,¹³⁷⁰ Michigan has waived immunity in connection with “proprietary functions.”¹³⁷¹ These functions presumably include acts relating to the use of IP and technology, since proprietary functions include “any activity which is conducted primarily for the purpose of producing a pecuniary profit for the governmental agency.”¹³⁷² Thus, it appears that Michigan is liable for IP infringement. This is in part a market-participant analysis. For example, the University of Michigan’s participation in a Federal intellectual property scheme (there, by registering the trademarks at issue) was held to subject the university to suit for declaratory relief.¹³⁷³ But in *Rainey v. Wayne State University*, the Eastern District of Michigan concluded that the Eleventh Amendment bars copyright claims against State agencies, on the theory that “these claims would require payments from the State’s coffers.”¹³⁷⁴ As such, there appears to be a conflict as to whether a waiver exists for Federal intellectual property causes of action, and as neither cause of action was brought under the Government Immunity Act, it is unclear whether the analysis in such cases would be adopted in determining whether the Government is liable for infringement of State or Federal IP under the proprietary functions waiver outlined above.

Michigan has waived its sovereign immunity in regard to trade secret misappropriation.¹³⁷⁵ But no cases confirm or construe this waiver.

Claims against the State for under \$1000 must be brought before the State Administrative Board for determination. For claims greater than \$1000 (which is to say, all meaningful IP claims), the plaintiff must file with the Court of Claims.¹³⁷⁶

1369. See <http://www.techtransfer.umich.edu/resources/industry/index.php> (last visited Nov. 12, 2008).

1370. Mich. Comp. Laws §§ 691.1401-.1419.

1371. Mich. Comp. Laws § 691.1413.

1372. Mich. Comp. Laws § 691.1413.

1373. *McGuire v. Regents of the Univ. of Mich.*, 2000 U.S. Dist. LEXIS 21615 *14 (S.D. Ohio 2000); accord, *National Association of Boards of Pharmacy v. University of Georgia*, 86 U.S.P.Q.2d 1683 (M.D. Ga. 2008).

1374. *Rainey v. Wayne State Univ.*, 26 F. Supp. 2d 973, 976 (E.D. Mich. 1998).

1375. Mich. Comp. Laws §§ 445.1902(c).

1376. Mich. Comp. Laws § 600.6419(10).

Michigan has, however, carved out certain IP-related functions. In connection with contracts relating to inventions or discoveries affecting public health, for example, Michigan “shall not be liable for any act of negligence or breach of contract committed by any contracting party, nor shall any such contract create an obligation on the part of the state for the expenditure of any money, except the expense of litigation in suits involving the protection of the state’s property right.”¹³⁷⁷

Michigan courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Article 10, § 2, of the Michigan Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹³⁷⁸ But in light of *Zoltek v. United States*,¹³⁷⁹ a Michigan court also could refuse to recognize intellectual property as “property” for Takings purposes. And *Rainey* strongly suggests an independent ground for the State to deny liability.

23. Minnesota¹³⁸⁰

a. Intellectual Property Laws

Minnesota strongly supports State efforts to acquire and commercialize intellectual property. For this reason, Minnesota has unusually clear protections for State government rights:

A government entity may enforce a copyright or acquire a patent for a computer software program or components of a program created by that government entity without statutory authority. In the event that a government entity acquires a patent to a computer software program or component of a program, the data shall be treated as trade secret information.¹³⁸¹

This public policy carries over to the employment context. Provisions in employment contracts providing employers rights in their employees’ non-work-related inventions are void as against public policy.¹³⁸²

1377. Mich. Comp. Laws § 17.401.

1378. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1379. 442 F.3d 1345 (Fed. Cir. 2006).

1380. Our thanks to Kent Allin, Minnesota Chief Procurement Officer and Director, Materials Management Division, Minnesota Department of Administration, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1381. Minn. Stat. Ann. § 13.03(5).

1382. Minn. Stat. Ann. § 181.78(1).

i. Trade Secrets

Minnesota has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹³⁸³ Like the Uniform Trade Secrets Act, Minnesota defines “person” to include government or government agencies as well as natural persons and corporations.¹³⁸⁴

Minnesota’s Government Data Practices Act, at Chapter 13 of the Minnesota Statutes, ensures access to public data. The Act separately protects “not public data” (defined as data not relating to individuals but “classified by statute, federal law, or temporary classification as confidential, private, nonpublic, or protected nonpublic”)¹³⁸⁵ and “nonpublic data” (data not relating to individuals but “is made by statute or federal law applicable to the data: (a) not accessible to the public; and (b) accessible to the subject, if any, of the data”).¹³⁸⁶ Federal procurement data qualifies,¹³⁸⁷ as do trade secrets generally.¹³⁸⁸

In the procurement or grant context, if public funds are requested to support a private business, the organization’s “credit reports; financial statements; net worth calculations; business plans; income and expense projections; balance sheets; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds” are subject to trade secret protections.¹³⁸⁹ However, if the request is granted and a benefit is received, all submitted data is public data except for “business plans; income and expense projections not related to the financial assistance provided; customer lists; income tax returns; and design, market, and feasibility studies not paid for with public funds” remain protected.¹³⁹⁰ Finally, various specific State statutes provide for protection of trade secret information submitted to the State.¹³⁹¹ This also extends to State trade secrets in areas like the creation of

1383. Minn. Stat. Ann. §§ 325C.01-325C.08.

1384. Minn. Stat. Ann. § 325C.01(4).

1385. Minn. Stat. Ann. § 13.02 (8a).

1386. Minn. Stat. Ann. § 13.02(9).

1387. Minn. Stat. Ann. § 13.35.

1388. Minn. Stat. Ann. § 13.37(1)(b). *See, generally, Prairie Island Indian Cmty. v. Minn. Dep’t of Pub. Safety*, 658 N.W.2d 876 (Minn. Ct. App. 2003) (discussing the standard for trade secrets as a ground for exemption under Minn. Stat. Ann. § 13.37).

1389. Minn. Stat. Ann. § 13.591(1).

1390. Minn. Stat. Ann. § 13.591(2).

1391. Minn. Stat. Ann. §§ 182.668(1), (5) (trade secrets under Occupational Health and Safety Act), 13.7411 (pollution controls), 383B.217 (establishment of HMOs), 46.041 (bank applications), 31.103 (food labeling), 72A.20 (36)(j) (insurer’s disclosures to Insurance Commissioner), 114C.23 (time to implement pollution controls); Minn. R. 5210.0510, .0900, .0910, .0920, .0960 (OSHA), 5218.0800 (audit records of managed care plans), 4420.0045 (applications for relief from environmental requirements), 1550.3300 (water bottling plants).

State-owned software.¹³⁹² As such, there are ample protections against the unauthorized disclosure of trade secrets obtained by the State.

ii. Trademarks

Minnesota has enacted a standard-form trademark registration statute.¹³⁹³ It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992,¹³⁹⁴ and includes a cause of action for dilution.¹³⁹⁵ Bottled water,¹³⁹⁶ seed stocks,¹³⁹⁷ ammonia hoses,¹³⁹⁸ valves¹³⁹⁹ and excess flow valves,¹⁴⁰⁰ evaporator coils,¹⁴⁰¹ wheelchair securement devices,¹⁴⁰² and advertised insurance products¹⁴⁰³ must bear trademarks showing their origins.

Minnesota also has enacted a criminal anti-counterfeiting statute. While the law refers generically to "intellectual property," it only applies to a "trademark, service mark, or trade name."¹⁴⁰⁴ Courts can award punitive damages of up to three times profits and damages plus reasonable attorney fees where the defendant acted wrongfully, in bad faith, or "otherwise as according to the circumstances of the case."¹⁴⁰⁵

iii. Copyrights

The State is permitted to copyright agency rules or statutory compilations,¹⁴⁰⁶ as well as Minnesota Supreme Court decisions.¹⁴⁰⁷ Teachers of "communications technology" must demonstrate a working knowledge of copyright laws.¹⁴⁰⁸

1392. Minn. Stat. Ann. § 375.86.

1393. Minn. Stat. Ann. §§ 333.18- 333.31.

1394. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1395. Minn. Stat. Ann. §§ 333.285.

1396. Minn. R. 1550.3250.

1397. Minn. R. 1510.0011.

1398. Minn. R. 1513.0170.

1399. Minn. R. 5230.0350.

1400. Minn. R. 1513.0150.

1401. Minn. R. 5230.0350.

1402. Minn. R. 7450.0500.

1403. Minn. R. 2790.0800.

1404. Minn. Stat. Ann. § 609.895(1)(d).

1405. Minn. Stat. Ann. § 333.29; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1406. Minn. Stat. Ann. § 14.47(5).

1407. Minn. Stat. Ann. § 480.11(3).

1408. Minn. R. 8710.8010(3)(C)(1).

iv. Patents

As with many other States, Minnesota regulates invention developers. They must disclose their role, disclaim any guarantee that they will acquire IP rights for the inventor, and allow voiding of the contract under specified conditions.¹⁴⁰⁹

In the context of industrial molds, the molder can obtain ownership of a mold not paid for by a customer, but this does not confer any rights in patents or copyrights underlying the mold.¹⁴¹⁰

b. Procurement Laws

Procurement in Minnesota is based on a competitive solicitation system. Under Minnesota Statute § 13.591, data submitted by prospective contractors are considered nonpublic prior to the point at which contract bids or proposals are opened.

Minnesota law treats bids and proposals slightly differently. When bids are opened, the names and prices offered by each bidder are disclosed, but other information remains confidential until the selection process is complete; when proposals are opened, only the name of the proposer is disclosed. Further, a “statement by a responder [to a Request for Proposal] that submitted data are copyrighted or otherwise protected does not prevent public access to the data contained in the response.”¹⁴¹¹ There is no similar provision for bidders. Thus, bidders have less protection than proposers with respect to pricing information, but may retain additional control of their materials under copyright laws. In either circumstance, all remaining data is disclosed at the end of the selection process with the exception of trade secret information, which is protected from disclosure under Minnesota Statute § 13.37.¹⁴¹² Government data generated during the source-selection process is likewise nonpublic until complete, and contractor trade secrets remain protected after source selection.¹⁴¹³ Thus, despite the arguably ambiguous language of Minnesota Statute Annotated Section 16C.26 (3), which provides that procurement records are presumptively open for public inspection, confidential data submitted in a bid or proposal clearly are protected under Minnesota law.¹⁴¹⁴

1409. See Minn. Stat. Ann. §§ 325A.05 *et seq.*

1410. Minn. Stat. Ann. § 345.20(5).

1411. Minn. Stat. Ann. § 13.591(3)(b).

1412. Minn. Stat. Ann. § 13.591(3)(a).

1413. Minn. Stat. Ann. § 13.591(4).

1414. See also Minn. Stat. Ann. § 13.48; *Prairie Island Indian Cmty. v. Minn. Dep't of Pub. Safety*, 658 N.W.2d 876 (Minn. Ct. App. 2003) (discussing the standard for trade secrets submitted for purposes of contract as a ground for exemption under Minn. Stat. Ann. § 13.37).

The State is particularly concerned about IP provisions in procurement contracts. Thus, “[b]efore executing a contract or license agreement involving intellectual property developed or acquired by the state, a state agency shall seek review and comment from the Attorney General on the terms and conditions of the contract or agreement.”¹⁴¹⁵

The standard terms and conditions applicable to procurements are set forth in Minnesota Administrative Rule 1230.1900. Paragraph 10 of Minnesota’s standard Professional and Technical Services Contract¹⁴¹⁶ governs Government data practices and intellectual property. It obligates the contractor to comply with Minnesota’s strict government data-privacy law.¹⁴¹⁷ All IP (“including copyrights, patents, trade secrets, trademarks, and services marks in the Works and Documents”) created and paid for under a Minnesota contract is owned by the State. Note, however, that Minnesota’s standard contract terms do not carry the force of law, are changed periodically, and are subject to negotiations between the State and particular contractors. So private businesses should not view the standard Professional and Technical Services Contract’s language as an impediment.

Copyrighted materials are considered works made for hire, and the contractor is obligated to complete all necessary paperwork to perfect the conveyance of rights to the State.¹⁴¹⁸ This language was interpreted by the Minnesota Supreme Court in *Underdahl v. Commissioner of Public Safety*.¹⁴¹⁹ In *Underdahl*, the plaintiff sought source code from the software Minnesota uses to determine breathalyzer scores for accused drunk drivers. The Minnesota Supreme Court concluded that the source code was legitimately discoverable as a work for hire, and let stand a lower court ruling ordering the code’s disclosure. The State is currently in litigation with the contractor who supplied this software in order to obtain the necessary rights to comply with this order, and it is unclear as to what damages (if any) are owed should the state succeed in obtaining the source code.¹⁴²⁰

The contractor must notify the State of any possible IP-protected inventions created under a procurement contract.¹⁴²¹

1415. Minn. Stat. Ann. § 16B.483.

1416. Model Professional and Technical Services Contract, available at <http://www.mmd.admin.state.mn.us/pdf/samplecontract.pdf> (last visited Nov. 12, 2008).

1417. Model Professional and Technical Services Contract ¶ 10.1.

1418. Model Professional and Technical Services Contract ¶ 10.2(A).

1419. No. A06-1000 (Minn. 2006). In re Commissioner of Public Safety (*Underdahl I*), 735N.W.2d 706 (Minn. 2007) (en banc) (refusing to disturb trial court ruling that source code was discoverable).

1420. *Minnesota v. CMI of Kentucky, Inc.*, case no. 0:2008cv00603 (D.C. MN)(filed March 3, 2008).

1421. Model Professional and Technical Services Contract ¶ 10.2(1)(a).

The contractor warrants that its goods and services will not infringe any third-party IP rights. In the event of a lawsuit, the contractor has full indemnity obligations. More importantly, if a claim arises “or in the . . . State’s opinion is likely to arise, the Contractor must, at the State’s discretion, either procure for the State the right or license to use the intellectual property rights at issue or replace or modify the allegedly infringing Works or Documents as necessary and appropriate to obviate the infringement claim. This remedy of the State will be in addition to and not exclusive of other remedies provided by law.”¹⁴²²

c. Technology Transfer

The State’s Chief Information Officer (CIO) has broad discretion to license or sell State-developed software (including software developed by vendors at State expense) “based on market considerations.”¹⁴²³ Generally speaking, revenues generated by software sales are deposited into “the intertechnologies revolving fund,” which is maintained by the Chief Information Officer. Revenues from software developed by other State agencies but sold by the CIO may be “banked,” which is to say that agencies can use funds generated from agency-created IP to offset purchases of “computer services” from the CIO.¹⁴²⁴ The two exceptions are software developed by the Pollution Control Agency (whose software revenues must be placed in the Environmental Fund)¹⁴²⁵ and the Department of Education (whose software revenues must be devoted to weatherization activities).¹⁴²⁶

Minnesota’s Department of Employment and Economic Development operates an independent Industry Assistance program, though this program does not appear to involve direct funds transfers.¹⁴²⁷ By contrast, the Bioscience Initiative apparently provides funding to in-State biotech companies, both directly¹⁴²⁸ and through the university sector.¹⁴²⁹ The Web site is not explicit on the distribution of rights to inventions funded with State dollars, but Minnesota’s policies are sufficiently clear in other contexts that it seems very likely that Minnesota will retain substantial rights in these inventions, too.

The Secretary of State may sell IP rights associated with Minnesota’s voter registration system to other State or municipal governments. All revenues

1422. Model Professional and Technical Services Contract ¶ 10.2(1)(b).

1423. Minn. Stat. Ann. § 16E.15(1).

1424. Minn. Stat. Ann. § 16E.15(2).

1425. Minn. Stat. Ann. § 16E.15(2)(b).

1426. Minn. Stat. Ann. § 16E.15(2)(c).

1427. <http://www.deed.state.mn.us/bizdev/industryassistance.htm> (last visited Nov. 12, 2008).

1428. <http://www.deed.state.mn.us/biozone/index.htm> (last visited Nov. 12, 2008).

1429. <http://www.deed.state.mn.us/biozone/biosciZone.htm> (last visited Nov. 12, 2008).

must be deposited in the State treasury and devoted to support programs under the Federal Help America Vote Act.¹⁴³⁰

The Minnesota Environment and Natural Resources Trust Fund¹⁴³¹ is entitled to take a percentage share of any copyrights or patents generated with fund monies, to the proportion of the fund's contribution to the overall inventive effort.¹⁴³²

The University of Minnesota's IP Commitment Committee "supports the University of Minnesota's land grant mission by seeking out research and innovation that can successfully be moved from scientific discovery to market, ultimately providing benefits to faculty, students, citizens, the institution and the economy."¹⁴³³ Following this policy pronouncement, the University of Minnesota's Office for Technology Commercialization is dedicated to technology transfer activities involving university IP.¹⁴³⁴ It provides a list of available technologies and assists in joint-development efforts. University inventors are expected to complete Intellectual Property Disclosure Forms (available on the Office of Technology Commercialization's Web site) and also can apply for an Innovation Grant, which provides funding "to help bridge the gap between sponsored research funding and the point where the a technology could be licensed or become a start-up." It also provides detailed guidance in *Technology Commercialization: A Guide to a New, Value-based Process*.¹⁴³⁵ The document indicates that the university will "aggressively" seek private-sector partners consistent with the university's "land grant mission." To that end, the university has created an Intellectual Property Commitment Committee, charged with promoting commercialization of university technologies. The university has broad flexibility to enter into licensing arrangements, though the State will retain either title or a substantial economic interest in any commercialized technologies.

Minnesota also promotes university-private initiatives by funding infrastructure and providing grant monies. The Bioscience Initiative provides funding to build infrastructure for biosciences,¹⁴³⁶ and the resulting Bioscience Zones are subsidized and linked to the university system in order to encourage technology transfer.¹⁴³⁷ There are no explicit IP ownership provisions built into the Bioscience Initiative, however, and no reason to think that Minnesota's infrastructure funding should grant IP rights to the State.

1430. Minn. Stat. Ann. § 5.31.

1431. Minn. Const. art. XI, § 14.

1432. Minn. Stat. Ann. § 116P.10.

1433. [Http://www.research.umn.edu/techcomm/documents/techcommguide.pdf](http://www.research.umn.edu/techcomm/documents/techcommguide.pdf) (last visited Nov. 12, 2008).

1434. [Http://www.research.umn.edu/techcomm/](http://www.research.umn.edu/techcomm/) (last visited Nov. 12, 2008).

1435. Available at <http://www.research.umn.edu/techcomm/documents/techcommguide.pdf> (last visited Nov. 12, 2008).

1436. [Http://www.deed.state.mn.us/biozone/index.htm](http://www.deed.state.mn.us/biozone/index.htm) (last visited Nov. 12, 2008).

1437. [Http://www.deed.state.mn.us/biozone/biosciZone.htm](http://www.deed.state.mn.us/biozone/biosciZone.htm) (last visited Nov. 12, 2008).

d. Sovereign Immunity Waivers

The State of Minnesota has enacted a broad statutory waiver of sovereign immunity for tort claims relating to loss of or injury to property.¹⁴³⁸ This tort liability arguably extends to IP infringement. Minnesota's Criminal Code states that patents and copyrights are considered "personal property."¹⁴³⁹ Similarly, Minnesota Rules 1230.1700 classifies trademarks, patents, and copyrights as "intangible assets." The scope of the waiver for Minnesota's university system is the same, because the higher educational system is considered an instrumentality of the State.¹⁴⁴⁰ At present, damages are capped at \$300,000,¹⁴⁴¹ though there are evidently efforts to change this provision. No cases hold Minnesota liable for IP infringement, however, and the Federal Government has refused liability under roughly congruent laws.¹⁴⁴²

Minnesota has expressly waived sovereign immunity for improper release of confidential information. A plaintiff can sue in any Minnesota county and is entitled to injunctive relief, actual damages, fees and costs, and an additional punitive sum of up to \$10,000 per violation.¹⁴⁴³ A like cause of action can be brought under the Minnesota Uniform Trade Secrets Act, as Minnesota has waived its sovereign immunity for trade secret misappropriation.¹⁴⁴⁴ But no cases interpret these provisions and it is unclear whether the damage caps exist for misappropriation under the Minnesota Uniform Trade Secrets Act.

Finally, Minnesota courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 13, of the Minnesota Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis,¹⁴⁴⁵ and Minnesota courts have followed this analysis for State Takings claims.¹⁴⁴⁶ However in

1438. Minn. Stat. Ann. § 3.736.

1439. Minn. Stat. Ann. § 609.902(7).

1440. *Walstad v. Univ. of Minn. Hosps.*, 442 F.2d 634, 641-642 (8th Cir. 1971).

1441. Minn. Stat. Ann. §§ 3.736(4), 466.04.

1442. See, generally, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212-16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability); but see *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (allowing relief under the FTCA for trade secret misappropriation).

1443. Minn. Stat. Ann. § 13.08.

1444. Minn. Stat. Ann. § 325C.01(4).

1445. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1446. *Minnesota v. Philip Morris Inc.*, 606 N.W.2d 676 (Minn. Ct. App., 2000) (applying *Ruckelshaus* in determining whether disclosure of information was a Taking under Art. I, § 13 of the Minnesota Constitution).

light of *Zoltek v. United States*,¹⁴⁴⁷ a Minnesota court also could refuse to recognize intellectual property (and especially patents and copyrights) as “property” for Takings purposes.

24. Mississippi¹⁴⁴⁸

a. Intellectual Property Laws

Mississippi has enacted a very unusual “offense against intellectual property” criminal statute, which prohibits “[d]estruction, insertion or modification . . . or [d]isclosure, use, copying, taking or accessing, without consent, of intellectual property.”¹⁴⁴⁹ Violations are punishable with fines of up to \$10,000 and five years in jail.¹⁴⁵⁰ The law functions essentially as a criminal moral-rights statute. While it is carefully drafted to exclude fair use and other exceptions,¹⁴⁵¹ the law may nevertheless raise Federal preemption questions.

i. Trade Secrets

Mississippi has adopted the 1985 version of the Uniform Trade Secrets Act.¹⁴⁵² Like the Uniform Trade Secrets Act, Mississippi defines “person” to include government or government agencies as well as natural persons and corporations.¹⁴⁵³

The Mississippi Public Records Act of 1983 requires dissemination of public information.¹⁴⁵⁴ Trade secrets are exempt from disclosure under the Public Records Act, but only to the extent that the disclosing party has, after notice of disclosure, gone to court to enforce the trade secret.¹⁴⁵⁵ This exemption includes confidential or proprietary information provided to the State in the procurement context—even if that information would not necessarily be entitled to trade secret protection, since the exception is designed for broader purposes than the Uniform Trade Secrets Act.¹⁴⁵⁶

1447. 442 F.3d 1345 (Fed. Cir. 2006).

1448. Our thanks to Chuck Rivenburgh of Mississippi State University, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1449. Miss. Code Ann. § 97-45-9(1).

1450. Miss. Code Ann. § 97-45-9(2).

1451. Miss. Code Ann. § 97-45-9(3).

1452. Miss. Code Ann. §§ 75-26-1 *et seq.*

1453. Miss. Code Ann. § 75-26-3(c).

1454. Miss. Code Ann. §§ 25-61-1–26-61-17.

1455. Miss. Code Ann. § 25-61-9(1).

1456. *Caldwell & Gregory, Inc. v. Univ. of S. Miss.*, 716 So.2d 1120, 1121 (Miss. Ct. App. 1988).

Trade secrets developed by a State university under contract with a business are excluded from disclosure.¹⁴⁵⁷ Also, there is an exemption for licensed software where the disclosure would be contrary to the license.¹⁴⁵⁸ State laws protecting trade secrets in a variety of specific contexts provide additional grounds for nondisclosure.¹⁴⁵⁹ Lastly, Mississippi recognizes that misappropriation under the Uniform Trade Secrets Act is a separate cause of action from a disclosure under the Public Records Act.¹⁴⁶⁰

ii. Trademarks

Mississippi's Trademark Act is consistent with the majority of States.¹⁴⁶¹ It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992¹⁴⁶² and includes provisions protecting famous marks.¹⁴⁶³ Courts can award punitive damages of up to three times profits and damages plus reasonable attorney fees where the defendant acted wrongfully, in bad faith, or "as the circumstances of the case may warrant."¹⁴⁶⁴

The term "person" does not include government bodies or agencies but does cover any "other organization capable of suing and being sued in a court of law."¹⁴⁶⁵ Whether this operates as a sovereign immunity waiver is unclear.

iii. Copyrights

The State of Mississippi owns the copyrights to the Mississippi Code.¹⁴⁶⁶

1457. Miss. Code Ann. § 25-61-9(3).

1458. Miss. Code Ann. § 25-61-9(6).

1459. Miss. Code Ann. §§ 75-45-191 (commercial feed), 69-23-5 (pesticides), 79-23-1 (proprietary commercial and financial information), 17-17-27 (solid waste management), 53-9-43 (surface coal mining and reclamation), 75-26-1 to -19 (water resources).

1460. Miss. Code Ann. § 25-61-9(4).

1461. Miss. Code Ann. §§ 75-25-1-75-25-33.

1462. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1463. Miss. Code Ann. § 75-25-11.

1464. Miss. Code Ann. §§ 75-25-25, 75-25-27; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1465. Miss. Code Ann. § 75-25-1(c). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1466. Miss. Code Ann. § 1-1-9(1).

iv. Patents

There are no patent-specific laws in Mississippi.

b. Procurement Laws

Mississippi has a standard competitive public-procurement system, mostly administered by the Department of Purchasing and Travel.¹⁴⁶⁷ IT services are acquired instead by the Department of Technology Services (DTS). The DTS appears to have flexibility to acquire exclusive rights to software developed at State expense, but can obtain nonexclusive rights if necessary.¹⁴⁶⁸

More generally, Mississippi procurement law is silent on the subject of IP.¹⁴⁶⁹ It does not provide for the confidentiality of bid materials, and indeed can be read to require their disclosure.¹⁴⁷⁰ This interpretation is supported by Mississippi's Procurement Manual, which indicates that all materials related to the winning contract are available for public inspection.¹⁴⁷¹ However, such disclosure would necessary be limited to the extent it would conflict with the trade secret exemption under the Public Records Act.¹⁴⁷²

c. Technology Transfer

The Mississippi Legislature has been active in promoting technology transfer. Mississippi Code § 57-56-1 creates a Mississippi Technology Transfer Office within the Department of Economic Development. This office coordinates State and Federal research and commercialization efforts.

The State university system (including the University of Mississippi, Mississippi State University, and Jackson State University, among others) also operates a series of technology transfer programs.¹⁴⁷³ Inventor-employees are obligated to disclose possible inventions and software products, which (if within the scope of employment) are presumptively owned by the university

1467. See Miss. Code Ann. §§ 31-7-1 *et seq.*

1468. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 187-88 (2003).

1469. *Id.*

1470. Miss. Code Ann. § 31-7-111.

1471. State of Mississippi, Dept. of Finance and Admin., Mississippi Procurement Manual ¶ 1.301.01, available at <http://www.dfa.state.ms.us/Purchasing/ProcurementManual.html> (last visited Nov. 12, 2008).

1472. *Caldwell & Gregory, Inc. v. Univ. of S. Miss.*, 716 So.2d 1120, 1121 (Miss. Ct. App. 1988) (interpreting Miss. Code Ann. §§ 25-61-9).

1473. Research Policy Series: Policy and Procedure Statement on Intellectual Property at Mississippi State University § 6.2 (OP 76.01) (Version 07.01.05) available at <http://iptl.msstate.edu/inventors/faq.php> (last visited Nov. 12, 2008).

(with a reversionary right and the ability to share in commercialization proceeds).¹⁴⁷⁴ Inventions created via “substantial use” of university resources also are presumptively owned by the university, with the exception of literary or scholarly works subject to copyright law. The same is generally true of sponsored research, although these rights are negotiable.¹⁴⁷⁵ Mandatory disclosure forms are available online.

Where the University has taken an equity position in the company, it is Mississippi State university policy that commercialization should occur under the auspices of the Research & Technology Corporation, a nonprofit business incubator. The corporation has signed an Intellectual Property Administration Agreement with Mississippi State (Version 10.14.05) to set forth the particular rules governing university-furnished IP. Under Paragraph 4, licensing or sales proceeds are used first to defray IP costs, then are distributed pursuant to the university’s IP policy, less a five percent “administrative fee” retained by the Corporation. The Corporation is authorized to accept equity in start-up companies in lieu of or in addition to cash.

d. Sovereign Immunity Waivers

Mississippi has comprehensively waived sovereign immunity for all private claims relating to torts,¹⁴⁷⁶ but caps damages at \$500,000.¹⁴⁷⁷ The Mississippi university system—which enjoys sovereign immunity to the same extent as the rest of the State—is subject to the same rules.¹⁴⁷⁸ Whether this waiver extends to IP claims is unclear.¹⁴⁷⁹

In addition, Mississippi has waived its sovereign immunity in regard to trade secret misappropriation¹⁴⁸⁰ and possibly trademark infringement.¹⁴⁸¹ No cases address these apparent waivers.

1474. See, e.g., Jackson State University Intellectual Property Policy: Inventions, Patent and Licensing § III, available at http://www.jsu.edu/ordsfr/docs/Intellectual_Property.pdf (last visited Nov. 12, 2008); Research Policy Series: Policy and Procedure Statement on Intellectual Property at Mississippi State University.

1475. Research Policy Series: Policy and Procedure Statement on Intellectual Property at Mississippi State University § 6.1 (OP 76.01) (Version 07.01.05).

1476. Miss. Code Ann. § 11-46-5.

1477. Miss. Code Ann. § 11-46-15.

1478. *Jagnandan v. Giles*, 538 F.2d 1166, 1176 (5th Cir. 1976), cert. den., 432 U.S. 910 (1977) (Mississippi State University).

1479. The Federal Government has refused to allow relief under 28 U.S.C. § 1346(b) for intellectual property-related offenses through narrow interpretations of the Federal Tort Claims Act. See, generally, David S. Bloch and James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability? 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But this may be changing; *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) appears to allow relief under the FTCA for purposes of trade secret misappropriation.

1480. Miss. Code Ann. § 75-26-3(c).

1481. Miss. Code Ann. § 75-25-1(c). Cf., *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Federal Express Corp. v. U.S. Postal Service*, 151 F.3d 536 (6th Cir. 1998) (finding

Finally, Mississippi courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 3, § 17, of the Mississippi Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁴⁸² But in light of *Zoltek v. United States*,¹⁴⁸³ a Mississippi court also could refuse to recognize intellectual property as “property” for Takings purposes.¹⁴⁸⁴

25. Missouri¹⁴⁸⁵

a. Intellectual Property Laws

i. Trade Secrets

Missouri has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁴⁸⁶ Like the Uniform Trade Secrets Act, Missouri defines “person” to include government sub-divisions and government agencies as well as natural persons and corporations.¹⁴⁸⁷

Missouri has enacted the Missouri Sunshine Act in order to ensure that government documents are accessible by the public.¹⁴⁸⁸ While there is no general exception for trade secrets, there are exemptions for “scientific and technological innovations in which the owner has a proprietary interest,” software code, bids prior to award, and any disclosure exempted by law.¹⁴⁸⁹ Since the Trade Secret Act also prohibits disclosure, it appears that trade secrets submitted to the State will remain confidential under Missouri Statute § 610.021(41).

ii. Trademarks

Missouri’s Trademarks, Names, and Private Emblems law follows the standard form, despite its unusual name.¹⁴⁹⁰ It implements the substance of

waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1482. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1483. 442 F.3d 1345 (Fed. Cir. 2006).

1484. It is noted that whether a Taking is for public purposes is constitutionally defined as a judicial question “determined as such without regard to any legislative assertion that the use is public” under Art. 3, § 17, of the Mississippi Constitution.

1485. Our thanks to Scott Uhlmann, Director, Office of Intellectual Property Administration, University of Missouri, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1486. Mo. Rev. Stats. § 417.450-417.467.

1487. Mo. Rev. Stats. § 417.451(3).

1488. Mo. Rev. Stats. § 160.

1489. Mo. Rev. Stats. § 610.021.

1490. See Mo. Rev. Stats. §§ 417.005-417.066.

the International Trademark Association's Model State Trademark Bill of 1964.¹⁴⁹¹ The contents of the registration are set forth in Section 417.016. A mark may be cancelled if it is likely to be confused with earlier registrations or if a court has otherwise invalidated it.¹⁴⁹² Injunctive relief, damages, and destruction of counterfeit marks all are available remedies in the event of a likelihood of business injury or dilution of the distinctive quality of the goods in question.¹⁴⁹³ Punitive damages are not available.¹⁴⁹⁴

Missouri governmental departments are allowed to register Federal and State trademarks for their own benefit, subject (of course) to the State's public purposes.¹⁴⁹⁵

Counterfeiting is a crime.¹⁴⁹⁶ Counterfeit goods and implements used to create counterfeit goods can be seized and are subject to mandatory forfeiture.¹⁴⁹⁷ And the unauthorized use of trademarks in connection with controlled substances is a Class D felony.¹⁴⁹⁸

Missouri also regulates cover bands. Its laws do not prevent bands from playing copyrighted music—indeed, such regulations would very likely be preempted by Federal law—but does restrict the right to use the trademarks of established bands by “touring bands” consisting of marginal (if any) performers on “classic” recorded tracks. Thus, “[i]t shall be unlawful for any person to advertise or conduct a live musical performance or production in this state through the use of a false, deceptive, or misleading affiliation, connection, or association between the performing group and the recording group,” unless the touring band also is the registrant of the band's trademarked name.¹⁴⁹⁹

Missouri, like most agricultural States, also regulates marks used in association with agricultural products.¹⁵⁰⁰ It has created the AgriMissouri trademark (funded with agricultural trademark fees) to promote and certify Missouri agricultural products, which Missouri producers can use based on a sliding-scale fee structure.¹⁵⁰¹

1491. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1492. Mo. Rev. Stats. § 417.041(4).

1493. Mo. Rev. Stats. § 417.061(1).

1494. Mo. Rev. Stats. § 417.061(2); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1495. Mo. Rev. Stats. § 630.095.

1496. Mo. Rev. Stats. § 570.103.

1497. Mo. Rev. Stats. § 570.105(1).

1498. Mo. Rev. Stats. § 195.256.

1499. Mo. Rev. Stats. § 407.309(2).

1500. See, e.g., Mo. Rev. Stats. §§ 417.100 (brands of flour, grits, hominy, or meal must be filed with the recorder of deeds in the manufacturer's county).

1501. Mo. Rev. Stats. § 261.235.

iii. Copyrights

The State has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.¹⁵⁰²

Lienholders can hold protected plastic fabrication molds as collateral against payment, but may not sell them if such sales would violate copyrights.¹⁵⁰³

iv. Patents

Missouri regulates invention-development services, requiring full disclosure, allowing the customer to void the contract before monies are paid, and placing significant regulatory burdens on the invention developer.¹⁵⁰⁴ Interestingly, patent vendors are lumped together with itinerant sellers of patent medicines, lightning rods, sewing machines, maps, “horticultural products,” and whatnot as “peddlers.”¹⁵⁰⁵ Peddlers are not allowed to sell certain goods and must be able to prove their ownership and right to sell their wares upon demand.¹⁵⁰⁶ Patent right dealers also are subject to special license taxes.¹⁵⁰⁷ Though these laws clearly were not intended to encompass the sale of high-technology patents, it is an open question whether and how they would apply to, e.g., an Ocean Tomo patent auction or a private sale of patents to a “patent troll” for litigation purposes.

Lienholders can hold patented molds as collateral against payment, but may not sell them if the sales would violate the owner’s patents.¹⁵⁰⁸

b. Procurement Laws

Missouri procurement is controlled by the Division of Purchasing & Materials Management. Missouri has created a standard competitive-procurement system,¹⁵⁰⁹ with preferences for minority- and women-owned business enterprises.¹⁵¹⁰ Vendors must be registered before bidding.¹⁵¹¹ Informal solicitations

1502. Mo. Rev. Stats. § 407.309(2).

1503. Mo. Rev. Stats. § 430.407(2).

1504. Mo. Rev. Stats. §§ 417.400-.436.

1505. Mo. Rev. Stats. § 150.470 (“Whoever shall deal in the selling of patents, patent rights, patent or other medicines, lightning rods, goods, wares or merchandise, except pianos, organs, sewing machines, books, charts, maps and stationery, agricultural and horticultural products, including milk, butter, eggs and cheese, by going about from place to place to sell the same, is declared to be a ‘peddler’”).

1506. Mo. Rev. Stats. § 150.465.

1507. Mo. Rev. Stats. § 94.360.

1508. Mo. Rev. Stats. § 430.407(2).

1509. See, generally, Mo. Code Regs. Ann. tit. 1 § 40.1 (implementing Mo. Rev. Stats. § 34).

1510. Mo. Code Regs. Ann. tit. 1 § 40-1.050(9).

1511. Mo. Code Regs. Ann. tit. 1 § 40-1.060.

are permitted for procurements under \$25,000; for over that amount, the State will use an Invitation for Bid (IFB) or Request for Proposal (RFP) procedures.¹⁵¹² Proposals “shall not be available for public review until after the contract is executed,” and obtaining early access to a competitor’s bid is grounds for disqualification.¹⁵¹³ Sole-source procurement is permitted by Missouri Statutes § 34.044 under the following circumstances:

- “The parts are required to maintain validity of a warranty;
- Additions to a system must be compatible with original equipment;
- Only one (1) type of computer software exists for a specific application; or
- Factory authorized maintenance must be utilized in order to maintain validity of a warranty;
- The materials are copyrights and are only available from the publisher or a single distributor; and
- The services of a particular provider are unique, e.g., entertainers, authors, etc.”¹⁵¹⁴

Thus, Missouri implicitly allows IP rights to restrict competition in public procurement. The regulations do not otherwise address IP rights, but on the strength of what does exist Missouri appears to have substantial leeway in negotiating IP terms specific to particular contractual settings.¹⁵¹⁵

Missouri’s Department of Mental Health has obtained a specific regulatory waiver allowing it to select vendors “on the basis of quality and other variables exclusive of price.”¹⁵¹⁶

Vendors may be disbarred at discretion, with debarments appealable within fourteen days to the Commissioner of Administration or his designee.¹⁵¹⁷ “Obtaining information, by whatever means, related to a proposal submitted by a competitor in response to a Request for Proposal in order to obtain an unfair advantage during the negotiation process” is grounds for debarment.¹⁵¹⁸ This extends beyond the scope of ordinary trade secret law, which only prohibits acquiring competitive information by “improper means.”

1512. Mo. Code Regs. Ann. tit. 1§ 40-1.050.

1513. §§ 40-1.050(3)(D),(E).

1514. *Id.* at § 40-1.050(4)(A).

1515. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 188–89 (2003) (discussing the IP clauses of two contracts available online).

1516. Mo. Code Regs. Ann. tit. 1 § 40-1.090.

1517. *Id.* at § 40-1.060(6)(B).

1518. *Id.* at § 40-1.060(7)(F).

c. Technology Transfer

Missouri engages in technology development activities through the Missouri Technology Corporation¹⁵¹⁹ and the Missouri Small Business & Technology Development Centers.¹⁵²⁰ In the case of Life Science Research Trust Fund grants, grantees are entitled to retain all IP rights as long as they obey their obligations to use the IP “reasonably and in a manner that is in the public interest.”¹⁵²¹ The University of Missouri’s technology transfer program is administered by the University of Missouri Technology Transfer Office.¹⁵²² All inventions created by university employees are owned by the State, although sponsors may negotiate for ownership depending on factors including the amount of support provided.¹⁵²³

d. Sovereign Immunity Waivers

Missouri has broad sovereign immunity from tort liability except in certain specific categories (vehicles, inherently dangerous properties) not relevant here.¹⁵²⁴ So tort-based theories probably would not work against Missouri.¹⁵²⁵ But Missouri has waived its sovereign immunity in regard to trade secret misappropriation.¹⁵²⁶ No cases interpret this potential waiver in the context of State IP infringement. The State has capped damages at \$1,200,000.¹⁵²⁷

Also, according to the Federal Circuit, ruling specifically in the context of the State of Missouri, where the State has consented to suit, such as by asserting infringement of State-owned intellectual property, it is deemed to have waived its sovereign immunity.¹⁵²⁸

1519. <http://www.missouritechnology.org> (last visited Nov. 12, 2008).

1520. <http://www.missouribusiness.net> (last visited Nov. 12, 2008).

1521. Mo. Rev. Stats. § 196.1121(2).

1522. <http://otsp.missouri.edu> (last visited Nov. 12, 2008).

1523. University of Missouri Collected Rules and Regulations, § 100.020((D)(1), available at <http://www.umssystem.edu/ums/departments/gc/rules/business/100/020.shtml> (last visited Nov. 12, 2008).

1524. Mo. Rev. Stats. § 537.600.

1525. The Federal Government has denied relief under 28 U.S.C. § 1346(b) for IP-related offenses through narrow interpretations of the FTCA. See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability? 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But see *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (allowing relief under the FTCA for purposes of trade secret misappropriation).

1526. Mo. Rev. Stats. § 417.453(3).

1527. Mo. Rev. Stats. § 537.610.

1528. *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (immunity waived during appeal of interference proceeding brought by University); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep’t of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no

Finally, Missouri courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 26, of the Missouri Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁵²⁹ But in light of *Zoltek v. United States*,¹⁵³⁰ a Missouri court also could refuse to recognize intellectual property as “property” for Takings purposes.

26. Montana

a. Intellectual Property Laws

i. Trade Secrets

Montana has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁵³¹ Like the Uniform Trade Secrets Act, Montana defines “person” to include government sub-divisions and government agencies as well as natural persons and corporations.¹⁵³²

Montana’s Freedom of Information Act ensures that State records are available to the public.¹⁵³³ Various information submitted to State agencies is specifically protected as trade secrets.¹⁵³⁴ Montana’s open records law extends to both print and nonprint materials. “All restrictions relating to confidentiality, privacy, business secrets, and copyright are applicable to the electronic or nonprint information.”¹⁵³⁵ There is an exemption from the release of trade secret materials included in proposals after award, but only to the extent that the trade secrets are protectable under the Uniform Trade Secrets Act.¹⁵³⁶ However, the extent to which these restrictions are enforceable is limited by Article II, Section 9, of the Montana Constitution, which arguably requires disclosure of any public record unless the “demand of individual privacy clearly exceeds the merits of public disclosure.”

waiver of sovereign immunity for patent infringement even where State is substantial market participant).

1529. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1530. 442 F.3d 1345 (Fed. Cir. 2006).

1531. Mont. Code Ann. §§ 30-14-401 *et seq.*

1532. Mont. Code Ann. § 30-14-402(3).

1533. Mont. Code Ann. § 2-6-101.

1534. Mont. Code Ann. §§ 50-78-205 (information on material data safety sheets), 75-2-105 (air pollutant records), 75-10-707, 50-78-102, 82-11-117.

1535. Mont. Code Ann. § 2-6-110(1)(a).

1536. *Great Falls Tribune Co., Inc. v. Day*, 959 P.2d 508 (Mont. 1998) (noting the expectation of privacy can extend only to trade secrets and not the remainder of the proposal) (interpreting Mont. Code Ann. § 18-4-304(4)).

ii. Trademarks

Montana's trademark law is found at Montana Statutes Section 30-13-30 *et seq.* It implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹⁵³⁷ The Secretary of State registers and can cancel marks, and is charged with maintaining a standard system of classification.¹⁵³⁸ Many classes of agricultural goods must bear trademarks.¹⁵³⁹ Any product sold under a trademark bears a statutory warranty that the product is genuine and lawfully used.¹⁵⁴⁰ For purposes of infringement, the term "person" does not explicitly include government bodies or agencies, but does cover any "other organization capable of suing and being sued in a court of law."¹⁵⁴¹ Courts have discretion to award punitive damages of up to three times profits and damages plus reasonable attorney fees where the defendant acted wrongfully, in bad faith, or "as according to the circumstances of the case."¹⁵⁴²

Montana has enacted an additional remedy for electronic misrepresentations. The law provides that a business, Web site owner, or trademark owner can recover damages for fraudulent electronic statements, for the greater of either actual damages or \$500,000.¹⁵⁴³

Montana law is unusually concerned with avoiding confusing business names. Thus, "[w]hen an application for registration . . . of an assumed business name contains an assumed business name that is the same as or not distinguishable on the record from an assumed business name already registered or from any corporate name, limited partnership name, limited liability company name, limited liability partnership name, trademark, or service mark registered or reserved with the secretary of state, the secretary of state may not register the assumed business name for which application is made."¹⁵⁴⁴ Accordingly, names adopted by corporations and limited liability

1537. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1538. Mont. Code Ann. § 30-13-331.

1539. Mont. Code Ann. §§ 82-15-115 (liquefied petroleum product containers), 80-10-101 (fertilizers), 80-8-202 (pesticides).

1540. Mont. Code Ann. § 30-11-218.

1541. Mont. Code Ann. § 30-13-301(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1542. Mont. Code Ann. §§ 30-13-333, 30-13-335; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1543. Mont. Code Ann. § 30-14-1713(1).

1544. Mont. Code Ann. § 30-13-202(1).

companies must be distinguishable from existing corporate names or State-registered trademarks.¹⁵⁴⁵

Montana also has enacted a trademark law protecting Indian arts and crafts. “Only those articles bearing a registered trademark or label of authentic Indian labor or workmanship may be deemed authentic Indian arts or crafts articles.”¹⁵⁴⁶

Lastly, Montana has reserved the right to use the phrase “The Last Best Place,” and was able to enact a Federal law to prevent the Federal registration of the phrase or a confusingly similar one.¹⁵⁴⁷ Oddly, however, there appears to be no law requiring the exclusive use of this phrase at the State level.

iii. Copyrights

Other than in the educational and tax contexts, there are no Montana laws relating to copyrights.

iv. Patents

Other than in the educational and tax contexts, there are no Montana laws relating to patents.

b. Procurement Laws

Procurement in Montana is governed by Title 18 of the Montana Statutes and Title 2, Chapter 5, of the Administrative Rules of Montana. It has adopted the substance of the American Bar Association’s Model Procurement Code. Procurement is handled by the Procurement and Printing Division.

Montana is unusually restrictive when it comes to the protection of trade secrets in bid materials. The Procurement Act requires disclosure of most procurement information.¹⁵⁴⁸ Trade secrets in bids must be marked and accompanied by an “Affidavit for Trade Secret Confidentiality.”¹⁵⁴⁹ So confidential information in bid proposals is protected, but the contractor “must

1545. Mont. Code Ann. §§ 35-8-103(2)(c) (limited liability companies), 35-4-206(3) (corporations), 35-2-826(2)(e) (foreign corporations), 35-2-305(2)(e), 35-12-1304(1)(b) (foreign limited partnerships), 35-1-308(2)(f), 35-1-1031(2)(f).

1546. Mont. Code Ann. § 30-14-603.

1547. Section 206 of Science, State, Justice, Commerce, and Related Agencies Appropriations Act of 2006; Pub. L. No. 109-108, 119 Stat. 2290. See *Last Best Beef, LLC v. Dudas*, 506 F.3d 333 (4th Cir. 2007) (confirming appropriation law prevents registration if confusingly similar).

1548. Mont. Code Ann. §§ 2-6-102, 18-4-126.

1549. Department of Administration, MONTANA OPERATIONS MANUAL. 1-0723.30, available at <http://gsd.mt.gov/docs/MOMmanual2003.doc> (Last visited Nov. 12, 2008). The form affidavit is available at <http://mt.gov/doa/gsd/procurement/forms.asp> (last visited Nov. 12, 2008).

include a statement that attests to the offeror's acceptance of the legal and financial responsibility for defending" any misappropriation claim. Further, "any claim to shield trade secret material must be made by an offeror's legal counsel" in a form prescribed by the State.¹⁵⁵⁰ Cost and pricing data cannot be protected as a trade secret.¹⁵⁵¹ Moreover, Montana's Supreme Court has ruled that information generated by the State in connection with a bid—including internal deliberations and negotiations with prospective offerors—is not entitled to confidentiality, though the court did allow that trade secrets remain protectable.¹⁵⁵² The overall confidentiality of procurement records submitted by contractors in Montana is unclear.

Montana's model solicitation provides that the State shall obtain a royalty-free, perpetual, paid-up license to all IP arising out of State-funded activities:

All patents and other legal rights in or to inventions arising out of activities funded in whole or in part by the contract must be available to the State for royalty-free and nonexclusive licensing. The contractor shall notify the University in writing of any invention conceived or reduced to practice in the course of performance of the contract. The state shall have a royalty free nonexclusive, and irrevocable right to reproduce, publish or otherwise use and authorize others to use, copyrightable property created under the contract.¹⁵⁵³

Montana thus retains a royalty-free, nonexclusive license to any inventions developed in whole or in part under a State contract—the same position the United States Government took starting in the Reagan Administration.¹⁵⁵⁴ It is arguable, however, that "reduced to practice" has a more general meaning than *actually* reduced to practice as is the case in Federal procurement, and thereby would allow contractors to retain title to inventions where the contractor files a patent application prior to contracting.¹⁵⁵⁵

c. Technology Transfer

University employees who develop protectable IP may request leave from the Board of Regents to apply for IP protection, and also (again with permission)

1550. Mont. Admin. R. 2.5.602.

1551. MONTANA OPERATIONS MANUAL I-0723.30.

1552. *Great Falls Tribune Co. v. Day*, 959 P.2d 508 (Mont. 1998).

1553. <http://www2.montana.edu/policy/purchasing/Attachments/AppendixAA.pdf> (last visited Nov. 12, 2008).

1554. See, generally, Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 189 & 207 (2003) (arguing that such policy is confiscatory in requiring such license).

1555. See, generally, Chapter 2; 2(D)(2).

participate at the Director level in a business enterprise created to commercialize their inventions. The university is entitled to share “an ownership” interest with the inventor or commercializing company.¹⁵⁵⁶ It is unclear to the extent that the State requires ownership in sponsored research inventions.

Where Montana acts as a loan guarantor or grantor, the loan or investment agreement must contain “intellectual property provisions,” though the nature of such provisions is left unstated.¹⁵⁵⁷

d. Sovereign Immunity Waivers

Montana has enacted a private-person waiver: It is liable to the same extent a private person would be for purposes of tort liability.¹⁵⁵⁸ It seems likely that this waiver would extend to IP asserted using a tort theory.¹⁵⁵⁹ But damages are capped at \$1,000,000.¹⁵⁶⁰

Montana has waived its sovereign immunity in regard to trade secret misappropriation¹⁵⁶¹ and possibly trademark infringement (to the extent a State agency has the power to sue over trademarks).¹⁵⁶²

Finally, Montana courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 2, § 29, of the Montana Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁵⁶³ But in light of *Zoltek v. United States*,¹⁵⁶⁴ a Montana court also could refuse to recognize intellectual property as “property” for Takings purposes.

No cases confirm any of these apparent waivers of State sovereign immunity for IP infringement.

1556. Mont. Code Ann. § 20-25-109.

1557. Mont. Code Ann. § 90-9-316(2)(g) (agricultural development project loans or investment agreements).

1558. Mont. Code Ann. §§ 2-9-101 *et seq.*

1559. The Federal Government does not provide tort-based relief for IP infringement under the Federal Tort Claims Act, 28 U.S.C. § 1346(b). *See, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: *Can the Government Control the Effects of Federal Trademark Liability?* 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But this may be changing; *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) appears to allow relief under the FTCA for purposes of trade secret misappropriation.

1560. Mont. Code Ann. § 2-9-108.

1561. Mont. Code Ann. § 30-14-402(3).

1562. Mont. Code Ann. § 30-13-301(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1563. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1564. 442 F.3d 1345 (Fed. Cir. 2006).

27. Nebraska

a. Intellectual Property Laws

Nebraska law defines a General Power (of attorney) for Proprietary Interests and Materials. When granted, this power allows an agent to

abandon, apply for, extend, maintain, modify, receive, renew, secure, or terminate any protection by copyright, patent, registration, or other mechanism for any composition, design, device, discovery, formula, invention, mark, name, process, program, recipe, service mark, trademark, trade name, or other protectable intangible or tangible endeavor or work.¹⁵⁶⁵

Surprisingly few States have similar provisions, though there is a nontrivial need for them. The provision can, for example, take the place of employee assignment agreements by allowing employers to request such a General Power in employment documents.

i. Trade Secrets

In 1988, Nebraska adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁵⁶⁶ Prior to that, a common-law definition of trade secret interpreting Nebraska Revised Statutes § 84-712.05 (3) prevailed.¹⁵⁶⁷ Like the Uniform Trade Secrets Act, Nebraska defines “person” to include the government and government agencies as well as natural persons and corporations.¹⁵⁶⁸

The State’s law concerning public records has been in effect since 1866,¹⁵⁶⁹ and is currently codified at Section 84-712 of the Nebraska Revised Statutes. This law generally provides for free access to public records.¹⁵⁷⁰ It does not require a showing of necessity.¹⁵⁷¹ A preliminary response to a public records request is due in four business days.¹⁵⁷² There is an exception allowing non-disclosure of trade secrets as well as unpublished academic and scientific research “which if released would give advantage to business competitors and serve no public purpose.”¹⁵⁷³

1565. Neb. Rev. Stat. § 49-1553.

1566. Neb. Rev. Stat. §§ 87-501 *et seq.*

1567. *Burlington N. R.R. Co. v. Omaha Pub. Power Dist.*, 703 F. Supp. 826 (D. Neb. 1988).

1568. Neb. Rev. Stat. § 87-502(3).

1569. <http://www.ago.ne.gov/public/publicrecords.htm> (last visited Nov. 12, 2008).

1570. Neb. Rev. Stat. § 84-712.

1571. *State ex rel. Sileven v. Spire*, 500 N.W.2d 179, 243 Neb. 451 (Neb. 1993).

1572. Neb. Rev. Stat. § 84-712(4).

1573. Neb. Rev. Stat. § 84-712.05(3).

The burden of establishing a trade secret rests on the business that provided the records. Thus, records involving “proprietary or commercial information [that] would give advantage to business competitors and serve no public purpose if released” can be withheld by the State regardless of whether the injury would be “substantial.” But at the same time, the company seeking to block disclosure must provide more than a naked assertion of competitive harm. Rather, there must be a specific showing of *likely* harm caused by disclosure to a specified competitor or class of competitor.¹⁵⁷⁴ Section 84-712.03 provides the requestor with multiple remedies for denial of disclosure, including an action by writ of mandamus or a petition to the Attorney General followed by a trial court lawsuit. The public entity refusing disclosure has the burden of proving an exception applies under sections 84-712.05 to -712.08 by clear and convincing evidence in response to a mandamus writ, and also has the burden in a *de novo* trial regarding the denial.¹⁵⁷⁵ This discussion seems to suggest a reasonably high burden for maintaining the confidentiality of private-sector records submitted to the State.

Additionally, the definition of “public record” under Section 84-712.01 exempts documents rendered confidential by other laws. As various State agencies are specifically charged with protecting trade secrets obtained in the course of their governmental responsibilities,¹⁵⁷⁶ Section 84-712.01 would likely be useful in preventing disclosure of such information. Thus, Nebraska’s open records law generally provides mechanisms to protect against disclosure of confidential procurement records.

ii. Trademarks

Nebraska’s Trademark Registration Act is intended to mirror its Federal counterpart.¹⁵⁷⁷ It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.¹⁵⁷⁸ Nebraska trademarks

1574. Op. Att’y Gen. No. 92068 (May 7, 1992); *affirmed*, Op. Att’y Gen. No. 97033 (June 8, 1997).

1575. *Fourcloud v. City of Fremont*, 1993 WL 259351 (Neb. Ct. App. 1993).

1576. *See, e.g.*, Neb. Rev. Stat. §§ 54-861 (criminalizing disclosure of information obtained under the Commercial Feed Act), 81-15226 (disclosure of chemical formulae only upon proof of need and execution of nondisclosure agreement by health care professional), 71-4615 to 71-4617 (information provided to Commission relating to the Uniform Standard Code for Manufactured Homes and Recreational Vehicles), 81-549 (information provided to State Fire Marshal), 44-4725 (information submitted pursuant to Prepaid Limited Health Service Organization Act), 44-7709 (filings with Department of Insurance relating to credit information), 86-704 (information provided by telecommunications companies), 81-2,267 (construction plans for food establishments), 44-5258(5)(c) (rating and renewal underwriting information provided to the Department of Insurance).

1577. Neb. Rev. Stat. § 87-127.

1578. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

last for ten years and can be renewed for successive ten-year terms as long as the mark remains in use in Nebraska.¹⁵⁷⁹ Classification codes are adopted by the Secretary of State¹⁵⁸⁰ and appear at 439 Nebraska Administrative Code Sections 1-001 and 1-002. Trademarks can be assigned and otherwise transferred.¹⁵⁸¹ Marks are to be cancelled if not renewed or if they are confusingly similar to a mark registered by the U.S. Patent and Trademark Office.¹⁵⁸² But “[i]f the registrant proves that the registrant is the owner of a concurrent registration of a mark in the United States Patent and Trademark Office covering an area including this state, the registration under the act shall not be canceled for such area of the state.”¹⁵⁸³ An applicant can appeal a final refusal to register via writ of mandamus.¹⁵⁸⁴

Various agricultural commodities must be marked with registered trademarks.¹⁵⁸⁵ Applications with the words “professional geologist” cannot be registered unless the applicant holds a Certificate of Authorization from the Geology Board.¹⁵⁸⁶

A fraudulent registrant is liable for all damages caused by his fraud.¹⁵⁸⁷ Infringement can be enjoined, and a plaintiff can obtain the defendant’s profits plus the plaintiff’s own damages, in addition to an order for the destruction of infringing goods.¹⁵⁸⁸ However, damages and lost profits are not available absent evidence “that the acts have been committed with the intent to cause confusion or to deceive.”¹⁵⁸⁹ Punitive damages are not available.¹⁵⁹⁰

Marks that are famous within the State are protected against infringement and dilution.¹⁵⁹¹ The Trademark Registration Act does not affect common-law trademark rights.¹⁵⁹²

For purposes of infringement, “person” does not include government bodies or agencies, but does cover any “organization capable of suing and

1579. Neb. Rev. Stat. § 87-133.

1580. Neb. Rev. Stat. § 87-137.

1581. Neb. Rev. Stat. § 87-134.

1582. Neb. Rev. Stat. § 87-136.

1583. Neb. Rev. Stat. § 87-136(3)(f).

1584. Neb. Rev. Stat. § 87-131(6).

1585. Neb. Rev. Stat. §§ 2-4309, 2-2630 (pesticides), 81-2162.05 (commercial packaged fertilizer), 81-2162.03 (soil conditioner); 25 Neb. Admin. Code §§ 7-013.05 (agricultural seeds).

1586. Neb. Rev. Stat. § 81-3528.

1587. Neb. Rev. Stat. § 87-138.

1588. Neb. Rev. Stat. § 87-141.

1589. Neb. Rev. Stat. § 87-139.

1590. Neb. Rev. Stat. § 87-141; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1591. Neb. Rev. Stat. § 87-140.

1592. Neb. Rev. Stat. § 87-143.

being sued in a court of law.”¹⁵⁹³ Actions to cancel registered trademarks or compel registration of rejected marks must be brought in the District Court of Lancaster County. In mandamus proceedings, the evidence is limited to those materials previously before the Secretary of State during the application process.¹⁵⁹⁴

The State closely regulates advertising involving trademarks. Generally, “advertising” is defined as “the commercial use of media forms used to make consumers aware of or familiar with the supplier’s trademark, trade name, logo, slogan, colors, signs, or product.”¹⁵⁹⁵ The law specifically allows comparative advertising in the context of competition amongst financial institutions.¹⁵⁹⁶ More generally, comparative advertising using competitor’s trademarks is legitimate as long as appropriate disclaimers are included.¹⁵⁹⁷

The State also regulates seller-assisted marketing plans, specifically barring the use of any trademark unless the owner consents and takes responsibility for the representations made by the seller.¹⁵⁹⁸

Nebraska has an interest in protecting its own marks. For instance, the use of the names of State parks without permission is a Class V misdemeanor.¹⁵⁹⁹ Similarly, the University of Nebraska “has an interest in how its name is used and an interest in protecting the value of that name.” Accordingly, while researchers can state their institutional affiliations, they “may not otherwise suggest the University’s participation or endorsement of the conclusions of any study or research,” nor may the university’s name be used “in association with the sale or commercialization of the products of research by University employees” absent prior written consent by the university.¹⁶⁰⁰

Nebraska’s Uniform Deceptive Trade Practices Act provides a cause of action for misleading uses of “trademarks,” defined as “any word, name, symbol, or device or any combination thereof adopted and used by a person to identify goods made or sold by him or her and to distinguish them from goods made or sold by others.”¹⁶⁰¹ This is a slightly different definition than the one found in the Trademark Registration Act: “Trademark means any word, name, symbol, or device or any combination thereof used by a person

1593. Neb. Rev. Stat. § 87-128(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1594. Neb. Rev. Stat. § 87-142.

1595. Neb. Rev. Stat. § 53-203.

1596. Neb. Rev. Stat. § 8-2503.

1597. Neb. Rev. Stat. §§ 8-2501, 8-2502.

1598. Neb. Rev. Stat. § 59-1757(1)(a).

1599. Neb. Rev. Stat. § 37-349.

1600. Intellectual Property Policy of the University of Nebraska (2001) ¶ 2.2, available at http://digitalcommons.unl.edu/ir_information/14 (last visited Nov. 12, 2008).

