



**Annual Review
Cybersecurity & IP Panel
Supplementary Materials**

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ASBCA No. 61387 (A.S.B.C.A.), 2018 WL 6705542

ASBCA

APPEALS OF -- THE BOEING COMPANY

Under Contract Nos. F33657-01-D-0026, FA8634-17-C-2650

November 28, 2018

APPEARANCES FOR THE APPELLANT:

Scott M. McCaleb, Esq.

Scott A. Felder, Esq.

Craig Smith, Esq.

Wiley Rein LLP

Washington, DC

APPEARANCES FOR THE GOVERNMENT:

Jeffrey P. Hildebrant, Esq.

Air Force Deputy Chief Trial Attorney

Chun-I Chiang, Esq.

David K. Stark, Esq.

Trial Attorneys

OPINION BY ADMINISTRATIVE JUDGE O'CONNELL ON APPELLANT'S MOTION FOR SUMMARY JUDGMENT

Appellant, The Boeing Company (Boeing), moves for summary judgment, seeking the Board's interpretation as to whether the above-captioned contracts allow it to place certain marking legends on technical data. We deny the motion.

STATEMENT OF FACTS FOR PURPOSES OF THE MOTION

Unless noted otherwise, the following facts are drawn from appellant's statement of undisputed material facts (ASUMF), with which the government has concurred (gov't opp'n at 1).

On September 30, 2015, the Air Force awarded Boeing Delivery Order 0138 on Contract No. F33657-01-D-0026 to provide certain work under the F-15 Eagle Passive/Active Warning Survivability System (EPAWSS) program (R4, tab 9). The contract incorporated the November 1995 version of the Department of Defense Federal Acquisition Regulation Supplement (DFARS) clause 252.227-7013, RIGHTS IN TECHNICAL DATA—NONCOMMERCIAL ITEMS (NOV 1995) (R4, tab 3 at 37; ASUMF at 1).

On November 3, 2016, the Air Force awarded Boeing Contract No. FA8634-17-C-2650 for additional work under the EPAWSS program. The contract incorporated the February 2014 version of [DFARS 252.227-7013](#). (R4, tab 18 at 1, 37; ASUMF at 1)

Both contracts require Boeing to deliver technical data with unlimited government rights in that data (ASUMF at 1). The government concedes that Boeing retained ownership of the data (gov't opp'n at 15).

During the course of performing the contracts, Boeing has submitted numerous “technical data deliverables” to the government (more than 50 according to Boeing's complaint) but the government has rejected or disapproved them, contending that the marking legends placed by Boeing on the data are nonconforming (ASUMF at 1, 3).

What the parties refer to as Boeing's “current” legend is:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

A second legend that Boeing proposed to resolve the dispute prior to the contracting officer's final decision is as follows:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

Finally, the “current” legend from Boeing's subcontractor, BAE, is:

TABULAR OR GRAPHIC MATERIAL SET FORTH AT THIS POINT IS NOT DISPLAYABLE

(R4, tab 1 at 6-7, tab 2 at 6-7; ASUMF at 2-3)

On July 31, 2017, the contracting officer issued a final decision for each contract, in which she reproduced the legends above.^{a1} The contracting officer concluded that the legends were not authorized by the contracts. She contended that the only authorized legends are those found in [DFARS 252.227-7013\(f\)](#), namely, those for Government Purpose Rights, Limited Rights, and Specifically Negotiated Rights and that none of these include a propriety/third party notice. (R4, tab 1 at 3-4, tab 2 at 3-5; ASUMF at 2-3)

The contracting officer concluded that, because the legends did not conform with [DFARS 252.227-7013\(f\)](#), Boeing must remove them at its own expense and re-submit the data (R4, tab 1 at 4, tab 2 at 5; ASUMF at 3).

Boeing timely appealed the contracting officer's final decisions on October 27, 2017.

DECISION

Standard of Review

Summary judgment is appropriate when there is no genuine issue of material fact and the moving party is entitled to judgment as a matter of law. *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). When considering a motion for summary judgment, the Board's function is not to weigh the evidence and determine the truth of the matter but to determine whether there is a genuine issue for trial. *Id.* at 249. We are required to view the record in the light most favorable to the nonmoving party, in this case the government. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986).

The Rights in Technical Data Clause

The Department of Defense has promulgated various regulations governing rights in technical data as a result of a statutory directive by Congress to protect the rights of both the government and contractors. Congress specified that the regulations should “define the legitimate interest of the United States and of a contractor or subcontractor in technical data pertaining to an item or process.” 10 U.S.C. § 2320(a)(1). Congress further specified that the regulations “may not impair any right of the United States or of any contractor or subcontractor with respect to patents or copyrights or any other right in technical data otherwise established by law.” *Id.*

The regulations promulgated by the Department of Defense include [DFARS 227.7103-6](#), Contract clauses, which provides: “Use the clause at 252.227-7013, Rights in Technical Data—Noncommercial Items, in solicitations and contracts when the successful offeror(s) will be required to deliver to the Government technical data pertaining to noncommercial items.” [DFARS 227.7103-6\(a\)](#).

As described above, the contracts incorporated the 1995 and 2014 versions of [DFARS 252.227-7013](#). Neither party has identified any relevant differences between the 1995 and 2014 versions. We follow the parties' practice of citing to the 2014 version.

This clause has a number of provisions that are relevant to this dispute. First, it defines “Technical data” as:

[R]ecorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation). The term does not include computer software or data incidental to contract administration, such as financial and/or management information.

DFARS 252.227.7013(a)(15).

With respect to the contracts' unlimited data rights provisions, the clause provides:

Unlimited rights means rights to use, modify, reproduce, perform, display, release, or disclose technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so.

DFARS 252.227-7013(a)(16). The government receives unlimited rights when, among other things, the item, component or process has been developed exclusively with government funds. DFARS 252.227-7013(b)(1)(i).

The license granted to the government is nonexclusive. DFARS 252.227-7013(b). The contractor retains all rights not granted to the government. DFARS 252.227-7013(c).

The clause specifies how the contractor should mark the data:

Marking requirements. The Contractor, and its subcontractors or suppliers, may only assert restrictions on the Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data to be delivered under this contract by marking the deliverable data subject to restriction.... [O]nly the following legends are authorized under this contract: the government purpose rights legend at paragraph (f)(2) of this clause; the limited rights legend at paragraph (f)(3) of this clause; or the special license rights legend at paragraph (f)(4) of this clause; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.

DFARS 252.227-7013(f).

Finally, the clause defines and specifies procedures for managing nonconforming technical data markings:

Nonconforming technical data markings. A nonconforming marking is a marking placed on technical data delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract.... If the Contracting Officer notifies the Contractor of a nonconforming marking and the Contractor fails to remove or correct such marking within sixty (60) days, the Government may ignore or, at the Contractor's expense, remove or correct any nonconforming marking.

DFARS 252.227-7013(h)(2).

Boeing's Contentions

Neither party has cited precedent where a court or board has addressed marking legends comparable to Boeing's. We begin by considering whether declaratory relief is appropriate in this appeal, including whether there is a live dispute and whether a declaration will resolve that dispute. *Alliant Techsystems, Inc. v. United States*, 178 F.3d 1260, 1271 (Fed. Cir. 1999).

Boeing contends that the DFARS clauses, as interpreted by the Air Force, fail to protect its intellectual property rights as required by 10 U.S.C. § 2320 (app. br. at 14). However, it does not dwell on what those rights are or how they would be protected by these legends. It contends that if it cannot place the legends on the data it “will be impaired in exercising its right to restrict who else may use or disclose technical data and under what circumstances they may do so.” It then quotes the Supreme Court's opinion in *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1011 (1984), for the proposition that “[w]ith respect to a trade secret, the right to exclude others is central to the very definition of the property interest.” (App. br. at 14) Two pages later Boeing states that it “maintains that it has trade secret and other proprietary rights in the technical data delivered under the Contracts” (*id.* at 16). In its reply brief, Boeing states that markings like those under appeal ““allow contractors to protect the technical data's nonpublic (and potential trade secret) status” and that “technical data do not lose their trade secret status when delivered with unlimited rights” (app. reply br. at 11). Thus, Boeing seems to be focused on trade secrets.

The Supreme Court's opinion in *Monsanto* actually casts significant doubt on Boeing's trade secret theory because the Court also stated that “[i]f an individual discloses his trade secret to others who are under no obligation to protect the confidentiality of the information, or otherwise publicly discloses the secret, his property right is extinguished.” *Monsanto*, 467 U.S. at 1002; see *Conax Florida Corp. v. United States*, 824 F.2d 1124, 1128-30 (D.C. Cir. 1987) (contracting officer's reasonable determination that Navy received unlimited data rights meant that contractor had no trade secret to protect). As specified in the data rights clause, the government's unlimited rights allow it not only to “use, modify, reproduce, perform [or] display” the data but also to “release, or disclose” it and authorize third parties to do these same things. DFARS 252.227-7013(a)(16). Thus, the government is under no obligation to protect the confidentiality of the data and can give it to whomever it chooses or even publish it on the Department's website. *Monsanto* and *Conax Florida* provide that Boeing does not possess a trade secret in such technical data.

This leads to the question of whether Boeing has some other intellectual property right besides trade secrets. As stated, DFARS 252.227-7013(f) authorizes “a notice of copyright as prescribed under 17 U.S.C. 401 or 402” and, presumably for that reason, there is no dispute about Boeing placing a notice of copyright on the data. Patents are mentioned fleetingly in the parties' briefs but it suffices to say that the government has represented without objection that Boeing has not identified any patent at issue (gov't opp'n at 14), and it is not clear why the above legends would be necessary to protect patent rights.

The best that can be said for Boeing's position is that the government might not publish the data or provide it to anyone and that Boeing might still have something worth protecting, notwithstanding the grant of unlimited rights. But how this conjecture translates into a legally-cognizable property right is unclear. Until we identify with some precision the nature of Boeing's property right (if any) we cannot determine if the Air Force is complying with the congressional mandate that it not “impair any right...of any contractor or subcontractor with respect to patents or copyrights or any other right in technical data otherwise established by law.” 10 U.S.C. § 2320(a)(1). Accordingly, whether the Air Force is in compliance with the statute will have to be resolved at a later time.

The Government's Contentions

The government contends it will be harmed by the proposed legends but it is difficult for us to assess how real its concerns are. As stated above, the government concurred with Boeing's proposed facts, and did not propose additional facts of its own. Somewhat confusingly, however, it states in the penultimate sentence of its brief that “to the extent Boeing disputes the Air Force's evidence that Boeing's proposed markings create a burden on the Government, which impedes the Government's unlimited rights, that dispute concerns a material fact and, therefore, precludes granting Boeing's motion.” (Gov't opp'n at 15-16)

In support of this contention, the Air Force submits a declaration from Michael E. Wills, a first-line supervisor in the Product Data Acquisition team at Robins Air Force Base, Georgia. Among other things, Mr. Wills testifies that:

Deviations from the standard DFARS marking legends, entailing nonconforming markings on unlimited rights technical data, can cause downstream confusion; non-standard legends can be confusing to programs and third parties. This confusion engenders added costs, time, and resources as programs and third parties try to determine what rights the Air Force has received. Members of my team and I have been involved in disputes with contractors concerning marking legends that lasted for up to three years.

(Gov't opp'n, ex. 1, Wills Deck ¶ 11)

Mr. Wills does not state with specificity what he finds confusing about Boeing's proposed marking legends, nor does he state whether he has encountered similar markings. While there are some differences in the language of the three markings at issue, Boeing's compromise legend clearly states that the government has unlimited rights and can grant authority to others so it is not clear what type of “downstream confusion” this might cause. While one might think that a legend stating that the government has unlimited rights might be preferable to one that is silent on this issue, that apparently is not the Air Force's position.

The Air Force further contends that “[a]uthorizing’ a third party to use and distribute the data, as Boeing purports to require, would be highly burdensome on the Government and, therefore [would be] inconsistent with its unlimited rights” (gov’t opp’n at 3-4). Despite this contention, the clause speaks of this very thing, defining unlimited rights to mean “rights to use, modify...and to have or authorize others to do so.” [DFARS 252.227-7013\(a\)\(16\)](#) (emphasis added). The Air Force does not explain why it would be burdensome to do what a government-drafted clause expressly contemplates.

In sum, while only Boeing has filed a motion for summary judgment, neither party has convinced us that it has a whole lot to lose from an adverse ruling. But the contracting officer has directed Boeing to remove the legends and it would appear that doing so would require Boeing to incur some costs, however minor. Thus, we conclude that there is a live dispute for us to resolve. See *Alliant Techsystems*, 178 F.3d at 1271.

The Air Force Correctly Interpreted the Contract Language

When interpreting a contract, “the language of [the] contract must be given that meaning that would be derived from the contract by a reasonably intelligent person acquainted with the contemporaneous circumstances.” *Metric Constructors, Inc. v. NASA*, 169 F.3d 747, 752 (Fed. Cir. 1999) (quoting *Hoi-Gar Mfg. Corp. v. United States*, 351 F.2d 972, 975 (Ct. Cl. 1965)). We construe a contract “to effectuate its spirit and purpose giving reasonable meaning to all parts of the contract.” *LAI Servs., Inc. v. Gates*, 573 F.3d 1306, 1314 (Fed. Cir. 2009) (quoting *Hercules, Inc. v. United States*, 292 F.3d 1378, 1381 (Fed. Cir. 2002)). Contract terms that are plain and unambiguous must be given their plain and ordinary meaning and the Board may not resort to extrinsic evidence to interpret them. *McAbee Construction, Inc. v. United States*, 97 F.3d 1431, 1435 (Fed. Cir. 1996).

Although we expressed uncertainty over the harm claimed by the government as a result of the markings, we also recognize that the government is generally entitled to strict compliance with its plans and specifications. *TEG-Paradigm Environmental, Inc. v. United States*, 465 F.3d 1329, 1342 (Fed. Cir. 2006). This is so even though it might be contrary to customary practice or the contractor's belief that the requirements are wasteful or imprudent. *R.B. Wright Construction Co. v. United States*, 919 F.2d 1569, 1572 (Fed. Cir. 1990).

Much of the parties' dispute centers upon their competing interpretations of the two sentences in [DFARS 252.227-7013\(f\)](#) set forth above that specify the technical data marking requirements. Boeing focuses on the first sentence, which provides that “[t]he Contractor...may only assert restrictions on the Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data to be delivered under this contract by marking the deliverable data subject to restriction.” In Boeing's view, because it (Boeing) is not asserting restrictions on the government's right to use, modify, etc., this paragraph has no bearing on the dispute.

The government focuses on the second sentence, which provides “only the following legends are authorized under this contract: the government purpose rights legend...; the limited rights legend...; or the special license rights legend...; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.” [DFARS 252.227-7013\(f\)](#). The government contends that these are the only allowable legends concerning data rights. Boeing counters that this sentence should be read in light of the previous sentence to mean that these are the only permitted legends if the contractor seeks to limit the government's rights.

We agree with the government. The sentence that the government relies on speaks not only of legends that limit the government's rights but also a notice of copyright that would, in fact, provide notice to or limit the actions of third parties. Thus, we read the sentence to mean that these are the only permissible legends for limiting data rights and no other data rights legends are allowed.

Our interpretation is confirmed by the section of the clause addressing nonconforming technical data markings. [DFARS 252.227-7013\(h\)\(2\)](#) defines nonconforming markings as those “not in the format authorized by this contract.” Accordingly, any legend not specified in the contract is nonconforming. Because there is no third party marking legend of the type proposed by Boeing, it falls under the definition of nonconforming. This is buttressed further by a separate regulation, [DFARS, 227.7103-12](#).

Government right to establish conformity of markings, which delivers the message with slightly more clarity. It provides that “[a]uthorized markings are identified in the clause at 252.227-7013, Rights in Technical Data—Noncommercial Items. All other markings are nonconforming markings.” DFARS 227.7103-12(a)(1) (emphasis added). While this regulation does not appear in the contracts, contractors are charged with constructive notice of pertinent regulations. *Hunt Constr. Group, Inc. v. United States*, 281 F.3d 1369, 1372-73 (Fed. Cir. 2002) (“Although Hunt claims to have been unaware of section [[FAR] 29.303(a) when it prepared its bid, and this section apparently was not included in the contract, it is not unfair to charge Hunt with constructive notice of pertinent regulations published in the Federal Register.”).

The Rights in Technical Data—Noncommercial Items clause has been the subject of critical commentary. See *Postscript: Protecting Unlimited Rights Data*, 22 No. 5 NASH & CIBINIC REP. ¶ 28; *Protecting Unlimited Rights Data: The Inadequate Clauses*, 18 No. 5 NASH & CIBINIC REP. ¶ 21. The commentators lament the clause's prohibition on markings such as those at issue, and suggest that contractors attempt to negotiate a special contract provision allowing them; they also propose amendments to the FAR and DFARS. While their opinion is not binding on us, we share their interpretation of the contract language.

Moreover, the contract language, the DFARS regulation cited above (227.7103-12), and this critical commentary demonstrate that there were ample warning signs for Boeing. A prudent contractor would have sought clarification prior to entering into the contract, if it interpreted the clause differently. See, e.g., *Baldrige v. GPO*, 513 F. App'x 965, 968 (Fed. Cir. 2013) (contract was unambiguous; crediting contractor's interpretation would only create a glaring ambiguity triggering the duty to clarify, which it failed to do).

Finally, Boeing contends that DFARS 252.227-7013(f) cannot identify all permissible markings because other statutes or regulations provide for other markings, such as International Traffic in Arms Regulations (ITAR) 22 C.F.R. ch. I, subch. M (R4, tab 3 at 27-28; app. br. at 12). We disagree because the existence of potential markings on other issues does not speak to the range of permissible markings concerning data rights.

In summary, we agree with the Air Force that under the pertinent DFARS clauses, Boeing's marking legends are nonconforming. However, the issue of whether those clauses adequately protect Boeing's property rights as required by 10 U.S.C. § 2320(a)(1) cannot be resolved based on the current briefs and the record developed to date.

CONCLUSION

We deny Boeing's motion. The parties shall submit a joint status report within 30 days proposing further proceedings.

MICHAEL N. O'CONNELL

Administrative Judge

Armed Services Board of Contract Appeals

I concur

RICHARD SHACKLEFORD

Administrative Judge

Acting Chairman

Armed Services Board of Contract Appeals

I concur

J. REID PROUTY

Administrative Judge

Vice Chairman

Armed Services Board of Contract Appeals

I certify that the foregoing is a true copy of the Opinion and Decision of the Armed Services Board of Contract Appeals in ASBCA Nos. 61387, 61388, Appeals of The Boeing Company, rendered in conformance with the Board's Charter.

JEFFREY D. GARDIN

Recorder

Armed Services Board of Contract Appeals

Footnotes

[a1](#) With respect to the second legend reproduced above, the final decisions also included similar language for a footer to be used on subsequent pages after the initial marking (R4, tab 1 at 7, tab 2 at 7).

ASBCA No. 61387 (A.S.B.C.A.), 2018 WL 6705542

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144 Fed.Cl. 646
United States Court of Federal Claims.

BITMANAGEMENT SOFTWARE GMBH, Plaintiff,

v.

The UNITED STATES, Defendant.

No. 16-840C

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(Filed: September 9, 2019)

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(Refiled: September 24, 2019)¹

- ¹ The parties were directed to file any redactions to this opinion by September 20, 2019. As the parties indicated that no redactions were necessary, the Court reissues this unsealed opinion in its entirety.

Synopsis

Background: Copyright owner brought action alleging that United States Navy, through Naval Facilities Engineering Command (NAVFAC), infringed on copyrighted three-dimensional visualization software when Navy installed hundreds of thousands of copies of the software on Navy computers.

Following trial, the Court of Federal Claims, [Edward J. Damich](#), Senior Judge, held that owner authorized Navy's copying and distribution of software across Navy's private computer network, and thus, United States was not liable for copyright infringement.

Complaint dismissed.

Procedural Posture(s): Judgment.

Attorneys and Law Firms

***647** [Brent J. Gurney](#), Wilmer Cutler Pickering Hale and Dorr LLP, Washington DC, with whom were [Adam Raviv](#), [Leon T. Kenworthy](#), [Michael Carpenter](#), [Allison Aviki](#), and [Kevin Goldman](#), Of Counsel, Wilmer Cutler Pickering Hale and Dorr LLP, for Plaintiff.

Scott Bolden, Deputy Director, and Patrick C. Holvey, Trial Attorney, Commercial Litigation Branch, [Gary L. Hausken](#), Director, Civil Division, U.S. Department of Justice, and [Joseph H. Hunt](#), Assistant Attorney General, U.S. Department of Justice, Washington DC, with whom were, [Richard J. Huber](#) and Andrew P. Zager, Of Counsel, Department of the Navy, for Defendant.

Copyright Infringement; Reproduction Rights; Distribution Rights; Authorization;
Permission; Software; Licenses; 17 U.S.C. § 106; 28 U.S.C. § 1498(b); 17 U.S.C. § 501(a).

OPINION AND ORDER

DAMICH, Senior Judge.

On July 15, 2016, Bitmanagement Software GmbH (“Bitmanagement”) filed a Complaint in this Court alleging that the United States Navy (the “Navy”), through the Naval Facilities Engineering Command (“NAVFAC”), infringed on Bitmanagement's copyrighted software, BS Contact Geo, when the Navy installed hundreds of thousands of copies of the software on Navy computers.

On November 11, 2016, the Government filed its Answer to Plaintiff's Complaint. Thereafter, discovery commenced and was completed on May 18, 2018.

On March 2, 2018, Bitmanagement filed a Motion for Partial Summary Judgment on Liability. On August 6, 2018, the Court denied Bitmanagement's motion for partial summary judgment.

The Court held a pretrial conference on April 12, 2019. Thereafter, trial was held in *648 Washington DC, from April 22, 2019 through April 29, 2019.

At trial, the Court heard testimony from: (1) Peter Schickel, CEO and co-founder of Bitmanagement;² (2) Axel Koerfer, Financial Officer and co-founder of Bitmanagement, and Bitmanagement's point of contact for product sales; (3) David Colleen, CEO and founder of third-party reseller Planet9 Studios; (4) Alex Viana, Deputy Program Manager, Facilities Integrated Product Support, United States Navy, NAVFAC; (5) Patrick “Sam” Chambers, Deputy Director for NAVFAC Information Technology Center; (6) Don Brutzman, computer scientist and associate professor at the Naval Postgraduate School and co-chair of the X3D Working Group for the Web3D Consortium; (7) Dean McCarns, Former Director of Computer-Aided Design Engineering Technology for NAVFAC; (8) Norman Vadnais, End User Services Lead Engineer at the Naval Information Warfare Command Pacific; and (9) George Graff, expert witness for Bitmanagement.

² On March 3, 2019, the Court granted Bitmanagement's motion to present Mr. Schickel's direct testimony in written form because Mr. Schickel is not a native English speaker and his testimony would cover technical issues that would be more clearly presented in written form. During cross-examination at trial, however, Mr. Schickel admitted that: (1) his attorneys drafted substantive portions of his written testimony, (2) he was unfamiliar with several facts asserted in his written testimony, and (3) he was unfamiliar with several documents cited in his written testimony. For these reasons, the Court finds Mr. Schickel's direct testimony questionable.

On May 31, 2019, Bitmanagement filed its Post-Trial Memorandum. ECF No. 116No. 116. On June 28, 2019, the Government filed its responsive Post-Trial Brief. ECF No. 121No. 121. On July 12, 2019, Bitmanagement filed its Post-Trial Reply Memorandum. ECF No. 126No. 126. Based on the evidence presented at trial and the post-trial briefs, the Court determined that closing arguments were unnecessary.

For the reasons set forth below, the Court finds that the United States is not liable for copyright infringement.

I. FINDINGS OF FACT

Bitmanagement is a German corporation headquartered in Berg, Germany that develops software for rendering three-dimensional graphics. Stip. ¶ 1. Since its founding in 2002, Bitmanagement's “core product” has been a three-dimensional renderer called BS Contact. Stip. ¶ 11; Tr. 84:8–19 (Schickel). In 2006, Bitmanagement released BS Contact Geo, an upgraded version of BS Contact that includes geospatial features for positioning objects with geographic coordinates. Stip. ¶¶ 12–13; Tr. 87:5–23 (Schickel). Since then, Bitmanagement has offered numerous versions of BS Contact Geo to the public, including versions 7.204, 7.215, 8.001, 8.001 MSI,³ and 9.000. Stip. ¶13, 21; DX511.12–511.13 (Plaintiff's Objections and Responses to Defendant's First Set of Interrogatories). The version of BS Contact Geo at issue here—version 8.001—was published on January 24, 2012 and was registered with the Copyright office on July 6, 2016. Stip. ¶¶ 20–21.

³ The “MSI” designation included in some of the BS Contact Geo versions refers to “Microsoft installer,” which means that it is a software that installs software. Tr. 264:23–265:7 (Schickel).

BS Contact Geo, as provided by Bitmanagement, includes both a desktop executable file (EXE version) and a web browser plugin file (OCX version). Stip. ¶ 18. The standalone desktop executable version (EXE) allows users to launch the software as a standalone application to view three-dimensional data. Stip. ¶ 18. The plugin version (OCX) works in conjunction with a web browser, such as Internet Explorer, so that when a user accesses three-dimensional data on the internet, the BS Contact Geo plugin is programmed to automatically launch within the web browser to render data. Stip. ¶ 18. Bitmanagement typically sells its software on a “PC license”—also called “seat license”—basis, which “allows the installation of the licensed software on one computer for each PC license.”⁴ Tr. 104:4–16 (Schickel); *649 Tr. 225:21–226:2 (Schickel); Tr. 885:11–886:7 (Chambers).

⁴ Bitmanagement also offered “website” or “subdomain” licenses, which were priced based on the “general expected usage of the viewer in a specific time from a respective Internet or Intranet-address.” Stip. ¶¶ 25–26.

In 2005, Bitmanagement began working with David Colleen, head of software reseller Planet 9 Studios (“Planet 9”), to market and sell Bitmanagement's products in the United States. Stip. ¶ 39. In July of 2006, Bitmanagement and Planet 9 entered into a Finder's Fee Agreement, which provided “for support of the sales activities of [Bitmanagement] and for the sole compensation of [Planet 9] in respect of his activities regarding support of [Bitmanagement] sales activities.” Stip. ¶ 36; JX004 (Finder's Fee Agreement). This agreement also stated that Planet 9 was “neither entitled to represent [Bitmanagement] in any legal or other transaction nor to make any binding or nonbinding statement on behalf of [Bitmanagement].” Stip. ¶ 36; JX004.2.

In 2006, the Navy began developing a software application called SPIDERS 3D, a web-based platform that provides a virtual reality environment for NAVFAC engineers and technicians to view and optimize configurations of Navy installations, bases, and facilities. Stip. ¶ 29; Tr. 899:1–18 (Viana). SPIDERS 3D is hosted on NAVFAC's internal enterprise portal and can only be accessed by users with: (1) an appropriately-credentialed Department of Defense Common Access Card; and (2) NAVFAC-sponsored access permissions. *See* DX129.5 (SPIDERS 3D User Guide); Tr. 844:2–45:1 (Chambers). The primary point of contact for the development of SPIDERS 3D has been Alex Viana (“Viana”), a NAVFAC deputy program manager. *See* Tr. 946:12–15 (Viana).

While developing SPIDERS 3D, the Navy recognized the need for a three-dimensional visualization software that could “render X3D content” in order to provide visualization of Naval facilities in SPIDERS 3D. Stip. ¶ 31. In order to find a product that would meet the Navy's needs, Mr. Viana approached Mr. Colleen, who recommended Bitmanagement's product BS Contact. Tr. 667:15–668:22 (Colleen); *See also* JX001.1 (“We propose to have a telephone call between you and Peter asap in order to agree on an offer for internal Navy Intranet.”).

Thereafter, the Navy procured software published by Bitmanagement on approximately three occasions—in 2006, 2008, and 2012. But the Navy never had a direct contractual relationship with Bitmanagement. Stip. ¶ 33. Instead, the Government contracted with Planet 9 to obtain Bitmanagement's products. *See* Stip. ¶¶ 35, 37.

A. 2006 Purchase of One PC License of BS Contact Geo

Following Mr. Colleen's recommendation that Bitmanagement's product(s) would meet the Navy's needs, the Navy purchased one PC license of BS Contact Geo version 7.000 from Planet 9 for \$990 in September 2006 for testing purposes. *See* PX068 (Sept. 2006 Reseller Agreement Between Bitmanagement and Planet 9); JX005.4 (email chain between Alex Viana, David Colleen, Peter Schickel, Axel Koerfer, and others). In order to facilitate this transaction, Bitmanagement and Planet 9 entered into a reseller agreement which provided, in relevant part, that Planet 9 was permitted to resell “1 PC License” of BS Contact Geo that “shall be enabled by the Licensor for PC with computername ‘.....’ (to be mutually agreed upon).” PX068.5. The agreement also provided that the license was “non-exclusive and non-transferable.” PX068.2.

Thereafter, Mr. Viana advised Planet 9 that Bitmanagement's default licensing scheme would not work for the Navy's secure environment, and Mr. Colleen relayed this information to Bitmanagement. *See* JX005.4–5. On November 24, 2006, Mr. Schickel responded, stating that “we [Bitmanagement] are open for any licensing scheme that suits the US Navy better and are willing to do our utmost to enable an other [sic] licensing functionality, if requested.” JX005.5. In response, Mr. Viana explained that NAVFAC needed an “application with its own license key (not PC specific)” and that if NAVFAC was successful in obtaining NMCI approval,⁵ “we *650 [the Navy] anticipate the need for an initial 15 licenses, with a potential for as many as 100 or more licenses later on.” JX005.4. Bitmanagement then provided custom-designed licensing files to NAVFAC that were not PC specific. *See* JX005.1–4.

⁵ “NMCI” refers to Navy Marine Corps Intranet, which is “the largest private computer network in the world” and comprises all Navy computers in the continental United States. Stip. ¶ 81; Tr. 843:7–15 (Chambers); *see* Tr. 849:3–6 (Chambers) (“ONE-NET, for all intents and purposes, is a separate network which is quite simply an NMCI or the outside continental United States”).

During 2006 and 2007, Bitmanagement and NAVFAC worked together to resolve certain technical issues with the deployment of BS Contact Geo and in May 2007, Bitmanagement provided the Navy with a version of BS Contact Geo equipped with a “silent installer” that was “intended for bulk installations.” DX010.1 (email from Peter Schickel to Alex Viana). Mr. Schickel explained in an email to Mr. Viana that the silent installer “is helpful for an administrator to do installations on a large scale even on remote computers connected via intranet or internet.” *Id.*

B. 2008 Purchase of 100 PC Licenses

In 2008, the Navy determined that it needed additional licenses of Bitmanagement's software in order to support the Navy's SPIDERS 3D platform. Stip. ¶ 41. Therefore, on February 12, 2008, the Navy submitted a purchase order to Planet 9 for 100 seat licenses of BS Contact through Contract No. N00244-08-P-1039 (the “2008 Navy Purchase Order”). Stip. ¶¶ 42–43; JX006 (2008 Navy Purchase Order). Pursuant to the express terms of the 2008 Navy Purchase Order, the Navy Procured:

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001		100	Each	\$300.00	\$30,000.00
	BIT MANAGEMENT BS CONTACT VRML AND 3D VIEWER-VERSION 7.038 RFS #104181, DADMS ID 49208 (ONE TIME LICENSE) POC IS ALEX VIANA 202-433-5516 FOB: Destination MILSTRIP: N6921880083021 PURCHASE REQUEST NUMBER: N6921880083021				

JX006.4; Stip. ¶ 43.

The 2008 Navy Purchase Order identified “ONE TIME LICENSE” but did not otherwise specify the type of licenses being procured. *See* JX006; *see also* Stip. ¶ 49 (“The 2008 Navy [Purchase Order] did not expressly contain the term “concurrent” or otherwise discuss concurrent use licenses.”). However, the Navy understood that it was purchasing 100 “seat licenses.” *See* Stip. ¶ 42 (“the Navy decided to purchase 100 seat licenses”).

In March 2008, Bitmanagement and Planet 9 executed a written reseller agreement for the resale of 100 non-exclusive licenses from Planet 9 to the Navy (“2008 Reseller Agreement”) in order to fulfill the 2008 Navy Purchase Order. JX007. The 2008 Reseller Agreement between Bitmanagement and Planet 9 provided, in relevant part, that Planet 9 was authorized to resell 100 PC license of BS Contact to the Navy. JX007.5.

On May 26, 2009, despite the 2008 Navy Purchase Order's express reference to BS Contact VRML and X3D viewer version 7.038,⁶ and the 2008 Reseller Agreement's express reference to BS Contact, Bitmanagement delivered *BS Contact Geo* version 7.204 to the Navy. Stip. ¶ 52 (emphasis added); Tr. 183:16–184:1 (Schickel).

⁶ BS Contact VRML and X3D viewer version 7.038 was a predecessor to BS Contact Geo version 8.001. Stip. ¶ 47.

C. Bitmanagement Upgrades 20 Undeployed PC Licenses

By 2010, the Navy had deployed 80 of the 100 licenses purchased through the 2008 Navy Purchase Order, leaving it with 20 undeployed licenses. Stip. ¶ 53. In September 2010, Bitmanagement agreed to upgrade these 20 undeployed PC licenses to the newest version of BS Contact Geo—version 7.215—for an additional \$125 USD fee per license. JX10.1; Tr. 744:6–10 (Colleen); PX090; PX211.

