



Building Your IP Strategy

Balancing Patents and SBIR Data Rights

About the Speaker

- Intellectual property attorney at Rothwell, Figg, Ernst & Manbeck PC – IP specialty firm in Washington, DC
- IP Committee Member, SBTC
- Represents wide range of clients, from Fortune 500 to early-stage startups
- Litigates high-stakes patent infringement lawsuits
- Drafts patents, prosecutes them before USPTO
- Drafts and negotiates IP transactions
- Former patent examiner at USPTO
- Spoke at 2017 and 2019 SBIR National Conferences



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What we'll cover

- What are SBIR data rights
- How patents work, and how they differ from SBIR data rights
- How you can combine patents and SBIR data rights to protect the long-term value of your technology

Why IP rights are important

1. IP rights protect the value of your technology by deterring copyists
2. IP rights can make your company more valuable for investment
3. IP rights can facilitate partnerships



What IP rights cannot do

1. IP rights will not make customers want to buy your product
2. IP rights will only help you secure investment if investors believe they protect something valuable



What IP risks do SBIR awardees face?

GOV'T-BASED RISKS

Gov't gives your tech to your competitors, buys from them

Gov't uses your tech to manufacture its own products

Gov't uses your software without paying you

RISKS BASED ON EVERYONE ELSE

Your competitors see your tech, copy it, and sell it to your customers

Your competitors come up with a similar idea on their own

Prospective partners or former employees walk off with your tech

**YOUR
TECH**

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graph LR;
    A((YOUR TECH)) --> B[Gov't gives your tech to your competitors, buys from them];
    A --> C[Gov't uses your tech to manufacture its own products];
    A --> D[Gov't uses your software without paying you];
    A --> E[Your competitors see your tech, copy it, and sell it to your customers];
    A --> F[Your competitors come up with a similar idea on their own];
    A --> G[Prospective partners or former employees walk off with your tech];
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Picking the right tool for the job

IP tools for protecting technology:

- **Patents**
- **Contracts (including SBIR data rights)**
- **Trade secrets**
- Copyright (software-only, protection is limited)

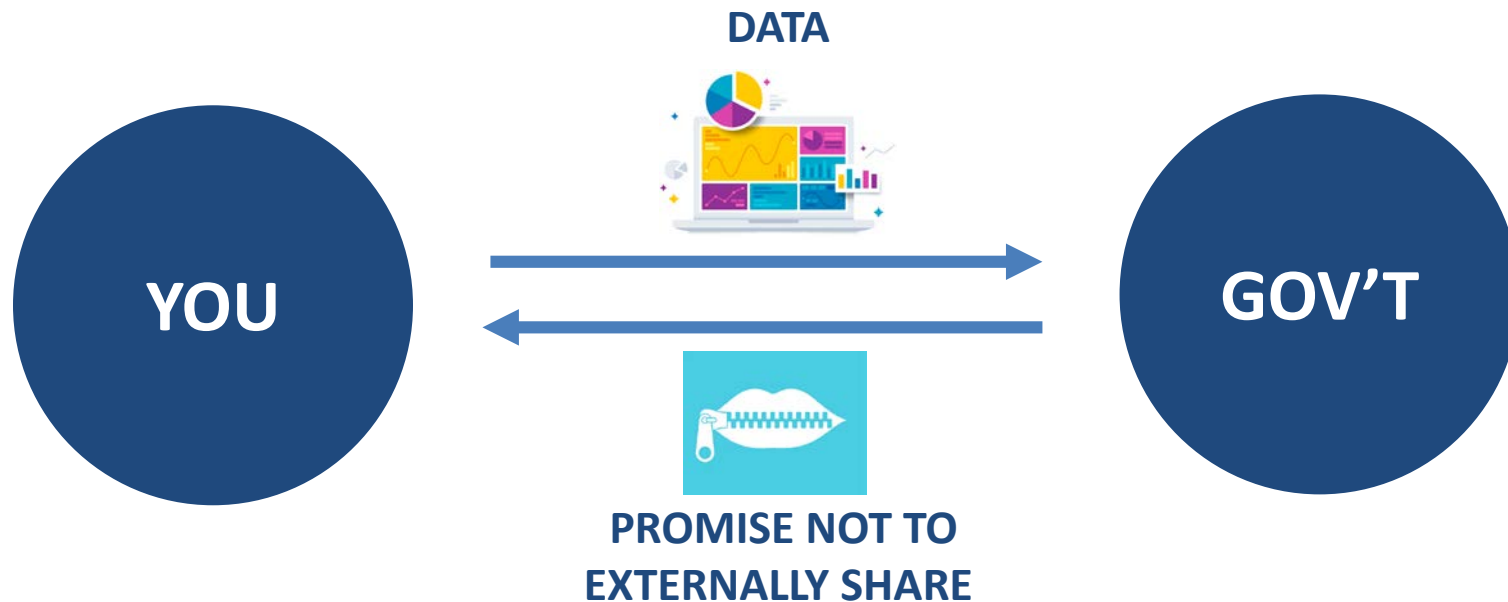
Other IP tools:

- Trademarks
- Copyrights (creative works)



What are SBIR data rights (simple version)

- SBIR data rights are like an NDA with the gov't
 - You share data (e.g., reports, drawings, software) with the gov't
 - The gov't promises it won't share your data with your competitors (or do certain other things that would be bad for your business)
 - Protection period is 20 years



SBIR Data Rights – Marking

- You need to mark!
 - DOD's legends can be found [here](#) (Ctrl+F “marked with this legend”)

SBIR DATA RIGHTS

Contract No.
Contractor Name
Contractor Address
Expiration of SBIR Data Rights Period

The Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend are restricted during the period shown as provided in paragraph (b)(4) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. No restrictions apply after the expiration date shown above. Any reproduction of technical data, computer software, or portions thereof marked with this legend must also reproduce the markings.

