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The Small Business Innovative Research (SBIR) Program: Intellectual Property & SBIR Awards

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Presentation Outline

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I. The SBIR Program

- The SBIR Program provides funding for early stage R&D that serves a need and has the potential for being commercialized in the private sector.
- Participating Agencies Include:
 - USDA, DoC, DoD, ED, DoE, NSF, HHS, DHS, DoT, EPA, & NASA

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SBIR- Objectives

- The objective of the SBIR Program is to increase the participation of small businesses in meeting federal research and development needs.
- The SBIR Program is also meant to increase small business commercialization of technology through the use of federal research and development funds.



Small Business Administration

- The SBIR Program is administered by the U.S. Small Business Administration (SBA).
- The SBA is an independent government agency whose mission it is to aid, counsel, assist, and protect the interests of small business concerns, to preserve free competitive enterprise, and to maintain and strengthen the overall economy of our nation.



The Small Business Technology Transfer (STTR) Program

- Involves a small business cooperating with a non-profit research institution (usually a public University).
- Most of the information applicable to the SBIR program is likewise applicable to STTR.
 - Intellectual property rights between the small business and the research institution must be governed by private agreement between the parties.



SBIR – Benefits

- Awards are grants, not loans.
- Significant opportunity due to number of agencies that participate in the program.
- Alternative to venture capital funding.
- Establishes credibility for small business, which can, in turn, attract future venture capital funding.
- Establishes a position from which it is possible to become a sole source provider.
- Small businesses generally retain IP rights.



Agency Differences: Grants v. Contracts

	Grant	Contract
Agencies	USDA, ED, DoE, HHS, & NSF	DoC, DoD, ED, HHS, DHS, DoT, EPA, & NASA
Mission	Promote R&D to benefit society and the economy of the nation.	R&D is meant to satisfy a specific need of the contracting agency.
Control	Business has control over thrust of the R&D and approach taken.	Agency defines the plan, protocols, and objectives of R&D itself.
Commercialization	Opportunities usually come from outside of the agency itself, often in the private sector.	Opportunities usually come from the contracting agency itself.



Agency Differences

- Some agencies (non-DoD) use FARS and others (DoD) use DFARS.
- It is important to check agency websites for individual SBIR programs and the rules governing such.
- All agencies are different!



II. Qualifying for SBIR

- In order to qualify for an SBIR award, a small business must meet certain required criteria–
 - Business must be independently owned and operated, and organized for profit.
 - Business, including its affiliates, must have fewer than 500 employees.
 - Business' principal place of business must be located within the United States.
 - Business must be a minimum of 51% owned and controlled by one or more persons who are citizens of, or permanent residents in, the United States.



Qualifying for SBIR Cont'd

- In the performance of an SBIR award all R&D must be performed in the United States.
- Small business must perform at least 67% of the work under SBIR Phase I, and at least 50% of the work under Phase II.
- The Primary Researcher must be at least 51% employed by the small business receiving the SBIR award, and must work a minimum of three hours per week, and at least one calendar month total on any Phase I award.



III. The SBIR Process– Proposals

- Participating agencies solicit proposals regarding research and development topics that they are interested in.
 - Unsolicited proposals are **NOT** accepted
- Proposals are judged in two stages–
 - Required Qualifications
 - Evaluative Process
- Typically, about one in five proposals wins an SBIR Phase I award.



The SBIR Process- Phase I

- SBIR Phase I is the Potentiality/Feasibility study stage.
- Phase I is typically a period of six months or less.
- Phase I awards typically range from \$75,000 to \$150,000 depending upon the agency providing the award.



The SBIR Process- Phase II

- SBIR Phase II is the concept development stage.
- Phase II is an outgrowth of Phase I.
- Awards are typically for a period of up to two years.
- Awards generally range from \$300,000 to \$1,000,000.



The SBIR Process- Phase III

- SBIR Phase III is the commercialization stage.
- Phase III is work that derives from, extends, or logically concludes effort(s) performed under SBIR funding agreements.
- Funding *must* come from outside of the SBIR Program.



Advantages of SBIR Phase III

- No limits on: number of Phase III awards, duration or amount of the funding agreement, amount of time that can elapse between Phases I or II and Phase III, amount of time that can elapse between one Phase III award and another Phase III award, type of funding agreement, or size of the business receiving the award.
- Phase III may be funded by a different federal agency than funded Phases I or II.



SBIR Phase III & Sole Source Awards

- Sole Source Awards are contracts for the purchase of supplies or services that are entered into by an agency after soliciting and negotiating with only one source.
- SBA encourages the agency to award Phase III to the small business that completed Phases I or II as a sole source award, but the agency is not required to do so.