1601. Neb. Rev. Stat. §§ 87-301 *et seq.*

to identify and distinguish the goods of such person, including a unique product, from those manufactured or sold by others, and to indicate the source of the goods, even if that source is unknown.”¹⁶⁰² Whether there is broader protection under the Trademark Act is unclear.

The Nebraska Uniform Deceptive Trade Practices Act includes the State in its definition of “persons.”¹⁶⁰³ So Nebraska may have waived sovereign immunity for a trademark-like cause of action brought under the Deceptive Trade Practices Act.

iii. Copyrights

“License” is defined by statute as “the right or permission to use (1) material or personal property, including computer programs, protected under the copyright or patent laws of the United States or any foreign government and (2) a trademark, service mark, or trade name registered under Nebraska law or the law of any other state, of the United States, or of any foreign government.”¹⁶⁰⁴

The State owns copyrights in the Nebraska Revised Statutes,¹⁶⁰⁵ Appellate Reports,¹⁶⁰⁶ and the proceedings of any Nebraska Constitutional Convention.¹⁶⁰⁷ As such, it appears that the State can own copyrights.

Nebraska’s public records law provides that citizens may obtain copies of any public records except as provided under Federal copyright law.¹⁶⁰⁸ Nebraska also requires copyright clearance before recording audio version of printed matter.¹⁶⁰⁹ Librarian training programs must include “knowledge of legal regulations regarding intellectual property rights and educational fair use guidelines of the copyright law.”¹⁶¹⁰ As such, even if Nebraska has not waived sovereign immunity for copyright infringement, State policy is generally to avoid infringing a copyrighted work.

iv. Patents

Nebraska treats patents like real property in a variety of different contexts. Thus, a patent can be used to secure a promissory note, but only if the specific

1602. Neb. Rev. Stat. § 87-128(10).

1603. Neb. Rev. Stat. § 87-301(5).

1604. Neb. Rev. Stat. § 59-1714.01.

1605. Neb. Rev. Stat. § 49-707.

1606. Neb. Rev. Stat. § 24-212.

1607. Neb. Rev. Stat. § 49-225.

1608. Neb. Rev. Stat. § 84-712; 115 Neb. Admin. Code § 3-01.06.

1609. 236 Neb. Admin. Code § 2-05.05A.

1610. Nebraska Department of Education, GUIDELINES RECOMMENDED FOR USE WITH RULE 24 (ENDORSEMENTS), at 2 (Nov. 16, 2000), available at http://www.sos.state.ne.us/rules-and-regs/regsearch/Rules/Education_Dept_of/Title-92/Chapter-24-guidelines.pdf (last visited Nov. 12, 2008).

patent rights granted are printed “legibly across the face thereof, and above the signature thereto.”¹⁶¹¹

In addition, Nebraska regulates invention development services.¹⁶¹² It requires full disclosure of success rates, pricing, and the nature of the services rendered and allows the contracting party to escape the contract within a short time after signing.¹⁶¹³

b. Procurement Laws

Nebraska public contracting is governed by Title 81 of the Nebraska Revised Code. Nebraska’s procurement regulations and contracting manuals generally do not address IP.¹⁶¹⁴ The sole exceptions are (1) the State’s model Request for Services Contractual Form,¹⁶¹⁵ which provides that the State has comprehensive use rights to all IP created by its contractors within the course and scope of their work, and (2) when the contractor is to indemnify the state for IP infringement during the course of the contract.¹⁶¹⁶

Data and documentation submitted in connection with bidding and performance is considered State property, but confidential portions can be submitted separately in clearly marked packages.¹⁶¹⁷ Confidential material submitted in the course of a procurement needs to meet a much higher standard than the one set forth in Nebraska’s implementation of the Uniform Trade Secrets Act: “In accordance with Attorney General Opinions 92068 and 97033, bidders submitting information as proprietary may be required to prove specific, named competitor(s) who would be advantaged by release of the information and the specific advantage the competitor(s) would provide.”¹⁶¹⁸ And to make matters worse, the State specifically disclaims any liability for inadvertent or deliberate disclosure of proprietary information: “Although every effort will be made to withhold information that is properly submitted as proprietary and meets the State’s definition of proprietary information, the State is under no obligation to maintain the confidentiality of proprietary information and accepts no liability for the release of

1611. Neb. Rev. Stat. § 62-302. See also Neb. Rev. Stat. §58-306.

1612. Neb. Rev. Stat. § 87-602.

1613. Neb. Rev. Stat. § 87-604.

1614. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 190–91 (2003).

1615. State Purchasing Bureau, Request for Proposal for Contractual Services Form ¶ III.QQ, available at <http://www.das.state.ne.us/materiel/purchasing/rfpmanual/purchrfp.doc> (last visited Nov. 12, 2008).

1616. State Purchasing Bureau, Request for Proposal for Contractual Services Form ¶ III.D & WW.

1617. State Purchasing Bureau, Request for Proposal for Contractual Services Form ¶ II.H.

1618. *Id.*

such information.”¹⁶¹⁹ This administrative proclamation does not appear to reflect (but as a matter of contract law may trump) potential liability under the Uniform Trade Secrets Act.

In at least some instances, Nebraska appears to exercise compulsory patent license rights similar to those enjoyed by the Federal Government. Thus, for bridge construction contracts in which the County Board determines that the adopted plans or specifications would infringe a patent, the County Board must identify the patents, patentees, and royalties that will be due as part of its construction specification, and then may accept the lowest responsive and responsible bidder.¹⁶²⁰ While it appears that this law acknowledges that royalties will be owed by the State for the infringement, it is unclear as to how the State will acquire such license rights. Moreover, it is unclear whether this license requirement is as extensive as the authorization and consent enjoyed by Federal contractors under 28 U.S.C. § 1498.

c. Technology Transfer

The Nebraska Department of Economic Development provides grants, incentives for business relocation, etc. Nebraska is not entitled to IP rights resulting from such grants or other monetary transfers.¹⁶²¹ But patents originating from Nebraska Agricultural Products Research Fund are owned by the State and can be exploited by the Director of Economic Development. Any resulting revenues are returned to the fund.¹⁶²²

Ownership of patents generated in the course of university research presumptively rests with the university pursuant to Section 3.10 of the Bylaws of the Board of Regents of the University of Nebraska and the implementing Regents Policy No. 3.2.7. Regardless of formal ownership, however, the university will not prevent researchers from continuing to research areas that previously have yielded university-owned IP—even if they leave the university.¹⁶²³ University policy states that “faculty shall own all rights to materials prepared and developed at their own initiative” without the use of university resources.¹⁶²⁴ Similarly, the university does not claim copyrights or other ownership interests in artistic or scholarly works—even if they meet with substantial marketplace success.¹⁶²⁵ The same rules apply to trademarks and

1619. *Id.*

1620. Neb. Rev. Stat. § 39-818.

1621. See <http://www.neded.org> (last visited Nov. 12, 2008).

1622. Neb. Rev. Stat. § 81-1280.

1623. Intellectual Property Policy of the University of Nebraska 2001 ¶ 3.3, available at http://digitalcommons.unl.edu/ir_information/14 (last visited Nov. 12, 2008).

1624. *Id.* at ¶ 4.1.

1625. *Id.* See also ¶ 5.2.

trade names, which are owned by the university only if substantial university resources were used to create and maintain them.¹⁶²⁶

By contrast, commissioned work created using university funds should be assigned to the university.¹⁶²⁷ Patentable works and works involving the use of substantial university resources are owned by the university.¹⁶²⁸ IP resulting from sponsored research is governed by contract, indicating that ownership is negotiable.¹⁶²⁹

The University of Nebraska is active in technology-transfer activities via the Office of Technology Development (OTD).¹⁶³⁰ OTD's mission is to help "university inventors translate their efforts into products and services that benefit the public and provide economic advantages to inventors, their laboratories and departments, the university and the broader community."¹⁶³¹ Inventions must be disclosed to OTD, and start-up ventures by university employees must first be vetted by the administration.¹⁶³² OTD expects a modest royalty associated with licensed technologies, shares profits with inventors, and will require all parties to execute confidentiality agreements.¹⁶³³

The University of Nebraska's Technology Park initiative provides office space in close proximity to the University of Nebraska's main campus at Lincoln "to promote synergies between the university and park companies in order to increase joint efforts in collaboration, discovery, and technology development."¹⁶³⁴ The University of Nebraska at Omaha operates a similar system through its Business Development Center.¹⁶³⁵

d. Sovereign Immunity Waivers

Nebraska has created a Claims Board to adjudicate actions against the State pursuant to the State Tort Claims Act.¹⁶³⁶ The Claims Board can hear most actions sounding in tort, with exceptions only for governmental functions. Large claims, however, must be reviewed by the Legislature and can be

1626. *Id.* at ¶ 11.0.

1627. *Id.* at ¶ 8.0.

1628. *Id.* at ¶ 5.3.

1629. *Id.* at ¶ 7.0.

1630. <http://otd.unl.edu> (last visited Nov. 12, 2008).

1631. <http://otd.unl.edu/mission.shtml> (last visited Nov. 12, 2008).

1632. <http://otd.unl.edu/startups.shtml> (last visited Nov. 12, 2008).

1633. http://otd.unl.edu/licensing_industry.shtml (last visited Nov. 12, 2008).

1634. <http://www.nutechpark.com/> (last visited Nov. 12, 2008).

1635. <http://nbdc.unomaha.edu> (last visited Nov. 12, 2008).

1636. Neb. Rev. Stat. §§ 81-8,209—81-8,235.

rejected at that stage.¹⁶³⁷ Whether the Claims Board can hear IP claims is unclear.¹⁶³⁸

As noted above, Nebraska appears to exercise compulsory patent license rights for construction contracts.¹⁶³⁹ If the patentee sues over infringing bridges or other public structures, the Nebraska Attorney General is charged with intervening and defending the suit.¹⁶⁴⁰ It is not clear whether the patentee has much say in how a County Board fixes the patentee's royalty, or whether the patentee can enjoin a private contractor working under a Nebraska government contract.

Further, Nebraska has waived its sovereign immunity in regard to trade secret misappropriation,¹⁶⁴¹ deceptive trade practices,¹⁶⁴² and possibly for trademark infringement (to the extent a State agency has the power to sue).¹⁶⁴³

Finally, Nebraska courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Section I-21 of the Nebraska Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.¹⁶⁴⁴ Prior to *Ruckelshaus*, at least one decision found that Nebraska courts lack jurisdiction to determine whether the State was guilty of patent infringement because patent law is purely federal. Recharacterizing the infringement as a Takings under Article I-21 of the Nebraska Constitution did not vest State courts with jurisdiction.¹⁶⁴⁵ It is uncertain if Nebraska courts would reach the same conclusion today in light of *Ruckelshaus* or instead follow the logic of *Zoltek v. United States*¹⁶⁴⁶ and continue to refuse to recognize IP as "property" for Takings purposes.

No cases confirm any of these apparent waivers of State sovereign immunity for IP infringement.

1637. Neb. Rev. Stat. §§ 81-8,209—81-8,235.

1638. The Federal Government does not provide tort-based relief for IP infringement under the Federal Tort Claims Act, 28 U.S.C. § 1346(b). See, generally, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability? 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But this may be changing; *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) appears to allow relief under the FTCA for purposes of trade secret misappropriation.

1639. Neb. Rev. Stat. § 39-818.

1640. Neb. Rev. Stat. § 84-203.

1641. Neb. Rev. Stat. § 87-502(3).

1642. Neb. Rev. Stat. §§ 87-301(5), 87-302, 87-303.

1643. Neb. Rev. Stat. § 87-128(5).

1644. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1645. *Thimgan v. State*, 125 Neb. 696, 251 N.W. 837 (1933).

1646. 442 F.3d 1345 (Fed. Cir. 2006).

28. Nevada

a. Intellectual Property Laws

Nevada has shown an unusual respect for the importance of IP rights. It has augmented its trade secret laws with new-model provisions dealing with software and the Internet, specifically regulates inventions developed by employees, and even requires students to understand and demonstrate respect for intellectual property rights.¹⁶⁴⁷

i. Trade Secrets

Nevada has adopted the 1985 amended version of the Uniform Trade Secrets Act, with newer provisions relating to software and the Internet.¹⁶⁴⁸ “Confidential” or “Private” markings create a statutory presumption (rebuttable by clear and convincing evidence) that protective measures are adequate.¹⁶⁴⁹ Further, absent a written agreement, employers are the owners of any trade secret developed in the course and scope of employment.¹⁶⁵⁰

Like the Uniform Trade Secrets Act, Nevada defines “person” to include the government and government agencies as well as natural persons and corporations.¹⁶⁵¹

Nevada has a Public Records Act at Chapter 239 of the Nevada Revised Statutes. Public books and records must be open to inspection unless the contents are “declared by law to be confidential.”¹⁶⁵² Interestingly, there is a presumption that, after thirty years in the custody of the State, the trade secret is no longer valid and the record can be opened.¹⁶⁵³

In the procurement context, trade secrets are not considered “public information” pursuant to Nevada’s open-records laws and need not be disclosed except “for the purpose of a civil, administrative or criminal investigation or proceeding,” and even then only upon written assurance that the information will be protected pursuant to applicable laws.¹⁶⁵⁴ Further, there is specific a bar to disclosure of proprietary software or data on a computer.¹⁶⁵⁵

1647. Nev. Admin. Code §§ 389.2433, 389.248, 389.2932, 389.299, 389.3905, 389.601, 389.29415, 389.2948.

1648. Nev. Rev. Stat. §§ 600A.010–600A.100.

1649. Nev. Rev. Stat. § 600A.032.

1650. Nev. Rev. Stat. § 600.500.

1651. Nev. Rev. Stat. § 600A.030(4).

1652. Nev. Rev. Stat. § 239.010(1).

1653. Nev. Rev. Stat. § 239.0115.

1654. Nev. Rev. Stat. § 333.333.

1655. Nev. Rev. Stat. §§ 603.070, 239.0115.

Various State entities are barred from revealing trade secrets.¹⁶⁵⁶ In some instances, however, the definition of “trade secret” varies from that found in the Nevada Uniform Trade Secrets Act. For example, data concerning environmental pollutants are not considered trade secrets unless disclosure “is likely to cause substantial harm to the competitive position of the owner or operator of the facility.”¹⁶⁵⁷ The Department of Health’s duties relating to storage tanks in public use allow for a more relaxed definition of trade secrets; the Director should consider “whether the information is available in written form and, if not, whether its disclosure would tend to affect adversely the competitive position of the owner of the information.”¹⁶⁵⁸ These provisions are to be contrasted to the definition set forth in Revised Statutes Section 600A.050 (5), which states that a trade secret:

- (a) Derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by the public or any other persons who can obtain commercial or economic value from its disclosure or use; and
- (b) Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

In both of the instances cited above, the definition of “trade secret” under the Nevada Uniform Trade Secrets Act varies from (and is more lenient than) the definitions enacted in connection with Nevada’s health and environmental protection laws. These statutory definitions differ from the Nevada Uniform Trade Secret Act in that (1) harm under the Nevada UTSA must be nontrivial but needn’t be “substantial,” (2) the UTSA plaintiff needs only to show “actual or potential” value, which translates into actual or potential injury, and (3) disclosure by a Trade Secret Act defendant need not necessarily harm “the competitive position” of the owner (it can also, for example, confer unwarranted advantages upon the owner’s competitors). (Some other statutes, like

1656. See, e.g., Nev. Rev. Stat. §§ 349.597 (materials submitted in connection with revenue bonds for industrial development), 349.775, 445A.665 (disclosures relating to environmental protection regulations), 459.050 (Health Division inspections), 459.3822 (chemical data), 459.3866 (disclosures to the Committee to Oversee the Management of Risks), 459.555 (Department of Health investigations into hazardous wastes), 583.475 (trade secrets relating to meat and poultry), 703.190 (Nevada Public Utilities Commission), 689A.695 (information disclosed to the Commissioner of Insurance), 689B.115, 689C.250; Nev. Admin. Code §§ 444.74767 (materials recovery facilities), 445A.237 (water control information), 467.934 (Nevada Athletic Commission), 519A.170 (mining operations), 584.2851 (dairy inspections), 618.6437 (Occupational Safety and Health), 618.6449, 618.764, 703.680 (Public Utilities Commission of Nevada), 720.205 (Secretary of State or Department of Information Technology).

1657. Nev. Rev. Stat. § 459.3822(4)(c).

1658. Nev. Rev. Stat. § 459.846(2)(b).

the regulations governing trade secret disclosures by the Mining Division, track or differ only trivially from the language of the Trade Secret Act.¹⁶⁵⁹ It is not clear why the Legislature has enacted provisions of law that vary from (and thus presumably override) the statutory definition of “trade secrets” under the Uniform Trade Secrets Act as adopted by the State of Nevada.

Nevada also has enacted a testimonial privilege against revealing trade secrets in open court.¹⁶⁶⁰

Chapter 603 of the Nevada Revised Statutes makes special provisions for software piracy and Internet disclosures, following the lead of the Digital Millennium Copyright Act’s anti-copying provisions. Specifically, “[i]t is an infringement of a trade secret for a person, without the consent of the owner, to obtain possession of or access to a proprietary program or a compilation of proprietary information that is stored as data in a computer and make or cause to be made a copy of that program or data,” as long as the program is not copyrighted or otherwise open to public view.¹⁶⁶¹ Owners of proprietary software or data can sue for either unfair trade practices or trade secret infringement. Courts can enter injunctive relief, award the plaintiff “all profits derived from [the] wrongful acts and all damage suffered by the owner because of those acts,” and order the destruction of all infringing/misappropriated copies of the data in dispute.¹⁶⁶² Under this law, government agencies are charged with maintaining the confidentiality of proprietary data and programs, and cannot release such information without the owner’s prior written consent or after thirty years.¹⁶⁶³

Also, Internet disclosures of trade secret information do not defeat trade secret status as long as the owner obtains an injunction requiring its removal, and the information is in fact removed within a reasonable time after the Court’s order.¹⁶⁶⁴ The impulse behind this statutory provision is laudable; the Internet allows an IP vandal to destroy valuable trade secrets within moments. But depending on how widely the information is distributed before an order takes effect, it is not clear as a practical matter how the genie can be placed back in the bottle.

ii. Trademarks

Nevada’s trademark law is at Revised Statutes Chapter 600. It implements the substance of the International Trademark Association’s Model State

1659. See Nev. Admin. Code § 519A.170(5) (“present or potential” rather than “actual or potential”).

1660. Nev. Rev. Stat. § 49.325. See Nevada Rule of Civil Procedure 26(c)(7).

1661. Nev. Rev. Stat. § 603.050.

1662. Nev. Rev. Stat. § 603.080.

1663. Nev. Rev. Stat. §§ 603.070, 239.0115.

1664. Nev. Rev. Stat. § 600A.055.

Trademark Bill of 1992.¹⁶⁶⁵ Trademarks and service marks are registered with the Secretary of State.¹⁶⁶⁶ The relevant classification of goods is found at Administrative Code Section 600.010.

The statute expressly permits comparative advertising.¹⁶⁶⁷ Marks in use prior to the effective date of the trademark law (July 1, 1973) are grandfathered in to the new system.¹⁶⁶⁸ “Trade names” in Nevada are a broader category, including any name, distinctive symbol, trademark, or brand name used to identify a business.¹⁶⁶⁹

Nevada protects famous marks against dilution,¹⁶⁷⁰ and trademark infringement also is actionable as a form of unfair and deceptive trade practice.¹⁶⁷¹ Injunctions and damages are available in civil actions,¹⁶⁷² and counterfeiting¹⁶⁷³ and fraudulent registration¹⁶⁷⁴ are subject to additional criminal penalties. Similarly, misbranding imitation Indian arts and crafts as “authentic” is prohibited.¹⁶⁷⁵ Courts can award punitive damages of up to three times all profits derived from the defendant’s willful and wrongful acts, and three times all damages suffered by the plaintiff as a result of the defendant’s infringement.¹⁶⁷⁶

For business names, distinctive lettering is not a basis for distinguishing a proposed new name from an existing name or mark.¹⁶⁷⁷

iii. Copyrights

The State Printer is authorized to obtain copyrights on all publications by the State of Nevada.¹⁶⁷⁸ The Legislative Counsel enjoys similar powers with respect to publications issued by the Legislative Counsel Bureau.¹⁶⁷⁹

1665. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1666. Nev. Rev. Stat. § 600.340.

1667. Nev. Rev. Stat. § 600.435(4).

1668. Nev. Rev. Stat. § 598.0955(2).

1669. Nev. Admin. Code § 408.734.

1670. Nev. Rev. Stat. § 600.435.

1671. Nev. Rev. Stat. § 598.0945.

1672. Nev. Rev. Stat. § 600.430.

1673. Nev. Rev. Stat. §§ 205.085, 205.205, 205.210.

1674. Nev. Rev. Stat. § 205.215.

1675. Nev. Rev. Stat. § 597.900(3).

1676. Nev. Rev. Stat. § 600.430; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1677. Nev. Rev. Stat. §§ 80.010(3), 80.175, 82.096(2), 82.5239(3), 78.185(3), 78.039(2), 86.278, 86.5468, 87.450, 87.455, 87.544, 88.320, 88.327, 88.5945, 88.6065, 88A.230, 88A.738.

1678. Nev. Rev. Stat. § 344.070.

1679. Nev. Rev. Stat. § 218.698.

The Trade Secret Act makes a specific exception from trade secret misappropriation liability in the case of efforts to obtain copyrighted software source code, “because an application therefor would result in the program or data no longer being secret.”¹⁶⁸⁰ Note that this reveals an important misunderstanding of Copyright Office procedures by the Nevada Legislature. In fact, a copyright registrant can redact confidential portions of his source code without jeopardizing his ability to obtain U.S. registration.¹⁶⁸¹

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.¹⁶⁸²

iv. Patents

Employers are the presumptive owners of any patentable invention or trade secret developed in the course and scope of employment.¹⁶⁸³ For professional engineers and surveyors, obtaining a patent is worth ten professional development hours.¹⁶⁸⁴

b. Procurement Laws

Procurement is governed by the State Purchasing Act¹⁶⁸⁵ and implementing regulations in the Nevada Administrative Code.¹⁶⁸⁶ Nevada employs Invitation to Bid and Requests for Proposals as its primary procurement vehicles,¹⁶⁸⁷ and follows a “best value” (not lowest-cost) decision rule.¹⁶⁸⁸ Procurement opportunities can be searched online.¹⁶⁸⁹ Nevada has an explicit “Policy of Competition” stating that “[c]ompetition is required insofar as practicable in the purchasing of goods and services.”¹⁶⁹⁰ Though information in bids or proposals is presumptively a public record,¹⁶⁹¹ “proprietary information regarding a trade secret does not constitute public information and is confidential.”¹⁶⁹² These provisions probably combine to protect trade secrets in public contract bids or proposals.

1680. Nev. Rev. Stat. § 603.050(4).

1681. 27 C.F.R. § 202.20(c)(2)(vii)(A)(2).

1682. Nev. Rev. Stat. § 598.0922.

1683. Nev. Rev. Stat. § 600.500.

1684. Nev. Admin. Code §§ 625.470–625.480.

1685. Nev. Rev. Stat. §§ 333.010 *et seq.*

1686. Nev. Admin Code. §§ 333.010 *et seq.*

1687. http://purchasing.state.nv.us/bidding_opportunities.htm (last visited Nov. 12, 2008).

1688. <http://purchasing.state.nv.us/vguide.htm> (last visited Nov. 12, 2008).

1689. <http://purchasing.state.nv.us/bids/bdocs.htm> (last visited Nov. 12, 2008) and <http://purchasing.state.nv.us/services/sdocs.htm> (last visited Nov. 12, 2008).

1690. <http://purchasing.state.nv.us/vguide.htm> (last visited Nov. 12, 2008).

1691. Nev. Admin. Code § 333.185.

1692. Nev. Rev. Stat. § 333.333(1).

Unsuccessful bidders can file a notice of appeal with the Purchasing Division/Hearing Division of the Department of Administration. The timing for such an appeal varies by procurement and is set forth in each Notification of Award letter. The appellant's protest must be accompanied by a bond worth twenty-five percent of the overall contract value.¹⁶⁹³

Nevada prefers competitive procurements. But patent or other proprietary rights are a legitimate reason to sole-source an award. Solicitation waivers are available under Nevada Administrative Code § 333.150.¹⁶⁹⁴ Under Section 333.400 of the State Purchasing Act, "[e]very effort shall be made to obtain quotations from three or more vendors when commodities are to be purchased out of schedule, except when standard equipment parts for which prices are established must be obtained from the manufacturer of the equipment or his agent or when the article needed is a patented or proprietary one and therefore obtainable from only one source of supply." The same is true for municipal contracts.¹⁶⁹⁵ Similarly, for architects, engineers, and the like, the State may consider the existence of "[t]he copyright to a certain design or prototype relevant to the project" when determining who to retain.¹⁶⁹⁶

According to the State's Model Contract for Services of Independent Contractors, the State "shall have no proprietary interest in any materials licensed for use by the State that are subject to patent, trademark or copyright protection."¹⁶⁹⁷ On the other hand, under Paragraph 10 (e)(iv), the contractor "shall preserve, protect and promptly deliver into State possession all proprietary information" generated on behalf of the State in performing the contract. This is further elaborated by two provisions of the Model Contract:

First, Paragraph 23 states that the contractor "shall keep confidential all information, in whatever form, produced, prepared, observed or received by Contractor to the extent that such information is confidential by law or otherwise required by this Contract."

Second, under Paragraph 21:

Any reports, histories, studies, tests, manuals, instructions, photographs, negatives, blue prints, plans, maps, data, system designs, computer code (which is intended to be consideration under the Contract), or any other documents or drawings, prepared or in the course of preparation by Contractor (or its subcontractors) in performance of its obligations under this Contract shall be the exclusive property of the State and all such materials shall be delivered into State

1693. Nev. Rev. Stat. § 333.370.

1694. See also http://purchasing.state.nv.us/ss_awards.htm (last visited Nov. 12, 2008).

1695. Nev. Rev. Stat. § 271.340.

1696. Nev. Admin. Code § 341.141(3).

1697. Contract for Services of Independent Contractor ¶ 21, available at <http://purchasing.state.nv.us/contract.pdf> (last visited Nov. 12, 2008).

possession by Contractor upon completion, termination, or cancellation of this Contract. Contractor shall not use, willingly allow, or cause to have such materials used for any purpose other than performance of Contractor's obligations under this Contract without the prior written consent of the State. Notwithstanding the foregoing, the State shall have no proprietary interest in any materials licensed for use by the State that are subject to patent, trademark or copyright protection.

The State's liability is limited by Nevada Revised Statutes Chapter 41; no punitive damages are available to either side; and the State's liability cannot exceed the amount due under the contract, while the contractor's liability cannot exceed 150 percent of contract value.¹⁶⁹⁸ The model contract is silent on indemnity for IP violations,¹⁶⁹⁹ though there is a Y2K warranty at Paragraph 26 (b).

Under the State Purchasing and Local Government Purchasing Acts, trade secret information in bids or proposals need not be disclosed upon award.¹⁷⁰⁰

Lastly, special requirements apply to software and data on computers obtained by the State. By a 1999 Executive Order, all State agencies to acquire legally licensed software, and all contractors are required to provide and use licensed copies.¹⁷⁰¹ This is consistent with the Government's duties to only allow authorized use of received proprietary programs.¹⁷⁰² It is not clear, however, whether the State has agreed to liability for violations of these orders and laws.

c. Technology Transfer

The University of Nevada has a well-developed technology transfer system administered by Technology Transfer Offices at the University of Nevada/Reno and the University of Nevada/Las Vegas.¹⁷⁰³ At either institution, inventions developed by university personnel using "significant University resources" must be disclosed to the university's Technology Transfer Office¹⁷⁰⁴ and presumptively are owned by the University and Community

1698. *Id.* at ¶ 12.

1699. *Id.* at ¶ 14.

1700. Nev. Rev. Stat. §§ 332.025, 333.020.

1701. Nev. Exec. Order No. 99-06 (May 25, 1999).

1702. Nev. Rev. Stat. §§ 603.070, 239.0115.

1703. <http://research.unlv.edu/techtransfer> (last visited Nov. 12, 2008).

1704. University of Nevada, Reno, Administrative Manual Intellectual Property Policy 6,507 § 4.1, available at <http://tto.nevada.edu/UNRIPpolicy.pdf> (Nov. 12, 2008); UNLV Intellectual Property Policy § 4.1, available at <http://research.unlv.edu/techtransfer/policies.htm> (last visited Nov. 12, 2008).

College System of Nevada (UNR) or the Nevada System of Higher Education (UNLV).¹⁷⁰⁵ This also applies to software “created using Significant University Resources” as long as the university applies for patent protection or copyright registration.¹⁷⁰⁶ “Significant University Resources” constitute any use of UNR or UNLV “facilities, materials, equipment, Personnel, or funds or other resources that are under the control of or administered by” the university,¹⁷⁰⁷ other than library, computer, and Internet access.¹⁷⁰⁸ Excluding software, copyrighted materials are presumptively owned by the authors unless they qualify as works-made-for-hire under Federal law.¹⁷⁰⁹ And inventions not within an employee’s field of responsibility and not involving significant university resources remain the property of the inventor.¹⁷¹⁰ Inventors receive sixty percent of net income from a licensed invention, while the inventor’s academic unit/department receives twenty-five percent and the Office of the Vice President for Research (at UNR) or Vice President for Research and Graduate Studies (UNLV) receives the remaining fifteen percent¹⁷¹¹—though “net income” is defined to deduct a fifteen percent “management fee” payable to the university.¹⁷¹²

Sponsored research is governed by specific agreements between the university and the sponsor, so ownership is negotiable.¹⁷¹³

The University of Nevada system also encompasses a series of institutes and research organizations, each of which is separately governed by the university’s Board of Regents. The Board of Regents is specifically authorized to hold and exploit IP plus enter contracts with public or private entities regarding the Desert Research Institute¹⁷¹⁴ and the Ethics Institute.¹⁷¹⁵

Nevada’s Commission on Economic Development¹⁷¹⁶ and Center for Entrepreneurship & Technology¹⁷¹⁷ provide aid for high-tech ventures but do not seek IP rights in the State’s name.

1705. *Id.*, §3.1.

1706. *Id.*, § 3.3(3).

1707. *Id.*, § 1.8.

1708. *Id.*, § 3.2.

1709. *Id.*, §§ 3.3, 5.

1710. *Id.*, § 4.2(b).

1711. *Id.*, § 7.

1712. *Id.*, § 2.5.

1713. *Id.*, § 4.2(d).

1714. Nev. Rev. Stat. § 396.7952. See <http://tto.nevada.edu/UNRIPpolicy.pdf> (last visited Nov. 12, 2008).

1715. Nev. Rev. Stat. § 396.7972(3).

1716. See, generally, http://www.expand2nevada.com/business_assistance.html (last visited Nov. 12, 2008).

1717. [Http://www.ncet.org/](http://www.ncet.org/) (Nov. 12, 2008).

d. Sovereign Immunity Waivers

Nevada has comprehensively waived sovereign immunity for all private “property” claims sounding in tort,¹⁷¹⁸ but caps damages at \$500,000.¹⁷¹⁹ There is some reason to think that Nevada treats IP as “property” such that this tort waiver would apply even to Federal intellectual property rights. For example, for purposes of the Nevada Unfair Trade Practices Act, “commodity” includes patents, trademarks . . . or other tangible or intangible property.¹⁷²⁰ The tax code treats IP as “intangible personal property.”¹⁷²¹ And Nevada criminal law defines copyrights as “intangible property.”¹⁷²² But State instrumentalities cannot be held liable for patent infringement.¹⁷²³ So despite suggestive provisions of Nevada law, present information suggests that the Nevada Tort Claims Act does not extend to Federal IP claims.¹⁷²⁴

Nevada apparently has waived its sovereign immunity in regard to trade secret misappropriation,¹⁷²⁵ but no cases confirm this interpretation.

Finally, Nevada courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 8, of the Nevada Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁷²⁶ But in light of *Zoltek v. United States*,¹⁷²⁷ a Nevada court also could refuse to recognize intellectual property as “property” for Takings purposes.

1718. Nev. Rev. Stat. § 41.031.

1719. Nev. Rev. Stat. § 41.035.

1720. Nev. Rev. Stat. § 598A.020(1).

1721. Nev. Rev. Stat. § 361.228.

1722. Nev. Rev. Stat. § 205.08255.

1723. *Progressive Games, Inc. v. Shuffle Master, Inc.*, 69 F. Supp. 2d 1274, 1275 (D. Nev. 1999) (Nevada Gaming Commission and Nevada State Gaming Control Board immune from federal suit absent express consent).

1724. Similarly, the Federal Government does not provide tort-based relief for IP infringement under the Federal Tort Claims Act, 28 U.S.C. § 1346(b). See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: *Can the Government Control the Effects of Federal Trademark Liability?* 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But this may be changing; *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) appears to allow relief under the FTCA for purposes of trade secret misappropriation.

1725. Nev. Rev. Stat. § 600A.030(4).

1726. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1727. 442 F.3d 1345 (Fed. Cir. 2006).

29. New Hampshire¹⁷²⁸

a. Intellectual Property Laws

i. Trade Secrets

New Hampshire has adopted the 1985 version of the Uniform Trade Secrets Act.¹⁷²⁹ Like the Uniform Trade Secrets Act, New Hampshire defines “person” to include the government, government subdivisions, and government agencies as well as natural persons and corporations.¹⁷³⁰

New Hampshire has implemented an open records law to ensure public access to government documents.¹⁷³¹ The open-records law exempts documents that contain trade secrets or other confidential financial or commercial information, but only protects those portions containing such materials.¹⁷³²

Managers of limited liability companies can keep trade secrets from members of the LLC “for such period of time as the manager deems reasonable” as long as the manager believes that nondisclosure “is in the best interests of the company.”¹⁷³³

ii. Trademarks

New Hampshire has implemented (at New Hampshire Revised Statutes §§ 350-A:1 *et seq.*) the substance of the International Trademark Association’s Model State Trademark Bill of 1964.¹⁷³⁴ Punitive damages are not available.¹⁷³⁵

1728. Our thanks to Paula Pelletier, Program Coordinator, Office for Research Partnerships and Commercialization, University of New Hampshire, for her review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1729. N.H. Rev. Stat. Ann. §§ 350-B:1–350-B:9.

1730. N.H. Rev. Stat. Ann. § 350-B:(1)III.

1731. N.H. Rev. Stat. Ann. § 91-A.

1732. N.H. Rev. Stat. 91-A:5(IV). *See, generally, Hawkins v. N.H. Dep’t of Health and Human Serv.*, 147 N.H. 376 (N.H. 2001).

1733. N.H. Rev. Stat. Ann. § 304-C:28.

1734. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1735. N.H. Rev. Stat. Ann. §§ 350-A:12, 350-A:13; *see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

iii. Copyrights

New Hampshire provides that holders of molds, dies, or casts cannot sell or distribute such products in violation of Federal copyright laws.¹⁷³⁶ There are no other laws specifically addressing copyrights.

iv. Patents

New Hampshire also provides that holders of molds, dies, or casts cannot sell or distribute such products in violation of Federal patent laws.¹⁷³⁷ There are no other laws specifically addressing patents.

b. Procurement Laws

Public procurement in New Hampshire is governed by Title I, Section 21-I, of the New Hampshire Revised Statutes.¹⁷³⁸ Competitive bidding is the preferred mode of procurement.¹⁷³⁹ Section 606.01 (g) of the Administrative Code makes it clear that information in bids is preserved in secrecy before award:

Pursuant to RSA 21-I: 13-a, II, no information shall be available to the public, the members of the general court or its staff, notwithstanding the provisions of RSA 91-A: 4, concerning specific invitations to bid or other proposals for public bids, from the time the invitation or proposal is made public until the bid is actually awarded.

But it is not at all clear that the information contained in losing bids is confidential following award, except to the extent that such information is protectable under the Trade Secrets Act. It is not clear whether confidential information in procurement records can be maintained in confidence following award.¹⁷⁴⁰

1736. N.H. Rev. Stat. Ann. § 350-C:2(IV)(a).

1737. *Id.*

1738. The Department of Administrative Services Bureau of Purchase and Property's website is available at <http://admin.state.nh.us/purchasing/index2.asp> (last visited November 7, 2008).

1739. N.H. Admin. R. Ann. § 601.03. See N.H. Rev. Stat. Ann. §§ 21-I:11(III).

1740. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 192 (2003).

Brand-sourcing¹⁷⁴¹ and sole-sourcing¹⁷⁴² are permissible if the buyer certifies that suitable products are available only from specified sources. “Urgent situations” also can justify variation from competitive-bidding norms.¹⁷⁴³ Though IP is not explicitly mentioned, an IP-protected product clearly would fall into one or both of these categories.

Paragraph 12 of the State’s standard contract terms and conditions requires indemnification by the contractor for actual or alleged patent infringement. The contract is otherwise silent concerning intellectual property rights.

Cooperative market and rural electrification associations are separately allowed to obtain patents, trademarks, trade names, and copyrights.¹⁷⁴⁴

c. Technology Transfer

As one would expect, the University of New Hampshire has an active technology-transfer program via the Office for Research Partnerships and Commercialization.¹⁷⁴⁵ Ownership typically vests with the university, but in the context of sponsored research is negotiable.¹⁷⁴⁶

d. Sovereign Immunity Waivers

New Hampshire has created a Claims Board for tort claims under \$50,000, with court claims available for larger amounts.¹⁷⁴⁷ New Hampshire’s waiver excludes discretionary acts. Damages are capped at \$2,000,000.¹⁷⁴⁸ Whether this waiver extends to IP is unclear.¹⁷⁴⁹ Separately, New Hampshire seemingly has waived its sovereign immunity with regard to State trade secret misappropriation.¹⁷⁵⁰ But no cases confirm this waiver.

1741. N.H. Admin. R. Ann. § 607.02.

1742. N.H. Admin. R. Ann. § 607.03.

1743. N.H. Admin. R. Ann. § 607.08.

1744. N.H. Rev. Stat. Ann. § 301:3(IX).

1745. <http://www.orpc.unh.edu/index.html> (last visited November 7, 2008).

1746. University of New Hampshire Online Policy Manual, UNH.VIII.D.6.

1747. N.H. Rev. Stat. Ann. §§ 541-B:1 *et seq.*

1748. N.H. Rev. Stat. Ann. § 541-B:14.

1749. The Federal Government does not provide tort-based relief for IP infringement under the Federal Tort Claims Act, 28 U.S.C. § 1346(b). *See, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability? 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But this may be changing; *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) appears to allow relief under the FTCA for purposes of trade secret misappropriation.

1750. N.H. Rev. Stat. Ann. § 350-B:1(III).

Finally, New Hampshire courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Part I, Art. 12, of the New Hampshire Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.¹⁷⁵¹ But in light of *Zoltek v. United States*,¹⁷⁵² a New Hampshire court also could refuse to recognize intellectual property as “property” for Takings purposes.

30. New Jersey¹⁷⁵³

a. Intellectual Property Laws

i. Trade secrets

The Uniform Trade Secrets Act is under consideration in New Jersey.¹⁷⁵⁴ At present, however, trade secrets are protected only at common law¹⁷⁵⁵ and by statutes governing specific employment or business situations.¹⁷⁵⁶ So, for example, New Jersey recognizes a judicial privilege not to disclose trade secrets “if the judge finds that the allowance of the privilege will not tend to conceal fraud or otherwise work injustice.”¹⁷⁵⁷ Custody of and access to trade secrets under litigation is strictly controlled.¹⁷⁵⁸

Trade secret claims against the State are governed by Administrative Code Section 1:21. Such claims are brought before the Office of Administrative Law, but the plaintiff should avoid transmitting documentation reflecting the trade secrets themselves as part of the administrative file.¹⁷⁵⁹ Written motions must be made directly to the judge rather than filed with the Clerk of the Court.¹⁷⁶⁰ Though these procedures remain on the books, the Chapter Notes suggest that the Trade Secret Claims procedures will expire, in November 2012 Unless renewed. It does not appear that this procedure is a waiver of sovereign immunity, and instead appears to be a procedure to resolve trade

1751. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1752. 442 F.3d 1345 (Fed. Cir. 2006).

1753. Our thanks to Alice Small, Acting Director, Division of Purchase and Property, for her review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1754. For 2007, the bill was New Jersey AB 2352, “Adopts the ‘Uniform Trade Secrets Act.’” The proposal was referred to the Judiciary Committee but was not enacted.

1755. *Rycoline Prod. Inc. v. Walsh*, 334 N.J. Super. 62, 71 (N.J. Super Ct. App. Div. 2000).

1756. See, e.g., N.J. Stat. Ann. §§ 13:1D-46, 47; 13:1K-29(b); 34:5A-15.

1757. N.J. Stat. Ann. § 2A:84A-26.

1758. N.J. Admin. Code §§ 1:21-8.2, 1:21-10.1.

1759. N.J. Admin. Code § 1:21-8.1.

1760. N.J. Admin. Code § 1:21-12.1.

secret claims raised in the context of administrative processes, such as the Right-to-Know law discussed below.

New Jersey has a Right-To-Know law in Title 47, Section 1A, of the New Jersey Statutes. Despite the lack of a Trade Secrets Act, however, the State's Right-To-Know laws protect trade secrets. Thus, while "government records" are open to the public, such files exclude "trade secrets and proprietary commercial or financial information obtained from any source."¹⁷⁶¹ Additionally, all bids and awards will not be disclosed prior to award and possibly after award to the extent the information would "give an advantage to competitors or bidders."¹⁷⁶² Lastly, there is a research exception to prevent disclosure for "pedagogical, scholarly and/or academic research records and/or the specific details of any research project conducted under the auspices of a public higher education institution in New Jersey."¹⁷⁶³ As such, there appear to be a number of grounds under which confidential information can be withheld both within and outside of the procurement context.

ii. Trademarks

New Jersey's Trademark Act is found at New Jersey Statutes Chapter 56. Regulatory guidance is found at New Jersey Administrative Code sections 17:35-4.1 through 4.6. Together, these provisions implement the substance of the International Trademark Association's Model State Trademark Bill of 1992.¹⁷⁶⁴ Applications cost \$50 per class and are valid for renewable five-year terms.¹⁷⁶⁵ New Jersey's classification system is based on INTA's Model State Trademark Bill and thus tracks the classification system used by the United States Patent and Trademark Office.¹⁷⁶⁶ Any State or Federal certificate is considered prima facie evidence of ownership for purposes of the New Jersey Trademark Counterfeiting Act.¹⁷⁶⁷ Courts have discretion to award punitive damages of up to three times profits and damages plus reasonable attorney fees and costs where the defendant acted with knowledge or in bad faith, or "if the court finds the other party's conduct so egregious as to justify such an award."¹⁷⁶⁸

1761. N.J. Stat. Ann. § 47:1A-1.1.

1762. *Id.*

1763. *Id.*

1764. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1765. N.J. Admin. Code § 17:35-4.2.

1766. N.J. Admin. Code § 17:35-4.5.

1767. N.J. Stat. Ann. § 2C: 21-32(f).

1768. N.J. Stat. Ann. §§ 56:3-13.16, 56:3-13.18; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

For purposes of infringement, “person” does not include government bodies or agencies, but covers any “organization capable of suing and being sued in a court of law.”¹⁷⁶⁹ Whether this includes the State is unclear.

New Jersey undercuts this system somewhat by creating a different and more lenient system for the registration of corporate names:

A corporation name can be distinguished from other names recorded with the Filing Office if it is sufficiently different from those other names. All changes except for the following should be sufficient to distinguish one corporate name from another upon the records of the Filing Office:

1. The insertion or deletion of capitalization or a mark of punctuation, such as a comma, period, hyphen, etc.;
2. The changing of a word in a corporate title into its plural or singular form;
3. The addition of a different corporate designer as set forth in N.J.S.A. 14A:2-2(d);
4. The addition of an article (“a,” “an,” or “the”);
5. The addition of spaces in a corporate name; and or
6. The misspelling in the word of a corporate name.¹⁷⁷⁰

This enumeration is not in itself objectionable; indeed, it could be quite helpful in the right circumstances. But it is not clear why the State created the corporate name rule, which is at variance with the traditional likelihood-of-confusion test employed by most States to determine whether a name or mark should be registered.

iii. Copyrights

The State does not attempt to alter the scope of Federal copyright laws but provides additional rights for holders of molds, dies, and forms.¹⁷⁷¹ Thus, a mold, die, or form cannot be sold if such a sale would violate a third-party copyright.¹⁷⁷² This is probably true independent of New Jersey law, however.

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.¹⁷⁷³

1769. N.J. Admin. Code § 56:3-13.1a. C.f., *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1770. N.J. Admin. Code § 17:35-3.1(a).

1771. N.J. Stat. Ann. § 56:4A-4.

1772. N.J. Stat. Ann. § 56:4A-9 (4).

1773. N.J. Stat. Ann. §§ 2A:32B.

iv. Patents

The State does not attempt to alter the scope of Federal patent laws, either.¹⁷⁷⁴ A mold, die, or form cannot be sold if such a sale would violate a third-party patent.¹⁷⁷⁵ This is probably true independent of New Jersey law.

b. Procurement Laws

Title 17, Chapter 12, of the New Jersey Administrative Code controls State procurement practices. The main purchasing statutes are at New Jersey Statutes §§ 52:34-6 *et seq.* and 52:25-1. Purchasing is handled by the Division of Purchase and Property, part of the Department of the Treasury.¹⁷⁷⁶ The Division's Web site contains basic information concerning the procurement process.¹⁷⁷⁷ Request for Proposal (RFP) forms are available online.¹⁷⁷⁸

Competitive sealed-bid procurement based on RFPs is the preferred mode,¹⁷⁷⁹ with a reciprocal in-State procurement preference.¹⁷⁸⁰ While "single-source term contract" arrangements are possible "[w]hen deemed to be in the best interest of the State,"¹⁷⁸¹ sole-source procurement seems to be against State policy. For procurement of paving services, for example, the State cannot specify a patented paving technology or paving material without also authorizing the use of nonpatented alternatives.¹⁷⁸² Nor can a State educational institution require a "brand name," though "brand name or equivalent" is permissible; and procurement specifications may not require patented or copyrighted materials unless the resolution authorizing the purchase specifically describes the need for the proprietary materials.¹⁷⁸³ However, the advertising associated with competitive bids may be waived if "[o]nly one source of supply is available"¹⁷⁸⁴—a phrase that could encompass a situation where the goods in question are protected by IP rights. Thus, while not preferred, sole-source procurements could be based upon IP restrictions that limit the number of potential suppliers.

1774. N.J. Stat. Ann. § 56:4A-4.

1775. N.J. Stat. Ann. § 56:4A-9 (4).

1776. N.J. Admin. Code § 17:12-1.1(a).

1777. <http://www.state.nj.us/treasury/purchase/doingbusiness.shtml> (last visited May 1, 2008).

1778. See <http://www.state.nj.us/treasury/purchase/index.shtml> (last visited May 6, 2008).

1779. N.J. Admin. Code § 17:12-1A.1.

1780. N.J. Admin. Code § 17:12-2.13.

1781. N.J. Admin. Code § 17:12-1.1(e). See N.J. Stat. Ann. § 52:34-12.

1782. N.J. Stat. Ann. § 27:2-4.

1783. N.J. Stat. Ann. § 18A:64-64(d).

1784. N.J. Admin. Code § 17:12-1A.2(f)(1)(vii).

New Jersey prefers full disclosure of bid information, but will withhold information exempt from disclosure under the Open Records Act or protectable as a trade secret at common law:

Subsequent to bid opening, all information submitted by bidders in response to a bid solicitation is considered public information, notwithstanding any disclaimers to the contrary submitted by a bidder, except as may be exempted from public disclosure by the Open Public Records Act, N.J.S.A. 47:1A-1 et seq., and the common law.¹⁷⁸⁵

The Administrative Code does not otherwise address procurement of intellectual property.¹⁷⁸⁶ Whether the State can acquire materials protected by IP without license is thus unclear. But it appears that the State can, in fact, protect proprietary information and thus is not likely to engage in software piracy. According to New Jersey law, “trade secrets shall include data processing software obtained by a public body under a licensing agreement which prohibits its disclosure.”¹⁷⁸⁷ This implies that the State is authorized to enter into licensing agreements for proprietary software, though that authorization is not spelled out anywhere in New Jersey’s laws or regulations.

c. Technology Transfer

Within the university sector, different rules apply. The University of Medicine & Dentistry of New Jersey’s Office of Office of Legal Management/Patents and Licensing division created a basic intellectual property policy in 2004.¹⁷⁸⁸ By contrast, the Rutgers Patent Policy, Section 6.4.1 of the State University of New Jersey’s University Regulations & Procedures Manual, was originally approved in 1962.¹⁷⁸⁹ The Policy has the following salient features:

- Under Subsection 6.4.1 (B), inventors must disclose their inventions to the university before any sort of potentially damaging public disclosure. “[A]ny person identified in Section A who conceives or makes or reduces to practice an invention or discovery during the course of, or related to his/her University activities shall promptly, before he/she discloses the same to the public and soon enough to permit timely filing

1785. N.J. Admin. Code § 17:12-1.2(b).

1786. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 192–93 (2003).

1787. N.J. Stat. Ann. § 47:1A-1.1.

1788. See <http://www.umdnj.edu/resrhweb/patents/index.htm> (last visited Nov. 7, 2008).

1789. Available at <http://ocltt.rutgers.edu/documents/patentpolicy.doc> (last visited Nov. 7, 2008).

of a patent application in the United States and in foreign countries, disclose the invention, discovery, improvement, or reduction to practice to the Director of the Office of Corporate Liaison and Technology Transfer or his/her designee.”

- Employees and users of university facilities “are required to assign their individual rights to inventions, discoveries, improvements, and reductions to practice to the University, including, without limitation, United States and foreign patent rights and the right to claim priority under the terms of any international patent agreement.”¹⁷⁹⁰
- But if the technology was developed pursuant to a contract between the university and a third party, that contract’s terms trump the Patent Policy.¹⁷⁹¹ Confirming this point, Subsection (D) states that “[o]wnership of patents arising from work funded by other external sponsors shall be subject to specific provisions contained in research proposals and agreements with those sponsors which have been executed by an appropriately authorized individual in accordance with University regulations.” And Subsection (G) allows the University to take equity stakes in start-up companies using university-generated or university-owned technology.
- If the university elects not to pursue the disclosed invention, the inventor can request to file his own application or commercialize a patented product that the university has elected to abandon. The university may, “at its sole discretion and under conditions it deems appropriate, grant such permission and assign or license to such person or persons some or all of its rights to such information and to inventions deriving therefrom.” But the university always retains a nonexclusive, royalty-free license to practice the invention for internal university purposes.¹⁷⁹²
- The university acknowledges under that the Bayh-Dole Act controls the distribution of rights to inventions created in whole or in part with Federal dollars.¹⁷⁹³
- Under Subsection (F), the university retains sole control over licensing decisions. Revenues are to be distributed based on a set schedule to the inventor, the inventor’s academic unit, “and the administrative leadership necessary for inventions to be commercialized successfully.” The university may, at its discretion and in furtherance of its public mission, grant licenses on royalty-free or nonexclusive terms, even if such licenses reduce or eliminate the possibility of revenue streams.

1790. State University of New Jersey’s University Regulations & Procedures Manual: Patent Policy, § 6.4.1(B).

1791. *Id.*

1792. § 6.4.1(D).

1793. *Id.*

Rutgers, in short, has a well-thought-out patent policy, but one that tends to emphasize university ownership rather than pure technology transfer. The university's standard-model Agreement Relating to Intellectual Property reflects these terms and obligations.¹⁷⁹⁴

The New Jersey Board of Education is authorized to purchase off-the-shelf software and commission customized or proprietary hardware and copyrighted custom software.¹⁷⁹⁵ Primary¹⁷⁹⁶ and college-level¹⁷⁹⁷ purchasing are governed by different provisions of New Jersey law. Generally, however, scientific research is considered to be carried out in the public interest and related patents will be considered State property.¹⁷⁹⁸ Each higher educational institution is obligated to generate regulations to deal with IP "derived from the creation and production of software, telecourses, or other electronically offered programs."¹⁷⁹⁹

Outside of the university context, the New Jersey Commission on Science and Technology is the State's primary technology transfer vehicle.¹⁸⁰⁰ It provides grants,¹⁸⁰¹ assists entrepreneurs,¹⁸⁰² and acts as a go-between with the university sector.¹⁸⁰³ In exchange, the Commission is entitled to receive a percentage of royalty payments derived "from any intangible property" generated with Commission-related funds or arising out of Commission-sponsored research.¹⁸⁰⁴ New Jersey funds substantial biotechnology research, and expects to share in revenues generated from related State-funded IP.¹⁸⁰⁵

The Commission also operates the Edison Fund, which focuses primarily on improving infrastructure relating to public-private technology partnerships¹⁸⁰⁶ and subsidizes the New Jersey Technology Center office park.¹⁸⁰⁷ Additional funding for private entrepreneurs is available from the New Jersey Economic Development Authority.¹⁸⁰⁸ It is not clear whether the State obtains intellectual property rights to inventions funded in part by Edison Fund or Economic Development Authority monies.

1794. Available at http://www.njit.edu/policies/pdf/intellectual_property.pdf (last Nov. 7, 2008).

1795. N.J. Stat. Ann. § 18A:18A-4.1(a).

1796. N.J. Stat. Ann. § 18A:18A-10.

1797. N.J. Stat. Ann. § 18A:64-60.

1798. N.J. Admin. Code § 18:24-9.10.

1799. N.J. Admin. Code § 9A:1-7.1.

1800. <http://www.state.nj.us/scitech/about/> (last visited Nov. 7, 2008).

1801. <http://www.state.nj.us/scitech/programs/> (last visited Nov. 7, 2008).

1802. <http://www.state.nj.us/scitech/entassist/> (last visited Nov. 7, 2008).

1803. <http://www.state.nj.us/scitech/university/> (last visited Nov. 7, 2008).

1804. N.J. Stat. Ann. § 52:9X-9.

1805. N.J. Stat. Ann. § 34:1B-7.38.

1806. <http://www.njedatechnium.com/about.html> (last visited November 7, 2008).

1807. http://www.nj.gov/njbusiness/njadvantage/initiatives/approved/20071030_04edison.shtml (last visited Nov. 7, 2008).

1808. <http://www.njeda.com/web/default.aspx> (last visited Nov. 7, 2008).

d. Sovereign Immunity Waivers

The State is liable for breaches of express and implied contracts under New Jersey law.¹⁸⁰⁹ But New Jersey also has enacted a jurisdictional statute requiring notice and a statement of particularized injury prior to filing suit. New York has enacted an identical statute. In New Jersey, however, strict compliance with the notice requirement is unnecessary; “substantial compliance suffices.”¹⁸¹⁰ This is contrary to the rule in New York, which requires strict compliance.¹⁸¹¹

In the procurement context, contract disputes must be raised first with the Director of the Division of Purchase and Property, whose decision is reviewable by the Appellate Division of the Superior Court of New Jersey.¹⁸¹²

Outside of bid or award protests, grievances follow a similar procedure. Contested cases (presumably including IP disputes) must be raised first with the responsible agency.¹⁸¹³ Assuming the agency rejects the petitioner’s request for relief, the plaintiff must then seek recourse before the Office of Administrative Law.¹⁸¹⁴ The Office of Administrative Law has created a court-like system for adjudication, including written and oral discovery and motion practice.¹⁸¹⁵ At the end of this process, the Administrative Law Judge issues a nonbinding recommendation with reasons, which is then forwarded to the agency head for final approval.¹⁸¹⁶

New Jersey arguably has waived its sovereign immunity for trademark infringement to the extent a State agency has the power to sue.¹⁸¹⁷ No cases confirm this waiver. More broadly, sovereign immunity has been waived for tort liability with the exception of governmental and operational immunities.¹⁸¹⁸ To the extent that IP claims can be construed as “property” claims (supported by *Ruckelshaus v. Monsanto Co.*¹⁸¹⁹ in the trade secret context, but called into question for patents by *Zoltek Corp. v. United States*¹⁸²⁰), the State is liable for intellectual property infringement pursuant to a Takings claim under the Fifth Amendment of the Federal Constitution or Art. 1, ¶ 20, of the New Jersey Constitution. New Jersey courts have applied *Ruckelshaus*

1809. N.J. Stat. Ann. § 59:13-1.

1810. *Zamel v. Port of N.Y. Auth.*, 264 A.2d 201, 203 (N.J. 1970).

1811. See *Privat Air. S.A. v. Port Auth. of N.Y. & N.J.*, 2007 U.S. Dist. LEXIS 52312 (E.D. N.Y., July 19, 2007) (distinguishing *Zamel*).

1812. N.J. Admin. Code §§ 17:12-3.1, 17:12-3.4.

1813. N.J. Admin. Code § 1:1-3.1.

1814. N.J. Admin. Code § 1:1-3.2.

1815. See N.J. Admin. Code § 1:1.

1816. N.J. Admin. Code § 1:1-18.3.

1817. N.J. Stat. Ann. § 56:3-13.1a.

1818. N.J. Stat. Ann. § 59:1-1 through 59:1-7.

1819. 467 U.S. 986 (1984).

1820. 442 F.3d 1345 (Fed. Cir. 2006).

to State Constitution Takings claims.¹⁸²¹ There is no damage cap. New Jersey thus seems to be a legitimate target for suit by contractors and noncontractors seeking to assert IP claims.

31. New Mexico

a. Intellectual Property Laws

i. Trade Secrets

New Mexico has adopted the 1985 amended version of the Uniform Trade Secrets Act.¹⁸²² Like the Uniform Trade Secrets Act, New Mexico defines “person” to include the government, government subdivisions, and government agencies, as well as natural persons and corporations.¹⁸²³

The New Mexico Open Meetings¹⁸²⁴ and Public Records Acts¹⁸²⁵ specifically protect trade secrets against disclosure. Under these laws, “[e]very person has a right to inspect public records of this state except . . . trade secrets, attorney-client privileged information and long-range or strategic plans of public hospitals discussed in a properly closed meeting.”¹⁸²⁶ Disclosure of trade secrets is subject to criminal penalties.¹⁸²⁷ In consequence, State agencies are obligated to maintain the confidence of trade secret information disclosed to them in the course of their official duties.¹⁸²⁸ New Mexico’s procurement regulations specifically defer to these provisions

1821. See *In the Matter of Plan for Orderly Withdrawal From New Jersey of Twin City Fire Ins. Co.*, 591 A.2d 1005, 248 N.J. Super. 616 (N.J. Super. A.D., 1991) and *In the Matter of Plan for Orderly Withdrawal from New Jersey of Twin City Fire Ins. Co.*, 609 A.2d 1248, 129 N.J. 389 (N.J., 1992).