- The civilian SBIR data rights legend can be found [here](#) (Ctrl+F “the legend shall read as follows”)
- You should also mark your proposal. The [SBIR Policy Directive](#) provides marking instructions for proposals (see p. 186).

Why patent?

Patents have higher up-front cost. Why bother?

- Patents are effective against third parties who reverse engineer your tech
- Hypo: You launch a product, a competitor buys and copies it. How do the IP tools stack up?
 - Patent – you have a remedy if your patent is infringed and valid
 - Trade secret – doesn't protect against reverse engineering
 - SBIR data rights / contract – the competitor hasn't signed a contract

When is it worth patenting?

Patenting is generally a good idea if the answer is **YES** to **ALL** of the following:

1. Is the technology likely to be patentable?
2. Is the technology sufficiently valuable to justify the expense of patenting?
3. Are others likely to copy or independently develop the technology?
4. Will you be able to detect whether someone else's product uses your technology?

How to decide whether and what to patent

Your tech will have a number of components:

- Run through these four questions for each component / feature. Often, what is patentable is how things are combined.
- If you're not sure:
 1. I am happy to help.
 2. You can do a prior art search (I can give you some pointers).
- You can patent some things and keep others secret



Special considerations for gov't-funded inventions

If you want to patent tech developed under an SBIR award:

- You need to comply with Bayh-Dole (including by reporting inventions within 2 months)
- The gov't will receive a royalty-free license to the patent
- The gov't license can be important if you want to sell to the gov't. Talk to a lawyer who knows both patent law and SBIR data rights.



Some notes on patent attorneys

1. Our incentives favor filing patents.
2. Not everyone is equally good. Before hiring a firm, you may want to ask to speak with the person who will actually write your patent—rather than their boss.
3. Clients like to hire attorneys that are experts in their tech. But we are (mostly) generalists.



Some notes on patent process

1. An average cost to file a complete patent application is ~8k-12k, but this varies.
 - Does not include the examination phase
 - Startups work with firms to reduce fees
2. I recommend filing a provisional patent application fairly early.
3. Enforcement is a battle. End-to-end, fees often exceed \$4M. And the patent needs to be good.



How can I help?

- Connect on [LinkedIn](#) or email me at eblatt@rfem.com to set up a call
- I would love to hear what you're working on

Questions?



Matching Tool to Risk

		Patent (on privately-funded tech)	Patent (on gov't-funded tech)	SBIR Data Rights	Trade Secret
Gov't-Based Risks	Gov't gives your data to your competitors, buys from them	X		X	
	Gov't uses your tech to manufacture its own products	X		X	
	Gov't uses your software without paying you	X		Yes, if SBIR is with DOD. No, otherwise.	
	Gov't gives your prototype to your competitors, buys from them	X		Probably no, but uncertain	
Risks Based on Everyone Else	Your competitors copy or independently develop your tech and sell it to gov't	X			
	Your competitors copy or independently develop your tech and sell it to commercial customers	X	X		
	Prospective partner or former employee takes your tech and sells it to gov't	X			X
	Prospective partner or former employee takes your tech and sells it to commercial customers	X	X		X

IP Tools

	Patent (on privately funded tech)	Patent (on gov't-funded tech)	SBIR Data Rights	Trade Secret
Who you can sue	Anyone, including the government	Anyone except the gov't and people authorized by the gov't	The gov't	People who misappropriate your trade secrets
You can sue them for	Infringement of your patent	Infringement of your patent	Breaching contract terms re: SBIR data	Misappropriating your trade secrets
Protection gaps / risks	Infringers can argue that they do not infringe or that your patent is invalid	You cannot sue the gov't or people authorized by the gov't Infringers can argue that they do not infringe or that your patent is invalid	Binds only the gov't Everyone else can reverse engineer or independently develop your tech	You have a claim only if someone misappropriates your trade secret People can reverse engineer or independently develop your tech
Protection Period	20 years	20 years	20 years	As long as secret is kept / people cannot reverse engineer
What you need to do to	File patent application Persuade Patent Office to allow the patent	File patent application Persuade Patent Office to allow the patent Comply with Bayh-Dole Reporting Requirements	Properly mark	Take reasonable steps to maintain secrecy
Cost	Typically, ~4k–15k to file and ~0k–15k to negotiate with USPTO	Typically, ~4k–15k to file and ~0k–15k to negotiate with USPTO	Low (need to properly mark)	Marginal cost is low (need to maintain secrecy / data security anyway)