SBIR Phase III & Sole Source Awards Cont'd

- Sole source awards under Phase III are still considered SBIR awards, which is very important due to the implications this has on protecting IP rights.
- By properly marking their IP the small business can increase the likelihood of receiving a Phase III award due to the technological monopoly they may have as a result.
- If the Government wishes to use the technology they must contract with the owner of the IP, usually in the form of a sole source award.
 - Govt can't use SBIR Data for procurement.
 - Must deal with the holder of the SBIR Data Rights.




SBIR Phases- Summary			
	SBIR Phase I	SBIR Phase II	SBIR Phase III
Funding	\$75,000 – \$150,000	\$300,000 – \$1,000,000	No limit on funding amount. Must come from outside of the SBIR Program
Duration	6 Months	2 Years	No limit on duration.
Purpose / Stage	Feasibility / Potentiality	Concept Development	Commercialization

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IV. Intellectual Property and the Federal Government

- **General Rule-**
 - When IP is created with federal funding, whether through a grant, contract, or cooperative agreement; the contractor will retain title to the IP and the Government will receive a nonexclusive, royalty-free license to use the IP for governmental purposes.
- FARS & DFARS govern IP allocation between the Government and private contractors.

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V. Intellectual Property Rights & SBIR

- Under SBIR the Government has several different types of data rights depending upon which category of data the material falls into.
 - Unlimited Data Rights
 - SBIR Data Rights
 - Limited Data Rights
 - Restricted Data Rights

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Unlimited Rights Data

- In certain qualifying data, known as Unlimited Rights Data, the Government has the right to use, modify, reproduce, release, perform, display, or disclose technical data or computer software, in whole or in part, in any manner and for any purpose, and to have or authorize others to do so.
- If possible, the small business should attempt to categorize their data as anything except Unlimited Rights Data




Unlimited Rights Data Cont'd

	FARS	DFARS
Unlimited Rights	Government receives Unlimited Rights to all data that is not SBIR Data, Limited Data, or Restricted Data	Government automatically receives Unlimited Rights in- OITM Data, Changes/Corrections to technical data or computer software provided by the Government, FFF Data, Data to which the Government already has unlimited rights, Publicly available data, & Expired SBIR Data




SBIR Data Rights

- SBIR Data – Govt, including its support service contractors, obtains a royalty-free license to use, modify, reproduce, release, perform, display, or disclose technical data or computer software generated and delivered under the contract for any Government purpose (**except procurement**).
- Does not prevent the Government from disclosing data to its support service contractors who could conceivably be the small business' competitors.
 - Anyone to whom the data is disclosed is bound by the SBIR Data Rights, however, and must also sign a non-disclosure agreement.
 - o – Can only use the data for governmental purposes, not commercial purposes.
 - o – Government cannot disclose data for procurement purposes.
 - Small business retains all rights to commercial applications but may potentially be placed in competition for future Government contracts, such as Phase III awards.




SBIR Data Rights Cont'd

- **Technical Data in the SBIR context is defined as–**
 - Any recorded technical information developed in the performance of the SBIR award.
 - Reports
 - Diagrams, Drawings, and Charts
 - Invention disclosures
 - Software documentation
 - Probably does not include prototypes/samples




SBIR Data Rights Cont'd

	FARS	DFARS
SBIR Rights	Government receives SBIR Data Rights in data that is not generally known or made available to others and is first produced by a contractor under an SBIR award.	Government receives SBIR Data Rights for all technical data generated under the contract and not among the data to which the government automatically receives Unlimited Rights.
Duration	4 years after the completion of the last SBIR award.	5 years after the completion of the last SBIR award.



Acquiring/Selling SBIR Data Rights

- If another business acquires the SBIR business, the acquiring business then owns the SBIR Data Rights provided that the SBIR Data Rights were part of the overall acquisition.
- The SBIR business can sell its Data Rights without selling the company and the acquiring business can then assert the SBIR Data Rights themselves.



Limited Rights Data

- Under both FARS and DFARS Limited Rights Data is technical data that is developed exclusively at private expense.
- Limited Rights only allow the Government to use and disclose the Limited Rights Data within the Government, with few exceptions.



Restricted Computer Software (FARS) Restricted Rights Data (DFARS)

- Non-commercial computer software developed exclusively at private expense.
- Restricted Rights only allow the Government to use and disclose the Restricted Rights Data within the Government with few exceptions.