1822. N.M. Stat. Ann. §§ 57-3A-1 *et seq.*

1823. N.M. Stat. Ann. § 57-3A-2(C).

1824. N.M. Stat. Ann. §§ 10-15-1 *et seq.*

1825. N.M. Stat. Ann. §§ 14-2-1 *et seq.*

1826. N.M. Stat. Ann. § 14-2-1(A)(6).

1827. N.M. Stat. Ann. § 50-9-24.

1828. See, e.g., N.M. Stat. Ann. §§ 69-36-10 (Mining and Minerals Division), 59A-17A-9 (insurance scoring models), 59A-46-26 (applications and filings under the Health Maintenance Organization Law), 74-2-11 (records or information obtained pursuant to the Air Quality Control Act), 74-1-7.1 (information generated in connection with the “green za” program), 74-6-15 (information obtained pursuant to the Water Quality Act), 6-24-13 (Lottery Authority), 59A-23C-8 (insurance rating methods and practices), 58-13B-46 (Securities Act filings), 44-7A-18 (confidential information disclosed in arbitration proceedings), 59A-23E-15 (health insurance issuers), 63-9D-3 (Enhanced 911 Act), 11-13-1 (State Gaming Representative); N.M. Code R. § 11.5.5.110 (Occupational Health and Safety Review Commission).

of New Mexico law in determining the scope of trade secret protections in government bid responses.¹⁸²⁹

ii. Trademarks

New Mexico's Trademark Act¹⁸³⁰ implements the Model State Trademark Bill of 1992 and thus follows the standard contour.¹⁸³¹ It is intended "to provide a system of state trademark registration and protection substantially consistent with the Federal system of trademark registration and protection."¹⁸³² Thus, a trademark is

any word, name, symbol, device or any combination of these used by a person to identify and distinguish the goods of the person, including a unique product, from those manufactured or sold by others, and to indicate the source of the goods, even if that source is unknown.¹⁸³³

The Secretary of State is authorized to register New Mexico trademarks for any names used in commerce within the State.¹⁸³⁴ Registrations last for ten years and are renewable in perpetuity as long as the mark remains in use in the State.¹⁸³⁵ Marks in force (including at common law) prior to enactment of the Trademark Act remain in force.¹⁸³⁶

For purposes of infringement, the term "person" does not include government bodies or agencies but does cover any "other organization capable of suing and being sued in a court of law."¹⁸³⁷

In addition, New Mexico permits specific organizations to protect their names and likenesses via separate statutes. Thus, motor clubs are permitted to register names, trademarks, and emblems as long as they are "distinctive and . . . not similar to or in conflict with a local organization or a nationally registered or copyrighted name, emblem or insignia and not likely to confuse or mislead the public as to the nature or identity of the motor club using or proposing to use it" and will not interfere with the operations of existing

1829. N.M. Code R. § 1.4.1.9.

1830. N.M. Stat. Ann. §§ 57-3B-1 through 57-3B-17.

1831. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

1832. N.M. Stat. Ann. § 57-3B-2.

1833. N.M. Stat. Ann. § 57-3B-3(H).

1834. N.M. Stat. Ann. § 57-3B-5.

1835. N.M. Stat. Ann. § 57-3B-8.

1836. N.M. Stat. Ann. § 57-3B-17.

1837. N.M. Stat. Ann. § 57-3B-3(D). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

motor clubs.¹⁸³⁸ The Superintendent, however, has the plenary right to “disapprove” any name, trademarks, or emblems” employed or proposed to be employed by a motor club.¹⁸³⁹ Laundry services also have a special trademark law.¹⁸⁴⁰ Petroleum products,¹⁸⁴¹ cigarettes,¹⁸⁴² and drugs and medical devices¹⁸⁴³ cannot be misbranded under pain of separate action. Any item sold in the New Mexico Museum’s Palace of Governors must bear a maker’s mark.¹⁸⁴⁴ Removal or adulteration of a trademark is a misdemeanor.¹⁸⁴⁵ Packaging goods in a container bearing an incorrect trademark is considered an unfair trade practice¹⁸⁴⁶ under the New Mexico Unfair Trade Practices Act.¹⁸⁴⁷

Infringement is, of course, illegal.¹⁸⁴⁸ But profits and damages are available only if “the acts have been committed with the intent to cause confusion or mistake or to deceive.”¹⁸⁴⁹ Courts have discretion to award punitive damages of up to 3 times profits and damages plus reasonable attorney fees and costs where the defendant acted with knowledge or in bad faith.¹⁸⁵⁰ Dilution of famous marks is separately actionable, but a plaintiff’s remedies are limited to injunctive relief (damages are not available) unless the plaintiff can establish willful intent.¹⁸⁵¹

iii. Copyrights

New Mexico’s Patent and Copyright Act¹⁸⁵² is an unusually focused statute concerning the development and exploitation of IP in the State. New Mexico’s Economic Development Department is specifically authorized to seek copyrights on IP developed by State employees, and to share fifty percent of the net profits associated with those innovations.¹⁸⁵³ The Economic Development Department also is authorized to determine whether the State will exploit or abandon its IP.¹⁸⁵⁴ New Mexico has created a “patent and

1838. N.M. Stat. Ann. § 59A-50-10.

1839. *Id.*

1840. N.M. Stat. Ann. § 57-3-13.

1841. N.M. Stat. Ann. § 57-19A-3.

1842. N.M. Stat. Ann. § 6-4-16.

1843. N.M. Stat. Ann. § 26-1-11.

1844. N.M. Code R. § 4.51.57.16.

1845. N.M. Stat. Ann. § 70-2-36.

1846. N.M. Stat. Ann. § 57-12-2(13).

1847. N.M. Stat. Ann. §§ 57-12-1 *et seq.*

1848. N.M. Stat. Ann. § 57-3B-14.

1849. N.M. Stat. Ann. §§ 57-3B-14 through 57-B3-16.

1850. N.M. Stat. Ann. § 57-3B-16; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1851. N.M. Stat. Ann. § 57-3B-15.

1852. N.M. Stat. Ann. §§ 57-3C-1 *et seq.*

1853. N.M. Stat. Ann. § 57-3C-4.

1854. N.M. Stat. Ann. § 57-3C-4(E).

copyright fund” to support the activities of the Economic Development Department and further the goals of the Patent and Copyright Act.¹⁸⁵⁵

Under the Patent and Copyright Act, any invention or work by a State employee is owned by the State.¹⁸⁵⁶ The Patent and Copyright Act does not, however, apply to employees of State educational institutions.¹⁸⁵⁷ IP developed by educational institutions is governed instead by the New Mexico Technology Research Collaborative, which promulgates its own rules regarding ownership, royalty payments, and commercialization.¹⁸⁵⁸ The Procurement Code does not apply to the purchase of copyrighted books or periodicals.¹⁸⁵⁹

The State has adopted “Asi En Nuevo Mejico” as its State Spanish-language song, and is authorized to acquire ownership and copyright of the song.¹⁸⁶⁰ New Mexico Cooperative Marketing Associations—groups founded to promote particular New Mexico industries under the auspices of the State—are authorized to acquire patents, trademarks, and copyrights.¹⁸⁶¹ The New Mexico Lottery Authority is authorized to hold copyrights.¹⁸⁶²

Researchers using copyrighted materials under the auspices of the State must obtain permission from the author—regardless of whether the work is published or unpublished.¹⁸⁶³ New Mexico’s State Museum is committed under the Administrative Code to honor copyrights, and all copyrights associated with Museum activities shall be held by the Museum.¹⁸⁶⁴ The Museum assumes (as a matter of administrative law) that it owns all works acquired prior to 1978 unless it possesses a specific reservation to the contrary from the donor.¹⁸⁶⁵ But the Museum is encouraged “to license the manufacture and sale of reproductions” and to monitor the conditions under which such reproductions are sold.¹⁸⁶⁶

iv. Patents

As noted, New Mexico’s Patent and Copyright Act¹⁸⁶⁷ authorizes the Economic Development Department to seek patents on IP developed by State employees and share fifty percent of the net profits associated with those

1855. N.M. Stat. Ann. § 57-3C-5.

1856. N.M. Stat. Ann. § 57-3C-3(A).

1857. N.M. Stat. Ann. § 57-3C-3(B).

1858. N.M. Stat. Ann. § 21-11-8.5.

1859. N.M. Stat. Ann. § 13-1-98.

1860. N.M. Stat. Ann. § 12-3-6.

1861. N.M. Stat. Ann. § 76-12-6(I).

1862. N.M. Stat. Ann. § 6-24-6(A)(5).

1863. N.M. Code R. § 1.13.11.10(C).

1864. N.M. Code R. § 4.51.25.8(A).

1865. *Id.*

1866. N.M. Code R. § 4.51.25.8(B).

1867. N.M. Stat. Ann. §§ 57-3C-1 *et seq.*

innovations.¹⁸⁶⁸ The New Mexico “patent and copyright fund” supports the Economic Development Department in order to further the goals of the Patent and Copyright Act.¹⁸⁶⁹ Any invention or work by a State employee is owned by the State.¹⁸⁷⁰

The Patent and Copyright Act does not, however, apply to employees of State educational institutions.¹⁸⁷¹ IP developed by educational institutions is governed instead by the New Mexico Technology Research Collaborative, which promulgates its own rules (discussed below) regarding ownership, royalty payments, and commercialization.¹⁸⁷²

b. Procurement Laws

Government contracting in New Mexico is governed by the Procurement Code.¹⁸⁷³ New Mexico has adopted the substance of the American Bar Association’s Model Procurement Code. For substantial purchases, it creates a standard competitive sealed-bidding procurement system,¹⁸⁷⁴ with a five percent preference for certified resident businesses.¹⁸⁷⁵ Interestingly, there is also a regulatory preference for certain New York business enterprises.¹⁸⁷⁶ Competitive sealed proposal (RFP) procurement also is allowed.¹⁸⁷⁷ Sole-source procurement is permitted,¹⁸⁷⁸ but only if the State Purchasing Agent concludes that there is truly only one available source for the goods in question, and that purchasing from this sole source is in the State’s best interests.¹⁸⁷⁹ The purchaser must keep specific records of the justifications for any sole-source purchase.¹⁸⁸⁰ There is no discussion of whether IP rights are a sufficient reason for a sole-source procurement. Indeed, there is little discussion of IP at all.¹⁸⁸¹

1868. N.M. Stat. Ann. § 57-3C-4.

1869. N.M. Stat. Ann. § 57-3C-5.

1870. N.M. Stat. Ann. § 57-3C-3(A).

1871. N.M. Stat. Ann. § 57-3C-3(B).

1872. N.M. Stat. Ann. § 21-11-8.5.

1873. N.M. Code R. § 1.4.1 (implementing N.M. Stat. § 13).

1874. N.M. Code R. § 1.4.1.15; http://www.generalservices.state.nm.us/spd/spd_tech.html (last visited Nov. 7, 2008).

1875. N.M. Stat. Ann. §§ 13-1-21(A), 13-4-2.

1876. N.M. Code R. § 1.4.1.25.

1877. N.M. Code R. §§ 1.4.1.29, 1.4.144.

1878. N.M. Code R. § 1.4.1.15(C).

1879. N.M. Code R. § 1.4.1.54.

1880. N.M. Code R. § 1.4.1.57.

1881. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 193 (2003). As discussed below, however, Huffman and O’Sullivan overstate the situation when they assert that the Code “does not address intellectual property rights.”

New Mexico cities and counties also are obligated to engage in competitive procurement. But “the provision as to bidding shall not apply to the purchase of patented and manufactured products offered for sale in a non-competitive market or solely by a manufacturer’s authorized dealer.”¹⁸⁸²

Nonprice information can be maintained confidentially; price information, however, must be disclosed at the end of the bidding process:

Each bid, except those portions for which a bidder has made a written request for confidentiality, shall also be open to public inspection. Any data, which a bidder believes should be kept confidential shall accompany the bid and shall be readily separable from the bid in order to facilitate public inspection of the nonconfidential portion of the bid. Prices and makes and models or catalogue numbers of the items offered, deliveries, and terms of payment shall be publicly available at the time of bid opening regardless of any designation to the contrary.¹⁸⁸³

The regulations are more lenient concerning confidential information in competitive proposals:

Proposals shall not be opened publicly and shall not be open to public inspection until after an offeror has been selected for award of a contract. An offeror may request in writing nondisclosure of confidential data. Such data shall accompany the proposal and shall be readily separable from the proposal in order to facilitate eventual public inspection of the nonconfidential portion of the proposal.¹⁸⁸⁴

Pre-award disclosures are strictly prohibited.¹⁸⁸⁵ But public disclosure is the rule after award, and “[c]onfidential data is normally restricted to confidential financial information concerning the offeror’s organization and data that qualifies as a trade secret in accordance with the Uniform Trade Secrets Act.”¹⁸⁸⁶ The State Purchasing Agent has ultimate discretion as to whether or not to protect offeror information.¹⁸⁸⁷

Solicitations are sent to a Bid List, which businesses can join for a nominal fee.¹⁸⁸⁸ Purchasing is administered by the State Purchasing Agent, with certain statutory exceptions.¹⁸⁸⁹

1882. N.M. Stat. Ann. § 5-5-5(O).

1883. N.M. Code R. § 1.4.1.22(C).

1884. N.M. Code R. § 1.4.1.37(B).

1885. N.M. Code R. § 1.4.1.40.

1886. N.M. Code R. § 1.4.1.45(A).

1887. N.M. Code R. § 1.4.1.45(B).

1888. N.M. Stat. Ann. § 13-1-104.

1889. N.M. Stat. Ann. § 13-1-99; exceptions listed at http://www.generalservices.state.nm.us/spd/spd_oth.html (last visited Nov. 7, 2008). See also N.M. Code R. § 1.4.1.8.

The Code generally is silent concerning the acquisition of intellectual property rights.¹⁸⁹⁰ That said, New Mexico does not have standard contract provisions and generally will accept terms and conditions in vendor bids.¹⁸⁹¹ Any materials developed or acquired by a contractor while under contract with the State of New Mexico are owned by the State.¹⁸⁹²

c. Technology Transfer

A whole host of laws and regulations promote the commercialization of IP generated by New Mexico's university sector.

First and foremost, of course, the universities themselves have active technology-transfer programs. For the University of New Mexico, technology transfer efforts are based on the university's Intellectual Property Policy.¹⁸⁹³ Under Paragraph 2.2.2 of the Policy, scholarly and artistic works (defined, basically, as works protected by copyright, other than software) are presumptively owned by the creator unless somehow commissioned by or associated with the university or where ownership is required by a sponsor of the work. By contrast, technological innovations (software and patentable inventions) are presumptively owned by the university (excepting sponsored research).¹⁸⁹⁴ The university commits to license this IP via the university's nonprofit technology transfer company, STC.NMU.¹⁸⁹⁵ STC (for "Science & Technology Corporation") is a nonprofit corporation owned by the University of New Mexico that "licenses innovative technology developed at UNM, including optics, microfluidics, and high performance materials as well as therapeutics, diagnostics, medical devices, and drug discovery tools."¹⁸⁹⁶ Its sole function is "to protect and transfer its faculty inventions to the commercial marketplace."¹⁸⁹⁷ STC's general practice is to license New Mexico technologies for an up-front fee plus a running royalty. But other arrangements apparently are available.¹⁸⁹⁸

The University of New Mexico's Patent Administration Office functions as an interface between the university's faculty and STC.¹⁸⁹⁹ The University

1890. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 193 (2003).

1891. http://www.generalservices.state.nm.us/spd/spd_info.html (last visited Nov. 7, 2008).

1892. N.M. Code R. § 16.61.14.14 (discussing education or research services funded by the Education and Training Fund).

1893. Available at http://www.unm.edu/~counsel/research/policies/ipp_fnl.pdf (last visited Nov. 7, 2008).

1894. NMU Intellectual Property Policy ¶ 2.3, available at http://www.unm.edu/~counsel/research/policies/ipp_fnl.pdf (last visited Nov. 7, 2008).

1895. NMU Intellectual Property Policy ¶ 2.6.

1896. <http://stc.unm.edu/about/> (last visited Nov. 7, 2008).

1897. <http://stc.unm.edu/> (last visited Nov. 7, 2008).

1898. <http://stc.unm.edu/inventors/faq.php#1> (last visited Nov. 7, 2008).

1899. NMU Intellectual Property Policy ¶ 3.3.

of New Mexico's Faculty Senate Intellectual Property Committee is charged with overseeing IP management by the university and STC, with (presumably) the particular goal of ensuring that academic inventors' interests are protected.¹⁹⁰⁰

Under Paragraph 2.6.4 of the Intellectual Property Policy, revenues from university technology are divided forty percent to the inventors, forty percent to STC, and twenty percent to the university for research and development reinvestment.

STC can accept compensation in stock.¹⁹⁰¹

The university also has the right to commercialize its trademarks.¹⁹⁰²

Under the New Mexico University Research Park Act,¹⁹⁰³ the Research Park Corporation is authorized to acquire, use, and dispose of intellectual property, specifically including licenses "involving intellectual property and technological innovations such as patents, copyrights, franchises and trademarks."¹⁹⁰⁴

At New Mexico State University, technology transfer is handled by the Intellectual Property & Technology Transfer Office.¹⁹⁰⁵ Under Paragraph B.1 of the Office's *Policy and Procedures Governing Intellectual Property (Patents, etc.)* (FS, 4/01; BR, 4/02),¹⁹⁰⁶ the university is the presumptive owner of any copyrightable or patentable materials generated by university employees within the scope of their employment.¹⁹⁰⁷ However, there is an exception in the case of sponsored research, where the contractual terms can specify otherwise. The inventor(s) and the university split all monies generated by such inventions on a fifty-fifty basis.¹⁹⁰⁸ For purposes of commercialization, all university inventions are assigned to the Arrowhead Center, which acts as a licensing agent and business incubator.¹⁹⁰⁹

Arrowhead Center, Inc. shares in the commercialization process by charging an (a) up-front licensing fee, and (b) running royalties linked to actual sales of the products or services, and/or equity in the licensing company. These funds are

1900. <http://stc.unm.edu/inventors/faq.php#1> (last visited Nov. 7, 2008). See NMU Intellectual Property Policy ¶ 3.2.

1901. NMU Intellectual Property Policy ¶ 2.6.5.

1902. NMU Intellectual Property Policy ¶ 2.5.

1903. N.M. Stat. Ann. §§ 21-28-1 *et seq.*

1904. N.M. Stat. Ann. § 21-28-6.

1905. <http://research.nmsu.edu/docs/IP/intprop.html> (last visited Nov. 7, 2008).

1906. Available at <http://research.nmsu.edu/docs/IP/intelPropPP.html> (last visited Nov. 7, 2008).

1907. Policy and Procedures Governing Intellectual Property (Patents, etc.) (FS, 4/01; BR, 4/02) ¶ B(3).

1908. *Id.* at ¶ C.

1909. <http://arrowheadcenter.nmsu.edu/> (last visited Nov. 7, 2008).

used to pay inventors' earnings, department and college earnings; and other research expenditures through the Vice President for Research.¹⁹¹⁰

Other nonprofit New Mexico State corporations have similar powers.¹⁹¹¹

New Mexico also is home to some of the Federal Government's most important research laboratories, including Sandia and Los Alamos National Laboratories. Los Alamos runs a sophisticated technology-transfer program¹⁹¹² with extensive guidance and authority concerning intellectual property acquisition¹⁹¹³ and licensing.¹⁹¹⁴ But Los Alamos is Federal territory, and New Mexico's technology transfer laws do not apply. Similarly, New Mexico Tech is home to the Air Force Research Lab, which has an active and successful technology transfer program governed by Federal law.¹⁹¹⁵

New Mexico's Technology Research Collaborative is intended to consolidate technical knowledge and innovations developed by these New Mexico educational institutions.¹⁹¹⁶ The Collaborative is charged with developing and commercializing IP.¹⁹¹⁷ Any technology developed by an employee of a member institution is owned by the institution.¹⁹¹⁸

d. Sovereign Immunity Waivers

In the government procurement context, unhappy bidders or contractors may appeal an adverse contracting decision as a matter of right.¹⁹¹⁹ Solicitation and bid disputes must be raised within fifteen days of accrual before the State Purchasing Agent or (for procurements exempted from the jurisdiction of the State Purchasing Agent) the Central Purchasing Office with responsibility for the initial solicitation.¹⁹²⁰ Discovery is available if ordered by the State Purchasing Agent.¹⁹²¹ The regulations prefer decisions on the papers, but hearings ("as informal as practicable under the circumstances") can be held

1910. <http://arrowheadcenter.nmsu.edu/technologies/patent.php> (last visited Nov. 7, 2008).

1911. N.M. Stat. Ann. § 53-7A-4.

1912. See <http://www.lanl.gov/orgs/tt/index.shtml> (last visited Nov. 7, 2008).

1913. http://www.lanl.gov/orgs/tt/intellectual_prop/ (last visited Nov. 7, 2008).

1914. <http://www.lanl.gov/orgs/tt/license/> (last visited Nov. 7, 2008).

1915. <http://infohost.nmt.edu/~ttsg/> (last visited Nov. 7, 2008).

1916. Multiple search engines and Web sites—including Web sites run by the State of New Mexico, e.g., <http://www.newmexico.org/place/loc/lodging/page/DB-place/place/2443.html>—indicate that the TRC's Web site is at <http://www.nm-trc.org/>. This link, however, was dead as of February 19, 2008.

1917. N.M. Stat. Ann. § 21-11-8.5(C).

1918. N.M. Stat. Ann. § 21-11-8.5(D).

1919. N.M. Code R. § 1.4.1.81.

1920. N.M. Stat. Ann. § 13-1-172; N.M. Code R. § 1.4.1.82.

1921. N.M. Code R. § 1.4.1.85.

at the State Purchasing Agent's discretion.¹⁹²² The Agent (or a State-appointed designee,¹⁹²³ presumably along the lines of an administrative law judge) must issue a written decision granting or denying relief.¹⁹²⁴ Remedies are limited to rescission, cancellation, or amendment of the contract under dispute; the State Procurement Agent lacks the power to grant damages or injunctive relief.¹⁹²⁵ Following any requests for reconsideration,¹⁹²⁶ an unhappy contractor can appeal the Agent's decision to the judiciary pursuant to New Mexico Statutes § 13-1-183.¹⁹²⁷ Such review, however, will be limited to an analysis of the relief the Agent failed to grant; it appears that money damages still are not available in a judicial proceeding.

In the nonprocurement context, New Mexico has enacted a broad immunity from suit,¹⁹²⁸ but the statutory exceptions to immunity include property claims based upon tort.¹⁹²⁹ And it seems very likely that this waiver extends to IP claims. This is in fact unusually clear under New Mexico law:

[a] governmental entity shall provide a defense, including costs and attorney fees, for any public employee when liability is sought for: (1) any tort alleged to have been committed by the public employee while acting within the scope of his duty; or (2) any violation of property rights or any rights, privileges or immunities secured by the constitution and laws of the United States or the constitution and laws of New Mexico when alleged to have been committed by the public employee while acting within the scope of his duty.¹⁹³⁰

Patents and copyrights are "rights . . . secured by the constitution and laws of the United States." Trademarks are creations of State and Federal law, and trade secrets also are "property," at least under Federal law.¹⁹³¹ Moreover, New Mexico has expressly waived its sovereign immunity in regard to trade secret misappropriation¹⁹³² and possibly also for trademark infringement.¹⁹³³

1922. N.M. Code R. § 1.4.1.86.

1923. N.M. Code R. § 1.4.1.90.

1924. N.M. Code R. § 1.4.1.87.

1925. N.M. Code R. § 1.4.1.88.

1926. N.M. Code R. § 1.4.1.89.

1927. N.M. Code R. §§ 1.4.1.87(B), 1.4.1.91.

1928. N.M. Stat. Ann. §§ 41-4-1 through 41-4-29.

1929. N.M. Stat. Ann. § 41-4-4.

1930. N.M. Stat. Ann. § 41-4-4(B).

1931. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

1932. N.M. Stat. Ann. § 57-3A-2(C).

1933. N.M. Stat. Ann. § 57-3B-3(D). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998) & *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver

In light of New Mexico Statutes Annotated Section 41-4-4(B), an IP plaintiff will have strong grounds to argue that the State is liable. No cases interpret these apparent waivers.

Claims ordinarily must be brought in New Mexico's State courts,¹⁹³⁴ and the sovereign immunity waiver expressly does not include a consent to suit in Federal court or a waiver of the State's Eleventh Amendment immunity.¹⁹³⁵ Nevertheless, the United States District Court for the District of New Mexico has held that the State is deemed to have waived sovereign immunity for patent infringement claims if the State has initiated litigation to enforce its own patent rights.¹⁹³⁶ The breadth of this waiver is unclear.¹⁹³⁷

The Government will pay "any settlement or any final judgment entered against a public employee for: (1) any tort that was committed by the public employee while acting within the scope of his duty, or (2) a violation of property rights or any rights, privileges, or immunities secured by the constitution and laws of the United States or the constitution and laws of New Mexico that occurred while the public employee was acting within the scope of his duty."¹⁹³⁸ But damages are capped at \$750,000.¹⁹³⁹

Finally, New Mexico courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 2, § 20, of the New Mexico Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.¹⁹⁴⁰ But in light of

of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1934. N.M. Stat. Ann. § 41-4-18.

1935. N.M. Stat. Ann. § 41-4-4(F).

1936. *Regents of the Univ. of N.M. v. Knight*, 321 F.3d 1111, 1125-1126 (Fed. Cir. 2003).

1937. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had "waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum," but "did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court"); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

1938. N.M. Stat. Ann. § 41-4-4(D).

1939. N.M. Stat. Ann. § 41-4-19.

1940. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

Zoltek v. United States,¹⁹⁴¹ a New Mexico court also could refuse to recognize intellectual property as “property” for Takings purposes.¹⁹⁴²

32. New York¹⁹⁴³

a. Intellectual Property Laws

i. Trade secrets

New York presently protects trade secrets only at common law. A 2008-2009 bill would have adopted the Uniform Trade Secret Act, but has not yet passed.¹⁹⁴⁴ Theories of infringement and trade secret liability hinge primarily on contract law, as would any waiver of government liability for such disclosure. Thus, enforcement of trade secret rights in New York will turn on case-specific analyses of confidentiality agreements, employment and consultant contracts, noncompetition clauses, and physical safeguards intended to protect confidential information.

New York clearly acknowledges the existence of trade secrets within its substantive laws,¹⁹⁴⁵ and the New York Freedom of Information Law contains an exception for trade secrets.¹⁹⁴⁶ The Freedom of Information Law specifically protects data that “are trade secrets or are submitted to an agency by a commercial enterprise or derived from information obtained from a commercial enterprise and which if disclosed would cause substantial injury to the competitive position of the subject enterprise.”¹⁹⁴⁷ New York’s General Specifications for government procurement allow properly-marked materials to be maintained confidentially.¹⁹⁴⁸ Indeed, software acquired by the State

1941. 442 F.3d 1345 (Fed. Cir. 2006).

1942. See *New Mexicans for Free Enter. v. Santa Fe*, 126 P.3d 1149, 2006 N.M.C.A. 7 (N.M. 2005) (noting that, other than claims based upon damage, the New Mexico Takings “jurisprudence in this area does not materially vary from federal jurisprudence”).

1943. Our thanks to the New York State Science & Technology Law Center, Syracuse University College of Law, for its review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

1944. SB 162/AB 2296.

1945. See, e.g., N.Y. Lab. Law § 877 and N.Y. Comp. Codes R. & Regs. § 24-70 (trade secret information concerning a toxic chemical substance may be registered with the Commissioner of Health, and thereafter need not be publicly disclosed); N.Y. Env. Conserv. § 40-0119 (environmental protection agency disclosures); N.Y. Gen. Bus. Law § 370-I (consumer protection laws); N.Y. Econ. Dev. Law § 194 (trade secrets in application submitted pursuant to Industrial Effectiveness Program); N.Y. Pub. Health Law § 4805.

1946. N.Y. Pub. Off. Law §§ 84-90.

1947. N.Y. Pub. Off. Law. § 87(2)(d).

1948. New York Office of General Services, Procurement Guidelines, Appendix B—General Specifications, ¶ 15 (April 2007), available at <http://www.ogs.state.ny.us/procurecouncil/pdfdoc/appendixb.pdf>, (last visited Nov. 10, 2008).

is presumptively a trade secret, and reverse-engineering is prohibited.¹⁹⁴⁹ But courts require more than a conclusory statement that a given record is confidential, and promises by officials to maintain confidentiality are without legal effect unless the records actually belong to one of the statutory exemptions.¹⁹⁵⁰

ii. Trademarks

New York has a standard trademark registration system.¹⁹⁵¹ It implements the substance of the International Trademark Association's Model State Trademark Bill of 1964.¹⁹⁵² "Use," for trademark purposes, must be within the State.¹⁹⁵³ The trademark classification of goods should conform to the classification system used by the United States Patent and Trademark Office.¹⁹⁵⁴ Counterfeiting is punishable as a felony.¹⁹⁵⁵ Courts have discretion to award up to three times profits and actual damages plus reasonable attorney fees and costs where the defendant acted with knowledge or in bad faith.¹⁹⁵⁶

For purposes of infringement, "person" does not include government bodies or agencies, but does cover any "other organization capable of suing and being sued in a court of law."¹⁹⁵⁷ Whether this applies to the State is unclear.

New York also has a series of laws aimed at misappropriation of personality. It is illegal to register a domain name "that consists of the name of another living person, or a name substantially and confusingly similar thereto, without that person's or entity's consent, with the specific intent to profit from such name by selling the domain name for financial gain to that person or any third party,"¹⁹⁵⁸ unless the registration is intended to market an

1949. *Id.* at ¶ 72(h)-(i).

1950. *Wash. Post Co. v. N.Y. State Ins. Dept.*, 61 N.Y.2d 557, 463 N.E.2d 604, 10 (N.Y. 1984).

1951. N.Y. Gen. Bus. Law §§ 360 *et seq.*

1952. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

1953. N.Y. Gen. Bus. Law § 360(h).

1954. N.Y. Gen. Bus. Law § 360-i.

1955. N.Y. Penal Law §§ 165.70 *et seq.*

1956. N.Y. Gen. Bus. Law § 360-m; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

1957. N.Y. Gen. Bus. Law § 360(e). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

1958. N.Y. Gen. Bus. Law § 148(1).

authorized copyrighted work.¹⁹⁵⁹ The statute appears aimed mostly at protecting writers and to a lesser extent musicians.

Use of a person's name, portrait, picture, or voice for advertising is unlawful absent prior written consent. Injunctions and damages—including, where appropriate—punitive damages are available for violations.¹⁹⁶⁰ But New York has rejected the “famous marks” doctrine.¹⁹⁶¹ Thus, while protective of individual privacy, New York law is less protective of famous marks attributable to a business entity or well-known products or services.

iii. Copyrights

The State cannot sell surplus computers if such sales would violate licenses or copyright laws.¹⁹⁶²

New York's Arts & Cultural Affairs Law provides cumulative protections exceeding the scope of U.S. copyright law. Under Section 14.01, an artist who sells a work of fine art is presumed to have retained the reproduction right unless that right is expressly reserved, and in like fashion the assignment of the reproduction right is assumed to not have transferred ownership rights in the underlying work unless the contract expressly so states.

New York regulates the activities of performing-rights societies. Such organizations cannot enter into contracts unless rates are disclosed in writing, and generally are prohibited from engaging in pressure tactics under pain of felony prosecution.¹⁹⁶³ The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.¹⁹⁶⁴

Lastly, New York City has not been shy in asserting its own copyrights. For example, in *New York v. GeoDataPlus LLC*,¹⁹⁶⁵ a Federal district court concluded that digital map files depicting New York City lot lines are copyrightable. According to the court, City planners made significant mapping decisions (placement of coordinates, numbers of coordinates, architectural and geographic features to include or exclude, etc.) that were, collectively, sufficiently “creative” to qualify for copyright protection. The case also makes it clear that the resulting copyrights are owned by the City, not the individual city planners.

1959. N.Y. Gen. Bus. Law § 148(3).

1960. N.Y. Civ. Rights Law § 51.

1961. *ITC Ltd. v Punchgini, Inc.*, 9 N.E.2d 852 (N.Y. 2007).

1962. N.Y. Gen. Mun. Law § 104-c.

1963. N.Y. Art & Cult. Affairs Law § 31.04.

1964. N.Y. Art & Cult. Affairs Law §§ 34.01 *et seq.*

1965. *New York v. GeoData Plus LLC*, 537 F. Supp. 2d 443 (E.D. N.Y. 2007).

iv. Patents

The New York City Administrative Code contains a specific regulation governing the use of patented fire hydrants, stopcocks, and valves. Under Section 24-313, no such device shall be used “unless the patentee . . . shall allow its use without royalty.” Other than that (and laws with respect to university royalty policies, which are discussed below), there are no New York laws addressing patents.

b. Procurement Laws

New York’s Office of General Services Procurement Services Group sets forth policies and procedures for State procurements. Its purchasing manual¹⁹⁶⁶ and procurement guidelines¹⁹⁶⁷ are available online. Under New York’s Finance Law,¹⁹⁶⁸ the Office of General Services (OGS) must purchase on a lowest cost/best value basis, using a competitive bidding system¹⁹⁶⁹ with preferences in certain instances for in-State goods or companies, minority- or women-owned contractors, and disabled-person—or prisoner-created goods.¹⁹⁷⁰ OGS also maintains a list of pre-screened contractors for “mini-bid” procedures.¹⁹⁷¹ OGS is authorized to acquire computer software on a commercial license basis.¹⁹⁷²

New York’s bid procedures are formulated by a ninety-member State Procurement Council, which is charged with streamlining the procurement process “when such products are not required by this article to be acquired from a preferred source and when such products are available in substantially similar function, form or utility and at prices or other terms more economically beneficial for the purposes of the acquiring state agency.”¹⁹⁷³

Disclosure of bid data (other than statistical tabulations of bids) before award is prohibited.¹⁹⁷⁴ There is no specific provision governing post-award disclosure, but New York’s General Specifications (Commodities and

1966. Office of General Services, Procurement Services Group, Customer Services, *Guide to OGS Contracts*, available at <http://www.ogs.state.ny.us/purchase/pdfdocument/Guide.pdf> (last visited Nov. 10, 2008).

1967. <http://www.ogs.state.ny.us/procurecounc/pdfdoc/guidelines.pdf> (last visited Nov. 10, 2008).

1968. See N.Y. Fin. Law §§ 160-168.

1969. See N.Y. Fin. Law § 163.

1970. N.Y. Fin. Law § 162. See Office of General Services, Procurement Services Group, Customer Services, *Guide to OGS Contracts* at 3, 16-17.

1971. See Office of General Services, Procurement Services Group, Customer Services, *Guide to OGS Contracts* at 4.

1972. *Id.*

1973. N.Y. Fin. Law § 161(2)(b).

1974. N.Y. Fin. Law § 163(9)(c).

Non-Technology Services) provides for confidentiality of properly-marked trade secrets in bid materials, as long as the basis for confidentiality is supplied at the time the bid is submitted.¹⁹⁷⁵ Because New York lacks a statutory trade secret law, the confidentiality designation should be directed toward nondisclosure under the Freedom of Information Law. This is confirmed in New York's General Specifications (Commodities and Non-Technology Services) § 36, which provides that (absent marking) information relating to the evaluation of bids may be released under New York's Freedom of Information Law.¹⁹⁷⁶

While few clauses address IP in the procurement context, Paragraph 71 (b) (iii) of the Commodities and Non-Technology Services General Specifications requires that the contractor indemnify the State against "infringement of any law or of a United States Letter Patent with respect to the Products furnished, or any copyright, trademark, trade secret or intellectual proprietary rights," as long as the State gives the contractor prompt notice of the claim.

New York's General Specifications (Technology Products and Services) offers a more detailed set of contract provisions governing IP-intensive procurements.¹⁹⁷⁷ Under Paragraph 15 of the Technology Products and Services General Specifications, contractors must mark confidential materials, comply with Public Officers Law § 89, and submit sufficient evidence that the State end-user can evaluate and accept the claimed exemption. The State reserves the right to re-evaluate any confidentiality claims pursuant to law. The warranties and indemnities provided under the Technology Products and Services General Specification exceed those provided for in the Commodities and Non-Technical Services specification. The Technology Products and Services warranty passes through any manufacturer's warranty, guarantees adequate replacement parts (preferably, but not necessarily, from the manufacturer), and includes a specific no-viruses software warranty.¹⁹⁷⁸ Remarkably, however, Paragraph 82 of the Technology Products and Services General Specifications includes the an even broader comprehensive IP warranty than that set forth in Paragraph 71 of the Commodities and Non-Technology Services General Specifications.

Software acquired pursuant to Technology Products and Services General Specification § 72 (a) carries a "non-exclusive, perpetual license to use,

1975. <http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb.pdf> § 15 (last visited Nov. 10, 2008).

1976. Available at <http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb.pdf> (last visited Nov. 10, 2008).

1977. Available at <http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf> (last visited Nov. 10, 2008).

1978. <http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf> § 71 (last visited Nov. 10, 2008).

execute, reproduce, display, perform, or merge the Product within its business enterprise in the United States up to the maximum licensed capacity stated on the Purchase Order.” The State is permitted to create modifications or customized versions of licensed software, though this does not affect the contractor’s rights to the underlying IP. The software license does not extend to any associated trademarks or trade names. The software company also must supply copies of the software’s documentation and technical package, as specified by the State. These materials are accompanied by a perpetual license to make, reproduce, and distribute the product documentation.¹⁹⁷⁹ Licenses can be conveyed or combined with other functions within the State without authorization from the software vendor.¹⁹⁸⁰ But Paragraph 72 (h) of the Technology Products and Services General Specification also contains a strong affirmation of the vendor’s proprietary rights:

The Product is a trade secret, copyrighted and proprietary product. Licensee and its employees will keep the Product strictly confidential, and Licensee will not disclose or otherwise distribute or reproduce any Product to anyone other than as authorized under the terms of Contract. Licensee will not remove or destroy any proprietary markings of Contractor.

Software source code escrows are expressly permitted.¹⁹⁸¹

Sole-source procurement is permitted “under unusual circumstances and shall include a determination . . . that the specifications or requirements for said purchase have been designed in a fair and equitable manner.”¹⁹⁸² The decision to sole-source an award is reviewable by the State comptroller.

c. Technology Transfer

The State University of New York (SUNY) maintains a centralized technology transfer office, the Research Foundation of the State of New York, which is responsible for technology transfer at each of SUNY’s sixty-four campuses throughout the State.¹⁹⁸³ The Research Foundation itself maintains four campus locations (Stony Brook, Buffalo, Albany, and Binghamton) and has

1979. [Http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf](http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf) ¶ 72(c) (last visited Nov. 10, 2008).

1980. [Http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf](http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf) ¶ 72(e) (last visited Nov. 10, 2008).

1981. [Http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf](http://www.ogs.state.ny.us/procurecounc/pdfdoc/appendixb1.pdf) ¶ 81 (last visited Nov. 10, 2008).

1982. N.Y. Fin. Law § 163(10)(b).

1983. [Https://portal.rfsuny.org/portal/page/portal/Intellectual_property/Technology%20Transfer%20Offices](https://portal.rfsuny.org/portal/page/portal/Intellectual_property/Technology%20Transfer%20Offices) (last visited Nov. 10, 2008).

operating units at thirty other SUNY locations. Overall, SUNY implements its technology-transfer mission via a series of sixteen affiliated corporations, each of which facilitate university-government-industry partnerships and applied research programs.¹⁹⁸⁴ Insofar as SUNY inventions are concerned, the State acquires ownership whenever a university employee develops an invention using university resources.¹⁹⁸⁵ While the policy requires State ownership for inventions generated by sponsored research, it also favors granting the sponsor at least an option to exclusively license the invention.¹⁹⁸⁶

SUNY's Research Foundation provides IP evaluation and protection services, as well as licensing-out assistance.¹⁹⁸⁷

The New York State Science and Technology Foundation (as it is called by statute; its public name appears to be the New York State Foundation for Science, Technology, and Innovation—NYSTAR, for short¹⁹⁸⁸) was created to develop and commercialize cutting-edge technologies within the State.¹⁹⁸⁹ The Foundation is charged with developing "a statewide intellectual property policy to assure that innovations resulting from academic research are commercialized in New York State."¹⁹⁹⁰ To this end, the Foundation operates New York's Centers for Advanced Technology. Monies generated from the commercialization of IP by a Center for Advanced Technology is earmarked for enhancing New York's high-technology industries.¹⁹⁹¹ The Foundation also reports to the Legislature regarding the number of patents granted to each New York educational institution and the revenues generated by IP licensing.¹⁹⁹² New York's university system also encourages the creation of IP by, for example, providing grants for patent acquisition.¹⁹⁹³

1984. https://portal.rfsuny.org/portal/page/portal/The%20Research%20Foundation%20of%20SUNY/home/What_we_do/RF_Overview (last visited Nov. 10, 2008).

1985. Patents and Inventions Policy of State University of New York, tit. 8, ch. V, subch. B, § 335.28(b) of the Official Compilation of Codes, Rules and Regulations of the State of New York, https://portal.rfsuny.org/portal/page/portal/Intellectual_property/tto/POLICIES/mupol001.htm (last visited Nov. 10, 2008).

1986. Current Guidelines of the Patent Policy Board (III), https://portal.rfsuny.org/portal/page/portal/Intellectual_property/tto/POLICIES/mupol001.htm, (Last visited Nov. 10, 2008).

1987. https://portal.rfsuny.org/portal/page/portal/The%20Research%20Foundation%20of%20SUNY/home/Fast_Facts/Technology_Transfer_Numbers (last visited Nov. 10, 2008).

1988. <http://www.nystar.state.ny.us/> (last visited Nov. 10, 2008).

1989. N.Y. Pub. Auth. Law §§ 3101-3110.

1990. N.Y. Pub. Auth. Law § 3152(1)(a).

1991. N.Y. Pub. Auth. Law § 3102-b(3)(d).

1992. N.Y. Pub. Auth. Law § 3155.

1993. N.Y. Exec. Law § 209-p(5).

New York Public Officers Law § 64-A allows extra compensation for State employees pursuant to a patent policy. Specifics on how IP is licensed and which entities take title to joint IP, however, are lacking.

The New York City Bioscience Initiative encourages public-private partnerships with various New York City educational institutions, and offers a series of tax breaks and other incentives intended to lure biotechnology companies to the New York City metro area.¹⁹⁹⁴ The New York City Economic Development Corporation offers the same services to a broader sector of the business community.¹⁹⁹⁵

d. Sovereign Immunity Waivers

New York has enacted a “private person” sovereign immunity waiver:

The state hereby waives its immunity from liability and action and hereby assumes liability and consents to have the same determined in accordance with the same rules of law as applied to actions in the supreme court against individuals and corporations, provided the claimant complies with the limitations of this article.¹⁹⁹⁶

All claims against the State must be heard in the New York State Court of Claims.¹⁹⁹⁷ The Court’s jurisdiction includes “a claim of any person, corporation or municipality against the state for the appropriation of any real or personal property or any interest therein, for breach of contract, express or implied, or for the torts of its officers or employees.”¹⁹⁹⁸ Even if the Court of Claims adopted the *Zoltek v. United States* interpretation of the Patent Act¹⁹⁹⁹ (suggesting that patents are not “property” for Fifth Amendment purposes), this provision still suggests that the State would be liable for IP infringement, and especially for State-based causes of action. Moreover, *Zoltek* appears inconsistent with the U.S. Supreme Court’s decision in *Ruckelshaus v. Monsanto Co.*, which held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁰⁰⁰

But there are no cases specifically supporting either proposition, and one that ruled to the contrary: sovereign immunity was successfully asserted to bar a copyright infringement claim against the City University of New York in *Salerno v. CUNY*, though the Southern District of New York allowed an

1994. [Http://www.nycbiotech.com/overview.html](http://www.nycbiotech.com/overview.html) (last visited Nov. 10, 2008).

1995. [Http://www.nycedc.com/Web/NYCBusinessClimate/IndustryOverviews/IndustryOverviews.htm](http://www.nycedc.com/Web/NYCBusinessClimate/IndustryOverviews/IndustryOverviews.htm) (last visited Nov. 10, 2008).

1996. N.Y. Ct. Cl. Act § 8.

1997. See N.Y. Ct. Cl. Act. § 9.

1998. N.Y. Ct. Cl. Act § 9(2).

1999. 442 F.3d 1345 (Fed. Cir. 2006).

2000. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

*Ex parte Young*²⁰⁰¹ claim to proceed against the two accused University officials.²⁰⁰² The issue of whether the State's waiver of sovereign immunity under the Court of Claims Act also includes Federal and/or State IP causes of action is far from settled.

Assuming the waiver applies, the plaintiff needs to comply with the State's notice-of-claim provisions.²⁰⁰³ The Attorney General must be informed of a tort or personal property claim (and thus presumably an IP claim asserted by a noncontractor) within ninety days of accrual. Provided this notice period is satisfied, the claimant has two years to file suit.²⁰⁰⁴ Decisions by the Court of Claims may be appealed to the appellate division of the Supreme Court of the State of New York (which is in fact the State's intermediate court).²⁰⁰⁵

Unlike in New Jersey, these notice formalities are strictly construed and cannot be waived even by the agency itself,²⁰⁰⁶ though the Court of Claims has discretion to grant relief.²⁰⁰⁷ Absent strict compliance, State agencies are immune from suit.²⁰⁰⁸ The general rule is that a State agency must be given notice prior to initiation of suit. The notice period varies, however. For the Port Authority, notice and a particularized statement of injury must be provided sixty days before suit.²⁰⁰⁹ Personal injury and general tort claims against municipalities must be submitted within ninety days after the injury and must provide at least thirty days' notice before filing suit. By contrast, a claimant seeking relief under an express or implied contract (and thus presumably any State contractor) has six months to notify the Attorney General of its intent to file suit, but like the tort claimant faces a two-year statute of limitations.²⁰¹⁰

Moreover, New York may have separately waived sovereign immunity for trademark infringement to the extent State agencies can sue.²⁰¹¹ No cases address this point.

2001. *Ex parte Young*, 209 U.S. 123 (1908).

2002. *Salerno v. City University of New York*, 191 F. Supp. 2d 352, 357 (S.D. N.Y. 2001).

2003. N.Y. Ct. Cl. Act § 10. See *Hardy v. N.Y. City Health & Hosps.*, 164 F.3d 789, 793-94 (2d Cir. 1999), *Mroz v. City of Tonawanda*, 999 F. Supp. 436, 454 (W.D. N.Y. 1998); *Davidson v. Bronx Mun. Hosp.*, 64 N.Y.2d 59 (N.Y. 1984).

2004. N.Y. Ct. Cl. Act § 10(3).

2005. N.Y. Ct. Cl. Act §§ 24-26.

2006. *Rao v. Port of N.Y. Auth.*, 122 F. Supp. 595, 597 (E.D. N.Y. 1954); *City of N.Y. v. Port Auth.*, 284 A.D.2d 195 (N.Y. 2001).

2007. N.Y. Ct. Cl. Act §§ 10(6), (8).

2008. See, e.g., *Brooklyn Bridge Park Coal. v. Port Auth. of N.Y. & N.J.*, 951 F. Supp. 383, 387 (E.D. N.Y. 1997).

2009. N.Y. Unconsol. Law §§ 7107-7108.

2010. N.Y. Ct. Cl. Act § 10(4).

2011. N.Y. Gen. Bus. Law § 360(e). Cf., *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998) and *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office empowered to sue or be sued in its own name).

Finally, New York courts could view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 7, of the New York Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁰¹² New York courts have followed this analysis in regards to State Takings claims.²⁰¹³ But in light of *Zoltek v. United States*,²⁰¹⁴ a New York court also could refuse to recognize intellectual property (especially patents and copyrights) as “property” for Takings purposes.

33. North Carolina²⁰¹⁵

a. Intellectual Property Laws

i. Trade Secrets

North Carolina has not adopted the Uniform Trade Secrets Act. North Carolina’s Trade Secrets Protection Act²⁰¹⁶ defines a trade secret as:

business or technical information, including but not limited to a formula, pattern, program, device, compilation of information, method, technique, or process that:

- a. Derives independent actual or potential commercial value from not being generally known or readily ascertainable through independent development or reverse engineering by persons who can obtain economic value from its disclosure or use; and
- b. Is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

The existence of a trade secret shall not be negated merely because the information comprising the trade secret has also been developed, used, or owned independently by more than one person, or licensed to other persons.²⁰¹⁷

2012. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2013. *Gazza v. New York State Dept. of Environmental Conservation*, 657 N.Y.S.2d 555, 89 N.Y.2d 603 (N.Y., 1997) (applying *Ruckelshaus* in determining whether regulation upon a landowner interfered with reasonable investment-backed expectations was a takings under the New York Constitution).

2014. 442 F.3d 1345 (Fed. Cir. 2006).

2015. Our thanks to Cheryl L. Junker, J.D., North Carolina State University, Office of Technology Transfer, for her review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2016. N.C. Gen. Stat. §§ 66-152 *et seq.*

2017. N.C. Gen. Stat. § 66-152(3).

This is to be distinguished from the definition under the Uniform Trade Secrets Act:

information, including a formula, pattern, compilation, program, device, method, technique, or process, that:

- (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and
- (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.²⁰¹⁸

North Carolina's law is confined to "business or technical information," while the Uniform Trade Secrets Act covers any "information"; North Carolina covers information having "actual or potential commercial value," rather than "economic value"; and North Carolina has added the "independent creation" and "reverse engineering" provisions.

The law is otherwise operationally similar to the UTSA, except that the burden of proof is unusually heavy. In North Carolina, a trade secret plaintiff must establish a *prima facie* case:

by the introduction of substantial evidence that the person against whom relief is sought both:

- (1) Knows or should have known of the trade secret; and
- (2) Has had a specific opportunity to acquire it for disclosure or use or has acquired, disclosed, or used it without the express or implied consent or authority of the owner.

This *prima facie* evidence is rebutted by the introduction of substantial evidence that the person against whom relief is sought acquired the information comprising the trade secret by independent development, reverse engineering, or it was obtained from another person with a right to disclose the trade secret. This section shall not be construed to deprive the person against whom relief is sought of any other defenses provided under the law.²⁰¹⁹

This provision creates a unique and significant hurdle for trade secret owners, who must submit evidence of a "specific opportunity to acquire" the trade secret "for disclosure or use."

2018. UTSA § 1(3) (1985) (available at <http://www.law.upenn.edu/bll/archives/ulc/fnact99/1980s/utsa85.htm>).

2019. N.C. Gen. Stat. § 66-155.

Like the UTSA, North Carolina defines “person” to include the government, government subdivisions, and government agencies as well as natural persons and corporations.²⁰²⁰

In order to ensure dissemination of government records, North Carolina enacted a Public Records Act.²⁰²¹ The Public Records Act protects proprietary information from disclosure, including trade secrets submitted to the State in the course of public contract bidding or performance.²⁰²²

But the protection is narrower than under the Trade Secrets Act, because there is a requirement that a private person must own the trade secret.²⁰²³ At least one court decision indicates that jointly derived price lists (which are otherwise trade secrets) are jointly owned by the State and a private entity, rendering the exemption under General Statute of North Carolina § 132-1.2 (1) inapplicable.²⁰²⁴ It is unclear, based upon this decision, whether the State would be able to exempt from disclosure research results from public-private joint development projects. At a minimum, however, it is broad enough to protect confidential portions of bids, successful and unsuccessful.²⁰²⁵

Other exceptions prevent disclosure of trade secrets obtained pursuant to required disclosures or from investigations by State governmental agencies.²⁰²⁶

ii. Trademarks

North Carolina has enacted a statutory trademark system based on the International Trademark Association’s Model State Trademark Act. It thus largely tracks the Lanham Act:

The purpose of this Article is to provide a system of State trademark registration and protection substantially consistent with the federal system of trademark registration and protection under the Trademark Act of 1946, 15 U.S.C. § 1051, *et seq.*, as amended. The construction given the federal act should be examined as persuasive authority for interpreting and construing this Article.²⁰²⁷

2020. N.C. Gen. Stat. § 66-152(2).

2021. N.C. Gen. Stat. §§ 132-1–132-1.7.

2022. N.C. Gen. Stat. § 132-1.2.

2023. N.C. Gen. Stat. § 132-1.2(1)(b).

2024. *Wilmington Star-News, Inc. v. New Hanover Reg'l Med. Ctr, Inc.*, 480 S.E.2d 53, 125 N.C. App. 174 (N.C. Ct. App. 1997).

2025. N.C. Gen. Stat. § 132-1.2(1)(c).

2026. *See, e.g.*, N.C. Gen. Stat. § 95-152 (N.C. OSHA); 13 N.C. Admin. Code 10.0111 (labor); 24 N.C. Admin. Code 03.0111.

2027. N.C. Gen. Stat. § 80-1.1.

Under the North Carolina Trademark Registration Act,²⁰²⁸ applicants who use marks within North Carolina are entitled to register with the North Carolina Secretary of State. Registration costs \$75²⁰²⁹ and lasts for ten years, with perpetual ten-year renewal terms²⁰³⁰ as long as the mark remains in use in North Carolina.²⁰³¹ Trademark assignments must be filed with the Secretary of State.²⁰³² Classification of goods follows the Federal template.²⁰³³

Fraudulent registration is actionable,²⁰³⁴ as is trademark infringement.²⁰³⁵ Moreover, a violation of the fraudulent registration or infringement statutes is also punishable as a deceptive or unfair trade practice.²⁰³⁶ Counterfeiting is a criminal offense, which in egregious cases may be punished as a Class H felony.²⁰³⁷ Common-law trademark rights remain undisturbed.²⁰³⁸ Courts have discretion to award treble damages.²⁰³⁹

North Carolina also has enacted specialized statutes for trademarks in use by key industries. A North Carolina timber trademark is exclusive upon adoption and submitted to the register of deeds of the county where the dealer resides.²⁰⁴⁰ Farms may register their “distinctive” names with the county registrar as well. It is unlawful to adopt the same or a confusingly similar name as an existing farm within the same county.²⁰⁴¹ Cattle brands are registered with the clerk of the county board of commissioners where the livestock is maintained.²⁰⁴² Marks on gold and silver cannot misstate their degree of purity.²⁰⁴³

North Carolina has not enacted a trademark dilution law.²⁰⁴⁴

2028. N.C. Gen. Stat. §§ 80-1 *et seq.*

2029. N.C. Gen. Stat. § 80-3.

2030. N.C. Gen. Stat. § 80-5.

2031. N.C. Gen. Stat. § 80-1(g).

2032. N.C. Gen. Stat. § 80-6.

2033. N.C. Gen. Stat. § 80-9.

2034. N.C. Gen. Stat. § 80-10.

2035. N.C. Gen. Stat. § 80-11.

2036. N.C. Gen. Stat. §§ 75-1.1, 80-12.

2037. N.C. Gen. Stat. § 80-11.1.

2038. N.C. Gen. Stat. § 80-13.

2039. N.C. Gen. Stat. § 75-16; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, and John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2040. N.C. Gen. Stat. §§ 80-15–80-23.

2041. N.C. Gen. Stat. §§ 80-33–80-39.

2042. N.C. Gen. Stat. §§ 80-45, 80-57–80-66.

2043. N.C. Gen. Stat. §§ 80-40–80-44.

2044. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.–Dec. 2006).

iii. Copyrights

There are no North Carolina laws relating specifically to copyrights.

iv. Patents

North Carolina regulates invention development services.²⁰⁴⁵ Service providers must disclose in writing the precise tasks that the invention developer will undertake and provide an estimate of costs and fees.²⁰⁴⁶ Invention developers must be bonded²⁰⁴⁷ and maintain records of all projects for at least three years.²⁰⁴⁸

And the State distinguishes between assignable and nonassignable inventions in the employment context. According to North Carolina law,

Any provision in an employment agreement which provides that the employee shall assign or offer to assign any of his rights in an invention to his employer shall not apply to an invention that the employee developed entirely on his own time without using the employer's equipment, supplies, facility or trade secret information except for those inventions that (i) relate to the employer's business or actual or demonstrably anticipated research or development, or (ii) result from any work performed by the employee for the employer. To the extent a provision in an employment agreement purports to apply to the type of invention described, it is against the public policy of this State and is unenforceable.²⁰⁴⁹

However, employees must report all inventions—assignable or nonassignable—in order to facilitate the determination of employee and employer IP rights.²⁰⁵⁰

b. Procurement Laws

Public procurement in North Carolina is administered by the Division of Purchase & Contract and governed by Chapter 143, Article 8, of the North Carolina Statutes as implemented by Title 1, Chapter 5, of the North Carolina Administrative Code. The Division uses a standard competitive procurement system, with quotes and bids requested by electronic or written means.²⁰⁵¹

2045. See N.C. Gen. Stat. §§ 66-209–66-216.

2046. N.C. Gen. Stat. § 66-213.

2047. N.C. Gen. Stat. § 66-214 (no less than \$25,000).

2048. N.C. Gen. Stat. § 66-213(g).

2049. N.C. Gen. Stat. § 66-57.1.

2050. N.C. Gen. Stat. § 66-57.2.

2051. 01 N.C. Admin. Code 05B.0101.

Invitation for Bid and Request for Proposal procurements are permitted.²⁰⁵² Competitive procurement is the norm—“North Carolina’s purchasing program shall be built on the principle of competition”²⁰⁵³—but the Administrative Code also provides for “brand or equal” and “brand specific” procurements.²⁰⁵⁴ There is a modest statutory preference for North Carolina goods, but while this “special interest in North Carolina products is intended to encourage and promote their use, . . . it is not exercised to the exclusion of other products or to prevent fair and open competition.”²⁰⁵⁵

Competition requirements may be waived where “performance or price competition is not available” or “a needed product or service is available from only one source of supply.”²⁰⁵⁶ The State Purchasing Officer also can waive competitive procedures if the officer concludes that competition will not enhance the price or quality of the product or service being purchased.²⁰⁵⁷ This presumably means the State can waive competitive procedures in order to purchase products protected by IP rights. In the case of software, the exception is explicit; competitive purchasing procedures do not apply to “published books, manuscripts, subscriptions to printed material, packaged copyrighted software products, and like material.”²⁰⁵⁸

Bid documents are maintained in confidence before award,²⁰⁵⁹ and trade secrets need not be disclosed upon bid or proposal opening.²⁰⁶⁰ North Carolina’s Purchasing Manual allows State agencies to maintain the confidentiality of properly-marked trade secrets and “like information,” with the important exception of cost data.²⁰⁶¹ The Purchasing Manual’s rule is supported by the State’s Public Records Act, which provides that public agencies should not reveal trade secrets “disclosed or furnished to the public agency in connection with the owner’s performance of a public contract or in connection with a bid, application, proposal, [or] industrial development project.”²⁰⁶²

But—unlike most States—North Carolina’s procurement laws appear to give agencies the discretion to disclose trade secrets. Confidentiality rules only provide that “[t]o promote maximum competition and to protect the public competitive procedure from being used to obtain information which

2052. 01 N.C. Admin. Code 05B.0314.

2053. 01 N.C. Admin. Code 05B.0203(b).

2054. 01 N.C. Admin. Code 05B.0201.

2055. 01 N.C. Admin. Code 05B.0205.

2056. 01 N.C. Admin. Code 05B.1401.

2057. 01 N.C. Admin. Code 05B.1601(b).

2058. 01 N.C. Admin. Code 05B.1601(a)(3).

2059. 01 N.C. Admin. Code 05B.0103,.0210.

2060. N.C. Gen. Stat. § 132-1.2(1).

2061. North Carolina Purchasing Manual, available at <http://www.doa.state.nc.us/PandC/agpurman.htm>, § VII-6 (last visited Nov. 10, 2008).

2062. N.C. Gen. Stat. § 132-1.2(1)(c).

would normally not be available otherwise, the agency which issued the solicitation document *may* maintain the confidentiality of certain types of information,” including “trade secrets, as determined by North Carolina law, and like information.”²⁰⁶³ The Administrative Code’s provisions for public opening of bids are silent on the inclusion of trade secrets.²⁰⁶⁴ It seems clear, though, that in practice trade secrets will be protected in the procurement process.²⁰⁶⁵ The only exception is cost information, which by statute “shall not be deemed confidential.”²⁰⁶⁶

While no standard terms and conditions were found, according to Huffman & O’Sullivan, at least one IT contract with North Carolina provided that the State owns all IP generated using contract funds, and takes a nonexclusive, paid-up, government-purposes license to any contractor IP used in the course of performing the contract.²⁰⁶⁷ It is not clear whether these provisions are unique to the particular contract in question or reflect broader North Carolina policy preferences.

c. Technology Transfer

Inventions created by North Carolina employees are owned by the State.²⁰⁶⁸

North Carolina State University maintains a State Office of Technology Transfer.²⁰⁶⁹ The Office provides forms for licensing, patents, nondisclosure and confidentiality agreements, and so on.²⁰⁷⁰ It provides outreach and commercialization services to industry²⁰⁷¹ and generally encourages the development and exploitation of intellectual property rights.²⁰⁷² The University of North Carolina’s Office of Technology Development follows a similar model, encouraging public-private partnerships.²⁰⁷³

Both the University of North Carolina and North Carolina State University share a common Patent & Copyright Policy.²⁰⁷⁴ The policy is maintained by UNC, but NCSU has developed a more detailed (and therefore more helpful)

2063. 01 N.C. Admin. Code 05B.1501(b) (emphasis added).

2064. See 01 N.C. Admin. Code 05B.0305.

2065. N.C. Gen. Stat. § 143-129.9(a)(2).

2066. 01 N.C. Admin. Code 05B.1501(a).

2067. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 194–95 (2003).