D. 2012 Purchase of 18 Licenses

1. Preliminary Discussions

In April of 2011, the Navy engaged in discussions with Planet 9 and Bitmanagement *651 about purchasing additional BS Contact Geo licenses to supplement the 20 undeployed licenses from the 2008 Navy Purchase Order. Stip. ¶ 54. At this time, the Navy was experiencing difficulty utilizing the licenses in situations where a hard drive failed, or a single user had multiple computers, and asked to “revisit the discussion of a floating license scheme similar to the way that their AutoDesk or ESRI products work.” See DX026.5 (Email chain between David Colleen and Bitmanagement). On April 21, 2011, Bitmanagement, through Peter Schickel, responded with three different licensing options:

Option 1: No limitation in the software at all. Licenses can be tracked by a word document or table stating the computer and/or person using it. Distribution to the Navy only.

Option 2: BS Contact client tracking: BS Contact checks at startup how many other BS Contact clients are running in the same sub-domain. If too many BS Contact client will notify the user.

Option 3: Server tracking: a 24/7 server in the domain/sub-domain maintains a counter. If the number of BS Contact clients is reached the BS Contact client requesting will notify the user.

DX026.3–4.

In June 2011, NAVFAC proposed using the Flexera license manager application in conjunction with Bitmanagement's third proposed option. See DX026.2. “Flexera” is a server-based license manager that limits the number of simultaneous users that can access a “Flexera enabled” software program by allowing the program to run only if the number of persons using the program is less than the number of available licenses. See Tr. 850:22–853:2 (Chambers); Tr. 1042:3–1044:7, Tr. 1052:18–1053:7 (McCarns). Flexera-enabled software—also referred to as “FlexWrapped” software—is copied onto individual computers and functions by contacting a Flexera license management server whenever the software “starts up.” Stip. ¶ 55; Tr. 853:18–854:4 (Chambers); Tr. 1042:20–1043:3 (McCarns). When a FlexWrapped program is opened, the program alerts the license server that the program is in use, and when the FlexWrapped program closes, it alerts the license server that it is no longer in use. Stip. ¶ 55.

On June 8, 2011, Planet 9 relayed the Navy's proposal to Bitmanagement, stating “they [NAVFAC] have an existing floating license server that is already being used for AutoCad ... I have an order from them for 20 seats of BS Contact. May we try these 20 seats on the floating license server to see how they work?” DX026.2. On June 10, 2011, Mr. Schickel, on behalf of

Bitmanagement, agreed, stating “Let’s go for the floating license server approach.” DX026.1; *see also* DX022-TR (email chain between Peter Schickel and Axel Koerfer) (“Maybe we can introduce the Floating License and increase the price?”).

On October 23, 2011, Bitmanagement was informed that the Navy planned to “roll out ... BScontact to the entire [N]avy realm.” DX034.1 (email chain between Synergy Software Design and Bitmanagement).⁷ On November 9, 2011, Mr. Viana directly contacted Bitmanagement, advising that NAVFAC planned “to get the current licenses of BS Contact Geo version 7.215 deployed with the server license management software. Then we will push it out to several of the NMCI realms to begin tracking the usage and demand signal of the 20 license keys.” J013.1.

⁷ Synergy Software Design (“Synergy”) worked with NAVFAC to develop SPIDERS 3D and also worked with Bitmanagement. Stip. ¶ 30; *see* Stip. ¶ 96.

In November 2011, the Navy repeatedly explained to Bitmanagement that the Navy would deploy the licenses of BS Contact Geo version 7.215 within the “Navy’s NMCI network” using a “server side license[] key management approach” in order to “track the usage and demand signal of the 20 license keys.” JX013.1–2 (Email chain between Alex Viana and Peter Schickel, with Axel Koerfer copied); PX39.2 (Email chain between Alex Viana and Axel Koerfer, with Peter Schickel copied). In particular, on November 24, 2011, Mr. Viana emailed Bitmanagement’s Axel Koerfer, stating:

Wanted to make sure we have the same understanding of our planned approach for *652 BS Contact Geo with regards to the user’s agreement. We currently have 20 PC licenses of BS Contact Geo version 7.215 which we have not deployed and are requesting to manage from our Navy server. This will be accomplished by utilizing the software application AdminStudio by Flexera in conjunction with BS Contact Geo from our server. *This will allow us to track the use of the 20 licenses across a broad spectrum of the NMCI realm (versus having those 20 licenses mapped to individual PCs).* Once we have successfully implemented this approach, we will be able to document (through the AdminStudio) the usage of the 20 BS Contact Geo licenses and enable us to justify the purchase of additional BS Contact Geo licenses in the future.

DX040.2 (email chain between Alex Viana, Axel Koerfer, and Peter Schickel) (emphasis added). Later that day, Axel Koerfer replied, including Peter Schickel and David Colleen as recipients, stating “[t]hat is our understanding as well. The user agreement in principal covers your approach from our point of view.” DX040.1.

Thereafter, the parties exchanged draft vendor proposals, which were not executed. *See* PX057 (draft vendor agreement between Bitmanagement and NAVFAC); PX80 (draft agreement between Planet 9 and NAVFAC); PX083.80–86 (draft agreement between Bitmanagement and NAVFAC); Stip. ¶ 58.

On January 6, 2012, Planet 9 re-confirmed the “floating license system” approach with Bitmanagement:

The 20 old and 30 new copies of [BS Contact Geo] would be available in the Navy[’s] floating license system. You can have a quarterly use report if you like. If this works for you, I’ll complete the agreement and invoice them.

DX053.2 (email chain between Peter Schickel, David Colleen, and Axel Koerfer). In response, Axel Koerfer replied “ok.” *Id.* On January 18, 2012, Alex Viana requested that the Planet 9 proposal recite “20 existing copies of BS Contact Geo version 7.215

to be network (concurrent) license enabled by NAVFAC using Flexera Software's FlexWrap utility," which Planet 9 agreed to. DX056.1–3 (email chain between Alex Viana and David Colleen).

On January 20, 2012, Planet 9 sent Alex Viana a revised proposal (the "January 2012 Planet 9 Proposal"), in which Planet 9 offered to provide:

Deliverables

This proposal is for the resale of the following Bitmanagement software products:

- 20 existing + 18 new copies of BS Contact Geo version 7.215 to be network (concurrent) license enabled by NAVFAC using Flexera Software's FlexWrap utility of the AdminStudio software suite.

DX056.3.⁸ In addition, the January 2012 Planet 9 Proposal stated under the heading "Next Steps," "Please forward your purchase order referencing this quote." DX056.4.

⁸ The number of "new" licenses procured by the Navy was reduced from 30 to 18 to account for Planet 9's 30% reseller margin. DX053.1–2 (email chain between Peter Schickel, David Colleen, and Axel Koerfer).

Thereafter, Mr. Viana contacted NAVFAC's contracting personnel—Stella Rizalla and Debra Buckley—to work on a formal contract. *See* Tr. 919:15–920:7 (Viana). On March 22, 2012, Stella Rizalla, a NAVFAC contract specialist, contacted Bitmanagement explaining that NAVFAC was interested in "Bit management [sic] BS Contact Geo Version 7.215 with network (concurrent) license keys" and inquiring as to whether Bitmanagement had any US distributors for that software. DX059 (email chain between Stella Rizalla and Axel Koerfer). In response, Bitmanagement directed Ms. Rizalla to Planet 9, Bitmanagement's "key reseller" for the Navy. DX061.2 (email chain between Stella Rizalla, Axel Koerfer, and David Colleen); DX062 (same); *see also* DX063 (email between Peter Schickel and David Colleen).

*653 2. Navy Purchase Order to Planet 9 Studios

On May 21, 2012, the Navy, through Stella Rizalla, Debra Buckley, and Alex Viana, issued a purchase order to Planet 9 through Contract No. N62583-12-P-0767 (the "2012 Navy Purchase Order"). JX016.24–38 (2012 Navy Purchase Order); Stip. ¶¶ 64–65. Through the 2012 Navy Purchase Order, the Navy procured:

ITEM NO	SUPPLIES/SERVICES	QUANTITY	UNIT	UNIT PRICE	AMOUNT
0001	BS CONTACT GEO VERSION 7.215 LICENSES FFP ENABLED BY NAVFAC USING FLEXERA SOFTWARE'S FLEXWRAP UTILITY OF THE ADMIN STUDIO SOFTWARE SUITE. FOB: Destination	18	Each	\$305.00	\$5,490.00

JX016.27. In addition, in CLIN 0002 of the 2012 Navy Purchase Order, the Navy procured 75 hours of technical support for 2 years, which was "GOOD FOR UP TO 35 USERS". JX016.27–29. CLIN 0001 of the 2012 Navy Purchase Order identified "LICENSES" and "ENABLED BY NAVFAC USING FLEXERA SOFTWARE'S FLEXWRAP," but did not specify "copies," or a specific type of license. *See* JX016.27–38. However, the contract file for the 2012 Navy Purchase Order included the January 2012 Planet 9 Proposal, which indicated that Planet 9 would resell "20 existing + 18 new copies of BS Contact Geo version 7.215 to be *network (concurrent) license[s]*." JX016.49–50 (emphasis added). At trial, Mr. Viana testified that it was not the intent of the 2012 Navy Purchase Order to "allow for unlimited copies of BS Contact Geo." Tr. 1022:20–1023:1 (Viana).

Before the 2012 Navy Purchase Order was executed, Bitmanagement, Planet 9, and the Navy had been working together to test and adapt BS Contact Geo for deployment on the NMCI network. *See* Stip. ¶ 72; DX067.1. Specifically, on May 7, 2012, the Navy informed Bitmanagement that BS Contact Geo version 7.215 “was not installed as a web browser plug-in as required, but as a standalone application.” Stip. ¶ 72. On June 8, 2012, the Navy reported that BS Contact Geo version 7.215 was not compatible with Windows 7. *See* JX019.6–7. A Navy IT contractor suggested to the Navy and Bitmanagement that the Navy obtain BS Contact Geo version 8 from Bitmanagement with either the source code or “have [the] license key embedded in vendor code for Enterprise needs.” Stip. ¶ 73.

3. Delivery and Deployment of BS Contact Geo Version 8.001

On June 13, 2012, Bitmanagement delivered a modified version of BS Contact Geo version 8.001 to NAVFAC with a “silent installer capability as requested for bulk installation,” explaining:

Bitmanagement confirms our concurrence to replace BS Contact Geo v7.215 with v8.001 as a “no cost” modification under the same terms of the recently awarded [BS Contact Geo] license procurement contract with NAVFAC.

We have provided an actual version of BS Contact Geo version 8.001 for you at your customer space. Please download the file “BS_Contact_Geo_Installer_8001_R1_x86_Admin_Silent.exe”.

Stip. ¶¶ 74–75. Bitmanagement billed its time in modifying BS Contact Geo as technical support pursuant to the terms of the 2012 Navy Purchase Order. Stip. ¶ 76.

On June 14, 2012, after it had delivered the software to the Navy, Bitmanagement sent Planet 9 a written reseller agreement (the “2012 Reseller Agreement”). JX017.1. The 2012 Reseller Agreement provided, in relevant part, that Planet 9 was authorized to resell 18 PC licenses of BS Contact version 7.215 or version 8.001, to NAVFAC. JX017.21. Under the “Purpose of Use” heading, the agreement stated, “BS Contact be enabled by the Licensor for 18 PCs.” *Id.* The 2012 Reseller Agreement also stated that the licenses were “non-exclusive.” JX017.17.

Planet 9 objected to the language of the reseller agreement referring to Planet 9 as an end user rather than a “Reseller.” JX021.1 (email between Peter Schickel and *654 David Colleen). Consequently, in September 2012, Bitmanagement sent Planet 9 a revised reseller agreement that was substantively identical to the prior version but referred to Planet 9 as a reseller. *See* Stip. ¶ 77. Although the revised reseller agreement was never signed by Planet 9, the parties understood that they had reached an agreement, and Planet 9 paid Bitmanagement's invoice. *See* JX017; Tr. 712:18–24 (Colleen); Tr. 329:23–330:3 (Schickel); PX089.4 (Bitmanagement invoice); PX076.2 (transaction history); PX048.2 (email between David Colleen and Axel Koerfer).

4. Post-Delivery Interactions and Deployment of BS Contact Geo Version 8.001

On July 3, 2012, the Navy contacted Bitmanagement about obtaining a different installation file for BS Contact Geo version 8.001 because the Navy was “testing multiple users on the install ... and found that [the Navy] could only use one license at a time,” and discovered that Flexera would not work with the provided installation file. DX079.3 (email chain between Dean McCarns, Alex Viana, and Peter Schickel); Tr. 262:10–264:11 (Schickel). On July 23, 2012, Bitmanagement delivered a new installation file, BS Contact Geo v.8.001.MSI, so that the software could be FlexWrapped. DX079.1. Bitmanagement billed its time in modifying the software as technical support pursuant to the terms of the 2012 Navy Purchase Order. *See* Stip. ¶ 76; *see also* DX076.2 (“Peter, Looks like we will need to tap the hours for the .msi work under the support contract.”)

Between August 2012 and the Navy's deployment of BS Contact Geo in July 2013, the Navy contacted Bitmanagement no less than five separate times, informing Bitmanagement of the “estimated timeline for Transitioning BS Contact Geo v8.001 out from NMCI testing & certification and deployment to all NMCI,” and that “[o]nce certified, [the Navy would] push the

application to all 350,000+ NMCI computers, and [the Navy would] begin monitoring and reporting the usage through the Flex License Manager.” DX088; DX097.1; DX092; *see* DX081; DX084; JX025. In response, Bitmanagement replied “thank you for your encouraging email,” and “thanks for the good news!” DX084.1; DX092.1.

Beginning in July 2013, the Navy installed BS Contact Geo version 8.001 on all non-classified NMCI computers running Windows 7. *See* PX010.6–9. Prior to the Navy's deployment of BS Contact Geo version 8.001 on the NMCI network, Bitmanagement cited the Navy's planned deployment of its software in a July 2013 project offer to a potential customer:

US Navy: After five years of testing, approval for the use of the BS Contact Geo on 350,000 PCs of the US Navy took place in May 2013 and central distribution has begun. In a second step, the distribution of the BS Contact Geo on 800,000 PCs in the largest computer network in the world will take place.

DX103.32-TR; Stip. ¶ 79; DX014.1-TR. Bitmanagement continued to cite the Navy's deployment after the installations had begun. *See* DX131.11–17 (Bitmanagement presentation dated April 3, 2014); DX197; *see also* Tr. 320:5–323:17 (Schickel). In its talking points for presentations given between 2014 and 2016, Bitmanagement asserted that BS Contact Geo provided the Navy with a “simple interface for concurrent Usage for multiple users.” DX150.4, 150.27; DX151.6, 151.51; DX197.26, 197.75.

On September 15, 2015, NAVFAC submitted a purchase order to third-party reseller Synergy Software Design to provide NAVFAC with, *inter alia*, 88 “NMCI enterprise capable BS Contact Geo application license keys.” JX031.5, 31. This purchase order was never fulfilled, however. *See* Tr. 941:10–18 (Viana).



On June 21, 2016, counsel for Bitmanagement sent a letter to the Navy asserting that the Navy had infringed on Bitmanagement's copyrights in BS Contact Geo. *See* Stip. ¶ 98. On July 15, 2016, Bitmanagement filed the present suit. *See* Stip. ¶ 100; ECF No. 1No. 1.

In September 2016, the Navy uninstalled BS Contact Geo version 8.001 from all computers and subsequently reinstalled the software on 34 seats. *See* PX010.8 (Defendant's Responses to Plaintiff's Interrogatories); Def.'s Post-Trial Brief, ECF No. 121, at 21No. 121, at 21.



*655 II. DISCUSSION



The Copyright Act of 1976, as amended, protects “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, either directly or with the aid of a machine or device.” 17 U.S.C. § 102(a). Works of authorship include “literary works,” which are defined as “works, other than audiovisual works, expressed in words, numbers, or other verbal or numerical symbols or indicia.” *Id.* § 101. Such protected works include computer software.

Under the Copyright Act, a copyright owner has “exclusive rights to do and to authorize” certain delineated actions, including reproducing the copyrighted work and distributing it to the public. 17 U.S.C. § 106(1), (3). “Anyone who violates any of the exclusive rights of the copyright owner as provided by sections 106 through 122 ... is an infringer of the copyright.” *Id.* § 501(a). To establish a *prima facie* case of copyright infringement pursuant to 28 U.S.C. § 1498(b), a plaintiff must prove: “(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.” *Gaylord v. United States*, 595 F.3d 1364, 1372 (Fed. Cir. 2010) (“*Gaylord I*”) (quoting *Feist Publications, Inc. v. Rural Telephone Service Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991)).

Nevertheless, because a copyright owner has the right to “authorize” the exercise of any “exclusive rights” listed under 17 U.S.C. § 106, any such authorization constitutes an affirmative defense to a claim of copyright infringement. *See* RCFC Rule 8(c). Moreover, the list of “exclusive rights” set forth in section 106 is exhaustive, meaning that even “[a]n unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute.”  *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 447, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984);  *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 154, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975).

Here, Bitmanagement has established a *prima facie* case of copyright infringement of its software BS Contact Geo version 8.001. It is undisputed that Bitmanagement, as the author of the software, is the sole owner of all intellectual property relating to the BS Contact Geo software. Stip. ¶ 19. Bitmanagement holds a United States copyright registration for BS Contact Geo version 8.001, Stip. ¶ 20, and the Government admits that it copied BS Contact Geo at least 429,604 times beginning in July 2013. PX10.8; Tr. 1113:17–23 (Vadnais); Tr. 884:10–13 (Chambers); Def.'s Post-Trial Br. at 1 (“The Navy's deployment of BS Contact Geo 8.001 on hundreds of thousands of computers was not accidental.”). Accordingly, there is no real dispute that Bitmanagement has established a *prima facie* case of copyright infringement.

Although the parties spent considerable energy discussing the Navy's “use” of BS Contact Geo, even “[a]n unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute.”  *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 447, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984);  *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 154, 95 S.Ct. 2040, 45 L.Ed.2d 84 (1975). Thus, the issue is whether Bitmanagement authorized the Navy's copying and distribution of BS Contact Geo version 8.001 across the Navy's NMCI network, which the evidence indicates it did.

The term “authorize” is not defined in the Copyright Act. *See* 17 U.S.C. § 101. The common understanding of this term is that “authorization” is synonymous with “permission.” Indeed, Black's Law Dictionary defines “authorize” as: “(1) To give legal authority; to empower; or (2) To formally approve; to sanction.” *Authorize*, Black's Law Dictionary (11th ed. 2019). In the copyright context, “authorization” typically comes in the form of a written “license,” but that need not always be the case. *See*  *Enzo APA & Son, Inc. v. Geapag A.G.*, 134 F.3d 1090, 1093 (Fed. Cir. 1998) (“a license may be written, verbal, or implied”);  *Graham v. James*, 144 F.3d 229, 235 (2d Cir. 1998) (“nonexclusive licenses may ... be granted orally, or may even be *656 implied from conduct.”) (quoting 3 Melville B. Nimmer & David Nimmer, *Nimmer on Copyright* § 10.03[A][7], at 10–43).

In this case, the parties stipulated that “the Navy has never had a direct contractual relationship with Bitmanagement.” Stip. ¶ 33. As such, there was no express agreement authorizing the Navy's copying of BS Contact Geo version 8.001, so the Court must look to the parties' interactions to determine whether and when any such authorization was given. Looking to the evidence, it is clear that Bitmanagement authorized the Navy to deploy—i.e., copy—BS Contact Geo version 8.001 across the Navy's NMCI network.⁹

⁹ In this analysis it is important to differentiate between “licenses” or “license keys,” which allow a user to access or “use” the software, and “authorization” to copy the software, which permits installation of the software on a computer that cannot be “used” or accessed without a “license” or “license key.”

From the beginning of their relationship in 2005, Bitmanagement understood that the Navy was interested in a product that could be used throughout the Navy's intranet. *See* JX001.1 (“We propose to have a telephone call between you and Peter asap in order to agree on an offer for *internal Navy Intranet*.”) (emphasis added). Thereafter, Bitmanagement and the Navy worked to find a version of Bitmanagement's software that could be approved for use on the Navy's NMCI network. *See* JX005; DX010.1; Stip. ¶ 74; DX079.1; DX026. This process required Bitmanagement to create custom-designed license files that were not PC specific, *see* JX005, a “silent installer” that was “intended for bulk installations,” DX010.1, Stip. ¶ 74, and a modified installation file that would allow the software to be used with the Flexera license manager application. DX079.1.

By June 2011, the Navy had tested several versions of BS Contact Geo and was nearing the final stages of obtaining NMCI approval. On June 10, 2011, Bitmanagement agreed to use a “floating license server approach,” which would allow a user to access—i.e., use—a pre-installed copy of BS Contact Geo only if a license was “available” on the license server. *See* DX026.1; DX022-TR; Tr. 850:22–853:2 (Chambers) (explaining how Flexera license manager software works); Stip. ¶ 55. This meant that the license keys, which authorize the use of a particular software, would be managed from a central server, rather than being mapped to individual, named computers. *See* Tr. 850:22–853:2 (Chambers); Tr. 1042–1044:7, Tr. 1052:18–1053:7 (McCarns); Stip. ¶ 55.

Thereafter, Bitmanagement was repeatedly informed that the Navy planned to deploy BS Contact Geo across the Navy's NMCI network in order to determine “the usage and demand” of the existing license keys. JX013; PX039.2; DX040.2; *see also* DX034.1. In particular, on November 24, 2011, Alex Viana explained the Navy's understanding of the planned deployment in an email to Bitmanagement's Axel Koerfer, stating:

Wanted to make sure we have the same understanding of our planned approach for BS Contact Geo with regards to the user's agreement. We currently have 20 PC licenses of BS Contact Geo version 7.215 which we have not deployed and are requesting to manage from our Navy server. This will be accomplished by utilizing the software application AdminStudio by Flexera in conjunction with BS Contact Geo from our server. *This will allow us to track the use of the 20 licenses across a broad spectrum of the NMCI realm (versus having those 20 licenses mapped to individual PCs).* Once we have successfully implemented this approach, we will be able to document (through the AdminStudio) the usage of the 20 BS Contact Geo licenses and enable us to justify the purchase of additional BS Contact Geo licenses in the future.

DX040.2 (email chain between Alex Viana, Axel Koerfer, and Peter Schickel) (emphasis added). Later that day, Axel Koerfer confirmed the Navy's understanding in an email reply to Alex Viana, which included Peter Schickel and David Colleen as recipients, stating “[t]hat is our understanding as well. The user agreement in principal covers your approach from our point of view.” DX040.1. On January 6, 2012, Planet 9 re-confirmed the “floating license system” approach with Bitmanagement, explaining: “The 20 old and *657 30 new copies of [BS Contact Geo] would be available in the Navy[s] floating license system. You can have a quarterly use report if you like. If this works for you, I'll complete the agreement and invoice them.” DX053.2 (email chain between Peter Schickel, David Colleen, and Axel Koerfer). In response, Axel Koerfer replied “ok.” *Id.*

After Bitmanagement delivered the modified versions of BS Contact Geo 8.001 in June 2012, the Navy continually apprised Bitmanagement of the progress of the “formal testing and certification” process and planned deployment—i.e., installation—of the software across “the NMCI enterprise.” *See* DX081 (email chain between Alex Viana, Peter Schickel, and David Colleen); DX084; DX088; DX097; JX025. Between August 2012 and the Navy's deployment of BS Contact Geo in July 2013, the Navy contacted Bitmanagement no less than five separate times, informing Bitmanagement of the “estimated timeline for Transitioning BS Contact Geo v8.001 out from NMCI testing & certification and deployment to all NMCI,” and that “[o]nce certified, [the Navy would] push the application to all 350,000+ NMCI computers, and [the Navy would] begin monitoring and reporting the usage through the Flex License Manager.” DX088; DX097.1; DX092; *see* DX081; DX084; JX025. In response, Bitmanagement replied “thank you for your encouraging email,” and “thanks for the good news!” DX084.1; DX092.1.

Prior to the Navy's deployment of BS Contact Geo version 8.001 on the NMCI network, Bitmanagement cited the Navy's planned deployment of its program in a July 2013 project offer to a potential customer:

US Navy: After five years of testing, approval for the use of the BS Contact Geo on 350,000 PCs of the US Navy took place in May 2013 and central distribution has begun. In a second step, the distribution of the BS Contact Geo on 800,000 PCs in the largest computer network in the world will take place.

DX103.32-TR; Stip. ¶ 79; DX014.1-TR. Bitmanagement continued to cite the Navy's deployment after the installations had begun. *See* DX131.11–17 (Bitmanagement presentation dated April 3, 2014); DX197; *see also* Tr. 320:5–323:17 (Schickel). In its talking points for presentations given between 2014 and 2016, Bitmanagement asserted that BS Contact Geo provided the Navy with a “simple interface for concurrent Usage for multiple users.” DX150.4, 150.27; DX151.6, 151.51; DX197.26, 197.75.


Together, these interactions unequivocally show that Bitmanagement was not only aware that the Navy planned to install BS Contact Geo “across a broad spectrum of the NMCI realm” but also that Bitmanagement authorized such installations. Specifically, when Alex Viana detailed the Navy's proposed plan in an email to Bitmanagement on November 24, 2011, Axel Koerfer replied “[t]hat is our understanding as well. The user agreement in principal covers your approach from our point of view.” DX040. Then, after it was apprised of the Navy's estimated deployment timeline, Bitmanagement responded positively and proceeded to cite to the planned deployment in presentations to other potential customers. *See* DX084.1; DX092.1; DX103.32-TR; Stip. ¶ 79; DX014.1-TR; DX131.11–17; DX150.4, 150.27; DX151.6, 151.51; DX197.26, 197.75. In fact, between 2011 and 2015, Bitmanagement never questioned or objected to the Navy's deployment, and never requested that the Navy uninstall the software from its networks. *See* Tr. 300:24–305:3 (Schickel); Tr. 645:24–646:24 (Koerfer); *see also* Tr. 934:7–935:3 (Viana). Moreover, once it was informed that the Navy was “testing multiple users on the install ... and found that [the Navy] could only use one license at a time,” Bitmanagement created and delivered a modified installation file that would be compatible with Flexera. DX079.

Furthermore, the inherent practicalities of the parties' licensing scheme support the conclusion that Bitmanagement authorized the Navy's mass installation. By 2011, the Navy and Bitmanagement were coordinating to find a licensing system that was not PC specific, and by 2012, settled on a “floating license system” managed by Flexera. As explained above, Flexera allows a user to access—i.e., use—a pre-installed copy of software only if a license is available on the license server. *See* DX026.1; DX022-TR; *658 Tr. 850:22–853:2 (Chambers) (explaining how Flexera license manager software works); Stip. ¶ 55. This means that rather than having license keys mapped to individual, named computers, the license keys would be managed from a central server, which the Navy had been requesting since 2006. *See* Tr. 850:22–853:2 (Chambers); Tr. 1042–1044:7, Tr. 1052:18–1053:7 (McCarns); Stip. ¶ 55; JX005. If the license keys for BS Contact Geo were intended to be mapped to individual, named PCs, as Bitmanagement insists, there would be no reason to use the Flexera program because only a computer with a license key mapped to that computer would be able to access the software. Were that the case, there would be nothing for Flexera to “manage.”

The more logical explanation is that Bitmanagement agreed to this licensing scheme because Flexera would limit the number of simultaneous *users* of BS Contact Geo, regardless of how many copies were installed on Navy computers. Without a valid license key, a user is unable to access the features of a particular software—i.e., use the software—despite having the program installed. Therefore, the number of copies of BS Contact Geo that were actually installed on the Navy's computers would be largely irrelevant because, at most, only 38 users would be able to access or “use” the program at any one time.

This also explains why the Navy planned to use Flexera to track the “demand and usage” of the existing license keys to justify the purchase of additional licenses in the future. *See* JX013.1–2; PX039.2; PX042.2; PX242.1; JX025.1. Once the Navy could determine how many people accessed or tried to access BS Contact Geo after it was installed on the NMCI network, the Navy could purchase a proportionate number of licenses to meet that demand. Before that determination could be made, however, the Navy needed to install the software on all the computers in its NMCI network. Thus, in order to facilitate the “floating license” approach and thereby obtain certification for the software's use on the Navy's network, the Navy necessarily needed to install BS Contact Geo across its NMCI network. Despite Bitmanagement's insistence that it did not understand what Flexera was or

how it operated, or what a floating license was, Bitmanagement agreed to the “floating license server approach,” confirmed the Navy's understanding of that approach, and authorized the Navy's copying of BS Contact Geo version 8.001 throughout the NMCI network.

To the extent Bitmanagement's authorization to copy BS Contact Geo was dependent on some type of payment, the evidence indicates that such payment would take the form of license keys, which would control the Navy's use of the copies. *See* JX013.1–2; PX039.2; PX042.2; PX242.1; JX025.1. Normally, authorization to copy would imply authorization to use. Here, however, Bitmanagement separated these acts by authorizing the Navy to copy the software before finalizing an agreement on the scope of use. Although Bitmanagement and the Navy both anticipated a future purchase of additional licenses to cover the Navy's usage, this never occurred. *See* Tr. 939:16–941:18 (Viana) (explaining that the Navy's 2015 purchase order for 88 additional licenses was terminated before it was fulfilled). Since the authorization to copy was dependent on an event that never occurred, Bitmanagement's authorization terminated when there was no longer a possibility of agreeing on the license keys. Nevertheless, because the Navy's copying occurred before Bitmanagement's authorization was terminated, Bitmanagement cannot recover for copyright infringement. *See* 17 U.S.C. § 106; *see also*  *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 447, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) (“An unlicensed use of the copyright is not an infringement unless it conflicts with one of the specific exclusive rights conferred by the copyright statute.”).¹⁰

¹⁰ The Government admits that after the Navy uninstalled BS Contact Geo 8.001 from all computers in September 2016, the Navy reinstalled the software on 34 seats. *See* Def.'s Post-Trial Brief at 21; PX010.8. Although this reinstallation occurred after Bitmanagement's authorization to copy terminated, the Navy still had 38 licenses to use BS Contact Geo version 8.001 from the 2012 Navy Purchase Order. Therefore, the Navy's reinstallation does not constitute copyright infringement because the Navy had authorization to use BS Contact Geo version 8.001 on 38 computers.

*659 Therefore, because Bitmanagement authorized the Navy's copying of BS Contact Geo version 8.001, the Court finds that the United States is not liable for copyright infringement.

III. CONCLUSION

Although Bitmanagement established a *prima facie* case of copyright infringement, the evidence shows that Bitmanagement authorized the U.S. Navy's copying of BS Contact Geo version 8.001. Therefore, the Court finds in favor of Defendant, the United States, and Plaintiff's Complaint is hereby dismissed. The Clerk is directed to enter judgment accordingly. The parties are directed to file any redactions to this opinion **on or before Friday, September 20, 2019.**

IT IS SO ORDERED.

All Citations

144 Fed.Cl. 646

144 Fed.Cl. 755
United States Court of Federal Claims.

BRUHN NEWTECH, INC., et al., Plaintiffs,
v.
UNITED STATES, Defendant.

No. 16-783C
|
Filed: August 23, 2019
|

Redacted Version Issued for Publication: September 24, 2019¹

- ¹ This Opinion was issued under seal on August 23, 2019. The parties were asked to propose redactions prior to public release of the Opinion. This Opinion is issued with redactions that the parties proposed in response to the court's request. Words which are redacted are reflected with the notation: "[redacted]."

Synopsis

Background: Contractor and its Danish parent corporation filed suit against United States, seeking review of contracting officer's denial of contractor's certified claims for breach of contract and infringement of parent's copyrights, based on government allegedly providing un-protected copies to armed forces of Republic of Korea and Kingdom of Jordan of computer software for predicting, warning, and reporting chemical, biological, radiological, and nuclear (CBRN) agents in military and civilian environments in violation of terms of software license contained in contract that Marine Corps awarded to contractor and in violation of Copyright Act.

Holdings: The Court of Federal Claims, [Marian Blank Horn](#), Senior Judge, held that:

software provided to Korea and Jordan was covered by different contract with another contractor;

wilfulness or fraud is not required to invalidate copyright registration;

parent's copyright registration applications contained inaccuracies;

copyright infringement claims were barred by invalid copyright registrations; and

any copyright infringement claim arising in Korea was barred.

Ordered accordingly.

Procedural Posture(s): Review of Administrative Decision; Judgment.

Attorneys and Law Firms

***760** [Steven J. Lewicky](#), Lewicky, O'Connor, Hunt and Meiser, LLC, Fulton, MD, for plaintiffs.

[Scott D. Bolden](#), Deputy Director, Commercial Litigation Branch, Civil Division, Department of Justice, Washington, D.C., for defendant. With him were Arthur Samora, Agency Counsel, Department of Navy, [Nicholas Kim](#), Trial Attorney, Commercial

Litigation Branch, Carrie Rosato, Trial Attorney, Commercial Litigation Branch, [Gary L. Hausken](#), Director, Commercial Litigation Branch, and [Joseph H. Hunt](#), Assistant Attorney General, Civil Division, Department of Justice, Washington, D.C.

Liability Trial; Contract Disputes Act; Breach of Contract; Copyright Infringement.