Government Data Rights- Summary

Government Data Rights	
Unlimited Data	Government has the right to use, modify, reproduce, release, perform, display, or disclose data, in whole or in part, in any manner, and for any purpose, and to have or authorize others to do so.
SBIR Data	Does not prevent Govt from disclosing data to its support service contractors who could be the small business' competitors. - Anyone to whom the data is disclosed is bound by the SBIR Data Rights, however, and must also sign a non-disclosure agreement. - Can only use the data for governmental purposes, not commercial purposes. - Government cannot disclose data for procurement - Small business retains all rights to commercial applications but may potentially be placed in competition for future Government contracts, such as Phase III awards.
<will convert to Unlimited Data 4 (FARS) or 5 (DFARS) years from completion of last SBIR >	
Limited Data	Government can only use and disclose data outside the government in certain exceptional circumstances. (developed at private expense)
Restricted Data	Government can only use and disclose data outside the government in certain exceptional circumstances.



FARS v. DFARS- Summary

	FARS	DFARS
Unlimited Rights	All data not specifically excluded by other provisions of FARS; Data that is not SBIR, Limited, or Restricted Data	OTIM Data, Changes/Corrections to Government data, FFF Data, Publicly available data, Expired SBIR Data
SBIR Rights	Data that is not generally known or made available to others and is first produced by a contractor under an SBIR award.	Technical data generated under contract and no among the data to which the Government automatically receives Unlimited Rights
Limited Rights	Technical data developed exclusively at private expense.	Technical data developed exclusively at private expense.
Restricted Rights	Non-commercial computer software developed exclusively at private expense.	Non-commercial computer software developed exclusively at private expense.

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Protecting Intellectual Property

- In order to protect IP, a business must mark all proprietary data that is protectable before it is delivered to the agency.
- Correctly marking data as proprietary is absolutely essential to maintaining IP rights over such data.

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Protecting IP – Night Vision (Case Study)

- *Night Vision v. United States* is a perfect example of why properly protecting proprietary data is so vital.
- *Night Vision* involved a SBIR Phase II award for night vision goggles (NVG).
- Upon delivery Night Vision marked its data as proprietary but failed to do so in accordance with DFARS provisions.
- USAF provided competitors with data during solicitation of bids to produce NVG.

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Protecting IP – Night Vision Cont'd

- One of Night Vision's competitors was Insight Technology, a subcontractor during the Phase II award.
- By improperly marking their proprietary data the Government obtained Unlimited Data Rights as a result.
- Government was within its rights to provide Night Vision's competitors with the data and Insight ended up getting the Government contract.
- The court refused to create an exception to strict compliance with the marking requirements of FARS & DFARS.



Protecting IP – Proposals

- It is important for a business considering making an SBIR proposal to take steps to protect their IP throughout the proposal process.
- In order to protect IP contained within the proposal, the small business must correctly mark such material as proprietary, in accordance with the agency's rules, FARS, or DFARS.



Protecting IP – Proposals Cont'd

- When making a SBIR proposal a small business grants the Government the right to reproduce and use the material provided in the proposal for the sole purpose of evaluation.
- If the agency decides to grant the business an SBIR award, the Government then has the right to use, modify, reproduce, release, perform, display, or disclose the material provided in the proposal within the Government



Protecting IP – Deliverables

- The culmination of an SBIR Phase is when the small business delivers the final product/data to the agency.
- In order to properly protect their IP businesses must first identify the types of data that it is delivering to the agency, and then properly mark protectable data as proprietary.



Protecting IP- Deliverables Cont'd

	FARS	DFARS
Deliverable Data	Business must furnish agency with Unlimited Rights Data, SBIR Data, and any other data specifically required by the contract.	Business must provide the agency with all data, regardless of which category the data falls into.



Protecting IP- Subcontractors

- If a subcontractor is used in the performance of an SBIR award another relationship is created and IP must be allocated between the parties through private agreement (FARS and DFARS do not apply to the relationship).
- Private IP Agreements must address several important issues–
 - IP Ownership
 - Right to conduct follow-up research
 - Right to any awards stemming from that research
 - Responsibility for expenses
 - Confidentiality and non-disclosure provisions



Protecting IP – Additional Protections

Agencies may not make the issuance of an SBIR award, including Phase III, conditional on the small business waiving their data rights.



Links to SBIR Resources/Websites

- SBA Resources (www.sba.gov)
- SBA Proposal Handbook (osbdc.org/Documentmaster.aspx?doc=1036)
- USDA (www.csrees.usda.gov/funding/sbir/sbir.html)
- DoC (oar.noaa.gov/orta) (nist.gov/sbir)
- DoD (dodsbir.net/) (www.acq.osd.mil/osbp/sbir)
- ED (ed.gov/programs/sbir)
- DoE (<http://science.energy.gov/sbir>)
- HHS (<http://grants1.nih.gov/grants>)
- DHS (<https://sbir2.st.dhs.gov/portal/SBIR>)
- DoT (www.volpe.dot.gov/sbir)
- EPA (es.epa.gov/ncer/sbir)
- NASA (sbir.gsfc.nasa.gov/SBIR)
- NSF (nsf.gov/eng/iip/sbir)



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