2068. N.C. Gen. Stat. § 143-345.25.

2069. See <http://www.ncsu.edu/ott> (last visited Nov. 10, 2008).

2070. Available at http://www.ncsu.edu/ott/university_forms.html (last visited Nov. 10, 2008).

2071. Available at http://www.ncsu.edu/ott/university_policies.html (last visited Nov. 10, 2008).

2072. See <http://www.ncsu.edu/ott/services.html> (last visited Nov. 10, 2008).

2073. See http://research.unc.edu/otd/policies_and_procedures.php (last visited Nov. 10, 2008).

2074. UNC Patent & Copyright Policies, Policy 500.2, available at <http://intranet.northcarolina.edu/docs/legal/policymanual/500.2.pdf> (last visited Nov. 10, 2008).

set of policy guidelines based on the UNC policy document. NCSU (like UNC) “owns all inventions of University personnel and students, that are made as a part of or as a result of: a) University research; b) activities within the scope of the inventor’s employment by, or in official association with, the University; and c) activities involving the use of University time, facilities, staff, materials.”²⁰⁷⁵ The university retains the right, however, to provide “sponsors” with intellectual property rights in NCSU inventions.²⁰⁷⁶ The inventor will receive no less than 15 percent of the gross royalties received by the university for the invention.²⁰⁷⁷

Copyright ownership is substantially more complex, with a multi-part regulation extending to both NC State and the University of North Carolina that defines when the university has rights in copyrightable works.²⁰⁷⁸ The regulation generally provides the university with title to copyrighted works created at the direction of the university or with university funds and within the scope of the creator’s employment. Various gradations of rights apply depending on whether the creator was faculty, student, or post-doctoral candidate; the quantum of university services used; and so on. The regulation does not specifically address computer software.²⁰⁷⁹

d. Sovereign Immunity Waivers

North Carolina requires tort claims against the State to be brought before a panel of the North Carolina Industrial Commission²⁰⁸⁰ within three years of injury,²⁰⁸¹ with adverse decisions appealed first to the full Commission,²⁰⁸² and then to the North Carolina Court of Appeals.²⁰⁸³ Damages are capped at \$500,000.²⁰⁸⁴ Since losses of property could include IP claims, it is possible

2075. NCSU Patent Policy & Procedures, POL 10.00.1 (3.1), *available at* <http://www.ncsu.edu/policies/research/POL10.00.1.php> (last visited Nov. 10, 2008).

2076. NCSU Patent Policy & Procedures, POL 10.00.1 (3.4).

2077. NCSU Patent Policy & Procedures, POL 10.00.1 (7.3). *See also* Royalty Sharing under NCSU’s Patent Policy And Procedures, *available at* <http://www.ncsu.edu/policies/research/REG10.00.3.php> (last visited Nov. 10, 2008).

2078. *See* UNC Patent & Copyright Policies, Policy 500.2.

2079. NCSU Copyright Regulation—Copyright Implementation Pursuant to Copyright Use and Ownership Policy of the University of North Carolina, Reg. No. 1.25.3, *available at* http://www.ncsu.edu/policies/governance_admin/gov_gen/REG01.25.3.php (last visited Nov. 10, 2008).

2080. N.C. Gen. Stat. § 143-291.

2081. N.C. Gen. Stat. § 143-299.

2082. N.C. Gen. Stat. § 143-292.

2083. N.C. Gen. Stat. § 143-293.

2084. N.C. Gen. Stat. § 143-299.2.

that this waiver could provide an avenue of relief for infringement by the State. No cases address this question.²⁰⁸⁵

North Carolina has waived its sovereign immunity in regard to trade secret misappropriation.²⁰⁸⁶ “Government, governmental subdivision or agency” are included in the definition of “Person” under the Trade Secrets Protection Act,²⁰⁸⁷ and this definition was acknowledged (though not in the context of sovereign immunity) in at least one court decision.²⁰⁸⁸ No cases have interpreted the scope or nature of this waiver.

There also is the question of whether North Carolina would view a State Taking of IP as actionable under the Fifth Amendment of the Federal Constitution or Article I, Section 19, of the North Carolina Constitution.²⁰⁸⁹ The U.S. Supreme Court has held in *Ruckelshaus v. Monsanto Co.* that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁰⁹⁰ However, in light of *Zoltek v. United States*,²⁰⁹¹ it is possible that a North Carolina court could refuse to recognize IP as “property” for Takings purposes.

The North Carolina Supreme Court holds that the State “implicitly consents to be sued for damages on the contract in the event it breaches the contract.”²⁰⁹² This waiver only extends to contracts authorized by statute, however, and thus—as with Federal contracts—highlights the need for proper authority on the part of North Carolina contracting officials.²⁰⁹³

In a procurement dispute, the initial avenue of relief is to appeal up the agency ladder. The offeror must first request a “protest meeting” with the agency’s executive officer or State Purchasing Officer (SPO), identifying

2085. The Federal Government, while acknowledging that IP can sound in tort, has denied relief under 28 U.S.C. § 1346(b) for intellectual property-related offenses through narrow interpretations of the Federal Tort Claims Act. See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

2086. N.C. Gen. Stat. § 66-152(2).

2087. *Id.*

2088. *Wilmington Star-News, Inc. v. New Hanover Reg’l Med. Ctr, Inc.*, 480 S.E.2d 53, 125 N.C. App. 174 (N.C. Ct. App. 1997) (distinguishing between “person” for purposes of the Public Records Act and “person” for purposes of the North Carolina Trade Secrets Act.)

2089. *Finch v. City of Durham*, 384 S.E.2d 8, 325 N.C. 352 (N.C., 1989) (“[a]lthough the North Carolina Constitution does not contain an express provision prohibiting the taking of private property for public use without payment of just compensation, this Court has inferred such a provision as a fundamental right integral to the ‘law of the land’ clause in article I, section 19 of our Constitution”).

2090. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2091. 442 F.3d 1345 (Fed. Cir. 2006).

2092. *Smith v. State*, 222 S.E.2d 412, 423-24 (N.C. 1976).

2093. See *Whitfield v. Gilchrist*, 348 N.C. 39, 42, 497 S. E. 2d 412,414 (N.C. 1998).

specific reasons for the protest. Following a compressed briefing schedule, the executive officer or SPO will render a decision.²⁰⁹⁴ That decision may be the subject of further administrative proceedings under the North Carolina Administrative Procedures Act (APA).²⁰⁹⁵ With respect to APA claims, the State encourages informal resolution in “any dispute between an agency and another person that involves the person’s rights, duties, or privileges.”²⁰⁹⁶ If the informal resolution fails, a “contested case” is referred to an administrative law judge. The plaintiff bears the burden of establishing that the agency “has deprived the petitioner of property . . . or has otherwise substantially prejudiced the petitioner’s right” in a way that exceeded agency authority or otherwise deviated from the agency’s proper procedures.²⁰⁹⁷

Administrative contested cases follow the North Carolina Rules of Evidence, permit deposition, written, and subpoena discovery, and generally conform to the outlines of a State bench trial.²⁰⁹⁸ Final administrative law judge (ALJ) determinations can be appealed to the agency, and then to the North Carolina Superior Court²⁰⁹⁹ within thirty days of the decision.²¹⁰⁰ Review is without a jury.²¹⁰¹ More deference is given to ALJ decisions that were ultimately adopted by the agency.²¹⁰²

34. North Dakota

a. Intellectual Property Laws

i. Trade Secrets

North Dakota has adopted the 1985 amended version of the Uniform Trade Secrets Act.²¹⁰³ Like the Uniform Trade Secrets Act, North Dakota defines “person” to include the government, government subdivisions, and government agencies as well as natural persons and corporations.²¹⁰⁴

In order to disseminate public records, North Dakota passed an open records law at Chapter 44-04 of the North Dakota Century Code. Trade secrets and other “proprietary information” are generally protected from dis-

2094. 01 N.C. Admin. Code 05B.1519.

2095. N.C. Gen. Stat. §§ 150B-1 *et seq.*

2096. N.C. Gen. Stat. § 150B-22. *See also* N.C. Gen. Stat. § 150B-23 (mediation program).

2097. N.C. Gen. Stat. § 150B-31.

2098. N.C. Gen. Stat. §§ 150B-25–150B-31.

2099. N.C. Gen. Stat. §§ 150B-43–150B-52.

2100. N.C. Gen. Stat. § 150B-45.

2101. N.C. Gen. Stat. § 150B-50.

2102. N.C. Gen. Stat. § 150B-51.

2103. N.D. Cent. Code §§ 47-25.1-01 *et seq.*

2104. N.D. Cent. Code § 47-25.1-01(3).

closure by State open records laws.²¹⁰⁵ But the North Dakota Supreme Court has ruled that what may qualify as a trade secret under the Uniform Trade Secrets Act may not be the same as what qualifies as proprietary information exempt from disclosure.²¹⁰⁶ Interestingly, the court's analysis focused only on the *definition* of trade secrets in both acts, and then analyzed the Supreme Court's Federal Takings case of *Ruckelshaus v. Monsanto Co.*²¹⁰⁷ to determine Takings in the context of trade secrets under a Freedom of Information Act release. The court did not address North Dakota's waiver of sovereign immunity for misappropriation. The question of what liability the State has agreed to accept in the trade secret sphere remains unsettled.

North Dakota's procurement laws, which require the opening of sealed bids, do not specifically protect confidential bid information.²¹⁰⁸ Instead, such information is considered "exempt," and may be disclosed at the discretion of the receiving entity.²¹⁰⁹ But the Administrative Code provides that Government officials will not disclose information that could confer competitive advantages²¹¹⁰ and "will handle confidential or proprietary information . . . with due care and compliance with state procurement laws and open records laws."²¹¹¹

Computer software acquired by the State also is exempt from open records laws.²¹¹²

ii. Trademarks

North Dakota's trademark law is located at Century Code Chapter 47-22. Trademarks last for ten years and are renewable for successive ten-year terms for a \$30 fee.²¹¹³ The Secretary of State is charged with notifying registrants ninety days before the term of their trademarks is set to expire.²¹¹⁴ Trademarks are assignable as part of the good will associated with the covered product or business.²¹¹⁵ North Dakota's goods classification list is at Section 47-22-09. Fraudulent registration²¹¹⁶ and infringement²¹¹⁷ are actionable, but there is

2105. N.D. Cent. Code § 44-04-18.4.

2106. *N. States Power Co. v. N.D. Public Service Comm'n*, 502 N.W.2d 240 (N.D. 1993).

2107. 467 U.S. 986 (1984).

2108. N.D. Cent. Code § 44-08-01.1.

2109. N.D. Cent. Code § 44-04-17.1(5).

2110. N.D. Cent. Code § 54-44.4-10(3).

2111. N.D. Admin. Code 4-12-04-03(2).

2112. N.D. Cent. Code § 44-04-18.5.

2113. N.D. Cent. Code § 47-22-05.

2114. *Id.*

2115. N.D. Cent. Code § 47-22-06.

2116. N.D. Cent. Code § 47-22-10.

2117. N.D. Cent. Code § 47-22-11.

no provision for trademark dilution.²¹¹⁸ Available remedies include injunctions, damages, destruction of infringing goods, and disgorgement of the infringer's profits.²¹¹⁹ Punitive damages are not available.²¹²⁰ Chapter 47-22 does not disturb common-law trademark rights.²¹²¹

North Dakota also has a separate chapter (Century Code Chapter 47-25) allowing electronic and paper registration of trade names for \$25. Trademarks appear to be a subset of trade names, which consist generally of "a name assumed to identify the business or activities of an individual or organization" but is not (1) the true name of the organization, or (2) the name of the individual registrant.²¹²² Trade names will be registered by the Secretary of State unless they are "the same as or deceptively similar to any other trade name" or domestic or foreign business name.²¹²³ "Deceptively similar to" is a different standard from the more typical "likelihood of confusion" standard set forth in the North Dakota trademark law.²¹²⁴ In all probability, the trade name law creates a higher burden of proof, because the plaintiff must prove "deceptive" similarity.

A trade name owner can prevent other entities from using the same name via civil suit.²¹²⁵ Trade name assignments must be registered within ninety days of conveyance.²¹²⁶

iii. Copyrights

Unusually, North Dakota has enacted a separate chapter (Chapter 47-21) of the North Dakota Century Code governing copyrights. Because Federal preemption is strong in this area, however, the effects of North Dakota's legislation are largely interstitial. Most provisions were repealed in 1987, but a provision imposing a five percent gross receipts tax "for the act or privilege of selling, licensing, or otherwise disposing of performing rights in music or dramatic-musical compositions in this state" remains intact.²¹²⁷

2118. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.-Dec. 2006).

2119. N.D. Cent. Code § 47-22-12.

2120. N.D. Cent. Code §§ 47-22-11, 47-22-12; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2121. N.D. Cent. Code § 47-22-13.

2122. N.D. Cent. Code § 47-25-01(1).

2123. N.D. Cent. Code § 47-25-03.

2124. Compare N.D. Cent. Code §§ 47-25-03 ("deceptively similar to") with 47-22-02(6) ("a mark that resembles a mark registered in this state . . . as to be likely . . . to cause confusion or mistake or to deceive").

2125. N.D. Cent. Code § 47-25-01(2).

2126. N.D. Cent. Code § 47-25-06.

2127. N.D. Cent. Code § 47-21-08.

Following the repeal of Chapter 47-21, the State enacted Century Code Chapter 47-21.1 (regarding sound recordings and aimed principally at bootleggers) and Chapter 47-21.2 (enacting protections for bars and restaurants subject to performing-rights society licenses). Under Century Code Chapter 47-21.1, all sales of sound recordings require the express consent of the owner.²¹²⁸ The seller must prominently disclose its name and address on any sound recordings it sells, and illegal or unauthorized sound recordings are subject to forfeiture and destruction.²¹²⁹ The manufacture, distribution, or sale of bootleg sound recordings is punishable as a Class C felony.²¹³⁰

Under Chapter 47-21.2, the agents of performing-rights societies may not enter the premises of any bars, inns, restaurants, or suchlike unless they provide the proprietor information concerning specific songs in the society's licensing repertoire and a list of all members and affiliates.²¹³¹ In addition, the agent must provide a photo ID and a description of the reason for the agent's visit.²¹³² The law specifically prohibits "any coercive conduct, act, or practice that is substantially disruptive to a proprietor's business"²¹³³ or "any unfair or deceptive act or practice in negotiating with a proprietor."²¹³⁴ Any contract between a proprietor and a performing-rights society must be in writing and state the schedule of rates and royalty terms, the duration of the contract, and the names and addresses of both parties.²¹³⁵ A proprietor can seek actual damages, attorney fees, and injunctive relief for violations of Century Code Chapter 47-21.2.²¹³⁶

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.²¹³⁷

iv. Patents

North Dakota regulates invention development services contracts—contracts "by which an invention developer undertakes to develop or promote an invention for a customer."²¹³⁸ Every such contract must be in

2128. N.D. Cent. Code § 47-21.1-02.

2129. N.D. Cent. Code §§ 47-21.1-03, 47-21.1-04.

2130. N.D. Cent. Code § 47-21.1-06.

2131. N.D. Cent. Code § 47-21.2-02.

2132. N.D. Cent. Code § 47-21.2-04(1).

2133. N.D. Cent. Code § 47-21.2-04(2).

2134. N.D. Cent. Code § 47-21.2-04(3).

2135. N.D. Cent. Code § 47-21.2-03.

2136. N.D. Cent. Code § 47-21.2-05.

2137. See Vocal Group Hall of Fame Foundation, <http://www.vocalgroup.org/truth.htm> (last visited Nov. 10, 2008).

2138. N.D. Cent. Code § 9-14-01(1).

writing²¹³⁹ and can be unconditionally cancelled by the customer within three business days.²¹⁴⁰ Specific language describing the invention development services must accompany the customer's contract.²¹⁴¹ This disclaimer language includes an explicit statement that "[n]o patent, copyright, or trademark protection will be acquired for you by the invention developer or by this contract."²¹⁴² The law, moreover, requires the invention developer to disclose how many contracted-for inventions have been successfully commercialized. "It is likely that no more than two percent and probably less than one percent of all inventions are successfully developed and promoted."²¹⁴³ Invention developers must be bonded.²¹⁴⁴

The North Dakota State Seed Department is charged with regulating the sale and importation of agricultural seed and plant varieties in North Dakota. It is able to apply for and collect royalties on plant variety patents.²¹⁴⁵ In addition, seeds advertised as being protected under the Federal Plant Variety Protection Act must first be certified as patented by the State Seed Commissioner.²¹⁴⁶

b. Procurement Laws

North Dakota's public procurement law is codified at Century Code Chapter 54-44.4 and implemented by Administrative Code Article 4-12. Competitive bidding is the default rule for all purchases, and contracts ordinarily should be awarded to the lowest-priced responsible bidder.²¹⁴⁷ Competitive sealed proposals are acceptable if bidding "is either not practicable or not advantageous to the state."²¹⁴⁸ Information in sealed bids or proposals is not, however, permanently exempt from public disclosure. Rather, such information qualifies as an "exempt record" under North Dakota's open records law.²¹⁴⁹ Exempt records are "neither required by law to be open to the public, nor . . . confidential, but may be open in the discretion of the public entity."²¹⁵⁰

2139. N.D. Cent. Code § 9-14-02.

2140. N.D. Cent. Code § 9-14-03.

2141. N.D. Cent. Code § 9-14-04.

2142. N.D. Cent. Code § 9-14-04(2).

2143. N.D. Cent. Code § 9-14-04(6).

2144. N.D. Cent. Code § 9-14-06.

2145. N.D. Cent. Code § 4-09-20.

2146. N.D. Cent. Code § 4-09-17.1.

2147. N.D. Cent. Code § 54-44.4-05(1).

2148. N.D. Cent. Code § 54-44.4-10.

2149. N.D. Cent. Code § 54-44.4-10(2).

2150. N.D. Cent. Code § 44-04-17.1(5).

Responsible contractors should be pre-approved by the State's Office of Management and Budget.²¹⁵¹ The State Procurement Office is required to maintain a Web site with procurement and bidding information.²¹⁵²

There are statutory preferences for North Dakota bidders, which should be equal to the preferences conferred on out-of-State bidders by their home States for in-State bids.²¹⁵³ There also is a statutory bias in favor of "environmentally preferable" inks and papers.²¹⁵⁴

Competitive procurement rules can be waived when a product is only available from a single source.²¹⁵⁵ In addition, sole-source procurement is permissible if "the commodity is a component or replacement part for which there is no commercially available substitute and which can be obtained only from the manufacturer."²¹⁵⁶ Both of these provisions seem to open the door to the use of intellectual property rights to restrict open competition. But such uses of IP are statutorily condemned. North Dakota procurement officials

may not specify any trademarked or copyrighted brand or name, nor the product of any one manufacturer, nor any patented product, apparatus, device, or equipment, when the same will prevent proper competition, unless bidders also are asked for bids or offers upon other articles of like nature, utility, and merit. When it is advantageous that the purchase be of a particular brand of product or products or a particular manufacturer to the exclusion of competitive brands or manufacturers, the purchasing board or entity must document those circumstances and provide written justification for the proprietary specification or purpose.²¹⁵⁷

If the product is only available from one source or "other circumstances exist," the requirement of full competition can be waived in favor of a proprietary specification.²¹⁵⁸ But even here the preference is for "limited competitive procurements" where "products or services exclusive to particular individuals or business entities are required and competition for the proprietary product or service exists."²¹⁵⁹

The only other specific guidance concerning the procurement of intellectual property rights in the Century Code appears in Chapter 44-04-18.5,

2151. N.D. Cent. Code § 54-44.4-09.

2152. N.D. Cent. Code § 54-44.4-14. The Web site is located at <http://www.state.nd.us/csd/spo> (last visited Nov. 10, 2008).

2153. N.D. Cent. Code § 44-08-01.

2154. N.D. Cent. Code §§ 54-44.4-07, 54-44.4-08.

2155. N.D. Cent. Code § 54-44.4-05(2)(a).

2156. N.D. Cent. Code § 54-44.4-05(2)(h).

2157. N.D. Cent. Code § 44-08-01(3).

2158. *Id.*

2159. N.D. Admin. Code 4-12-09-02(1)(a).

which exempts software from North Dakota's open records laws, and then goes on to grant the State broad powers to acquire and license software protected by IP rights:

After receiving written approval from the governor, a state agency, institution, department, or board may enter into agreements for the sale, licensing, and distribution of its contracted, licensed, patented, or copyrighted computer software programs. A state agency, institution, department, or board may take any needed action, including legal action, to protect the state's interest in the computer software against improper or unlawful use or infringement and may collect and enforce the collection of any sums due for the licensing or sale of the computer softer. A public entity may enter into agreements for the sale, licensing, and distribution of its licensed, patented, or copyrighted computer software programs.²¹⁶⁰

Thus, the State has broad leeway when creating, acquiring, or licensing software protected by IP rights, but has enacted relatively little guidance for other high-technology purchases or creative efforts.

Outside of these provisions, there do not appear to be any IP provisions that are required by statute to be included in standard State contracts. As such, the State is free to negotiate the IP terms and conditions it needs on a contract-by-contract basis.

c. Technology Transfer

The University of North Dakota has an Intellectual Property Policy that encourages scientific research and scholarship.²¹⁶¹ Each institution is authorized to register and maintain its own trademarks and service marks.²¹⁶² The policy encourages employees to seek patents on inventions, as well as and trademarks where appropriate, and promises royalties for successful commercialization. The university is the presumptive owner of trademarks and patents, although such presumption can be altered by statute in the case of sponsored research.²¹⁶³ By contrast, copyrights are presumptively owned by the author, but the university is entitled to reimbursement for "significant use of institutional resources."²¹⁶⁴ Software is considered a

2160. N.D. Cent. Code 44-04-18.5.

2161. UND Intellectual Property Policy, *available online at* <http://www.und.edu/dept/tc/ppund.html> (last visited Nov. 10, 2008).

2162. State Board of Higher Education Policies § 611.2: Employee Responsibility and Activities: Intellectual Property, ¶ 8 (June 20, 2002), *available at* <http://www.ndus.edu/policies/sbhe-policies/policy.asp?ref=2337> (last visited Nov. 10, 2008).

2163. UND Intellectual Property Policy ¶ VI, VII & State Board of Higher Education Policies § 611.2(3)(d): Employee Responsibility and Activities: Intellectual Property, ¶ 8.

2164. UND Intellectual Property Policy ¶ III.

work-made-for-hire, vesting title in the university, with the employee receiving a maximum 30 percent share of any royalties.²¹⁶⁵

d. Sovereign Immunity Waivers

North Dakota sovereign immunity has been waived for actions in property or tort, with the exception of governmental and operational immunities.²¹⁶⁶ IP claims can sound in tort, but it is unclear whether the State would interpret its waiver to encompass them. The Federal Government has largely rejected tort liability for IP claims.²¹⁶⁷ At a minimum, North Dakota seems to have waived sovereign immunity for trade secret misappropriation.²¹⁶⁸

Outside of trade secrets, the extent to which the waiver applies depends on the extent to which IP qualifies as “property” under North Dakota law. Arguably, intellectual property is a type of property eligible for protection against State action under the Fifth Amendment of the Federal Constitution and Article I, Section 16, of the North Dakota Constitution. The term “property damage” in Century Code Chapter 32-12.1-01 (5) includes “injury to . . . intangible property.” Article I, Section 16, of the North Dakota Constitution specifically protects against takings of private property. *Ruckelshaus v. Monsanto Co.* concludes that trade secrets are property for purposes of Federal Constitutional Takings.²¹⁶⁹ All of these provisions support the proposition that the waiver applies to IP claims. While the interpretation of patents as “property” in the context of Fifth Amendment Takings is called into question by *Zoltek Corp. v. United States*,²¹⁷⁰ Article I, Section 16, of the North Dakota Constitution “is broader in some respects than its federal counterpart because the state provision ‘was intended to secure to owners, not only the possession of property, but also those rights which render possession valuable.’”²¹⁷¹ As such, even if IP is not “property” for Federal Constitutional Takings, there is a chance that the North Dakota Constitution would afford such protections.

2165. State Board of Higher Education Policies § 611.2: Employee Responsibility and Activities: Intellectual Property, ¶ 6 (June 20, 2002).

2166. N.D. Cent. Code §§ 32-12.2-04 (claims against the State), 32-12.1-04 (claims against political subdivisions).

2167. See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). But see *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

2168. N.D. Cent. Code § 47-25.1-01(3).

2169. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2170. 442 F.3d 1345 (Fed. Cir. 2006).

2171. *Wild Rice River Estates v. City of Fargo*, 705 N.W.2d 850, 2005 N.D. 193 (N.D. 2005) (quoting *Grand Forks-Trail Water Users, Inc. v. Hjelle*, 413 N.W.2d 344, 346 (N.D. 1987) quoting *Donaldson v. City of Bismarck*, 71 N.D. 592, 3 N.W.2d 808 Syll. ¶ 1 (N.D. 1942))

Century Code Chapter 32-12.2-10 indicates that this chapter “does not waive the state’s immunity under the Eleventh Amendment to the United States Constitution in any manner, and this chapter may not be construed to abrogate that immunity.” Because the chapter does, on its face, abrogate immunities guaranteed by the U.S. Constitution, the import of this particular section is unclear. But it could be interpreted to distinguish between claims under State law (for which a waiver is enacted under Century Code Chapters 32-12.1 and -12.2) and claims under Federal law (for which Eleventh Amendment immunity continues to apply under Century Code Section 32-12.2-10). If this interpretation is correct, North Dakota has waived liability for trademark infringement (actionable under State and Federal law), Takings- and tort-based theories of trade secret misappropriation, and State procurement-law violations, but not patent or copyright infringement. No cases explore these questions.

In the procurement context, bid protests must be submitted in writing to the Contracting Officer. Adverse rulings may be appealed to the Director of the Office of Management and Budget or the Director’s designee within seven calendar days. The Director will render a decision within seven days of receipt.²¹⁷² Assuming an unsatisfactory result via this process, the State can be sued in North Dakota courts.

The statute of limitations for claims against political subdivisions is three years.²¹⁷³ For claims against the State, a demand must be made to the Director of the Office of Management and Budget within 180 days.²¹⁷⁴ Damages are capped at \$250,000 per plaintiff and \$1,000,000 per occurrence.²¹⁷⁵

35. Ohio²¹⁷⁶

a. Intellectual Property Laws

i. Trade Secrets

Ohio has adopted the 1985 amended version of the Uniform Trade Secrets Act.²¹⁷⁷ Like the Uniform Trade Secrets Act, Ohio defines “person” to include government entities.²¹⁷⁸

2172. N.D. Cent. Code § 54-44.4-12.

2173. N.D. Cent. Code § 32-12.1-10.

2174. N.D. Cent. Code § 32-12.2-04.

2175. N.D. Cent. Code § 32-12.2.02.

2176. Our thanks to Dr. Jean E. Schelhorn, AVP for Commercialization, The Ohio State University, and Mike Mitchell in Ohio State University’s Office of Legal Affairs, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2177. Ohio Rev. Code Ann. §§ 1333.61 *et seq.*

2178. Ohio Rev. Code Ann. § 1333.61(C).

In order to ensure dissemination of public records, Ohio enacted a public records act at Chapter 149 of the Ohio Revised Code. Trade secrets are exempt from Ohio's open records laws.²¹⁷⁹ In addition, "intellectual property records" generated in the course of academic research are excepted from disclosure.²¹⁸⁰ In the procurement context, trade secrets generally will be protected in the invitation-to-bid²¹⁸¹ and request-for-proposal²¹⁸² process. Protection is more robust for trade secrets submitted in response to a Request for Proposal; certain Invitation to Bid information (mostly regarding prices and products) must be disclosed even if it otherwise would qualify as a trade secret.²¹⁸³ Even where certain submitted documents are required to be laid open for inspection, this does not extend to ancillary materials, which may be entitled to separate protection.²¹⁸⁴

ii. Trademarks

Ohio's trademark system²¹⁸⁵ enacts the International Trademark Association Model State Trademark Bill and thus follows the standard form. Marks are registered for a ten-year period and renewable for successive ten-year periods.²¹⁸⁶ The Secretary of State shall create a classification of goods following 15 U.S.C. § 1112.²¹⁸⁷ Civil actions are available for fraudulent procurement,²¹⁸⁸ unauthorized use or reproduction, and counterfeiting.²¹⁸⁹ Plaintiffs are entitled to injunctions, disgorgement of profits, and all damages suffered by the trademark owner as a consequence of the defendant's unlawful use. Remedies against innocent publisher-infringers, however, are limited to an injunction against future infringement.²¹⁹⁰ Punitive damages are not available.²¹⁹¹ Common-law rights are not disturbed by the State's statutory

2179. See, e.g., Ohio Rev. Code Ann. §§ 173.875 ("best Rx program council records), 3750.07 (submissions to emergency planning committee), 3751.04 (chemical formulae submitted to Ohio's department of environmental protection), 4167.12 (worker's compensation records), 6111.05 (pollution investigations), 6121.21 (Ohio water development authority); Ohio Admin. Code 901-10-1-05 (Livestock Environmental Permitting), 3745-34-03 (Ohio EPA), 3750-60-50 (emergency response commission), 4167-8-01 (occupational safety).

2180. Ohio Rev. Code Ann. § 149.43.

2181. Ohio Admin. Code 123-5-1-07(E)(2),(3).

2182. Ohio Admin. Code 123-5-1-08(E).

2183. Ohio Admin. Code 123-5-1-07(E)(2).

2184. *State, ex rel. Allright Parking of Cleveland, Inc. v. Cleveland*, 591 N.E.2d 708, 63 Ohio St. 3d 772 (Ohio 1992).

2185. Ohio Rev. Code Ann. §§ 1329.54-1329.66.

2186. Ohio Rev. Code Ann. §§ 1329.42, 1329.58.

2187. Ohio Rev. Code Ann. § 1329.63.

2188. Ohio Rev. Code Ann. § 1329.64.

2189. Ohio Rev. Code Ann. § 1329.65.

2190. Ohio Rev. Code Ann. § 1329.66.

2191. *Id.*; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

trademark system.²¹⁹² Ohio has not enacted a trademark dilution law,²¹⁹³ but dilution is a recognized common-law tort.²¹⁹⁴

There is a separate provision of Ohio law prohibiting passing-off and other deceptive trade practices, which might afford additional remedies.²¹⁹⁵ Separate penalties apply to counterfeit pharmaceuticals and controlled substances.²¹⁹⁶

Under separate provisions of Ohio law, trade names may be registered for a \$50 fee.²¹⁹⁷ Registered trade names persist for five years and are renewable for successive five-year periods.²¹⁹⁸ Ohio bars trade names that imply an affiliation with the State of Ohio or suggest that the applicant is not incorporated. And rather than a likelihood-of-confusion standard, Ohio merely prohibits registration of a trade name “if it is not distinguishable . . . from any other trade name previously registered.”²¹⁹⁹ Injunctive relief is available for enforcement of trade name rights.²²⁰⁰

Timber dealers are authorized to declare trademarks for branding or labeling their timber.²²⁰¹ The declaration is filed with the clerk of the Court of Common Pleas of the county where the dealer is located, and must run for four weeks in a newspaper published in the county.²²⁰² Timber trademarks branded onto lumber are presumptive evidence of ownership.²²⁰³ Timber trademarks appear otherwise enforceable pursuant to Ohio’s standard trademark laws.

In addition, Ohio has an odd provision requiring all soft drinks to be labeled with appropriate trademarks, and providing for injunctive relief for infringing soft drink marks.²²⁰⁴ It is not clear what motivated this provision, which seems duplicative of both the Lanham Act and Ohio’s general trademark statute.

As part of its Deceptive Trade Practices Act (and apart from its trademark laws), Ohio created a trademark-like cause of action, and specifically allows the use of “certification marks” or “collective marks” to designate geographic origin, mode of manufacture, union manufacturing affiliation,

2192. Ohio Rev. Code Ann. § 1329.67.

2193. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.–Dec. 2006).

2194. *Reed Elsevier, Inc. v. Thelaw.net Corp.*, 269 F. Supp. 2d 942 (S.D. Ohio 2003).

2195. Ohio Rev. Code Ann. §§ 4165.01–4165.04.

2196. Ohio Rev. Code Ann. §§ 2925.01 *et seq.*

2197. Ohio Rev. Code Ann. § 1329.01.

2198. Ohio Rev. Code Ann. § 1329.04.

2199. Ohio Rev. Code Ann. § 1329.02(A).

2200. Ohio Rev. Code Ann. § 1329.26.

2201. Ohio Rev. Code Ann. § 981.01.

2202. Ohio Rev. Code Ann. § 981.02.

2203. Ohio Rev. Code Ann. §§ 981.03, 981.04.

2204. Ohio Rev. Code Ann. § 913.25.

and so on.²²⁰⁵ Generally, this law allows a mark owner to enjoin a third party whose deceptive trade practices cause a likelihood of confusion.²²⁰⁶ The provisions provide similar injunctive relief to trademark infringement and therefore can offer an alternative cause of action where the plaintiff does not seek damages.²²⁰⁷ Significantly, “person” includes governmental entities as well as the government as a whole.²²⁰⁸ As such, Ohio apparently has waived sovereign immunity for violations of the Deceptive Trade Practices Act.

iii. Copyrights

Ohio’s Department of Transportation owns the copyrights to the official highway maps of Ohio.²²⁰⁹ The Department of Natural Resources is empowered to trademark and copyright symbols for use by licensees of Ohio’s natural resource concessions.²²¹⁰ However, at least one court has held that copyrighted State works are releasable pursuant to the Ohio Public Records Act under a fair use exception to the otherwise-exclusive rights of the copyright holder.²²¹¹

iv. Patents

Ohio regulates invention development contracts with individual inventors.²²¹² All such contracts must be in writing²²¹³ and bear, in conspicuous text, the following warning:

The purchase of invention development services is a high risk expenditure. The performance of the services detailed in the contract provides no guarantee or promise of profits, or that your invention or idea will be purchased by a manufacturer. Only a very small percentage of inventions have a chance at receiving profits. An invention developer can assist you in your efforts.²²¹⁴

2205. Ohio Rev. Code Ann. § 4165.01.

2206. Ohio Rev. Code Ann. § 4165.02.

2207. Ohio Rev. Code Ann. § 4165.03.

2208. Ohio Rev. Code Ann. § 4165.01(D).

2209. Ohio Rev. Code Ann. § 149.17.

2210. Ohio Admin. Code 1501-4-04.

2211. *State ex rel. Rea v. Ohio Dept. of Edn.*, 81 Ohio St. 3d 527, 692 N.E.2d 596 (Ohio 1998).

2212. Ohio Rev. Code Ann. §§ 1345.61-1345.68.

2213. Ohio Rev. Code Ann. § 1345.62(B).

2214. Ohio Rev. Code Ann. § 1345.63.

The inventor may cancel an invention development contract for any reason within four days of execution.²²¹⁵

b. Procurement Laws

The Ohio procurement code is at Chapter 125 of the Ohio Revised Statutes, and is implemented in Chapter 123 of the Ohio Administrative Code. Ohio's procurement system is administered by the Director of the Department of Administrative Services, who is empowered to delegate his authority to other State officials.²²¹⁶ Ohio buys goods and services on a competitive sealed invitation to bid²²¹⁷ or request for proposal²²¹⁸ basis, with awards going to the lowest responsive and responsible bidder.²²¹⁹ For invitations to bid, Ohio also has created an Internet-based reverse-auction process.²²²⁰ Ohio Administrative Code Sections 123:5-1-07 (C) and 123:5-1-08 (C) authorize pre-bid and bid conferences to explain a procurement's specifications and answer bidder questions. There are statutory preferences for Ohio business enterprises,²²²¹ recycled or "post-consumer" materials,²²²² and minority-owned businesses,²²²³ all of which are implemented at the local and municipal level by a "model system of preference."²²²⁴ Noncompetitive procurement is allowed for health and welfare emergencies or if prison-labor supply chains are threatened.²²²⁵

The Administrative Code does not speak specifically to intellectual property rights but is generally hostile to sole- or limited-source procurement. The Code provides that "brand name or equal" specifications are permitted in emergency situations. A "brand name or equal" procurement must include a description of the required design, functional, or performance characteristics, and the use of the brand name is not intended to limit competition to suppliers of the branded product.²²²⁶ Brand-specific procurements are only permissible when the brand "will satisfy the state's needs in the most cost-efficient manner," the brand is "necessary to protect the health and well-being of clients of the state," "[e]mergency conditions will not permit acceptance of an alternative brand name supply or service;" and two suppliers are

2215. Ohio Rev. Code Ann. § 1345.62(C).

2216. Ohio Admin. Code 123-5-1-02.

2217. Ohio Admin. Code 123-5-1-07.

2218. Ohio Admin. Code 123-5-1-08.

2219. *See, generally*, Ohio Admin. Code 123-5-1-01 *et seq.*

2220. Ohio Admin. Code 123-5-1-12.

2221. Ohio Admin. Code 123-5-1-06.

2222. Ohio Admin. Code 123-5-1-09.

2223. Ohio Rev. Code Ann. § 125.081.

2224. Ohio Admin. Code 123-5-1-11.

2225. *See* Ohio Admin. Code 123-5-1-04.

2226. Ohio Admin. Code 123-5-1-10(H).

available.²²²⁷ There is no authority to deviate from competitive proposal procedures on account of intellectual property rights.²²²⁸ And indeed, Ohio's procurement guidance documents condemn the idea of design specifications "written so tightly that they may unfairly preclude other vendors from offering their supplies or services; i.e., patent infringements."²²²⁹

From this, it appears that vendors will not enjoy the State's immunity from infringement suits as do Federal contractors under 28 U.S.C. §1498.

Ohio treats trade secrets in Invitation to Bid situations differently than in RFP situations. For an ITB procurement, most trade secret or confidential information contained in bids will be maintained in confidence as long as the relevant materials are readily separable from the bid response, and as long as the Department agrees with the bidder's written designation of proprietary information.²²³⁰ But discretion ultimately rests with the Department, and pricing, makes, models, catalogue numbers, deliveries, and terms of payment—all matters that could conceivably satisfy the definition of "trade secrets" under Ohio Revised Code § 1333.61—must be disclosed regardless of their possible trade secret status.²²³¹ There is no specific provision allowing a bidder to withdraw its bid based on a disagreement with the Department's trade secret determination.

By contrast, in the RFP context, the Director must examine any written assertion of trade secret or proprietary status, and inform the proposer of his conclusion. The bidder may withdraw its proposal at any time before the award. And—unlike in the ITB situation—the Director is empowered to maintain the confidentiality of *any* materials submitted in a proposal.²²³²

Ohio's standard procurement form (rev. 05-01-07) includes a warranty under Paragraph IV (B)(2) that "[n]o Deliverable will infringe on the intellectual property rights of any third party." Paragraph IV (C) requires contractors to indemnify the State if any part of a supplied product or service is accused of infringing any IP laws.²²³³ Outside of these provisions, Ohio's procurement system is reasonably flexible in relationship to IP. The Ohio Procurement Manual recognizes that "a project that requires the delivery of custom-developed intellectual property will have a terms and conditions

2227. Ohio Admin. Code 123-5-1-10(I).

2228. See Ohio Rev. Code Ann. § 127.16.

2229. State of Ohio Department of Administrative Services Procurement Handbook for Supplies and Services § 4.2, available at http://www.procure.ohio.gov/pdf/Pur_Procmanual.pdf (last visited Nov. 10, 2008).

2230. Ohio Admin. Code 123-5-1-07(E)(2)-(3).

2231. Ohio Admin. Code 123-5-1-07(E)(2).

2232. Ohio Admin. Code 123-5-1-08(E).

2233. Available at <http://www.procure.ohio.gov/pdf/iandt10.pdf> (last visited Nov. 10, 2008).

attachment that heavily focuses on ownership of that property.”²²³⁴ There is thus appropriate leeway for the State to negotiate acceptable IP clauses.

Like Georgia, Idaho, and Illinois, Ohio specifically addresses a contractor’s ability to assert restricted- or limited-rights protections in connection with Government IP transactions. Its rules are roughly similar to the Federal rule.²²³⁵

c. Technology Transfer

Patents resulting from State-funded academic research are the sole property of the funding institution. Faculty members have no rights except as set forth by the institution’s policies and procedures.²²³⁶ The institution, however, has plenary powers. It may retain, license, or sell any patents it acquires, as well as grant sponsors ownership of the results of sponsored research. All revenues generated by such conveyances are retained by the institution.²²³⁷ Within the Ohio State University system, all inventions by faculty or staffers must be reported to the university’s Technology Licensing and Commercialization office.

Copyrights for traditional scholarly works generally will remain with the authors, except in the case of software, which is subject to specially negotiated rights between university and author.²²³⁸ Patentable inventions, by contrast, are presumptively owned by the university, though there is a formal royalty-sharing policy that provides individual inventors with thirty-three percent (over \$75,000) to fifty percent (under \$75,000) of monies generated.²²³⁹ In addition, as a matter of State policy and pursuant to Senate Bill 286,²²⁴⁰ university employees are allowed to hold a financial interest in

2234. See *supra* note 2229 at § 5.3.1(2).

2235. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 207 (2003).

2236. Ohio Rev. Code Ann. § 3345.14(B).

2237. Ohio Rev. Code Ann. § 3345.14(C).

2238. There is no model for the contents of these negotiated-rights contracts.

2239. See, generally, Ohio State University Office of Research, Technology Licensing & Commercialization—Policy On Patents and Copyrights, available at <http://research.osu.edu/resources/policies/patents.cfm> (last visited Nov. 10, 2008).

2240. Passed by the Ohio General Assembly on May 24, 2000, amending Ohio Rev. Code Ann. § 3345.14.

start-up ventures commercializing technology generated from university-based research, as long as the venture falls within university start-up guidelines.²²⁴¹

The University of Cincinnati—also a public institution—has implemented similar regulations. Potentially patentable inventions are university-owned, but inventors are entitled to a sliding-scale percentage of royalties from commercialization.²²⁴² Copyrighted literary or artistic works remain the property of the author.²²⁴³

As all of this suggests, Ohio's university sector has a robust technology licensing program. The Ohio State University's Technology Licensing and Commercialization office has a Web site devoted to available technologies—complete with standard nondisclosure agreements and material transfer forms.²²⁴⁴ The University of Cincinnati operates the Cincinnati Creates Companies program in conjunction with the National Science Foundation in order to create and fund technology-based start-ups.²²⁴⁵ In both instances, the university participant will retain some royalty-bearing stake in the IP in question.

Ohio's Economic Development Program²²⁴⁶ provides loans and loan guarantees to in-State enterprises or outside businesses based on new technologies that will create new jobs, preserve existing ones, or otherwise improve the economic welfare of Ohio residents.²²⁴⁷ Allowable costs for grantees include costs associated with developing new technologies and acquiring intellectual property rights:

the costs of research and development of eligible innovation projects; obtaining or creating any requisite software or computer hardware related to an eligible innovation project or the products or services associated therewith; testing . . . , perfecting, and marketing of such products and services; *creating and protecting intellectual property related to an eligible innovation project or any products or services related thereto, including costs of securing appropriate patent, trademark, trade secret, trade dress, copyright, or other form of intellectual*

2241. Final Rule 3335-13-07. See also <http://tlc.osu.edu/inventors/startup.cfm> (last visited Nov. 10, 2008).

2242. University Rule 3361:10-19-01, available at <http://www.uc.edu/Trustees/Rules/RuleDetail.asp?ID=85> (last visited Nov. 10, 2008). See also Ohio Rev. Code Ann. §§ 3345.14, 3361.03.

2243. University Rule 3361:10-19-02, available at <http://www.uc.edu/Trustees/Rules/RuleDetail.asp?ID=84>.

2244. See <http://tlc.osu.edu/industries/> (last visited Nov. 10, 2008).

2245. See <http://www.med.uc.edu/entre/about.cfm> (last visited Nov. 10, 2008).

2246. Ohio Rev. Code Ann. §§ 166.01 *et seq.*

2247. Ohio Rev. Code Ann. § 166.01(C).

*property protection for an eligible innovation project or related products and services. . . .*²²⁴⁸

Ohio law, then, specifically allows the State to fund private entrepreneurial activity leading to the creation of IP rights.

d. Sovereign Immunity Waivers

Ohio has enacted a “private person” sovereign immunity waiver for purposes of tort liability, but requires claims against the State to be brought before a Claims Board.²²⁴⁹ Similar systems have been upheld for the adjudication of IP claims, though not specifically in Ohio.²²⁵⁰ Ohio’s State University system is an arm of the State, and thus is presumptively immune from suit.²²⁵¹ There is no damage cap.

Other aspects of Ohio law tend to support the idea that the Claims Board has jurisdiction over IP claims. We base this conclusion on the unusually comprehensive definition of “property” in Ohio’s Criminal Code. “Property,” under Ohio criminal law, encompasses real, personal, tangible, or intangible items, as well as other interests and licenses not rising to the level of fee simple ownership; it explicitly includes data, computer software, trade secrets, trademarks, copyrights, and patents.²²⁵² Thus, IP infringement may well be a type of “damage to property” compensable as a tort claim.²²⁵³

Outside of tort and property theories, Ohio seems to have waived its sovereign immunity for trade secret misappropriation and deceptive trade practices (a cause of action sharing many commonalities with trademark infringement).²²⁵⁴

It also is possible that the Ohio courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. I, § 19, of the Ohio

2248. Ohio Rev. Code Ann. § 166.01(A) (emphasis added).

2249. Ohio Rev. Code Ann. § 2743.02, 03.

2250. See *Pennington Seed, Inc. v. AgResearch Ltd. v. Produce Exchange No. 299*, 457 F.3d 1334 (Fed. Cir. 2006) (patent claims in Arkansas); *Infomath v. Univ. of Ark. et al.*, 2007 U.S. Dist. LEXIS 95603, 2007 WL 4562878 (E.D. Ark. Dec. 21, 2007) (copyright claims in Arkansas).

2251. *Hall v. Medical College*, 742 F.2d 299, 301 (6th Cir. 1984).

2252. Ohio Rev. Code Ann. § 2901.01(10)(a).

2253. It should be noted that the Federal Government’s definition of property may not include IP. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986(1984) in the trade secret context, assumes that trade secrets are property for purposes of Federal constitutional takings. However, this result was called into question for patents by *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006). Even given the holding in *Zoltek*, it appears that Ohio state law may well maintain that IP is property for purposes of Ohio, versus Federal, law.

2254. Ohio Rev. Code Ann. §§ 1333.61(C) (trade secrets), 4165.01(D) (deceptive trade practices).

Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis,²²⁵⁵ and Ohio courts have adopted the same analysis for Takings under the Ohio Constitution.²²⁵⁶ But in light of *Zoltek v. United States*,²²⁵⁷ an Ohio court also could refuse to recognize intellectual property as “property” for Takings purposes.

Ohio probably can be sued for breach of contract, which would therefore extend to intellectual property disputes arising through contract breaches.²²⁵⁸ Where Ohio asserts infringement of State-owned intellectual property, it might have waived its sovereign immunity.²²⁵⁹

36. Oklahoma²²⁶⁰

a. Intellectual Property Laws

i. Trade Secrets

Oklahoma has adopted the 1985 amended version of the Uniform Trade Secrets Act.²²⁶¹ Like the Uniform Trade Secrets Act, Oklahoma defines “person” to include government entities.²²⁶²

2255. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2256. *State ex rel. Anderson v. Obetz*, 2008 Ohio 4064 (Ohio App. 8/12/2008) (applying *Ruckelshaus* in the context of rezoning of property).

2257. 442 F.3d 1345 (Fed. Cir. 2006).

2258. *Baum Research and Dev. Co., Inc. v. University of Massachusetts at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

2259. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

2260. Our thanks to Steve Biggers, Deputy Director of the Oklahoma Center for the Advancement of Science and Technology, and Steve Price of Oklahoma State University for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2261. Okla. Stat. tit. 78 §§ 85-94.

2262. Okla. Stat. tit. 78 § 86(3).

Oklahoma also has enacted an Open Records Act to ensure dissemination of public records.²²⁶³ Oklahoma's Open Records Act does not include as a record computer software,²²⁶⁴ exempts computer software from disclosure,²²⁶⁵ and protects trade secrets from disclosure to the extent the record in question is "specifically required by law to be kept confidential."²²⁶⁶ Data discovered during investigations, regulatory reporting requirements, and litigation all are "specifically protected by law."²²⁶⁷ There is another exception to protect proprietary information developed during research with a State entity if release would harm patent, copyrights, or trade secrets in the material.²²⁶⁸ It is unclear if the Trade Secret Act itself is such a law, but a mere promise not to disclose is insufficient if the official making the promise lacks statutory authority to enforce that promise.²²⁶⁹ Damages for unauthorized disclosure or use can include actual losses, the unjust enrichment caused by misappropriation, or a reasonable royalty.²²⁷⁰ Misappropriation of trade secrets is punishable as larceny under Oklahoma law; the value of the trade secrets determines whether the theft is petty or grand.²²⁷¹

ii. Trademarks

Oklahoma maintains a trademark registration system that largely tracks Federal law.²²⁷² Oklahoma's classification of goods is found at Title 78, Section 29. Proof of continuous use for five years is sufficient to overcome a holding of descriptiveness.²²⁷³ Oklahoma trademarks last ten years and are renewable in perpetuity for successive five-year periods for \$25.²²⁷⁴ Assignment of an Oklahoma trademark must be recorded with the Secretary of State and also is accompanied by a \$25 fee.²²⁷⁵ Fraudulent registration is a tort,²²⁷⁶ as is trademark infringement.²²⁷⁷ Injunctions, damages (including lost profits or the infringer's profits), and destruction of infringing goods all

2263. Okla. Stat. tit. 51 §§ 24A.1-24A.29.

2264. Okla. Stat. tit. 51 §§ 24A.3(1)(a).

2265. Okla. Stat. tit. 51 § 24A.10(B)(3).

2266. Okla. Stat. tit. 51 § 24A.5(1).

2267. Okla. Stat. tit. 51 § 24A.19; Okla. Stat. tit. 27A § 2-5-105 (Oklahoma Clean Air Act); Okla. Stat. tit. 36 § 987 (rate filings); Okla. Stat. tit. 78 § 90 (litigation proceedings).

2268. Okla. Stat. tit. 51 § 24A.19.

2269. *Tulsa Tribune Co. v. Fulton*, 696 P.2d 497 (Okla. 1984).

2270. Okla. Stat. tit. 78 § 88(A).

2271. Okla. Stat. tit. 21 § 1732.

2272. Okla. Stat. tit. 78 §§ 21 *et seq.*

2273. Okla. Stat. tit. 78 § 22(e)(3).

2274. Okla. Stat. tit. 78 § 25.

2275. Okla. Stat. tit. 78 § 26.

2276. Okla. Stat. tit. 78 § 30.

2277. Okla. Stat. tit. 78 § 31.

are available remedies.²²⁷⁸ Punitive damages are not available.²²⁷⁹ Oklahoma has not enacted a trademark dilution law.²²⁸⁰

Counterfeiting (or possession or sale of counterfeit goods) is illegal and carries the possibility of confiscation²²⁸¹ and an order of restitution, in addition to other criminal penalties.²²⁸² Obliteration of trademarks on electronic devices intended for sale is a misdemeanor.²²⁸³

iii. Copyrights

Oklahoma's State folk song is "Oklahoma Hills" by Woody and Jack Guthrie. It is not clear whether Oklahoma pays royalties to the Guthries for the use of their song in this manner. The State does require any State use of the song to be "preceded by notice of the intended nonprofit use to the copyright holder."²²⁸⁴

As is reasonably common, the music copyright enforcement activities of performing-rights societies are regulated. Before entering into or offering to enter into a contract, and every year thereafter, a performing-rights society must provide a written schedule of rates and royalties. All such contracts must be written and signed. Agents of performing-rights societies must present identification and disclose their affiliation before entering "beyond the usual customer area of a proprietor's business"; may not charge or collect unreasonably different royalties from different establishments in the same area; may not "[e]ngage in any coercive conduct, act or practice that is substantially disruptive of a proprietor's business"; "[u]se or attempt to use any unfair or deceptive act or practice in negotiating with a proprietor"; or fail to comply with Oklahoma's regulation of such activities. Violations are punishable by fines of up to \$10,000, and injunctions plus actual damages and attorney fees are available to aggrieved proprietors.²²⁸⁵

Oklahoma also has an anti-bootlegging statute aimed at the sale of unauthorized concert recordings, movies, television shows, *et cetera*.²²⁸⁶

2278. Okla. Stat. tit. 78 § 32.

2279. Okla. Stat. tit. 78 §§ 31, 32; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2280. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.-Dec. 2006).

2281. Okla. Stat. tit. 21 § 1981.

2282. Okla. Stat. tit. 21 §§ 1979, 1980, 1990-1990.2.

2283. Okla. Stat. tit. 21 § 1546.

2284. Okla. Stat. tit. 25 § 94.8.

2285. Okla. Stat. tit. 15 § 790.

2286. Okla. Stat. tit. 21 § 1975.

The maximum penalty for repeat offenders selling large volumes of pirated material is \$100,000 plus five years in jail.²²⁸⁷

iv. Patents

Oklahoma pays close attention to patent development. Royalties on technologies developed in Oklahoma and registered with the Oklahoma Center for the Advancement of Science and Technology (OCAST) are tax-free for seven years, while in-State manufacturers of the technology enjoy a sizeable tax credit.²²⁸⁸ Registration with OCAST costs \$100, and thus seems an obvious choice for a qualified inventor or company.²²⁸⁹

Oklahoma law also governs relations between “invention developers” and customers. Invention developers are entities hired to develop specific technologies for clients. The target appears to be consulting engineers. In either the first written communication or at the first in-person meeting between an invention developer and his prospective customer, the developer must state (a) the median fee charged to customers in the preceding six months, (b) the total number of customers that have contracted with the developer, (c) the number of customers who have made more money on their inventions than the developer charged them, and (d) a disclaimer indicating that the developer cannot provide legal advice and will not procure IP protection for the invention.²²⁹⁰ The disclaimer reads:

Unless the invention developer is an attorney, he is not permitted to give you legal advice concerning patent, copyright or trademark law or to advise you of whether your idea or invention may be patentable or may be protected under the patent, copyright or trademark laws of the United States or any other law.

No patent, copyright or trademark protection will be acquired for you by the invention developer. Your failure to inquire into the law governing patent, copyright or trademark matters may jeopardize your rights in your idea or invention, both in the United States and in foreign countries. Your failure to identify and investigate existing patents, trademarks or registered copyrights may place you in jeopardy of infringing the copyrights, patent or trademark rights of other persons if you proceed to make, use, distribute or sell your idea or invention.²²⁹¹

2287. Okla. Stat. tit. 21 §§ 1976-1978.

2288. Okla. Stat. tit. 74 § 5064.7.

2289. Okla. Stat. tit. 74 § 5064.6(A).

2290. Okla. Stat. tit. 15 § 685.

2291. Okla. Stat. tit. 15 § 685(3).

Invention development contracts may be terminated for any reason within three days of signature.²²⁹²

b. Procurement Laws

Oklahoma procurements generally are subject to the Central Purchasing Act.²²⁹³ The Central Purchasing Act employs standard competitive bid and proposal procedures for any contract worth more than \$25,000.²²⁹⁴ Where possible, bidding now takes place online.²²⁹⁵ There is a specific affirmative-action provision²²⁹⁶ and a strict reciprocity clause, which has the effect of penalizing bidders from States that discriminate in favor of in-State vendors.²²⁹⁷

Sole-source and sole-brand procurements are permissible.²²⁹⁸ Indeed, the State Purchasing Director has the authority to select a “particular brand, model, or other specific classification of each acquisition.”²²⁹⁹ But the exercise of such authority is frowned upon. Sole-source or name-brand purchases are permitted only upon affidavit stating the reasons competitive bidding is impossible or impractical.²³⁰⁰ The statute does not identify what kinds of reason would suffice, but false statements can be charged as perjury.²³⁰¹ And all noncompetitive procurements are reported to the Oklahoma Legislature monthly.²³⁰²

The Department of Central Services has the exclusive right “to negotiate and contract for the retention of patents and copyrights on material and property developed through state contracts subject to the Central Purchasing Act” absent specific authority to the contrary.²³⁰³ Despite this language, however, patented and copyrighted material “developed by contracts subject to the Central Purchasing Act” are presumptively owned by the State of Oklahoma.²³⁰⁴ As Huffman and O’Sullivan observe, these two provisions appear to be in tension, as one assumes State ownership of IP while the other

2292. Okla. Stat. tit. 15 § 684.

2293. Okla. Stat. tit. 74 §§ 85.2 *et seq.*

2294. Okla. Stat. tit. 74 § 85.5.

2295. Okla. Stat. tit. 74 §§ 85.45o-85.45s.

2296. Okla. Stat. tit. 74 §§ 85.45-85.45i.

2297. Okla. Stat. tit. 74 § 85.17A.

2298. *See, e.g.*, Okla. Stat. tit. 74 §§ 85.2 (29), (30).

2299. Okla. Stat. tit. 74 § 85.5(B).

2300. Okla. Stat. tit. 74 § 85.45j.

2301. Okla. Stat. tit. 74 § 85.45j(4).

2302. Okla. Stat. tit. 74 § 85.45j(9).

2303. Okla. Stat. tit. 74 § 85.60(A).

2304. Okla. Stat. tit. 74 § 85.60(B).

merely allows the State to negotiate for ownership rights.²³⁰⁵ No cases explore this tension, but it appears that the second provision creates a presumption of ownership, while the first provision defines who in the State is empowered to negotiate to achieve other rights as need be.

Procurement documents are public, but bidder “financial or proprietary information” may be withheld by the State Purchasing Director.²³⁰⁶ Further, there is an exemption from revealing bid information whose release would give an advantage to other bidders prior to bid opening or award.²³⁰⁷ Computer programs are also explicitly not to be disclosed, thereby allowing the State to prevent release of proprietary software developed by or for the State.²³⁰⁸ Materials protected by IP rights may be sold or licensed by the Department of Central Services without declaring them “surplus.” All proceeds from the licensing or sale of Oklahoma IP assets are placed into the General Fund.²³⁰⁹

c. Technology Transfer

The Oklahoma Science and Technology Research and Development Act created the Oklahoma Science and Technology Research and Development Board, which in turn controls the Oklahoma Center for the Advancement of Science and Technology and the Oklahoma Institute of Technology.²³¹⁰ These entities are empowered to invest in Oklahoma high-tech enterprises by way of grant or otherwise; to enhance infrastructure in order to attract high-technology companies; and encourage technology transfer and proliferation.²³¹¹ The Board is empowered to hold and license patents, copyrights, and “proprietary processes,”²³¹² as well as set policies governing royalties and suchlike, both for the Science and Technology Research and Development Board and for Oklahoma educational facilities.²³¹³ Any licenses granted to patented or otherwise protectable IP deriving from such funds “shall be developed or produced by an Oklahoma-based firm or . . . a legitimate effort shall be made to apply the results of financial or other assistance in a manner

2305. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 197 (2003).

2306. Okla. Stat. tit. 74 § 85.10.

2307. Okla. Stat. tit. 51 § 24A.10.

2308. Okla. Stat. tit. 51 § 24A.10(B)(3).

2309. Okla. Stat. tit. 74 § 85.60(C).

2310. <http://www.ocast.state.ok.us/Home/tabid/36/Default.aspx> (last visited Nov. 10, 2008).

2311. Okla. Stat. tit. 74 §§ 5060.1 *et seq.*

2312. Okla. Stat. tit. 74 § 5060.9(16).

2313. Okla. Stat. tit. 74 § 5060.9(17).

that has a reasonable potential to create or enhance employment or other factors contributing to economic growth within Oklahoma.”²³¹⁴ Funded technologies under OCAST’s Inventors Assistance Program only bear a 10 percent surcharge on all royalties, payable to OCAST.²³¹⁵ This is not true for other OCAST activities.

Similarly, the Oklahoma Department of Commerce’s Product Development Assistance Program authorizes grants to in-State enterprises and provides licensing assistance.²³¹⁶ Any licensees bear a 20 percent royalty for any product commercialized under the Product Development Program.²³¹⁷ Rules are less well-defined for the VISION Pilot Program, but even there collaborations resulting in copyrightable software are subject to the royalty-sharing provisions of Oklahoma Statute Title 74 § 85.60.²³¹⁸

Oklahoma’s universities are not subject to the Central Purchasing Act.²³¹⁹ Perhaps for that reason, the University of Oklahoma has developed a sophisticated (and rather different) IP creation and procurement system. Oklahoma’s higher education system allows both employees and institutions to receive royalties from the commercialization of IP.²³²⁰ Technology development and transfer is actively encouraged,²³²¹ and is managed by institutions including the Oklahoma State University Division of Research and Technology Transfer²³²² and the OSU Office of Intellectual Property Management.²³²³

Under Oklahoma law and policy, the institution generally enjoys full rights to technology developed by institution employees within the scope of their employment. Thus, Oklahoma State University specifically encourages “bringing University Intellectual Property into the public realm” and promotes “utilization of such property for the public benefit” by creating a system under which the university owns but the inventor-employee shares in revenues generated by employee inventions within the scope of the employee’s employment.²³²⁴ The university also actively encourages

2314. Okla. Stat. tit. 74 § 5060.10.

2315. Okla. Stat. tit. 74 § 5064.6(B).

2316. Okla. Stat. tit. 74 §§ 5066.1 *et seq.*

2317. Okla. Stat. tit. 74 § 5066.5.

2318. Okla. Stat. tit. 70 § 1210.727.

2319. Okla. Stat. tit. 74 § 85.3A(2).

2320. Okla. Rule 257-20-1-4.

2321. Okla. Stat. tit. 70 § 3206.3.

2322. http://system.okstate.edu/planning/plans/stw_rtt_AreaPlan-DivisionofResearchandTechnologyTransfer.php (last visited Nov. 10, 2008).

2323. <http://vpr.okstate.edu/ipm/> (last visited Nov. 10, 2008).