OPINION

[HORN, J.](#)

In the above-captioned case, plaintiffs Bruhn NewTech, Inc. (BNT-US) and Bruhn NewTech, A/S (BNT-Denmark) filed a second amended complaint against the United States. In Count I of the second amended complaint, BNT-US asserts a breach of contract claim against the United States. In Count II of the second amended complaint, BNT-Denmark asserts that the United States infringed two of BNT-Denmark's copyright registrations. The court held a trial on liability on both of plaintiffs' counts in the second amended complaint.

FINDINGS OF FACT

BNT-US is a wholly-owned subsidiary of BNT-Denmark, and BNT-US was incorporated as a Delaware corporation in 1996. BNT-Denmark is a Danish corporation that sells computer software referred to as “NBC-Analysis,” which is software used in military systems to track and analyze chemical, biological, radiological, and nuclear (CBRN) agents in military and civilian environments.

The parties have stipulated that the primary functions of NBC-Analysis software are predicting, warning, and reporting CBRN *761 events based on informational inputs provided by NBC-Analysis users, as well as “other reliable sources.” The output the NBC-Analysis software generates is consistent with the CBRN reporting standards articulated in North Atlantic Treaty Organization (NATO) Allied Tactical Publication 45 (ATP-45). NATO periodically revises the CBRN reporting standards set forth in ATP-45. When NATO revises ATP-45, BNT-Denmark updates its NBC-Analysis software to ensure compatibility with the CBRN reporting standards in ATP-45. The parties have stipulated that BNT-Denmark “released” “versions of” NBC-Analysis software compatible with ATP-45B from 2003 to 2005. From 2006 to 2009, the parties have stipulated that BNT-Denmark “released” “versions of” NBC-Analysis software compatible with ATP-45C. In 2011, BNT-Denmark updated its NBC-Analysis software to be compatible with NATO's ATP-45D.

During trial in the above-captioned case, the court heard testimony from Jacob Nielsen, who described himself as being the “CEO [chief executive officer] of Bruhn NewTech from May of 2005 until February of 2017,” and who stated that, as CEO, he was responsible for managing the operations of BNT-Denmark, BNT-US, and a different Bruhn NewTech subsidiary based in the United Kingdom. According to Jacob Nielsen, Bruhn NewTech was founded in the 1980s by two software engineers who had previously served in the Danish military. Jacob Nielsen asserted that the two software engineers were the first individuals to create a software program used to predict the “outfall” of nuclear weapons in accordance with established NATO standards. Jacob Nielsen indicated that the relevant NATO standards initially only concerned nuclear weapons, but that the NATO standards became more complex over time. Jacob Nielsen also testified that “almost” “100 percent” of NBC-Analysis sales were to NATO countries, including, among other countries, Denmark, Italy, Norway, the United Kingdom, and the United States. When Jacob Nielsen began his employment with Bruhn NewTech in 2005, Bruhn NewTech's largest source of revenue was from contracts with the United States. According to Mr. Nielsen's testimony at trial, BNT-Denmark established BNT-US because DNT-Denmark was “not able to work for the U.S. Government with engineers other than engineers based in the U.S. for security reasons.”

During his testimony, Jacob Nielsen described the functions of NBC-Analysis software as:

[A] Joint Warning and Reporting System, and that's basically what it does. So it takes in information about incidents of any of the kinds of -- nuclear, biological, chemical incidents -- and it takes those information in, and it computes and predicts the outcome of this, and it will also then send out information to parties that have been logged in the software, that they should be warned and they should do this, that, or the other.

BNT-Denmark and BNT-US sold NBC-Analysis software in either a “dongled” format or an “undongled” format. Dongled software is protected by a hardware “dongle,” which the parties describe as a “physical device with associated software or firmware that must be inserted into the computer” in order to prevent “NBC-Analysis from being used on any computer other than a computer that has a security dongle plugged into it.” Undongled versions of NBC-Analysis software “have the physical capacity to be replicated and copied, but the terms of the license under which the software is delivered legally restrict the extent to which the software can be replicated and copied.” BNT-Denmark and BNT-US also have sold NBC-Analysis software to governments under a “national license,” which the parties have stipulated means that “NBC-Analysis may be freely used throughout the nation's armed forces and government, but only in a manner consistent with the terms of the negotiated national license.” Under a national license, a government would receive an undongled version of NBC-Analysis software. According to the parties' joint stipulation of facts, when selling NBC-Analysis under a national license, BNT-Denmark and BNT-US would “always offer a support and maintenance service contract for NBC-Analysis,” which the parties indicate is known as a Software Upgrade and Maintenance Agreement (SUMA). The parties also ***762** have stipulated that the SUMA provides the majority of BNT-US's and BNT-Denmark's revenue and profit under a national license contract.

Jacob Nielsen testified at trial that “the U.S. engineers would be doing the U.S. adaptations to our core” NBC-Analysis software, while the “Danish engineers would be developing along the lines of the annual updates, new functionality and new adaptations, to be sold throughout the world as a standard product.” Mr. Nielsen also stated that the engineers working in Denmark for BNT-Denmark were responsible for keeping the NBC-Analysis software current and compliant with evolving NATO ATP-45 standards. Similarly, plaintiffs' former employee John O'Donahue, who was offered by plaintiff as an expert witness, and who testified at trial that he was a software engineer, as well as a manager, for BNT-US from July 2001 to August 2006,² stated that BNT-US customized NBC-Analysis for the United States military, such as “the addition of these sensors” and “deployment of the application on different platforms.” According to John O'Donahue, BNT-Denmark was responsible for ensuring that Bruhn NewTech's NBC-Analysis software was current and compliant with the NATO ATP-45 standards.

² Former BNT-US employee John O'Donahue was designated as a fact witness by defendant and originally as an expert witness by plaintiffs. Without objection from defendant, Mr. O'Donahue was offered, and admitted, as plaintiff's expert on software development, software coding, software architecture, and NBC-Analysis software code. Although originally designated as an expert witness by plaintiffs, during his direct testimony when plaintiffs called Mr. O'Donahue as an expert witness, Mr. O'Donahue offered fact testimony as to his employment with BNT-US, as well as fact testimony regarding NBC-Analysis software. Mr. O'Donahue also testified that, while working for BNT-US, “I was asked to become manager of the group, which gave me responsibility for a large number of subsequent projects. A significant part of what I did was to develop sensor interfaces for JWARN, the joint military -- military Joint Warning and Reporting Network.” According to Mr. O'Donahue's testimony, while employed by BNT-US, Mr. O'Donahue worked to “add[] in other what's called GOTS, Government-owned off-the-shelf software, to do functionality, which in the U.S. military is done by the NBC office, which is not necessarily part of the ATP-45 documentation.”

Jacob Nielsen testified that, either at the end of 2012 or the end of 2013, BNT-US was reduced to having approximately one employee because “[t]he business went away.” Jacob Nielsen also stated that, as CEO of Bruhn NewTech, he was the individual that decided to limit BNT-US' operations to approximately one employee. In plaintiffs' post-trial brief, plaintiffs also assert that there were insufficient business opportunities related to NBC-Analysis to justify continuing BNT-US' business operations as of the end of 2012.

The '2076 Contract

On May 13, 1998, the United States Marine Corps (USMC) awarded Contract No. M67854-98-C-2076 (the '2076 Contract) to BNT-US, which was a fixed-price contract. According to the parties' joint stipulations of fact, BNT-US delivered software and support services under the '2076 Contract "for at least two years" after the "effective date" of the '2076 Contract. The parties have stipulated that, under the '2076 Contract, BNT-US provided "NBC-Analysis software packages to the USMC to be used as the software component to the Joint Warning and Reporting Network Program (JWARN)." The '2076 Contract required BNT-US to deliver "the NBC Analysis Software packages (license, media, documents)" to the USMC "in accordance with the requirements listed in the JWARN PD [Purchase Description]."³ The statement of work in the '2076 Contract indicated that the JWARN software was to provide analysis of nuclear, biological, and chemical detection information and was to ***763** automate nuclear, biological, and chemical warning and reporting for the United States Army, United States Navy, United States Air Force, and USMC. Section 1.1 of the statement of work stated that the scope of the '2076 Contract entailed "the delivery of the commercial software component of JWARN, the NBC Analysis program, and subsequent post-fielding support." The '2076 Contract's purchase description stated that the NBC-Analysis software must operate on the battlefield and provide military units with an overview of the nuclear, biological, and chemical situation in the area of operations. The parties have stipulated that the software delivered under the '2076 Contract was commercial-off-the-shelf software.

³ According to plaintiffs' post-trial brief, the terms NBC-Analysis and JWARN Block 1 are sometimes used interchangeably to refer to the product provided by BNT-US to the United States government. Plaintiffs also state: "More precisely, however, NBC-Analysis is BNT-Denmark's commercial product that it licenses to many nations, and JWARN Block 1 is that commercial product integrated with adaptive add-ons created by BNT-US for use by the U.S. Government." The parties jointly have stipulated that Paul Moroney was an employee of "contractor Sentek," which Mr. Moroney testified was a "DoD contractor." Mr. Moroney testified that, "from the beginning," "they" referred to the NBC-Analysis software as JWARN and used the terms NBC-Analysis, JWARN, and JWARN Block 1 interchangeably.

The '2076 Contract contained Federal Acquisition Regulation (FAR) clause 52.227-19, titled "COMMERCIAL COMPUTER SOFTWARE--RESTRICTED RIGHTS (JUN 1987)." (capitalization in original). In the '2076 Contract, FAR clause 52.227-19 was supplemented with the following terms:

In accordance with FAR 52-227-19, BRUHN NewTech, Inc. will place the following legend on the software.

NOTICE!

COMMERCIAL COMPUTER SOFTWARE

RESTRICTED RIGHTS

Notwithstanding any other lease or license agreement that may pertain to, or accompany the delivery of, this computer software, the rights of the Government regarding its use, reproduction and disclosure are as set forth in Government Contract No. M67854-98-C-2076.

LICENSE AGREEMENT

(Supplement to [FAR 52.227-19](#))

All software to be delivered under this contract including source codes, is commercial computer software subject to restricted rights specified in [FAR 52.227-19](#) "Commercial Computer Software - Restricted Rights" with the following additions to that clause:

1. The Government may make an unlimited number of copies of the software and may distribute and use the software in any computers owned or leased by the Government and operated by the U.S. Government personnel working for U.S. Government departments, organizations and agencies.
2. The Government's use of the software shall be limited to use in fulfillment of functions of the Government of the United States.
3. The Government shall not disclose the software and shall not give, sell, license or otherwise provide copies of the software or use of the software to any third party person or entity including but not limited to members of the public, governments of foreign countries, or international agencies or organizations.

(capitalization and emphasis in original). The parties have stipulated that the “software license provisions” in the ‘2076 Contract have not been amended or modified.

BNT-US and the government executed three modifications to the ‘2076 Contract. Modification No. P00001 to the ‘2076 Contract, which was dated July 1, 1998, stated that the purpose of the modification was to “add modifications to the Software Delivered under Line Item 0001.” Modification No. P0001 stated that the “NBC Analysis software is to be modified to include NBC Battlefield Management functions from the Government owned software Automated Nuclear, Biological, and Chemical Information System (ANBACIS); a MICAD [Multipurpose Integrated Chemical Agent Detector] module; and Port Airbase ACTD [Advanced Concept Technology Demonstration] module.” On January 21, 1999, BNT-US and the USMC executed Modification No. P00002 to the ‘2076 Contract, which added CLINs and deleted certain CLINs from the ‘2076 Contract. On September 30, 1999, BNT-US and the USMC executed a third modification which revised a CLIN to reflect an increase in cost. The parties have stipulated that BNT-US has been compensated in full for all work under the ‘2076 Contract as of June 3, 2004.

Joint Program Executive Office for Chemical and Biological Defense and the Joint Program Manager Information Systems

In 2003, the Department of Defense established the Joint Program Executive Office for *764 Chemical and Biological Defense. The Joint Program Executive Office for Chemical and Biological Defense assists the United States armed forces with development, acquisition, and maintenance of chemical and biological defense equipment. There are several directorates within the Joint Program Executive Office for Chemical and Biological Defense, including the Joint Program Manager Information Systems (JPMIS).

According to the parties' joint stipulations of fact, in approximately 2003, management of military operations related to JWARN was transferred from the USMC to JPMIS. Thereafter, JPMIS administered contracts involving JWARN, including “deliveries to the Government of JWARN software and services by BNT-US.” In the parties' joint stipulations of fact, the parties state that JPMIS is staffed by both uniformed military and civilian employees, as well as “Systems Engineering and Technical Assistance (SETA) contractors. SETA contractors are civilian employees or government contractors who are contracted to assist the Department of Defense pursuant to FAR [Federal Acquisition Regulation] Part 37.”

The parties have stipulated that Scott White has been the Joint Program Manager for Chemical and Biological Defense Program since June 2006. According to the parties' joint stipulations of fact, “[i]n this capacity, Mr. White reports directly to the Joint Program Executive Office for Chemical and Biological Defense (JPEO-CBD) and oversees JPMIS, which has primary responsibility for United States military's acquisition of products and services related to information systems.” According to plaintiffs' post-trial brief, “[c]onfusingly, the term ‘JPM-IS’ is sometimes used by the CBRN community to refer to the joint program manager himself (Scott White, during all relevant time periods), and sometimes to refer to the office that he leads.”

JWARN Block 1, JWARN Block 2, and BNT-US's Other Contractual Agreements

The parties have stipulated that the government's JWARN Block 1 “software suite evolved over time, as BNT-US provided periodic updates to maintain adherence to NATO ATP-45 requirements and other Government-Off-The-Shelf (GOTS) programs

were added to the software suite, such as: Hazard Prediction and Assessment Capability (HPAC); Vapor, Liquid, and Solid Track (VLSTRACK); and the Emergency Management Information System (EMIS).” The parties’ joint stipulation of facts also provides that BNT-Denmark and BNT-US developed and provided additional software components to “incorporate features” which were developed in response to JPMIS’ requirements. The parties have stipulated that “BNT-US identified these features in a document titled ‘GOTS Source Code Summary’ dated January 28, 2008.”

The government designated different versions of the JWARN Block 1 software suite with different, progressive alphabetic designations, such as JWARN Block 1A, JWARN Block 1B, JWARN Block 1C, etc. JWARN Block 1 software suites were further divided based on which government computer system the JWARN Block 1 software suite was compatible with, among others, the government’s Command and Control Personal Computer System (C2PC) and the government’s Maneuver and Control System (MCS). The parties have stipulated:

Three computer system designations relevant to this case are:

- Standalone: a version of JWARN Block 1 capable of operating in isolation from a network or a command and control host;
- C2PC: a version of JWARN Block 1 capable of operating on the C2PC system; and
- MCS: a version of JWARN Block 1 capable of operating on the MCS system.

The government began using JWARN Block 1 software in 1998. In 2002, the government issued Solicitation No. M67854-02-R-2056, which sought to procure a “next-generation” version of the JWARN software, which would be designated as JWARN Block 2 Increment 1. According to the parties’ joint stipulation of facts, BNT-US “partnered” with Lockheed Martin to submit a proposal in response to Solicitation No. M67854-02-R-2056. In 2003, however, the government awarded a contract to Northrop Grumman under Solicitation No. M67854-02-R-2056. *765 Thereafter, the government designated JWARN Block 2 Increment 1 as a “program of record.” While Northrop Grumman was developing JWARN Block 2 Increment 1, the government continued to use JWARN Block 1 software. The parties have stipulated that the government ceased using JWARN Block 1 software on October 10, 2016.

According to the parties’ joint stipulation of facts:

Between 1998 and 2013, BNT-US worked on a series of contracts and subcontracts relating to JWARN Block 1 support activities for the United States Government. The Government was the customer for these contracts and subcontracts. BNT-US provided to the Government updates, refinements and services related to NBC-Analysis/JWARN Block 1 during these years. BNT-US’s last performance as a prime contractor to the Government concluded on October 25, 2005. After that date, BNT-US always served as a subcontractor to other prime contractors under contracts other than the ‘2076 Contract. The collective value of BNT-US’s contracts and subcontracts for the government was more than \$33 million....

On January 12, 2009, BNT-US began working as a subcontractor to Northrop Grumman Systems Corporation (Northrop). BNT-US’s subcontracting work related to Northrop’s prime contract with the Government, Contract No. N00178-04-D-4091 (Task Order NS05). Some of BNT-US’s subcontract work through Northrop included work on Northrop’s “Global Operations” project, in addition to other matters.

(footnotes omitted). When discussing “Task Order NS05” in the joint stipulation of facts, the parties cite to joint exhibit 67,⁴ which is a subcontract between Northrop Grumman and BNT-US that was entered into on January 12, 2009. The “Prime Contract No.” listed on the January 2, 2009 subcontract located at joint exhibit 67 is listed as “N00178-04-D-4091-NS05” (the ‘4091/NS05 Task Order), while the Subcontract No. was listed as “65762EVT9S” (the January 12, 2009 subcontract). BNT-US’ January 12, 2009 subcontract had a period of performance from January 12, 2009 to December 31, 2009. Under the January 12, 2009 subcontract, BNT-US was to:

[P]rovide the necessary personnel, material, and facilities, and exert its best efforts to do all things necessary or incidental to accomplish the effort as ordered by Buyer and as set forth in the Statement of Work identified and made a part of this Subcontract under the Subcontract Content and Order of Precedence article hereof.

(capitalization in original). [redacted]

⁴ At the liability trial, the parties jointly moved to admit all joint exhibits into evidence.

The parties included in the record at joint exhibit 78 an October 11, 2011 document titled “[redacted] Global Ops Support,” which indicates the document was produced by BNT-US and states on the cover page: “Proposal: NGC [Northrop Grumman Corporation] Subcontract 7500057539, TI # 16.” The “General Task Description” in the October 11, 2011 subcontract proposal states “Requested changes for JWARN Block 1F Signal Fire support of the [redacted] Global Operations Project.” The parties also included in the record before the court joint exhibit 101, which is a June 25, 2012 bilateral change order executed by Northrop Grumman and BNT-US. The June 25, 2012 change order indicates that the change order was to a subcontract between Northrop Grumman and BNT-US, Subcontract No. 7500057539, which is a different subcontract number than the subcontract number listed on the January 31, 2009 subcontract. The Contract No. listed on the June 25, 2012 change order, however, was the Contract No. for Northrop Grumman's ‘4091/NS05 Task Order discussed above. The June 25, 2012 change order indicates that the value of Subcontract No. 7500057539 was increased by \$[redacted] to \$[redacted]. The June 25, 2012 “Change Notice Title” was “Change Order to add of [sic] funding for Signal Fire Maintenance Update,” and that BNT-US was to perform the work for “Signal Fire Maintenance Update” between June 25, 2012 and September 23, 2012. (capitalization in original).

The parties also included as a joint exhibit Subcontract No. 7500112702, which is a February *766 22, 2013 subcontract between Northrop Grumman and BNT-US. The February 22, 2013 subcontract indicates that the subcontract was issued under Northrop Grumman's ‘4091/NS05 Task Order. The February 22, 2013 subcontract had a period of performance from February 22, 2013 to September 23, 2013, during which period BNT-US was to:

[P]rovide the necessary personnel, material, and facilities, and exert its best efforts to do all things necessary or incidental to accomplish the effort as ordered by Buyer and as set forth in the Statement of Work identified and made a part of this Subcontract under Article XXVI- Subcontract Content and Order of Precedence.

Defendant contends that the software ultimately provided to the Republic of Korea and the Kingdom of Jordan was delivered by BNT-US to the government as part of Northrop Grumman's “Global Operations” project under Northrop Grumman's ‘4091/NS05 Contract, and that the software was not delivered under the ‘2076 Contract.

Deliveries of CRIDs to the United States

BNT-Denmark and BNT-US assigned a unique Customer Release Identification number (CRID) to each delivery BNT-US made to the government. The parties have stipulated that, “[i]n the years after making the initial delivery of NBC-Analysis software to the Government in 1998, BNT-Denmark and BNT-US developed and delivered to the government additional software components” to incorporate government requests and JPMIS requirements. As executed on May 13, 1998, the ‘2076 Contract contained five Contract Item Line Numbers (CLINs), although additional CLINs were added to the ‘2076 Contract when the three modifications were executed, as discussed above. In May 1998, BNT-US delivered an undongled disk operating

system (DOS) version of NBC-Analysis to the USMC. A May 19, 1998 invoice submitted by Bruce Windesheim, who, at that time, was the vice president of BNT-US, to the USMC indicates that BNT-US billed the USMC \$[redacted] for the NBC-Analysis software, which appears to have been CLIN 0001 in the '2076 Contract. The May 19, 1998 invoice indicates that BNT-US was invoicing the USMC for the SUMA under the '2076 Contract, which was CLIN 0005 in the '2076 Contract, as well as for training material, which was CLIN 0002. The government appears to have paid BNT-US' May 19, 1998 invoice on July 21, 1998. The May 19, 1998 invoice does not include charges for a contractor training course, which was CLIN 0003 in the '2076 Contract, or a commercial software manual, which was CLIN 0004 in the '2076 Contract. A delivery note indicates that BNT-US delivered software labeled as CRID 40 to the USMC at Camp Pendleton in California on January 15, 1999. CRID 40 was a Windows version of the NBC-Analysis software. The January 15, 1999 delivery note indicates that CRID 40 was delivered under the '2076 Contract.

The parties have stipulated that, as of June 3, 2004,⁵ the highest number CRID BNT-US had delivered to the government was CRID 395. According to a delivery note dated April 26, 2004, BNT-US delivered CRID 395 to the government, which was titled "NBC-Analysis for MCS-X" and consisted of a CD-ROM containing NBC-Analysis, as well as "MCS-X Proxy." The description under MCS-X Proxy stated: "Contains the .NET assemblies which represent the interface between NBC-Analysis and MCS-X." The April 26, 2004 delivery note states that BNT-US's delivery of CRID 395 was made to "JPM NBC CA" at Aberdeen Proving Ground, Maryland, pursuant to "Project no" 202503. Defendant asserts that CRID 395 was delivered under Contract No. DAAD13-03-F-A001 (the 'A001 Contract) between the United States Army and BNT-US. The 'A001 Contract was awarded by "US ARMY ROBERT MORRIS ACQUISITION CENTER" at the Aberdeen Proving Ground, Maryland, to BNT-US on January 16, 2003, with a value of \$[redacted]. The statement of work in the 'A001 Contract stated that BNT-US "shall port, integrate, and test the Joint Warning and Reporting Network (JWARN) Block 1 software with the Army Battle Command System (ABCS)" and "shall upgrade *767 and recompile the current versions of the Nuclear, Biological & Chemical-Analysis (NBC-Analysis), battlefield management modules, and Multipurpose Integrated Chemical Agent Alarm (MICAD) communication modules for target ABCS systems." (capitalization in original).

⁵ As stated above, the parties have stipulated that the government had paid BNT-US for all work performed under the '2076 Contract by June 3, 2004.

In the 'A001 Contract, CLIN No. 0001 states that BNT-US is to perform the requirements in "Bruhn NewTech proposal BNI/202503/PPS/001 dated 20 Dec 02." At trial, Bruce Windesheim, who stated he currently was, and had been "for a while," the interim president of BNT-US, and whose signature block in documents from 1998 indicates he once was the vice president of BNT-US, testified that the "202503" in "BNI/202503/PPS/001" in the April 26, 2004 delivery note associated with CRID 395 was the "project number." When asked whether the April 26, 2004 delivery note of CRID 395 was delivered pursuant to the 'A001 Contract, Bruce Windesheim stated:

I am not doubting that Exhibit 18 [the delivery described in the April 26, 2004 delivery note] was delivered under the ['A001] contract. What I don't know with specificity is what items are covered by this document [the April 26, 2004 delivery note] that relate to the items called for in the statement of work [in the 'A001 Contract]. It may not have been the entire thing, as stated in 1.0, the statement of work in Exhibit 44 [the 'A001 Contract]. I just don't know.

Plaintiffs have not asserted that CRID 395 was delivered under the '2076 Contract. In general, Mr. Windesheim struggled to recall the details of a number of relevant specifics related to what had occurred, especially during cross-examination, and readily admitted he was "not a software expert."

On October 25, 2011, BNT-US delivered "JWARN 1F Phase 2 for C2PC CRID 1414" on a "CD" to "JPM IS CM" in San Diego, California. An October 25, 2011 delivery note states that CRID 1414 was delivered under "Our Order: Global Operations." The parties have stipulated that, at the time BNT-US delivered CRID 1414 to the government, BNT-US was serving as a subcontractor to Northrop Grumman. Defendant asserts that CRID 1414 was delivered to the government under BNT-US' subcontract with Northrop Grumman, not under the '2076 Contract. In a November 1, 2011 email message from Ellen Billiter, an earlier employee of BNT-US, to an employee of Northrop Grumman, Ms. Billiter stated she attached a monthly status report to

her email “for the Global Operations project.” The monthly status report, under “Schedule Status,” stated “Completed October 25, 2011 delivery to JPMIS CM,” the same date on which the parties have stipulated that BNT-US delivered CRID 1414 to the government in San Diego, California.

The parties also have stipulated that BNT-US delivered CRID 1489 to JPMIS on September 28, 2012. The September 28, 2012 delivery note for “JWARN 1F Phase 2 Standalone CRID 1489” stated the BNT-US delivered CRID 1489 to JPMIS in San Diego, California, under “order no: Global Operations.” Defendant asserts that CRID 1489 was not delivered to the government under BNT-US’ ‘2076 Contract, but was delivered to the government under BNT-US’ subcontract with Northrop Grumman.

The parties further have stipulated that BNT-US delivered CRID 1490 to JPMIS on September 28, 2012. The September 28, 2012 delivery note for “JWARN 1F Phase 2 for C2PC CRID 1490” states that BNT-US delivered CRID 1490 to JPMIS in San Diego, California under “order: Global Operations.” Defendant contends BNT-US delivered CRID 1490 under its subcontract with Northrop Grumman and did not deliver CRID 1490 under the BNT-US ‘2076 Contract.

Moreover, the parties have stipulated:

The software object code in CRIDs 1414, 1489, and 1490 was compiled from a combination of COTS source code and GOTS source code. The software object code in all three deliveries included Government-owned components for Battlefield Management Functions. The software object code in CRIDs 1414 and 1490 included Government-owned C2PC integration code.

In addition, the parties’ joint stipulation of facts states:

Within each of the BNT-US deliveries to the Government designated as CRIDs *768 1414, 1489, and 1490, was a document titled “Software Administrator’s Manual for JWARN 1F Phase 2.” Within this document the following statement is found:

JWARN 1F Phase 2 is an application based on a Commercial Off-The-Shelf (COTS) software package developed by Bruhn NewTech, Inc. (BNI). Additional Government Off-The-Shelf (GOTS) capabilities are included in the package. JWARN 1F is sponsored by the Joint Program Executive Officer for Chemical and Biological Defense (JPEO-CBD) and is managed by the JPM IS Program Management Office (PMO).

The Software Administrator’s Manual for JWARN 1F Phase 2 for CRIDs 1414, 1489, and 1490 all state:

4.1.1 Installation Wizard

Insert the CD-ROM into the CD-Rom drive. The program should **automatically** start up. If not:

- Click **Start**, select and click **Run**.
- Click **Browse** and browse to the CD-ROM drive and select **JWARN 1/Setup** and click **OK**.
- The Install Wizard will be displayed, click **Next**.
- **Accept** the License Agreement, click **Next**. (Figure 3)



Figure 3: License Agreement

- Enter the name and organization, click **Next**.
- The Destination Folder will be displayed. *The first entry* will default to the standard drive where program *files* are stored. The destination for the program can be changed to another drive and/or directory. *The second entry* will default to the standard drive where program *data* (exercises, settings etc.) are stored. The destination for the program *data* can be changed to another drive and/or directory.

The parties have stipulated that the “software license agreement language displayed on the screen is the same software license agreement language that is stated in the ‘2076 Contract.”

CRIDs 1414, 1489, and 1490 also each came with a “SOFTWARE VERSION DESCRIPTION.” (capitalization in original). The Software Version Descriptions for CRIDs 1414, 1489, and 1490 all state:

APPENDIX C. LICENSE AGREEMENT

NOTICE!

COMMERCIAL COMPUTER SOFTWARE

RESTRICTED RIGHTS

Notwithstanding any other lease or license agreement that may pertain to, or accompany the delivery of, this computer software, the rights of the Government regarding its use, reproduction and disclosure are as set forth in Government Contract No. M67854-98-C-2076.

LICENSE AGREEMENT

(Supplement to FAR 52.227-19)

All software to be delivered under this contract including source codes, is commercial computer software subject to restricted rights specified in FAR 52.227-19 “Commercial Computer Software - Restricted Rights” with the following additions to that clause:

***769** The Government may make an unlimited number of copies of the software and may distribute and use the software in any computers owned or leased by the Government and operated by the U.S. Government personnel working for U.S. Government departments, organizations and agencies.

The Government's use of the software shall be limited to use in fulfillment of functions of the Government of the United States.

The Government shall not disclose the software and shall not give, sell, license or otherwise provide copies of the software or use of the software to any third party person or entity including but not limited to members of the public, governments of foreign countries, or international agencies or organizations.

(capitalization and emphasis in original).

For CRIDs 40, 395, 1414, 1489, and 1490, defendant asserts that BNT-US delivered “compiled executable software code.” Defendant asserts that BNT-US did not deliver to the government the source code files needed to build the compiled executable software code for CRIDs 40, 395, 1414, 1489, and 1490. According to defendant's post-trial brief:

The Federal Circuit described these concepts in  [Blueport \[v. United States\]](#):

Source code is the text of a software program written in a human-readable programming language. Microsoft Computer Dictionary 491 (5th ed. 2002). Once written, source code is compiled into machine-readable **object code** that runs on a computer. Id. at 372. **Software programmers usually provide users with only the object code in order to prevent users from modifying the program.** Theodore C. McCullough, [Understanding the Impact of the Digital Millennium Copyright Act on the Open Source Model of Software Development](#), 6 Marq. Intell. Prop. L. Rev. 91, 93-94 (2002).

 [Blueport Co. v. United States](#), 533 F.3d 1374, 1377 n.1 (Fed. Cir. 2008) (emphasis added).

(emphasis in original).

Activities Related to the Republic of Korea

According to the parties' joint stipulation of facts, the United States Forces Korea began using JWARN Block 1 in the Republic of Korea “no later than 2005.” At the liability trial in the above-captioned case, Paul Moroney, who the parties jointly stipulated was an employee of “SETA contractor Sentek,” testified. The parties also have jointly stipulated, as an employee of Sentek, Paul Moroney “provided training and field support services for all products that are acquired or managed by JPMIS, including JWARN Block 1F.” The parties' joint stipulation of facts also states Paul Moroney “has detailed knowledge of the different JWARN versions, having regularly trained users over many years. [Paul] Moroney was described as the ‘technical glue’ for the JWARN program.”

At the liability trial, Paul Moroney testified about JWARN software and “Signal Fire,” which was a plug-in used in the JWARN Block 1 software in the Republic of Korea, as discussed below. The following discussion between counsel of record for plaintiffs, Steven Lewicky, and Paul Moroney occurred:

Mr. Lewicky: So am I understanding you that sometimes the words “NBC-ANALYSIS” and “JWARN Block 1” were used somewhat interchangeably?

Mr. Moroney: Yes.

Mr. Lewicky: Okay. And as part of your training responsibilities at Bruhn NewTech, were you intimately familiar with NBC-ANALYSIS and JWARN Block 1?

Mr. Moroney: Yes.

Mr. Lewicky: Have you ever -- are you familiar with the word -- with the term "Signal Fire"?

Mr. Moroney: Yes.

Mr. Lewicky: And what does "Signal Fire" refer to?

Mr. Moroney: To sum up Signal Fire, it's an enhanced capability added to JWARN or NBC-ANALYSIS, if you want to call it that. Back in 2007 is when we started the -- when the development for Signal Fire started, and it was deployed in the Korean Peninsula. Basically it's just some -- what we refer to as plug-ins that were added to *770 the JWARN program that allowed certain capabilities to -- to allow the CBRN people and medical folks in the U.S. military to collaborate using Signal Fire capabilities.

Mr. Lewicky: Just so we're clear on what CBRN means, what does that refer to?

Mr. Moroney: Chemical/biological/radiological/nuclear.

* * *

Mr. Lewicky: During your tenure with Bruhn NewTech and after that Sentek, have you ever had occasion to do training in the Republic of Korea, South Korea?

Mr. Moroney: Yes.

Mr. Lewicky: And as part of that training, did you interact -- did you train not only on JWARN but also the Signal Fire plug-in aspect of it?

Mr. Moroney: Yes.

Mr. Lewicky: Can you tell us a little more about Signal Fire in the sense of it -- does that have something to do with networking with the sensors related to JWARN?

Mr. Moroney: [redacted]

Mr. Lewicky: [redacted]

Mr. Moroney: [redacted] So what Signal Fire did was it took that unclassified took and then, basically on a secured network, and sent it up to the CENTRIX-K network, which is a coalition network between the ROKs [Republic of Korea] and the U.S. military. And so that data then was put onto a map, and that's what Signal Fire provided as a plug-in for JWARN, because one of the capabilities was to be able to see the sensor data on a map for the entire peninsula and not just one installation.

Mr. Lewicky: Okay. Just so our recorded record is clear, could you spell out the acronym CENTRIX?

Mr. Moroney: C-E-N-T-E-X-K. [sic]

Mr. Lewicky: [redacted]

Mr. Moroney: Yes.

Mr. Lewicky: [redacted]

Mr. Moroney: Correct.

Mr. Lewicky: And then the Signal Fire system essentially gave a network capability to -- so you didn't have to be physically next to the sensor to know what it was assessing?

Mr. Moroney: Yes.

Mr. Lewicky: And how does the NBC-ANALYSIS/JWARN software come into play with that?

Mr. Moroney: So basically Signal Fire -- we referred to them as Signal Fire plug-ins. So you would -- you would have an installation of JWARN on a computer, and then we would install the Signal Fire plug-ins, and then the plug-ins would be configured to pull that data from the Signal Fire servers.

So there's -- there was two -- two servers we referred to as stage one and stage two for Signal Fire, and basically stage one is on the unclassified network, and then stage two is on the CENTRIX-K network. And somewhere in there is what's called a Radiant Mercury as a guard. So it was a one-way traffic from unclassified to classified network.

And so when you're sitting at a JWARN terminal, you would be able to see that data because of that -- that information flow from unclassified to CENTRIX, and then from the server, it sends the data out to the plug-ins once they're configured on your client [laptop].

Mr. Lewicky: [redacted]

Mr. Moroney: Correct, yes.

Mr. Lewicky: And if I understood you correctly, then JWARN -- that -- the JWARN part of it allows analysis and prediction from that data?

Mr. Moroney: Yes.

Mr. Lewicky: And is that consistent -- was that consistent throughout your use of the software or teaching of the software in Korea?

Mr. Moroney: [redacted]

And there's also some other plug-ins with Signal Fire, too, so medical surveillance reports, there was HAZMAT spot reports as well, but all that did was allow the medical folks in one portal to communicate with the CBRN side on any type of event that medical should be aware of.

*771 Mr. Lewicky: So these different plug-ins are basically taking data off the network that's distributing the sensor data.

Mr. Moroney: Yes.

Mr. Lewicky: And one of those things -- one of those plug-ins taking information out of that sensor network is JWARN?

Mr. Moroney: Correct.

Mr. Lewicky: Excuse me.

Mr. Moroney: And I just want to clarify that the sensors is just one aspect of Signal Fire. So the medical surveillance reports is a separate plug-in; HAZMAT spot reports was separate as well. So those are different capabilities that are included with the umbrella that we would call Signal Fire.

(capitalization in original).

Michael Meyer,⁶ who the parties have jointly stipulated was an employee of SETA contractor "SAIC/Leidos" and who "served as the 'de facto' program manager for the JWARN Block 1F Signal Fire program," testified that CENTRIX-K, mentioned above in the testimony of Paul Moroney, was a coalition network between the United States and Republic of Korea operated by the

United States. (emphasis in original). Michael Meyer stated that the United States “had that [CENTRIX-K] network locked down pretty tightly. You can't really take a laptop from one room and plug it into a port in another room and expect it to work. It probably wouldn't work that -- it wouldn't work. You couldn't move it.” According to Michael Meyer, the “JWARN 1F software only works on a CENTRIX-K approved laptop. The government -- you know, there's a certain image that has to be installed. It has to be plug into a network port that only the U.S. Government allows it to be plugged into.” Michael Meyer stated that “you could disconnect the thing -- the computer and take it anywhere you want,” “[b]ut it wouldn't work.” Michael Meyer also discussed the Republic of Korea's development of “AKJCCS,” which stands for the Allied Korean Joint Command and Control System. Mr. Meyer described AKJCCS as “a Korean network, Korean only network, as opposed to CENTRIX-K, which is a coalition network.” Michael Meyer stated that the CENTRIX-K network and the AKJCCS network were “firewalled off.”

⁶ The parties filed a joint motion to designate portions of Michael Meyer's deposition testimony in lieu of live testimony at the liability trial, which the court granted. At the liability trial, the parties also played a video recording of Michael Meyer's deposition.

At the liability trial in the above-captioned case, Marvin Sikes (Marty Sikes) also testified. According to the parties' joint stipulation of facts, from 2010 to the middle of 2015, Marty Sikes worked as an employee of John Hopkins University Applied Physics Laboratory, which was a SETA contractor. As an employee of John Hopkins University Applied Physics Laboratory, Marty Sikes served as the JPEO liaison officer at the United States Forces Korea headquarters in the Republic of Korea. Regarding the CENTRIX-K and AKJCCS networks, Marty Sikes testified:

As they [the Republic of Korea] continued to develop their own classified network, AKJCCS, I believe they employed a contractor in Korea, I believe it was Samsung, to work with U.S. Forces Korea to drive requirements that would have a capability, so AKJCCS could talk to CENTRIX-K.

So a few years down the road, what happened was U.S. Forces Korea said we're not going to go to your new system. [redacted] We feel comfortable using the CENTRIX-K system. But there was an effort that would develop bridges, they called them, so the two could talk and share information.

At trial, Paul Moroney testified that there was a “big push” to get the Signal Fire plug-in operational in 2007. Paul Moroney testified that the United States Forces Korea first used JWARN Block 1 software with the Signal Fire plug-in in front of members of the Republic of Korea military during a “Key Resolve” exercise in 2007, which is an annual joint military exercise between the United States Forces Korea and the Republic of Korea. During the Key Resolve exercises, as well as during other joint training exercises, officers of the Republic of Korea would work “hand in hand with the U.S. Forces” and would see the technology and software being *772 used by the United States Forces Korea. According to Paul Moroney's testimony at trial, the officers of the Republic of Korea were interested in obtaining access to the JWARN Block 1 software, and, in approximately 2008, “people were asking about how can the ROKs get that software as well.”

According to the testimony of Marty Sikes [redacted] there was an “incident” [redacted]. In his testimony, Marty Sikes stated that the [redacted] incident “kind of made that issue [obtaining access to JWARN Block 1 software] rise on their [the Republic of Korea's] priority list.” Moreover, the parties' joint stipulation of facts in the above-captioned case provides:

As of January 31, 2012, the Republic of Korea viewed JWARN/Signal Fire as a vital capability for CBRN-related information sharing and situational awareness. As of January 31, 2012, ensuring that the Republic of Korea had access to CBRN-related information sharing and situational awareness was getting high-level attention from the Pentagon. USFK [United States Forces Korea] wanted its ROK counterparts to have JWARN Block 1F, so that ROK forces would be able to use the same software that the USFK was using. Scott White⁷ gave specific direction, on several occasions over a time period greater than one year, to not ever give JWARN Block 1 to the Republic of Korea.

7 As noted above, the parties have stipulated that Scott White has been the Joint Project Manager for Information Systems for the Chemical and Biological Defense Program since June 2006.

On February 1, 2012, Marty Sikes sent an email message to Joseph Cartelli, whose signature block states that Mr. Cartelli at the time was the “Deputy JPM for Bio-Defense.” In the February 1, 2012 email message, Marty Sikes stated “attached is the information paper providing an executive summary, background and intent of the ROK JCS request.” Marty Sikes’ attached information paper, which was dated February 1, 2012, stated:

The ROK JCS [Republic of Korea Joint Chiefs of Staff] has submitted a written request to USFK to install the JWARN1F / Signal Fire system software fielded by JPM-IS and used by USFK and U.S. Component CBRN and Medical HQ units for situational awareness of [redacted], medical surveillance events and warning and reporting of other CBRN incidents in the ROK. USFK will endorse the request and forward to JUSMAG-K [Joint United States Military Affairs Group Korea] for coordination with the JPEO-CBD. ROK JCS has indicated their desire to further discuss this topic with Dr. Parker and Mr. Weber during the Able Response-12 MPC [“midplanning conference”] scheduled 9-10 February in Washington D.C.

The February 1, 2012 information paper further stated:

The intent of the request is to install the JWARN/Signal Fire system software on ROK JCS hardware located in ROK command Posts and EOCs operating on the ROKUS [Republic of Korea and United States] coalition network “CENTRIX-K”. USFK has authorized ROK JCS access to CENTRIX-K and will endorse their request to install the JWARN1F / Signal Fire system. Although a timeline has not been formally established recent activity and communication from ROK JCS and CFC [Combined Forces Command], coupled with their intent to discuss this with Dr. Parker and Mr. Weber during the MPC indicate fielding this capability is a near term goal of the ROK JCS.

At the liability trial, Marty Sikes testified the “midplanning conference” referenced in his February 1, 2012 information sheet related to a meeting involving planning for an upcoming “Able Response” exercise. Marty Sikes testified that Able Response was an annual joint exercise between the Republic of Korea and the United States “focused on implementing a whole-of-government approach to biological defense on the Korean Peninsula.” Marty Sikes also stated that “Able Response was an initiative supported and driven by ASD Weber, Assistant Secretary of Defense Weber. Deputy Assistant Secretary of Defense Parker was ASD Weber’s deputy, and he was primary to the person in charge of planning it.” According to Marty Sikes, Andrew Weber, who was the “the Assistant Secretary of Defense for Chem/Bio/Nuc Defense,” and Dr. Gerald *773 Parker, who was “the Deputy Assistant Secretary of Defense for Chem/Bio Defense,” attended the midplanning conference in February 2012. During the liability trial, Marty Sikes and counsel of record for plaintiffs had the following discussion:

Mr. Lewicky: [S]o you say in this information paper that the ROK Joint Chiefs of Staff has submitted a written request to U.S. Forces Korea to install JWARN for situational awareness. Is that the same request that we discussed a few moments ago?

Mr. Sikes: Yes, it is.

Mr. Lewicky: And it says that the ROKs wish to further discuss with Dr. Parker and Assistant Secretary of Defense Weber during Able Response MPC February 9th and 10th. What is “MPC” in this context?

Mr. Sikes: Midplanning conference.

Mr. Lewicky: And so was that a planning meeting in advance of Able Response?

Mr. Sikes: Yes, it is.

Mr. Lewicky: Do you know whether the ROKs did, in fact, discuss this with Mr. -- with Secretary Weber or Dr. Parker during that planning meeting?

Mr. Sikes: Yes, they did.

Mr. Lewicky: Now, at that -- at that meeting, that planning meeting, do you know specifically who made the request? In other words, what -- was it a general officer or was it a representative of the Korean Government?

Mr. Sikes: I don't recall who from the Korean Government attended that meeting, but it would have been the most senior delegate there.

Mr. Lewicky: Okay. And either during or coming out of that meeting, do you recall whether you were directed to take further action by the official -- the American officials in that meeting?

Mr. Sikes: Well, yeah, the -- the decision that was made during that meeting is the U.S. would provide access to the ROKs for JWARN, and I would relay that, yes.

In plaintiffs' post-trial brief, plaintiffs assert that a "decision was made" during the February 2012 midplanning conference for the United States to "provide the ROK with its own access to JWARN."

According to the parties' joint stipulation of facts:

On March 20, 2012, Marty Sikes and Paul Moroney – Government SETA contractors – delivered two C2PC laptop computers containing, *inter alia*, images of JWARN Block 1F Phase 2 C2PC CRID 1414 to Republic of Korea personnel at Republic of Korea armed forces facilities. Sometime between October 27, 2011 and March 20, 2012, the Government made one or more copies of JWARN Block 1F Phase 2 C2PC CRID 1414 in San Diego and transferred one or more copies from San Diego to USFK. The software was thereupon copied (or imaged) onto the above laptops by Mark White^[8] – a Government SETA contractor – while he was inside his workplace in a building in South Korea operated and controlled by the Government.

The JWARN Block 1F Phase 2 C2PC CRID 1414 software provided to ROK forces was the exact same software image that USFK was using at the time.

(capitalization and emphasis in original). The parties have stipulated that neither BNT-US nor BNT-Denmark "expressly authorized, licensed, or g[ave] permission to the Government" to "duplicate" the software licensed under the '2076 Contract or to distribute copies of the software licensed under the '2076 Contract to the Republic of Korea.

⁸ The parties' joint stipulation of facts provides: "Mark White, an employee of SETA contractor Group W, was a software engineer supporting the U.S. Forces Korea (USFK) J35 Plans Operations Analysis Branch (J35) in the Republic of Korea (ROK), and in that capacity provided support for JWARN Block 1F Signal Fire computers, servers and networks." Paul Moroney also testified that Mark White put JWARN software on the two laptop computers delivered by Paul Moroney and Marty Sikes to the Republic of Korea in March 2012.

Both Marty Sikes and Paul Maroney testified at trial regarding the transfer of two laptop computers containing CRID 1414 to the Republic of Korea on March 20, 2012, as well as the subsequent transfer of five laptop computers containing images of CRID 1490 *774 to the Republic of Korea, as discussed in detail below. Marty Sikes testified:

Mr. Lewicky: Okay. And following that [the midplanning conference], was access provided in two command centers in or around February of 2012?

Mr. Sikes: I believe so, yes.

Mr. Lewicky: And, specifically, do you recall whether you personally made delivery of laptops?

Mr. Sikes: No. I don't deliver laptops to the Koreans.

Mr. Lewicky: Okay. My recollection is that -- well, do you recall at any point that you and Mr. Paul Moroney visited Korean command centers?

Mr. Sikes: Yes.

* * *

Mr. Lewicky: Do you recall the -- whether any materials, computers, or software was brought by either of you to that visit?

Mr. Sikes: I don't recall whether Paul brought them over or if they were already there. The intent of the visit was to provide training on JWARN and Signal Fire.

Mr. Lewicky: Very well. And do you recall during that visit to the Korean command post whether JWARN software was accessed on the computers by the Koreans?

Mr. Sikes: I'm assuming it was, because he did provide training and familiarity to the operators, the Korean operators.

Mr. Lewicky: And can you estimate how long that training lasted?

Mr. Sikes: An hour to two hours.

Mr. Lewicky: Okay. And was it on the functionality of JWARN and CBRN reporting?

Mr. Sikes: Yes.

Mr. Lewicky: Okay. Do you recall whether, at the conclusion of that training session at the Korean command post, whether any of the equipment brought by the American side was left at the Korean command post?

Mr. Sikes: I don't remember, because I don't remember if there was equipment delivered to the command post. It could have already been there, and if I -- and if I can, I'll say that the intent was to train the Koreans on JWARN and -- on the JWARN software and Signal Fire. So if that was the intent, that means that obviously they had an image or something on those laptops so Paul could train on.

I don't recall us bringing anything there or taking anything back. Paul could have delivered those laptops and trained on them, but, again, I don't recall if they were there at the time or not.

According to Marty Sikes, "Major Connor," the "chief of the Countering Weapons of Mass Destruction Office for U.S. Forces Korea," "definitely" "would have been aware" of the training provided by Paul Moroney to the Republic of Korea in March 2012. Marty Sikes also testified that he understood that the "access" provided to the Republic of Korea was to be for a temporary duration. Marty Sikes stated: "It was our understanding that at the end of their assessment of JWARN, they would make a decision on what the -- the Republic of Korea would make a decision on what the next step would be, whether they would purchase it outright or go in a different direction."

In Paul Moroney's testimony, regarding the same transfer of two laptop computers containing images of CRID 1414 in March 2012 discussed by Marty Sikes above, Mr. Moroney stated that he and Marty Sikes "hand-delivered" to the Republic of Korea "two temp-loan laptops to two different locations." Mr. Moroney stated that one laptop computer was delivered to Command

Center Seoul (CC Seoul), which is a joint command bunker located at United States Army Garrison Yongsan, while the second laptop computer was delivered to the Republic of Korea's Ministry of Defense. According to Paul Moroney:

[F]irst they signed for it, so Marty had a -- I don't know the number of the form, but there's an Army form that USFK required, and so whoever we gave the laptop to signed for it. So it was a temporary loan; it wasn't a permanent transfer. And then we connected to the network. We logged in. We made sure that the operator that was there at the time was able to log in to the machine, and then we op-checked, basically operations-checked on JWARN and made sure that all the Signal Fire data *775 was coming through, the sensors and things like that, so we didn't have any issue there.

And then we kind of just walked through the creation of -- I think it was chem-1s, to produce a chem-2 and a chem-3, a chemical-1, 2, and 3. And we kind of went over the Signal Fire plug-ins, because that's really what they were looking for, is that sensor data.

Paul Moroney indicated that the two laptop computers containing CRID 1414 were left at the facilities at which the laptop computers were respectively delivered, and that he did not know whether Republic of Korean personnel "moved" or "used" the laptop computers after Marty Sikes and he left the facilities "because as soon as my travel's done, I leave. Marty would have been able to have conversations with those individuals to see if they were using the system or not."

After delivering the two laptop computers containing CRID 1414 to the Republic of Korea, in an email dated March 21, 2012, Paul Moroney stated:

Just a heads up.

1. We officially have JWARN/Signal Fire up and running in the Ministry of National Defense Republic of Korea (MND). In one of their command bunkers, they have one client running C2PC/JWARN/Signal Fire. This was approved by JPEO. We are waiting for the ROKs to request in writing JEM [Joint Effect Models], which should happened later this week or next. Side note: Marty and I went over there yesterday and ensured the system was up and running. It was and we provided another two hours worth of training to their main operator.^[9] I got to go inside one of their main bunkers, where a lot of white folks don't get to see. MND [Ministry of Defense] is to the Koreans as the Pentagon is to the US.

2. The ROKs will also request in writing and it will be approved by JPEO training on JWARN/Signal Fire and JEM. I provide Marty with dates in May we can conduct the training. Training will take place in here in Korea (Yongsang Army Garrison) is our initial guess. Details will be worked out once we get the request and Marty sends it over to the JPEO for his approval. Student count will be around 6-10 and their will provide interpreter for the class.

This is big news up at the JPEO level and more will come soon...

(ellipses in original). At the trial, while looking at the immediately above March 21, 2012 email message, counsel of record for plaintiffs asked Mr. Moroney "[w]hat was your understanding of the approval that had been given by the JPEO?" Mr. Moroney responded: "From Marty Sikes. He was the one that told me that we can go and deliver these laptops." Counsel of record for plaintiffs also asked Paul Moroney about the statement in his March 21, 2012 email message that "[t]he ROKs will also request in writing and it will be approved by JPEO training on JWARN/Signal Fire and JEM." Paul Moroney testified that he anticipated the training to be approved "[b]ased upon discussions with Marty Sikes." Paul Moroney, however, testified that the future training referenced in his March 21, 2012 email message did not occur.

⁹ When asked at trial about the length of the training provided to the Republic of Korea, Paul Moroney stated that the training was not two hours long, but that the "whole trip" was about two hours long.

On April 2, 2012, Curt Wall, who Paul Moroney stated was the acquisition program manager for the Joint Effects Model, also referred to as "JEM," sent an email message to Michael Bingham, which Curt Wall appears to have forwarded to Mr. Moroney. In the April 2, 2012 email message, Curt Wall stated:

I wouldn't touch this [transfer of laptop computers with JWARN software to the Republic of Korea] with a 10 foot pole until I saw the authority docs to do so....I'd just tell Paul to be very careful.

The COCOM can authorize things like this. I'm not sure what they've done to effect this release. Since it was JWARN all along, I haven't considered it for my concern. This is a different org that is providing JEM to the ROKs. I don't know what *776 release/authorization they've gone thru....

(ellipses in original). On April 3, 2012, Paul Moroney responded in an email message stating:

Let me break this down shotgun style.

1. We did not give them software media, just the standard 8TH Army CBRN image for use on the Secret/ROK network. Joint network with US
2. They cannot use JEM or JWARN on any other machine other than the one given to them from JPEO. The [sic] do not have the media to install it.
3. The JPEO gave the approval for Marty/J35 to do this effort with the ROKs.

Bottomline is we really didn't give them anything they haven't already had access to. The main difference is they are using our software 24/7 instead of just during exercise time and at different locations.

(capitalization in original).

Paul Moroney forwarded his April 3, 2012 email message to Marty Sikes, who responded to Mr. Moroney in an email message stating: "Send to Mike Meyer if you need top cover." Paul Moroney then forwarded the email message string to Michael Meyer, stating: "For ur [your] SA [situation awareness]." At trial, Paul Moroney testified that he understood Marty Sikes' email message involving "top cover" to mean to "[j]ust to make sure that the -- that the deputy program manager for JWARN1F understands what's going on."

Throughout the trial in the above-captioned case, witnesses testified as to what actually was given to the Republic of Korea when the two laptop computers containing JWARN Block 1F Phase 2 C2PC CRID 1414 were transferred to the Republic of Korea on March 20, 2012. Marty Sikes testified:

I want to say that, to my recollection and knowledge -- and maybe it's a play with words -- but we didn't give -- we, the U.S. Government -- didn't give software; we didn't give software code to the governments. We gave them access to an imaged laptop that was co-owned by the U.S. Government.

According to Marty Sikes, providing the Republic of Korea with "the software and the code versus giving them access I think are two different things." Marty Sikes also testified:

I didn't give software, CDs. I'm not an IT professional, so I'm not giving anything to anyone on the software side. I facilitate, and I message back and forth, and I track, but I'm -- I'm not a mechanic, so I'm not working on cars and I'm not delivering laptops and software.

Marty Sikes stated that “[i]t was my understanding that we were never giving the Koreans software or code; we were only giving them access.” Marty Sikes asserted that, to the extent of his knowledge, no one “at USFK gave the Koreans the software or code for JWARN,” as the Republic of Korea only was given “access so they could share information. We didn't give them the code so they could break it or we didn't give them the software to do as they pleased with it, as I understand it.”

Moreover, in an email message dated May 8, 2012, Marty Sikes stated: “JWARN1F/Signal Fire is releasable to the ROKs as I understand however USFK does not have authority to ‘give’ the ROK Government the software or code. At the current time USFK is providing ROK CFC [Combined Forces Command] and JCS [Joint Chiefs of Staff] limited access to the system via the CENTRIX-K network.” At trial, Marty Sikes testified that the “limited access” referenced in his May 8, 2012 email message meant “they [the Republic of Korea] were able to log on, leverage the system, but they did not have the software CDs to load it up and things of that nature.” Similarly, regarding the transfer of two laptop computers containing JWARN Block 1F Phase 2 C2PC CRID 1414 to Republic of Korea personnel in March 2012, Paul Moroney testified:

Having access to the data and physically having access to the program are two different things.... So that that should be separated, because if I'm working next to somebody that's using a program and they're briefing me with a slide -- with slides or whatever command brief we're doing, I -- I can see the data; it's just I *777 don't have access to the tool that's producing it. But there has -- 2012 or '13 is when we -- is when we physically gave or temp-loaned, I should say, laptops that were -- with the standard USFK image that had JWARN on it. The C -- the command and control personal computer is what it's called, C2PC, version of the JWARN1F.

Paul Moroney also testified concerning the controls on the laptop computers provided to the Republic of Korea, stating:

If you're referring to being able to plug, like, a USB drive or anything like that, there -- those computers are locked down to where you can't copy the -- you can't image the hard drives. Back then, it was -- Bitlocker was the tool that the network administrators used. So you were not able to image or copy the hard drive.

Paul Moroney described Bitlocker as:

[A] commercial product that a lot of U.S. Government organizations are using, and it prevents people from copying a hard drive. It also prevents you from taking that hard drive and putting it into -- and using it in another computer. So if you have two of the exact same computers, you take one hard drive out and try to put it in the other, you can't do that.... It basically encrypts the hard drive to use on that one shell, one computer only.

On May 23, 2012, Michael Smith, “Program Director, Critical Reagents Program,” sent an email message to Brigadier General Jess Scarborough, in which Mr. Smith stated that he was summarizing for Brigadier General Scarborough meetings between the United States and Republic of Korea related to preparation for Able Response 2012. In the May 23, 2012 email message, Mr. Smith stated:

ROK participants communicated awareness of modeling and simulation tools JEM, JOEF, and HPAC. They also communicated that they had taken receipt of JWARN. We, USG [United States government], did not appear to have an awareness of the ROK capability. This observation served as the foundation for the following observation and recommendation presented to the senior leaders on the final day of the meeting. During the hot wash, Mr. Weber expressed concern over the ROK interest in modeling tools, which are identified above, that are becoming obsolete. He echoed the sentiment of many participants when he suggested that we work with our ROK counterparts in integrating tools that leverage social media into our collaborations resulting from AR12.

On May 23, 2012, Brigadier General Scarborough sent an email message to Mr. Smith thanking him for his summary and asking him to forward the summary to his staff.

On July 28, 2012, Marty Sikes sent an email message to a group of individuals Mr. Sikes described in his testimony at trial as “leadership from JPM-IS.” In the July 28, 2012 email message, Marty Sikes stated:

I have a good news story to share. The Chairman of the ROK Joint Chiefs of Staff presented Paul Moroney with a Certificate of Commendation last week. This was awarded to Paul based on his performance and skills demonstrated while assisting the ROKs with accessing and utilizing JWARN1F/Signal Fire in the ROK JCS B-1 Bunker at MND and inside the ROK CBRN Cell at the Crisis Control (CC Seoul), located in USFK/CFC White House on the Yongsan Garrison. For the first time the ROKs independently monitored JWARN1F/Signal Fire during both Key Resolve-12 and the Nuclear Security Summit.

At the liability trial, Paul Moroney testified that, when a General from the Republic of Korea provided him with the Certificate of Commendation, the General from the Republic of Korea also gave Mr. Moroney a watch and a coin. Additionally, Paul Moroney stated that he received from a United States General “an email letter, a generic letter basically, a kind of fill-in-the-blank type thing that references this here, saying I did a good job and whatnot.”

Less than five months later, on December 11, 2012, Marty Sikes sent an email message to Michael Meyer and two other individuals, on which Paul Moroney was copied, stating:

USFK will provide JWARN1F/Signal Fire access to five additional ROK HQ level *778 Command Posts via CENTRIX-K C2PC clients in early January and is requesting Paul Moroney to support a combined ROK/US JWARN1F CONOPS workshop 4-8 February 2013. Provided support will include an onsite overview of JWARN1F/Signal Fire to ROK operators at each of the five CP's [command posts] followed by a scenario driven workshop.

The parties have stipulated that Marty Sikes provided five additional laptop computers to the Republic of Korea. The parties' joint stipulation of facts provides:

By January 2013, Marty Sikes delivered five additional C2PC laptop computers containing, *inter alia*, images of JWARN Block 1F Phase 2 C2PC CRID 1490 to Republic of Korea personnel at Republic of Korea facilities. Sometime between October 1, 2012 and the end of January 2013, the Government made one or more copies of JWARN Block 1F Phase 2 C2PC CRID 1490 in San Diego and transferred one or more copies from San Diego to USFK. The software was thereafter copied (or imaged) onto the above laptops by Mark White while he was inside his workplace in a building in South Korea operated and controlled by the Government.

(emphasis in original). Paul Moroney testified at trial that he did not recollect whether the five additional laptop computers containing images of CRID 1490 were delivered. Paul Moroney did, however, state that he provided a one-week training course on JWARN “software” to soldiers from the Republic of Korea in February 2013. Thus, the following two deliveries to the Republic of Korea appear to have been made: (1) a delivery of two laptop computers containing “images of JWARN Block 1F Phase 2 C2PC CRID 1414” on March 20, 2012; and (2) a delivery of five laptop computers containing “images of JWARN Block 1F Phase 2 C2PC CRID 1490” “[b]y January 2013.”

According to the parties' joint stipulation of facts:

Once the seven laptop computers containing images of JWARN Block 1F Phase 2 C2PC CRID 1414 and/or JWARN Block 1F Phase 2 C2PC CRID 1490 software were delivered by Sikes and/or Moroney to Republic of Korea personnel, the United States Government had no way of knowing where the laptops computers were, or what was being done with them.

The parties also have stipulated that BNT-US first learned that laptop computers containing JWARN Block 1F software had been provided to the Republic of Korea on March 12, 2013.

During the liability trial, the following exchange between counsel of record for plaintiffs and Mr. Moroney occurred:

Mr. Lewicky: And do you know who authorized or directed that particular delivery [of two laptop computers on March 20, 2012] to those two facilities?

Mr. Moroney: The actual person, no, I don't.

Mr. Lewicky: Do you know what office or part of the Government directed it?

Mr. Moroney: It would have -- no, I don't. It would -- my -- I do know that Marty was working with JPM-IS to get approval to -- to deliver those laptops, but the actual inner workings of who said yes and when, I wasn't privy to that.

At the liability trial, however, Marty Sikes testified that, “as a contractor, I didn't have the authority to tell the Republic of Korea they could purchase JWARN or not,” that he did not “have authority to tell the Government to sell” JWARN, and that he did not have “contracting authority” while in the Republic of Korea. At the liability trial, Nicholas Kim, a Department of Justice trial attorney, asked Marty Sikes about his “authorization” to “facilitate” the transfer of laptop computers containing JWARN software to Republic of Korea personnel, as follows:

Mr. Kim: [D]o you have any written authorization from JPM-IS to provide the Koreans access to JWARN?

Mr. Sikes: Not that I can recollect.

Mr. Kim: Okay. So no documents supporting or no documents authorizing access to the Koreans?

Mr. Sikes: No.

***779** On redirect examination, the following colloquy between counsel of record for plaintiffs and Marty Sikes occurred:

Mr. Lewicky: You were being asked about some monthly reports where it discussed discussions and that sort of thing, and the questions were along the lines of you never had any written authorization for the Koreans to provide access.

Mr. Sikes: I don't recall seeing written acquisition.

Mr. Lewicky: Is there any doubt in your mind that you had actual authorization from JPM-IS and JPEO to give the level of access to JWARN that the Koreans were given?

Mr. Sikes: Well, I wouldn't be given authorization, because I didn't have the authority to direct or give anything to anyone. The authorization would have began -- would have been, okay, we're going to give the Koreans access, so execute. I would communicate that message across all the players.

Mr. Lewicky: And that message that you're summarizing as we are going to give access to the Koreans, please execute, did that message come down the chain of command?

Mr. Sikes: Yes, it did.

Mr. Lewicky: And how do you know it came down the chain of command?

Mr. Sikes: In discussions, my monthly reports. I mean, often, people would come over to Korea and they could observe what's -- what's taken place. They can see for themselves who's using JWARN and who's not.

In the above-captioned case, defendant contends that the United States did not authorize the transfer of laptop computers containing JWANR software to the Republic of Korea. According to defendant's post-trial brief, "[a]t best, BNT-US established only that Government contractors took actions contrary to unilateral terms that BNT-US included in its deliveries years after the end of the '2076 Contract. BNT-US's breach of contract claim is deficient." According to plaintiffs, the "Government is responsible for its actions, even when undertaken by its contractors," because "employees of the Government directed the transfers, and knew they were taking place."

Activities Related to Jordan¹⁰

¹⁰ At trial, the parties presented significantly more testimony about the Republic of Korea than was presented about the Kingdom of Jordan.

The parties have jointly stipulated:

In 2013, in response to the collapse of the Syrian government, the United States Government, through the Defense Threat Reduction Agency (DTRA), along with US-CENTCOM [United States Central Command] and with assistance from JPEO-CBD, provided the Jordanian military with millions of dollars in CBRN equipment, including the provision of ten^[11] laptop computers containing JWARN Block 1F software.

At the liability trial, Paul Moroney testified that DTRA and US-CENTCOM provided the Kingdom of Jordan with CBRN-related equipment in order for the Kingdom of Jordan to be able to respond to a CBRN-related incident in Syria. As stated by counsel of record for defendant at the closing argument, “with respect to the Jordanian transfer, we actually do agree that that aspect was authorized by the Government, but with respect to the Korean transfers, that’s where we have a fundamental disagreement as to whether that was authorized by the Government.”

¹¹ At the liability trial, Paul Moroney testified that “we were tasked to purchase 11 Panasonic Toughbook laptops and provide the joint warning reporting capability or warning capability to the Jordanians through the JPO.” An attachment in a string of email messages between Paul Moroney and individuals associated with JPMIS, however, lists ten Panasonic Toughbook laptops as being included in the government’s transfer of laptop computers to the Kingdom of Jordan.

The parties have jointly stipulated that Paul Moroney imaged the hard drives of the ten laptop computers with images of JWARN Block 1F software, which BNT-US originally had delivered to JPMIS in San Diego, California, on September 28, 2012. The parties further jointly stipulated:

***780** Sometime between October 1, 2012 and October 2013, the Government made one or more copies in San Diego of JWARN Block 1F Phase 2 Standalone CRID 1489. Sometime between October 1, 2012 and October 2013, Moroney loaded JWARN Block 1F Phase 2 Standalone software on these ten laptop computers at a Leidos facility in San Diego, California, configured the program, and shipped the computers to DTRA for re-shipment to Jordan. In October 2013, the ten laptop computers were delivered to Jordan.

As noted above, “Standalone” JWARN Block 1 software is “a version of JWARN Block 1 capable of operating in isolation from a network or a command and control host.” Although the parties stipulated that the ten laptop computers were delivered to Jordan in October 2013, both parties state in the post-trial briefs that the laptop computers were shipped to Jordan in August 2013 and were received by Jordanian armed forces on or before September 4, 2013. Indeed, in a July 31, 2013 email message from Mike Skinner, whose email message signature block indicates he worked in product support and property control at JPMIS, Mr. Skinner stated that the ten laptop computers were to be shipped to Jordan on August 1, 2013.