2324. OSU Policies and Procedures No. 1-0202, Rules 1.01 and 1.02.

“Sponsored Research.”²³²⁵ Sponsored Research involves industry funding of and collaboration with university scientific research. In exchange for industry funding and participation, the university maintains ownership of IP but licenses the technology to industry:

[t]he University understands the Company’s need to create or maintain a competitive market position. We know that one of the prime reasons the Sponsor has entered this Research Agreement is an effort to secure, through the creation or enhancement of technologies, a market position with regard to its products or processes. The University also knows that the time and resources needed to commercialize technologies will not be invested by a company unless it can be assured of a solid position in regard to any inventions.

Thus under this Agreement, the University retains ownership to intellectual property developed by University faculty. The University then offers an option for a license. The University remains flexible in its negotiations of intellectual property issues, so long as the principal interests of the University and its constituencies are served.²³²⁶

Under the University of Oklahoma’s Sponsored Research Guidelines, the university has an affirmative duty “to freely disseminate the results of research.” It balances this imperative, however, against “the concerns of industry that such publications not jeopardize the potential to commercialize important discoveries.” The university resolves these tensions by giving sponsors the right of pre-publication review on all papers and presentations. If proprietary information is included in such materials, the university either will delay publication so that the sponsor can seek patent protection, or else will remove the proprietary information entirely.²³²⁷ The university’s Model Company Research Agreement includes a Mutual Confidentiality Agreement.²³²⁸

Even more interesting is Oklahoma State University’s pilot authority to assign intellectual property to industrial sponsors. OSU has been experimenting with a system in which the university assigns outright the results of industry-sponsored research to the industrial sponsor, particularly in cases where the probability of patenting/licensing by the university itself is

2325. Guidelines for Use of the Sponsored Research Agreement—Oklahoma State University, available at <http://www.vpr.okstate.edu/Forms/Forms 2006/OSU Sponsored Res Agrmnt Guide.doc> (last visited Nov. 10, 2008).

2326. *Id.*

2327. *Id.*

2328. Oklahoma State University/Company Research Agreement—Mutual Confidentiality Agreement, available at [http://vpr.okstate.edu/ipm/forms/OSUConfAgm\(OCT2004\).rtf](http://vpr.okstate.edu/ipm/forms/OSUConfAgm(OCT2004).rtf) (last visited Nov. 10, 2008).

low. Oklahoma State's forward-thinking program appears to be the first in the country, and could represent a model for other educational institutions to follow.

d. Sovereign Immunity Waivers

Oklahoma has enacted a Governmental Tort Claims Act, which largely permits statutory tort suits but carves out broad exceptions for governmental and operational functions.²³²⁹ The Act sets forth the precise scope of the State's waiver; Oklahoma otherwise "adopt[s] the doctrine of sovereign immunity"²³³⁰ and confirms that "it is not the intent of the state to waive any rights under the Eleventh Amendment to the United States Constitution."²³³¹

Contractual privity is not required. Beginning with the Act's definitions, statutory "claimants" include "any person holding an interest in . . . personal property which suffers a loss."²³³² Any "injury to the body or rights of a person or damage to . . . personal property or rights therein" qualifies as a "loss."²³³³ A tort actionable under the Act includes any "legal wrong, independent of contract, involving a violation of a duty imposed by general law or otherwise."²³³⁴

The State's waiver is based on liabilities existing "under the laws of this state":

The state or a political subdivision shall be liable for loss resulting from its torts or the torts of its employees acting within the scope of their employment subject to the limitations and exceptions specified in this act and only where the state or political subdivision, if a private person or entity, would be liable for money damages under the laws of this state.²³³⁵

Patents and copyrights are Federal in origin, though—as we have noted—a handful of Oklahoma statutes regulate marginal aspects of these core IP laws. Trademark and trade secret law, by contrast, are well-developed at the State level. For purposes of finding trade secret misappropriation, Oklahoma defines "person" to include the government.²³³⁶ So on the face of things, it is

2329. Okla. Stat. tit. 51 §§ 151-160.

2330. Okla. Stat. tit. 51 § 152.1(A).

2331. Okla. Stat. tit. 51 § 152.1(B).

2332. Okla. Stat. tit. 51 § 152(4)(a).

2333. Okla. Stat. tit. 51 § 152(6).

2334. Okla. Stat. tit. 51 § 152(11).

2335. Okla. Stat. tit. 51 § 153(A).

2336. Okla. Stat. tit. 78 § 86(3).

not entirely clear whether Oklahoma's tort waiver extends to IP claims by parties not under contract to the State. Intellectual property claims do not fall within any of the thirty-three enumerated exclusions under the Act.²³³⁷ It seems likely, though, that litigants can assert trade secrets and State trademarks against Oklahoma.

Claims are handled by the Oklahoma Department of Central Services, Risk Management Division.²³³⁸ Claims must be presented to the Office of the Risk Management Administrator of the Department of Central Services in writing within a year of accrual.²³³⁹ Any lawsuit must be filed within 180 days of the Department's final rejection of the claim.²³⁴⁰ Damages are capped at \$1,000,000.²³⁴¹

Contractors, of course, also enjoy contractual remedies against the State. Though Oklahoma has not created a separate administrative review process for bid protests and procurement disputes, contracts with the State are "mutually binding"²³⁴² and enforceable in the State's court system.

It also is possible that the Oklahoma courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. II, § 24, of the Oklahoma Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.²³⁴³ But in light of *Zoltek v. United States*,²³⁴⁴ an Oklahoma court also could refuse to recognize IP as "property" for Takings purposes.

37. Oregon

a. Intellectual Property Laws

i. Trade secrets

Oregon has adopted the 1985 amended version of the Uniform Trade Secrets Act.²³⁴⁵ Like the Uniform Trade Secrets Act, Oregon defines "person" to include government entities.²³⁴⁶

2337. Okla. Stat. tit. 51 § 155.

2338. See <http://www.ok.gov/DCS/> (last visited Nov. 10, 2008).

2339. Okla. Stat. tit. 51 § 156.

2340. Okla. Stat. tit. 51 § 157.

2341. Okla. Stat. tit. 51 § 154.

2342. Okla. Stat. tit. 74 § 85.2(10).

2343. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2344. 442 F.3d 1345 (Fed. Cir. 2006).

2345. Or. Rev. Stat. §§ 646.461-646.475.

2346. Or. Rev. Stat. § 646.461(3).

Oregon also has implemented an Open Records Act in order to ensure that public documents are disseminated.²³⁴⁷ There are a number of specific prohibitions on the release of particular items of confidential information throughout the Oregon Revised Statutes.²³⁴⁸ Further, there is a general prohibition on release of trade secrets and purchased computer software.²³⁴⁹ The confidentiality of trade secrets against the Public Records Act specifically applies to bids before and after award.²³⁵⁰ However, release of trade secrets and computer programs will be required twenty-five years after submission.²³⁵¹

In addition to the Uniform Trade Secrets Act's provisions, Oregon's Little FDA Act specifically prohibits

The use by any person to the person's own advantage, or disclosure, other than to the Director of Agriculture or the authorized representative of the director or to the courts when relevant in any judicial proceeding . . . , of any information acquired under the authority of ORS 616.205 to 616.385 [Oregon's Little FDA Act] concerning any method or process which is a trade secret entitled to protection.²³⁵²

Oregon's Computer Crime Act straddles the border between copyright and trade secret law. It prohibits the use of a computer to commit "theft, including, but not limited to, theft of proprietary information."²³⁵³ "Proprietary information" includes, but is not strictly limited to, information that would satisfy the definition of "trade secrets" under Oregon law:

"Proprietary information" includes any scientific, technical or commercial information including any design, process, procedure, list of customers, list of suppliers, customers' records or business code or improvement thereof that is known only to limited individuals within an organization and is used in a business that the organization conducts. The information must have actual or

2347. Or. Rev. Stat. §§ 192.410 *et seq.*

2348. Or. Rev. Stat. §§ 65.805 (hospital asset transfers), 305.430 (tax court proceedings), 453.332 (hazardous materials), 465.250 (confidential information received related to environmental remedial action), 522.365 (geothermal well operations), 654.120 (consumer and business investigations), 654.196 (piping of hazardous substances), and so on. *See also* Or. Admin. R. 731-070-0160(3)(f)(B) (Department of Transportation Public-Private Innovative Partnerships Program).

2349. Or. Rev. Stat. § 192.501(2), (15).

2350. Or. Rev. Stat. § 279B.055(5). *See also* Or. Rev. Stat. § 279C.105 (preventing release of trade secrets in architectural services bids).

2351. Or. Rev. Stat. § 192.495.

2352. Or. Rev. Stat. § 616.215(11).

2353. Or. Rev. Stat. § 164.377(2)(c).

potential commercial value and give the user of the information an opportunity to obtain a business advantage over competitors who do not know or use the information.²³⁵⁴

Note that this definition does not require “efforts that are reasonable under the circumstances to maintain its secrecy” of the information in question, as would be required under the Oregon Trade Secrets Act.²³⁵⁵

ii. Trademarks

Oregon’s trademark law, found at ORS Chapter 647, implements the substance of the International Trademark Association’s Model State Trademark Bill of 1964.²³⁵⁶ Applications for registration require a showing of both use in commerce and use in Oregon.²³⁵⁷ Trademarks last for five years and are renewable indefinitely.²³⁵⁸ Oregon also has its own schedule of goods and services, rather than (as is more typical) adopting the International Classification of Goods.²³⁵⁹ Registration is presumptive unless the applied-for mark will cause confusion with an existing mark.²³⁶⁰ An earlier Federal registration is sufficient to reject a later State application.²³⁶¹

The law creates a civil action for trademark infringement and counterfeiting. A plaintiff can recover statutory damages of up to \$10,000 or up to three times profits or other damages.²³⁶² Counterfeit products also may be seized²³⁶³ or destroyed.²³⁶⁴ Injunctions are available for dilution or tarnishment even if the goods in question do not overlap.²³⁶⁵ Profits and damages are not available in a civil suit unless the plaintiff establishes that the infringement was “committed with knowledge that such mark is intended to be used to cause confusion or mistake or to deceive.”²³⁶⁶ Counterfeiting, viewed as a separate

2354. Or. Rev. Stat. § 164.377(1)(i).

2355. Or. Rev. Stat. § 646.463(b).

2356. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

2357. Or. Rev. Stat. § 647.015(1)(c).

2358. Or. Rev. Stat. § 647.055.

2359. Or. Rev. Stat. § 647.024.

2360. Or. Rev. Stat. § 647.029(1).

2361. Or. Rev. Stat. § 647.029(3).

2362. Or. Rev. Stat. § 647.105(1); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2363. Or. Rev. Stat. §§ 647.105(3), 647.111.

2364. Or. Rev. Stat. § 647.105(2).

2365. Or. Rev. Stat. § 647.107.

2366. Or. Rev. Stat. § 647.095(2).

offense,²³⁶⁷ also is punishable as (at most) a Class B felony.²³⁶⁸ Common-law trademark rights are undisturbed by Oregon's trademark law.²³⁶⁹

Oregon has a somewhat unusual law pertaining to counterfeited markings on agricultural containers.²³⁷⁰ Any use of a marked container without the express permission of the mark's owner is considered presumptive evidence of unlawful use.²³⁷¹ Along the same lines, union labels are specifically protected under Oregon law.²³⁷²

Refusal to register a trademark is a "final order" for purposes of Oregon Revised Statutes Chapter 183, allowing for immediate judicial review.²³⁷³

iii. Copyrights

Oregon restricts the ability of performing-rights associations (ASCAP, BMI, etc.) to enter into contracts with bars and similar establishments unless the association provides information regarding what specific works are covered, the most current list of the society's members or affiliates, and the schedule of rates charged, including any sliding scales.²³⁷⁴ While performing-rights associations are permitted to investigate possible copyright violations,²³⁷⁵ they cannot enter into a proprietor's business to negotiate a license without first disclosing their purposes. And they are prohibited from in any way disrupting the proprietor's business.²³⁷⁶ Failure by the association to follow Oregon's statutory scheme gives rise to an action by "any person" for "actual damages and reasonable attorney fees or . . . an injunction or any other remedy available at law or in equity."²³⁷⁷ This sequence of laws—which do not apply to FCC-licensed businesses like radio stations²³⁷⁸—clearly is intended to curb abuses by performing-rights societies. Because it regulates contractual conduct without altering copyright remedies under Title 17 of the United States Code, it likely is not preempted by Federal copyright law.

Oregon also has enacted special protections for visual artists. When a work of fine art is sold in Oregon, the right of reproduction presumptively remains

2367. See Or. Rev. Stat. §§ 647.135-647.155.

2368. Or. Rev. Stat. § 647.150.

2369. Or. Rev. Stat. § 647.115.

2370. Or. Rev. Stat. §§ 632.275 *et seq.*

2371. Or. Rev. Stat. § 632.280.

2372. Or. Rev. Stat. §§ 661.210 *et seq.*

2373. Or. Rev. Stat. § 647.029(2).

2374. Or. Rev. Stat. § 647.705.

2375. Or. Rev. Stat. § 647.715(2).

2376. Or. Rev. Stat. § 647.715(1).

2377. Or. Rev. Stat. § 647.720.

2378. Or. Rev. Stat. § 647.730.

with the artist until the work passes into the public domain. Any conveyance of rights to the contrary must be expressly stated in a signed writing.²³⁷⁹ Similarly, if an artist licenses the right “to reproduce, prepare derivative works based on, distribute copies of or publicly display a work of fine art,” the artist presumptively retains title absent a signed writing to the contrary.²³⁸⁰ Any contractual ambiguity is interpreted in favor of the artist unless Federal copyright law is to the contrary.²³⁸¹

Oregon asserts copyrights over its statutes and administrative regulations.²³⁸² The Oregon Wheat Commission,²³⁸³ the Oregon Beef Council,²³⁸⁴ and other commodity commissions,²³⁸⁵ plus various State agencies²³⁸⁶ are empowered to develop or acquire copyrights in the areas relating to their core competencies.

iv. Patents

Oregon does not have specific regulations governing patents. Most Oregon governmental and quasi-governmental entities—the Oregon Wheat Commission,²³⁸⁷ the Oregon Beef Council,²³⁸⁸ and other commodity commissions,²³⁸⁹ plus various State agencies²³⁹⁰—are empowered to develop or acquire patents in the areas relating to their core competencies.

b. Procurement Laws

Oregon’s competitive procurement system uses invitations to bid and requests for proposals.²³⁹¹ It has adopted the substance of the American Bar Association’s Model Procurement Code. Oregon also has created a streamlined and user-friendly searchable e-procurement system, the Oregon

2379. Or. Rev. Stat. § 359.355.

2380. Or. Rev. Stat. § 359.360.

2381. Or. Rev. Stat. § 359.365.

2382. Or. Rev. Stat. § 183.365(7).

2383. Or. Rev. Stat. § 578.105.

2384. Or. Rev. Stat. § 577.355.

2385. Or. Rev. Stat. § 576.317.

2386. Or. Rev. Stat. §§ 341.319 (college boards), 348.707 (Oregon Growth Account board), 421.305(1)(h) (Oregon Corrections Enterprises), 421.444 (Department of Corrections), 456.128 (housing authorities authorized by law), 456.562 (Housing and Community Services Department).

2387. Or. Rev. Stat. § 578.105.

2388. Or. Rev. Stat. § 577.355.

2389. Or. Rev. Stat. § 576.317.

2390. Or. Rev. Stat. §§ 341.319, 348.707, 421.305(1)(h), 421.444, 456.128, 456.562.

2391. Or. Rev. Stat. § 279B.005.

Procurement Information Network.²³⁹² Trade secrets contained in bids are protected from disclosure.²³⁹³ But it is unclear whether these trade secrets can be maintained for more than twenty-five years due to the provisions of the Open Records Act.²³⁹⁴

Oregon's General Provisions for Public Contracting (promulgated by the Department of Administrative Services) and Model Rules for Public Contracting (promulgated by the Department of Justice) offer similar but competing public procurement frameworks. The General Provisions govern purchasing by Oregon Departments and Agencies.²³⁹⁵ The hierarchy of rules is as follows: Division 246 applies generally to all public contracts; Division 247 applies to public contracts for supplies and services not covered elsewhere; Division 248 applies to public contracting for architectural, engineering, and land-surveying services; and Division 249 applies to public contracting for construction.²³⁹⁶ Federal procurement law prevails if Federal funds are involved.²³⁹⁷

The Model Rules include special encouragements for minorities, women-owned businesses, and "emerging" companies.²³⁹⁸ There also are preferences for in-State goods and services²³⁹⁹ plus recycled materials.²⁴⁰⁰ A bidder from a State that does *not* have an in-State preference would not be subject to reciprocal discrimination by Oregon.²⁴⁰¹ Further, Oregon includes "sustainability" as a procurement goal.²⁴⁰²

All authority to contract on the part of State Agencies is delegated from the Director of Administration pursuant to OAR 125-246-0170, which implements Oregon Revised Statutes § 279A.075. Contracts are administered by Contract Administrators, who function in the same basic capacity as Federal Contracting Officers.²⁴⁰³

Both the General Provisions and the Model Rules include intellectual property as a "good" subject to Oregon procurement laws.²⁴⁰⁴ Contractor intellectual property not created under a State contract is protected from

2392. <http://www.oregon.gov/DAS/SSD/SPO/eprocurement.shtml> (last visited Nov. 10, 2008).

2393. Or. Rev. Stat. § 279B.055(5)(c); Or. Admin. R. 125-247-0450(2).

2394. Or. Rev. Stat. § 192.495.

2395. Or. Admin. R. 125-246-0100.

2396. Or. Admin. R. 125-246-0100(1).

2397. Or. Admin. R. 125-246-0100(4).

2398. Or. Admin. R. 137-046-0200, 137-046-0210; Or. Admin. R. 125-246-0200, 125-246-0210.

2399. Or. Admin. R. 137-046-0300; Or. Admin. R. 125-246-0300.

2400. Or. Admin. R. 137-046-0320; Or. Admin. R. 125-246-0321, 125-246-0323.

2401. Or. Admin. R. 125-246-0310.

2402. Or. Admin. R. 125-246-0120(3).

2403. Or. Admin. R. 125-246-0550 *et seq.*

2404. Or. Admin. R. 125-246-0110(66), 137-046-0100(17).

disclosure, misappropriation, or infringement.²⁴⁰⁵ But to the extent that contractor intellectual property must be delivered to the State, Oregon (by default) obtains broad Government-purpose rights:

If intellectual property rights in the Work Product are Contractor Intellectual Property, Contractor hereby grants to Agency an irrevocable, non-exclusive, perpetual, royalty-free license to use, make, reproduce, prepare derivative works based upon, distribute copies of, perform and display the Contractor Intellectual Property, and to authorize others to do the same on Agency's behalf.²⁴⁰⁶

Note that these rights are not required by statute and may instead be negotiated away by the Contract Administrator.

Oregon also has created a "cooperative procurement" program.²⁴⁰⁷ Under a cooperative procurement, Agencies bind themselves together for a bloc procurement to enjoy economies of scale and greater buying power.²⁴⁰⁸ Disputes regarding cooperative procurements follow the same rules applicable to normal competitive procurements.²⁴⁰⁹

Contracting parties are encouraged to use Alternative Dispute Resolution procedures to resolve procurement disputes: "Authorized Agencies are authorized and encouraged to use alternative dispute resolution (ADR), including collaborative forms of dispute resolution such as mediation, facilitation and collaborative rulemaking."²⁴¹⁰

c. Technology Transfer

The State of Oregon Department of Transportation operates a Technology Transfer Center to encourage public-private technology exchanges in the transportation and road-construction sectors.²⁴¹¹ The Center exists "to foster a safe and efficient transportation system in the state of Oregon by offering training, technical assistance and technology transfer to local transportation agencies." It provides a free lending library, training and education, and answers key questions.²⁴¹² Reviewing the relevant documents, it is not clear

2405. The Model Contract for the Purchase of Goods is available at http://www.oregon.gov/DAS/SSD/SPO/docs/Goods_Contract_Template_12_08_06.doc (last visited Nov. 10, 2008).

2406. *Id.* at ¶ T.ii.

2407. Or. Admin. R. 137-046-0420, 137-046-0460.

2408. See Or. Admin. R. 125-246-0400 *et seq.*

2409. Or. Admin. R. 137-046-0470.

2410. Or. Admin. R. 125-246-0580.

2411. [Http://www.oregon.gov/ODOT/TD/TP_T2](http://www.oregon.gov/ODOT/TD/TP_T2) (last visited Nov. 10, 2008).

2412. [Http://www.oregon.gov/ODOT/TD/TP_T2/about_us.shtml](http://www.oregon.gov/ODOT/TD/TP_T2/about_us.shtml) (last visited Nov. 10, 2008).

how much, if any, proprietary technology is exchanged via this program, or how IP rights are distributed.

Technology transfer from the educational sector is encouraged as a matter of State policy. And Oregon schools have an unusual degree of discretion concerning the acquisition and distribution of IP rights. Under Oregon Revised Statutes § 332.745 (1), “[a]ny school district or education service district may develop or acquire interests in intellectual property of any kind, whether patentable or copyrightable or not, including patents, copyrights, inventions, discoveries, processes, systems, methods and ideas.” Districts are allowed to aid in the development of IP and can pay fees to assignors or licensors “on account of the districts’ ownership, management, use or disposition of the property.” Similarly, school districts can manage, develop, or dispose of IP without further oversight; may contract with other public school districts, institutions of higher education, or Federal entities regarding the management, development, use, or disposition of IP assets; and can convey acquired IP back to the original inventors or assignors.²⁴¹³ IP procurement is *not* subject to competitive-bidding rules. Rather, the district “may determine the terms and conditions of any transaction.”²⁴¹⁴

Practically speaking, local school districts rarely develop valuable IP assets, and State-level budgeting makes it difficult for a district to acquire anything more than commercially-available products protected by intellectual property rights. Still, the great leeway granted by Oregon to public school districts for purposes of acquiring intellectual property is noteworthy.

By contrast, the State Board of Education can only obtain IP by gift, outright purchase, or “assignment pursuant to a contract whereby the board undertakes to aid in the development of the assigned property and to pay the assignor a share of any money received on account of its ownership or management thereof.”²⁴¹⁵ As with the local districts, however, the State Board of Education can acquire IP without engaging in competitive-bidding procedures,²⁴¹⁶ and can manage or dispose of it without State-level oversight.²⁴¹⁷ Revenue generated by the State Board from IP is diverted into

2413. Or. Rev. Stat. § 332.745(2).

2414. Or. Rev. Stat. § 332.750.

2415. Or. Rev. Stat. § 326.520.

2416. Or. Rev. Stat. § 326.530(2) (“The board may determine the terms and conditions of any transaction authorized by ORS 326.520 to 326.540 and need not require competitive bids in connection therewith. No formal publicity or advertising is required regarding property for the development of which the board wishes to contract, but the board shall make reasonable efforts to disseminate pertinent information in appropriate research and industrial circles”).

2417. Or. Rev. Stat. § 326.530.

a Board of Education Invention Fund, with monies distributed to inventors and more generally for the advance of research and the acquisition of further IP rights.²⁴¹⁸ The State Board of Higher Education is subject to similar rules²⁴¹⁹ and operates a parallel Higher Education Invention Fund.²⁴²⁰

Oregon's major public research institutions—the University of Oregon, Oregon State University, and Oregon Health Sciences Institute—all have active technology-transfer programs.²⁴²¹ And individual institutions can acquire and sell IP without oversight from the State.²⁴²² As Oregon State explains:

The commercial or practical aspects of an invention may benefit the public through better health, improved lifestyle and education, strengthened local and regional economies and enhancement of U.S. competitiveness in the global economy. Financial returns from commercialization of technology may provide the university with additional research funding support and the inventor with additional income.²⁴²³

Oregon State provides a helpful list of all of its issued patents (including several expired patents) and licensing opportunities.²⁴²⁴

The University of Oregon has authority to set its own policies regarding procurement, including procurement of intellectual property.²⁴²⁵ It uses this power in part to set up rules governing the acquisition of IP by faculty members. According to Chapter III, § Q (1), of the UO Faculty Handbook: “By rule, the rights to the products of a university faculty member’s scholarly or creative activities belong to the University of Oregon.” The same is true at Oregon State.²⁴²⁶ This general policy is fleshed out on Oregon’s Copyright and Intellectual Property Web site.²⁴²⁷ From this, it appears that the universities will generally require ownership of IP developed by a university employee under a sponsored research project, but that this result can be negotiated as need be.

2418. Or. Rev. Stat. § 326.540.

2419. Or. Rev. Stat. § 351.240.

2420. Or. Rev. Stat. § 351.250.

2421. See, e.g., <http://techtran.uoregon.edu> (last visited Nov. 10, 2008); <http://oregonstate.edu/research/technology/index.htm> (last visited Nov. 10, 2008).

2422. Or. Rev. Stat. § 353.050(4).

2423. [Http://oregonstate.edu/research/technology/techfaq.htm](http://oregonstate.edu/research/technology/techfaq.htm) (last visited Nov. 10, 2008).

2424. [Http://oregonstate.edu/research/technology/patents_hall.htm](http://oregonstate.edu/research/technology/patents_hall.htm) (last visited Nov. 10, 2008); <http://oregonstate.edu/research/technology/available.htm> (last visited Nov. 10, 2008).

2425. Or. Admin. R. 571-040-0010(1)(d).

2426. [Http://oregonstate.edu/research/technology/techfaq.htm](http://oregonstate.edu/research/technology/techfaq.htm) (last visited Nov. 10, 2008).

2427. [Http://darkwing.uoregon.edu/%7Ecopyright/](http://darkwing.uoregon.edu/%7Ecopyright/) (last visited Nov. 10, 2008).

Under the Handbook's rules, "faculty members as individuals share in the benefits that come from creative work." Such income is distributed pursuant to the UO Distribution of Licensing Income Policy.²⁴²⁸ At Oregon State ("one of the most liberal royalty distribution policies in the nation"), the inventor can enjoy between 30 percent and 40 percent of net royalties.²⁴²⁹

The university also provides assistance to start-up companies.²⁴³⁰

d. Sovereign Immunity Waivers

Oregon generally is liable for breach of contracts entered by State agencies.²⁴³¹ Oregon is also liable for tort claims, with specific exceptions (taxes, worker's compensation, etc.) not relevant to this discussion.²⁴³² Damages are capped at \$500,000.²⁴³³ Whether this acts as a waiver for Federal IP claims is unclear.²⁴³⁴

Some Oregon entities enjoy broader immunity. For example, Oregon Health Sciences University is authorized to enforce its intellectual property rights even if such conduct ordinarily would amount to a violation of antitrust laws; it can acquire, use, and dispose of intellectual property,²⁴³⁵ and "[s]ue in its own name,"²⁴³⁶ "notwithstanding that as a consequence of the exercise of such powers, the university engages in activities that might otherwise be deemed anticompetitive within the contemplation of state or federal antitrust laws."²⁴³⁷ This implies that OHSU is permitted to engage in licensing practices—like tying—prohibited to private institutions by the Sherman Act. It is not clear whether OHSU has ever exercised this potentially important competitive advantage.

2428. <http://techtran.uoregon.edu/index.cfm?action=policies&sub=income> (last visited Nov. 10, 2008).

2429. <http://oregonstate.edu/research/technology/techfaq.htm> (last visited Nov. 10, 2008).

2430. <http://oregonstate.edu/research/technology/startup.htm> (last visited Nov. 10, 2008).

2431. Or. Rev. Stat. § 30.320.

2432. Or. Rev. Stat. § 30.265.

2433. Or. Rev. Stat. § 30.270.

2434. See, generally, David S. Bloch & James G. McEwen, "Like Toddlers in Big Surf": Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). But at least one case, *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005), has allowed relief in the context of trade secret misappropriation using the FTCA.

2435. Or. Rev. Stat. § 353.050(4).

2436. Or. Rev. Stat. § 353.050(5).

2437. Or. Rev. Stat. § 353.050(26).

Also, the Oregon Housing and Community Services Agency—expressly authorized to develop, acquire, and license patents and copyrights—enjoys a regulatory immunity from indemnifying third parties:

The Department shall make no warranty of any kind, express or implied, with respect to any Intellectual Property—including, but not limited to any warranties of merchantability and fitness for a particular purpose. Any provision in a Licensing Agreement or any other document, or in any statement by an employee or other agent of the Department, purporting to convey any such warranties from the Department is, and shall be deemed, void as an ultra vires act, being made without authority and in contravention of these rules.²⁴³⁸

The Department's liability cannot exceed the amount paid to the Department for IP.²⁴³⁹ It disclaims all warranties and is not liable for indirect, consequential, punitive or special damages; lost profits; or lost goodwill.²⁴⁴⁰ Rather, any private-party user is obligated to indemnify the Department with respect to the IP in question.²⁴⁴¹

It also is possible that the Oregon courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. I, § 18, of the Oregon Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁴⁴² But in light of *Zoltek v. United States*,²⁴⁴³ an Oregon court also could refuse to recognize intellectual property as “property” for Takings purposes.

Lastly, for purposes of finding trade secret misappropriation, Oregon defines “person” to include the State.²⁴⁴⁴ Oregon thus may have waived sovereign immunity for actions relating to trade secret misappropriation. It is unclear whether the State would be liable for a release after twenty-five years of a licensed trade secret by operation of the Open Records Act.²⁴⁴⁵

2438. Or. Admin. R. 813-003-0031(1).

2439. Or. Admin. R. 813-003-0031(2).

2440. Or. Admin. R. 813-003-0031(3).

2441. Or. Admin. R. 813-003-0031(4).

2442. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2443. 442 F.3d 1345 (Fed. Cir. 2006).

2444. Or. Rev. Stat. § 646.461(3).

2445. Or. Rev. Stat. § 192.495.

38. Pennsylvania

a. Intellectual Property Laws

i. Trade Secrets

Pennsylvania has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁴⁴⁶ Like the Uniform Trade Secrets Act, Pennsylvania defines “person” to include government entities.²⁴⁴⁷

Pennsylvania has enacted the Right to Know Act in order to ensure public documents are disseminated.²⁴⁴⁸ However, the phrase “public record” does not include any release that would be “prohibited, restricted or forbidden by statute law or order or decree of court.”²⁴⁴⁹ There are exemptions for trade secrets received by specific State entities,²⁴⁵⁰ and it is arguable that the Uniform Trade Secrets Act provides a general exclusion that also captures such disclosures.²⁴⁵¹ But the State cannot exempt State-owned trade secrets included in public records, even where such material might otherwise be considered confidential.²⁴⁵²

Further, mere assertions of confidentiality, even where there is an agreement to protect the information, is insufficient to protect trade secrets. Pennsylvania case law indicates that confidentiality agreements contrary to public policy are void, and thus do not prevent disclosure under the Right to Know Act.²⁴⁵³ Other cases hold that confidential portions of bids or proposals are not exempt from disclosure: there is no reasonable expectation of confidentiality because awarded contracts must be disclosed.²⁴⁵⁴ Unsuccessful proposals cannot be revealed, however.²⁴⁵⁵ These cases suggest that contractors must be very careful as to how they submit confidential information in the form of a proposal. Any confidentiality agreement should be firmly rooted in a specific statutory exception to disclosure providing authority to bind the State.

2446. 12 Pa. Cons. Stat. Ann. §§ 5301-5308.

2447. 12 Pa. Cons. Stat. Ann. § 5302.

2448. 65 Pa. Cons. Stat. Ann. §§ 66.1-66.9.

2449. 65 Pa. Cons. Stat. Ann. § 66.1.

2450. 66 Pa. Cons. Stat. Ann. §§ 2212, 3 Pa. C.S.A. § 5111. .

2451. *Parsons v. Higher Educ. Assistance Agency*, 910 A.2d 177 (Pa. Commw. Ct. 2006) (no showing of trade secrets protectable under UTSA for all submitted vouchers, but allowance made to redact trade secrets to the extent shown).

2452. *Hoffman v. Com., Pa. Game Comm'n*, 455 A.2d 731, 71 Pa. Commw. 99 (Pa. Commw. Ct. 1983).

2453. *Tribune-Review Pub. Co. v. Westmoreland County Housing Auth.*, 833 A.2d 112 (Pa. 2003); *Tapco, Inc. v. Township of Neville*, 695 A.2d 460 (Pa. Commw. Ct. 1997).

2454. *Envirotest Partners v. Com., Dept. of Transp.*, 664 A.2d 208 (Pa. Commw. Ct. 1995).

2455. *GSA Departmental Procedure GSP 4-12*, Department of General Services Notice to Requesters of Public Records under the Right-to-Know Law (May 15, 2006).

ii. Trademarks

Pennsylvania maintains a standard trademark-registration system,²⁴⁵⁶ and includes dilution protection for “famous” marks.²⁴⁵⁷ It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.²⁴⁵⁸ Registration forms are available online.²⁴⁵⁹ It also specifically outlaws “counterfeit” marks, which need not be trademarks, but rather consist of: “[a]ny trademark, service mark, trade name, label, term, device, design or word adopted or used by a person to identify that person’s goods or services.”²⁴⁶⁰ A plaintiff can recover up to three times profits and damages and reasonable attorneys’ fees if the defendant acted with knowledge, in bad faith, or if the case’s circumstances otherwise warrant punitive damages.²⁴⁶¹

For purposes of infringement, the term “person” does not include government bodies or agencies, but does cover any “other organization capable of suing and being sued in a court of law.”²⁴⁶² Whether the State qualifies is unclear.

iii. Copyrights

Pennsylvania law contains a definition of copyright infringement at the administrative level. The definition is provided by the Legislative Data Processing Committee and is perfectly correct—“Use of copyrighted material in violation of Federal law or treaties or the terms of a license agreement constitutes copyright infringement”²⁴⁶³—but it is difficult to understand its usefulness, given that the Federal courts have exclusive jurisdiction over copyright infringement claims and that Federal copyright law preempts State enactments on the subject.²⁴⁶⁴ Further, while provided in the context of internet access and computer users within the General Assembly, it is unlikely that this administrative reference constitutes a waiver of sovereign immunity in regard to infringement by the State or an individual.

2456. 54 Pa. Cons. Stat. Ann. §§ 1101-1126.

2457. 54 Pa. Cons. Stat. Ann. § 1124.

2458. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

2459. <http://www.dos.state.pa.us/corps/cwp/view.asp?a=1093&q=431231> (last visited Nov. 10, 2008); <http://www.dsd.state.md.us/comar/02/02.01.07.05.htm>.

2460. 18 Pa. Cons. Stat. Ann. § 4119.

2461. 54 Pa. Cons. Stat. Ann. § 1125; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, INTA BULLETIN Vol. 62, No. 14 (Aug. 1, 2007).

2462. 54 Pa. Cons. Stat. Ann. § 1102.

2463. 101 Pa. Cons. Stat. Ann. § 521.4.

2464. *Bonito Boats Inc. v. Thunder Craft Boats Inc.*, 489 U.S. 141 (1989).

In 2006, Pennsylvania's Governor Edward G. Rendell signed the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.

iv. Patents

There are no relevant laws governing patents.

b. Procurement Laws

Pennsylvania operates a competitive-bid procurement system with in-State preferences.²⁴⁶⁵ All contracts are required to be open to the public under the Right to Know Act, and therefore protection of confidential material in such bids or proposals may not be possible after award.²⁴⁶⁶ All proposals are, however, not public records prior to award and are therefore not disclosable under the Right to Know Act.²⁴⁶⁷ Further, unsuccessful proposals are not to be revealed.²⁴⁶⁸

Procurement is managed by the Department of General Services. The State's Field Procurement Handbook contains standard clauses requiring comprehensive IP indemnity by the contractor²⁴⁶⁹ and ensuring that Pennsylvania receives an unrestricted right to use any software or technical data delivered under a State procurement contract.²⁴⁷⁰ It is not clear whether these provisions may be altered by specific agreement. Further, where a contract is to provide trade secrets, it is important that the contractor ensure that the agency official is authorized to enter into such agreements since unauthorized agreements to preserve confidentiality may not be enforceable to prevent disclosure under the Right to Know Act.²⁴⁷¹ One possible way to ensure preservation is to craft such agreements in terms of the Uniform

2465. 62 Pa. Cons. Stat. Ann. §§ 101 *et seq.*

2466. See *Envirotest Partners v. Com., Dept. of Transp.*, 664 A.2d 208 (Pa. Commw. Ct. 1995) (interpreting 65 Pa. Cons. Stat. Ann. § 66.1).

2467. *Tapco Inc. v. Township of Neville*, 695 A.2d 460 (Pa. Commw. Ct. 1997).

2468. GSA *DEPARTMENTAL PROCEDURE* GSP 4-12, Department of General Services Notice to Requesters of Public Records under the Right-to-Know Law (May 15, 2006).

2469. STD-274 (SAP), State of Pennsylvania, Standard Contract Terms & Conditions ¶ 11, available at http://www.dgsweb.state.pa.us/comod/CurrentForms/STD274_SAP.doc (last visited Nov. 11, 2008).

2470. State of Pennsylvania, Standard Contract Terms & Conditions ¶ 12.

2471. *Tribune-Review Pub. Co. v. Westmoreland County Housing Auth.*, 833 A.2d 112 (Pa. 2003); *Tapco, Inc.*, 695 A.2d 460.

Trade Secrets Act, which provides a possible exemption from the Right to Know Act.²⁴⁷²

c. Technology Transfer

Pennsylvania's Keystone Innovation Grants program²⁴⁷³ can provide money to higher educational institutions in order to facilitate technology transfer activities, including IP filings and technology licensing.²⁴⁷⁴ Penn State's Technology Transfer Office²⁴⁷⁵ and Applied Research Laboratory²⁴⁷⁶ have active technology-transfer programs. But patents arising from Pennsylvania's foundations and research centers are owned by the State.²⁴⁷⁷ As such, it appears that they would extend to inventions arising from sponsored research programs, although such rights appear negotiable under the correct circumstances.²⁴⁷⁸

Government loans or grants, by contrast, contain government-purpose rights that look quite similar to their Federal counterparts. Thus, if a solid waste contractor uses Commonwealth funds to develop new technology, the Commonwealth acquires "a royalty-free, nonexclusive, irrevocable license to use and practice and to have used and practiced for it within this Commonwealth all information, including the subject matter of an invention, generated, conceived or made by the development agency or contractor, or both, in the course of work performed with funds from the loan or grant, or both."²⁴⁷⁹

d. Sovereign Immunity Waivers

Pennsylvania maintains broad sovereign immunity, which it waives only in specific instances—none of which appear to encompass IP claims against the State.²⁴⁸⁰

2472. *Parsons v. Higher Educ. Assistance Agency*, 910 A.2d 177 (Pa. Commw. Ct. 2006) (no showing of trade secrets protectable under UTSA for all submitted vouchers, but allowance made to redact trade secrets to the extent shown).

2473. <http://www.newpa.com/find-and-apply-for-funding/funding-and-program-finder/funding-detail/index.aspx?progId=165> (last visited Nov. 11, 2008).

2474. 12 Pa. Cons. Stat. Ann. § 3705.

2475. <http://www.research.psu.edu/ipo/staff.html> (last visited Nov. 11, 2008).

2476. http://www.arl.psu.edu/contact_biz.html (last visited Nov. 11, 2008).

2477. 62 P.S. Poor Persons and Public Welfare § 1148; 35 P.S. Health and Safety § 5701.1703.

2478. Penn State University *Intellectual Property Policies & Procedures, Related Issues* 3 (May 8, 2008), available at <http://www.research.psu.edu/osp/PSU/Toolbox/IP.HTM#AI> (last visited Nov. 11, 2008).

2479. 25 Pa. Cons. Stat. Ann. § 76.71.

2480. 42 Pa. Cons. Stat. Ann. §§ 8522, 8528.

Separately, Pennsylvania probably has waived its sovereign immunity for trade secret misappropriation²⁴⁸¹ and possibly also for trademark infringement (to the extent an agency is empowered to sue).²⁴⁸² And where the State has asserted infringement of State-owned intellectual property, it might be considered to have waived sovereign immunity.²⁴⁸³ No Pennsylvania cases confirm these possible waivers.

Further, Pennsylvania courts might view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 10, of the Pennsylvania Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁴⁸⁴ But in light of *Zoltek v. United States*²⁴⁸⁵, a Pennsylvania court also could refuse to recognize intellectual property as “property” for Takings purposes.

Breach-of-contract claims, however, remain a viable option for State contractors.²⁴⁸⁶

39. Rhode Island

a. Intellectual Property Laws

i. Trade Secrets

Rhode Island has adopted the 1979 version of the Uniform Trade Secrets Act.²⁴⁸⁷ Like the Uniform Trade Secrets Act, Rhode Island defines “person” to include government entities.²⁴⁸⁸

2481. 12 Pa. Cons. Stat. Ann. § 5302.

2482. 54 Pa. Cons. Stat. Ann. § 1102. *C.f.*, *Global Mail Ltd. v. U.S. Postal Service*, 142 F.3d 208 (4th Cir. 1998) and *Federal Express Corp. v. U.S. Postal Service*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office empowered to sue or be sued in its own name).

2483. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

2484. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2485. 442 F.3d 1345 (Fed. Cir. 2006).

2486. 62 Pa. Cons. Stat. Ann. §§ 1701 *et seq.*

2487. R.I. Gen. Laws §§ 6-41-1 *et seq.*

2488. R.I. Gen. Laws § 6-41-1(3).

Rhode Island enacted the Access to Public Records Act at Chapter 38-2 of the Rhode Island General Laws in order to ensure public dissemination of government records. Rhode Island's Access to Public Records Act exempts trade secrets from disclosure.²⁴⁸⁹ In order to determine when this exemption applies, Rhode Island generally utilizes case law interpreting Exemption 4 of the Freedom of Information Act.²⁴⁹⁰

Though bid documents are presumptively public, they can be withheld to protect trade secrets or other proprietary information.²⁴⁹¹

ii. Trademarks

Rhode Island has a State-level trademark registration system with a renewable ten-year term.²⁴⁹² It implements the substance of the International Trademark Association's Model State Trademark Bill of 1964.²⁴⁹³ Rhode Island's trademark statute includes causes of action for both infringement²⁴⁹⁴ and dilution,²⁴⁹⁵ and provides the full range of injunctive and economic remedies.²⁴⁹⁶ Punitive damages are not available.²⁴⁹⁷

iii. Copyrights

When the State procures art, only the right of public display is conveyed; the rest of the rights accorded the owner under the Copyright Act remain with the artist.²⁴⁹⁸ Otherwise, except in the procurement context, Rhode Island law is silent regarding copyrights.

iv. Patents

Except in the procurement context, Rhode Island has not enacted laws specifically addressing patent issues.

2489. R.I. Gen. Laws § 38-2-2(4)(B).

2490. 5 U.S.C. § 552(b)(4). See *Providence Journal v. Convention Center*, 774 A.2d 40 (R.I. 2001).

2491. R.I. Proc. Reg. 1.4.8.2, available at <http://www.purchasing.ri.gov/RIVIP/TabCont.asp> (last visited Nov. 11, 2008). See also R.I. Gen. Laws § 38-2-2(4)(B).

2492. R.I. Gen. Laws §§ 6-2-1 *et seq.*

2493. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

2494. R.I. Gen. Laws § 6-2-11.

2495. R.I. Gen. Laws § 6-2-12.

2496. R.I. Gen. Laws § 6-2-13.

2497. R.I. Gen. Laws § 6-2-13; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2498. R.I. Gen. Laws § 42-75.2-8.

b. Procurement Laws

In Rhode Island, procurement is overseen by the Department of Administration.²⁴⁹⁹ The procurement code is set forth in Chapter 37-2 of the Rhode Island General Laws. Rhode Island has adopted the substance of the American Bar Association's Model Procurement Code. The State selects contractors based on competitive sealed offers, competitive negotiation, noncompetitive negotiation, small purchase procedures, and reverse auctions.²⁵⁰⁰ All procurements must run through the Rhode Island Vendor Information Program.²⁵⁰¹ Sole-source procurement is permitted "where there is only one source for the required supply, service, or construction item."²⁵⁰² Deviations from competitive bidding thus are allowed for "licenses for use of proprietary or patented systems."²⁵⁰³

c. Technology Transfer

The University of Rhode Island's University Manual (11th ed., July 24, 2008)²⁵⁰⁴ sets forth the University's IP policy in admirable detail.²⁵⁰⁵ In essence, IP created by university employees or students is submitted to an Intellectual Property Committee, which then decides whether the university should pursue commercialization via the URI Research Foundation. Depending on the university's decision, the inventor may or may not end up with title to the innovation, but is guaranteed some percentage of any resulting revenue stream. Further, the university presumptively owns the inventions resulting from sponsored research, although the sponsor will have the option for an exclusive license.²⁵⁰⁶

The system is reasonably complex, so the university helpfully included an Appendix H to its Manual, with real-world examples of the Intellectual Property Policy in operation,²⁵⁰⁷ plus a series of flowcharts showing exactly how ownership rights are distributed under almost any fact pattern:

2499. R.I. Gen. Laws § 42-11-2(5).

2500. R.I. Gen. Laws § 37-2-17.

2501. R.I. Gen. Laws §§ 37-2-17.1, 37-2-17.2.

2502. R.I. Gen. Laws § 37-2-21(a).

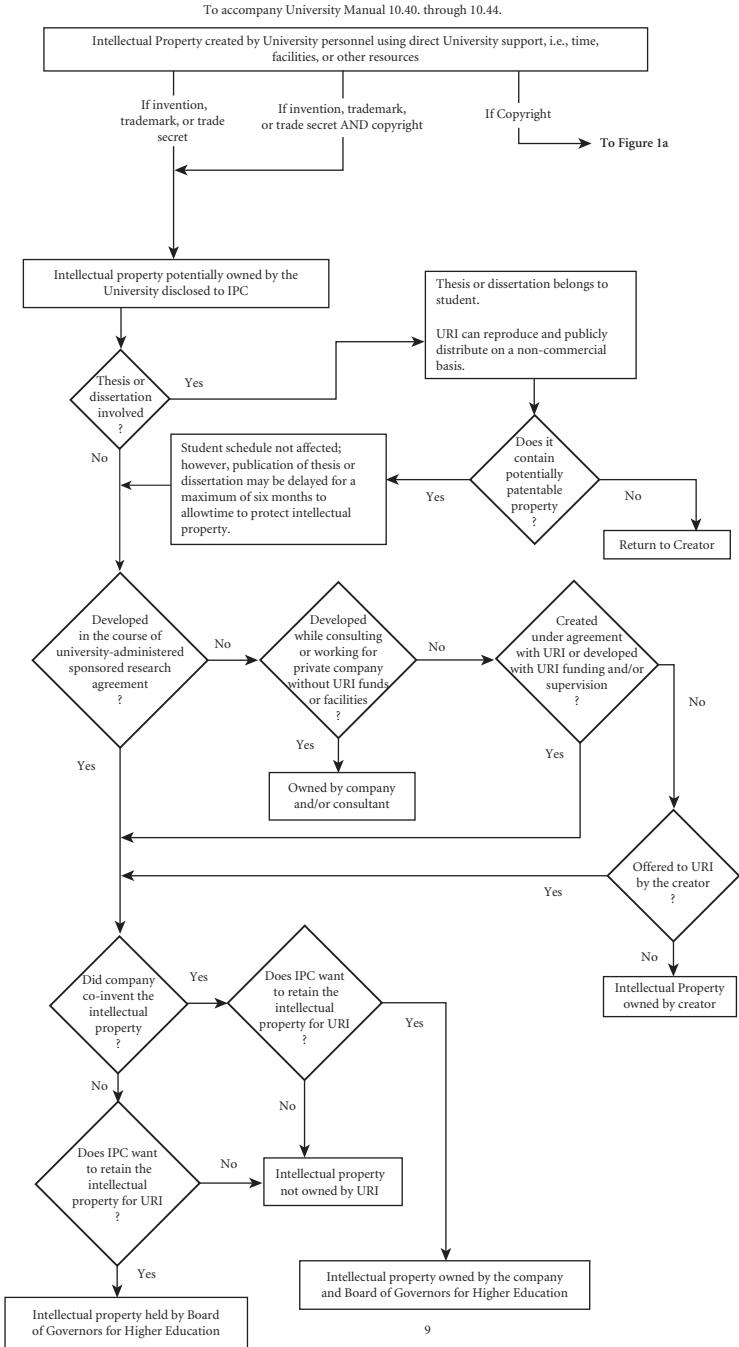
2503. R.I. Gen. Laws § 37-2-54(a)(12). *See* R.I. Proc. Reg. 9.5.2(a) ("items of a unique nature which are unavailable from other sources due to patents . . .").

2504. Available at http://www.uri.edu/facsen/MANUAL_08.html (last visited Nov. 11, 2008).

2505. *See, generally*, University of Rhode Island University Manual §§ 10.40.10-10.50.10.

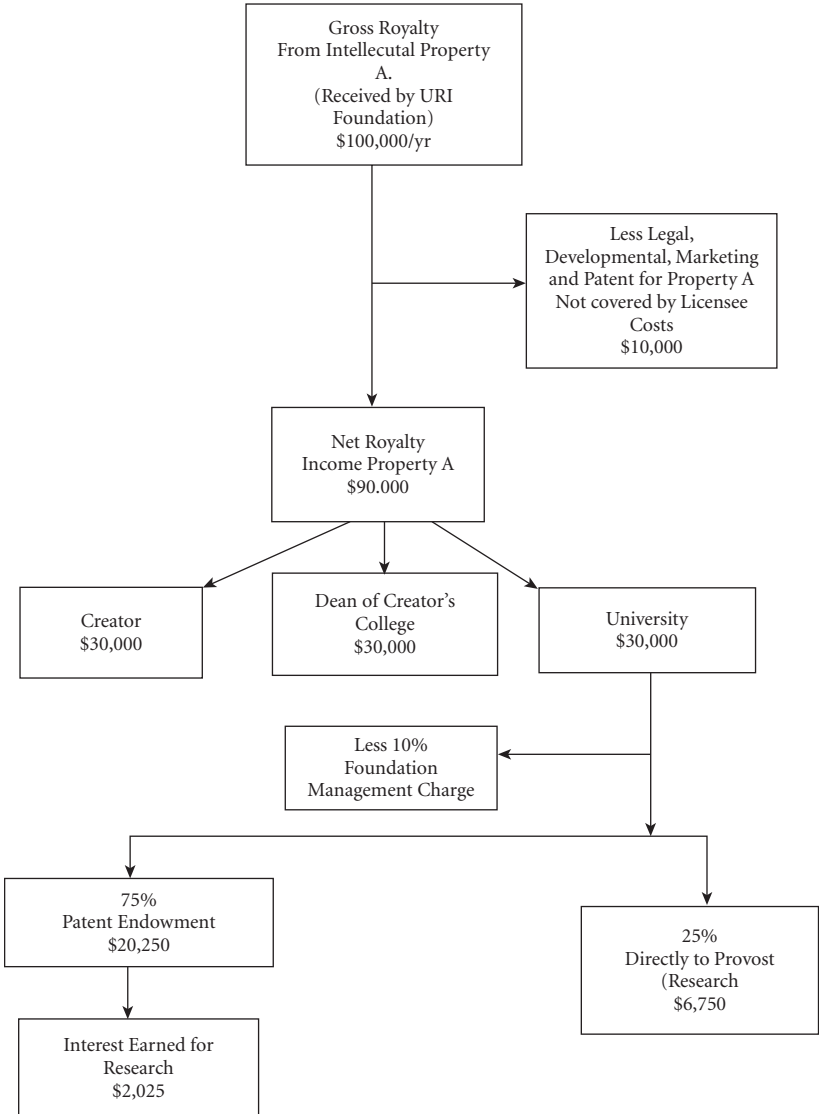
2506. University of Rhode Island University Manual § 10.43.13.

2507. Available at http://www.uri.edu/facsen/Appendix_H.html (last visited Nov. 11, 2008).



Similar flowcharts describe the flow of money between public and private partners if university IP is commercialized:

(Dollar amounts are for illustration only)



Though there is nothing particularly unusual in the distribution of IP rights or revenue streams, the University of Rhode Island's policy is notable for its transparency and ease of explanation.

d. Sovereign Immunity Waivers

Rhode Island is generally plaintiff-friendly and can be sued for IPR violations to the extent infringement can be characterized as a tort: "The state of Rhode Island and any political subdivision thereof, including all cities and towns, shall . . . hereby be liable in all actions of tort in the same manner as a private individual or corporation,"²⁵⁰⁸ subject to a three-year statute of limitations²⁵⁰⁹ and a \$100,000 tort cap.²⁵¹⁰ This cap does not apply, however, if the State is acting in its "proprietary" role (that is, its role as owner rather than sovereign).²⁵¹¹

Outside of tort liability, Rhode Island has waived its sovereign immunity for trade secret misappropriation.²⁵¹² Where the State has asserted infringement of State-owned intellectual property, it might be considered to have waived sovereign immunity.²⁵¹³ No Rhode Island cases confirm these possible waivers.

Further, Rhode Island courts might view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 16, of the Rhode Island Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.²⁵¹⁴ But in light of *Zoltek v. United States*²⁵¹⁵, a Rhode Island court also could refuse to recognize intellectual property as "property" for Takings purposes.

2508. R.I. Gen. Laws § 9-31-1(a).

2509. R.I. Gen. Laws § 9-1-25.

2510. R.I. Gen. Laws § 9-31-2.

2511. R.I. Gen. Laws § 9-31-2.

2512. R.I. Gen. Laws § 6-41-1(3).

2513. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had "waived any immunity respecting the adjudication of its claims . . . and any counter-claims asserted in the same forum," but "did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court"); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dept of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

2514. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2515. 442 F.3d 1345 (Fed. Cir. 2006).

The Chief Purchasing Officer (CPO) is authorized to resolve contract disputes with State contractors.²⁵¹⁶ The CPO must render a decision within thirty days of a written request for final decision.²⁵¹⁷ Construction-related contracts are subject to mandatory arbitration;²⁵¹⁸ other claims (presumably including IP disputes) can be brought before the Rhode Island courts within three years of the CPO's final written decision, and will be given preferential treatment on the docket.²⁵¹⁹ The CPO's decision, however, is presumed correct.²⁵²⁰ As long as the pre-litigation rules have been followed, the State waives sovereign immunity,²⁵²¹ but damages are capped at the total value of the contract in dispute.²⁵²² \$500,000 of damages awarded in such a dispute are payable immediately; the Governor must request an appropriation to pay amounts in excess, on a two-year turnaround.²⁵²³

The same basic rules apply for bid protests, though the deadline for filing is a mere two weeks after learning of sufficient grounds to object.²⁵²⁴ Bids are stayed pending the outcome of a bid protest.²⁵²⁵

40. South Carolina

a. Intellectual Property Laws

i. Trade Secrets

South Carolina has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁵²⁶ Like the Uniform Trade Secrets Act, South Carolina defines "person" to include government entities.²⁵²⁷

South Carolina's Freedom of Information Act was enacted to ensure public dissemination of government records.²⁵²⁸ The Freedom of Information Act contains an exemption for trade secrets²⁵²⁹ as well as for research results

2516. R.I. Gen. Laws § 37-2-46.

2517. R.I. Gen. Laws § 37-2-47.

2518. R.I. Gen. Laws §§ 37-2-48, 37-16-1 *et seq.*

2519. R.I. Gen. Laws § 37-2-49(b).

2520. R.I. Gen. Laws § 37-2-51.

2521. R.I. Gen. Laws § 37-2-49(b) ("All defenses in law or equity, except the defense of governmental immunity, shall be preserved to the state").

2522. R.I. Gen. Laws § 37-2-49(e).

2523. R.I. Gen. Laws § 37-2-50.

2524. R.I. Gen. Laws § 37-2-52.

2525. R.I. Gen. Laws § 37-2-53.

2526. S.C. Code Ann. §§ 39-8-10 *et seq.*

2527. S.C. Code Ann. § 39-8-20(4).

2528. S.C. Code Ann. §§ 30-4-10 *et seq.*

2529. S.C. Code Ann. § 30-4-40(a)(1). See *Campbell v. Marion County Hosp. Dist.*, 2003 S.C. 99 (S.C. Ct. App., 2003) as an example of an application of this exemption.

generated at the university level.²⁵³⁰ South Carolina's Occupational Health & Safety regulations include a strict trade secret policy, as well: "Trade secrets shall be considered confidential and shall not be revealed in any manner whatever."²⁵³¹ Lastly, where a public record is copyrighted by the State but released under the state Freedom of Information Act, the state can limit further distribution through a copyright license and charge a fee commensurate with the license.²⁵³²

ii. Trademarks

South Carolina's trademark registration system implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.²⁵³³ Marks are protected at common law and via registration. Both infringement²⁵³⁴ and dilution of famous marks²⁵³⁵ are prohibited, though profits and damages are unavailable if the defendant can establish that he was an innocent infringer.²⁵³⁶ Counterfeiting is also a criminal violation; repeat offenders can be fined up to \$50,000 and spend up to ten years in jail.²⁵³⁷ A plaintiff can recover up to three times profits and damages or a reasonable attorney fee if the defendant acted with knowledge, in bad faith, or if the case's circumstances otherwise warrant punitive damages.²⁵³⁸

Registration lasts for five years and is renewable indefinitely as long as the mark is still being used in commerce.²⁵³⁹ Registration is extremely economical: \$15 to register, \$5 to renew.²⁵⁴⁰ The mark must be "used" in part within the State.²⁵⁴¹ If the Secretary of State refuses to register an applied-for mark, the applicant can seek judicial review in the Richland County Circuit Court under South Carolina's Administrative Procedures Act.²⁵⁴²

2530. S.C. Code Ann. § 30-4-40(a)(14).

2531. S.C. Code Ann. Regs. 71-1100.

2532. *Seago v. Horry County*, 378 S.C. 414; 663 SE2d 38; 88 U.S.P.Q.2d 1520 (S.C. 2008).

2533. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

2534. S.C. Code Ann. § 39-15-1160(A).

2535. S.C. Code Ann. § 39-15-1165.

2536. S.C. Code Ann. § 39-15-1160(B).

2537. S.C. Code Ann. § 39-15-1190.

2538. S.C. Code Ann. §§ 39-15-1165, 39-15-1170; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2539. S.C. Code Ann. § 39-15-1130.

2540. S.C. Code Ann. § 39-15-1185.

2541. S.C. Code Ann. § 39-15-1105(10)

2542. S.C. Code Ann. § 39-15-1120(F).

For purposes of infringement, the term “person” does not explicitly include government bodies or agencies, but does cover any “other organization capable of suing and being sued in a court of law.”²⁵⁴³ No cases illuminate whether this encompasses the State.

iii. Copyrights

The ethical rules of the South Carolina State Board of Dentistry allow dentists to acquire copyrights, but the rights “shall not be used to restrict research or practice.”²⁵⁴⁴

South Carolina law also includes a restatement of the first sale doctrine, extending to common-law rights in phonographs and “electrical transcriptions”:

When such article or chattel has been sold in commerce any asserted intangible rights shall be deemed to have passed to the purchaser upon the purchase of the chattel itself and the right to further restrict the use made of phonograph records or electrical transcriptions, whose sole value is in their use, is forbidden and abrogated. Nothing in this section shall be deemed to deny the rights granted any person by the United States copyright laws.

The sole intentment of this section is to abolish any common-law rights attaching to phonograph records and electrical transcriptions, whose sole value is in their use, and to forbid further restrictions or the collection of subsequent fees and royalties on phonograph records and electrical transcriptions by performers who were paid for the initial performance at the recording thereof.²⁵⁴⁵

The title of this statute (“Repeal of common-law rights in phonograph records to restrict use or collect royalties on commercial use after sale”) suggests that “electrical transcriptions” is intended only to encompass digital music, though the phrase itself, in the abstract, could be construed more broadly to capture, e.g., computer software or digital text.

The State has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.²⁵⁴⁶

2543. S.C. Code Ann. § 39-15-1105(4). *Cf.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

2544. S.C. Code Ann. Regs. 39-11 (Rule 3-B).

2545. S.C. Code Ann. § 39-3-510.

2546. S.C. Code Ann. § 39-5-38.

Lastly, there is no proscription against the State holding copyrights in State works. However, where a public record is copyrighted by the State but released under the state Freedom of Information Act, the State can limit further distribution through a copyright license and charge a fee commensurate with the license.²⁵⁴⁷

iv. Patents

The ethical rules of the South Carolina State Board of Dentistry allow dentists to acquire patents but again warn that those IP rights “shall not be used to restrict research or practice.”²⁵⁴⁸ South Carolina is otherwise silent concerning patents, save in connection with taxation.

b. Procurement Laws

South Carolina’s State Procurement Code envisions a competitive-bidding system with in-State preferences,²⁵⁴⁹ and has adopted the substance of the American Bar Association’s Model Procurement Code. The State’s procurement laws, regulations, and standard contract clauses are silent on the treatment of patents, copyrights, or trademarks.²⁵⁵⁰

The procurement rules do, however, address trade secrets. Trade secret or “privileged and confidential” information submitted to the State in connection with a bid or proposal will not be released,²⁵⁵¹ but must be properly marked. Marked documents will be maintained confidentially; failure to mark will dedicate the information to the public.²⁵⁵² “Privileged and confidential information” exceeds the scope of ordinary trade secret protection, encompassing customer lists, design recommendations, concepts, and potential problems in the State’s Request for Proposal (RFP)—all of which might or might not qualify as trade secrets under South Carolina law.²⁵⁵³

2547. *Seago v. Horry County*, 378 S.C. 414; 663 S.E.2d 38; 88 U.S.P.Q.2d 1520 (S.C. 2008).