According to the parties’ joint stipulation of facts, as well as the testimony of Paul Moroney, Paul Moroney visited Jordan and provided training to Jordanian armed forces in March 2013, October 2013, and during the spring of 2014. During the liability trial in the above-captioned case, Paul Moroney testified that, during the March 2013 training session, which occurred before the ten laptop computers were shipped to Jordanian armed forces in August 2013, Paul Moroney provided a training session using laptop computers from Mr. Moroney’s “set from my normal training inventory” at a Jordanian “compound” called “KASOTC.” (capitalization in original). Mr. Moroney stated that, when the March 2013 training session concluded, he brought his “set” of laptop computers back to the United States.

At the liability trial, Paul Moroney testified as to what actually was provided to the Kingdom of Jordan. According to Paul Moroney, the Kingdom of Jordan received laptop computers with JWARN Block 1F standalone installed. Paul Moroney testified that he did not provide the “software disk” or JWARN Block 1F standalone source code to the Jordanians. Paul Moroney also testified that he removed all “installation files” from the laptop computer provided to the Kingdom of Jordan. In between training sessions, Paul Moroney testified that the laptop computers were stored at Jordanian controlled facility, which Mr. Moroney described as being a facility that “was bought and purchased by DTRA, built for them [the Jordanians] specifically, and then the actual facility was turned over to the Jordanians from DTRA.” The parties’ joint stipulation of facts also provides that, in between training sessions administered by Paul Moroney, the ten laptop computers were stored in “locked cases” in a “warehouse” in Zarqa, Jordan, which was controlled by Jordanian armed forces. Mr. Moroney stated that the laptop computers were stored in “Pelican cases, hard-sided cases that you can ship laptops in.” Paul Moroney further testified:

So the laptops themselves were stored and locked in the Pelican case. So when I -- when I show up for training, the day before, I -- usually it's a Saturday. I come in Saturday, go into the storage area, grab the Pelican case out, get -- there's -- the XO [executive officer] of the Chemical Support Unit has the key most of the time. He would unlock it, bring it into the classroom, and we would set everything up and then start training on Sunday. And then when we're done, we would simply put everything back in the box, lock it back up.

Paul Moroney stated that the executive officer was an officer in the Jordanian military, and that the Jordanian executive officer maintained a key for the locked boxes containing the laptop computers.

Paul Moroney also testified regarding the Jordanians' use of the laptop computers, stating, “[o]ther than the training products that we did jointly in a classroom environment, no, I didn't see any evidence of JWARN being used at all.” According to Paul Moroney:

***781** When we set up the classroom prior to training, we took the laptops out, set them out, and then they were either brought back to the hotel the night before training, and I'd connect them to the commercial network at the hotel to update Windows, Internet Explorer, that type stuff. And then I would take the laptops back the next day, set up the classroom.

So the -- every time that I was able to do that, which was every trip basically, there was no evidence -- and I hate saying this, because we spent a lot of money on them, DTRA spent a lot of money -- but there was no evidence that they were being used other than us conducting training.

When asked by Nicholas Kim of the Department of Justice what Paul Moroney meant by “no evidence,” Mr. Moroney responded:

Data products that are produced from JEM or JWARN. If you open the program, you can -- you'll see the data or the output results in a PowerPoint slide or something like that. The only data that I saw literally from every trip was the data we left behind when we conducted training.

So there was no new -- no new introduction of data that was on those laptops from the time that I left to the next time that we trained

Paul Moroney, however, testified that the ten laptop computers provided to the Kingdom of Jordan did not contain Bitlocker or a similar type of “protective software.” Paul Moroney stated that the Jordanians “can copy the hard drive. Yeah, they can copy the hard drive, yes. If they took it out and put it into another machine, they could do that.” Paul Moroney also testified that he would not know whether the Jordanians turned the ten laptop computers on or off in between training session and would not know “whether software was copied off of those laptops to another location.”

Paul Moroney stated that, after the conclusion of the training session he provided to the Kingdom of Jordan in March 2013, he attempted to build a map to be used in the JWARN software, but the JWARN software “crashed” each time Paul Moroney attempted to import the map. According to Paul Moroney's testimony at the liability trial, the map Mr. Moroney was attempting to create was a map of “Syria, Iraq, Jordan, and some other places, Israel and Lebanon.” In an email dated May 6, 2013, Paul Moroney stated that he had put in a request with the “Help Desk” in an attempt to get BNT-US to address the mapping issue Mr. Moroney had been experiencing. (capitalization in original). Mr. Moroney also stated in the May 6, 2013 email message that “[w]e sent the files over to BNI [BNT-US] a while ago but still haven't gotten any work back from them. Sean [who has a “navy.mil” email address] has tried to follow up with BNI but hasn't gotten any thing [sic] back as of late last week.”

In a May 21, 2013 email message from Michael Meyer, who the parties stipulated was a contractor and the de facto program manager of the JWARN Block 1F Signal Fire program, to Josh Rohrbach, who, at that time, was an employee of BNT-US, Michael Meyer asked whether Mr. Rohrbach had an opportunity to speak with Lisa Dunham of JPMIS regarding the Jordan-related mapping issue experienced by Paul Moroney. Also on May 21, 2013, Michael Meyer sent an email message to Paul Moroney stating: “When you went to Jordan, which JWARN did you set up for them - Block 1 or INCR [increment] 1? I'm assuming it was JWARN 1F. I got some backlash from BNI, since evidently their license to the government doesn't cover giving it to the Jordanians. What have you heard?” That same day, Paul Moroney responded stating:

It's 1F SA [JWARN Block 1F standalone] and we haven't gave it to them. We are giving them systems with it installed, not the actual software disc.

Nobody really knows what we can or cannot do with it as in FMS. JPEO doesn't seem to care and they want it done to support the AOR [area of responsibility]. I believe Mike N was looking at contract infromation [sic] for BNI and what we can do with the software.

Who is telling them we do? They should keep a tight lid on that information.

Mr. Moroney sent another email message to Michael Meyer nine minutes later, stating: *782 “not sure but it could cause problems I am guessing. how come they haven't said anything about us giving it to the Koreans?” Michael Meyer responded in an email message stating:

Actually they have said stuff...at least the guys in Maryland did. But they have kind of looked the other way since there were small numbers of workstations involved, and because JPMIS didn't provide SW media/manuals/training.

Actually JCISA [Joint Command Information Systems Activity] was more perturbed (than BNI) in Korea, because we don't have any kind of foreign releaseability [sic] statement in effect currently for JWARN or JEM.

But now that this strategy seems to be proliferating, I think the head shed at Bruhn (the Denmark guys) see this as a way for the US Gov't to circumvent FMS, with the end result being loss of revenue for BNI.

At the liability trial, when asked whether he had taken any action after learning of the provision of laptop computers to the Kingdom of Jordan, Josh Rohrbach, who was a BNT-US employee, responded:

I can't recall specifically. I would have imagined I bubbled it up within our leadership to Bruce [Windesheim]. I don't -- I don't recall that we took any specific action or -- with JPM-IS or with the JPEO in any way, but certainly within our own company, we would have made -- certainly would have made that awareness known.

In a December 17, 2013 email message from Josh Rohrbach to Bruce Windesheim, who at the time of the trial was the interim president of BNT-US, and Jacob Nielsen, former CEO of Bruhn NewTech, Mr. Rohrbach stated: “I have on a few occasions brought up the fact that JPM IS was basically pirating Bruhn NewTech's software to Mr. Meyer while he was still the DAPM for JWARN 1F. His only response on those occasions was to wonder what Bruhn NewTech was going to do about it.” Bruce Windesheim testified at the liability trial that BNT-US did not retain counsel until January 2014, and that there was “obviously the time from when we learned about it to when we -- and when we went to the -- we went to the Government.”

The parties stipulated that, “[a]t the direction of JPMIS, Moroney removed the JWARN Block 1F Phase 2 images from the ten laptop computers in December 2014.” Paul Moroney also testified that he removed the JWARN Block 1F images from the ten laptop computers in Jordan in 2014.

Copyright Registrations

BNT-Denmark has two copyright registrations that are at issue in the above-captioned case, which are United States Copyright Registration No. TX 7-836-500 (the ‘500 Registration) and United States Copyright Registration No. TX 7-836-490 (the ‘490 Registration). The ‘500 Registration is titled “NBC Analysis - CRID 0040.” The ‘500 Registration indicates that the “Year of Completion” was 1998, that the “Date of 1st Publication” was January 12, 1999, and that the “Nation of 1st Publication” was Denmark. (capitalization in original). The ‘500 Registration also indicates that attorney Mary Beth Tung certified the copyright application on April 24, 2014. The effective date of the ‘500 Registration is April 28, 2014.

BNT-Denmark's second copyright at issue in this case, the ‘490 Registration, is titled “NBC Analysis JWARN 1F PHASE 2, CRID 1489, 1490, and 1491.” The ‘490 Registration indicates that the “Year of Completion” was 2008, that the “Date of 1st Publication” was September 28, 2012, and that the “Nation of 1st Publication” was Denmark. (capitalization in original). The ‘490 Registration also indicates that attorney Mary Beth Tung certified the copyright application on April 24, 2014. The effective date of the ‘490 Registration is April 28, 2014.

Procedural History

On March 10, 2015, BNT-US and BNT-Denmark filed a complaint in the United States District Court for the District of Maryland (Maryland District Court) against Johns Hopkins University Applied Physics Laboratory, LLC (JHU) asserting that JHU had violated the Copyright Act, as well as the “Maryland Uniform Trade Secrets Act,” by improperly transferring BNT-Denmark's software to third parties. See *783 Complaint at 2-3, 9, 11, Bruhn NewTech A/S v. Johns Hopkins Applied Physics Lab., LLC, No. 15-671, 2015 WL 1033720 (D. Md. Mar. 10, 2015). On April 10, 2015, BNT-US and BNT-Denmark filed an amended complaint in the Maryland District Court, in which BNT-US and BNT-Denmark added Leidos, Inc. (Leidos) as a defendant. See First Amended Complaint, Bruhn NewTech A/S v. Johns Hopkins Applied Physics Lab., LLC, No. 15-671, 2015 WL 1910785 (D. Md. Apr. 10, 2015). As stipulated by the parties, Marty Sikes was an employee of JHU and Michael Meyer was an employee of SAIC/Leidos. On January 21, 2016, JHU and Leidos jointly filed a motion to dismiss for lack of jurisdiction and for failure to state a claim in the Maryland District Court. See Motion to Dismiss, Bruhn NewTech A/S v. Johns Hopkins Applied Physics Lab., LLC, No. 15-671, 2016 WL 454016 (D. Md. Jan. 21, 2016). On February 4, 2016, BNT-US and BNT-Denmark filed an opposition to JHU's and Leidos' joint motion to dismiss. See Opposition to Motion to Dismiss, Bruhn NewTech A/S v. Johns Hopkins Applied Physics Lab., LLC, No. 15-671, 2016 WL 454012 (D. Md. Feb. 4, 2016). On June 4, 2016, while the joint motion to dismiss still was pending before the Maryland District Court, BNT-US and BNT-Denmark voluntarily filed a notice of dismissal, without prejudice, which the Maryland District Court granted on June 6, 2016. See Notice of Dismissal, Bruhn NewTech A/S v. Johns Hopkins Applied Physics Lab., LLC, No. 15-671 (D. Md. June 4, 2016).

While BNT-US's and BNT-Denmark's case was pending before the Maryland District Court, on August 27, 2015, BNT-US submitted a certified claim for a contracting officer's final decision regarding the ‘2076 Contract. In the August 27, 2015 certified claim, BNT-US asserted a breach of the ‘2076 Contract, infringement of BNT-Denmark's copyrights, and a violation of the “Uniform Trade Secrets Act.” On January 8, 2016, a contracting officer for the USMC issued a contracting officer's final decision denying BNT-US' August 27, 2015 claim in full.

Prior to when BNT-US and BNT-Denmark filed the June 4, 2016 voluntary notice of dismissal in the Maryland District Court, BNT-US had filed a complaint against the United States in the United States Court of Federal Claims on January 19, 2016, which was Case No. 16-92C and was assigned to the undersigned. In Case No. 16-92C, BNT-Denmark was not listed as a party. On March 21, 2016, the United States filed a motion to dismiss Case No. 16-92C, in part because, according to the United States, 28 U.S.C. § 1500 (2012) barred some of BNT-US' claims in Case No. 16-92C based on BNT-US' and BNT-Denmark's case pending before the Maryland District Court. On June 15, 2016, BNT-US filed a notice of dismissal, without prejudice, in Case No. 16-92C, which the court granted. On June 24, 2016, the Clerk's Office of the United States Court of Federal Claims closed Case No. 16-92C.

Six days later, on June 30, 2016, BNT-US filed a complaint in the above-captioned case, Case No. 16-783C. BNT-Denmark was not listed as a plaintiff in the June 30, 2016 original complaint filed by BNT-US. On August 8, 2016, defendant filed a motion to dismiss pursuant to Rule 12(b)(1) (2016) of the Rules of the United States Court of Federal Claims (RCFC), as well as pursuant to [RCFC 12\(b\)\(6\)](#). In a December 2, 2016 Opinion, the court denied defendant's motion to dismiss BNT-US' breach of contract claim. See [Bruhn NewTech, Inc. v. United States](#), 129 Fed. Cl. 656, 668 (2016). Regarding BNT-US' copyright claims, the court determined that BNT-US was not the legal, or the beneficial owner, of the copyrights at issue in the above-captioned case and dismissed BNT-US' copyright claims for lack of subject-matter jurisdiction. See [id.](#) at 671. The court also dismissed BNT-US' trade secrets claim because “the Uniform Trade Secrets Act is not binding law as it is not incorporated into the United States Code, but instead it is a model statute proposed for general consideration and must be enacted by individual jurisdictions to become law.” See [id.](#)

On January 23, 2017, BNT-Denmark filed a motion to intervene in the above-captioned case, Case No. 16-783C, and to file a second amended complaint that would relate back to the date on which BNT-US' original June 30, 2016 complaint was filed, which defendant opposed. On February 15, 2017, the court *784 issued an Order permitting the filing of a second amended complaint, granting BNT-Denmark's motion to intervene, and stating that the second amended complaint was to be filed with a date relating back to the original August 30, 2016 complaint.

The second amended complaint in the above-captioned case lists both BNT-US and BNT-Denmark as plaintiffs. In Count I of plaintiffs' second amended complaint, plaintiffs' assert that, “[w]hen the United States Government provided un-protected copies of the Software to the ROK and Jordan in breach of the terms of the Software License, these non-dongled copies of the Software did not include technical means of preventing further copying and distribution.” Plaintiffs' second amended complaint indicates that the “Software License” was contained in Contract No. M67854-98-C-2076, which is the ‘2076 Contract the USMC awarded to BNT-US on May 13, 1998. Plaintiffs' breach of contract action in Count I of the second amended complaint seeks \$21,752,227.00 in damages. Count I of plaintiffs' second amended complaint is labeled as brought “[b]y BNT-US against Defendant.”

Count II of plaintiffs' second amended complaint in this court is listed as brought “[b]y BNT-Denmark against Defendant” and asserts that defendant violated the United States Copyright Act. According to plaintiffs' second amended complaint, the United States'

unauthorized transfer of the original software code (U.S. Copyright Reg. No. TX0007836490), and the updates and improvements to that code (U.S. Copyright Reg. No. TX0007836500), to ROK and Jordanian armed forces resulted in loss of revenue and profit to BNT-Denmark from licensing fees, loss of control of the copying and distribution of the Software, and inability to stop further damages from occurring due to further copying and distribution of the Software.

Count II also seeks \$21,752,227.00 in damages.

After the court issued an Order setting a trial date on the issues of liability, defendant filed a motion to refer the copyright registration questions to the Register of Copyrights¹² pursuant to [17 U.S.C. § 411\(b\) \(2018\)](#). The statute at [17 U.S.C. § 411\(b\) \(2\)](#) states that, “[i]n any case in which inaccurate information” related to a copyright registration “is alleged, the court shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration.” *Id.* Plaintiffs filed an opposition to defendant's motion to refer copyright questions to the Register of Copyrights. The court, however, granted defendant's motion to refer copyright questions to the Register of Copyrights pursuant to [17 U.S.C. § 411\(b\)\(2\)](#), as defendant had “alleged” plaintiffs had included “inaccurate information” in BNT-Denmark's copyrights registration. See [id.](#) On February 8, 2019, the court issued an Order referring the copyright registration questions to the Register of Copyrights, which included questions jointly agreed-upon by plaintiffs and defendant,

as well as relevant documents in the above-captioned case. On March 18, 2019, Karyn A. Temple, the Acting Register of Copyrights, submitted a response to the court's referral pursuant to 17 U.S.C. § 411(b), which is discussed below.

¹² “The Register of Copyrights is the ‘director of the Copyright Office of the Library of Congress’ and is appointed by the Librarian of Congress.” [Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC](#), — U.S. —, 139 S. Ct. 881, 887 n.1, 203 L.Ed.2d 147 (2019) (quoting 17 U.S.C. § 701(a)).

A trial on the issues of liability in the above-captioned case was held, and the parties submitted post-trial briefs, as well as supplemental briefs which addressed the Register of Copyright's March 18, 2019 response.

The following chart summarizes the CRIDs discussed above and below:

***785**

CRID	Date of Delivery to the United States	Contract Associated with Delivery
CRID 40	January 15, 1999	The '2076 Contract
CRID 395	April 26, 2004	The 'A001 Contract
CRID 1414	October 25, 2011	Disputed by the Parties
CRID 1489	September 28, 2012	Disputed by the Parties
CRID 1490	September 28, 2012	Disputed by the Parties

The chart below summarizes the transfer of laptop computers containing images of CRIDs:

CRID	Details of Transfer	Date of Transfer
CRID 1414	Two laptop computers containing images of CRID 1414 transferred to the Republic of Korea	March 20, 2012
CRID 1489	Ten laptop computers containing images of CRID 1489 were shipped to the Kingdom of Jordan	Shipped to the Kingdom of Jordan in August 2013
CRID 1490	Five laptop computers containing images of CRID 1490 transferred to the Republic of Korea	After March 20, 2012 and "[b]y January 2013"

DISCUSSION

Count I: BNT-US' Breach of Contract Claim

In Count I of plaintiffs' second amended complaint, BNT-US asserts that the United States breached the '2076 Contract “by breaching the Software License by misusing the Software in a manner that would subject the United States to liability if it were a private party.” In order “[t]o recover for breach of contract, a party must allege and establish: (1) a valid contract between the parties, (2) an obligation or duty arising out of the contract, (3) a breach of that duty, and (4) damages caused by the breach.”

San Carlos Irr. & Drainage Dist. v. United States, 877 F.2d 957, 959 (Fed. Cir.), reh'g denied (Fed. Cir. 1989); see also Shell Oil v. United States, 130 Fed. Cl. 8, 34 (2017) (quoting San Carlos Irr. & Drainage Dist. v. United States, 877 F.2d at 959), aff'd, 896 F.3d 1299 (Fed. Cir. 2018). “ ‘The plaintiff or party alleging the breach has the burden of proof on all of its breach of contract claims.’ ” Stockton E. Water Dist. v. United States, 583 F.3d 1344, 1360 (Fed. Cir. 2009) (quoting 23 RICHARD A. LORD, WILLISTON ON CONTRACTS § 63:14 (4th ed. 1999)), reh'g granted in part, 638 F.3d 781 (Fed. Cir. 2011); see also Beard v. United States, 125 Fed. Cl. 148, 157 (2016) (“To prevail on a breach-of-contract claim, the plaintiff bears the burden of proving: (1) the existence of a valid contract between the parties; (2) a duty arising from the contract; (3) a breach in duty; and (4) damages caused by the breach.” (internal quotation marks and citations omitted)).

Whether defendant breached the ‘2076 Contract involves interpretation of the terms in the ‘2076 Contract. “Contract interpretation starts with the language of the contract.” SUFI Network Servs., Inc. v. United States, 785 F.3d 585, 593 (Fed. Cir. 2015); see also Premier Office Complex of Parma, LLC v. United States, 916 F.3d 1006, 1011 (Fed. Cir. 2019) (citing NVT Techs., Inc. v. United States, 370 F.3d 1153, 1159 (Fed. Cir. 2004)); Precision Pine & Timber, Inc. v. United States, 596 F.3d 817, 824 (Fed. Cir. 2010), cert. denied, 562 U.S. 1178, 131 S.Ct. 997, 178 L.Ed.2d 826 (2011); Bell/Heery v. United States, 739 F.3d 1324, 1331 (Fed. Cir.), reh'g and reh'g en banc denied (Fed. Cir. 2014); LAI Servs., Inc. v. Gates, 573 F.3d 1306, 1314 (Fed. Cir.), reh'g denied (Fed. Cir. 2009); *786 Barron Bancshares, Inc. v. United States, 366 F.3d 1360, 1375 (Fed. Cir. 2004); Foley Co. v. United States, 11 F.3d 1032, 1034 (Fed. Cir. 1993); Nw. Title Agency, Inc. v. United States, 126 Fed. Cl. 55, 57-58 (2016) (citing Foley Co. v. United States, 11 F.3d 1032, 1034 (Fed. Cir. 1993)) (“The starting point for any contract interpretation is the plain language of the agreement.”), aff'd, 855 F.3d 1344 (Fed. Cir. 2017); Beard v. United States, 125 Fed. Cl. at 158; Eden Isle Marina, Inc. v. United States, 113 Fed. Cl. 372, 483-84 (2013).

“ ‘In contract interpretation, the plain and unambiguous meaning of a written agreement controls.’ ” Arko Exec. Servs., Inc. v. United States, 553 F.3d 1375, 1379 (Fed. Cir. 2009) (quoting Hercules Inc. v. United States, 292 F.3d 1378, 1380-81 (Fed. Cir.), reh'g and reh'g en banc denied (Fed. Cir. 2002) (quoting Craft Mach. Works, Inc. v. United States, 926 F.2d 1110, 1113 (Fed. Cir. 1991))). “Terms must be given their plain meaning if the language of the contract is clear and unambiguous.” SUFI Network Servs., Inc. v. United States, 785 F.3d at 593 (citing Coast Fed. Bank, FSB v. United States, 323 F.3d 1035, 1038 (Fed. Cir. 2003)); see also Canpro Invs. Ltd. v. United States, 130 Fed. Cl. 320, 347, recons. denied, 131 Fed. Cl. 528 (2017); Beard v. United States, 125 Fed. Cl. at 158 (“If the contract language is unambiguous, then it must be given its plain and ordinary meaning”). The United States Court of Appeals for the Federal Circuit stated in Massie v. United States:

In interpreting a contract, “[w]e begin with the plain language.” “We give the words of the agreement their ordinary meaning unless the parties mutually intended and agreed to an alternative meaning.” In addition, “[w]e must interpret the contract in a manner that gives meaning to all of its provisions and makes sense.”

Massie v. United States, 166 F.3d 1184, 1189 (Fed. Cir. 1999) (quoting McAbee Constr., Inc. v. United States, 97 F.3d 1431, 1435, reh'g denied and en banc suggestion declined (Fed. Cir. 1996) (internal citations omitted)); Jowett, Inc. v. United States, 234 F.3d 1365, 1368 (Fed. Cir. 2000) (quoting McAbee Constr., Inc. v. United States, 97 F.3d at 1435; and Harris v. Dep't of Veterans Affairs, 142 F.3d 1463, 1467 (Fed. Cir. 1998)); Harris v. Dep't of Veterans Affairs, 142 F.3d at 1467; see also Coast Prof'l, Inc. v. United States, 828 F.3d 1349, 1354 (Fed. Cir. 2016); Shell Oil Co. v. United States, 751 F.3d 1282, 1305 (Fed. Cir.), reh'g en banc denied (Fed. Cir. 2014); McHugh v. DLT Sols., Inc., 618 F.3d 1375, 1380 (Fed. Cir. 2010); Giove v. Dep't of Transp., 230 F.3d 1333, 1340-41 (Fed. Cir. 2000) (“In addition, we must interpret the contract in a manner that gives meaning to all of its provisions and makes sense. Further, business contracts must be construed with business sense, as they naturally would be understood by intelligent men of affairs.” (citations omitted)); Gould, Inc. v. United States, 935 F.2d 1271, 1274 (Fed. Cir. 1991) (indicating that a preferable interpretation of a contract is one that gives meaning to all parts

of the contract rather than one that leaves a portion of the contract “useless, inexplicable, void, or superfluous”). A Judge of the United States Court of Federal Claims has explained:

“The words of a contract are deemed to have their ordinary meaning appropriate to the subject matter, unless a special or unusual meaning of a particular term or usage was intended, and was so understood by the parties.” [Lockheed Martin IR Imaging Sys., Inc. v. West](#), 108 F.3d 319, 322 (Fed. Cir. 1997). “Under general rules of contract law we are to interpret provisions of a contract so as to make them consistent.” [Abraham v. Rockwell Int'l Corp.](#), 326 F.3d 1242, 1251 (Fed. Cir. 2003). “[A]n agreement is not to be read in a way that places its provisions in conflict, when it is reasonable to read the provisions in harmony.... [T]he provisions must be read together in order to implement the substance and purpose of the entire agreement.” [Air-Sea Forwarders, Inc. v. United States](#), 166 F.3d 1170, 1172 (Fed. Cir. 1999). “A reasonable interpretation must assure that no contract provision is made inconsistent, superfluous, or redundant.” [Medlin Const. Grp., Ltd. v. Harvey](#), 449 F.3d 1195, 1200 (Fed. Cir. 2006) (internal quotation marks omitted).

[Dynetics, Inc. v. United States](#), 121 Fed. Cl. 492, 512 (2015); see also *787 [Marquardt Co. v. United States](#), 101 Fed. Cl. 265, 269 (2011) (“In interpreting contractual language, the court must give reasonable meaning to all parts of the contract and avoid rendering portions of the contract meaningless.” (citation omitted)).

The United States Court of Appeals for the Federal Circuit also has indicated that “[t]he contract must be construed to effectuate its spirit and purpose giving reasonable meaning to all parts of the contract.” [Arko Exec. Servs., Inc. v. United States](#), 553 F.3d at 1379 (quoting [Hercules Inc. v. United States](#), 292 F.3d at 1380-81); see also [LAI Servs., Inc. v. Gates](#), 573 F.3d at 1314; [Gardiner, Kamy & Assocs., P.C. v. Jackson](#), 467 F.3d 1348, 1353 (Fed. Cir. 2006) (citations omitted); [Medlin Constr. Grp., Ltd. v. Harvey](#), 449 F.3d at 1200; [Hunt Constr. Grp., Inc. v. United States](#), 281 F.3d 1369, 1372 (Fed. Cir. 2002) (“We begin with the plain language when interpreting a contract The contract must be considered as a whole and interpreted to effectuate its spirit and purpose, giving reasonable meaning to all parts.” (citations omitted)); [Beard v. United States](#), 125 Fed. Cl. at 158 (“In construing the meaning of a contractual provision, the court does not interpret the disputed term or phrase in isolation, but ‘construes contract terms in the context of the entire contract, avoiding any meaning that renders some part of the contract inoperative.’ ” (quoting [Pac. Gas & Elec. Co. v. United States](#), 536 F.3d 1282, 1288 (Fed. Cir. 2008))).

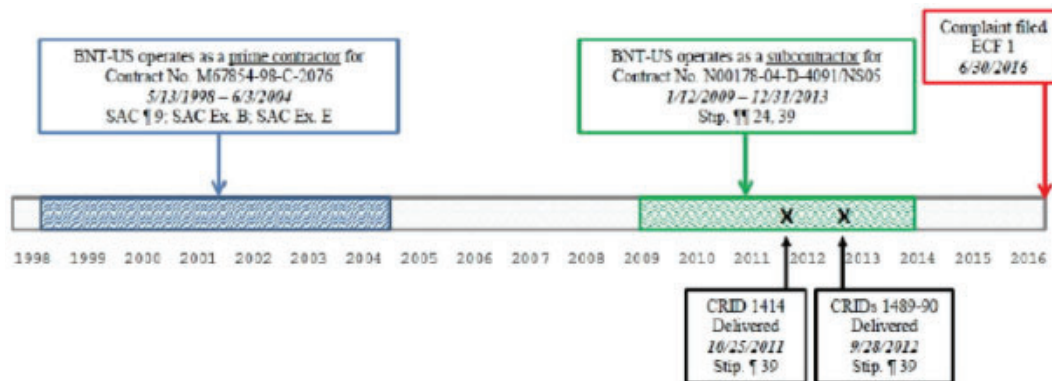
It has been “ ‘a fundamental precept of common law that the intention of the parties to a contract controls its interpretation.’ ” [Tri-Star Elecs. Int'l, Inc. v. Preci-Dip Durtal SA](#), 619 F.3d 1364, 1367 (Fed. Cir. 2010) (quoting [Beta Sys., Inc. v. United States](#), 838 F.2d 1179, 1185 (Fed. Cir. 1988) (quoting [Firestone Tire & Rubber Co. v. United States](#), 195 Ct. Cl. 21, 30, 444 F.2d 547 (1971))); [Alvin, Ltd. v. U.S. Postal Serv.](#), 816 F.2d 1562, 1565 (Fed. Cir. 1987) (“In the case of contracts, the avowed purpose and primary function of the court is the ascertainment of the intent of the parties.”); see also [Flexfab, LLC v. United States](#), 424 F.3d 1254, 1262 (Fed. Cir. 2005) (“[I]ntent is determined by looking to the contract and, if necessary, other objective evidence. In the absence of clear guidance from the contract language, the requisite intent on the part of the government can be inferred from the actions of the contracting officer”); [LaBatte v. United States](#), 142 Fed. Cl. 425, 433 (2019) (citations omitted); [Canpro Invs. Ltd. v. United States](#), 130 Fed. Cl. at 347 (“Contract interpretation requires determining the intention of the parties.”).

Plaintiffs and defendant do not dispute that the ‘2076 Contract was a valid contract between the United States government and BNT-US. Defendant, however, argues that the United States did not breach the ‘2076 Contract when two laptop computers containing JWARN Block 1F Phase 2 C2PC CRID 1414 were delivered to the Republic of Korea, when five additional laptop computers containing JWARN Block 1F Phase 2 C2PC CRID 1490 were delivered to the Republic of Korea, or when ten laptop computers containing JWARN Block 1F Phase 2 Standalone CRID 1489 were delivered to the Kingdom of Jordan. According to defendant, BNT-US did not deliver CRIDs 1414, 1489, or 1490 under the ‘2076 Contract, and the terms of the ‘2076 Contract, therefore, do not apply to CRIDs 1414, 1489, or 1490. Defendant argues that the USMC “administratively closed” the ‘2076 Contract on June 3, 2004, and that CRID 1414 was not delivered to the United States government until 2011, while CRIDs

1489 and 1490 were not delivered to the United States government until 2012. Because CRIDs 1414, 1489, and 1490 allegedly were not delivered to the United States government pursuant to BNT-US' '2076 Contract, defendant contends that the terms and software licenses in the '2076 Contract do not apply to CRIDs 1414, 1489, and 1490.

Defendant asserts that BNT-US delivered CRIDs 1414, 1489, and 1490 under Northrop Grumman's '4091/NS05 Contract involving Northrop Grumman's "Global Operations" project, on which BNT-US served as a subcontractor. In an attempt to support its position that CRIDs 1414, 1489, and 1490 were not delivered under the '2076 Contract, defendant included the following figure in its post-trial brief:

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Defendant argues that Northrop Grumman's '4091/NS05 Contract, which is the contract relating to the Northrop Grumman's "Global Operations" project, "has different terms than those identified by BNT-US in its certified contract claim and in this lawsuit. With respect to these computer program deliverables [CRIDs 1414, 1489, and 1490], BNT-US did not submit a certified claim that identified the proper contract that pertained to their delivery, nor did it identify the relevant contractual terms." Thus, defendant contends: "The Government's alleged transfer of the CRIDs 1414, 1489, and 1490 software acquired under the '4091/NS05 Contract could not have breached the software licensing terms of the '2076 Contract because the terms of that contract do not apply to the subcontracted deliverables under the Northrop Grumman '4091/NS05 Contract." Defendant also argues that BNT-US lacks privity with the government for claims arising under the Northrop Grumman '4091/NS05 Contract because BNT-US served as a subcontractor under Northrop Grumman's '4091/NS05 Contract.

Despite defendant's assertions, plaintiffs argue that defendant breached the '2076 Contract when the United States allegedly transferred CRIDs 1414 and 1490 to the Republic of Korea, as well as when the United States allegedly transferred CRID 1489 to the Kingdom of Jordan. According to plaintiffs' post-trial brief:

Since BNT-US consistently made the Government aware that the core NBC-Analysis COTS software within deliveries remained subject to the license terms of the '2076 Contract, and those license terms on their face are perpetual in duration, the Government is not relieved of its obligation to comply with these simply because the core software was re-delivered to the Government numerous times along with integration software developed by BNT-US under other subcontracts.

Plaintiffs argue that the '4091/NS05 Contract "was for BNT-US to perform system engineering, testing, troubleshooting, and certification services to the Government (through general contractor Northrop Grumman), on a time and material basis, with options to renew year to year." Plaintiffs further argue:

Provision of system engineering, testing, and troubleshooting services to make NBC-Analysis compatible with evolving weapons systems and equipment (pursuant to the '4091/NS05 subcontract) necessarily required those systems to integrate with something. That “something” was the core-NBC-Analysis software that the Government licensed through the ‘2076 Contract – a license that expressly allowed the Government to modify NBC-Analysis for its internal purposes, and to combine the software with other software, provided the license restrictions remain.