2548. S.C. Code Ann. Regs. 39-11 (Rule 3-B).

2549. S.C. Code Ann. §§ 11-35-10–5270.

2550. Robert K. Huffman & Lynda T. O’Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 199–200 (2003).

2551. S.C. Code Ann. § 11-35-410.

2552. S.C. Code Ann. Regs., 19-445.2090(C)(1).

2553. See UNIFORM STATE PROVISIONS & CLAUSES FOR INFORMATION TECHNOLOGY MANAGEMENT OFFICE & STATE PROCUREMENT OFFICE, pp. 20–21 (Ver. 1.0 February 2006), which can be found at http://www.mmo.sc.gov/webfiles/MMO_spo/Misc%20Docs/compendium.pdf (last visited Nov. 11, 2008). The standard clause refers to both types, thus providing broader protection than otherwise available under each definition individually. Compare S.C. Code Ann. § 11-35-410 (defining proprietary information for purposes of procurement) with S.C. Code Ann. § 30-4-40 (defining trade secrets).

State contractors are required to indemnify the State against IP claims.²⁵⁵⁴

c. Technology Transfer

South Carolina's legislature places great emphasis on technology transfer and R&D investment. The vehicles South Carolina uses to promote these goals naturally implicate IP rights. For example, the Venture Capital Investment Act of South Carolina²⁵⁵⁵ funds R&D by in-State private companies. Monies are earmarked for, amongst other things, "laboratory, scientific, or experimental testing and development related to new products, new uses for existing products, or improvements to existing products. Research and development also includes intellectual property, information technology, or technology transfer endeavors."²⁵⁵⁶ The South Carolina Venture Authority acts as a venture capital investor; it may obtain an ownership interest in the companies in which it invests, but it does not acquire IP rights directly.

The University of South Carolina maintains an Office of Intellectual Property, which is charged with licensing University IP.²⁵⁵⁷ Form agreements are available online.²⁵⁵⁸ In general, ownership of sponsored and non-sponsored research is in the university.²⁵⁵⁹

More generally, South Carolina's university sector is actively encouraged to create intellectual property, and university-based Research Innovation Centers are expressly authorized to seek intellectual property protection.²⁵⁶⁰ The South Carolina Technology Innovation Fund provides grants and awards to academics in order to encourage technology transfer. It offers:

small grants for the best and most creative ideas from South Carolina research universities' technology incubators with the awards to be available for eligible students and innovative knowledge-based enterprises that are located in a research university incubator. These grants are to be awarded to inspire and

2554. UNIFORM STATE PROVISIONS & CLAUSES FOR INFORMATION TECHNOLOGY MANAGEMENT OFFICE & STATE PROCUREMENT OFFICE at pp. 52–53. Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 199–200 (2003).

2555. S.C. Code Ann. §§ 11-45-10 *et seq.*

2556. S.C. Code Ann. § 11-45-30(7).

2557. *See, generally*, Intellectual Property Policy and Procedures (May 8, 2008), available at http://ip.research.sc.edu/policy_new.shtml (last visited Nov. 11, 2008).

2558. [Http://ip.research.sc.edu/forms_agreements.shtml](http://ip.research.sc.edu/forms_agreements.shtml) (last visited Nov. 11, 2008).

2559. Intellectual Property Policy and Procedures, § III(B) (May 8, 2008).

2560. S.C. Code Ann. § 13-17-87(C).

encourage knowledge-based technology and intellectual property transfers from research university faculty and students to the marketplace.²⁵⁶¹

These statutes assume that academics and private entities will retain rights in their innovations.

d. Sovereign Immunity Waivers

South Carolina waives sovereign immunity to the extent of private liability for torts.²⁵⁶² Damages are capped at \$1,200,000.²⁵⁶³ This may cover IP claims, though no cases address the point.²⁵⁶⁴

Outside of tort-based IP theories, South Carolina has waived its sovereign immunity for trade secret misappropriation²⁵⁶⁵ and possibly trademark infringement.²⁵⁶⁶ Where the State has asserted infringement of State-owned intellectual property, it might be considered to have waived sovereign immunity.²⁵⁶⁷ No South Carolina cases confirm these possible waivers.

Further, South Carolina courts might view a State Taking of IP without just compensation under the Fifth Amendment of the Federal Constitution or Art. I, § 13, of the South Carolina Constitution to be a waiver of sovereign immunity. The U.S. Supreme Court has held that trade secrets are “property

2561. S.C. Code Ann. § 11-45-80(1).

2562. S.C. Code Ann. § 15-78-40.

2563. S.C. Code Ann. § 15-78-120.

2564. See, generally, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability). But a recent decision found that the FTCA does provide an avenue of relief in the context of trade secret misappropriation. *Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005).

2565. S.C. Code Ann. § 39-8-20(4).

2566. S.C. Code Ann. § 39-15-1105(4). *C.f.*, *Global Mail Ltd. v. U.S. Postal Service*, 142 F.3d 208, (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Service*, 151 F.3d 536, (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office empowered to sue or be sued in its own name).

2567. See, e.g., *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); but see *Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

rights” subject to a Fifth Amendment Takings analysis.²⁵⁶⁸ But in light of *Zoltek v. United States*²⁵⁶⁹, a South Carolina court also could refuse to recognize intellectual property as “property” for Takings purposes.

41. South Dakota²⁵⁷⁰

a. Intellectual Property Laws

Unlike most States, South Dakota explicitly assures its citizens that they may own intellectual property. As a matter of State policy,

[T]here may be ownership of all inanimate things which are capable of appropriation or of manual delivery; of all domestic animals; of all obligations; of such products of labor or skill as the composition of an author, the good will of a business, computer programs, trade marks, service marks, marks and signs, and of rights created or granted by statute.²⁵⁷¹

By specifically guaranteeing IP rights (computer programs, trade marks, and rights “created or granted by statute”), South Dakota ensures that contractors and residents have recourse against the State. As this provision suggests, South Dakota has created a thoughtful IP system that, in many ways, strikes its own course rather than following the trends of its sister States.

i. Trade Secrets

South Dakota has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁵⁷² Like the Uniform Trade Secrets Act, South Dakota defines “person” to include government entities.²⁵⁷³

South Dakota also has enacted a Public Records Act to ensure public dissemination of government records.²⁵⁷⁴ The Public Records Act exempts from disclosure materials that are confidential, secret, or privileged under law,²⁵⁷⁵

2568. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2569. 442 F.3d 1345 (Fed. Cir. 2006).

2570. Our thanks to Jeff T. Holden, Director, Office of Procurement Management, State of South Dakota, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2571. S.D. Codified Laws § 43-2-2.

2572. S.D. Codified Laws §§ 37-29-1 *et seq.*

2573. S.D. Codified Laws § 37-29-1(3).

2574. S.D. Codified Laws § 1-27.

2575. S.D. Codified Laws §§ 1-27-3, 1-27-30, 1-27-28–33.

a rule that carries over into specific laws governing various South Dakota governmental entities.²⁵⁷⁶ It is further a misdemeanor for an official to release such information under the Public Records Act.²⁵⁷⁷ Lastly, while bids and proposals are generally to be made available to the public on award of a contract,²⁵⁷⁸ confidential portions thereof should be protected from release under the Public Records Act.²⁵⁷⁹

ii. Trademarks

South Dakota operates a State trademark registration system.²⁵⁸⁰ Trademarks last for four years and are perpetually renewable.²⁵⁸¹ Trademarks can only be registered in a single class, however, and South Dakota has created its own trademark classification system rather than adopting the Federal model.²⁵⁸² South Dakota has not enacted a trademark dilution law.²⁵⁸³

South Dakota Circuit Courts have jurisdiction over State trademark claims, and can order damages, injunctions, and destruction of infringing goods.²⁵⁸⁴ Damages are not available for innocent infringement: “the registrant shall not be entitled to recover profits or damages unless the acts have been committed with knowledge that the mark is intended to be used to cause confusion or mistake or to deceive.”²⁵⁸⁵ Forgery or counterfeiting trademarks also is punishable as a criminal misdemeanor.²⁵⁸⁶ Punitive damages are not available.²⁵⁸⁷

2576. See, e.g., S.D. Codified Laws §§ 13-49-31 (State Board of Regents), 1-16B-14.1 (Economic Development Finance Authority), 1-16G-11 (Board of Economic Development and Governor’s Office of Economic Development), 1-16H-28 (Science and Technology Authority), 1-16I-29 (Energy Infrastructure Authority), 9-34-19 (municipal corporations and counties); *Leader v. Hagen*, 2007 S.D. 96, 739 N.W.2d 475 (applying S.D.C.L. § 1-52-3.4 to prevent disclosure of confidential information received by Governor’s Office of Economic Development).

2577. S.D. Codified Laws § 1-27-32.

2578. S.D. Codified Laws § 5-18-8.

2579. S.D. Codified Laws § 5-18-40 is explicit for design-build contracts. See also S.D. Codified Laws §§ 1-27-3, 1-27-28—33 (for remaining contracts).

2580. S.D. Codified Laws §§ 37-6-1 *et seq.*

2581. S.D. Codified Laws § 37-6-14.

2582. S.D. Codified Laws § 37-6-12.

2583. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.–Dec. 2006).

2584. S.D. Codified Laws §§ 37-6-24, 37-6-25.

2585. S.D. Codified Laws § 37-6-26.

2586. S.D. Codified Laws § 37-6-2.

2587. S.D. Codified Laws §§ 37-6-24, 37-6-25; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

The South Dakota Certified Beef Program is authorized to register and license IP rights concerning the mark “South Dakota Certified,”²⁵⁸⁸ U.S. Trademark Application No. 78/526,958.²⁵⁸⁹ Violation or infringement of the “South Dakota Certified” mark is a Class 6 felony.²⁵⁹⁰

iii. Copyrights

The State asserts copyright over its State code and authorizes the South Dakota Code Commission to license out copies of these materials.²⁵⁹¹

When the State acquires artwork, it obtains sole ownership and public display rights, subject to the artist’s moral rights of attribution and reproduction plus “the right to prevent degradation, mutilation or aesthetic ruining of the work.”²⁵⁹² Similarly, names, logos, copyrights, and trademarks created by private contractors under a State park concession are owned by the State.²⁵⁹³

iv. Patents

South Dakota has enacted an unusual notification law governing patent litigation over transgenic or patented seed stock. Before entering onto an accused farmer’s land to obtain samples, the patentee must notify the farmer of the alleged infringement and request permission to enter the farmer’s land. The farmer may grant or deny access within seven days. If the farmer refuses, the patentee must petition a South Dakota Circuit Court for permission to enter the farmer’s land.²⁵⁹⁴ Alternatively, either party can ask the Secretary of Agriculture to collect the requested samples,²⁵⁹⁵ at the patentee’s expense.²⁵⁹⁶ It is not clear whether these provisions are preempted by the Federal Rules of Civil Procedure and Federal laws regarding District Court subpoenae.

b. Procurement Laws

Procurement laws for South Dakota are generally set forth in Title 5 of the South Dakota Codified Laws. South Dakota uses competitive bidding for

2588. S.D. Codified Laws § 39-24-6(1).

2589. S.D. Admin. R. 12:79:01:01 (This application number has matured to Registration No. 3340979).

2590. S.D. Codified Laws § 39-24-4.

2591. S.D. Codified Laws § 2-16-8. Note that such provisions are perfectly legal; 17 U.S.C. § 105 only bars copyrights for original works by the U.S. Government.

2592. S.D. Codified Laws § 1-22-16.

2593. S.D. Admin. R. 41:13:02:08.

2594. S.D. Codified Laws § 38-1-45.

2595. S.D. Codified Laws § 38-1-46; S.D. Admin. R. 12:36:07 (setting forth Department of Agriculture sampling protocols).

2596. S.D. Admin. R. 12:36:07:05.

procurement purposes,²⁵⁹⁷ and offers convenient online registration for interested bidders.²⁵⁹⁸ There are built-in local preferences²⁵⁹⁹ and also a statutory preference for handicapped workers.²⁶⁰⁰ South Dakota law provides for the confidentiality of trade secrets in pre-procurement bid documents.²⁶⁰¹

South Dakota's public procurement system displays unusual sensitivity to the anticompetitive possibilities inherent in the intersection of IP and government procurement law. To avoid this problem, State agencies

shall not specify any trademark or copyrighted brand on any product of any one manufacturer or any patented product, apparatus, device, or equipment where the same will prevent proper competition unless bidders also are asked for bids or offers upon other articles of like nature, utility and merit, but may name such make or brand to indicate the type or quality specified.²⁶⁰²

South Dakota also recognizes the risks associated with IP infringement by insisting on indemnity from its contractors:

Vendor, lessor, or licensor agrees to save the State . . . harmless from liability of any nature or kind for the use of any copyrighted or uncopyrighted composition, secret process, patented or unpatented invention, article or appliance furnished or used by the vendor in the performance of the contract.²⁶⁰³

It seems unlikely that a vendor subject to this provision would be able to use State sovereign immunity as a defense to a third-party infringement action.

There are no apparent requirements in regard to ownership of generated IP, indicating that such provisions may be negotiable.

c. Technology Transfer

The South Dakota Science and Technology Authority is an organization created "to foster and facilitate scientific and technological investigation, experimentation, and development by creating a mechanism through which laboratory, experimental, and development facilities may be acquired,

2597. S.D. Codified Laws §§ 5-18.

2598. *See, generally*, <http://www.state.sd.us/boa/opm/> (Nov. 11, 2008).

2599. S.D. Codified Laws §§ 5-19-1 *et seq.*

2600. S.D. Codified Laws §§ 5-20-1 *et seq.*

2601. S.D. Codified Laws § 5-18-40 applies to design-build proposals. *See also* S.D. Codified Laws §§ 1-27-3, 1-27-28–33 for remaining contracts.

2602. S.D. Codified Laws § 5-18-4.

2603. State of South Dakota, Vendor's Manual 17, *available at* <http://www.state.sd.us/boa/opm/downloads/SDVendorManual.pdf> (last visited Nov. 11, 2008).

developed, constructed, maintained, operated, and decommissioned.”²⁶⁰⁴ It works cooperatively with private enterprise, but is empowered to take title to any project it funds, via grant or otherwise.²⁶⁰⁵ South Dakota thus has its own State version of IP march-in rights consistent with the Federal version at 35 U.S.C. §203. Like the Federal counterpart, there is no indication that the State version of IP march-in rights ever has been exercised.

In regard to university research, the University of South Dakota Intellectual Property Policy²⁶⁰⁶ generally requires that inventions first conceived or reduced to practice by an employee if university resources were used even in part.²⁶⁰⁷ However, for sponsored research, this is a mere presumption such that ownership of inventions resulting from sponsored research can be negotiated.²⁶⁰⁸ The university implements these policies through the Office of Research and Sponsored Programs.²⁶⁰⁹

d. Sovereign Immunity Waivers

The State cannot be sued for breach of contract. Instead, any contract dispute must go through the State Commissioner of Claims or the Commissioner’s designees.²⁶¹⁰ The Commissioner (or a circuit judge nominated by the Commissioner) hears contract claims on an expedited basis²⁶¹¹ and recommends a resolution. This nonbinding resolution is then submitted to the Governor and Legislature for payment (presumably via private bill).²⁶¹²

In addition, assuming intellectual property falls under the general rubric of “personal property,” South Dakota has comprehensively waived its sovereign immunity:

In any and all actions to determine adverse claims to real or personal property, or involving the possession of real or personal property, or to foreclose mortgages or other liens upon real or personal property, or to partition the same, the State of South Dakota may be sued and made defendant in the courts of this state.²⁶¹³

2604. S.D. Codified Laws § 1-16H-2.

2605. S.D. Codified Laws § 1-16H-29.

2606. Available at <http://www.usd.edu/oorsch/policies/IP.Policy.v.2.0.pdf> (last visited Nov. 11, 2008).

2607. *Id.* at §3.2.

2608. *Id.* at §3.3.

2609. See, generally, <http://www.usd.edu/oorsch/learn.cfm> (last visited Nov. 11, 2008).

2610. S.D. Codified Laws § 21-32-1.

2611. S.D. Codified Laws § 21-32-5.

2612. S.D. Codified Laws § 21-32-7.

2613. S.D. Codified Laws § 21-32-8.

The statute of limitations is one year, regardless of the cause of action.²⁶¹⁴ Judgments are paid out of the State treasury following an audit.²⁶¹⁵ Given that South Dakota specifically guarantees “ownership of all inanimate things,” including software, trademarks, and “rights created or granted by statute,”²⁶¹⁶ there is also likely an implied legal remedy for IP infringement by the State. As noted, however, the State should be indemnified by its contractors concerning any IP claims arising out of contractor conduct.²⁶¹⁷

Further, South Dakota has expressly waived its sovereign immunity in regard to trade secret misappropriation.²⁶¹⁸ No cases interpret this provision.

Lastly, South Dakota courts might view a State Taking of IP without just compensation under the Fifth Amendment of the Federal Constitution or Art. 6, § 13, of the South Dakota Constitution to be a waiver of sovereign immunity. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁶¹⁹ But in light of *Zoltek v. United States*,²⁶²⁰ a South Dakota court also could refuse to recognize intellectual property as “property” for Takings purposes.²⁶²¹

42. Tennessee

a. Intellectual Property Laws

i. Trade Secrets

Tennessee has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁶²² Like the Uniform Trade Secrets Act, Tennessee defines “person” to include government entities.²⁶²³

Tennessee has enacted an open-records law to ensure public dissemination of government records.²⁶²⁴ Tennessee’s open-records law contains an exemption for computer software sold, licensed, or donated to State agencies.²⁶²⁵

2614. S.D. Codified Laws § 21-32-2.

2615. S.D. Codified Laws § 21-32-14.

2616. S.D. Codified Laws § 43-2-2.

2617. State of South Dakota, Vendor’s Manual 17, available at <http://www.state.sd.us/boa/opm/downloads/SDVendorManual.pdf> (last visited Nov. 11, 2008).

2618. S.D. Codified Laws § 37-29-1(3).

2619. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2620. 442 F.3d 1345 (Fed. Cir. 2006).

2621. See *Krier v. Dell Rapids Tp.*, 709 N.W.2d 841, 2006 S.D. 10 (S.D., 2006) (noting that the South Dakota Constitution is narrower than the Fifth Amendment in regards to public uses eligible for Takings, and broader in allowing Takings for mere damage to property).

2622. Tenn. Code Ann. §§ 47-25-1701 *et seq.*

2623. Tenn. Code Ann. § 47-25-1702(3).

2624. Title, 10, Ch. 7, pt. 5 of the Tennessee Statutes.

2625. Tenn. Code Ann. § 10-7-504(a)(18).

There is also a prohibition on disclosure of confidential records.²⁶²⁶ Further, various State agencies are specifically required to maintain the confidentiality of information they acquire.²⁶²⁷ Interestingly, where the records being disclosed have commercial value, the State must impose an additional duplication fee to reflect the commercial value of the record, as opposed to the standard fee for duplication.²⁶²⁸

ii. Trademarks

Tennessee has a State-level trademark registration program²⁶²⁹ that implements the substance of the International Trademark Association's Model State Trademark Bill of 1992²⁶³⁰ but for the issue of cost; in that respect, Tennessee's trademark system is unusually consumer-friendly, with fees of only \$5 per filing.²⁶³¹ A plaintiff can recover up to three times profits and damages and/or a reasonable attorney fee if the defendant acted with knowledge, in bad faith, or if the case's circumstances otherwise warrant punitive damages.²⁶³²

For purposes of infringement, the term "person" does not include government bodies or agencies but does cover any "other organization capable of suing and being sued in a court of law."²⁶³³ Whether this applies to the State is unclear. Tennessee has also enacted a trademark dilution law to protect famous marks.²⁶³⁴ A special trademark law prevents the use of trademarks on

2626. Tenn. Code Ann. §§ 10-7-504(b), (c).

2627. See, e.g., Tenn. Code Ann. §§ 10-7-504(a)(10) (confidential information submitted as part of Tennessee venture capital network at Middle Tennessee State University), 4-3-712(b)(1), (2) (Department of Economic and Community Development, Energy Division), 4-3-730 (Department of Economic and Community Development), 4-14-308 (Tennessee Technology Development Corporation), 4-51-124 (State Lottery Commission); Tenn. Comp. R. & Regs. § 1030-1-11 (Tennessee Occupational Safety & Health Review Commission).

2628. Tenn. Code Ann. § 10-7-506.

2629. Tenn. Code Ann. §§ 47-25-501 *et seq.* (as implemented by Tenn. Comp. R. & Regs. §§ 1360-7-1-.01 *et seq.*)

2630. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.-Dec. 2006).

2631. Tenn. Code Ann. § 8-21-201(10).

2632. Tenn. Code Ann. §§ 47-25-513(b) and 45-25-514(a); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2633. Tenn. Code Ann. § 47-25-501(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

2634. Tenn. Code Ann. § 47-25-513.

counterfeit drugs; this necessarily has a number of factors in common with trademark infringement.²⁶³⁵

Tennessee's Anti-Phishing Act of 2006 prohibits the use of any third-party trademark without permission on a Web page.²⁶³⁶ Government agencies are among the classes of "persons" potentially liable for such behavior.²⁶³⁷

Tennessee's agricultural²⁶³⁸ and coal²⁶³⁹ cooperative marketing associations have the independent power to acquire and develop trademarks. The statutes do not specifically speak to enforcement, however. By contrast, the Tennessee Lottery Corporation is specifically empowered to "hold . . . trademarks, and service marks and enforce its rights with respect to the . . . marks."²⁶⁴⁰

iii. Copyrights

Tennessee's Information Systems Council has the power to sell or license the State's information systems to a vendor, subject to approval by the Speakers of the Tennessee Senate and House of Representatives.²⁶⁴¹ It is unclear whether any such sales or licenses have taken place.

Tennessee higher educational institutions are specifically charged with adherence to copyright and other IP laws.²⁶⁴²

Computer software is specifically exempted from disclosure under Tennessee's Public Records Act²⁶⁴³—a somewhat odd provision of law, as software's copyright protection is independent of its secrecy. However, the exemption is clear in that neither secrecy (or even copyright) are required to prevent release of the software under this Act.

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.²⁶⁴⁴

Tennessee's agricultural²⁶⁴⁵ and coal²⁶⁴⁶ cooperative marketing associations have the independent power to acquire and develop copyrights.

2635. Tenn. Code Ann. §§ 47-25-401-407.

2636. Tenn. Code Ann. § 47-18-5203(c)(3).

2637. Tenn. Code Ann. § 47-18-5202(7).

2638. Tenn. Code Ann. § 43-16-108(7).

2639. Tenn. Code Ann. § 59-13-107.

2640. Tenn. Code Ann. § 4-51-105(a)(5).

2641. Tenn. Code Ann. § 4-3-5507.

2642. *See, e.g.*, Tenn. Comp. R. & Regs. §§ 1540-1-2-.08(1)(d) (University of Tennessee), 0240-3-4-.02(ff) (Middle Tennessee State University), 0240-3-11-.05(17) (Jackson State Community College); 0240-3-13-.02 (Roane State Community College).

2643. Tenn. Code Ann. § 10-7-504(a)(18).

2644. Tit. 47, ch. 18, pt. 53 of the Tennessee Statutes.

2645. Tenn. Code Ann. § 43-16-108(7).

2646. Tenn. Code Ann. § 59-13-107.

The Tennessee Lottery Corporation is specifically empowered to “hold copyrights . . . and enforce its rights with respect to the copyrights. . . .”²⁶⁴⁷

iv. Patents

Tennessee law is mostly silent concerning patents. Various statutes discuss the tax treatment of patent-based revenues, but do not address the acquisition or enforcement of IP by or for the State. Universities, however, are permitted to maintain the confidentiality of “[p]atentable material or potentially patentable materials” against Tennessee’s open-records laws.²⁶⁴⁸

Tennessee’s agricultural²⁶⁴⁹ and coal²⁶⁵⁰ cooperative marketing associations have the independent power to acquire and develop patents.

b. Procurement Laws

Tennessee’s procurement system is based on competitive bidding.²⁶⁵¹ Purchases are made by the State General Services Purchasing Division.²⁶⁵² Exceptions are permitted at the Government’s discretion, however, and justifications for sole source contracts can be based upon patented technologies.²⁶⁵³ Sealed bids must be kept secret during the bidding process, and trade secrets contained therein may be maintained confidentially even after the contract is awarded.²⁶⁵⁴ These same rules apply to municipalities.²⁶⁵⁵ Outside the university context, there are no provisions explicitly requiring IP rights in contractor-developed technologies or indemnification for IP infringement by a contractor. So it appears that these provisions are negotiable.

The Tennessee Technology Development Corporation is charged with assisting “in evaluating statewide innovation capacity as measured by new technology business starts, research disclosure and patent generation, venture capital availability and investment, public and private research and development expenditures, and research commercialization efforts.”²⁶⁵⁶ In this capacity, the Corporation is entitled to invest in securities issued by

2647. Tenn. Code Ann. § 4-51-105(a)(5).

2648. Tenn. Code Ann. § 49-7-120(b)(1).

2649. Tenn. Code Ann. § 43-16-108(7).

2650. Tenn. Code Ann. § 59-13-107.

2651. See, generally, Tenn. Code Ann. §§ 12-2 *et seq.*

2652. See Rules of the Department of General Services, Purchasing Division, Tenn. Comp. R. & Regs. §§ 0690-3-1 *et seq.*

2653. Department of General Services, Purchasing Division, Agency Purchasing Procedures Manual, § 16.7(1) (rev. 14 Aug., 2008) (*available at* <http://www.tennessee.gov/generalserv/purchasing/documents/topsman.pdf>) (last visited Nov. 11, 2008).

2654. Tenn. Code Ann. § 10-7-504(7).

2655. Tenn. Code Ann. § 7-54-107.

2656. Tenn. Code Ann. § 4-14-305(1).

in-State private companies. Company commercial and financial information relating to such an investment, however, is deemed a public record three years after receipt by the State, though trade secrets can be maintained in confidence for longer periods.²⁶⁵⁷

Cooperative research and related information undertaken in conjunction with State universities are specifically protected from disclosure.²⁶⁵⁸ Similarly, trade secrets contained in applications for State grants may be retained in confidence by the Government of Tennessee.²⁶⁵⁹

c. Technology Transfer

Work performed on behalf of the University of Tennessee is statutorily deemed “work for hire,” with all rights granted to the university: “the University will possess all rights to any creations, inventions, other intellectual property, and materials, including copyright or patents in the same, which arise out of, are prepared by, or are developed in the course of the Contractor’s performance under this Contract.”²⁶⁶⁰ This rule also appears in the UT Policy on Intellectual Property, which declares ownership of employee inventions to be with the University.²⁶⁶¹ Ownership need not remain with the university for inventions resulting from sponsored research, however, and may instead be specifically negotiated.²⁶⁶²

By its own admission in a 2002 benchmarking study, the Tennessee State university system has had difficulty converting its intellectual capital into licensing revenues:

While there are a few notable examples of faculty who have transferred technology, the overwhelming experience of people inside and outside the university is one of disappointment, disillusionment and even anger.

While other universities are embracing technology transfer and commercialization as part of their core missions, The University of Tennessee, like a number of other universities, has yet to come to terms with how technology transfer can and should best serve the interests of the university.²⁶⁶³

2657. Tenn. Code Ann. § 4-14-308.

2658. Tenn. Code Ann. § 49-7-120.

2659. Tenn. Code Ann. § 4-17-408(e).

2660. Tenn. Comp. R. & Regs. § 1720-1-4.08, app. B (Standard Contract Form § 13).

2661. Statement of Policy on Patents, Copyrights and Other Intellectual Property, § II(A) (revised June 19, 2003) (*available at* http://utr.f.tennessee.edu/forms/IP_Policy.PDF) (last visited Nov. 11, 2008).

2662. Statement of Policy on Patents, Copyrights and Other Intellectual Property, § II(D)(1).

2663. The Foundation for Enterprise Development, *Tech Transfer and The University of Tennessee: Issues and Opportunities* at 58 (Feb. 28, 2002), *available at* http://www.beysterinstitute.org/media/pdfs/UT_Report_Final_02-28-02.pdf (last visited Nov. 11, 2008).

Since this report, the nonprofit University of Tennessee Research Foundation has created a more user-friendly and forward-looking technology-transfer Web portal.²⁶⁶⁴ UTRF enters into cooperative or sponsored-research arrangements, and holds all university IP for licensing purposes.

d. Sovereign Immunity Waivers

Tennessee has absolute sovereign immunity as it existed in the State of North Carolina in 1796.²⁶⁶⁵ This immunity extends to the Tennessee higher educational system.²⁶⁶⁶ According to the Tennessee Constitution, “Suits may be brought against the State in such manner and in such courts as the Legislature may by law direct.”²⁶⁶⁷

Pursuant to this authority, the Tennessee Legislature has enacted two separate waivers: (1) The Governmental Tort Liability Act’s waiver limited to matters involving vehicles, roads, and negligence of State employees,²⁶⁶⁸ (2) The Tennessee Claims Commission Act waives immunity for claims relating to “breach of a written contract between the claimant and the state”²⁶⁶⁹ and “[n]egligent deprivation of statutory rights created under Tennessee law,”²⁶⁷⁰ presumably including trademark rights. But while the Claims Commission Act includes a waiver for eminent domain, it only extends to real property claims.²⁶⁷¹

Claims against the State must proceed first via the Claims Commission,²⁶⁷² whose decisions are appealable to the Tennessee courts within twelve months.²⁶⁷³ Only actual tort damages are available, and those are capped at \$300,000 per claimant and \$1,000,000 per event.²⁶⁷⁴ This presumably applies equally to statutory IP torts, to the extent they are covered at all.

It appears that plaintiffs cannot assert Federal claims in the U.S. District Courts: “No language contained in this chapter is intended to be construed as a waiver of the immunity of the state of Tennessee from suit in federal courts guaranteed by the eleventh amendment to the Constitution of the United States.”²⁶⁷⁵ This strongly suggests that the State cannot be sued for patent or

2664. <http://utrf.tennessee.edu/> (last visited Nov. 11, 2008).

2665. *Cooper v. Rutherford County*, 531 S.W.2d 783 (Tenn. 1975); *Coffman v. City of Pulaski*, 220 Tenn. 642, 422 S.W.2d 429 (Tenn. 1967).

2666. *Long v. Richardson*, 525 F.2d 74, 79 (6th Cir. 1975) (Memphis State University).

2667. Tenn. Const. Art. I, § 17.

2668. Tenn. Code Ann. §§ 29-20-101 *et seq.*

2669. Tenn. Code Ann. § 9-8-307(a)(1)(L).

2670. Tenn. Code Ann. § 9-8-307(a)(1)(N).

2671. Tenn. Code Ann. §§ 9-8-307(a)(1)(V), 12-1-202.

2672. Tenn. Code Ann. §§ 9-8-305, 9-9-307.

2673. Tenn. Code Ann. §§ 29-20-302 *et seq.*; Tenn. Rule of Appellate Procedure No. 9.

2674. Tenn. Code Ann. §§ 9-8-307(d),(e).

2675. Tenn. Code Ann. § 9-8-307(f).

copyright infringement, since Federal courts have exclusive jurisdiction over those claims.

Despite the State's broad assertion of sovereign immunity, and the absence of a provision covering intellectual property, the United States District Court for the Eastern District of Tennessee has suggested that the State is liable for copyright infringement in Federal court.²⁶⁷⁶ But the holding in *Kersavage v. University of Tennessee* was in the context of a specific State statute, so is not binding on the question of whether Tennessee has waived sovereign immunity under the Copyright Act itself. Further, Tennessee has waived its sovereign immunity in regard to trade secret misappropriation²⁶⁷⁷ and the Anti-Phishing Act of 2006.²⁶⁷⁸ It may also have waived immunity for trademark infringement to the extent that a State agency has a power to sue over trademarks.²⁶⁷⁹ No cases address these waivers.

Lastly, Tennessee courts might view a State Taking of IP without just compensation under the Fifth Amendment of the Federal Constitution or Art. 1, § 21, of the Tennessee Constitution to be a waiver of sovereign immunity. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.²⁶⁸⁰ But in light of *Zoltek v. United States*²⁶⁸¹, a Tennessee court also could refuse to recognize intellectual property as "property" for Takings purposes.

43. Texas²⁶⁸²

a. Intellectual Property Laws

i. Trade Secrets

Texas has not adopted the Uniform Trade Secrets Act and instead protects trade secrets only at common law. While there are specific laws defining trade

2676. *Kersavage v. Univ. of Tenn.*, 731 F. Supp. 1327, 1330–32 (E.D. Tenn. 1989).

2677. Tenn. Code Ann. § 47-25-1702(3).

2678. Tenn. Code Ann. § 47-18-5202(7).

2679. Tenn. Code Ann. § 47-25-501(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Service*, 142 F.3d 208 (4th Cir. 1998); *Federal Express Corp. v. U.S. Postal Service*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office is empowered to sue or be sued in its own name).

2680. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2681. 442 F.3d 1345 (Fed. Cir. 2006).

2682. Our thanks to Arjuna S. Sanga, Associate Vice Chancellor, Office of Research and Technology Transfer, the University of Texas System, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

secrets in specific circumstances,²⁶⁸³ Texas does not have a law that generally defines a trade secret. Instead, Texas uses the definition in the Restatements of Torts § 757.²⁶⁸⁴ Thus, any civil liability for misappropriation is as specified in relief for torts, although there are criminal penalties for the theft of or access to trade secrets.²⁶⁸⁵

Texas has enacted an Open Records Act to ensure that public documents are disclosed.²⁶⁸⁶ The requirement for disclosure is designed to comply with copyright licenses and restrictive agreements.²⁶⁸⁷ Further, while most records are subject to this Act, Texas law broadly exempts trade secrets recognized by statute or judicial decision, or confidential information the release of which would result in competitive harm. This would seem to allow the State to withhold any trade secret defined by the Restatement of Torts.²⁶⁸⁸ A similar broad exception relates to legally protected information, which includes information protectable under statutory and common privacy laws.²⁶⁸⁹ There are a number of specific statutory and regulatory protections, including shield laws relating to the release of confidential information in bids,²⁶⁹⁰ economic development negotiations,²⁶⁹¹ specific awards and loans,²⁶⁹² and investigations by State agencies.²⁶⁹³ To protect potential licensing rights, there are further

2683. Tex. Occup. Code Ann. §§ 953.054 (the number of legal service contracts sold by a company is a trade secret), 1304.104 (the number of service contracts sold by a provider that is submitted under Section is a trade secret), 2501.252 (a service file is a trade secret where the service file is “a job order, resume, application, workpaper, or other record containing information relating to (A) an applicant; (B) an employer; (C) an employment position; or (D) the operation of a personnel service”).

2684. *Hyde Corp. v. Huffines*, 314 S.W.2d 763 (Tex. 1958).

2685. Tex. Penal Code Ann. § 31.05.

2686. Tex. Gov't. Code Ann. § 552.

2687. Tex. Gov't. Code Ann. § 552.228.

2688. Tex. Gov't. Code Ann. § 552.110. See 2008 Public Information Act Handbook, pp. 105–107 (2008), http://www.oag.state.tx.us/AG_Publications/pdfs/publicinfo_hb2008.pdf (last visited Nov. 11, 2008).

2689. Tex. Gov't. Code Ann. § 552.101. See 2008 Public Information Act Handbook, pp. 57–76.

2690. Tex. Gov't. Code Ann. § 552.104. See also Tex. Water Code Ann. § 60.405 (Navigation Districts shall not disclose trade secret information in requests for proposals for procuring insurance or high-technology items).

2691. Tex. Gov't. Code Ann. § 552.131.

2692. Tex. Gov't. Code Ann. §§ 490.057 (trade secrets contained in submissions for an award from the Texas Emerging Technology Fund will not be released), 489.215 (applications for financing from Texas Economic Development Bank Fund not to be disclosed).

2693. Examples include Tex. Nat. Res. Code Ann. §§ 134.031, 131.048 (confidential information received by Railroad Commission of Texas concerning mineral deposits, test borings, core samplings, or trade secrets or commercial or financial information relating to the competitive rights of the applicant); Tex. Util. Code Ann. §§ 17.051 (rules adopted by the Public Utility Commission of Texas relating to certification, registration, and reporting requirements for electric utilities and providers cannot require disclosure of “highly sensitive competitive or trade secret information”), 64.051 (rules adopted by Public Utility

exemptions that cover State intellectual property while legal protection is sought.²⁶⁹⁴ Certain statutes reemphasize the duty of the submitter to ensure

Commission of Texas relating to certification, registration, and reporting requirements for telecommunications utilities and pay telephone providers cannot “require the disclosure of highly sensitive competitive or trade secret information”); Tex. Rev. Civ. Stat. Ann. art. 4477-7j; § 3.16 (Gaines County cannot disclose a district record that relates to trade secrets or the economics of an industry’s operations in relation to solid waste management); Tex. Health & Safety Code Ann. § 161.354; 25 Tex. Admin. Code § 101.10 (trade secrets submitted in report to the Texas Department of Health for distributed tobacco products will not be released); Tex. Ins. Code Ann. §§ 2202.103 (trade secrets in records relating to joint underwriting will not be released by the commissioner), 4151.113 (insurance information including trade secrets cannot be released by the commissioner); Tex. Health & Safety Code Ann. § 401.067 (records relating to the regulation of the disposal of low-level radioactive waste will not be released if owner can demonstrate to Texas Natural Resource Conservation Commission that the records contain trade secrets); Tex. Gov’t. Code Ann. § 531.071 (Health and Human Services Commission will not release trade secret information regarding prescription drug rebate negotiations or a supplemental medical assistance or other rebate agreement; Tex. Health & Safety Code Ann. § 505.015 (Under Manufacturing Facility Community Right-To-Know Act, facility operators can prevent release of trade secret information where can substantiate trade secret claims to the administrator of the EPA in accordance with the federal Emergency Planning and Community Right-To-Know Act, § 322 [the Superfund Amendments]); Tex. Gov’t. Code Ann. §§ 481.047 (trade secret information collected by Texas Economic Development and Tourism Office “concerning the identity, background, finance, marketing plans, trade secrets, or other commercially sensitive information of a lender or export business” will not be released), 466.015 (Texas Lottery Commission is to adopt rules governing the confidentiality of trade secret information relating to the operation of the lottery); Tex. Agric. Code Ann. §§ 76.201 (prevents release of trade secret information relating to a registered pesticide except for limited releases relating to antidotes), 131.045 (trade secrets included in map showing the exact location of each of the beekeeper’s apiaries shall not be released); Tex. Health & Safety Code §§ 361.037, 361.182, 361.508 (hazardous waste records shall not be released by Texas Natural Resource Conservation Commission if owner demonstrates the records contain trade secrets); 25 Tex. Admin. Code § 229.171 (trade secret information included in reports and plans obtained by the Department of State Health Services not to be released); 30 Tex. Admin. Code § 335.480 (trade secrets included in pollution prevention plan submitted to Texas Commission on Environmental Quality shall not be released); 43 Tex. Admin. Code §§ 9.6 (trade secrets included in the processing and resolution of a claim under Transportation Code, 201.112 pursuant to a comprehensive development agreement shall not be released), 27.3 (trade secrets included in proposals from private entities under a comprehensive development agreement to the Texas Department of Transportation shall not be released); Tex. Water Code Ann. § 5.175 (Texas Natural Resource Conservation Commission shall not release trade secrets contained in water pollution records).

2694. Tex. Gov’t. Code Ann. § 403.0301(b). *See also* Tex. Health & Safety Code Ann. § 12.020 (Texas Dept. of Health to exempt from disclosure intellectual property for which the department has applied for or received a patent, copyright, trademark, or other evidence of protection or exclusivity); Tex. Educ. Code Ann. § 51.914 (prevents from disclosure any technological and scientific information (including computer programs), whether patentable or not, developed at least in part by a state institution of higher education and which has “a potential for being sold, traded, or licensed for a fee”).

that the submitted proprietary information is specifically so designated.²⁶⁹⁵ Without a specific exemption, the Texas Open Records Act is to be construed liberally to afford access to public writings.

ii. Trademarks

Texas has implemented the substance of the International Trademark Association's Model State Trademark Bill of 1964.²⁶⁹⁶ Its State-level trademark system is codified at Chapter 16 of the Business and Commerce Code of the Texas Statutes. Under this system, the application for registration is made to the Secretary of State,²⁶⁹⁷ and each registration is for a renewable ten-year term.²⁶⁹⁸ Certain marks have been reserved and are not eligible to be used by a private party.²⁶⁹⁹

The remedies on showing of infringement include both monetary and injunctive relief,²⁷⁰⁰ and there are potential criminal penalties for certain types of counterfeiting or misbranding activity.²⁷⁰¹ There is also a cause of

2695. Examples include Tex. Nat. Res. Code Ann. §§ 134.031, 131.048 (submitted trade secrets to Railroad Commission of Texas must be specifically identified as confidential by the applicant); Tex. Water Code Ann. § 60.405 (Navigation Districts shall not disclose trade secret information in requests for proposals for procuring insurance or high technology items to the extent that the proposal identifies the trade secret); 43 Tex. Admin. Code § 27.3 (trade secrets included in proposals from private entities under a comprehensive development agreement to the Texas Department of Transportation must be "specifically and conspicuously" designated to prevent release).

2696. Caroline Chicione & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

2697. Tex. Bus. & Com. Code Ann. § 16.10.

2698. Tex. Bus. & Com. Code Ann. § 16.12.

2699. Tex. Bus. & Com. Code Ann. § 16.30; 1 Tex. Admin. Code § 79.53 (cannot use Olympic symbols); 4 Tex. Admin. Code § 29.21 ("GO TEXAN!" is a service trademark of the Texas Department of Agriculture); 4 Tex. Admin. Code § 29.33 ("Texas Yes!" is a logo of the Texas Department of Agriculture).

2700. Tex. Bus. & Com. Code Ann. § 16.26.

2701. Tex. Penal Code Ann. § 32.23 (trademark counterfeiting and fraud); Tex. Health & Safety Code Ann. §§ 481 (counterfeit controlled substances), 431 (counterfeit drugs); Tex. Bus. & Com. Code Ann. § 36.17 (cannot use assumed business or professional name when would constitute unfair competition or unfair trade practice); Tex. Transp. Code Ann. § 547.201 (sold items of vehicle equipment must include the manufacturer's trademark or brand name); Tex. Agric. Code Ann. §§ 93.030(b) (grapefruit must have proper labeling including mark), 95.017 (if citrus fruit has color added, must include phrase "Color Added" above trademark), 63(D); 4 Tex. Admin. Code Ann. § 65.28 (commercial fertilizer labeling must include trademark); Tex. Agric. Code Ann. §§ 76.021 (pesticide label must contain trademark), 92.041 (containers of tomatoes cannot be deceptively marked regarding trademark of the contents); 16 Tex. Admin. Code Ann. § 13.32 (hose and hose for compressed natural gas must include trademark that is "continuously and distinctly marked" on the hose); Tex. Agric. Code Ann. § 141, Subchapter C; 4 Tex. Admin. Code § 61.21 (labeling commercial feed must include trademark); Tex. Alco. Bev. Code Ann. § 22.15

action for dilution.²⁷⁰² Exemplary damages are available if the plaintiff proves by clear and convincing evidence that the defendant acted with fraud, malice, or gross negligence.²⁷⁰³

For purposes of infringement, the term “person” is not defined, and therefore does not appear to waive State sovereign immunity for trademark infringement.²⁷⁰⁴ However, the State will acquire trademarks for State activities and products and has authority to license such marks.²⁷⁰⁵

iii. Copyrights

Texas allows (and sometimes requires) State ownership of intellectual property created by the State. State agencies are authorized to acquire copyrights,²⁷⁰⁶ and the courts have a similar obligation.²⁷⁰⁷ There is also a

(package store permit-holders cannot use common trademark with another package store in the same county to connote common ownership).

2702. Tex. Bus. & Com. Code Ann. § 16.29.

2703. Tex. Bus. & Com. Code § 16.26; Tex. Civ. Prac. & Rem. § 41.003(a); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, INTA BULLETIN Vol. 62, No. 14 (Aug. 1, 2007).

2704. Tex. Bus. & Com. Code Ann. § 16.01.

2705. Tex. Loc. Gov't. Code Ann. § 791.013 (authorizes parties to a contract between local governments or between a local government and a State agency to establish an administrative agency to obtain trademarks); Tex. Gov't. Code Ann. § 2054.052(e) (Department of Information Resources authorized to obtain and license marks); Tex. Nat. Res. Code Ann. § 113.243 (Railroad Commission of Texas authorized to obtain and license marks); Tex. Loc. Gov't. Code Ann. § 270.009 (a Texas county is authorized to obtain and license marks); Tex. Gov't. Code § 403.0301(a) (authorizes the state comptroller is authorized to obtain and license marks); Tex. Educ. Code Ann. § 153.006(A)6) (state institutions of higher education is authorized to obtain and license marks related to technology to be commercialized); 4 Tex. Admin. Code § 29.21; Tex. Gov't. Code Ann. § 2054.269 (the Department of Information Resources can prevent the use of names or designs similar to those used to market products related to a Department program to information resources technologies to state agencies).

2706. Tex. Gov't. Code Ann. § 403.0301(a)(1)(B) (State Comptroller authorized to obtain copyright in state works); Tex. Loc. Gov't. Code Ann. § 270.009(2) (county authorized to obtain a copyright of an original work of authorship 270.007), (county authorized to sell or license software owned by County); 25 Tex. Admin. Code § 703.8 (for works “made for hire” with funds from the Texas Cancer Council, the Council shall own the copyright and shall share ownership if multiple sources of funding are used); Tex. Loc. Gov't. Code Ann. § 791.013 (authorizes parties to a contract between local governments or between a local government and a state agency to establish an administrative agency to supervise the performance of the contract, with the administrative agency being empowered to obtain copyrights); Tex. Health & Safety Code Ann. § 12.020 (Texas Dept. of Health authorized to obtain copyrights in works); Tex. Nat. Res. Code Ann. § 113.243 (Railroad Commission of Texas authorized to obtain copyrights in works); Tex. Gov't. Code Ann. § 2054.052 (Department of Information Resources authorized to obtain copyrights).

2707. Tex. Gov't. Code Ann. § 22.008 (State Supreme Court decisions to be published and each volume is to be copyrighted “in the name of the reporter” and then immediately transferred to the State).

statutory allowance for teachers to copyright their curricula.²⁷⁰⁸ And there is an explicit reservation of rights in regard to government works accessed through government Web sites.²⁷⁰⁹ Further, in order to protect copyright ownership of third parties, the State requires, for certain institutions, that regulations and policies be created to protect related intellectual property.²⁷¹⁰ Copyrights must be respected in connection with responses to disclosure requests under the Open Records Act.²⁷¹¹ The Texas Appraiser Licensing and Certification Board is an exception to the trend in favor of State acquisition of copyrights. It is explicitly prohibited from copyrighting certain materials in order to ensure that they remain available to the public.²⁷¹²

Texas requires copyright owners and performance-rights societies to provide a special notice prior to contracting for payment of royalties by a business proprietor, and will prevent collection of such royalties where the notice is not provided.²⁷¹³ In addition, Texas protects against unauthorized sound recordings at concerts and movies.²⁷¹⁴ The State also has enacted the Truth in

2708. Tex. Educ. Code Ann. § 39.111 (educators allowed to obtain copyright in educator-developed curricula).

2709. 1 Tex. Admin. Code § 206.54 (State Web Site Link and Privacy Policy includes reservation of copyright while allowing linking to, the use of, or copying information from state agency Web sites and specifically reserves a right of attribution for such material without asserting state sponsorship of a third party). *See also id.* § 206.74 (repeats requirement in Rule § 206.54 for institutions of higher education websites).

2710. Tex. Educ. Code Ann. § 51.680(a) (requiring Commissioner of Higher Education to conduct an evaluation of the IP policies of institutions of higher education “to determine whether they meet minimal standards for, among other things, ownership and licensing responsibilities for each class of intellectual property”); Tex. Gov’t. Code Ann. § 323.0145 (Texas Legislative Council information shared through the internet is to be provided in a manner that protects the “copyright or other proprietary interest or entitlement of the State of Texas or a private entity under contract with the state”); Tex. Gov’t. Code Ann. § 321.013 (State Auditor’s access to copyrighted or restricted information obtained by the Office of the Comptroller of Public Accounts under subscription agreements is restricted).

2711. Tex. Gov’t. Code Ann. § 552.228. *See also* 1 Tex. Admin. Code § 70.6 (requiring that, in considering costs of copies made of public information, “provision of a copy of public information in the requested medium shall not violate the terms of any copyright agreement between the governmental body and a third party”); 13 Tex. Admin. Code § 2.51 (requiring that reproduction of materials in the collection of the Texas State Library be done without violating copyright laws); 19 Tex. Admin. Code § 1.10 (open records of the Texas Higher Education Coordinating Board shall not be furnished in manner that violates a “copyright agreement between the agency and a third party”); Tex. Gov’t. Code Ann. § 2306.077 (Texas Department Of Housing And Community Affairs to make information on the department’s programs, public hearings, and scheduled public meetings available to the public on the Internet, but protects the copyright and other proprietary interests in this information).

2712. Tex. Occ. Code Ann. § 1103.259.

2713. Tex. Occ. Code Ann. § 2102.

2714. Tex. Bus. & Commerce Code § 35, Subchapter H.

Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers. Lastly, Texas has a provision that criminalizes unauthorized access to, use, or modification of a computer or computer software.²⁷¹⁵

iv. Patents

Outside of the tax context, there are no particular Texas laws addressing patents.

b. Procurement Laws

The Texas Procurement Code is at Chapter 2155 of Government Code, and implemented at Title 34, Part 1, Chapter 20, of the Texas Administrative Code. In general, all contracts are to be competitively bid.²⁷¹⁶ But there are exceptions, including where the goods and services would infringe third-party IP or are otherwise proprietary to one vendor.²⁷¹⁷ Where a vendor is proposing the use of a patented product, it must certify that it is duly licensed.²⁷¹⁸ Instead of authorizing infringement of a third-party patent, Texas will direct contracts for patented items to the intellectual property owner on a sole-source basis.

2715. Tex. Penal Code Ann. § 33.

2716. Tex. Gov't. Code Ann. § 2155.063.

2717. Tex. Gov't. Code Ann. § 2155.067; Tex. Educ. Code Ann. § 44.031(j) (exempts school districts from competitive bidding “because of the existence of a patent, copyright, secret process, or monopoly”), State of Texas Vendor Guide, p. 49 (Oct. 10, 2007), http://www.window.state.tx.us/procurement/pub/vendor_guide.pdf (Proprietary Purchase defined to include “[p]roducts or services manufactured or offered under exclusive rights of ownership,” including rights under patent, copyright or trade secret law) (last visited Nov. 11, 2008); 1 Tex. Admin. Code § 303.7 (Texas National Research Laboratory Commission need not make competitive bids where there are “limited rights in data, patent rights, copyrights or secret processes”); Tex. Loc. Gov't. Code Ann. § 252.022 (municipalities exempted from competitive purchasing requirements for “items that are available from only one source because of patents, copyrights, secret processes, or natural monopolies”); Tex. Loc. Gov't. Code Ann. § 262.024 (county exempt from competitive purchasing requirements for “items that can be obtained from only one source, including items for which competition is precluded because of the existence of patents, copyrights, secret processes, or monopolies.”); Tex. Water Code Ann. § 60.412 (navigation districts exempt from the required competitive bidding and procurement procedures if it involves “items for which competition is precluded because of the existence of patents, copyrights, secret processes, or natural monopolies”).

2718. 43 Tex. Admin. Code § 15.13 (new product evaluation with respect to the Texas Department of Transportation).

Certain agencies are required to utilize certain terms and conditions. For instance, for certain contracts and grants, the Office of the Attorney General must allow a contractor to copyright or patent material produced under a contract, subject to a State license.²⁷¹⁹ In contrast, the State owns works made for hire using funding from the Texas Cancer Council, subject to an option to license the State's ownership should there be joint authorship with the contractor.²⁷²⁰ There are specific flowdown requirements relating to intellectual property ownership and indemnification, which a local authority under the Texas Department of Mental Health and Mental Retardation is required to insert in subcontracts for the development of software or intellectual property.²⁷²¹

For the procurement of goods and services, Texas has implemented standard contracts and procedures through its State of Texas Contract Management Guide.²⁷²² Under the standard terms and conditions for services, the contractor is required to indemnify the State against claims for intellectual property infringement.²⁷²³ There is also a model requirement in which the State owns any intellectual property created by the contractor under the contract.²⁷²⁴ This ownership requirement appears consistent with the State's desire to license State-owned software systems subject to a credit on funds used to create the software.²⁷²⁵ Outside of these provisions, the parties evidently can negotiate needed rights on a contract-by-contract basis.

Bids and proposals are generally to be revealed after award as a public record,²⁷²⁶ but are kept confidential beforehand where the information would give an advantage to a bidder.²⁷²⁷ To extend protection after award, bidders must rely on other exemptions, such as the trade secret exemption, from the Open Records Act.²⁷²⁸ To protect such information, model clauses require

2719. 1 Tex. Admin. Code §§ 60.406, 62.64.

2720. 25 Tex. Admin. Code § 703.8.

2721. 40 Tex. Admin Code § 7.57.

2722. A copy can be found at http://www.window.state.tx.us/procurement/pub/contractguide/CMG_Version_1.4.pdf (last visited Nov. 11, 2008).

2723. State of Texas Contract Management Guide, Sample RFP, app. 1, § XI, art. 11.17; Intellectual Property Indemnification (Ver. 1.4), app. 9.

2724. State of Texas Contract Management Guide, Sample RFP, app. 1, § XI, art. 11.30; and Intellectual Property Indemnification (Ver. 1.4), app. 9.

2725. Tex. Gov't. Code Ann. § 2054.115 (sale or licensing of State-developed software).

2726. Tex. Gov't. Code Ann. § 552.022(a)(3).

2727. Tex. Gov't. Code Ann. § 552.104. *See also* Tex. Gov't. Code Ann. § 552.128 (providing further exemption for potential vendors providing information relating to certification as historically underutilized or disadvantaged business). Such protection ends at contract award. *See generally* 2008 Public Information Act Handbook, 83 (2008), http://www.oag.state.tx.us/AG_Publications/pdfs/publicinfo_hb2008.pdf (last visited Nov. 11, 2008).

2728. Tex. Gov't. Code Ann. §§ 552.101, 552.110; 2008 Public Information Act Handbook, 83 (2008).

confidential information to be conspicuously marked.²⁷²⁹ Other types of contracts have similar requirements allowing the protection of submitted confidential information as long as those portions are identified.²⁷³⁰

Outside of procurement, State agencies generally have authority to acquire, contract for, and license intellectual property,²⁷³¹ and to refuse disclosure under the Texas Open Records Act.²⁷³² The State owns all employee inventions, with a revenue-sharing component for any resulting licenses.²⁷³³ Each agency is required to report on the status of State-developed or State-owned intellectual property.²⁷³⁴ Texas has the power to license software and systems developed by the State.²⁷³⁵ Lastly, where intellectual property is acquired by way of gifts and donations, there are specific requirements to ensure intellectual property ownership.²⁷³⁶ As such, there is a robust tracking and licensing system in place to ensure that Texas obtains the benefits of agency-developed or -acquired intellectual property.

2729. State of Texas Contract Management Guide, Sample RFP, app. 1, § III, art. 3.4 (Ver. 1.4).

2730. Tex. Loc. Gov't. Code Ann. § 262.030 (counties not to disclose identified confidential portions of bids on high technology items); Tex. Water Code Ann. § 60.405 (navigation districts not to disclose identified confidential portions of bids on high technology items); 43 Tex. Admin. Code §§ 27.3 (Texas Department of Transportation not to disclose identified confidential portions of proposals under a comprehensive development agreement), 201.8 (Texas Tollway Authority not to disclose identified confidential portions of bid or proposal).

2731. Tex. Nat. Res. Code § 113.243(f) (Railroad Commission of Texas has authority to apply for and license intellectual property relating to alternative fuel research); Tex. Gov't. Code Ann. §§ 403.0301(a) (state comptroller has authority to apply for and license intellectual property), 2054.052 (Department of Information Resources has authority to apply for and license intellectual property); Tex. Transp. Code Ann., § 201.205; 43 Tex. Admin. Code § 22.22 (the Department of Transportation is authorized to apply for and license intellectual property); Tex. Gov't Code Ann. § 791.013 (agency administering contract between local governments or between a local government and a state agency authorized to acquire and, presumably, license intellectual property); Tex. Health & Safety Code Ann. § 12.020 (the Texas Dept. of Health authorized to acquire and license intellectual property); Tex. Agric. Code Ann. § 45.008 (Texas-Israel Exchange Fund Board authorized to acquire and license intellectual property resulting from funded research and development); Tex. Gov't. Code Ann. § 481.021 (Texas Economic Development and Tourism Office authorized to acquire and license intellectual property).

2732. Tex. Gov't. Code Ann. § 403.0301(b) (allows Comptroller to prevent disclosure during the time intellectual property is being applied for). *See also* Tex. Health & Safety Code Ann. § 12.020 (Texas Dept. of Health to exempt from disclosure intellectual property for which the department has applied for or received a patent, copyright, trademark, or other evidence of protection or exclusivity).

2733. Tex. Gov't Code Ann. § 2108.036; 1 Tex. Admin. Code § 273.29.

2734. Tex. Gov't Code Ann. § 2111.

2735. Tex. Gov't Code Ann. § 2054.115 (sale or licensing of State-developed software).

2736. 28 Tex. Admin. Code §§ 3.9306, 34.1107.

Texas has created the Texas Economic Development Bank Fund to provide financing for new technology companies.²⁷³⁷ As a condition of obtaining financing, the Texas Economic Development Bank shall obtain “an appropriate portion of royalties, patent rights, equitable interests, or a combination of those royalties, rights, and interests from or in the product or the proceeds of the product for which financing is requested.”²⁷³⁸ While the State does not require rights in developed intellectual property, as a condition of receiving a loan or grant to assist military communities, the awardee is required to honor third-party IP rights.²⁷³⁹ And for grants from the On-Site Wastewater Treatment Research Council, the grantee is required to indemnify the State for any infringement liability incurred by the State for the grantee’s activities.²⁷⁴⁰

c. Technology Transfer

Universities are encouraged to acquire and license university-developed intellectual property.²⁷⁴¹ They can withhold from disclosure intellectual property for which protection is or may be acquired as long as it could be licensed for a fee.²⁷⁴² Universities are encouraged to set up centers having the power to license IP.²⁷⁴³ These centers also are specifically empowered to retain counsel to enforce State intellectual property rights.²⁷⁴⁴ In order to gauge the effectiveness of these centers, the Texas Higher Education Coordinating Board is required to periodically submit a report detailing how many new entities were created to commercialize intellectual property.²⁷⁴⁵ University inventors are allowed to own new entities being created to commercialize State-owned technology.²⁷⁴⁶

In view of these requirements, university policies generally have the State acquiring ownership of intellectual property developed by university employees where the intellectual property is the result of significant university resources, where the IP was developed in the course and scope of the employee’s employment, or where the IP in question qualifies as a work made

2737. Tex. Gov’t. Code Ann. § 489, Subchapter D.

2738. Tex. Gov’t. Code Ann. § 489.213.

2739. 1 Tex. Admin. Code § 4.15 (loans from Texas Military Value Revolving Loan Fund).

2740. 31 Tex. Admin. Code § 286.34.

2741. Tex. Educ. Code Ann. § 88.213 (requiring Texas A&M University System to generate revenue through agreements and patent licenses for agricultural research products by the Texas Agricultural Experiment Station).

2742. Tex. Educ. Code Ann. § 51.914.

2743. Tex. Educ. Code Ann. § 153.006(A)(6).

2744. *Id.*

2745. *Id.*

2746. Tex. Educ. Code Ann. § 51.912(a)(1).

for hire.²⁷⁴⁷ Similarly, where the intellectual property results from sponsored research, ownership is with the university.²⁷⁴⁸ The State will generally request ownership of intellectual property generated by university employees, subject to an option to license any generated intellectual property owned by the university, but will allow ownership rights with the sponsor for sponsor-created intellectual property.²⁷⁴⁹

d. Sovereign Immunity Waivers

Texas has enacted a partial waiver of sovereign immunity under the Texas Torts Claims Act.²⁷⁵⁰ The waiver is only for money damages, and only allows damages related to motor vehicle accidents. Damages are capped at \$500,000.²⁷⁵¹ The operation of these provisions with respect to intellectual property is unclear but seems dubious. In order to determine liability for the State for misappropriation, it must have waived liability for common-law torts against property within the scope of the Restatement. Since the Texas Torts Claims Act does not appear to have waived liability outside of torts relating to vehicle accidents for state agencies and provides limited waivers for municipalities,²⁷⁵² it is unlikely that the State can be held liable for trade secret misappropriation under Texas common law.

Whatever their effect, they will apply with equal force to the Texas University system, which is deemed an arm of the State and thus fully eligible for State sovereign immunity.²⁷⁵³

While State liability is limited, local governments enjoy an even broader waiver of immunity in relation to negligence actions.²⁷⁵⁴ Lastly, there is a statutory procedure which allows the Legislature to waive sovereign immunity and to pay claims to an individual.²⁷⁵⁵ No cases explore these options in the IP context.

2747. University of Texas System Regent's Rules & Regulations, Rule 90102(2) § 2; Texas A&M University System Rules & Regulations, 17.01 Intellectual Property Management and Commercialization § 2.2.1 (May 2006).

2748. University of Texas System Regent's Rules & Regulations, Rule 90102(2) §3; Texas A&M University System Rules & Regulations, 17.01 Intellectual Property Management and Commercialization §§ 2.2.2, 2.4 (May 2006).

2749. University of Texas Sponsored Research Agreement (Collaborative Research—Jointly Owned Intellectual Property—Short Form) § 8, <http://www.utsystem.edu/ogc/IntellectualProperty/contract/jtipshrt.htm> (last visited Nov. 11, 2008).

2750. Tex. Civ. Prac. & Rem. Code Ann. §§ 101.001 *et seq.*

2751. Tex. Civ. Prac. & Rem. Code Ann. § 101.023.

2752. Tex. Civ. Prac. & Rem. Code Ann. §§ 101.021, 0215.

2753. *United Carolina Bank v. Bd. of Regents*, 665 F.2d 553, 561 (5th Cir. 1982) (Stephen F. Austin State University); *Clay v. Texas Women's University*, 728 F.2d 714 (5th Cir. 1984).

2754. Tex. Civ. Prac. & Rem. Code Ann. §§ 102.001 *et seq.*

2755. Tex. Civ. Prac. & Rem. Code Ann. §§ 111.001 *et seq.*

In the procurement context, Texas courts, oddly, have concluded that entering a commercial contract constitutes a waiver of immunity from liability *but not suit*.²⁷⁵⁶ Thus, a Texas State agency could hypothetically be liable but could not be sued to recover on the resulting debt. The Texas Legislature has closed this judicially created loophole via Texas Government Code § 2260, which provides an administrative remedy for breach-of-contract claims against Texas public entities before the Office of Administrative Hearings.²⁷⁵⁷ The Office of Administrative Hearings is authorized to issue awards of up to \$250,000 out of previously allocated agency funds, but must issue a nonbinding recommendation to the Legislature to pay claims that exceed that amount. This would extend to intellectual property disputes arising through contract breaches.²⁷⁵⁸ It is unclear whether the Office of Administrative Hearings has jurisdiction over implied-in-fact contracts, such as where trade secrets are provided in unsolicited proposals.

Further, where Texas has asserted infringement of State-owned intellectual property, it has waived its sovereign immunity.²⁷⁵⁹ Other courts have held that, absent a specific waiver of immunity, Texas enjoys broad IP immunity. This immunity has explicitly been applied to copyright claims.²⁷⁶⁰

Lastly, while at least one case exists in which relief was denied based upon Federal Takings claims,²⁷⁶¹ it still is possible (though unlikely) that the Texas courts would view a State Taking of property without just compensation to be a waiver of sovereign immunity under Article I, Section 17, of the Texas State Constitution. State-level Takings claims require a showing that the State purposefully used IP through eminent domain (as opposed to contract).²⁷⁶²

2756. *Federal Sign v. Tex. S. Univ.*, 951 S. W. 2d 401 (Tex. 1997).

2757. *General Services Comm'n v. Little-Tex Insulation Co.*, 39 S.W.3d 591 (Tex., 2001).

2758. *Baum Research & Dev. Co. v. Univ. of Mass. at Lowell*, 503 F.3d 1367 (Fed. Cir. 2007).

2759. *Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had "waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum," but "did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court"); *see also Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

2760. *See Chavez v. Arte Publico Press*, 59 F.3d 539, 547 (5th Cir. 1995), *vacated on other grounds*, 517 U.S. 1184 (1996).

2761. *Id.*

2762. For a discussion of State Takings of patents, *see State of Tex. v. Herbert W. Holland*, 221 S.W.3d 639, 50 Tex. Sup. Ct. J. 642 (Tex. 2007); *A.C. Aukerman Co. v. State*, 902 S.W.2d 576 (Tex. App. 1995). For copyrights, *see Smith v. Lutz*, No. 03-04-00074-CV (Tex. June 10, 2004).

This would be consistent with the U.S. Supreme Court's analysis of Takings under the Fifth Amendment of the U.S. Constitution in the context of trade secret misappropriation.²⁷⁶³ In light of *Zoltek v. United States*,²⁷⁶⁴ however, a Texas court refuse to recognize IP as "property" for Takings purposes.

44. Utah²⁷⁶⁵

a. Intellectual Property Laws

i. Trade Secrets

Utah has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁷⁶⁶ Like the Uniform Trade Secrets Act, Utah defines "person" to include government entities.²⁷⁶⁷ Misappropriation of trade secrets is a violation of the Unfair Competition Act, and may even fall under the definition of "cyber-terrorism."²⁷⁶⁸

In order to ensure public dissemination of government records, Utah enacted the Government Records Access and Management Act at Title 63G, Chapter 2 of the Utah Code Annotated. Utah's law concerning public accessibility of records expressly exempts trade secrets, IP "under consideration for public acquisition," and records relating to IP applications by the State.²⁷⁶⁹ State trade secret misappropriation also is prohibited by a variety of more specialized statutes, like the Utah Wholesome Food Act²⁷⁷⁰ and the Utah Occupational Health and Safety Act,²⁷⁷¹ which also provide grounds for nondisclosure under Government Records Access and Management Act. Promises of confidentiality not rooted in one of the exceptions are not binding on the State.²⁷⁷²

Criminal law prohibits trade secret theft as an offense against property.²⁷⁷³

2763. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2764. 442 F.3d 1345 (Fed. Cir. 2006).

2765. Our thanks to Zachary Miles, Esq., of the Technology Commercialization Office of the University of Utah, and Douglas Richins, Director, Utah Division of Purchasing, for their review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2766. Utah Code Ann. §§ 13-24-1 *et seq.*

2767. Utah Code Ann. § 13-24-2(3).

2768. Utah Code Ann. § 13-5a-102.

2769. Utah Code Ann. § 63G-2-305. *See also* Utah Code Ann. § 53B-16-302; Utah Admin. Code R. 495-810.

2770. Utah Code Ann. § 4-5-3 (1)(i) ("A person may not . . . use or reveal a method, process, or information which is protected as a trade secret").

2771. Utah Code Ann. § 34A-6-306.

2772. *KUTV Inc. v. Utah State Bd. of Educ.*, 689 P.2d 1357 (Utah 1984).

2773. Utah Code Ann. § 76-6-401.

ii. Trademarks

Utah's trademark registration system is designed to be "substantially consistent with the federal system of trademark registration." It uses Federal trademark law as persuasive authority.²⁷⁷⁴ The law generally implements the substance of the International Trademark Association's Model State Trademark Bill of 1992.²⁷⁷⁵ The Utah Registration and Protection of Trademark and Service Marks Act also incorporates the Federal classification scheme for goods and services.²⁷⁷⁶ Marks are registrable for renewable five-year terms.²⁷⁷⁷ Both infringement and dilution of famous marks are viable causes of action.²⁷⁷⁸ Courts can award three times profits and damages, plus reasonable attorney fees, if the defendant acted knowingly or in bad faith, or otherwise according to the circumstances of the case.²⁷⁷⁹

Rejections may be appealed pursuant to the Utah Administrative Procedures Act.²⁷⁸⁰ Funds collected by the State for trademark registrations are used to promote registration of "electronic registration marks" to holders of federal trademarks, promote Utah as a desirable business destination, and encourage businesses to relocate to Utah.²⁷⁸¹ A proposed 2008 rewrite of the Act would remove private civil enforcement of electronic registration marks, though injunctive relief might still be available.²⁷⁸²

While since repealed, "electronic registration marks" were a 2007 innovation created by the Utah Government in an effort to prevent the use of trademarks in keyword-based advertising systems.²⁷⁸³ For a modest fee,²⁷⁸⁴ the holder of an electronic registration mark is entitled to prevent the use of that mark as an Internet search term by competitors—either by suing the competitor that bought the keyword or the search engine that sold it.²⁷⁸⁵ The statute is ostensibly limited to Web sites viewed in Utah, and Utah has

2774. Utah Code Ann. § 70-3a-102.

2775. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

2776. Utah Code Ann. § 70-3a-308.

2777. Utah Code Ann. § 70-3a-305.

2778. See Utah Code Ann. § 70-3a-403.

2779. Utah Code Ann. § 70-3a-404; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2780. Utah Admin. Code R. § 154-100 (4),(5).

2781. Utah Code Ann. § 70-3a-502.

2782. See Tripp Baltz, *Rewrite of Utah Trademark Protection Law Reportedly Removes Private Civil Enforcement*, 12 ELECTRONIC COMMERCE & LAW REP. 912 (Oct. 3, 2007).

2783. See Chapter 258, 2008 Session, <http://le.utah.gov/~2008/status/sbillsta/sb0151s03.htm> (last visited Nov. 11, 2008).

2784. Utah Code Ann. § 70-3a-203(1) (since repealed).

2785. Utah Code Ann. § 70-3a-402(c) (since repealed).

promised to share this list of “forbidden key words” with search engines once the system is implemented.²⁷⁸⁶ Electronic registration marks must be renewed yearly.²⁷⁸⁷ The constitutionality of this system is likely to be challenged once the system is implemented—indeed, the Legislative Review Note accompanying the enacting legislation observes that “[b]ecause of the potential impact on interstate commerce from the state’s regulation of electronic registration mark use on Internet search engines, this legislation has a high probability of being held to be unconstitutional.”²⁷⁸⁸ In 2008, the Utah Legislature approved Senate Bill 151, a measure to sharply limit the applicability of the electronic registration mark system. Under the new legislation, companies can pay a fee to register their marks as “electronic registration marks,” but the accompanying remedies for misuse of electronic registration marks have been stripped out. As of this writing, the Governor had not yet signed the amendment, and supporters of the original system have promised further legislative efforts. While this measure was not enacted in light of the third substitute bill, Utah remains at the forefront of legislative responses to keyword advertising and internet trademark law.

Utah also has a criminal statute prohibiting forged or counterfeited trademarks. Violations are punishable as a Class B misdemeanor.²⁷⁸⁹

iii. Copyrights

Utah has a moral rights law that expands the remedies available to a visual artist. An artist commissioned by the State is entitled to claim or disavow authorship and make photographic reproductions, in addition to the rights secured by the Federal Copyright Act.²⁷⁹⁰ In addition, the artist has a right of first refusal regarding repair, conservation, and sale of the artwork in question.²⁷⁹¹

Utah requires all performing-rights societies to maintain and make available a current list of titles and names of authors and publishers of works under their control as a prerequisite to recovering damages for copyright infringement by restaurants, bars, public houses, or the like.²⁷⁹²

In 2004, Utah enacted the Spyware Control Act, regulating the placement of cookies, monitoring of sessions, and serving of pop-up advertisements

2786. Utah Code Ann. § 70-3a-501 (since repealed).

2787. Utah Code Ann. § 70-3a-305(6) (since repealed).

2788. Trademark Protection Act, S.B. 236, 2007 Session, State of Utah, Legislative Notes, *available online at* <http://le.utah.gov/~2007/bills/sbillamd/sb0236.htm> (last visited Nov. 11, 2008).

2789. Utah Code Ann. §§ 76-10-1001 *et seq.*

2790. Utah Code Ann. § 9-6-409.

2791. Utah Code Ann. § 9-6-409(4).

2792. Utah Code Ann. §§ 13-10a-1 *et seq.*

onto users' computers.²⁷⁹³ Pop-up advertisements are banned if the ad in question "is displayed in response to a specific mark" or Internet URL.²⁷⁹⁴ Spyware is rendered altogether illegal.²⁷⁹⁵ The statute again evinces Utah's unusual concern for the use of competitors' trademarks on the Internet. It only creates a cause of action for in-State users,²⁷⁹⁶ perhaps in an effort to avoid Constitutional challenges. Plaintiffs can recover the greater of actual damages or statutory damages of \$10,000.²⁷⁹⁷

iv. Patents

Utah has enacted an Employment Inventions Act, which governs the extent to which employees can be required to assign their inventions to their employers.²⁷⁹⁸ Under the Act, employees may not be required to assign inventions created on their own time to their employer as a condition of employment, but can assign these same rights by a separate agreement.²⁷⁹⁹ However—presumably to avoid Federal preemption issues—the law expressly exempts "any right, intellectual property or invention that is required by law or by contract between the employer and the United States government or a state or local government to be assigned or licensed to the United States."²⁸⁰⁰

b. Procurement Laws

Utah employs a competitive procurement system managed by the State's Chief Procurement Officer. The State Procurement Policy Board promulgates rules to govern the procurement process,²⁸⁰¹ and in that capacity has adopted the substance of the American Bar Association's Model Procurement Code. Sole-source procurement is permitted if "there is only one source for the required supply, service, or construction item,"²⁸⁰² which would seem to capture situations where a product is protected by intellectual property rights, though that possibility is not specifically mentioned.

2793. Utah Code Ann. § 13-40-102.

2794. Utah Code Ann. § 13-40-201(1)(a).

2795. Utah Code Ann. § 13-40-201.

2796. Utah Code Ann. § 13-40-201(2).

2797. Utah Code Ann. § 13-40-301.

2798. Utah Code Ann. §§ 34-39-1 *et seq.*

2799. Utah Code Ann. § 34-39-3.

2800. Utah Code Ann. § 34-39-3(3)(a).

2801. Title 63G, Chapter 6 of the Utah Code Annotated.

2802. Utah Code Ann. § 63G-6-410(1).

Government contracts are obtained by reverse auction,²⁸⁰³ sealed proposals,²⁸⁰⁴ or sealed bids.²⁸⁰⁵ Utah does not employ an in-State preference but rather operates on a principle of reciprocity, under which companies from States that do not discriminate against Utah companies are able to compete on equal footing with Utah companies, but companies coming from States that employ in-State preference rules are at a corresponding disadvantage in Utah.²⁸⁰⁶

Opened bids are available for public inspection, though trade secret information may be redacted.²⁸⁰⁷ In general, trade secret laws are honored in the Utah contracting process.²⁸⁰⁸ However, outside of these provisions, there do not appear to be any statutory or regulatory requirements for IP ownership in inventions generated under a contract or for IP indemnification.

In the event of a dispute between a contractor and the State, the Chief Procurement Officer is empowered to act as an arbiter.²⁸⁰⁹ His written decisions may be appealed to the Utah Procurement Appeals Board.²⁸¹⁰ Time limits, however, are extremely tight: five to seven days for appeals of bid protest rulings, and sixty days for contract disputes.²⁸¹¹ Procurement Appeals Board decisions may be appealed to the Utah Court of Appeals, but its factual determinations are conclusive unless arbitrary and capricious.²⁸¹² Alternatively, an aggrieved bidder or contractor can sue in the Utah District Court.²⁸¹³ Again, deadlines are tight—a matter of weeks, in some cases, and under no circumstances more than a year after the cause of action accrues.²⁸¹⁴

c. Technology Transfer

The State does a good job of ensuring that IP conveyed under technology transfer agreements or licenses are protected against unwanted or economically harmful disclosures.²⁸¹⁵ IP developed by university faculty is owned in the first instance by the University of Utah Research Foundation, which in

2803. Utah Code Ann. § 63G-6-402.

2804. Utah Code Ann. § 63G-6-408.

2805. Utah Code Ann. § 63G-6-401.

2806. Utah Code Ann. §§ 63G-6-404, 405.

2807. Utah Admin. Code R. § 33-3.

2808. Utah Admin. Code R. § 23-1(2)(a).

2809. Utah Code Ann. § 63G-6-805.

2810. Utah Code Ann. §§ 63G-6-807 through 63G-6-810.

2811. Utah Code Ann. § 63G-6-811.

2812. Utah Code Ann. §§ 63G-6-813, 814.

2813. Utah Code Ann. § 63G-6-815.

2814. Utah Code Ann. § 63G-6-817.

2815. Utah Code Ann. §§ 53B-16-302, 53B-16-305, 63G-2-305. *See also* Utah Admin. Code R. § 765-993, Regents (Board of) R.765 (University system).

turn is required by law to share with the faculty inventors/creators profits from commercialization. This is true for both patentable inventions²⁸¹⁶ and copyrighted software²⁸¹⁷ developed by faculty members. The University of Utah Research Foundation in turn operates a Technology Commercialization Office, which manages the university's IP and encourages commercial partnerships with industry.²⁸¹⁸ This policy structure also appears to be in effect for ownership of inventions and works generated under sponsored research, although rights in these inventions and works also can be specially negotiated by the contracting parties.

The Utah Department of Transportation runs a modest technology transfer program, though it does not specifically discuss the distribution of IP.²⁸¹⁹

Unusually, Utah law holds that IP generated by a particular political subdivision is owned by that political subdivision, rather than by the State more broadly.²⁸²⁰ Particular Utah entities have specific laws encouraging IP ownership and exploitation. For example, the Tar Sands Pilot Project, an experiment in oil extraction, is particularly encouraged to patent new inventions and seek licensors.²⁸²¹

d. Sovereign Immunity Waivers

The State's sovereign immunity "is waived as to any contractual obligation."²⁸²² Breach-of-contract claims, moreover, are not subject to any of the pre-suit restrictions imposed on other claims pursuant to Utah law.²⁸²³ Immunity also is waived for any actions concerning real or personal property—a waiver that may or may not extend to IP infringement claims.²⁸²⁴ It seems very likely that Utah has waived sovereign immunity for IP claims involving software. As a question of State policy, Utah will "comply with computer software licensing agreements and applicable federal laws, including copyright and patents laws."²⁸²⁵ Each State agency is specifically

2816. University of Utah Policy: 6-4, Rev. 3 (Mar. 8, 1999), available at <http://www.techventures.utah.edu/Documents/6-4.html> (last visited Nov. 11, 2008).

2817. University of Utah Policy: 6-7, Rev: 1 (May 14, 2001), available at <http://www.regulations.utah.edu/research/7-003.html> (last visited Nov. 11, 2008).

2818. See <http://www.tco.utah.edu/> (last visited Nov. 11, 2008).

2819. See, generally, <http://www.udot.utah.gov/main/f?p=100:pg:553146397188222:::1:T,V:1736> (last visited Nov. 11, 2008).

2820. Utah Code Ann. § 63A-12-105(2)(b).

2821. Utah Code Ann. § 63M-3-202.

2822. Utah Code Ann. § 63G-7-301(1)(a).

2823. Utah Code Ann. § 63G-7-301(1)(b), exempting contract claims from the requirements of Utah Code Ann. §§ 63G-7-401 to 63G-7-403, 63G-7-601.

2824. Utah Code Ann. § 63G-7-301(2)(a).

2825. Utah Admin. Code R. § 895-3.

enjoined to comply with software licensing agreements, State and Federal statutes, Federal contracts, funding agreements, and copyright and patent laws.²⁸²⁶ As such, infringing activities by the State easily could be found to breach implied-in-fact contracts. A quiet title action might also be viable under these circumstances. Utah has waived its sovereign immunity in regard to trade secret misappropriation,²⁸²⁷ though no cases address the scope of the waiver.

Any actions brought against the State must be brought in Utah's district courts.²⁸²⁸ Utah's \$2 million damages cap does not apply to contract or property actions, so an IP plaintiff should be able to obtain a full recovery,²⁸²⁹ but punitive and exemplary damages are unavailable²⁸³⁰ and settlements of over \$100,000 must be approved by the Governor.²⁸³¹

Lastly, there is the question of whether Utah would view a State Taking of IP as actionable under the Fifth Amendment of the Federal Constitution or Article I, Section 22, of the Utah Constitution. The U.S. Supreme Court has held in *Ruckelshaus v. Monsanto Co.* that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.²⁸³² And Utah courts have followed *Ruckelshaus* regarding State Takings claims.²⁸³³ However, in light of *Zoltek v. United States*,²⁸³⁴ it is possible that a Utah court could refuse to recognize IP (and especially patents and copyrights) as "property" for Takings purposes.

45. Vermont²⁸³⁵

a. Intellectual Property Laws

i. Trade Secrets

Vermont has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁸³⁶ Since the statute does not specify who a "person" is for purposes

2826. Utah Admin. Code r. § 895-3-5(1).

2827. Utah Code Ann. § 13-24-2(3).

2828. Utah Code Ann. § 63G-7-501.

2829. Utah Code Ann. § 63G-7-604(2).

2830. Utah Code Ann. § 63G-7-603(1)(a).

2831. Utah Code Ann. §§ 63G-7-602.

2832. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2833. *Bagford v. Ephraim City*, 904 P.2d 1095 (Utah, 1995) (applying *Ruckelshaus* in determining whether intangible property was property for purpose a Takings under art. I, § 22 of the Utah Constitution).

2834. 442 F.3d 1345 (Fed. Cir. 2006).

2835. Our thanks to Todd S. Keiller, Director, UVM Ventures and Technology Transfer, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

2836. Vt. Stat. Ann. tit. 9, §§ 4601-4609; Vt. Stat. Ann. tit. 12, § 523.

of trade secret misappropriation, Vermont rules of statutory construction require that the term be construed to include the State.²⁸³⁷ Relief available for trade secret misappropriation includes injunctive and damages.²⁸³⁸

Vermont has enacted a Public Records Act in order to ensure the public dissemination of government records.²⁸³⁹ Vermont's Public Records Act exempts from disclosure "records which by law are designated confidential or by a similar term"²⁸⁴⁰ as well as

trade secrets, including, but not limited to, any formulae, plan, pattern, process, tool, mechanism, compound, procedure, production data, or compilation of information which is not patented, which is known only to certain individuals within a commercial concern, and which gives its user or owner an opportunity to obtain business advantage over competitors who do not know it or use it.²⁸⁴¹

It is unclear whether the Uniform Trade Secrets Act would provide an independent and additional mechanism to prevent release. Either way, Vermont should be able to prevent disclosure of trade secrets submitted in confidence, provided that the submitter is able to substantiate the confidentiality of the documents.²⁸⁴²

ii. Trademarks

Vermont also has a State trademark registration system.²⁸⁴³ Trademarks are registered for ten years, renewable for as long as a mark remains in commerce.²⁸⁴⁴ Injunctive relief²⁸⁴⁵ and actual damages or a \$500 fine are available.²⁸⁴⁶ Punitive damages are not available.²⁸⁴⁷ Common-law trademark rights remain enforceable.²⁸⁴⁸ Vermont has not enacted a trademark dilution law.²⁸⁴⁹

2837. Vt. Stat. Ann. tit. 1, §§ 101, 128.

2838. Vt. Stat. Ann. tit. 9, §§ 4602, 4603.

2839. Vt. Stat. Ann. tit. 1, §§ 316-320.

2840. Vt. Stat. Ann. tit. 1, § 317(c)(1).

2841. Vt. Stat. Ann. tit. 1, § 317(c)(9).

2842. *Springfield Terminal v. Agency of Transp.*, 816 A.2d 448 (Vt. 2002) (interpreting Vt. Stat. Ann. tit. 1 § 317(c)(9)).

2843. Vt. Stat. Ann. tit. 9, §§ 2521-2575.

2844. Vt. Stat. Ann. tit. 9, § 2524.

2845. Vt. Stat. Ann. tit. 9, § 2529.

2846. Vt. Stat. Ann. tit. 9, § 2531.

2847. Vt. Stat. Ann. tit. 9, §§ 2530, 2531; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2848. Vt. Stat. Ann. tit. 9, § 2532.

2849. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.-Dec. 2006).

iii. Copyrights

The State's laws are silent concerning copyrights.²⁸⁵⁰

iv. Patents

The State's laws also are silent concerning patents.²⁸⁵¹

b. Procurement Laws

Vermont's procurement laws are administered by the Commissioner of Buildings and General Services.²⁸⁵² The Commissioner has broad discretion to determine the best mode for purchasing equipment and other supplies,²⁸⁵³ subject to an in-State preference.²⁸⁵⁴ The Commissioner has used this discretion to implement a well-designed procurement system that vests great discretion with the Purchasing and Contract Administration Division. Vermont uses a combination of fixed contracts, competitive proposals, and discretionary contracts.²⁸⁵⁵ Grants also are available.²⁸⁵⁶

Competitive bidding is preferred pursuant to Executive Order #15-91.²⁸⁵⁷ But sole-source and no-substitute contracts are permissible if required "because of the unique nature of the requirements, time restraints, and supplier or market conditions"²⁸⁵⁸ or "when only one contractor is capable of providing the needed service or product,"²⁸⁵⁹ though such contracts must be approved by the Secretary of Administration if valued at greater than \$75,000.²⁸⁶⁰ A no-substitute contract is "an award for the acquisition of

2850. *Accord*, Robert K. Huffman & Lynda T. O'Sullivan, *Uncharted Waters: State Contracting Terms and Conditions, Intellectual Property, and the Homeland Security Era*, 33 PUB. CONT. L. J. 163, 203 (2003) (Vermont's public procurement statute "does not address intellectual property" and "[w]e found no other terms and conditions or guidance with respect to intellectual property").

2851. *Id.*

2852. Vt. Stat. Ann. tit. 29, § 902.

2853. Vt. Stat. Ann. tit. 29, §§ 903, 903a.

2854. Vt. Stat. Ann. tit. 29, § 903(b)(10), (11).

2855. State of Vermont Purchasing and Contract Administration Division, Buyer's Resource Guide, 12.13 (Apr. 1, 2005), available at <http://bgs.vermont.gov/sites/bgs/files/pdfs/purchasing/BGS-Purchasing-resource-guide.pdf> (last visited Nov. 11, 2008).

2856. Agency of Administration Bulletin No. 3.5: Contracting Procedures ¶ III(A) (Aug. 10, 1995), available at <http://www.state.vt.us/psb/document/BULL35.pdf> (last visited Nov. 11, 2008).

2857. See also Agency of Administration Bulletin No. 3.5: Contracting Procedures ¶ IV(A).

2858. State of Vermont Purchasing and Contract Administration Division, Buyer's Resource Guide 14 (Apr. 1, 2005).

2859. Agency of Administration Bulletin No. 3.5: Contracting Procedures ¶ V(G)(1).

2860. State of Vermont Purchasing and Contract Administration Division, Buyer's Resource Guide, p. 14; Agency of Administration Bulletin No. 3.5: Contracting Procedures ¶ V(G)(1) (Aug. 10, 1995).

a specific make, model, or brand item without considering alternatives.”²⁸⁶¹ IP rights are not specifically identified as justifying a sole-source or no-substitute contract, though they would seem to fall within the general scope of the applicable regulations.

Acquisition of software and information technology is addressed without reference to licensing or copyright issues.²⁸⁶² However, Vermont contractors (including vendors creating custom software) must convey their copyrights to the State: Vermont’s standard terms and conditions of contract indicate that “all products of the Contractor’s work, including outlines, reports, charts, sketches, drawings, art work, plans, photographs, specifications, estimates, computer programs, or similar documents, become the sole property of the State of Vermont and may not be copyrighted or resold by contractor.”²⁸⁶³

Universities are independent in matters of purchasing.

c. Technology Transfer

The University of Vermont has an active and flexible licensing program administered by the university’s highly user-friendly Office of Technology Transfer:

UVM’s Office of Technology Transfer facilitates the practical application of knowledge by protecting, marketing, and negotiating the sale of rights of commercially viable intellectual property to partners that can bring the property to market. In addition, OTT seeks to recover past expenses invested in a patent, with the expectation that the licensee will pay future patent expenses.²⁸⁶⁴

OTT assists inventors in commercializing ideas and is charged with obtaining patents and copyrights on IP generated by the university.²⁸⁶⁵ According to university policy, inventions arising by university employees in the course of their employment, whether under sponsored research or not, are owned by the university.²⁸⁶⁶

The Vermont Procurement Technical Assistance Center helps Vermont businesses obtain State and Federal contracts²⁸⁶⁷ and also runs a State-level

2861. State of Vermont Purchasing and Contract Administration Division, Buyer’s Resource Guide, p/ 14.

2862. State of Vermont Purchasing and Contract Administration Division, Buyer’s Resource Guide, pp. 34, 35.

2863. Agency of Administration Bulletin No. 3.5: Contracting Procedures, app. VI.

2864. [Http://www.uvminnovations.com/license.html](http://www.uvminnovations.com/license.html) (last visited Nov. 11, 2008).

2865. [Http://www.uvm.edu/~techtran/](http://www.uvm.edu/~techtran/) (last visited Nov. 11, 2008).

2866. University of Vermont, Intellectual Property: Policy V. 3.2.1.1 § 2.3 (Feb. 7, 2006).

2867. [Http://economicdevelopment.vermont.gov/Programs/VTPTAC/tabid/125/Default.aspx](http://economicdevelopment.vermont.gov/Programs/VTPTAC/tabid/125/Default.aspx) (last visited Nov. 11, 2008).

Small Business Innovation Research (SBIR) program.²⁸⁶⁸ It is silent concerning IP rights.

d. Sovereign Immunity Waivers

Vermont likely is liable (as a private party would be) for trademark infringement or trade secret misappropriation, and is specifically defined as a “person” for purposes of these statutes.²⁸⁶⁹ Vermont also has enacted a waiver of sovereign immunity in regard to tort claims against the State. “The state of Vermont shall be liable for injury to persons or property or loss of life caused by the negligent or wrongful act or omission of an employee of the state while acting within the scope of employment, under the same circumstances, in the same manner and to the same extent as a private person would be liable to the claimant.”²⁸⁷⁰ Liability is capped at \$1 million.²⁸⁷¹ Claims must be brought in the Vermont superior court system.²⁸⁷²

This statutory waiver extends only to the types of claims available against private actors; a plaintiff cannot “visit the Government with novel and unprecedented liabilities.”²⁸⁷³ Lawsuits against the State are barred absent an express waiver of the State’s sovereign immunity.²⁸⁷⁴ Whether violation of IP rights falls within this statutory waiver of sovereign immunity is unclear. But case law confirms that Vermont’s State actors enjoy broad “discretionary function” immunity “whether or not the discretion involved is abused.”²⁸⁷⁵ This immunity extends to any “act on the part of the state or a state employee that requires the exercise of judgment in its performance, or, in the alternative, a situation ‘where there is no specifically dictated course of action for the employee to follow.’”²⁸⁷⁶

State law is conspicuously silent on the subjects of copyrights and patents. While there is no case law on the subject, it is possible that the general-purpose waiver could provide an avenue of relief for IP infringement by the State. No cases address this question, and the Federal Government has denied relief for intellectual property infringement under the Federal Torts Claims

2868. *Id.*

2869. Vt. Stat. Ann. tit. 1, §§ 101, 128.

2870. Vt. Stat. Ann. tit. 12, § 5601(a).

2871. Vt. Stat. Ann. tit. 12, § 5601(b).

2872. Vt. Stat. Ann. tit. 12, § 5601(a).

2873. *Denis Bail Bonds, Inc. v. State*, 622 A.2d 495, 498, 159 Vt. 481, 486 (Vt. 1993), quoting *Feres v. United States*, 340 U.S. 135, 142 (1950).

2874. *Estate of Gage v. State*, 2005 VT 78, ¶ 4, 178 Vt. 212, 882 A.2d 1157; *Earle v. State*, 2006 VT 92, ¶ 9.

2875. Vt. Stat. Ann. tit. 12, § 5601(e)(1).

2876. *Earle v. State*, 2006 VT 92, ¶ 22, quoting *Amy’s Enterprises v. Sorrell*, 817 A.2d 612, 617, 174 Vt. 623, 625 (Vt. 2002).

Act (FTCA).²⁸⁷⁷ Vermont has relied in other contexts on Federal case law interpreting the FTCA.²⁸⁷⁸ It also is possible that the Vermont courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Ch. I, Art. 2, of the Vermont Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁸⁷⁹ But in light of *Zoltek v. United States*²⁸⁸⁰, a Vermont court also could refuse to recognize intellectual property as “property” for Takings purposes. On balance, it appears doubtful that Vermont would entertain a patent or copyright suit against it, not least because the Vermont superior court system is not subject to Federal oversight and appeal except on extraordinary writs.

46. Virginia

a. Intellectual Property Laws

i. Trade Secrets

Virginia has adopted the 1985 amended version of the Uniform Trade Secrets Act.²⁸⁸¹ Injunctions and damages are available for trade secret misappropriation.²⁸⁸² Like the Uniform Trade Secrets Act, Virginia defines “person” to include government or government agencies as well as natural persons and corporations.²⁸⁸³

Virginia has enacted the Virginia Freedom of Information Act (FOIA) to ensure that public documents are disclosed.²⁸⁸⁴ Trade secrets generally are exempt from disclosure under Virginia’s FOIA.²⁸⁸⁵ Contractor software containing proprietary information is not considered a “record” amendable to disclosure.²⁸⁸⁶ Further, even though Virginia law requires all bids and pro-

2877. 28 U.S.C. § 1346(b). *See, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003). *But see* *Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

2878. *Denis Bail Bonds, Inc. v. State*, 622 A.2d 495, 498, 159 Vt. 481, 486 (Vt. 1993).

2879. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2880. 442 F.3d 1345 (Fed. Cir. 2006).

2881. Va. Code Ann. §§ 59.1-336 *et seq.*

2882. Va. Code Ann. §§ 59.1-337, 59.1-338.

2883. Va. Code Ann. § 59.1-336.

2884. Chapter 37 of Title 2.2 of the Code of Virginia 1950 Annotated.

2885. *See, e.g.*, Va. Code Ann. §§ 2.2-3705.6, 2.2-2233.2, 2.2-4342, 10.1-1314.1, 38.2-3434, 40.1-6(10), 59.1-284.13.

2886. Va. Code Ann. §§ 2.2-3705.1(6), (7).

posals to be opened publically for inspection after award,²⁸⁸⁷ confidential portions of the submitted bids can be withheld.²⁸⁸⁸ Without a specific exception, the Virginia Freedom of Information Act is to be construed liberally to afford access to public writings.

ii. Trademarks

Virginia's trademark registration law is based on the Model State Trademark Bill. It closely tracks its Federal counterpart,²⁸⁸⁹ and uses the same "likelihood of confusion" standard applied in Federal trademark litigation.²⁸⁹⁰ Registration is made before the State Corporation Commission,²⁸⁹¹ and is good for a renewable five-year term.²⁸⁹² Punitive damages are not available.²⁸⁹³

Virginia does not define the term "person" for purposes of trademark infringement, thereby likely maintaining Virginia's sovereign immunity with regard to State-based causes of action. It is possible, however, the term "person" would be given the general meaning defined at Code of Virginia 1950 Annotated § 1-230, which would therefore make the State liable for trademark infringement unless such a construction would be "inconsistent with the manifest intention of the General Assembly."²⁸⁹⁴ No cases address the issue.

Virginia has not enacted a trademark dilution law.²⁸⁹⁵ But as of July 1, 2008, it has expanded Section 59.1-92.12 of the Virginia Code to extend State protections to Federally registered marks. In addition, this new law enhances criminal penalties available for counterfeiting.²⁸⁹⁶

2887. Va. Code Ann. § 2.2-4342.

2888. Va. Code Ann. § 2.2-4342(F). *See also* Agency Procurement and Surplus Property Manual, §3.17(f) (Sept. 1998) ("Trade secrets or proprietary information submitted for a procurement transaction shall not be subject to public disclosure under the *Virginia Freedom of Information Act*").

2889. *See* 21 Va. Admin. Code § 5-120-50.

2890. Va. Code Ann. § 59.1-92.3. *Louis Vuitton Malletier S.A. v. Haute Diggity Dog LLC*, 507 F.3d 252, 84 U.S.P.Q.2d 1969, 1973 (4th Cir., 2007); *Southern Christian Leadership v. Shannon*, 613 S.E.2d 596 (Va. 2005).

2891. Va. Code Ann. § 59.1-92.4.

2892. Va. Code Ann. § 59.1-92.7.

2893. Va. Code Ann. § 59.1-92.13; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2894. Va. Code Ann. § 1-202.

2895. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.-Dec. 2006).

2896. *See* Virginia House Bill 1363 (2008 sess.), signed into law April 14, 2008.

iii. Copyrights

Under Commonwealth law, the State owns any copyright developed by a State employee during business hours or with State facilities.²⁸⁹⁷

Virginia is one of the few States to have enacted the Uniform Computer Information Transactions Act (UCITA) for purposes of contracts relating to software.²⁸⁹⁸ The Virginia UCITA covers all information technology contracts and is designed to settle the validity of shrink-wrap licenses and clarify issues relating to first sale.²⁸⁹⁹ Virginia has waived its sovereign immunity in relation to such shrink-wrap licenses since, at a government entity level, such entities are considered “persons” subject to the Virginia UCITA.²⁹⁰⁰

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.²⁹⁰¹

While not truly a “copyright” law, it is worth noting that Virginia’s anti-spam statute (which outlawed sending emails with false routing information) was invalidated on First Amendment grounds by the Virginia Supreme Court.²⁹⁰²

iv. Patents

Under Commonwealth law, the State owns any patent or potentially protectable item developed by a State employee during business hours or with State facilities.²⁹⁰³ Virginia law is otherwise silent with respect to patents.

b. Procurement Laws

Perhaps in consequence of its close proximity to the seat of the Federal Government and its economic reliance on Federal contracting, Virginia’s Public Procurement Act (VPPA)²⁹⁰⁴ created one of the nation’s most comprehensive and sophisticated State procurement systems. The State’s law is

2897. Va. Code Ann. § 2.2-2822.

2898. Va. Code Ann. §§ 59.1-501.1 to 509.2.1.

2899. See, generally, “UCITA 101,” American Library Association, Oct. 11, 2006, <http://www.ala.org/ala/aboutala/offices/wo/woissues/copyrightb/ucita/ucita101.cfm> (last visited Nov. 11, 2008); Scott J. Spooner, *The Validation of Shrink-Wrap and Click-Wrap Licenses by Virginia’s Uniform Computer Information Transactions Act*, 7 RICH. J. L. & TECH. 27 (Winter 2001), available at <http://law.richmond.edu/jolt/v7i3/article1.html> (last visited Nov. 11, 2008).

2900. Va. Code Ann. § 59.1-501.2 (51).

2901. Va. Code Ann. § 59.1-38.1.

2902. Va. Code Ann. § 18.2-152.3:1, *invalidated by Jaynes v. Commonwealth*, 275 Va. 341 (2008).

2903. Va. Code Ann. § 2.2-2822.

2904. Va. Code Ann. §§ 2.2-4300 *et seq.*

based on the American Bar Association's Model Procurement Code. Under the VPPA, most contracts are awarded via competitive sealed bidding or competitive negotiation²⁹⁰⁵—with in-State preferences²⁹⁰⁶ and affirmative action programs favoring small businesses, minorities, women, and disabled veterans.²⁹⁰⁷ Any deviation from these rules must be justified in writing,²⁹⁰⁸ although contract's price may be increased by up to 25 percent without further political authorization.²⁹⁰⁹ There are various statutory exemptions to the competitive procurement rules, but none relate to intellectual property.²⁹¹⁰ In 1999–2000, the State undertook a comprehensive effort to improve its procurement system, with an eye toward implementing e-procurement and best-value decision-making criteria.²⁹¹¹

The Commonwealth is authorized to maintain contractor trade secrets.²⁹¹² Bids and other submissions containing trade secrets are exempt from the Virginia Freedom of Information Act but must be duly marked by the contractor.²⁹¹³

Bid protests must be brought to the agency's attention in writing within ten days of award; the agency, in turn, has ten days to respond.²⁹¹⁴ The only available remedy is cancellation or re-bid.²⁹¹⁵ Contract disputes, by contrast, must be brought within sixty days of final payment.²⁹¹⁶ Each public body must create an administrative procedure for dealing with contractual disputes.²⁹¹⁷ Absent an agency-specific procedure, claims must be submitted within sixty days of final payment and ruled on within ninety days of submission.²⁹¹⁸ If unsatisfied with the result, the contractor may then appeal this decision within six months, either via an administrative appeals procedure²⁹¹⁹ or to the Virginia court system.²⁹²⁰ In the administrative system, agency decisions will be upheld unless they are fraudulent, arbitrary,

2905. Va. Code Ann. § 2.2-4303(A).

2906. Va. Code Ann. §§ 2.2-4324-4328.

2907. Va. Code Ann. § 2.2-4310(B).

2908. Va. Code Ann. §§ 2.2-4303(C), (E).

2909. Va. Code Ann. § 2.2-4309.

2910. *See, e.g.*, Va. Code Ann. §§ 2.2-4344 to 4346.

2911. *See* REPORT OF THE GOVERNOR'S TASK FORCE ON PROCUREMENT ASSESSMENT: RECOMMENDATIONS TO IMPROVE VIRGINIA'S GOVERNMENT PROCUREMENT SYSTEM (Feb. 3, 2000).

2912. 12 Va. Admin. Code § 5-421-3640.

2913. Va. Code Ann. § 2.2-4342(F).

2914. Va. Code Ann. § 2.2-4360(A).

2915. Va. Code Ann. § 2.2-4360(B).

2916. Va. Code Ann. § 2.2-4363-(A).

2917. Va. Code Ann. § 2.2-4363(B).

2918. Va. Code Ann. § 2.2-4363(C).

2919. Va. Code Ann. §§ 2.2-4363(D), (E), 4364, 4365.

2920. Va. Code Ann. §§ 2.2-4363 D), (E), 4364.

capricious, grossly erroneous, or not based upon set statutory criteria.²⁹²¹ Administrative decisions may be appealed to the courts within thirty days of receipt of a written decision.²⁹²² In a court dispute, the petitioner must establish that the agency's decision was arbitrary or capricious, contrary to law or the Virginia Constitution, or in violation of set statutory criteria.²⁹²³ Agencies also can stipulate that contractors must submit disputes to non-binding alternative dispute resolution procedures.²⁹²⁴

Virginia has implemented electronic purchasing via the World Wide Web²⁹²⁵ and is considered a "person" for purposes of the Virginia Uniform Computer Information Transactions Act.²⁹²⁶ UCITA's indemnification clauses for IP infringement would seemingly be imported into State contracts by operation of law unless specifically disclaimed.²⁹²⁷

Procurement of information technology and telecommunications goods is run by the Commonwealth's Chief Information Officer, possibly in cooperation with other entities.²⁹²⁸

c. Technology Transfer

Virginia educational institutions are authorized to commercialize IP at their discretion,²⁹²⁹ provided they follow their own guidelines.²⁹³⁰ Within the University of Virginia, this has resulted in the establishment of the University of Virginia Patent Foundation,²⁹³¹ while Virginia Tech established Virginia Tech Intellectual Properties, Inc.²⁹³² In general, inventions generated by employees are owned by the university, but ownership of inventions resulting from sponsored research can be negotiated.²⁹³³

Virginia's Secretary of Technology is charged with monitoring and directing technological developments, providing strategic assistance to Virginia

2921. Va. Code Ann. § 2.2-4365(A).

2922. Va. Code Ann. § 2.2-4365(B).

2923. Va. Code Ann. § 2.2-4364(A).

2924. Va. Code Ann. § 2.2-4366.

2925. See <http://dps.dgs.virginia.gov/dps/Manuals/manuals-bottom.htm> (last visited Nov. 11, 2008).

2926. Va. Code Ann. § 59.1-501.2(51).

2927. Va. Code Ann. § 59.1-504.1 (warranties of noninfringement). For additional discussion on the effects of UCITA on software licenses and indemnification, see Michael A. Epstein & Frank L. Politano, *DRAFTING LICENSE AGREEMENTS* § 2.02(A)(2) (Aspen Law & Business, 4th ed. 2002, Supp. 2007).

2928. Va. Code Ann. § 2.2-4304(A).

2929. Va. Code Ann. § 2.2-2221.

2930. Va. Code Ann. § 23-4.4.

2931. [Http://www.uvapf.org/](http://www.uvapf.org/) (last visited Nov. 11, 2008).

2932. [Http://www.vtip.org/](http://www.vtip.org/) (last visited Nov. 11, 2008).

2933. University of Virginia Patent Policy: Policy XVE.2 § 2; Virginia Tech Policy 13000: Policy on Intellectual Properties § 2.4; VCU Intellectual Properties Policy.

enterprises, and supporting “a comprehensive and coordinated view of research and development goals for industry, academia and government in the Commonwealth.”²⁹³⁴ This task includes a technology transfer mandate,²⁹³⁵ which is carried out through a series of grantor organizations, including the Commonwealth Technology Research Fund,²⁹³⁶ the Innovative Technology Authority,²⁹³⁷ and the Virginia Research & Technology Advisory Committee.²⁹³⁸

The State owns all patents and copyright developed by a State employee during business hours or with State facilities.²⁹³⁹ The Governor must approve in writing any wholesale transfer of State-owned IP.²⁹⁴⁰

d. Sovereign Immunity Waivers

With the possible exceptions of trade secret misappropriation,²⁹⁴¹ shrink-wrap software licenses,²⁹⁴² and possibly state trademark infringement,²⁹⁴³ there is no waiver of sovereign immunity relating to intellectual property infringement, and the liability of the Commonwealth for breach of contract is implied rather than expressly set forth. Virginia has enacted a limited sovereign-immunity waiver called the Virginia Tort Claims Act.²⁹⁴⁴ Under the VTCA,

the Commonwealth shall be liable for claims for money only . . . on account of damage to or loss of property . . . caused by the negligent or wrongful act or omission of any employee while acting within the scope of his employment under circumstances where the Commonwealth . . . , if a private person, would be liable to the claimant for such damage.²⁹⁴⁵

2934. Va. Code Ann. § 2.2-225(1).

2935. Va. Code Ann. § 2.2-225(8) (“Develop and implement strategies to accelerate and expand the commercialization of intellectual property created within the Commonwealth”).

2936. http://www.cit.org/programs/r_and_d/2006-ctrf-guidelines.pdf (last visited Nov. 11, 2008).

2937. Va. Code Ann. § 2.2-2233.1.

2938. <http://www.cit.org/vrtac/> (last visited Nov. 11, 2008).

2939. Va. Code Ann. § 2.2-2822.

2940. Va. Code Ann. § 23-4.4.

2941. Va. Code Ann. § 59.1-336.

2942. Va. Code Ann. § 59.1-501.2 (51).

2943. Va. Code Ann. § 1-230.

2944. Va. Code Ann. §§ 8.01-195 *et seq.*

2945. Va. Code Ann. § 8.01-195.3.

This waiver could possibly provide an avenue of relief for infringement by the State. But no cases discuss this point, and precedent under the similar Federal Torts Claims Act is largely unfavorable.²⁹⁴⁶

The Commonwealth is not liable for punitive damages or prejudgment interest, and liability is capped at \$100,000 or the limits of any applicable insurance policy.²⁹⁴⁷ Litigation against the Commonwealth must be commenced within one year of injury,²⁹⁴⁸ and judgments shall not be paid absent a special appropriation by the Legislature.²⁹⁴⁹ The university sector is protected as an instrumentality of the State.²⁹⁵⁰

Virginia, in short, is an inhospitable jurisdiction for aggrieved contractors or noncontractors alleging intellectual property violations (other than trade secret misuse or disclosure) by the State.

It also is possible that the Virginia courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 11, of the Virginia Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.²⁹⁵¹ But in light of *Zoltek v. United States*²⁹⁵², a Virginia court also could refuse to recognize intellectual property as “property” for Takings purposes.

47. Washington

a. Intellectual Property Laws

i. Trade Secrets

Washington has adopted the 1979 version of the Uniform Trade Secrets Act.²⁹⁵³ Like the Uniform Trade Secrets Act, Washington defines “person” to include government or government agencies as well as natural persons and corporations.²⁹⁵⁴

2946. 28 U.S.C. § 1346(b). *See, generally*, David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003); *but see Jerome Stevens Pharmaceuticals, Inc. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (holding trade secret theft is actionable under FTCA).

2947. Va. Code Ann. § 8.01-195.3.

2948. Va. Code Ann. § 8.01-195.7.

2949. Va. Code Ann. § 8.01-195.

2950. *Dyson v. Lavery*, 417 F.Supp. 103, 108 (E.D. Va. 1976) (Virginia Polytechnic Institute and State University).

2951. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

2952. 442 F.3d 1345 (Fed. Cir. 2006).

2953. Wash. Rev. Code § 19.108.010 *et seq.*

2954. Wash. Rev. Code § 19.108.010(3).

Washington also has enacted a Freedom of Information Act in order to ensure the public dissemination of government records.²⁹⁵⁵ Except in cases of chemicals posing a potential health risk,²⁹⁵⁶ Washington's default freedom-of-information rules protect trade secrets from disclosure in specific instances,²⁹⁵⁷ and more broadly under RCW §42.56.270(1) for five years after disclosure. Records containing trade secrets are prohibited from release.²⁹⁵⁸ Washington offers unusually straightforward guidance on what constitutes a trade secret:

Many agencies hold sensitive proprietary information of businesses they regulate. For example, an agency might require an applicant for a regulatory approval to submit designs for a product it produces. A record is exempt from disclosure if it constitutes a "trade secret" under the Uniform Trade Secrets Act, chapter 19.108 RCW.20. However, the definition of a "trade secret" can be very complex and often the facts showing why the record is or is not a trade secret are only known by the potential holder of the trade secret who submitted the record in question.²⁹⁵⁹

This is followed by a lengthy discussion, in vernacular terms, of what "trade secret" means and how government agencies should go about responding to freedom-of-information requests that might implicate contractor trade secrets.²⁹⁶⁰ In order to utilize this exemption, the trade secret holder must provide evidence of trade secrecy beyond conjecture.²⁹⁶¹

ii. Trademarks

Washington has a venerable anti-counterfeiting law (dating back to 1909) that keys on State and Federal trademark and trade name protection. Under Washington's "Crimes Relating to Brands and Marks" statute, selling "[a]ny unauthorized reproduction or copy of intellectual property" or affixing third-party IP to any good offered for sale²⁹⁶² is either a gross misdemeanor or a

2955. Wash. Rev. Code. §§ 42.56 *et seq.*

2956. Wash. Rev. Code § 49.70.165; see Wash. Admin. Code § 296-62-05325.

2957. *See, e.g.*, Wash. Rev. Code §§ 48.31C.130, 42.56.400 (trade secrets submitted to insurance commissioner); 19.34.420 (State auditor); 43.72.310 (managed-care trade secrets submitted to the Attorney General for competitive oversight purposes); 49.17.200 (public or workplace safety); Wash. Admin. Code §§ 30-04-070, 417-02-135.

2958. *Progressive Animal Welfare Soc. v. University of Washington*, 884 P.2d 592, 125 Wn.2d 243 (Wash., 1994).

2959. Wash. Admin. Code § 44-14-06002.

2960. *Id.*; see also Wash. Admin. Code §§ 296-816 *et seq.* ("Protecting trade secrets").

2961. *Confederated Tribes of Chehalis Reservation v. Johnson*, 135 Wn.2d 734, 958 P.2d 260 (Wash. 1998).

2962. Wash. Rev. Code § 9.16.005.

felony.²⁹⁶³ Defacing an existing brand on livestock also is a crime,²⁹⁶⁴ as is fraudulently seeking to register a mark.²⁹⁶⁵ Special provisions regulate the meanings of “sterling silver,” “coin silver,” and gold.²⁹⁶⁶ A lawful trademark owner can demand that any seized counterfeit goods be turned over for destruction or other disposition.²⁹⁶⁷ The anti-counterfeiting law contains its own definition of “form and similitude,” corresponding in concept but not in definition:

A plate, label, trademark, term, design, device or form of advertisement is in the form and similitude of the genuine instrument imitated if the finished parts of the engraving thereupon shall resemble or conform to the similar parts of the genuine instrument.²⁹⁶⁸

This “resemble or conform” standard would appear to be more lenient than the Federal “substantial similarity” standard. The anti-counterfeiting law creates a “right to prosecute”²⁹⁶⁹ independent of a State trademark infringement or unfair competition claim.

The anti-counterfeiting law dovetails nicely with Washington’s trademark statute. Washington trademark law provides for registration of marks with the Secretary of State.²⁹⁷⁰ It implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.²⁹⁷¹ Plaintiffs can obtain injunctive relief, seizure or destruction of infringing goods, actual damages and profits, and (in the event of bad faith acts) up to three times actual damages, plus fees and costs.²⁹⁷² It also provides for presumptive injunctive relief famous marks.²⁹⁷³ Applicants are able to reserve to-be-used marks, as well.²⁹⁷⁴ State trademarks last for five years and are renewable in perpetuity as long as the mark remains in use.²⁹⁷⁵ The statute does not alter common-law trademark rights.²⁹⁷⁶ In contrast to the anti-counterfeiting

2963. Wash. Rev. Code § 9.16.035.

2964. Wash. Rev. Code § 9.16.020.

2965. Wash. Rev. Code § 9.16.060.

2966. Wash. Rev. Code §§ 9.16.100-.150.

2967. Wash. Rev. Code § 9.16.041.

2968. Wash. Rev. Code § 9.16.070.

2969. Wash. Rev. Code § 19.77.150.

2970. Wash. Rev. Code § 19.77.070.

2971. Caroline Chicione & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

2972. Wash. Rev. Code § 19.77.150; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

2973. Wash. Rev. Code § 19.77.160.

2974. Wash. Rev. Code § 19.77.015.

2975. Wash. Rev. Code § 19.77.050.

2976. Wash. Rev. Code § 19.77.900.

statute, the Washington State trademark law uses the conventional “likelihood of confusion” analysis to determine trademark infringement,²⁹⁷⁷ and by statute is to be interpreted consistently with Federal trademark law.²⁹⁷⁸

For purposes of infringement, the term “person” does not explicitly include government bodies or agencies, but does include an “organization capable of suing and being sued in a court of law.”²⁹⁷⁹ Whether this operates as a waiver of State sovereign immunity is unclear.

Washington’s pioneering anti-spam legislation creates a civil cause of action for, amongst others, any “trademark owner who is adversely affected by reason of a violation of” the anti-spam law.²⁹⁸⁰ Remedies include injunctive relief and the greater of either actual damages or statutory damages of \$5000—either of which can be trebled if the violation is part of a “pattern and practice” of illegal spamming.²⁹⁸¹ Its anti-spyware legislation similarly grants trademark owners injured by unauthorized software installation the right to seek injunctive and monetary relief, up to a \$2,000,000 cap.²⁹⁸²

iii. Copyrights

In common with several other States—and despite the risk of Federal preemption—Washington has enacted a statute protecting sound recordings. The statute appears aimed at concert bootleggers.²⁹⁸³ Washington is also one of a handful of States that requires (via a 2000 Executive Order) all State agencies to acquire legally-licensed software.²⁹⁸⁴

iv. Patents

Outside the tax context, Washington law does not specifically address patents. However, Washington law contains an unusual employment-law restriction that in some circumstances prohibits an employer from insisting that its employees sign invention-assignment agreements.²⁹⁸⁵ Such agreements are standard in most high-technology industries,

2977. Wash. Rev. Code § 19.77.140.

2978. Wash. Rev. Code § 19.77.930.

2979. Wash. Rev. Code § 19.77.010(7). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

2980. Wash. Rev. Code § 19.190.090(2).

2981. Wash. Rev. Code §§ 19.190.090(2) (3).

2982. Wash. Rev. Code § 19.270.060.

2983. Wash. Rev. Code § 19.25.020.

2984. Executive Order 00-02 (Gov. Gary Locke).

2985. Wash. Rev. Code §§ 49.44.140-150.

and Washington's statute therefore could be a substantial trap for unwary employers.

b. Procurement Laws

Procurement generally is controlled by the Department of General Administration.²⁹⁸⁶ Washington's procurement system is based on competitive bidding²⁹⁸⁷ with a statutory preference for in-State contractors²⁹⁸⁸ and some measure of minority-owned, woman-owned, and small-business affirmative action.²⁹⁸⁹ Pre-award bid protests must be heard by the State Procurement Officer in charge of the award,²⁹⁹⁰ while post-award protests are handled by the Director, Office of State Procurement.²⁹⁹¹ The competitive-bidding statute does not expressly provide for sole-source procurement based on IP rights, but does allow less than full competition for:

Purchases which are clearly and legitimately limited to a single source of supply and purchases involving special facilities, services, or market conditions, in which instances the purchase price may be best established by direct negotiation.²⁹⁹²

Similarly, Washington's Administrative Code allows for the use of trademarks or brand names in solicitations, but only for the purposes of setting a quality baseline:

The purchasing activity may specify a brand name or equal provided that the intent in doing so is to establish a standard of quality against which other brands will be evaluated. When doing so, the purchasing activity should not substitute the word "equivalent" for "equal" in the competitive solicitation document.²⁹⁹³

In like fashion, Washington's Master Procurement Contract does not speak specifically to intellectual property issues. But in an oblique reference to computer software copyrights, it instructs that the State must obtain "*the right to transfer any applicable embedded software or other license with*

2986. See Wash. Rev. Code §§ 43.19 *et seq.*

2987. Wash. Rev. Code §§ 43.19.1906-1913.

2988. Wash. Admin. Code § 236-48-085.

2989. Wash. Rev. Code §§ 43.19.520-536.

2990. Wash. Admin. Code § 236-48-142.

2991. Wash. Admin. Code § 236-48-143.

2992. Wash. Rev. Code § 43.19.1906(3).

2993. Wash. Admin. Code § 236-48-079.

a subsequent transfer of Product.”²⁹⁹⁴ As such, it appears possible to negotiate appropriate IP ownership and indemnification provisions.

The Washington Transportation Commission (under the “Transportation Innovative Partnerships” program)²⁹⁹⁵ has special obligations to keep private-bidder IP confidential.²⁹⁹⁶ This encompasses trade secrets and other proprietary information, of course, but also extends a good way beyond it. Patent information, for example, must be kept confidential for the life of the patent—a somewhat odd provision given that patents are by definition public documents.²⁹⁹⁷ The Commission is authorized to engage in sole-source procurements if a bidder has IP-protected technology.²⁹⁹⁸ Such information must not be revealed to other bidders.²⁹⁹⁹

c. Technology Transfer

Washington’s higher education system has a well-developed program for acquiring, developing, and licensing-out intellectual property. For copyrights and patents, the university generally retains ownership but encourages commercialization such that it may be possible for sponsors to negotiate ownership rights in their sponsored research.³⁰⁰⁰ Both the University of Washington and Washington State University have dedicated technology-transfer groups.³⁰⁰¹

Various Washington State entities (the Washington Apple Commission, the Commodity Commission, and so on) are authorized to register and

2994. Washington State Department of General Administration Model Solicitation ¶ 6.10, *available at* <http://www.ga.wa.gov/PCA/SL/ExternalForms/Contracting/GAModelCombinedIFBContract.doc> (last visited Nov. 12, 2008).

2995. Wash. Rev. Code §§ 47.29 *et seq.*

2996. Wash. Admin. Code § 468-600-605.

2997. Wash. Rev. Code § 47.29.190 (“A proposer shall identify those portions of a proposal that the proposer considers to be confidential, proprietary information, or trade secrets and provide any justification as to why these materials, upon request, should not be disclosed by the authority. Patent information will be covered until the patent expires. Other information such as originality of design or records of negotiation may only be protected under this section until an agreement is reached”).

2998. Wash. Admin. Code § 468-600-360.

2999. *Id.*

3000. *See, generally,* Wash. Admin. Code §§ 495D-180 *et seq.* The University of Washington Faculty Handbook’s Patent, Invention, and Copyright Policy is *available at* <http://www.washington.edu/faculty/facsenate/handbook/04-05-07.html> (last visited Nov. 12, 2008); Washington State University’s Intellectual Property policy is basically the same, and is *available at* <http://www.wsu.edu/~oipa/FacIP.html> (last visited Nov. 12, 2008).

3001. *See* <http://depts.washington.edu/techtran/> and <http://www.tricity.wsu.edu/links/techtransfer.php> (last visited Nov. 12, 2008), respectively.

exploit trademarks.³⁰⁰² Washington also has created a series of private technology-development organizations, including the Washington Research Foundation,³⁰⁰³ the Washington Technology Center,³⁰⁰⁴ and the UW Advanced Technology Initiative.³⁰⁰⁵

d. Sovereign Immunity Waivers

In 1961, Washington State comprehensively waived its sovereign immunity for any and all tort claims. It is thus no different than any other private litigant in connection with IP (statutory tort) disputes.³⁰⁰⁶ Washington separately has waived its sovereign immunity for trade secret misappropriation³⁰⁰⁷ and possibly trademark infringement.³⁰⁰⁸ No cases address the nature or scope of these IP waivers, or whether Washington's general waiver extends to intellectual property.