In the above-captioned case, on May 13, 1998, BNT-US and the USMC entered into the ‘2076 Contract, which contained Federal Acquisition Regulation (FAR) clause 52.227-19, titled “COMMERCIAL COMPUTER SOFTWARE--RESTRICTED RIGHTS (JUN 1987).” (capitalization in original). In the ‘2076 Contract, FAR clause 52.227-19 stated:

(a) As used in this clause, “restricted computer software” means any computer program, computer data base, or documentation thereof, that has been developed at private expense and either is a trade secret, *789 is commercial or financial and confidential or privileged, or is published and copyrighted.

(b) Notwithstanding any provisions to the contrary contained in any Contractor's standard commercial license or lease agreement pertaining to any restricted computer software delivered under this purchase order/contract, and irrespective of whether any such agreement has been proposed prior to or after issuance of this purchase order/contract or of the fact that such agreement may be affixed to or accompany the restricted computer software upon delivery, vendor agrees that the Government shall have the rights that are set forth in paragraph (c) of this clause to use, duplicate or disclose any restricted computer software delivered under this purchase order/contract. The terms and provisions of this contract, including any commercial lease or license agreement, shall be subject to paragraph (c) of this clause and shall comply with Federal laws and the Federal Acquisition Regulation.

Subparagraphs (c)(1) and (c)(2) of FAR clause 52.227-19 in the ‘2076 Contract stated:

(c)(1) The restricted computer software delivered under this contract may not be used, reproduced or disclosed by the Government except as provided in subparagraph (c)(2) of this clause or as expressly stated otherwise in this contract.

(2) The restricted computer software may be--

(i) Used or copied for use in or with the computer or computers for which it was acquired, including use at any Government installation to which such computer or computers may be transferred;

(ii) Used or copied for use in or with backup computer if any computer for which it was acquired is inoperative;

(iii) Reproduced for safekeeping (archives) or backup purposes;

(iv) Modified, adapted, or combined with other computer software, provided that the modified, combined, or adapted portions of the derivative software incorporating any of the delivered, restricted computer software shall be subject to same restrictions set forth in this purchase order/contract;

(v) Disclosed to and reproduced for use by support service Contractors or their subcontractors, subject to the same restrictions set forth in this purchase order/contract; and

(vi) Used or copied for use in or transferred to a replacement computer.

The ‘2076 Contract also contained a “Supplement to Terms & Conditions.” The “Supplement to Terms & Conditions” in the ‘2076 Contract provided:

In accordance with FAR 52-227-19, BRUHN NewTech, Inc. will place the following legend on the software.

NOTICE!

COMMERCIAL COMPUTER SOFTWARE

RESTRICTED RIGHTS

Notwithstanding any other lease or license agreement that may pertain to, or accompany the delivery of, this computer software, the rights of the Government regarding its use, reproduction and disclosure are as set forth in Government Contract No. M67854-98-C-2076.

LICENSE AGREEMENT

(Supplement to [FAR 52.227-19](#))

All software to be delivered under this contract including source codes, is commercial computer software subject to restricted rights specified in [FAR 52.227-19](#) "Commercial Computer Software - Restricted Rights" with the following additions to that clause:

1. The Government may make an unlimited number of copies of the software and may distribute and use the software in any computers owned or leased by the Government and operated by the U.S. Government personnel working for U.S. Government departments, organizations and agencies.
2. The Government's use of the software shall be limited to use in fulfillment of functions of the Government of the United States.
3. The Government shall not disclose the software and shall not give, sell, license or otherwise provide copies of the software or *790 use of the software to any third party person or entity including but not limited to members of the public, governments of foreign countries, or international agencies or organizations.

(capitalization and emphasis in original). As noted above, the parties have stipulated that the "software license provisions" in the '2076 Contract have not been amended or modified.

Under the '2076 Contract, BNT-US delivered to the government a DOS version of the NBC-Analysis software on May 14, 1998, as well as a Windows version of NBC-Analysis software on January 15, 1999, the latter of which was labeled as CRID 40. The delivery note BNT-US provided when delivering CRID 40 specifically identified the '2076 Contract as the "order no" under which CRID 40 was being delivered. As stated in the parties' joint stipulation of facts, pursuant to the statement of work for the '2076 Contract, "BNT-US delivered the NBC-Analysis software to the USMC to be used as the 'Commercial-Off-The-Shelf (COTS) software component to the Joint Warning and Reporting Network Program (JWARN)." As such, under the '2076 Contract, the United States government was granted "the rights that are set forth in paragraph (c) of this clause to use, duplicate or disclose any restricted computer software delivered under this purchase order/contract [the '2076 Contract]." In the referenced paragraph (c) in the '2076 Contract, subparagraph (c)(1) stated that the "restricted computer software delivered under this contract may not be used, reproduced or disclosed by the Government except as provided in subparagraph (c)(2) of this clause or as expressly stated otherwise in this contract." The referenced subparagraph (c)(2) in the '2076 Contract stated that the NBC-Analysis software delivered under the '2076 Contract could be "[u]sed or copied for use in or with the computer or computers for which it was acquired," and could be "[m]odified, adapted, or combined with other computer software, provided that the modified, combined, or adapted portions of the derivative software incorporating any of the delivered, restricted computer software shall be subject to same restrictions set forth in this purchase order/contract." The "Supplement to Terms & Conditions" in the '2076 Contract further stated that the United States government could not "disclose" or "provide copies of the software or

use of the software” delivered under the ‘2076 Contract to “any third party person or entity including but not limited to members of the public, governments of foreign countries, or international agencies or organizations.” Thus, under the terms of the ‘2076 Contract, restricted computer software delivered by BNT-US under the ‘2076 Contract, such as the 1998 DOS version of NBC-Analysis and CRID 40, could be “modified,” subject to the terms of the ‘2076 Contract, but could not be provided to a third party, entity, or foreign government.

According to the parties' joint stipulation of facts, under the ‘2076 Contract, BNT-US continued to deliver software and support services to the United States government until “at least” May 13, 2000. The parties further have stipulated that the government had paid BNT-US “in full for all work accomplished and deliverables under the ‘2076 Contract” as of June 3, 2004. The parties stipulated that, thereafter, “BNT-US worked on a series of contracts and subcontracts relating to JWARN Block 1 support activities for the United States Government,” providing “updates, refinements and services related to NBC-Analysis/JWARN Block 1 during these years.”

On January 12, 2009, BNT-US began working as a subcontractor to Northrop Grumman under Northrop Grumman's ‘4091/NS05 Contract, which included work on Northrop Grumman's “Global Operations” project. On October 25, 2011, BNT-US delivered CRID 1414 on a “CD” to “JPM IS CM,” which indicates that delivery was made to the Joint Project Manager for Information Systems, in San Diego, California. (capitalization in original). BNT-US' October 25, 2011 delivery note accompanying CRID 1414 indicates that CRID 1414 was delivered under “Our Order: Global Operations.” (capitalization in original). On September 28, 2012, BNT-US delivered CRID 1489 to “JPM IS CM” on a “CD” in San Diego, California. (capitalization in original). BNT-US' September 28, 2012 delivery note accompanying CRID 1489 indicates that CRID 1489 was delivered under “Our order no: Global Operations.” (capitalization *791 in original). Also on September 28, 2012, BNT-US delivered CRID 1490 to “JPM IS CM” on a “CD” in San Diego, California. (capitalization in original). BNT-US' September 28, 2012 delivery note accompanying CRID 1490 indicates that CRID 1490 was delivered under “Our order: Global Operations.” (capitalization in original).

The version of FAR clause 52.227-19 in the ‘2076 Contract, which was discussed above, pertains to “restricted computer software delivered under this purchase order/contract,” which was the ‘2076 Contract. Paragraph (c) of FAR clause 52.227-19 in the ‘2076 Contract limits the government's use of “restricted computer software delivered under this contract” to the articulated uses in subparagraph (c)(2) of FAR clause 52.227-19 in the ‘2076 Contract. The “Supplement to Terms & Conditions” in the ‘2076 Contract provides “additions” to FAR clause 52.227-19, which apply to “[a]ll software to be delivered under this contract.” The terms in the ‘2076 Contract, therefore, apply to software delivered under the ‘2076 Contract, such as CRID 40, which was delivered to the United States government on January 15, 1999.

BNT-US' delivery notes associated with CRIDs 1414, 1489, and 1490 all identified “Global Operations” as the “order” under which CRIDs 1414, 1489, and 1490 were being delivered. “Global Operations” was a Northrop Grumman project related to Northrop Grumman's ‘4091/NS05 Contract, under which the parties have stipulated BNT-US served as a subcontractor supporting Northrop Grumman's “Global Operations” project. The parties also have stipulated that, at the time when BNT-US delivered CRIDs 1414, 1489, and 1490 to the United States government, BNT-US was serving as a subcontractor to Northrop Grumman.¹³ Moreover, the government had paid BNT-US “in full for all work accomplished and deliverables under the ‘2076 Contract” as of June 3, 2004. CRID 1414 was not delivered to the government until October 21, 2011, more than seven years after June 3, 2004. CRIDs 1489 and 1490 were not delivered to the government until September 28, 2012, more than eight years after June 3, 2004. The 2011 and 2012 dates when CRIDs 1414, 1489, and 1490 were delivered to the government, as well as the associated delivery notes, indicate that CRIDs 1414, 1489, and 1490 were delivered under Northrop Grumman's ‘4091/NS05 Contract. Moreover, the delivery dates and notes indicate that BNT-US was not delivering CRIDs 1414, 1489, and 1490 under BNT-US' earlier ‘2076 Contract, for which, according to the parties' joint stipulation of facts, BNT-US already had been paid “in full for all work accomplished and deliverables under the ‘2076 Contract.” The terms of FAR clause 52.227-19 in the ‘2076 Contract, which apply to “any restricted computer software delivered under this purchase order/contract [the ‘2076 Contract],” and the “Supplement to Terms & Conditions” in the ‘2076 Contract, which apply to “[a]ll software to be delivered

under this contract [the '2076 Contract],” therefore, are not contractual terms which apply to deliveries of software BNT-US made under Northrop Grumman's '4091/NS05 Contract, including CRIDs 1414, 1489, and 1490.

- ¹³ When CRIDs 1414, 1489, and 1490 were delivered in 2011 and 2012, BNT-US was no longer serving as a prime contractor on a contract issued by the United States government. The parties have stipulated that BNT-US' “last performance” as a prime contractor on a contract issued by the United States government concluded on October 25, 2005.

Moreover, the NBC-Analysis software delivered by BNT-US was updated and changed between 1999, when CRID 40 was delivered, and 2011 and 2012, when CRIDs 1414, 1489, and 1490 were delivered. The parties' joint stipulation of facts provides that, “[i]n the years after making the initial delivery of NBC-Analysis software to the Government in 1998, BNT-Denmark and BNT-US developed and delivered to the Government additional software components to incorporate features developed specifically in response to JPMIS requirements.” In the report of plaintiffs' expert and fact witness, John O'Donahue,¹⁴ a former employee of *792 BNT-US, Mr. O'Donahue states that CRID 40 was compatible with the CBRN reporting standards in NATO's ATP-45A and was on a “Bruhn Newtech Baseline” of “NBC-Analysis 2.1.” According to John O'Donahue's expert report, CRIDs 1414, 1489, and 1490 all were compatible with the CBRN reporting standards in NATO's ATP-45C and were on a “Bruhn Newtech Baseline” of “NBC Analysis 10.” CRIDs 1414, 1489, and 1490, therefore, were revised to be compatible with a version of NATO's ATP-45 standards which was first published after CRID 40 was delivered in 1999. In John O'Donahue's expert report, John O'Donahue provides the following chart:

- ¹⁴ As discussed earlier, although originally designated as an expert witness by plaintiffs, John O'Donahue offered both expert testimony and fact testimony when called as a witness by plaintiffs. When called as a witness by plaintiffs, John O'Donahue offered fact testimony regarding his employment with BNT-US and work with NBC-Analysis software. Consequently, much of John O'Donahue's purported expert testimony consisted of a mix between factual testimony and testimony offered as expert testimony. Defendant also called John O'Donahue as a fact witness regarding Mr. O'Donahue's employment with BNT-US and work with NBC-Analysis software. John O'Donahue worked as a software engineer before becoming a manager for BNT-US, during which period of time a “significant part of what” Mr. O'Donahue “did was to develop sensor interfaces for JWARN, the joint military -- military Joint Warning and Reporting Network.” Mr. O'Donahue also stated that his “supervising was around 24 or something like that, and these people were doing C and C++ coding and Java coding on versions of NBC-ANALYSIS in order to make it run on these different platforms.” (capitalization in original).

	TOTAL CRID40 FILES	CRID40 FILES IN THIS CRID	PERCENT OF CRID40 IN THIS CRID
CRID395	1598	141	8.82%
CRID1414	1598	176	11.01%
CRID1489	1598	203	12.70%
CRID1490	1598	192	12.02%

Percentage of CRID 40 Source Files in Other CRIDS

(capitalization in original). As indicated in the image directly above, only 11.01% to 12.70% percent of the source code files in CRID 40 were in CRIDs 1414, 1489, and 1490.¹⁵ CRIDs 1414, 1489, and 1490 also contained considerably more total files than CRID 40, as indicated in John O'Donahue's chart below:

¹⁵ John O'Donahue's report indicates that approximately eighty percent of the files in CRID 395 were present in CRIDs 1414, 1489, and 1490, but CRID 395 was not "restricted computer software" delivered under the '2076 Contract, as the delivery note associated with CRID 395 indicates that BNT-US delivered CRID 395 under the 'A001 Contract to "JPM NBC CA" at Aberdeen Proving Ground, Maryland. (capitalization in original).

File Count by CRID #				
	All Files	C & C++ Files	Distinct C & C++ Files	Other Files Images Build Files
CRID40	3,026	1,913	1,898	1,113
CRID395	31,469	9,761	6,197	21,708
CRID1414	66,401	19,032	10,371	47,359
CRID1489	91,720	22,688	12,583	69,032
CRID1490	96,533	22,240	10,963	74,293
Totals	289,149	75,634	42,012	213,615

BNT-US and BNT-Denmark were revising and adding to the source code files in the *793 NBC-Analysis software between 1999, when CRID 40 was delivered, and 2011 and 2012, when CRIDs 1414, 1489, and 1490 were delivered, which further indicates that CRIDs 1414, 1489, and 1490 were not "restricted computer software" delivered under the '2076 Contract. Plaintiffs further argue that "BNT-US consistently made clear, with contemporaneous written notices, that the core NBC-Analysis software sold to the Government in the '2076 Contract remained subject to the perpetual software license terms of the '2076 Contract." In the Software Version Descriptions BNT-US provided to the government for CRIDs 1414, 1489, and 1490, the Software Version Descriptions stated that "the rights of the Government regarding its use, reproduction and disclosure are as set forth in Government Contract No. M67854-98-C-2076." The parties have stipulated that, within the Software Administrator's Manual for JWARN Phase 2 provided with CRIDs 1414, 1489, and 1490, "the instructions for installation state that, before the software installation may be completed, the installer must '[a]ccept the license agreement' by clicking 'next' after the software license agreement is displayed on the screen." (alterations in original). The software license agreement in the Software Administrator's Manual for JWARN Phase 2 identifies the '2076 Contract. Although BNT-US manuals accompanying CRIDs 1414, 1489, and 1490 reference the '2076 Contract, the references to the '2076 Contract do not lead to the conclusion that the 2011 and 2012 deliveries of CRIDs 1414, 1489, and 1490 occurred under the earlier '2076 Contract. CRIDs 1414, 1489, and 1490 were delivered pursuant to the Northrop Grumman's '4091/NS05 Contract, and, consequently, CRIDs 1414, 1489, and 1490 were not "software" delivered under the '2076 Contract and subject to the terms of the '2076 Contract. Moreover, John O'Donahue, when testifying as a fact witness, testified that he "believe[d]" the statement in the Software Version Descriptions that "the rights of the Government regarding its use, reproduction and disclosure are as set forth in Government Contract No. M67854-98-C-2076" "was something that we always added to deliverables." Further, the impact, if any, of BNT-US' statements in the Software Version Descriptions and Software Administrator's Manuals for JWARN Phase 2 for CRIDs 1414, 1489, and 1490 would need to be evaluated in light of the terms of Northrop Grumman's '4091/NS05 Contract, which Northrop Grumman contract was not offered for admission during the liability trial and is not in the record before the court, and which would relate to whether there was a potential breach of the '4091/NS05 Contract, not the '2076 Contract.

Plaintiffs also cite to the '2076 Contract and argue that "[n]othing in the software license suggests that the Government's obligations would sunset or expire, for as long as the Government used or deployed the NBC-Analysis software." The court's

above analysis and conclusion that the transfer of laptop computers containing CRIDs 1414, 1489, and 1490 did not breach the terms of the '2076 Contract because CRIDs 1414, 1489, and 1490 were not delivered under the '2076 Contract does not suggest that the terms of the '2076 Contract expired. The terms of FAR clause 52.227-19 in the '2076 Contract apply to "any restricted computer software delivered under this purchase order/contract," and the "Supplement to Terms & Conditions" in the '2076 Contract apply to "[a]ll software to be delivered under this contract." Although the terms in the '2076 Contract remain applicable to deliveries of software that occurred under the '2076 Contract, such as CRID 40, the terms in the '2076 Contract do not automatically apply to deliveries of software made pursuant to the other contracts, such as Northrop Grumman's '4091/NS05 Contract, under which BNT-US, as Northrop Grumman's subcontractor, delivered CRIDs 1414, 1489, and 1490. And plaintiffs have not demonstrated that the terms and restrictions were included in the Northrop Grumman '4091/NS05 Contract. Thus, the court concludes that the government did not breach the terms of the '2076 Contract, and that Count I of the second amended complaint, in which BNT-US asserts a breach of the '2076 Contract, fails.

Count II: BNT-Denmark's Copyright Infringement Claim








In Count II of the second amended complaint, BNT-Denmark asserts that the *794 United States engaged in actions infringing on two of BNT-Denmark's copyright registrations, which are the '500 Registration and the '490 Registration. The '500 Registration is titled "NBC Analysis - CRID 0040." The '490 Registration, is titled "NBC Analysis JWARN 1F PHASE 2, CRID 1489, 1490, and 1491." In discussing the elements of a copyright infringement claim, in the post-trial briefs, plaintiffs and defendant cite to the United States Supreme Court's decision in [Feist Publications, Inc. v. Rural Telephone Service Co.](#), 499 U.S. 340, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991), in which the United States Supreme Court stated: "Not all copying, however, is copyright infringement. To establish infringement, two elements must be proven: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original." [Id.](#) at 361, 111 S.Ct. 1282 (citing [Harper & Row Publishers, Inc. v. Nation Enters.](#), 471 U.S. 539, 547, 105 S.Ct. 2218, 85 L.Ed.2d 588 (1985)). The United States Court of Appeals for the Federal Circuit similarly has stated that copyright "[i]nfringement requires two elements: '(1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original.'" [Gaylord v. United States](#), 595 F.3d 1364, 1372 (Fed. Cir. 2010) (quoting [Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.](#), 499 U.S. at 361, 111 S.Ct. 1282). The party asserting a copyright infringement claim bears the burden of establishing both elements of a copyright infringement claim. [See](#) [Chamberlain Grp., Inc. v. Skylink Techs., Inc.](#), 381 F.3d 1178, 1193 (Fed. Cir.), [reh'g and reh'g en banc denied](#) (Fed. Cir. 2004), [cert. denied](#), 544 U.S. 923, 125 S.Ct. 1669, 161 L.Ed.2d 481 (2005); [see also](#) [Guzman v. Hacienda Records & Recording Studio, Inc.](#), 808 F.3d 1031, 1037 (5th Cir. 2015).




Standards for Invalidating a Copyright Registration

In the above-captioned case, the parties dispute whether BNT-Denmark's '500 Registration, relating to CRID 40, and '490 Registration, relating to CRIDs 1489, 1490, and 1491, are valid copyright registrations. The parties disagree as to the applicable standard regarding what is required to invalidate a copyright registration under 17 U.S.C. § 411(b). BNT-Denmark asserts that the certificates of registration for the '500 Registration and the '490 Registration, which are included as joint exhibits in the record before the court, constitute " 'prima facie evidence of the validity of the copyright and of the facts stated in the certificate.' " (quoting 17 U.S.C. § 410(c)). According to plaintiffs, in order to show that the '500 and '490 Registrations are invalid, defendant bears a "heavy burden" of proving that "the application for registration was factually inaccurate, that the inaccuracies were willful and deliberate, and that the Copyright Office relied on those misrepresentations." Plaintiffs argue that "[a]n innocent misstatement or a clerical error in the affidavit and certificate of registration, unaccompanied by fraud or intent to extend the statutory period of copyright protection, does not invalidate the copyright, nor is it thereby rendered incapable of supporting an infringement action." Plaintiffs contend that defendant bears the burden of showing that plaintiffs submitted the copyright applications with knowledge of the inaccuracies allegedly contained in the applications, and that the alleged inaccuracies were intended to defraud the Register of Copyrights.

Defendant, however, argues that “a registration with known, material inaccuracies cannot satisfy the prerequisite or establish ownership” of a valid copyright registration under 17 U.S.C. § 411(a). Defendant argues that, “contrary to Plaintiffs’ assertion, 17 U.S.C. § 411(b) does not require a showing of ‘fraud,’ ‘intent,’ or ‘willful[ness].’ The express language of the statutory provision requires none of those common-law-fraud-like elements.” (alterations in original). Defendant also asserts that the legislative history of 17 U.S.C. § 411(b) does not reference fraud or indicate that a showing of fraud is required to invalidate a copyright registration. Defendant argues that plaintiffs in this case are attempting to introduce a scienter requirement related to fraud into the statute at 17 U.S.C. § 411(b) by citing to cases that predate the October 13, 2008 revision of 17 U.S.C. § 411(b) or cases that “fail to apply the statute.”

***795** Regarding the interpretation of a statute, the United States Court of Appeals for the Federal Circuit has stated:

When interpreting a statute, we start with the language of the statute itself.  [Williams v. Taylor](#), 529 U.S. 420, 431, 120 S.Ct. 1479, 146 L.Ed.2d 435 (2000). We search for Congress’s intent using both the text and structure of the statute.  [Alexander v. Sandoval](#), 532 U.S. 275, 288, 121 S.Ct. 1511, 149 L.Ed.2d 517 (2001). In reviewing the statute’s text, we give the words “their ‘ordinary, contemporary, common meaning,’ absent an indication Congress intended them to bear some different import.”  [Williams](#), 529 U.S. at 431, 120 S.Ct. 1479 (quoting  [Walters v. Metro. Educ. Enters., Inc.](#), 519 U.S. 202, 207, 117 S.Ct. 660, 136 L.Ed.2d 644 (1997)); see also  [Moskal v. United States](#), 498 U.S. 103, 108, 111 S.Ct. 461, 112 L.Ed.2d 449 (1990) (“In determining the scope of a statute, we look first to its language, giving the words used their ordinary meaning.” (citations and internal quotation marks omitted)). If the statute is clear and unambiguous, then the plain meaning of the statute is generally conclusive, and we give effect to the unambiguously expressed intent of Congress.  [Sullivan v. Stroop](#), 496 U.S. 478, 482, 110 S.Ct. 2499, 110 L.Ed.2d 438 (1990). When the statutory language is ambiguous, legislative history can be useful in determining Congressional intent. See  [In re Swanson](#), 540 F.3d 1368, 1376 (Fed. Cir. 2008).

 [Indian Harbor Ins. Co. v. United States](#), 704 F.3d 949, 954 (Fed. Cir. 2013); see also [White v. United States](#), 543 F.3d 1330, 1337 (Fed. Cir. 2008) (“First and foremost, it is a bedrock canon of statutory construction that our judicial inquiry ends where statutory language is plain and unambiguous.” (citations omitted)), [reh’g and reh’g en banc denied](#) (Fed. Cir. 2009);   [Texaco Marine Servs., Inc. v. United States](#), 44 F.3d 1539, 1543 (Fed. Cir. 1994) (“Our interpretation of the statute begins with the language employed by Congress.” (citations omitted)).

According to 17 U.S.C. § 410(a), when the Register of Copyrights determines that “the material deposited constitutes copyrightable subject matter and that the other legal and formal requirements of this title have been met, the Register shall register the claim and issue to the applicant a certificate of registration under the seal of the Copyright Office.” *Id.* In a judicial proceeding, a certificate of copyright registration

made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

17 U.S.C. § 410(c).

The relevant language in the currently in effect version of 17 U.S.C. § 411 provides:

(a) Except for an action brought for a violation of the rights of the author under section 106A(a), and subject to the provisions of subsection (b), no civil action for infringement of the copyright in any United States work shall be instituted until

preregistration or registration of the copyright claim has been made in accordance with this title. In any case, however, where the deposit, application, and fee required for registration have been delivered to the Copyright Office in proper form and registration has been refused, the applicant is entitled to institute a civil action for infringement if notice thereof, with a copy of the complaint, is served on the Register of Copyrights. The Register may, at his or her option, become a party to the action with respect to the issue of registrability of the copyright claim by entering an appearance within sixty days after such service, but the Register's failure to become a party shall not deprive the court of jurisdiction to determine that issue.

(b)(1) A certificate of registration satisfies the requirements of this section and section 412, regardless of whether the certificate contains any inaccurate information, unless--

(A) the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and

*796 (B) the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.

(2) In any case in which inaccurate information described under paragraph (1) is alleged, the court shall request the Register of Copyrights to advise the court whether the inaccurate information, if known, would have caused the Register of Copyrights to refuse registration.

(3) Nothing in this subsection shall affect any rights, obligations, or requirements of a person related to information contained in a registration certificate, except for the institution of and remedies in infringement actions under this section and section 412.

17 U.S.C. § 411(a)-(b). The above-language of 17 U.S.C. § 411(b) was added into the currently in effect statute at 17 U.S.C. § 411 when 17 U.S.C. § 411 was amended on October 13, 2008, as part of the Prioritizing Resources and Organization for Intellectual Property Act of 2008 (the 2008 PRO IP Act), Pub. L. No. 110-403, 122 Stat. 4256 (Oct. 13, 2008). See also [Archie MD, Inc. v. Elsevier, Inc.](#), 261 F. Supp. 3d 512, 515 (S.D.N.Y. 2017) (noting that the 2008 PRO IP Act amended 17 U.S.C. § 411 to provide the currently in effect version of 17 U.S.C. § 411(b)). Prior to October 13, 2008, 17 U.S.C. § 411 did not include language similar to the current version of 17 U.S.C. § 411(b).

As indicated above, the statute at 17 U.S.C. § 411(a) states that, “subject to the provisions of subsection (b), no civil action for infringement of the copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made in accordance with this title.” 17 U.S.C. § 411(a); see also [Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC](#), 139 S. Ct. at 886-87 (“[R]egistration occurs, and a copyright claimant may commence an infringement suit, when the Copyright Office registers a copyright. Upon registration of the copyright, however, a copyright owner can recover for infringement that occurred both before and after registration.”). The statute at “subsection (b),” i.e., 17 U.S.C. § 411(b), states that a certificate of copyright registration “satisfies the requirements of this section and section 412, regardless of whether the certificate contains any inaccurate information, unless” the following circumstances are present: “inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate;” and “the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.” See 17 U.S.C. § 411(b)(1). The statute at 17 U.S.C. § 411(b), therefore, states that a copyright registration does not satisfy the registration requirements of 17 U.S.C. § 411(a) for filing a copyright infringement claim if: (1) inaccurate information was included on a copyright registration application “with knowledge that it was inaccurate;” and (2) the Register of Copyrights would have “refuse[d] registration” of the copyright registration application if the Register of Copyrights knew that the copyright registration application included the inaccurate information. See [id.](#) § 411(a). Although plaintiffs in the above-captioned case argue that 17 U.S.C. § 411(b) requires that “the inaccuracies [in the copyright application] were willful and deliberate,” the language of 17 U.S.C. § 411(b) does not prescribe a requirement that inaccurate information be willfully or deliberately included in a copyright registration application. Rather, the language in the statute at 17 U.S.C. § 411(b) only requires that inaccurate information be included on a copyright registration application “with knowledge that it was inaccurate,” as well as a showing that the inaccurate information, if known by the Register of Copyrights, would have caused the Register of Copyrights to refuse the copyright registration application.

The language in 17 U.S.C. § 411(b) does not require a showing of willfulness or fraud. Therefore, the court need not resort to the legislative history to interpret 17 U.S.C. § 411(b) because the language in 17 U.S.C. § 411(b) is unambiguous.¹⁶ Notwithstanding *797 that the language in the statute at 17 U.S.C. § 411(b) does not require a showing of fraud or willfulness to find a copyright registration to be invalid for purposes of 17 U.S.C. § 411(a), plaintiffs attempt to put forth several arguments as to why fraud or willfulness is required to invalidate a copyright for purposes of filing a civil action for copyright infringement. Prior to the amendment of 17 U.S.C. § 411(b) on October 13, 2008, when analyzing whether to invalidate a copyright registration, certain courts had stated that “an innocent misstatement, or a clerical error, in the affidavit and certificate of registration, unaccompanied by fraud or intent to extend the statutory period of copyright protection, does not invalidate the copyright, nor is it thereby rendered incapable of supporting an infringement action.” See [Advisers, Inc. v. Wiesen-Hart, Inc.](#), 238 F.2d 706, 708 (6th Cir. 1956) (citing [Ziegelheim v. Flohr](#), 119 F. Supp. 324 (E.D.N.Y. 1954)); see also [Eckes v. Card Prices Update](#), 736 F.2d 859, 861-62 (2d Cir. 1984) (“Only the ‘knowing failure to advise the Copyright Office of facts which might have occasioned a rejection of the application constitute[s] reason for holding the registration invalid and thus incapable of supporting an infringement action ... or denying enforcement on the ground of unclean hands’ ” (alterations and omissions in original) (quoting [Russ Berrie & Co. v. Jerry Elsner Co.](#), 482 F. Supp. 980, 988 (S.D.N.Y. 1980))). Other courts, prior to the amendment of 17 U.S.C. § 411(b) on October 13, 2008, also had made similar statements regarding the validity of copyright registrations, such as “inadvertent mistakes on registration certificates do not invalidate a copyright and thus do not bar infringement actions, unless the alleged infringer has relied to its detriment on the mistake, or the claimant intended to defraud the Copyright Office by making the misstatement.” See [Urantia Found. v. Maaherra](#), 114 F.3d 955, 963 (9th Cir. 1997); see also [S.O.S., Inc. v. Payday, Inc.](#), 886 F.2d 1081, 1086 (9th Cir. 1989) (“ ‘Absent intent to defraud and prejudice, inaccuracies in copyright registration do not bar actions for infringement.’ ” (quoting [Harris v. Emus Records Corp.](#), 734 F.2d 1329, 1335 (9th Cir. 1984))). As stated above, prior to October 13, 2008, 17 U.S.C. § 411 did not include language similar to the current version of 17 U.S.C. § 411(b) nor a standard regarding invalidation of a copyright registration for purposes of filing a copyright infringement claim. See 2 MELVILLE NIMMER AND DAVID NIMMER, NIMMER ON COPYRIGHT § 7.20[B][2] (Rev. ed. 2019) (“When it enacted the Prioritizing Resources and Organization for Intellectual Property Act of 2008, Congress for the first time took the court-made standards underlying the previous discussion and articulated the applicable standards directly in the Copyright Act.” (footnotes omitted)).

¹⁶ The court also notes, however, that the legislative history of the 2008 PRO IP Act also does not appear to indicate that a showing of fraud or willfulness is required under 17 U.S.C. § 411(b). In a May 5, 2008 report from the United States House Committee on the Judiciary, the United States House Committee on the Judiciary stated:

It has also been argued in litigation that a mistake in the registration documents, such as checking the wrong box on the registration form, renders a registration invalid and thus forecloses the availability of statutory damages. To prevent intellectual property thieves from exploiting this potential loophole, the Act makes clear that a registration containing inaccuracies will satisfy the registration requirements of the Copyright Act unless the mistake was knowingly made and the inaccuracy, if known, would have caused the Register of Copyrights to refuse the registration. And in cases where mistakes in a copyright registration are alleged, courts will be required to seek the advice of the Register of Copyrights as to whether the asserted mistake, if known at the time of application, would have caused the Copyright Office to refuse registration.

H.R. Rep. 110-617, at 24 (2008) (footnote omitted). The above-quoted United States House Committee on the Judiciary report does not mention any requirement of fraud or willfulness, and plaintiffs have not cited to any legislative history indicating that a showing of fraud or willfulness is required under 17 U.S.C. § 411(b).

Many of the cases cited in plaintiffs' post-trial filings regarding what is required to invalidate a copyright registration under 17 U.S.C. § 411(b) for purposes of filing a civil copyright infringement claim predate the current version of 17 U.S.C. § 411(b), which went into effect on October 13, 2008, including: [Advisers, Inc. v. Wiesen-Hart, Inc.](#), 238 F.2d 706 (6th Cir. 1956); [Thornton v. J Jargon Co.](#), 580 F. Supp. 2d 1261 (M.D. Fla. 2008);¹⁷ [*798 Shady Records, Inc. v. Source Enterprises, Inc.](#), No. 03 Civ. 9944(GEL), 2005 WL 14920 (S.D.N.Y. Jan. 3, 2005); [Tuff-N-Rumble Management, Inc. v. Sugarhill Music](#)

[Publishing Inc.](#), 99 F. Supp. 2d 450 (S.D.N.Y. 2000); [Lennon v. Seaman](#), 84 F. Supp. 2d 522 (S.D.N.Y. 2000); [Testa v. Janssen](#), 492 F. Supp. 198 (W.D. Pa. 1980). The cases predating the October 13, 2008 amendment of 17 U.S.C. § 411(b) do not apply the standard for invalidating a copyright registration under the current version of 17 U.S.C. § 411(b) because, prior to October 13, 2008, 17 U.S.C. § 411 did not include the standard in the current version of 17 U.S.C. § 411(b).

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The United States District Court for the Middle District of Florida's decision in [Thornton v. J Jargon Co.](#), 580 F. Supp. 2d 1261, was issued on July 8, 2008, approximately three months before the current version of 17 U.S.C. § 411 went into effect on October 13, 2008.

Since the amendment of 17 U.S.C. § 411(b), several United States Courts of Appeals have tried to address whether a showing of fraud on the Register of Copyrights is necessary to invalidate a copyright registration under 17 U.S.C. § 411(b).¹⁸ See [Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d 1140, 1146-48 (9th Cir. 2019); [Roberts v. Gordy](#), 877 F.3d 1024, 1029-30 (11th Cir. 2017). In [Roberts v. Gordy](#), the United States Court of Appeals for the Eleventh Circuit quoted the language in the current version of 17 U.S.C. § 411(b) and stated:

This statute [17 U.S.C. § 411(b)], which Congress modified in 2008, codifies the defense of Fraud on the Copyright Office. [n.5] Appellees assert that the 2008 amendment to the Copyright Act “precludes reading ‘fraud’ into the statute,” see Appellees Br. at 20, and they averred at oral argument that the 2008 amendment served as a ‘sea change’ in copyright policy that superseded this Court's precedent (even though the amendment was enacted between the [Original Appalachian \[v. Toy Loft, Inc.\]](#), 684 F.2d 821 (11th Cir. 1982)) and [St. Luke's \[Cataract & Laser Inst., P.A. v. Sanderson\]](#), 573 F.3d 1186 (11th Cir. 2009)) decisions). They are wrong. This Court's analysis in [St. Luke's](#) directly cites to the post-2008 amendment statutory language and reaffirmed the finding from [Original Appalachian](#) that the “intentional or purposeful concealment of relevant information” is required to invalidate a copyright registration. See [St. Luke's](#), 573 F.3d at 1201.

[n.5] See generally, e.g., U.S. Copyright Office, Annual Report of the Register of Copyrights, Fiscal Year Ending September 30, 2008 12-13 (2008), <https://www.copyright.gov/reports/annual/2008/ar2008.pdf> (“The Prioritizing Resources and Organization for Intellectual Property Act (Pub. L. No. 110-403), also known as the PRO-IP Act, strengthens the intellectual property laws of the United States in several respects. For example, it amends section 411 of the copyright law to codify the doctrine of fraud on the Copyright Office in the registration process.”).

[Roberts v. Gordy](#), 877 F.3d at 1029. The Eleventh Circuit's determination in [Roberts v. Gordy](#) that “[t]hey [the appellees] in [Roberts v. Gordy](#) are wrong” and that the current version of 17 U.S.C. § 411(b) requires a showing that of “intentional or purposeful concealment of relevant information” to invalidate a copyright registration appears to be primarily based on the language in the Annual Report of the Register of Copyrights, Fiscal Year Ending September 30, 2008 (the 2008 Annual Report of the Register of Copyrights), and the United States Court of Appeals for the Eleventh Circuit's post-October 13, 2008 decision in [St. Luke's Cataract & Laser Institute, P.A.](#) See [Roberts v. Gordy](#), 877 F.3d at 1029 (internal quotation mark and citation omitted).




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Following the amendment of 17 U.S.C. § 411 on October 13, 2008, the United States Court of Appeals for the Federal Circuit has not directly addressed in a copyright case whether a showing of fraud on the Register of Copyrights is necessary to invalidate a copyright registration under the current version of 17 U.S.C. § 411(b).







In the 2008 Annual Report of the Register of Copyrights, the Register of Copyrights provided a brief summary of the 2008 PRO IP Act, stating:

The Prioritizing Resources and Organization for Intellectual Property Act (Pub. L. No. 110-403), also known as the PRO-IP Act, strengthens the intellectual property laws of the United States in several respects. For example, it amends section 411 *799 of the copyright law to codify the doctrine of fraud on the Copyright Office in the registration process. The law also clarifies that registration is not a prerequisite for a criminal copyright prosecution and makes it unlawful (civilly and criminally) to export unauthorized copies or phonorecords of protected works from the United States. In addition, the law amends section 506 of the law to provide for the forfeiture to the U.S. government of any property used to commit or facilitate the commission of a criminal offense involving copyrighted works.

See U.S. COPYRIGHT OFFICE, ANNUAL REPORT OF THE REGISTER OF COPYRIGHTS, FISCAL YEAR ENDING SEPTEMBER 30, 2008 12-13 (2008). In the 2008 Annual Report of the Register of Copyrights, the Register of Copyrights did not explain how the statement in the current version of 17 U.S.C. § 411(b) that “a certificate of registration satisfies the requirements of this section and section 412” unless “inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate” and “the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration” codified “the doctrine of fraud on the Copyright Office.” See U.S. COPYRIGHT OFFICE, ANNUAL REPORT OF THE REGISTER OF COPYRIGHTS, FISCAL YEAR ENDING SEPTEMBER 30, 2008 12-13. Nor did the Register of Copyrights cite to any legislative material to support its statement in its 2008 Annual Report of the Register of Copyrights that the 2008 PRO IP Act “amends section 411 of the copyright law to codify the doctrine of fraud on the Copyright Office in the registration process.” See *id.* Moreover, the Register of Copyrights also did not define its understanding of “the doctrine of fraud on the Copyright Office” and did not cite to any cases applying what the Register of Copyrights considered to be “the doctrine of fraud on the Copyright Office.” See *id.*

In  [St. Luke's Cataract & Laser Institute, P.A.](#), which the Eleventh Circuit relied upon in  [Roberts v. Gordy](#), the United States Court of Appeals for the Eleventh Circuit was reviewing a district court's denial of a motion for a new trial involving a copyright infringement claim. See  [St. Luke's Cataract & Laser Inst., P.A. v. Sanderson](#), 573 F.3d at 1200. Regarding what was required to invalidate a copyright registration, the United States Court of Appeals for the Eleventh Circuit stated:

A certificate of registration satisfies the registration requirement in § 411(a) “regardless of whether the certificate contains any inaccurate information, unless ... (A) the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate; and (B) the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.” *Id.* § 411(b)(1). “[O]missions or misrepresentations in a copyright application can render the registration invalid” where there has been “intentional or purposeful concealment of relevant information.”  [Original Appalachian Artworks, Inc. v. Toy Loft, Inc.](#), 684 F.2d 821, 828 (11th Cir. 1982). Thus, there must be a showing of “scienter” in order to invalidate a copyright registration.  *Id.* “In general, an error is immaterial if its discovery is not likely to have led the Copyright Office to refuse the application.”  [Data Gen. Corp. v. Grumman Sys. Support Corp.](#), 36 F.3d 1147, 1161 (1st Cir. 1994).

 [St. Luke's Cataract & Laser Inst., P.A. v. Sanderson](#), 573 F.3d at 1201 (omission in original). Although the Eleventh Circuit in  [St. Luke's Cataract & Laser Institute, P.A.](#) does quote the current language of 17 U.S.C. § 411(b), the  [St. Luke's Cataract & Laser Institute, P.A.](#) court, nevertheless, relies on precedent predating the October 13, 2008 amendment of 17 U.S.C. § 411(b). See  [St. Luke's Cataract & Laser Inst., P.A. v. Sanderson](#), 573 F.3d at 1201 (quoting  [Original Appalachian Artworks, Inc. v. Toy Loft, Inc.](#), 684 F.2d at 828). The  [St. Luke's Cataract & Laser Institute, P.A.](#) court does not explain why pre-October 13, 2008 precedent involving a requirement of intentional or purpose concealment of information in order to invalidate a copyright

registration still applies or how the October 13, 2008 amendment of 17 U.S.C. § 411(b) impacts the earlier precedent cited by the [St. Luke's Cataract & Laser Institute, P.A.](#) court. See [*800 St. Luke's Cataract & Laser Inst., P.A. v. Sanderson](#), 573 F.3d at 1201. Moreover, the [St. Luke's Cataract & Laser Institute, P.A.](#) court does not discuss why or how the plain language of 17 U.S.C. § 411(b) requires intentional or purposeful concealment of information in order to invalidate a copyright registration.

Thus, the authorities relied upon in [Roberts v. Gordy](#), 877 F.3d at 1029, namely the 2008 Annual Report of the Register of Copyrights and [St. Luke's Cataract & Laser Institute, P.A.](#), 573 F.3d at 1201, contain limited analysis of the language in the post-October 13, 2008 version of 17 U.S.C. § 411(b). The United States Court of Appeals for the Eleventh Circuit in [Roberts v. Gordy](#), 877 F.3d at 1029, stated that [St. Luke's Cataract & Laser Institute, P.A.](#) “reaffirmed the finding from [Original Appalachian](#) that the ‘intentional or purposeful concealment of relevant information’ is required to invalidate a copyright registration,” but neither [Roberts v. Gordy](#) nor [St. Luke's Cataract & Laser Institute, P.A.](#) contain persuasive reasoning as to why intentional or purposeful concealment is required to invalidate a copyright registration in light of the explicit words in the October 13, 2008 amendment to 17 U.S.C. § 411(b).

In [Gold Value International Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1146-48, the United States Court of Appeals for the Ninth Circuit, in 2019, addressed the requirements for invalidating a copyright registration under the current version of 17 U.S.C. § 411(b). According to the Ninth Circuit:

An inaccuracy in the application does not necessarily invalidate a copyright registration, however. See 17 U.S.C. § 411(b)(1). Rather, the inaccurate information must have been included in the application for copyright registration “with knowledge that it was inaccurate” and “the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.” *Id.*; see also [L.A. Printex \[Indus., Inc. v. Aeropostale, Inc.\]](#), 676 F.3d [841,] at 852-53 [(9th Cir. 2012)].

[Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1146. The United States Court of Appeals for the Ninth Circuit further stated:

Fiesta [the appellant] claims that [L.A. Printex](#) requires a showing of fraud on the part of the claimant in order to invalidate a copyright registration. [L.A. Printex](#) did not address this issue, however. Although we stated that there was no evidence that the claimant intended to defraud the Copyright Office, we did not consider the issue of whether a showing of fraud is required to invalidate a registration pursuant to § 411(b). [L.A. Printex](#), 676 F.3d at 853-54. We hold that Fiesta's argument is foreclosed by the plain language of § 411(b), which does not require a showing of fraud, but only that the claimant included inaccurate information on the application “with knowledge that it was inaccurate.” 17 U.S.C. § 411(b)(1)(A); see also [Lamie v. United States Tr.](#), 540 U.S. 526, 534, 124 S.Ct. 1023, 157 L.Ed.2d 1024 (2004) (“It is well established that ‘when the statute's language is plain, the sole function of the courts—at least where the disposition required by the text is not absurd—is to enforce it according to its terms.’ ” (citation omitted)).

Fiesta was admittedly aware of the facts regarding its fabric sales; its inclusion of designs that it knew had been sold, and therefore published, in an unpublished collection cannot be characterized as an inadvertent or good faith mistake. Thus, Fiesta included inaccurate information on its application with knowledge that it was inaccurate.

[Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1147-48 (footnote omitted).

In [Gold Value International Textile, Inc.](#), the Ninth Circuit also addressed the Eleventh Circuit's Opinion in [Roberts v. Gordy](#). See [Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1147 n.4. In a footnote, the [Gold Value International Textile, Inc.](#) court stated:

The Eleventh Circuit held in [Roberts v. Gordy](#) that a showing of “intentional or purposeful concealment of relevant information” is required to render a registration invalid. [877 F.3d 1024, 1029 \(11th Cir. 2017\)](#) (citation omitted). The court relied upon its prior precedent, however, without *801 attention to the plain language of § 411(b). Section 411(b) does not mention intentional concealment or fraud, but only that the information was included “with knowledge that it was inaccurate.” 17 U.S.C. § 411(b)(1).

[Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1147 n.4. The United States Court of Appeals for the Ninth Circuit, therefore, concluded that a showing of fraud or intentional concealment is not required under the current version of 17 U.S.C. § 411(b). See [id.](#) at 1147.

Plaintiffs cite, multiple times, to [Jedson Engineering, Inc. v. Spirit Construction Services, Inc.](#), 720 F. Supp. 2d 904 (S.D. Ohio 2010), which was issued two years after the 2008 PRO IP Act and the amendment of 17 U.S.C. § 411(b). In [Jedson Engineering, Inc.](#), the [Jedson Engineering, Inc.](#) defendants argued before the United States District Court for the Southern District of Ohio that “Jedson is not entitled to a presumption of validity because of irregularities in the registration of Jedson's copyrights.” [Jedson Eng'g, Inc. v. Spirit Constr. Servs., Inc.](#), 720 F. Supp. 2d at 913. Without citing to the current version of 17 U.S.C. § 411, which was in effect at the time of the United States District Court for the Southern District of Ohio's 2010 decision, the Southern District of Ohio quoted from a 2008 unpublished decision, which the Southern District of Ohio stated “aptly explained” that a party seeking to establish fraud on the Register of Copyrights bears the heavy burden of establishing that the inaccuracies were deliberate. See [id.](#) (quoting [Tacori Enters. v. Rego Mfg.](#), No. 1:05CV2241, 2008 WL 4426343, at *1 (N.D. Ohio Sept. 25, 2008)). The United States District Court for the Southern District of Ohio's 2010 decision in [Jedson Engineering, Inc.](#), however, did not cite to or address the language in the current version of 17 U.S.C. § 411(b). See [Jedson Eng'g, Inc. v. Spirit Constr. Servs., Inc.](#), 720 F. Supp. 2d at 913-14. Moreover, the [Jedson Engineering, Inc.](#), court relied heavily on and quoted a large passage from the unpublished decision in [Tacori Enterprises](#), which was issued on September 25, 2008. The version of 17 U.S.C. § 411(b) currently at issue in this court in the above-captioned cases went into effect on October 13, 2008, and, therefore, the current version of 17 U.S.C. § 411(b) was not addressed in the earlier September 25, 2008 [Tacori Enterprises](#) unpublished decision. Because [Jedson Engineering, Inc.](#) did not cite to or analyze the language in the current version 17 U.S.C. § 411(b) and heavily relied on the unpublished decision in [Tacori Enterprises](#), which predated the current version of 17 U.S.C. § 411(b), plaintiffs' reliance on [Jedson Engineering, Inc.](#) is misplaced.

In the post-trial filings, plaintiffs also cite to [Lego A/S v. Best-Lock Construction Toys, Inc.](#), 874 F. Supp. 2d 75 (D. Conn. 2012), and [Sierra-Pascual v. Pina Records, Inc.](#), 660 F. Supp. 2d 196 (D.P.R. 2009). In [Lego A/S](#), one party specifically alleged that a copyright registrant had committed fraud on the Register of Copyrights and, in discussing whether to invalidate the copy registrations at issue in [Lego A/S](#), the United States District Court for the District of Connecticut also did not cite to or discuss the current version of 17 U.S.C. § 411(b). See [Lego A/S v. Best-Lock Constr. Toys, Inc.](#), 874 F. Supp. 2d at 102. In [Sierra-Pascual](#), the United States District Court for the District of Puerto Rico stated that Pina Records, Inc. alleged “that Sierra *willfully* withheld [sic] the information here at issue, a fraudulent act that would in itself invalidate the copyright registration.” [Sierra-Pascual v. Pina Records, Inc.](#), 660 F. Supp. 2d at 203 (emphasis in original). The [Sierra-Pascual](#) court did not cite to or discuss the current version of 17 U.S.C. § 411(b). See [id.](#) Both [Lego A/S](#) and [Sierra-Pascual](#) specifically involved allegations of fraud on the Register of Copyrights. Neither case provides persuasive support for plaintiffs'

argument that 17 U.S.C. § 411(b) requires a showing of fraud or willfulness to invalidate a copyright for purposes of filing a copyright infringement claim.

Additionally, plaintiffs cite to a patent case, [Therasense, Inc. v. Becton, Dickinson & Co.](#), 649 F.3d 1276 (Fed. Cir. 2011) (en banc), and argue, in plaintiffs' post-trial brief, that, “[s]ince the court in [Therasense](#) [sic] opined that ‘[b]ut-for proof is required to invalidate copyrights,[’]” it “stands to reason that the same high standards of proof must be applied in a copyright infringement case.” *802 [Therasense, Inc.](#) was a patent case, in which the United States Court of Appeals for the Federal Circuit addressed the “inequitable conduct,” patent doctrine. See [Therasense, Inc. v. Becton, Dickinson & Co.](#), 649 F.3d at 1285. The United States Court of Appeals for the Federal Circuit in [Therasense, Inc.](#) stated:

Moreover, if this court were to consider standards of materiality in other contexts, the most analogous area of law is copyright. See [Sony Corp. of Am. v. Univ. City Studios, Inc.](#), 464 U.S. 417, 439, 104 S.Ct. 774, 78 L.Ed.2d 574 (1984) (finding it appropriate to draw an analogy between copyrights and patents “because of the historic kinship between patent law and copyright law”). But-for proof is required to invalidate both copyrights and trademarks based on applicant misconduct. See 17 U.S.C. § 411(b)(1) (copyright); [Citibank, N.A. v. Citibanc Group, Inc.](#), 724 F.2d 1540, 1544 (11th Cir. 1984) (trademarks). The dissent concedes that “but for” materiality is required to cancel a trademark but contends that it is not required to invalidate federal registration of a copyright. Various courts have held otherwise. See 2 Melville B. Nimmer & David Nimmer, [Nimmer on Copyright](#) § 7.20 [B][1] (rev. ed. 2010) (“plaintiff’s failure to inform the Copyright Office of given facts is without substance, to the extent that the Office would have registered the subject work even had it known those facts”). Moreover, the Copyright Act has codified this “but for” requirement, making clear that copyright registration is sufficient to permit an infringement suit, even if the certificate of registration contains inaccurate information, unless “the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.” 17 U.S.C. § 411(b)(1); see also 2 [Nimmer on Copyright](#) § 7.20[B][2] (explaining that the materiality “standard [set forth in the 2008 amendment to the Copyright Act] is well in line with the construction of the Act prior to this amendment”).

[Therasense, Inc. v. Becton, Dickinson & Co.](#), 649 F.3d at 1295 (alterations in original). The Federal Circuit’s decision in [Therasense, Inc.](#) does not indicate that, under 17 U.S.C. § 411(b), a showing of fraud or willfulness is required to invalidate a copyright registration for purposes of filing a copyright infringement claim, as the Federal Circuit only mentions that “copyright registration is sufficient to permit an infringement suit, even if the certificate of registration contains inaccurate information, unless ‘the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration.’ ” [Therasense, Inc. v. Becton, Dickinson & Co.](#), 649 F.3d at 1295 (quoting 17 U.S.C. § 411(b)).

Based on the discussion above, this court concludes that 17 U.S.C. § 411(b) does not require a showing of fraud or willfulness to invalidate a copyright registration for purposes of filing a copyright infringement claim, and plaintiff has not demonstrated otherwise. The court’s conclusion in the above-captioned case regarding the interpretation of 17 U.S.C. § 411(b) is consistent with the United States Court of Appeals for the Ninth’s Circuit’s statement in [Gold Value International Textile, Inc.](#) that the “plain language of § 411(b)” “does not require a showing of fraud, but only that the claimant included inaccurate information on the application ‘with knowledge that it was inaccurate.’ ” See [Gold Value Int’l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1147 (quoting 17 U.S.C. § 411(b)(1)(A)). Moreover, other district courts have found that the language in the current version of 17 U.S.C. § 411(b) does not require a showing of fraud or willfulness. See [SellPoolSuppliesOnline.com LLC v. Ugly Pools Ariz. Inc.](#), No. CV-15-01856-PHX-BSB, 2018 WL 4565900, at *12 (D. Ariz. Sept. 24, 2018) (“The Court, therefore, concludes that it is not necessary to show fraud on the copyright office for § 411(b)(1)(A) and (B) to apply”), appeal docketed, No. 18-16839 (9th Cir. Sept. 25, 2018); [Palmer/Kane LLC v. Gareth Stevens Publ’g](#), No. 1:15-CV-7404-GHW, 2016 WL 6238612, at *4 (S.D.N.Y. Oct. 24, 2016) (stating that 17 U.S.C. § 411(b) does not require a showing of fraudulent intent); [Palmer/Kane LLC v. Rosen Book Works LLC](#), 188 F. Supp. 3d 347, 352 (S.D.N.Y. 2016) (“Nor is plaintiff correct that the statute [17

U.S.C. § 411(b)] requires a showing *803 of fraudulent intent on the part of the applicant.” (citing [Family Dollar Stores, Inc. v. United Fabrics Int'l, Inc.](#), 896 F. Supp. 2d 223, 231 (S.D.N.Y. 2012))).

BNT-Denmark's '500 Registration and '490 Registration, therefore, will be invalid for purposes of filing a copyright infringement action under 17 U.S.C. § 411(b) if the evidence in the record before the court demonstrates: (1) that inaccurate information was included on the two copyright registration applications “with knowledge that it was inaccurate;” and (2) that the inaccuracies, if known by the Register of Copyrights, would have caused the Register of Copyrights to refuse the copyright registration applications. See 17 U.S.C. § 411(b). Courts have indicated that the party asserting that a copyright registration is invalid under 17 U.S.C. § 411(b) bears the burden of proving that inaccurate information was included on a copyright application with knowledge that the information was inaccurate. See [Lee v. Karaoke](#), No. 18-CV-8633-KM-SCM, 2019 WL 2537932, at *6 (D. N.J. June 19, 2019); see also [Palmer/Kane LLC v. Gareth Stevens Publ'g](#), 2016 WL 6238612, at *4; [Lennar Homes of Tex. Sales & Mktg., Ltd. v. Perry Homes, LLC](#), 117 F. Supp. 3d 913, 925 (S.D. Tex. 2015) (stating that the party seeking to invalidate a copyright registration under 17 U.S.C. § 411(b) had failed to identify information which would cause the Register of Copyrights to refuse registration of a copyright application).

Whether the '490 Registration Contains Inaccuracies

BNT-Denmark's '490 Registration is titled “NBC Analysis JWARN 1F PHASE 2, CRID 1489, 1490, and 1491.”¹⁹ Defendant argues that the '490 Registration is invalid because the '490 Registration contains “known, material inaccuracies and cannot support ownership of a valid copyright.” Specifically, defendant contends that the '490 Registration: (1) incorrectly contains separate versions of JWARN Block 1F Phase 2 software under a single copyright registration; (2) incorrectly failed to exclude government-owned code; (3) contains the incorrect year of completion; and (4) contains the incorrect nation of first publication. Defendant contends that, in the Register of Copyright's March 18, 2019 response to questions referred by the court under 17 U.S.C. § 411(b)(2), the “Register concluded that all of the alleged inaccuracies” in the '490 Registration “would have been material if proven.” Defendant argues that BNT-Denmark “cannot satisfy its prerequisites for bringing and establishing a claim, due to known and material errors” in the '490 Registration.

¹⁹ According to the parties' joint stipulation of facts, Marty Sikes transferred five laptop computers containing images of JWARN Block 1F Phase 2 C2PC CRID 1490 to Republic of Korea personnel. The parties also have stipulated that ten laptop computers containing images of JWARN Block 1F Phase 2 Standalone CRID 1489 were transferred to the Kingdom of Jordan. CRIDs 1489 and 1490 are registered under the '490 Registration.

Plaintiffs, however, argue that defendant “has made no showing that any of the information in the applications was inaccurate.” Plaintiffs contend that defendant has not met its “heavy burden” of proving that inaccurate information was included in the '490 Registration. Plaintiffs allege that the information contained in the '490 Registration was accurate.

As stated above, in a judicial proceeding, a certificate of copyright registration

made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

17 U.S.C. § 410(c); see also [Scholz Design, Inc. v. Sard Custom Homes, LLC](#), 691 F.3d 182, 186 (2d Cir. 2012) (“A certificate of copyright registration is prima facie evidence of ownership of a valid copyright, but the alleged infringer may rebut that presumption.” (citation omitted)); [Feder'n of State Massage Therapy Bds. v. Mendez Master Training Ctr., Inc.](#), No. CV 4:17-02936, 393 F.Supp.3d 557, 567, 2019 WL 3774067, at *5 (S.D. Tex. May 7, 2019) (stating that a certificate of registration under 17 U.S.C. § 410(c) “creates a rebuttable presumption that the *804 copyright is valid” (citation omitted)). Although

the '490 Registration lists 2008 as the year of completion, the '490 Registration lists September 28, 2012 as the date of first publication, which is within five years of the April 28, 2014 effective date of the '490 Registration. The '490 Registration, therefore, constitutes “prima facie evidence” of the facts stated in the '490 Registration, although, as discussed below, the evidence in the record before the court refutes certain statements contained in the '490 Registration.

Defendant asserts that the '490 Registration improperly contains three versions of JWARN Block 1F Phase 2 software under a single copyright registration. Defendant argues:

[E]ach CRID number refers to a different version of the software being delivered: CRID 1489 incorporated a “Standalone” version of JWARN Block 1F Phase 2; CRID 1490 incorporated a “C2PC” version of JWARN Block 1F Phase 2; and CRID 1491 incorporated an “MCS” version of JWARN Block 1F Phase 2.

Plaintiffs, however, argue the differences between CRIDs 1489, 1490, and 1491 are “functional, resulting from the program being adapted to run in three different configurations: standalone, C2PC, and MCS.” Plaintiffs argue that the “Government presented no witness testimony at trial showing that differences between CRIDs 1489, 1490, and 1491 were anything other than the result of interoperability with different systems.” Plaintiffs contend that CRIDs 1489, 1490, and 1491 were properly registered under a single copyright registration.

The statute at 17 U.S.C. § 101 states that, “where the work has been prepared in different versions, each version constitutes a separate work.” 17 U.S.C. § 101 (2018). In the Register of Copyrights' March 18, 2019 response to the court's referral of copyright questions, the Register of Copyrights states:

The *Compendium (Third)* [20] illustrates these principles through two relevant examples. The first example involves source code for two versions of the same video game, developed for two different consoles, where the code is “substantially different, and not simply the result of interoperability or hardware compatibility.” In such a case, both versions of the software must be registered separately because each version contains different copyrightable authorship and the works are therefore separate works. In the second example, where software is merely “adapted” to run on a different operating system, the different adaptations should not be registered separately. Office practice in such a case is for the registration specialist to communicate with the applicant to determine whether the author contributed a sufficient amount of copyrightable authorship, in which case a second application is warranted, or if the only differences between the versions were the result of interoperability or hardware compatibility, in which case a second application should not be filed.

Similarly, the *Compendium II* describes a scenario where a “previously published program is adapted to run on a different model or brand of computer.” In such a case, the Office would have “question[ed] the nature and extent of the adaption” and refused registration for the second work if *805 the changes were “functionally predetermined.”

Under the *Compendium II*, where an applicant sought to register different versions of a published work and the versions contained only “uncopyrightable differences,” such as modifications made for the purpose of interoperability or hardware compatibility, Office practice was to register only one claim using the “best edition” as the deposit.

(emphasis in original) (footnotes omitted).

²⁰ In its Register of Copyrights' March 18, 2019 response to the court's referral of copyright questions, the Register of Copyrights stated: The principles that govern how the Office examines registration applications are found in the *Compendium of U.S. Copyright Office Practices*. Bruhn NewTech, A/S filed its applications in 2014. The governing principles the Office would have applied at that time are set forth in the *Compendium of U.S. Copyright Office Practices, Second Edition* (referred to as “*Compendium II*”). In this response, the Acting Register cites the current, third edition of the *Compendium* (referred to as “*Compendium (Third)*”),

which was released and became effective December 22, 2014, and was last updated in 2017, where the relevant practices have not materially changed and cites *Compendium II* if the relevant practices have materially changed or where helpful to further illustrate Office practices.

(emphasis in original). Courts have indicated that the Register of Copyright's interpretation of the versions of the Compendium and "copyright law" are entitled to deference. See, e.g., *Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC*, 925 F.3d at 1145.

According to the Register of Copyrights' March 18, 2019 response:

Had the Office been aware, prior to registration, that the claimed work encompassed three different separately-published versions of a computer program, the Office would have corresponded with the applicant to determine whether the three submitted versions of the program were substantially different or rather if the program had merely been adapted to run on a different model or brand of computer, as well as whether any differences between the versions were "functionally predetermined" or "simply the result of interoperability or hardware compatibility."

The Register of Copyrights stated that the three versions of the JWARN Block 1F Phase 2 software should have been registered under separate copyright registrations "[i]f the three versions of the program each contained a sufficient amount of copyrightable content that was not simply the result of interoperability or hardware compatibility."

In the above-captioned case, CRIDs 1489, 1490, and 1491 are registered under a single copyright registration, the '490 Registration. CRID 1489 was JWARN Block 1F Phase 2 Standalone software, CRID 1490 was JWARN Block 1F Phase 2 C2PC software, and CRID 1491 was JWARN Block 1F Phase 2 MCS software.²¹ Plaintiffs' fact and expert witness, John O'Donahue, testified at the liability trial that: "As it happens, [CRIDs] 1489, 1414 and 1490 are all implementations of the same version of NBC-ANALYSIS, NBC-ANALYSIS 10, ATP-45(C). So the core code is the same, the variations being all GOTS code intended to interface them to the C2PC." (capitalization in original). John O'Donahue's testimony takes the position that CRIDs 1489 and 1490, which are registered under the '490 Registration, contain the same source code, except for government-owned code included in CRID 1490 in order to permit CRID 1490 to operate on the government's C2PC operating system. Former BNT-US employee John O'Donahue's testimony does not suggest, that in his opinion, CRIDs 1489 and 1490 were "substantially different" or that the differences in the source code files in CRIDs 1489 and 1490 were related to something other than compatibility with a standalone system and the government's C2PC system. John O'Donahue's expert report also indicates that CRID 1489 and CRID 1490 both were compatible with ATP-45C standards, and that CRID 1489 and CRID 1490 both utilize a "Bruhn Newtech Baseline" of "NBC-Analysis 10."

²¹ The parties' joint stipulation of facts defines Standalone software, C2PC software, and MCS software, stating:

- Standalone: a version of JWARN Block 1 capable of operating in isolation from a network or a command and control host;
- C2PC: a version of JWARN Block 1 capable of operating on the C2PC system; and
- MCS: a version of JWARN Block 1 capable of operating on the MCS system.

According to John O'Donahue's expert report, CRID 1489 contains 91,720 files, while CRID 1490 contains 96,533 files.²² Defendant argues that "CRID 1489 (Standalone) was built from approximately **5000** fewer files than CRID 1490 (C2PC)" and that the difference in the number of files indicates that CRID 1489 should have been registered separately from CRID 1490. (emphasis in original). Defendant, however, has not demonstrated that the difference in the number of files between CRIDs 1489 and 1490 was related to anything other than the type of system each CRID was designed to operate on. Defendant did not call an expert witness to discuss the differences in the files in CRIDs 1489, 1490, and 1491 or offer an ***806** expert opinion as to whether there were substantial differences in the files in CRIDs 1489, 1490, and 1491. Rather, defendant, in one paragraph in its supplemental post-trial brief, argues that the CRIDs in the '490 Registration should have been registered separately. Defendant has not shown that CRIDs 1489, 1490, and 1491 should have been registered under separate copyright registrations, and the evidence before the court does not demonstrate that the '490 Registration contains an inaccuracy based on the '490 Registration's inclusion of CRIDs 1489, 1490, and 1491 under a single copyright registration, as the differences between CRIDs 1489, 1490, and 1491 appear to be related to the different operating systems each CRID is designed to operate on and not related to the functions of CRIDs 1489, 1490, and 1491. Although neither side made a strong showing of their position, the burden of proof

on this issue remained with the defendant, and defendant has failed to carry the burden that the '490 Registration improperly contains three versions of the JWARN Block 1F Phase 2 software under a single copyright registration.

22 John O'Donahue's expert report does not provide the "Bruhn Newtech Baseline" or the numbers of files in CRID 1491.

The second alleged inaccuracy in the '490 Registration relates to whether BNT-Denmark knowingly failed to identify and exclude government code in the copyright application for the '490 Registration. According to defendant, there is a substantial amount of government code in the '490 Registration. Defendant argues:

The trial record establishes that the Government owned at least these significant aspects of the source code:

- Battlefield Management Functions, see, e.g., Stip. [the parties' joint stipulation of facts] ¶ 40;
- C2PC and MCS Integration code, see, e.g., Stip. ¶ 40;
- Messaging formats, see, e.g., Tr. [transcript] 608:25-09:24 (O'Donahue);
- Modeling tools and interoperability, see, e.g. Stip. ¶ 33, Tr. 628:18-30:23 (O'Donahue); and
- Additional features developed in response to JPMIS requirements, see Stip. ¶ 34.

Defendant further asserts that, "[b]y 2008, BNT-US's list of Government-owned software components spanned a 47-page 'GOTS Source Code Summary' document. In total, BNT-US identified 49 distinct GOTS source code components comprising hundreds of individual GOTS source code files."