Procurement disputes—presumably including IP disputes arising out of a procurement relationship—must be referred first to an administrative Dispute Resolution Panel.³⁰⁰⁹ The State is not liable for special or consequential damages arising from any breach of contract.³⁰¹⁰

Washington's freedom-of-information legislation provides that challenges to any refusal to protect a trade secret by a State agency must be brought before an administrative law judge.³⁰¹¹

It also is possible that the Washington courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 16, of the Washington Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis,³⁰¹² and Washington courts have adopted the *Ruckelshaus* analysis for purposes of

3002. Wash. Rev. Code §§ 15.24.070 (Apple Commission), 15.66.140 (Commodity Commission); Wash. Admin. Code §§ 16-512-020 (fryer commission), 16-516-020 (potato commission), 16-528-020 (wheat commission), 16-530-020 (barley commission).

3003. <http://www.wrfseattle.org/> (last visited Nov. 12, 2008).

3004. <http://www.watechcenter.org/> (last visited Nov. 12, 2008).

3005. <http://www.washington.edu/change/ati/> (last visited Nov. 12, 2008).

3006. Wash. Rev. Code § 4.92.090. For a discussion of Washington's unusual waiver, see Michael Tardif and Rob McKenna, *Washington State's 45-Year Experiment in Governmental Liability*, 29 SEATTLE U. L. REV. 1 (2005).

3007. Wash. Rev. Code. § 19.108.010(3).

3008. Wash. Rev. Code § 19.77.010(7).

3009. See Washington State Department of General Administration Model Solicitation ¶ 11.1, available online at [http://www.ga.wa.gov/PCA/SL/ExternalForms/Contracting/GAModel CombinedIFBContract.doc](http://www.ga.wa.gov/PCA/SL/ExternalForms/Contracting/GAModelCombinedIFBContract.doc) (last visited Nov. 12, 2008).

3010. See Washington State Department of General Administration Model Solicitation ¶ 11.7.

3011. Wash. Rev. Code §§ 34.05 *et seq.*; see Wash. Rev. Code. § 49.70.165(3).

3012. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

analyzing Takings under the Washington Constitution.³⁰¹³ But in light of *Zoltek v. United States*,³⁰¹⁴ a Washington court also could refuse to recognize IP as “property” for Takings purposes.³⁰¹⁵

48. District of Columbia

a. Intellectual Property Laws

The District of Columbia occupies a unique place in the American system of government. It is not part of any State, but instead is the “federal district.” In theory, it is the only body of land in the contiguous United States that is under the unchallenged control of the Government.³⁰¹⁶ But since 1973’s Home Rule Act, the District has been largely self-governing, at least in municipal matters. This gives the District’s executive (the Mayor) and legislature (the City Council) outsized importance in setting procurement policies as compared to other metropolitan areas of comparable size. Many of the functions ordinarily served by a Governor or a Secretary of State are instead performed by the Mayor’s office. And the Mayor has the unusual power to “establish and collect charges, including royalties, pursuant to a contract, for goods and services and the licensing of intellectual property rights.”³⁰¹⁷

i. Trade Secrets

The District of Columbia has adopted the 1985 amended version of the Uniform Trade Secrets Act.³⁰¹⁸ Like the Uniform Trade Secrets Act, the District of Columbia defines “person” to include government or government agencies as well as natural persons and corporations.³⁰¹⁹

The District has a Freedom of Information Act at Section 2-531 *et seq.* of the D.C. Code. The District of Columbia’s Freedom of Information Act exempts trade secrets from disclosure, but only to the extent that such disclosure would cause “substantial harm to the competitive position of the person

3013. See *Lawson v. State*, 107 Wn.2d 444, 730 P.2d 1308 (Wash., 1986) (adopting *Ruckelshaus* in the context of property interests in railroad rights of way).

3014. 442 F.3d 1345 (Fed. Cir. 2006).

3015. See *Manufactured Housing Communities of Washington v. America*, 142 Wash.2d 347 (WA, 2000) (finding Washington State Constitution provides additional protections beyond Fifth Amendment according to analysis set forth in *State v. Gunwall*, 106 Wn.2d 54, 720 P.2d 808 (Wash., 1986)).

3016. U.S. CONST. art. I, § 8, cl. 17. See Lee Casey, *Enclave Clause*, in *THE HERITAGE GUIDE TO THE CONSTITUTION* 143–45 (Edwin Meese III *et al.* eds. 2005).

3017. D.C. Code § 47-876.

3018. D.C. Code, Div. V §§ 36-401 *et seq.*

3019. D.C. Code, Div. V § 36-401(3).

from whom the information was obtained.”³⁰²⁰ Disclosure must result in harm to the disclosing party in order for information to qualify as a FOIA-exempt “trade secret.”³⁰²¹ Additionally, District law extends trade secret protection eligible for such exemption to various classes of privately-submitted information, including (as one would expect) public contractor submissions,³⁰²² and also matters like wastewater³⁰²³ and hazardous material control information,³⁰²⁴ quality assurance submissions by health maintenance organizations³⁰²⁵ and health insurance reporting data,³⁰²⁶ certain registered securities data,³⁰²⁷ and reports by fleet operators concerning alternative fuel efficiency and suchlike.³⁰²⁸ However, these exemptions are to be narrowly construed in favor of the District’s policy of release.³⁰²⁹

ii. Trademarks

The District relies upon common law trademark protection and has no statutory trademark system.³⁰³⁰ The District does provide a limited system allowing the registration of bottles and labor union labels,³⁰³¹ which is administered by the Recorder of Deeds.³⁰³² Additionally, while the District relies upon common law trademark protection, it will recognize trademark rights established through Federal or State laws. For instance, D.C.’s anti-counterfeiting law is written to show particular solicitude to State-level trademarks, prohibiting the unlicensed reproduction of any

trademark, service mark, trade name, label, term, picture, seal, word, or advertisement or any combination of these adopted or used by a person to identify such person’s goods or services and which is lawfully filed for record in the Office of the Secretary of State of any state or which the exclusive right to reproduce is guaranteed under the laws of the United States or the District of Columbia.³⁰³³

3020. D.C. Code § 2-534(a)(1).

3021. *Wash. Post Co. v. Minority Bus. Opportunity Comm’n*, 560 A.2d 517 (D.C. 1989).

3022. D.C. Code § 2-302.04(b)(9).

3023. D.C. Code § 8-105.09.

3024. D.C. Code § 8-1321.

3025. D.C. Code § 31-3425.

3026. D.C. Code § 31-3303.08.

3027. D.C. Code § 31-3425.

3028. D.C. Code § 50-703.

3029. D.C. Code § 2-531.

3030. *Ward One Democrats, Inc. v. Woodland*, 898 A.2d 356 (D.C. 2006).

3031. D.C. Code §§ 36-101–36-203.

3032. D.C. Code § 36-156.

3033. D.C. Code § 22-901(2).

The statute includes criminal penalties and authorizes seizure of counterfeit goods.³⁰³⁴ Along these same lines, the District's forgery and fraud laws expressly prohibit "any imitation calculated to deceive the public, though with colorable difference or deviation therefrom, of the private brand, wrapper, label, trademark, bottle, or package usually affixed or used by any person to or with the goods, wares, merchandise, preparation, or mixture of such person, with intent to pass off any work, goods, manufacture, compound, preparation, or mixture as the manufacture or production of such person which is not really such."³⁰³⁵ Punitive damages are available for violations of the Consumer Protection Code (which may include trademark infringement) at the court's discretion.³⁰³⁶ And D.C. has a special "Unfair Cigarette Sales" statute that states: "cigarettes imported or reimported into the United States for sale or distribution under a trade name, trade dress, or trademark that is the same as, or is confusingly similar to, a trade name, trade dress, or trademark used for cigarettes manufactured in the United States for sale or distribution in the United States shall be presumed to have been purchased outside of the ordinary channels of trade."³⁰³⁷

iii. Copyrights

Under D.C. law, the Metropolitan Police Department and the Fire and Emergency Medical Services Department have statutory rights to their "the official badges, patches, emblems, copyrights, descriptive or designating marks, and other official insignia displayed upon their current and future uniforms."³⁰³⁸ Violating these rights carries up to a \$1000 fine and one year in jail.³⁰³⁹ Considering how strongly tourism figures into the local economy, this extra State-level statutory protection probably is intended to ensure that D.C. has sufficient tools to pursue small-scale IP piracy by street vendors.

As a matter of professional obligation, dentists are not to use copyrights "to restrict research or practice."³⁰⁴⁰

iv. Patents

The District has attempted to institute a largely precatory consumer-protection law, which allows consumers to sue if a patented drug is more than

3034. D.C. Code § 22-902.

3035. D.C. Code § 22-1502.

3036. D.C. Code § 28-3905(k)(1); see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

3037. D.C. Code § 47-2424.

3038. D.C. Code § 22-1409(a).

3039. D.C. Code § 22-1409(b).

3040. D.C. Mun. Regs. tit. 17 § 4213.

30 percent more expensive than the same drug in any other “high income country” where the same drug is patented.³⁰⁴¹ Further, the patent provisions of Washington’s Food & Drugs Code deal specifically with generic substitution.³⁰⁴² But the District’s Prescription Drug Excessive Pricing Act of 2005³⁰⁴³ was invalidated on Federal pre-emption grounds in 2007,³⁰⁴⁴ essentially destroying D.C.’s drug price regulation scheme. It remains to be seen whether the District will make a second attempt.

Dentists may not use patents “to restrict research or practice.”³⁰⁴⁵

b. Procurement Laws

District procurement is handled chiefly by the Mayor via the Office of Contracting and Procurement³⁰⁴⁶ and the Director of the Department of Administrative Services.³⁰⁴⁷ Procurement is by competitive bidding where possible.³⁰⁴⁸ The Mayor is expressly authorized to promulgate “[p]rocedures for safeguarding confidential, proprietary information, and trade secrets submitted by actual or prospective bidders and offerors.”³⁰⁴⁹ These procedures include both limits on who can review contractor information³⁰⁵⁰ and physical security for documents reflecting proprietary data.³⁰⁵¹ Contractors, of course, must prominently mark any proprietary materials submitted to the District.³⁰⁵²

The District generally favors competitive sealed bids,³⁰⁵³ with a preference for contractors within the District.³⁰⁵⁴ But sole-source procurement is permissible if the product being purchased is protected by “limited rights in data, patent rights, copyrights, or trade secrets applicable to the required supplies or services.”³⁰⁵⁵ To ensure that sole-source procurement is not used without justification, the purchasing entity must demonstrate in writing that the requirements cannot be modified and that the sole-source procurement is in

3041. D.C. Code §§ 28-4553, 28-4554.

3042. See D.C. Code § 48-831.02.

3043. D.C. Code §§ 28-4551 *et seq.*

3044. *Pharm. Research & Manufacturers of Am. v. District of Columbia*, 496 F.3d 1362 (Fed. Cir. 2007), *reh’g denied* (Oct. 30, 2007).

3045. D.C. Mun. Regs. tit. 17 § 4213.

3046. D.C. Code § 2-301.05.

3047. D.C. Mun. Regs. tit. 27 § 3199.

3048. See D.C. Code §§ 2-301.01–2-325.03.

3049. D.C. Code § 2-302.04(b)(9).

3050. D.C. Mun. Regs. tit. 27 § 3110.5.

3051. D.C. Mun. Regs. tit. 27 § 3110.6.

3052. D.C. Mun. Regs. tit. 27 § 3199.

3053. D.C. Code § 2-303.02(b).

3054. D.C. Code § 2-303.01.

3055. D.C. Mun. Regs. tit. 27 § 1702.3. See also D.C. Code § 2-303.05(a)(1).

the District's best interests.³⁰⁵⁶ District policy is to require the minimum IP rights necessary to satisfy the government's procurement objectives.³⁰⁵⁷

The District generally is bound to honor "rights in patents, copyrights, and proprietary information."³⁰⁵⁸ Contractors must obtain permission to use third-party copyrighted material.³⁰⁵⁹ But a Contracting Officer "shall not refuse to award a contract solely on the basis of a suspicion that the contractor may infringe a patent, unless the contracting officer determines that refusal is in the best interest of the District."³⁰⁶⁰ Contractors must indemnify the District for any IP violations,³⁰⁶¹ unless the Contracting Officer makes a specific written finding that indemnity is unnecessary for a specific U.S. patent.³⁰⁶² If a contractor becomes aware of an IP claim, it must promptly inform the Contracting Officer.³⁰⁶³ But the District categorically will not indemnify contractors for IP infringement.³⁰⁶⁴ On the other hand, the District government is willing to pay IP-related royalties, as long as it is provided with information sufficient to ensure that royalty rates being charged are not "excessive, improper, or inconsistent with any District rights in particular inventions, patents, patent applications, copyrights, or proprietary information."³⁰⁶⁵

The general policy in favor of minimum rights does not play out elsewhere in the regulations. Instead, the District has a fairly detailed patent rights regulation, which in some ways is modeled on the FAR 52.227-13, DOE, and NASA models. Under this patent rights regulation, the District generally obtains title to patentable inventions made under the contract unless the contract expressly states otherwise—and even then, the contractor can still lose title to a subject invention if it fails to apply or disclose its intention to acquire patent rights within a set timeframe or later abandons a covered invention.³⁰⁶⁶ Like the Federal definition of "subject invention" under Bayh-Dole (discussed at length in Chapter 2), the District defines an invention to have been made if first conceived or actually reduced to practice under a District contract.³⁰⁶⁷

The contractor must specifically request greater patent rights, which the Contracting Officer has discretion to grant if (1) the inventions will be "used in a manner that will promote full and open competition and free

3056. D.C. Mun. Regs. tit. 27 § 1702.3. *See also* D.C. Code § 2-303.05(a)(1).

3057. D.C. Mun. Regs. tit. 27 § 3100.6.

3058. D.C. Mun. Regs. tit. 27 § 3100.1.

3059. D.C. Mun. Regs. tit. 27 § 3100.2.

3060. D.C. Mun. Regs. tit. 27 § 3100.4.

3061. D.C. Mun. Regs. tit. 27 §§ 3100.5, 3102.2.

3062. D.C. Mun. Regs. tit. 27 § 3102.4.

3063. D.C. Mun. Regs. tit. 27 § 3101.

3064. D.C. Mun. Regs. tit. 27 § 3102.1.

3065. *Id.* § 3105.

3066. D.C. Mun. Regs. tit. 27 § 3106.3.

3067. D.C. Mun. Regs. tit. 27 § 3106.7.

enterprise,” and (2) the contractor can ensure both that the District obtains suitable use rights and that the public will be protected against “nonuse or unreasonable use of inventions.”³⁰⁶⁸ These “greater rights” can include full title, however.³⁰⁶⁹ The District retains at least a nonexclusive, fully paid-up license to any inventions developed in the course of a District contract.³⁰⁷⁰ Thus, the District appears to have adopted an approach very similar to the DOE’s and NASA’s (as discussed in Chapter 2), and presumably applies a similar standard in granting waivers to encourage technological growth in the District. If a D.C. government contract includes technological research and development, both attorney fees and patent prosecution costs are allowable—as long, that is, as the District receives a royalty-free perpetual license.³⁰⁷¹

The District’s copyright regulations are somewhat less stringent, but similarly prefer ownership rather than license. The Contracting Officer “may acquire title to, or obtain or limit access to, copyrighted materials, materials subject to copyright protection, and proprietary information developed under or used in the performance of contracts.”³⁰⁷² As such, it appears that the Contracting Officer has discretion as to whether to acquire ownership of such material as opposed to allowing the contractor to retain title.

In addition to these general procurement rules, various District statutory agencies or entities have parallel regulations specific to their circumstances. For example, D.C. General Hospital is bound by essentially identical procurement rules, which, however, are set forth in a separate section of the D.C. Municipal Regulations.³⁰⁷³ The same trade secret protection and competitive-bidding rules also hold sway for procurement by the University of the District of Columbia³⁰⁷⁴ and the District of Columbia David A. Clarke School of Law.³⁰⁷⁵ Sole-source procurement by the University is likewise permissible if the product being purchased is protected by IP rights, and the purchasing entity must make a written determination and finding (rather than a “demonstration,” as in the general D.C. procurement regulation) that the requirements cannot be modified and the sole-source procurement is in the University’s best interests.³⁰⁷⁶ By way of comparison, the D.C. Water & Sewer Authority is permitted to enter sole-source contracts upon a showing that the

3068. D.C. Mun. Regs. tit. 27 § 3106.4.

3069. D.C. Mun. Regs. tit. 27 § 3106.5.

3070. D.C. Mun. Regs. tit. 27 § 3106.2.

3071. D.C. Mun. Regs. tit. 27 § 3325.

3072. D.C. Mun. Regs. tit. 27 § 3110.2.

3073. C.D.C.R. 22-9809.

3074. C.D.C.R. 8-3025.1.

3075. C.D.C.R. 8A-2531.

3076. C.D.C.R. 8-3402. The same rules apply to the D.C. Public Library system. C.D.C.R. 8A-4308.

items “are available from only one source as a result of patents, copyrights, secret processes, or material monopolies,” so long as the Contracting Officer approves.³⁰⁷⁷ The Water & Sewer Authority also has the standard D.C. patent clause, under which title generally vests in the WASA unless the contract expressly states otherwise.³⁰⁷⁸

c. Technology Transfer

The District of Columbia’s university system is not research-driven, and the city is dominated by the Federal Government. It appears that there is no formal technology-transfer program in the District of Columbia. Thus, to the extent that invention title generally vests with the District pursuant to standard contract and employment provisions, any such transfers would be through the Mayor’s office.³⁰⁷⁹ Uniquely and in contrast to standard Federal practice, the District can assign rights to its employee’s inventions prior to entering into a contract, subject to a nonexclusive license.³⁰⁸⁰

d. Sovereign Immunity Waivers

For procurement disputes involving a written contract, the District has comprehensively waived sovereign immunity.³⁰⁸¹ The District will pay interest on judgments³⁰⁸² but is not liable for punitive damages.³⁰⁸³ Claims under a contract must be made in the first instance to the Contracting Officer.³⁰⁸⁴ An adverse decision may be appealed within ninety days³⁰⁸⁵ to the administrative Board of Contract Appeals.³⁰⁸⁶ Bid protests, by contrast, are lodged with the Board in the first instance.³⁰⁸⁷ The Board’s decisions, in turn, may be appealed within 120 days to the District of Columbia Court of Appeals.³⁰⁸⁸ But such a judicial appeal is subject to a very strong factual presumption in favor of the Board: “notwithstanding any contract provision, regulation, or rules of law to the contrary, the decision of the Board on questions of fact shall be final and conclusive and shall not be set aside unless the decision is fraudulent,

3077. C.D.C.R. 21-5331.1(c)(1).

3078. C.D.C.R. 21-5359.

3079. D.C. Code § 47-876.

3080. D.C. Mun. Regs. tit. 27 § 3106.6.

3081. D.C. Code § 2-308.01.

3082. D.C. Code § 2-308.06.

3083. D.C. Code § 2-308.02.

3084. D.C. Code § 2-308.05(a).

3085. D.C. Code § 2-309.04.

3086. D.C. Code § 2-309.01.

3087. D.C. Code § 2-309.08.

3088. D.C. Code § 2-309.05.

arbitrary, capricious, or so grossly erroneous as to necessarily imply bad faith, or if the decision is not supported by substantial evidence.”³⁰⁸⁹

There is some tension between the language of the sovereign immunity waiver, which only applies to situations of contractual privity and the definition of “claim.” That term refers to “any request or demand for money, property, or services made to any employee, officer, or agent of the District, or to any contractor, grantee, or other recipient, whether under contract or not, if any portion of the money, property, or services requested or demanded issued from, or was provided by, the District, or if the District will reimburse such contractor, grantee, or other recipient for any portion of the money or property which is requested or demanded.”³⁰⁹⁰ This latter language would appear to encompass third parties injured by actions occurring in the course of a District contract. Additionally, the District of Columbia has waived its sovereign immunity in regard to trade secret misappropriation.³⁰⁹¹

In light of the District’s unique status as a Federal enclave, an unhappy contractor or third party also theoretically has recourse to Congress. And because the District is not a State, Federal waivers of sovereign immunity for patent, copyright, and trademark infringement may apply with full force in the District of Columbia.³⁰⁹² No cases confirm these waivers as applied to the District of Columbia.

It also is possible that the District of Columbia courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, §105, of the District’s constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.³⁰⁹³ But in light of *Zoltek v. United States*,³⁰⁹⁴ a District of Columbia court also could refuse to recognize intellectual property as “property” for Takings purposes.

3089. D.C. Code § 2-309.07.

3090. D.C. Code § 2-308.13.

3091. D.C. Code, Div. V § 36-401(3).

3092. D.C. Code Home Rule tit. VI § 601 (reserving right for Congress to enact laws on behalf of the District), and 15 U.S.C. § 1122(a) (waiving immunity for Federal government and “all agencies and instrumentalities thereof”).

3093. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

3094. 442 F.3d 1345 (Fed. Cir. 2006).

49. West Virginia³⁰⁹⁵

a. Intellectual Property Laws

i. Trade Secrets

West Virginia has adopted the 1985 amended version of the Uniform Trade Secrets Act.³⁰⁹⁶ Injunctive relief and damages may be awarded for misappropriation.³⁰⁹⁷ Like the Uniform Trade Secrets Act, West Virginia defines “person” to include government or government agencies as well as natural persons and corporations.³⁰⁹⁸

The State also has enacted a Computer Crime and Abuse Act, which apparently gives courts the power to enter injunctions to preserve the secrecy and security of computer networks, data, programs, or software.³⁰⁹⁹ In this context, the West Virginia Code employs a slightly different definition of “trade secret” than the one used by the Uniform Trade Secrets Act:

For the purposes of this section “trade secret” means the whole or any portion or phase of any scientific or technological information, design, process, procedure or formula or improvement which is secret and of value. A trade secret shall be presumed to be secret when the owner thereof takes measures to prevent it from becoming available to persons other than those authorized by the owner to have access thereto for a limited purpose.³¹⁰⁰

In order to ensure public dissemination of government information, West Virginia enacted the Freedom of Information Act at Chapter 29B of the West Virginia Code. West Virginia’s Freedom of Information Act prohibits disclosure of trade secrets.³¹⁰¹ Enforcement of this exemption requires the trade secret owner to prove the confidential status of the submitted information using evidence as opposed to conclusory statements.³¹⁰² It is unclear

3095. Our thanks to David R. Tichner, Director, West Virginia Purchasing Division, for his review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

3096. W. Va. Code §§ 47-22-1 *et seq.*

3097. W. Va. Code §§ 47-22-2, 3.

3098. W. Va. Code § 47-22-1(c).

3099. W. Va. Code § 61-3C-16.

3100. *Id.*

3101. W. Va. Code § 29B-1-4.

3102. *AT&T Commc'ns of W. Va., Inc. v. Public Service Comm'n of W. Va.*, 423 S.E.2d 859, 188 W. Va. 250 (W. Va. 1992). *E.g., Queen v. W. Va. Univ. Hosp.s, Inc.*, 365 S.E.2d 375, 179 W. Va. 95, (W. Va. 1987) (releasing records as since no evidence presented the records contained trade secrets beyond unsupported statements).

the extent to which the Freedom of Information Act and the Uniform Trade Secret Act apply a common definition of “trade secret,” and whether a Uniform Trade Secret Act trade secret is by law protected against release.³¹⁰³

ii. Trademarks

West Virginia has a State-level trademark registration system,³¹⁰⁴ which implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.³¹⁰⁵ Applicants can obtain renewable ten-year registrations.³¹⁰⁶ The statute includes both business injury and dilution damages,³¹⁰⁷ with trebling of damages at the court’s discretion.³¹⁰⁸ The West Virginia registration system does not alter existing common-law trademark protections.³¹⁰⁹

For purposes of infringement, the term “person” does not include government bodies or agencies, but does cover any “other organization capable of suing and being sued in a court of law.”³¹¹⁰ Whether this includes the State is unclear.

iii. Copyrights

West Virginia has adopted a supplementary Copyright Act. It is drafted to protect West Virginia establishments that play copyrighted music by ensuring that copyright owners publish their license rates yearly in a

3103. W. Va. Code § 29B-1-4(5).

3104. W. Va. Code §§ 47-2-1 *et seq.*

3105. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

3106. W. Va. Code § 47-2-6(a).

3107. W. Va. Code § 47-2-13.

3108. W. Va. Code § 47-2-14; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

3109. W. Va. Code § 47-2-16.

3110. W. Va. Code § 47-2-1(5). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Fed. Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement since United States Post Office empowered to sue or be sued in its own name).

local newspaper.³¹¹¹ While the law provides a “complete defense” against the enforcement of a copyright which was not published, given that copyright is a Federal statutory program, the “complete defense” afforded by the West Virginia Copyright Protection law is questionable.³¹¹²

West Virginia’s official reporter is required to obtain copyrights on all published decisions of the West Virginia courts.³¹¹³

iv. Patents

West Virginia does not have specific patent statutes.

b. Procurement Laws

West Virginia procurement laws are generally found at Article 3, Chapter 5A, of the West Virginia Code, which in turn is implemented through regulation at 148 W. Va. C.S.R. 1 *et seq.* West Virginia uses a competitive sealed-bid process for procurement of goods and services.³¹¹⁴ While West Virginia can accept bids or proposals from any source, it can only award contracts to registered vendors.³¹¹⁵ West Virginia law includes a preference for West Virginia contractors.³¹¹⁶ A contract in contravention of the rules is automatically void, and the head of the purchasing department becomes personally liable for any remaining indebtedness.³¹¹⁷

State policy disfavors the use of trademarks or brands to prevent competitive bidding. Thus, “[s]pending units should not use brand names to restrict competition. If, however, brand names are used, the brand name shall be followed by the phrase ‘or equal’ to promote and encourage competition.”³¹¹⁸ Similarly, while sole-source procurement is permitted if the item being purchased is otherwise unavailable,³¹¹⁹ “[a]gencies are encouraged to solicit competition rather than process a sole source request.”³¹²⁰

3111. W. Va. Code § 47-2A.

3112. W. Va. Code § 47-2A-3(c) (“Failure of a copyright owner or performing rights society to meet the publication requirements of this section shall constitute a complete defense to any civil action brought by a copyright owner or performing rights society seeking to recover royalties in circumstances where no contract exists between such parties regarding royalties”).

3113. W. Va. Code § 5A-3-23.

3114. W. Va. Code § 5A-3-10.

3115. 148 W. Va. C.S.R. 1-6.1.7.

3116. 148 W. Va. C.S.R. 1-6.4.4.

3117. W. Va. Code § 5A-3-17.

3118. 148 W. Va. C.S.R. 1-7.1.2.

3119. 148 W. Va. C.S.R. 1-7.5.1(b).

3120. 148 W. Va. C.S.R. 1-7.5.2.

Procurement is centralized at the Department of Administration,³¹²¹ with three exceptions:

- The Department of Administration does not purchase road construction or related work for the Division of Highways;
- Higher educational institutions have their own purchasing rules and are not subject to the jurisdiction of the Department of Administration; and
- Information technology purchasing is handled by a separate West Virginia Office of Technology within the Department of Administration.

These exceptions aside, the procurement system is managed by the Department of Administration's Acquisition & Contract Administration Section. In all cases, applicable rules guarantee the protection of contractor IP.

West Virginia has a solid grounding in intellectual property laws. Some major projects identify by statute precisely the rights the State desires. Thus, in West Virginia's mapping and addressing effort, the procurement agency is directed to obtain "work made for hire" rights in the resulting work product,³¹²² while the State's "211 Collective" Statewide information and referral system owns all IP in its databases.³¹²³ Highway contractors are obligated to indemnify the State for patent or copyright infringement.³¹²⁴ Vendors providing electronic voting machines are specifically required to indemnify the State against patent infringement claims.³¹²⁵

c. Technology Transfer

In general, the University of West Virginia owns inventions made by university employees. But ownership of inventions arising out of sponsored research can be negotiated.³¹²⁶

For such inventions, the State's higher education system has express rules concerning contracting with private entities to facilitate technology transfer. Each institution's governing board can contract with private companies to

provide evaluation, development, patenting, licensing, management and marketing services for inventions, processes, trademarks, except institutional trademarks an institution's governing board elects to retain, copyrights or any other

3121. W. Va. Code § 5A-3-1.

3122. W. Va. Code § 24E-1-7.

3123. 150 W. Va. C.S.R. 29.

3124. 157 W. Va. C.S.R. 03.

3125. W. Va. Code §§ 3-4-6, 3-4A-7.

3126. West Virginia Intellectual Property Policy §3.

intellectual property developed by faculty, staff and students of any state institution of higher education.³¹²⁷

This corporation can

determine the application of the proceeds from any invention, process, trademark, except institutional trademarks an institution's governing board elects to retain, copyright or any other intellectual property developed by the faculty, staff or students of an institution among the corporation, the inventor or developer, and the institution.³¹²⁸

West Virginia's universities publish clear guidance concerning technology acquisition, development, and transfer to the private sector.

The system also includes economic development and technology advancement organizations—basically, technology transfer centers—whose mission is to commercialize West Virginia innovations:

The primary responsibility of each center is to foster and support economic development and the advancement and commercialization of new and emerging technologies through collaboration agreements between business-industry and the respective doctoral institution. To that end, the governing body of each center has the power . . . [t]o receive, purchase, hold, lease, use, sell and dispose of real and personal property of all classes, including all kinds of intellectual property.³¹²⁹

These institutions collectively form a sophisticated and forward-looking West Virginia technology acquisition and distribution system whose stated goal is “facilitation of the commercialization of intellectual property.”³¹³⁰

d. Sovereign Immunity Waivers

West Virginia's bid protest system allows bidders to challenge specifications or procurement decisions, albeit on an extremely tight schedule (five days prior to bid opening or five days after the award, respectively).³¹³¹ There is no general statutory waiver for IP infringement. West Virginia apparently has waived its sovereign immunity in regard to trade secret misappropriation³¹³²

3127. W. Va. Code § 18B-12-4.

3128. *Id.*

3129. W. Va. Code § 18B-12A-4.

3130. W. Va. Code § 5B-2C-1.

3131. 148 W. Va. C.S.R. 1-8.1.1.

3132. W. Va. Code § 47-22-1(c).

and possibly also for trademark infringement.³¹³³ But these implicit waivers run counter to West Virginia laws. Rather, Section 35 of the West Virginia Constitution contains a broad assertion of the State's sovereign immunity:

The state of West Virginia shall never be made defendant in any court of law or equity, except the state of West Virginia, including any subdivision thereof, or any municipality therein, or any officer, agent, or employee thereof, may be made defendant in any garnishment or attachment proceeding, as garnishee or suggestee.

While seemingly draconian, the effect of this section is somewhat ameliorated by specific waivers found in the statutes.

West Virginia's Governmental Tort Claims and Insurance Reform Act³¹³⁴ strictly limits recovery against the State in general and, while specifically allowing "mandamus, injunction, prohibition, and other extraordinary remedies" for such actions, prohibits recovery of damages based on State governmental or proprietary functions.³¹³⁵ Punitive damages are not available.³¹³⁶ It may be possible to apply for injunctive relief to the extent that the infringement sounds in tort. No cases address this point.

Recovery, if at all, is based entirely on contractual liability, which is specifically excepted from the State's sovereign immunity.³¹³⁷ IP rights-holders that are not also in contractual privity with the State thus may find it difficult to recover damages for Federal IP violations committed under color of West Virginia law.

It also is possible that the West Virginia courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 3, § 9, of the West Virginia Constitution. The U.S. Supreme Court has held that trade secrets are "property rights" subject to a Fifth Amendment Takings analysis.³¹³⁸ But in light of *Zoltek v. United States*,³¹³⁹ a West Virginia court also could refuse to recognize IP as "property" for Takings purposes.

3133. W. Va. Code § 47-2-1(5). *Cf.*, *Global Mail Ltd. v. U.S. Postal Service*, 142 F.3d 208 (4th Cir. 1998); *Federal Express Corp. v. U.S. Postal Serv.*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office is empowered to sue or be sued in its own name).

3134. W. Va. Code §§ 29-12A-1 *et seq.*

3135. W. Va. Code § 29-12A-4(b)(1).

3136. W. Va. Code § 29-12A-7.

3137. W. Va. Code § 29-12A-18(a).

3138. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

3139. 442 F.3d 1345 (Fed. Cir. 2006).

50. Wisconsin

a. Intellectual Property Laws

i. Trade Secrets

Wisconsin has adopted the 1985 version of the Uniform Trade Secrets Act.³¹⁴⁰ As the term “person” is not defined in the Wisconsin statute, it probably should include bodies politic pursuant to general principles of Wisconsin law, and thus may well include government or government agencies as well as natural persons and corporations.³¹⁴¹ Wisconsin has enacted a separate statute criminalizing trade secret theft as a Class I felony.³¹⁴²

Wisconsin has a Freedom of Information Act (FOIA),³¹⁴³ but nevertheless governmental agencies are authorized to refuse disclosure of trade secrets.³¹⁴⁴ The FOIA’s trade secret definition is consistent with the Uniform Trade Secrets Act. Additionally, information submitted in connection with government’s regulatory powers is protected. Thus, the Department of Agriculture is authorized to demand confidential information concerning pesticide formulations before approving them for use in Wisconsin, but also is obligated to maintain the secrecy of such information.³¹⁴⁵ Contractual promises not to release confidential information—including oral pledges by State officials—will prevent release under the Freedom of Information Act.³¹⁴⁶

Public utilities are prohibited from making “use of any customer list, other confidential information, logo or trademark obtained from a public utility affiliate in a manner unfair to competitors”³¹⁴⁷ The Public Utility Commission is authorized to treat such information as a trade secret under Wisconsin law, thereby forming an independent basis for preventing disclosure under the FOIA.³¹⁴⁸

3140. Wis. Stat. § 134.90.

3141. Wis. Stat. § 990.01(26).

3142. Wis. Stat. § 943.205.

3143. Wis. Stat. §§ 19.21 *et seq.*

3144. Wis. Stat. § 19.36(5) (“An authority may withhold access to any record or portion of a record containing information qualifying as a trade secret as defined in s. 134.90(1)(c)”).

3145. Wis. Stat. § 94.68 *See also* Wis. Stat. §§ 166.20 (regulation of hazardous substances information and emergency planning), 218.0114 (motor vehicle dealer licensure), 285.70, 299.80 *et seq.* (emissions data for air quality monitoring).

3146. *Mayfair Chrysler-Plymouth Inc. v. Baldarotta*, 469 N.W.2d 638, 647-48, 162 Wis.2d 142 (1991).

3147. Wis. Stat. § 196.795(5)(q)(1)(b).

3148. Wis. Stat. § 196.795(9) (“Protection of business information. If the commission obtains business information from a holding company system which, if disclosed to the public, would put any non utility affiliate in the holding company system at a material competitive disadvantage, the information is not subject to § 19.35 and the commission shall protect

ii. Trademarks

Wisconsin has a State-level trademark registration system.³¹⁴⁹ Registrants can obtain renewable ten-year registrations.³¹⁵⁰ The statute includes both business injury damages, with trebling of damages at the court's discretion.³¹⁵¹ The Wisconsin registration system does not alter existing common-law trademark protections.³¹⁵²

Wisconsin has not enacted a trademark dilution law.³¹⁵³

For purposes of infringement, the term "person" is undefined; it may include bodies politic, thereby capturing government or government agencies as well as natural persons and corporations.³¹⁵⁴

Under Wisconsin Statutes Annotated § 100.14, the Wisconsin Department of Agriculture, Trade, and Consumer Protection is entitled to select and register appellations pertaining to Wisconsin and regional agricultural products. It owns and is permitted to license the certification mark "Something Special From Wisconsin."³¹⁵⁵

iii. Copyrights

Wisconsin has an unusual law restricting transfers of sound recording made before 1972 via Internet or other media.³¹⁵⁶ The law appears to be intended to close a loophole left open by the Copyright Act of 1976, though it is distinctly possible that a court could conclude that the Wisconsin statute is preempted.

The State also has enacted the Truth in Music Advertising Act, which regulates the extent to which revival acts can use the stage names of older bands without disclaimers concerning the identities of the performers.³¹⁵⁷

such information from public disclosure as if it were a trade secret as defined in § 134.90(1)(c)").

3149. Wis. Stat. § 132.001 *et seq.*

3150. Wis. Stat. § 132.01(6).

3151. Wis. Stat. § 132.033; *see* Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, 62 (14) INTA BULLETIN (Aug. 1, 2007).

3152. Wis. Stat. § 132.25.

3153. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155 at n. 4 (Nov.–Dec. 2006).

3154. Wis. Stat. § 990.01(26).

3155. U.S. Registration No. 1,529,098. *See* ATCP §§ 161.20 *et seq.*

3156. Wis. Stat. § 943.207.

3157. Wis. Stat. § 100.185.

iv. Patents

There are no relevant patent laws in Wisconsin.

b. Procurement Laws

The Wisconsin Procurement Code is located at Subchapter IV, Chapter 16, of the Wisconsin Code and implemented through Administration Code chapters 6 through 8. The Procurement Code controls acquisition of goods and services by State agencies. The procurement system (administered by the Bureau of Procurement) is based upon a competitive-bidding process, with various preferences granted for in-State industries or bidders.³¹⁵⁸ It does, however, provide for noncompetitive or sole-source contracts “when it is determined in the state’s best interest.”³¹⁵⁹ While brand names are generally to be avoided in drafting specifications to avoid sole source acquisitions,³¹⁶⁰ the code specifies that sealed-bid contracting requirements may be waived for procurement of “unique”³¹⁶¹ products or where the “patented or proprietary features of a product will give the state a superior and necessary utility that cannot be obtained from others.”³¹⁶² The applicable regulations define “proprietary” as “owned by a private individual or corporation under a copyright, trademark, or patent.”³¹⁶³

Wisconsin’s standard terms and conditions of contract provide for full indemnity for patent infringement³¹⁶⁴ and stipulate that any innovations developed under a State contract are State property.³¹⁶⁵ But these terms and conditions are extremely flexible; the Bureau of Procurement’s Web site includes dozens of high-tech licenses, each (apparently) specially negotiated and each providing for appropriate IP rights and remedies.

Almost uniquely at the State level, Government contractors are permitted to assert a government-purposes defense to the extent that the contractor was merely following detailed specifications set forth by the State.³¹⁶⁶ Wisconsin adopted this policy through case law in *Estate of Lyons v. CNA Ins.*

3158. ATCP § 6.01(13).

3159. ATCP § 7.10(1).

3160. Wis. Stat. § 16.72.

3161. ATCP §§ 8.05(2)(a), (d).

3162. ATCP § 8.05(2)(c).

3163. ATCP § 6.01(13).

3164. Wisconsin Department of Administration, Chs. 16, 19, 51, DOA-3054 (R10/2005), Standard Terms & Conditions ¶ 20.1.

3165. Wisconsin Department of Administration, Chs. 16, 19, 51, DOA-3054 (R10/2005), Standard Terms & Conditions ¶ 27.1.

3166. *Jankee v. Clark County*, 222 Wis. 2d 151, 585 N.W.2d 913 (Wis. Ct. App. 1998), *rev’d on other grounds*, 235 Wis. 2d 700, 612 N.W.2d 297 (2000).

*Companies*³¹⁶⁷ based upon the policy rationale established, in the context of Federal procurement, by the Supreme Court in *Boyle v. United Tech. Corp.*³¹⁶⁸ Thus, any grievances against a contractor following detailed specifications must instead be brought against the State according to State-prescribed waivers. It is unclear whether the State's immunity from intellectual property infringement would similarly extend to State contractors (as in the Federal context under 28 U.S.C. § 1498), but the logic of *Jankee v. Clark County* and *Estate of Lyons* indicate that State policy would favor such an extension.

c. Technology Transfer

The University of Wisconsin system is a major producer of intellectual property. "Unclassified staff" are typically required to assign rights to their inventions to the University, though this of course can be varied by contract. University employees also are required to disclose these obligations to students and other researchers.³¹⁶⁹ This policy extends to sponsored research, under which inventions are presumed owned the University but can be negotiated. Such rights are generally implemented using the Wisconsin Alumni Research Foundation.³¹⁷⁰

Various State entities are empowered to create and license-out IPRs. Thus, the Wisconsin Aerospace Authority is empowered to

Acquire, . . . develop, . . . design . . . , manage, and maintain:[a]ny intangible property right, including any patent, trademark, service mark, copyright, trade secret, certification mark, or other right acquired under federal or state law, common law, or the law of any foreign country. The authority may utilize such rights for any permissible purpose under law, including licensing such rights in exchange for payment of royalties.³¹⁷¹

The Wisconsin Department of Commerce runs a series of technology development funds.³¹⁷² Previously, the funds could issue grants for IP-related

3167. 558 N.W.2d 658, 207 Wis. 2d. 446 (Wis. Ct. App. 1996).

3168. 487 U.S. 500, 512-13 (1988).

3169. UWS § 8.03(4), a copy of which can be found at <http://www.legis.state.wi.us/rsb/code/uws/uws008.pdf> (Last visited Nov. 12, 2008).

3170. See, generally, <http://www.warf.org/> for additional information (last visited Nov. 12, 2008).

3171. Wis. Stat. §§ 114.62(10)(d), Cmts. 129.29(3), 129.35(1). See also Wis. Stat. §§ 39.115 (Educational Communications Board can acquire copyrights), 44.57(4) (Historical Societies and Arts Board can contract with artists for new or existing works), 119.18 (School boards can acquire copyrights).

3172. See <http://commerce.wi.gov/BD/BD-TechDevFund.html> (last visited Nov. 12, 2008). While since repealed under 2007 Wisconsin Act 125, the funds were enabled under Wis. Stat. Ann. §§ 560.62 (Wisconsin Development Fund), 560.915 (Technology-Based

research, but only if “the business or consortium seeking the grant or loan first enters into a written agreement regarding . . . [t]he ownership of any patents or licenses which result from the technical research.”³¹⁷³ It is uncertain whether such requirements still exist or what effect the repeal of this requirement has on existing grants or loans. It is understood that the seed capital supplied under these grant programs can go toward patent development.³¹⁷⁴

d. Sovereign Immunity Waivers

Wisconsin is generally immune from suit except with respect to discretionary acts.³¹⁷⁵ Claims must be submitted to the State within 120 days of accrual.³¹⁷⁶ Damages are capped at \$250,000 and punitive awards are not available.³¹⁷⁷ This waiver may or may not extend to IP.

In the procurement context, Wisconsin can be sued for breach of contract.³¹⁷⁸ Wisconsin’s FOIA allows suits for mandamus intended to secure the release (or nonrelease) of public records.³¹⁷⁹

Further, it may be possible to assert that state infringement of intellectual property represents a Takings under either the Fifth Amendment of the Federal Constitution or Art. 1, § 13, of the Wisconsin Constitution. The Wisconsin courts have held that the State broadly waives its sovereign immunity when it takes property from individuals or corporations without just compensation.³¹⁸⁰ In *Noranda Exploration, Inc. v. Ostrom*,³¹⁸¹ the Wisconsin Supreme Court held that compelled disclosure of proprietary data is a compensable Taking. As such, improper use of intellectual property is eligible for Takings analysis. This tracks the United States Supreme Court’s decision in *Ruckelshaus v. Monsanto Co.*, which held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.³¹⁸² This result is, however, somewhat inconsistent with the treatment of IP by the Federal

Economic Development Seed Capital Fund) and are currently under Wis. Stat. Ann. §§ 560.60.

3173. Wis. Stat. Ann. § 560.62(2)(a) (since repealed).

3174. Wis. Stat. Ann. § 701.20.

3175. Wis. Stat. Ann. § 893.80. See *Scarpaci v. Milwaukee County*, 292 N.W.2d 816, 96 Wis. 2d 663 (Wis. Ct. App. 1980).

3176. Wis. Stat. Ann. § 893.80(1)(a).

3177. Wis. Stat. Ann. § 893.82.

3178. *Energy Complexes v. Eau Claire County*, 449 N.W.2d 35, 152 Wis. 2d 453 (Wis. Ct. App. 1989).

3179. Wis. Stat. Ann. § 19.37.

3180. *Zinn v. State*, 334 N.W.2d 67, 112 Wis. 2d 417 (Wis. Ct. App. 1983).

3181. *Noranda Exploration, Inc. v. Ostrom*, 335 N.W.2d 596, 603, 113 Wis. 2d. 612 (Wis. Ct. App. 1983).

3182. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

Circuit in *Zoltek v. United States*,³¹⁸³ which would give a Wisconsin court the ability to reject the inclusion of IP as “property” for Takings purposes.³¹⁸⁴ As such, it is unclear to what extent Wisconsin courts would view intellectual property infringement as a form of compensable Takings.

Wisconsin did not define “person” for purposes of Wisconsin’s trademark and trade secret laws, and so arguably waived its sovereign immunity for trade secret misappropriation and trademark infringement, given the rules of statutory construction set forth in Wisconsin Statutes Annotated §990.01. But no cases confirm this point and Wisconsin law rejects the theory of implied waiver. So the viability of this theory is subject to question.³¹⁸⁵

51. Wyoming³¹⁸⁶

a. Intellectual Property Laws

i. Trade Secrets

Wyoming has adopted the 1985 version of the Uniform Trade Secrets Act.³¹⁸⁷ Like the Uniform Trade Secrets Act, Wyoming defines “person” to include government or government agencies as well as natural persons and corporations.³¹⁸⁸ These causes of action are in addition to common law trade secret protection, which is based in tort.³¹⁸⁹

In order to ensure public dissemination of government records, Wyoming implemented the Public Records Act.³¹⁹⁰ The Wyoming Public Records Act specifically exempts trade secrets from disclosure.³¹⁹¹ It is similarly likely that the Uniform Trade Secrets Act would prevent disclosure of confidential information supplied to the State.³¹⁹²

The Public Records Act further provides a catchall exemption, which allows the custodian of confidential records to block disclosure of such

3183. 442 F.3d 1345 (Fed. Cir. 2006).

3184. See *Anhalt v. City of Sheboygan*, 637 N.W.2d 422, 249 Wis. 2d 62 (Wis. Ct. App. 2001) (no implied waivers of sovereign immunity).

3185. *Id.*

3186. Our thanks to Davona K. Douglass of the University of Wyoming for review of and comments on these materials. Any errors, of course, are entirely the responsibility of the authors.

3187. Wyo. Stat. Ann. §§ 40-24-101 *et seq.*

3188. Wyo. Stat. Ann. § 40-24-101(a)(iii).

3189. *Briefing.Com v. Jones*, 2006 WY 16, 126 P.3d 928 (Wyo. 2006).

3190. Wyo. Stat. Ann. §§ 16-4-201 *et seq.*

3191. Wyo. Stat. Ann. § 16-4-203(d)(v) (“Trade secrets, privileged information and confidential commercial, financial, geological or geophysical data furnished by or obtained from any person”).

3192. Wyo. Stat. Ann. § 16-4-201(a)(v).

information in situations not specifically covered if “disclosure of the contents of the record would do substantial injury to the public interest.”³¹⁹³ In applying this catchall provision, Wyoming has adopted the jurisprudence of the Federal Freedom of Information Act³¹⁹⁴ and will prevent disclosure to the extent that the custodian can provide evidence that (1) such disclosure would hinder the ability of the State to collect such information, or (2) the release would harm the competitive position of the submitter.³¹⁹⁵ Such a catchall exemption might be particularly useful for bid and proposal documents that do not fall neatly into the categories of trade secrets set forth in the Uniform Trade Secrets Act or Wyoming Statutes Annotated § 16-4-203(d)(v).

Should the custodian attempt to release a record which the submitter believes to be an exempt trade secret, an action by the trade secret owner would be initiated as a “contested case” under Wyoming’s Administrative Procedures Act.³¹⁹⁶ Pursuant to the Wyoming APA, a person whose rights are affected by a State agency action must first pursue a “contested case” administrative remedy, a highly sophisticated litigation-like process before an administrative law judge.³¹⁹⁷ Thereafter, he may appeal the administrative decision to a Wyoming district court³¹⁹⁸ and from there to the Wyoming Supreme Court.³¹⁹⁹ This would be consistent with the Federal approach in the context of a reverse FOIA suit, and is therefore consistent with the State’s general adoption of Federal FOIA policies in regard to releases of records.³²⁰⁰

ii. Trademarks

Wyoming allows for five-year State-level trademark registrations administered by the Secretary of State, with accompanying unfair competition and infringement laws.³²⁰¹ Wyoming law implements the substance of the International Trademark Association’s Model State Trademark Bill of 1992.³²⁰² Courts can award punitive damages of up to three times profits and damages plus reasonable attorney fees where the defendant acted wrongfully,

3193. Wyo. Stat. Ann. § 16-4-203(g).

3194. 5 U.S.C. § 552(b)(4).

3195. *Sublette County Rural Health Care Dist. v. Miley*, 942 P.2d 1101 (Wyo. 1997).

3196. Wyo. Stat. Ann. §§ 16-3-101 *et seq.*

3197. Wyo. Stat. Ann. §§ 16-3-107–112.

3198. Wyo. Stat. Ann. § 16-3-114.

3199. Wyo. Stat. Ann. § 16-3-115.

3200. *Miley*, 942 P.2d 1101.

3201. Wyo. Stat. Ann. §§ 40-1-101 *et seq.*

3202. Caroline Chicoine & Jennifer Visintine, *The Role of State Trademark Dilution Statutes in Light of the Trademark Dilution Revision Act of 2006*, 96 TRADEMARK REP. 1155, 1156 n. 6 (Nov.–Dec. 2006).

in bad faith, or “otherwise as according to the circumstances of the case.”³²⁰³ The definition of “person” for purposes of suit under the trademark laws is:

The term “person” and any other word or term used to designate the applicant or other party entitled to a benefit or privilege or rendered liable under the provisions of this act includes a juristic person as well as a natural person. The term “juristic person” includes a firm, partnership, corporation, association, union or other organization or business entity capable of suing and being sued in a court of law.³²⁰⁴

As written, this does not include the State in general, which is not an “entity capable of . . . being sued in a court of law” absent a waiver of sovereign immunity. But the State has its own statutory “Bucking Horse and Rider” and related trademarks pursuant to Wyoming Statutes Annotated § 8-3-117, which the Secretary of State is authorized to license for money. Similarly, Wyoming has authorized its cattle industry representative committee to register “in the name of the state of Wyoming” trademarks for “Wyoming lean beef,” “Wyoming supreme beef,” and the like.³²⁰⁵ And the University of Wyoming is authorized to license out its name and marks.³²⁰⁶ One could perhaps argue that these statutes, read in conjunction, amount to a waiver of sovereign immunity for trademark violations, at least insofar as the potential suit involves a Wyoming-registered mark. At least, the waiver ought to extend to the specific entity charged with enforcing such marks or otherwise granted the right to sue in its own name. This theory of sovereign immunity waiver is consistent with Federal case law on the subject of trademark liability for State entities.³²⁰⁷

Trademarks are exempt from Wyoming property taxes.³²⁰⁸

iii. Copyrights

Wyoming has passed a series of ancillary laws protecting copyrights and trade secrets. Under the Wyoming Crimes Against Intellectual Property law, theft or destruction of copyrighted or trade secret data is a felony, punishable

3203. Wyo. Stat. Ann. § 40-1-112; see Felicia J. Boyd, Timothy J. Cruz, Iliana Haleen, & John Murphy, *Availability of Punitive Damages for Trademark Infringement*, INTA BULLETIN Vol. 62, No. 14 (Aug. 1, 2007).

3204. Wyo. Stat. Ann. § 40-1-101(d).

3205. Wyo. Stat. Ann. §§ 11-40-101 *et seq.*

3206. University [of Wyoming] Regulation 641, Revision 3, Sec. 18.

3207. *Global Mail Ltd. v. U.S. Postal Service*, 142 F.3d 208 (4th Cir. 1998); *Federal Express Corp. v. U.S. Postal Service*, 151 F.3d 536 (6th Cir. 1998).

3208. Wyo. Stat. Ann. § 39-11-105.

by up to three years in jail.³²⁰⁹ Wyoming Statutes Annotated § 40-13-103 requires music copyright owners to register with the State before licensing music for broadcast purposes.³²¹⁰ It is not clear whether the Copyright Act would preempt the copyright portions of these statutes.

Copyrights are exempt from Wyoming property taxes.³²¹¹

iv. Patents

Patents are exempt from Wyoming property taxes.³²¹² There are otherwise no statutes specific to patents.

b. Procurement Laws

Wyoming does not have detailed procurement laws regarding intellectual property. Its general procurement statute applies to “any supplies or services,”³²¹³ including “[a]ll property.”³²¹⁴ Supplies and services worth over \$20,000 must be obtained via a competitive bidding process.³²¹⁵ The procurement law reads on commodity goods rather than high-tech goods or services; it is silent as to title. Aspirationally, however, Wyoming IPR acquisition rules should be geared toward

building long-term relationships that will allow all parties to recover their upfront investments. The long-term relationship is especially important for the IT vendor since the majority of government contracts are won with low profit margins and require a long payback period for those companies that incur upfront costs to do business with the state.³²¹⁶

Wyoming Statutes Annotated § 16-6-102 provides for a two and one-half percent price preference for IT companies whose bids are at least five percent based on in-State resources. (The in-State preference appears in the general procurement law, too.) In any case, the lack of statutory and regulatory

3209. Wyo. Stat. Ann. § 6-3-502.

3210. See also Wyo. Stat. Ann. §§ 40-13-301 *et seq.*

3211. Wyo. Stat. Ann. § 39-11-105.

3212. Wyo. Stat. Ann. § 39-11-105.

3213. Wyo. Stat. Ann. § 9-2-1016(a)(i).

3214. Wyo. Stat. Ann. § 9-2-1016(a)(iii)(A).

3215. Wyo. Stat. Ann. § 9-2-1016(b)(iv).

3216. *Wyoming Information Technology Vendor Contracting Work Group Report, Prepared for the Joint Appropriations Interim Committee*, pp. 2–3 (Nov. 1, 2006), available at http://cio.state.wy.us/IT_Svc_Contr_BidProcReview/Docs/FinalReport.pdf (last visited Nov. 12, 2008).

requirements indicates that there should be room to negotiate IP ownership and indemnification clauses.

c. Technology Transfer

The University of Wyoming has an active licensing program. It runs both the Wyoming Technology Transfer Center and the Wyoming Research Products Center. The Wyoming Research Products Center is intended to monetize university-funded inventions and other technology, while the Wyoming Technology Transfer Center (jointly funded by the university, the Wyoming Transportation Department, and the Federal Highway Transportation Department) deals primarily with transportation issues in collaboration with local Wyoming agencies, and is focused largely on disseminating best practices in the transportation and construction industries. So the Research Products Center is the technology transfer office for the university and handles all patent filings, IP protection, and licensing efforts.

The university describes its mission as follows:

The University of Wyoming is dedicated to instruction, research, and the extension of knowledge to the public. It is the policy of the University to carry out its scholarly work in an open and free atmosphere, and to publish results obtained there from freely. Research done primarily in anticipation of profit is incompatible with the aims of the University. However, the University recognizes that patentable inventions and copyrightable materials are conceived or created during the course of research conducted by faculty and students using University facilities. These policies have been established to ensure that those inventions and materials in which the University may have an interest will be utilized in a manner consistent with the public good, through patent and copyright licenses or otherwise.³²¹⁷

Ownership of patentable IP depends on whether the invention was conceived with university funds or on university time. If so, the inventor is obligated to assign his rights to the university. Even if it elects not to exercise its right to seize title, “the University shall retain a royalty-free perpetual non-exclusive license for the use of any such invention or discovery.”³²¹⁸ The same is true for computer software,³²¹⁹ though other forms of copyrightable material are presumptively owned by the author rather than the university.³²²⁰ As such, inventions arising from sponsored research would be

3217. University [of Wyoming] Regulation 641, Revision 3, Sec. 3.

3218. University [of Wyoming] Regulation 641, Revision 3, Sec. 7.

3219. University [of Wyoming] Regulation 641, Revision 3, Sec. 16.

3220. University [of Wyoming] Regulation 641, Revision 3, Sec. 15.

presumed to be owned by the university, but such ownership rights could be negotiated.³²²¹

Wyoming block grant monies cannot be used to secure patents or copyrights.³²²²

d. Sovereign Immunity Waivers

Wyoming has waived its sovereign immunity in regard to trade secret misappropriation³²²³ and possibly trademark infringement.³²²⁴ No cases confirm this point. Wyoming law also provides a broad waiver of sovereign immunity with respect to tort liability.³²²⁵ But this liability is limited to specific categories, none of which include intellectual property violations.³²²⁶ These express statutory limits cast doubt on implied waivers involving tort claims,³²²⁷ market activities,³²²⁸ or Takings theories.³²²⁹

3221. University [of Wyoming] Regulation 641, Revision 3, Sec. 9(b).

3222. Wyoming Economic Plan and Development Business Council, Community Development Block Grant Final Rules and Regulations 2005, ch. 2 Economic Development.

3223. Wyo. Stat. Ann. §§ 40-24-101(a)(iii).

3224. Wyo. Stat. Ann. § 40-1-101(d). *C.f.*, *Global Mail Ltd. v. U.S. Postal Serv.*, 142 F.3d 208 (4th Cir. 1998); *Federal Express Corp. v. U.S. Postal Service*, 151 F.3d 536 (6th Cir. 1998) (finding waiver of sovereign immunity for trademark infringement because United States Post Office is empowered to sue or be sued in its own name).

3225. Wyo. Stat. Ann. §§ 1-39-101 *et seq.*

3226. Wyo. Stat. Ann. § 1-39-104 (a) (“A governmental entity and its public employees while acting within the scope of duties are granted immunity from liability for any tort except as provided by W.S. 1-39-105 through 1-39-112 and limited by W.S. 1-39-121”).

3227. *See generally* David S. Bloch & James G. McEwen, “Like Toddlers in Big Surf”: Can the Government Control the Effects of Federal Trademark Liability?, 33 PUB. CONT. L. J. 210, 212–16 (Fall 2003) (discussing narrow interpretations of the FTCA and other like waivers of sovereign immunity to avoid intellectual property liability); *but see Jerome Stevens Pharm. v. FDA*, 402 F.3d 1249 (D.C. Cir. 2005) (granting relief under the FTCA for trade secret misappropriation).

3228. *See, e.g., Tegic Commc'ns v. Bd. of Regents of the Univ. of Texas System*, 458 F.3d 1335, 1341-3 (Fed. Cir. 2006) (because the university invoked Federal jurisdiction in a previous case, it had “waived any immunity respecting the adjudication of its claims . . . and any counterclaims asserted in the same forum,” but “did not [] voluntarily submit itself to a new action brought by a different party in a different state and a different district court”); *Vas-Cath, Inc. v. University of Missouri*, 473 F.3d 1376 (Fed. Cir. 2007) (university, by requesting and participating in an interference proceeding in the PTO, waived its immunity for the purposes of that proceeding and subsequent appeals); *but see Biomedical Patent Mgmt. Corp. v. State of California, Dep't of Health Servs.*, 505 F.3d 1328 (Fed. Cir. 2007) (no waiver of sovereign immunity for patent infringement even where State is substantial market participant).

3229. *Compare Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984) (trade secrets are “property” for Takings purposes) with *Zoltek Corp. v. United States*, 442 F.3d 1345 (Fed. Cir. 2006) (patents are not “property” for Takings purposes).

It is more likely that IPR violations are compensable only as breaches of contract, for which the waiver is comprehensive: “Any immunity in actions based on a contract entered into by a governmental entity is waived except to the extent provided by the contract if the contract was within the powers granted to the entity and was properly executed and except as provided in W.S. 1-39-121,” which pertains to Year 2000 computer failures.³²³⁰ There is a two-year statute of limitations for contract claims against a State instrumentality³²³¹ and a one-year statute for torts.³²³² Damages are capped at \$500,000 per occurrence or transaction.³²³³ There is no specific provision for injunctive relief, nor does the Wyoming Governmental Claims Act refer to intellectual property. Wyoming’s State university system has been held to enjoy the same sovereign immunity rights as the State itself; it therefore is equally subject to suit.³²³⁴

It also is possible that the Wyoming courts would view a State Taking of IP without just compensation to be a waiver of sovereign immunity under the Fifth Amendment of the Federal Constitution or Art. 1, § 32, of the Wyoming Constitution. The U.S. Supreme Court has held that trade secrets are “property rights” subject to a Fifth Amendment Takings analysis.³²³⁵ But in light of *Zoltek v. United States*,³²³⁶ a Wyoming court also could refuse to recognize intellectual property as “property” for Takings purposes.

3230. Wyo. Stat. Ann. § 1-39-104(a).

3231. Wyo. Stat. Ann. § 1-39-113.

3232. Wyo. Stat. Ann. § 1-39-114.

3233. Wyo. Stat. Ann. § 1-39-118.

3234. *Prebble v. Brodrick*, 535 F.2d 605, 610 (10th Cir. 1976) (University of Wyoming).

3235. *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984).

3236. 442 F.3d 1345 (Fed. Cir. 2006).

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