According to plaintiffs' supplemental brief addressing the Register of Copyrights' March 18, 2019 response, a "question of fact exists as to whether uncopyrightable government material within CRIDs 1489, 1490, 1491 constituted a substantial portion of this software, when balanced against the copyrightable portion of the deliveries, i.e., BNT-Denmark core NBC-ANALYSIS COTS product." (capitalization in original). Plaintiffs argue that defendant has not presented evidence or expert testimony indicating that the government off-the-shelf components incorporated into CRIDs 1489, 1490, and 1491 were substantial. Plaintiffs also assert that defendant has not presented any evidence indicating that "the GOTS components of the CRID 1489/1490/1491 deliveries were previously published or registered."

The statute at 17 U.S.C. § 409 (2018) requires, "in the case of a compilation or derivative work, an identification of any preexisting work or works that it is based on or incorporates, and a brief, general statement of the additional material covered by the copyright claim being registered." See 17 U.S.C. § 409(9). According to the Register of Copyright's March 18, 2019 response to the court's referral of copyright questions:

[T]he *Compendium II* required applicants who sought to register derivative textual works, including derivative computer programs, to exclude all material that had been previously registered or published, including by a third-party, or that was in the public domain.

Additionally, the *Compendium II* explicitly provided that if a work combines copyrightable elements with uncopyrightable government material, the claim does not extend to the uncopyrightable material and the application should include "an appropriate disclaimer or limitation of claims."

Significantly, the requirement to exclude preexisting material from the copyright *807 claim only applied when the preexisting material was "substantial." The *Compendium II* defined "substantial" to mean that the preexisting material represents a "significant portion of the work." The *Compendium II* pointed to a derivative program containing a total of 5,000 lines of program text, fifty of which were previously published, as an example of a work in which the preexisting material was not a substantial portion of the work as a whole.

(emphasis in original) (footnotes omitted). The Register of Copyrights further stated:

If, alternatively, the material owned by the Government or a third-party had been previously published or registered, and the material constituted a ‘substantial’ portion of the version of the Software that is registered under Copyright Registration No. TX 7-836-490, Bruhn NewTech, A/S would have been required to exclude that material in its application for that version if the Government or third-party owned material was first incorporated into that version of the Software.

In the above-captioned case, the parties have stipulated that the “software object code in CRIDs 1489 and 1490 was compiled from a combination of COTS source code and GOTS source code,” including Battlefield Managements Functions. CRID 1490 also contains government-owned C2PC integration code. The Software Administrator's Manuals for CRIDs 1489 and 1490 each state: “JWARN 1F Phase 2 is an application based on a Commercial Off-The-Shelf (COTS) software package developed by Bruhn NewTech, Inc. (BNI). Additional Government Off-The-Shelf (GOTS) capabilities are included in the package.” Plaintiffs' expert and fact witness, John O'Donahue, also testified that there was “GOTS code” in CRIDs 1489 and 1490. Thus, based on the evidence before the court, CRIDs 1489 and 1490 contained government off-the-shelf code, which was not identified or specifically excluded in BNT-Denmark's copyright application for the ‘490 Registration.

As noted in the Register of Copyrights' March 18, 2019 response, BNT-Denmark would have needed to exclude in the copyright application for the ‘490 Registration the government-owned material incorporated into CRIDs 1489, 1490, and 1491 if “the material owned by the Government or a third-party had been previously published or registered, and the material constituted a ‘substantial’ portion of the version of the Software that is registered under Copyright Registration No. TX 7-836-490.” Defendant has not offered expert testimony as to whether the government-owned code in CRIDs 1489, 1490, and 1491 was “substantial.” Moreover, defendant has not cited to any evidence regarding whether the government-owned code in CRIDs 1489, 1490, and 1491 was “previously published or registered.” In the one paragraph in defendant's supplemental post-trial filings addressing whether BNT-Denmark was required to exclude the government-owned code from the application for the ‘490 Registration, defendant cites to joint exhibit 66, which was admitted into evidence during the liability trial, and argues that, in joint exhibit 66, “BNT-US identified 49 distinct GOTS source code components comprising hundreds of individual GOTS source code files.” Joint exhibit 66, which is dated January 28, 2008, is titled “GOTS Source Code Summary” and states “[t]his document is meant to provide a correlation between the JWARN 1F SF2B1^[23] feature list and the set of software components created to meet the requirements generated by Joint Project Manager Information Systems (JPM IS).” Joint exhibit 66 is not specific to CRIDs 1489, 1490, and 1491, and joint exhibit 66 does not identify how many of the government “software components” identified in joint exhibit 66 were incorporated into CRIDs 1489, 1490, or 1491. Rather, joint exhibit 66 indicates whether “features added to the NBC-ANALYSIS (now JWARN 1F SF2B1)” are either a “JPM IS Product” or an “NBC-A product (independent of JPM IS requirements),” without reference to CRIDs 1489, 1490, or 1491. (capitalization in original). Defendant has not offered any other ***808** testimony regarding which government “software components” in joint exhibit 66 were specifically incorporated into CRIDs 1489, 1490, and 1491. Defendant, therefore, has not established that there was inaccuracy in this regard in BNT-Denmark's application for registration of CRIDs 1489, 1490, and 1491 related to BNT-Denmark's alleged failure to exclude government-owned code from the application.

²³ “SF2B1” is not defined in joint exhibit 66 or in the parties' acronym chart submitted to the court.

Regarding the third alleged inaccuracy in the ‘490 Registration, which involves the year of completion for the ‘490 Registration, the ‘490 Registration lists a year of completion of 2008. Defendant contends that BNT-Denmark's “internal records” demonstrate that CRIDs 1489, 1490, and 1491 were not complete until 2012, and that 2012 is the correct year of completion for CRIDs 1489, 1490, and 1491. According to plaintiffs, BNT-Denmark's “original, draft application for copyright registration for CRIDs 1489, 1490, and 1491 listed the date of creation as 2011,” and BNT-Denmark's attorney, at the time, who completed the ‘490 Registration application, Mary Beth Tung, changed the year of completion date on the application from 2011 to 2008 for the ‘490 Registration after speaking with a copyright examiner. Plaintiffs argue:

[T]he Government extracted a small number of file names from a much larger collection of file names examined by Mr. O'Donahue. Through this exercise, the Government called attention to the fact that these spreadsheets of file names within CRIDs 1489 and 1490 included a few revision dates from 2012 (i.e., after 2008). The Government provided no expert testimony at trial as to whether these 2012 dates reflected any changes to the NBC-ANALYSIS code after 2008. On the face of the spreadsheets, however, these “2012” files each have “jemclient” file names. JEM is an entirely different software product from NBC-ANALYSIS, and is not a Bruhn NewTech software product. Revisions to code or file names in CRIDs 1489 or 1490 directed only toward allowing the NBC-ANALYSIS software to work with JEM software would not be copyrightable elements, but only software links to the separate JEM dispersion model. Adapting a program to run on a different piece of hardware is not a copyrightable difference. *Compendium II* § 610.04.

(internal references omitted) (emphasis in original).

When submitting an application for copyright registration, the application must include the year in which the creation of the work in the application was completed. See 17 U.S.C. § 409(7). According to the statute at 17 U.S.C. § 101:

A work is “created” when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

17 U.S.C. § 101. The regulation at 31 C.F.R. § 202.3 (2018) further states that the year of completion is defined as “the latest year in which the creation of any copyrightable element was completed.” 37 C.F.R. § 202.3(c)(4). In the Register of the Copyrights' March 18, 2019 response to the court's referral of questions, the Register of Copyrights states: “According to the *Compendium II*, if multiple versions of a work are being registered together (because they do not contain copyrightable differences), the applicant should give the date of creation of the latest version of the work.” (emphasis in original).

In the above-captioned case, witness Mary Beth Tung, as plaintiffs' attorney, created the application for the ‘490 Registration. In what plaintiffs and Mary Beth Tung refer to as a “draft” application for the ‘490 Registration, which is dated April 24, 2014, the year of creation for CRIDs 1489, 1490, and 1491 is listed as 2011. According to Mary Beth Tung's testimony at the liability trial, Ms. Tung received the information for the draft application for the ‘490 Registration “from the client,” including “when it was created.” As indicated in the quoted portions of Mary Beth Tung's testimony in the court's Opinion below, Ms. Tung had difficulty recalling many details related to her work in submitting applications for the ‘490 Registration and the ‘500 Registration. During her testimony *809 at the liability trial, Mary Beth Tung noted that “[i]t's been years” since she submitted the copyright applications for the ‘490 Registration and ‘500 Registration and frequently responded to questions by stating that she could not remember. When Ms. Tung submitted the applications for the ‘490 Registration and ‘500 Registration, Ms. Tung was an attorney with Davis, Agnor, Rapaport & Skalny, which is a law firm at which plaintiffs' current counsel of record, Steven Lewicky, formerly was a partner. Ms. Tung testified that she left “the firm at the end of January of 2015.” Ms. Tung testified that she became an attorney in 2011, which is three years prior to when the applications for the ‘490 Registration and ‘500 Registration were submitted in 2014. During the liability trial, the following exchange between Ms. Tung and counsel of record for defendant, Scott Bolden, occurred:

Mr. Bolden: In total, how many copyright applications have you filed as an attorney?

Ms. Tung: I don't know. I wasn't -- at that point, I had been an attorney two or three years, so three years I guess, by 2014. So I don't know.

Mr. Bolden: Could the number be four?

Ms. Tung: It could have been. But I also assisted on copy -- a lot of copyright filings prior to that that were filed by attorneys in the firm. So I don't know. I really don't know.

At the liability trial, Mary Beth Tung was shown plaintiffs' exhibit 1071, containing handwritten notes on paper, and Mary Beth Tung identified the handwriting in plaintiffs' exhibit 1071 as her own handwriting. Ms. Tung stated that, based on her review of the handwritten notes in plaintiffs' exhibit 1071, she believed that she spoke with a copyright examiner on May 1, 2014. Ms. Tung stated that, during the May 1, 2014 discussion, "it appears that we discussed the creation publication date." Ms. Tung stated that her notes also indicated that she had a second discussion with a copyright examiner on May 7, 2014, and that her handwritten notes indicate that "[i]t appears there was some changes that she [the copyright examiner] wanted made," including a "change in the completion date to 2008." The following discussion occurred during Mary Beth Tung's testimony:

Mr. Lewicky: And do you have a recollection of why the Copyright Office suggested these particular changes?

Ms. Tung: If I remember, there was -- because the first 25 pages and last 25 pages were submitted, they wanted to -- the examiner wanted to make sure that the -- there were some dates I think embedded in the code if I remember, and she just wanted to make sure that those matched. It didn't have anything to do with the actual completion date, it's she felt that what was embedded in the code that was going to be visible to the public would match what the application said. So it was more of an administrative change.

In a May 12, 2014 email message sent by Mary Beth Tung to the copyright examiner, Ms. Tung requested that the completion date for the '490 Registration be changed from 2011 to 2008.

Plaintiffs' expert and fact witness, John O'Donahue, attached to his expert report Microsoft Excel spreadsheets, in native format, containing information related to the source code files in CRIDs 40, 1489, and 1490, which were titled "CRID40Revisions," "CRID1489Revisions," and "CRID1490Revisions."²⁴ (capitalization in original). Each of the "Revisions" spreadsheets contained four columns. (capitalization in original). During the liability trial, John O'Donahue testified the first column, Column A, contains "essentially an assigned ID number," the second column, Column B, contains "the name of the source file itself," and the third column, Column C, "shows the name of the source file and the path that it's in." The fourth column, Column D, contains information related to the revisions made to the source code file, as well as the revision number, the date and time of the revision, and the initials of the individual who made the revision.

²⁴ CRID 40 is registered under the '500 Registration, and Mr. O'Donahue's revision spreadsheet regarding CRID 40 is discussed below. The record before the court does not contain a revisions spreadsheet for CRID 1491, which is registered under the '490 Registration.

While looking at the "CRID1489Revisions" spreadsheet during the liability trial, the following *810 exchange between counsel of record for defendant, Scott Bolden, and John O'Donahue occurred:

Mr. Bolden: Let's go to record ID number 122716. And, Mr. O'Donahue, this spreadsheet is with respect to CRID 1489, correct?

Mr. O'Donahue: Yes, it is.

Mr. Bolden: Okay. And so for this particular file, it's named invokejemclient.cpp, and if we could move to column D, please, and this file has a revision of 1.24, with a date of July 17th, 2012. Do you see that?

Mr. O'Donahue: I do.

Mr. Bolden: So does it appear that CRID 1489 was first built in 2012 or thereafter?

Mr. O'Donahue: It does.

Thereafter, when looking at the “CRID1490Revisions” spreadsheet, the following exchange between counsel of record for defendant and John O'Donahue occurred:

Mr. Bolden: Would you agree that you created this particular file with respect to CRID 1490?

Mr. O'Donahue: Yes, I would.

Mr. Bolden: Okay. And let's go to record 92354. All right, the listing at record 92354 is a file again named invokejemclient.cpp, and if we could go to column D, please. That has a revision number of 1.24 with a date of July 17th, 2012, correct?

Mr. O'Donahue: Correct.

Mr. Bolden: So do you believe that CRID 1490 was first built in 2012 or at some point thereafter?

Mr. O'Donahue: At some point thereafter, yes.

According to John O'Donahue's “CRID1489Revisions” spreadsheet, in CRID 1489, there are twenty-three source code files with revision dates in July 2012, two source code files with revision dates in 2011, and more than seventy source code files with revision dates in 2009. (capitalization in original). According to John O'Donahue's “CRID1490Revisions” spreadsheet, in CRID 1490, there are twenty-three source code files with revision dates in July 2012, two source code files with revision dates in 2011, and more than one hundred source code files with revision dates in 2009. (capitalization in original). The application for the ‘490 Registration did not identify any of the source code files revised in 2009, 2011, or 2012, nor did the ‘490 Registration disclaim those revised source code files from the application for the ‘490 Registration. Although the application for the ‘490 Registration claims that the works in the ‘490 Registration were complete in 2008, both CRIDs 1489 and 1490 were revised multiple times after 2008, most recently in 2012, and plaintiffs' expert and fact witness John O'Donahue testified that CRIDs 1489 and 1490 were not complete until 2012 or sometime thereafter. Thus, listing 2008 as the year of completion in the application for the ‘490 Registration was inaccurate because source code files in CRIDs 1489 and 1490 were revised in 2009, 2011, and 2012, and CRIDs 1489 and 1490 were not complete until after the revisions occurring in 2012.

Regarding the fourth alleged inaccuracy in the ‘490 Registration, which is that the ‘490 Registration allegedly incorrectly lists Denmark as the nation of first publication, defendant argues that the correct nation of first publication is the United States. Defendant contends that CRIDs 1489 and 1490 “were first distributed in the United States, to the United States, by a subsidiary based in the United States.” According to defendant, BNT-Denmark's “internal records” demonstrate that CRIDs 1489 and 1490 were first published in the United States. Defendant argues that, “[s]ince the correct information is apparent from its internal records, BNT-Denmark knew or should have known about the inaccurate nations of first publication.”

According to plaintiffs, CRIDs 1489 and 1490 were first published in Denmark. Plaintiffs argue that the “Government points out that delivery notes indicate that CRIDs 1489, 1490, and 1491 were delivered to locations in the United States, but the elements of NBC Analysis-JWARN that are protectible by copyright (i.e., the core NBC-Analysis product) were first published in Denmark.” Plaintiffs argue that defendant “presented no evidence at trial showing that core NBC-ANALYSIS elements of CRIDs 1489 or 1490 *811 were delivered or published in the United States before they were published and made available for commercial sale in Denmark.” (capitalization in original).

An application for copyright registration must include the “date and nation of its first publication,” “if the work has been published.” See [17 U.S.C. § 409\(8\)](#). In the third edition of the Compendium, the United States Copyright Office defines the nation of first publication as “the country where copies or phonorecords of the work were first published with the authorization

of the copyright owner.” U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES § 612.5 (3d ed. 2014).²⁵ The statute at 17 U.S.C. § 101 defines publication as:

[T]he distribution of copies or phonorecords of a work to the public by sale or other transfer of ownership, or by rental, lease, or lending. The offering to distribute copies or phonorecords to a group of persons for purposes of further distribution, public performance, or public display, constitutes publication. A public performance or display of a work does not of itself constitute publication.

17 U.S.C. § 101. At least one court has indicated that computer software products are published when the computer software products are “distributed for sale.” *Auto. Data Sols., Inc. v. Directed Elecs. Can., Inc.*, No. CV 18-1560-GW(EX), 2018 WL 4742289, at *5 (C.D. Cal. Aug. 15, 2018); see also COMPENDIUM (THIRD) § 612.2 (“Software is distributed when copies are distributed by purchase or license, whether in CD-ROM format or online (provided that the copies are actually downloaded and not merely accessed online).”).

²⁵ As stated in the Register of Copyrights' March 18, 2019 response to the court's referral of questions, the “principles that govern how the Office examines registration applications are found in the *Compendium of U.S. Copyright Office Practices*.” (emphasis in original).

In the April 24, 2014 draft application for the ‘490 Copyright Registration, as plaintiffs’ then attorney Mary Beth Tung originally listed the United States as the nation of first publication for CRIDs 1489, 1490, and 1491 and listed the copyright “[c]laimants” as BNT-US. During her testimony, Ms. Tung testified that she received the information required for the April 24, 2014 draft application “from the client.” During Ms. Tung’s testimony, plaintiffs’ counsel of record, Steven Lewicky, inquired about Ms. Tung’s Mary 2014 telephone conversations with a copyright examiner, asking: “Do you recall any discussion with the Copyright Office about the changing or altering the location of the creation of the software, the country of creation?” Ms. Tung responded: “I don’t remember any discussions about that at all.” On the issued certificate of registration for the ‘490 Registration, however, the copyright claimant is BNT-Denmark, the nation of first publication is Denmark, and the date of first publication is listed as September 28, 2012. As discussed above, the nation of first publication is not determined by where a work is created, but, rather, is determined by where the work is first published. See U.S. COPYRIGHT OFFICE, COMPENDIUM OF U.S. COPYRIGHT OFFICE PRACTICES (THIRD) § 612.5.

BNT-US delivered JWARN Block 1F Standalone CRID 1489 and JWARN Block 1F Phase 2 C2PC CRID 1490 to JPMIS on September 28, 2012, which is the same date of first publication stated in the ‘490 Registration. BNT-US’ September 28, 2012 deliveries of CRID 1489 and CRID 1490 were made to JPMIS in San Diego, California, and BNT-US’ delivery notes for CRIDs 1489 and 1490 both state “Release Date: September 28, 2012.” BNT-US’ delivery notes for CRIDs 1489 and 1490 also state that CRIDs 1489 and 1490 “may not be exported from the United States, either in their original form or incorporated in other end items, without the prior written approval of the U.S. Department of State.” (emphasis omitted). The record before the court does not support that BNT-Denmark had distributed CRIDs 1489 and 1490, which were designed and delivered to the United States government pursuant to BNT-US’ subcontracts with Northrop Grumman, to the public or any other entity in Denmark or elsewhere prior to BNT-US’ September 28, 2012 deliveries of CRIDs 1489 and 1490 to the government in San Diego, California. As discussed above, the deliveries of CRIDs 1489 and 1490 were made by BNT-US *812 as part of Northrop Grumman’s “Global Operations” project, and both CRIDs 1489 and 1490 contained government off-the-shelf code. CRID 1490 specifically was designed to operate on the United States government’s C2PC operating system. The accurate nation of first publication for the ‘490 Registration, therefore, is the United States, as opposed to the listed nation of Denmark. Indeed, the ‘490 Registration identifies September 28, 2012, as the date of first publication, which is the date BNT-US delivered CRIDs 1489 and 1490 to the United States government in San Diego, California.

Plaintiffs also argue that BNT-Denmark’s “core” NBC-Analysis software, which plaintiffs define as the “core COTS product developed and periodically updated by BNT-Denmark,” was first published in Denmark, and, thus, the country of first

publication for the '490 Registration is Denmark for CRIDs 1489, 1490, and 1491. Under a heading titled "Limitation of copyright claim," the '490 Registration, however, stated "Material excluded from this claim: previous versions." (capitalization in original) (emphasis added). The '490 Registration, therefore, explicitly "excluded" previous versions of BNT-Denmark's NBC-Analysis, including previous versions of "core" software, published prior to CRIDs 1489, 1490, and 1491 from the '490 Registration. As stated in the Register of Copyrights' March 18, 2019 response:

Any material that had been included in a version of the Software that had been published previously could not be claimed as part of the TX 7-836-490 application. Indeed, Bruhn NewTech, A/S explicitly disclaimed previous versions of the Software in the TX 7-836-490 application, so the material in those versions is not covered by that registration.

The '490 Registration pertains to CRIDs 1489, 1490, and 1491 and needed to reflect the nation in which CRIDs 1489, 1490, and 1491 were first published. As discussed above, the evidence before the court indicates that CRIDs 1489 and 1490 were first published in the United States on September 28, 2012. Moreover, if the court accepted plaintiffs' argument that CRIDs 1489 and 1490 were first published in Denmark because BNT-Denmark's "core" NBC-Analysis software was sold in Denmark, the date of first publication, which is September 28, 2012, would be inaccurate and incorrect, as BNT-Denmark had sold its "core" NBC-Analysis software prior to September 28, 2012. The '490 Registration, therefore, contains inaccuracy as to the nation of first publication.

Whether the '500 Registration Contains Inaccuracies

The '500 Registration is titled, "NBC Analysis - CRID 0040." Defendant argues that the '500 Registration is invalid for purposes of filing a copyright infringement claim because the '500 Registration allegedly contains an incorrect year of completion and an incorrect nation of first publication. Regarding the year of completion, defendant argues that the '500 Registration states that the year of completion for CRID 40 is 1998, while BNT-Denmark's "internal records" provide that CRID 40 was completed in 1999. Plaintiffs assert:

The date of the '2076 Contract is May 13, 1998. Mr. Windesheim testified that Bruhn NewTech delivered the DOS software for NBC-ANALYSIS five or six days after the company signed the contract (i.e., during May 1998). The Windows version of NBC-ANALYSIS designated as CRID 0040 was delivered to the Government on January 15, 1999. Applying the Copyright Office's guidance, only the "most complete" version of a program is to be registered, and the Windows version was the most complete. Because the core software of NBC-ANALYSIS was created in 1998, and the 1999 Windows version was a modification to allow it to run on a different platform, both versions did not require registration.

(capitalization in original) (internal references omitted). Defendant, however, contends:


Plaintiffs argue that the 1998 date was correct by conflating the registered CRID 40 delivery with an unregistered prior "DOS version" delivery. Plaintiffs' argument is deeply flawed and contradicted by the Register's views. Again, the Register explained that BNT-Denmark's registrations were limited to the most recent changes, and could not encompass content *813 from previously published works. And again, BNT-Denmark's internal records demonstrate that CRID 40 was first completed and built in 1999.

(internal references omitted).

As stated above, in a judicial proceeding, a certificate of copyright registration

made before or within five years after first publication of the work shall constitute prima facie evidence of the validity of the copyright and of the facts stated in the certificate. The evidentiary weight to be accorded the certificate of a registration made thereafter shall be within the discretion of the court.

17 U.S.C. § 410(c). The ‘500 Registration lists a date of first publication of January 12, 1999, which indicates publication happened more than five years before the April 28, 2014 effective date of the ‘500 Registration. The “evidentiary weight to be accorded” to the ‘500 Registration, therefore, is “within the discretion of the court.” *See id.* Certain courts have stated that, “[e]ven in the case where a registration certificate is dated more than five years after the date of first publication, the court may exercise its discretion under § 410(c) and give it the weight of prima facie evidence.” *Lee v. Karaoke*, 2019 WL 2537932, at *6 (internal quotation marks and citation omitted). Other courts have concluded that “the registrations here are entitled to no such presumption [under 17 U.S.C. § 410(c)] because they were filed more than five years after the first publication of the work.”

 *DRK Photo v. McGraw-Hill Glob. Educ. Holdings, LLC*, 870 F.3d 978, 987 (9th Cir. 2017), cert. denied, — U.S. —, 138 S. Ct. 1559, 200 L. Ed. 2d 744 (2018). In the above-captioned case, as discussed below, the evidence in the record before the court refutes certain assertions contained in the ‘500 Registration.

As discussed above, an application for copyright registration must include the year in which the creation of the work in the application was completed. *See* 17 U.S.C. § 409(7). The statute at 17 U.S.C. § 101 states:

A work is “created” when it is fixed in a copy or phonorecord for the first time; where a work is prepared over a period of time, the portion of it that has been fixed at any particular time constitutes the work as of that time, and where the work has been prepared in different versions, each version constitutes a separate work.

17 U.S.C. § 101.

There are two draft copyright applications in the record before the court for the ‘500 Registration, both of which were prepared by plaintiffs’ then attorney Mary Beth Tung. The first draft copyright application for the ‘500 Registration, plaintiffs’ exhibit 1073, is dated April 22, 2014 and states that CRID 40 was complete in 2008. The second draft copyright application for the ‘500 Registration, which is dated April 24, 2014, lists 1995 as the year of completion for CRID 40. During the liability trial, Ms. Tung stated that she received information related to the year of completion for CRID 40 “from the client.” Ms. Tung also reviewed her handwritten notes and testified that, when speaking to a copyright examiner, she believed that there “was a change in [the] completion date to 1998.” On May 12, 2014, Ms. Tung sent an email message to the copyright examiner regarding CRID 40 and the ‘500 Registration, in which Ms. Tung stated: “Change the Year of Completion from ‘1995’ to ‘1998.’ ” (capitalization in original).

BNT-US’ delivery note for CRID 40 has a “[d]elivery date” of January 15, 1999 and indicates that delivery of CRID 40 was made to the United States Marine Corps Tactical Systems Support Agency in Camp Pendleton, California, pursuant to the ‘2076 Contract. During the liability trial, Bruce Windesheim, who joined BNT-US in 1995 and whose signature block in 1998 indicates that he was vice president of BNT-US as of 1998, testified that BNT-US’s January 15, 1999 delivery included

“six CDs” “to replace the original six DOS CDs with the Windows CD that the Government insisted that we do.” In the “CRID40Revisions” spreadsheet attached to plaintiffs' expert and fact witness John O'Donahue's expert report, Mr. O'Donahue identifies over sixty source code files which were revised during January 1999. (capitalization in original). During the liability trial, while examining the “CRID40 Revisions” spreadsheet, counsel of record for defendant, *814 Scott Bolden, and Mr. O'Donahue had the following discussion:

Mr. Bolden: I'd like to turn our attention to assigned ID number 38228, please. On this particular line, do you see a file that's named analyp.csx?

Mr. O'Donahue: Yes, I do.

Mr. Bolden: And that file has a revision of 1.8, with a date of January 12th, 1999?

The Court: Could you highlight that one for us all?

Mr. Bolden: (Counsel complied)

The Court: All right, thank you.

Mr. Bolden: With a revision date of January 12th, 1999?

Mr. O'Donahue: I do.

Mr. Bolden: Okay. We'll look at another one. Let's look at assigned ID number 17844. So here we have a file named attack.cxx with a revision of 1.56, with a date of January 4th, 1999.

Mr. O'Donahue: I see that.

Mr. Bolden: Okay. So CRID 40, at least as what we've seen so far, includes source code files that are dated from 1999?

Mr. O'Donahue: From, yes, January -- contains some in January 1999. That's correct.

Mr. Bolden: So CRID 40 must have been built in 1999 or thereafter?

Mr. O'Donahue: Yes, basically any time after the latest revision you can find anywhere in that list.

The evidence in the record before the court, therefore, indicates that BNT-US was revising the source code files in CRID 40 in January 1999, prior to delivery of CRID 40 to the government on January 15, 1999. CRID 40 does not appear to have been created until after the revisions in the source code for CRID 40 were complete in January 1999. Indeed, plaintiffs' expert and fact witness, former BNT-US software engineer and manager, John O'Donahue, testified that there were revisions to the CRID 40 source code in January 1999, and that CRID 40 was not “built” until “after the latest revision you can find anywhere” in the “CRID40Revisions” spreadsheet. Thus, the statement in the ‘500 Registration that CRID 40 was complete in 1998 is inaccurate, as the revisions to the source code files in CRID 40 were not complete until 1999.

Moreover, plaintiffs' argument that, “[b]ecause the core software of NBC-ANALYSIS was created in 1998, and the 1999 Windows version was a modification to allow it to run on a different platform, both versions did not require registration” is incorrect. That the DOS version of NBC-Analysis software was created in 1998 does not change that completion of CRID 40, which was NBC-Analysis software designed for use on Windows, occurred in 1999, when the source code revisions of CRID 40 were complete. In the ‘500 Registration, under a heading titled “Limitation of copyright claim,” the ‘500 Registration stated: “Material excluded from this claim: photographs, previous versions,” thereby excluding previous versions of the NBC-Analysis software, including the 1998 DOS version of NBC-Analysis. (capitalization in original). The ‘500 Registration also identified “text, compilation, editing, computer program, artwork,” as “[n]ew material included in this claim.” In the Register of Copyrights' March 18, 2019 response, the Register of Copyrights states:

[T]he application to register NBC Analysis – CRID 0040 covers only new material that was added to or modified in the Software when that version of the Software was published in January 1999. In the application to register this work, Bruhn NewTech, A/S explicitly disclaimed previous versions of the Software. That registration covers only the material in the Software that was first added or modified in the version that was published in January 1999. Any content that had been previously published as part of a different version of the Software is not included in the TX 7-836-500 registration.

(footnote omitted). Plaintiffs' argument involving a 1998 DOS version of NBC-Analysis, therefore, fails, and the '500 Registration inaccurately lists 1998 as the year of completion for CRID 40, which was not complete until 1999.

Defendant also alleges that the nation of first publication of CRID 40 in the '490 Registration, which is listed as Denmark, is inaccurate. Defendant argues that ***815** CRID 40 was first published in the United States, not Denmark. Defendant asserts that plaintiffs have not identified any previous publication of CRID 40 other than publication in the United States. According to plaintiffs, however, there is "no evidence" that CRID 40 was first published in the United States. Plaintiffs argue that the code for CRID 40 was written in Denmark, and that "NBC-ANALYSIS was the commercial-off-the-shelf (COTS) product of BNT-Denmark, created in Denmark and made available for commercial sale in Denmark." (capitalization in original).

In plaintiffs' "CRID40Revisions" spreadsheet, prepared by John O'Donahue who testified as both a fact witness and expert witness at the liability trial, Mr. O'Donahue lists revision dates of source code files as being as late as January 12, 1999, and, at the liability trial, Mr. O'Donahue testified that CRID 40 was not complete until "basically any time after the latest revision." As stated above, the '500 Registration stated that BNT-Denmark had "excluded from this claim," i.e., the '500 Registration, "previous versions," if any, of CRID 40, which would exclude any previously published versions of CRID 40 from the '500 Registration, including the alleged previous versions of "core" NBC-Analysis software and the 1998 DOS software. At the liability trial, plaintiffs' counsel of record asked Bruce Windesheim: "Did there come a time when Bruhn NewTech U.S. delivered a Windows version of NBC-ANALYSIS?" (capitalization in original). Mr. Windesheim responded: "At the customer's request, we first started it. When they took the original delivery, our Windows version wasn't quite ready. It was almost but not quite, and they insisted that as soon as it was ready, we had to then deliver that to them, and we did." In the delivery note of CRID 40, BNT-US lists a delivery date of January 15, 1999 to the United States government in Camp Pendleton, California. The record before the court indicates that CRID 40 was first complete on January 12, 1999, and was first published in the United States, when BNT-US delivered to the United States government CRID 40 in California on January 15, 1999, pursuant to the '2076 Contract. Thus, the '500 Registration inaccurately lists Denmark as the nation of first publication.

Knowledge and Materiality of the Inaccuracies in the '490 Registration and the '500 Registration

As demonstrated above, the '490 Registration and the '500 Registration both contain inaccurate years of completion, as well as inaccurate nations of first publication. "An inaccuracy in the application does not necessarily invalidate a copyright registration, however." [Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1146 (citing 17 U.S.C. § 411(b)(1)). The statute at 17 U.S.C. § 411(b)(1) applies when "the inaccurate information was included on the application for copyright registration with knowledge that it was inaccurate," and "the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration." See 17 U.S.C. § 411(b)(1). "Section 411(b)(1) presents a conjunctive test: both conditions must be satisfied in order for an inaccuracy in a registration to defeat a claim." [Archie MD, Inc. v. Elsevier, Inc.](#), 261 F. Supp. 3d at 518-19 (citation omitted). An applicant for a copyright registrant will have knowledge of inaccurate information in a copyright application when the applicant is "aware" of the facts underlying the inaccuracy. See [Gold Value Int'l Textile, Inc. v. Sanctuary Clothing, LLC](#), 925 F.3d at 1147 ("Fiesta knowingly included previously published designs in its application to register an unpublished collection. Fiesta was aware that it had sold yards of fabric to customers prior to registering the 1461 Design as part of an unpublished collection. Although Fiesta asserts that it did not believe that such sales constituted publication

For Bruhn NewTech, Bruhn NewTech was actually ISO 9001 certified as an IT development company, which meant that they had to follow a large number of rules defined in ISO 9001. Amongst these are the use of what's called a code management system.

The way that the system that Bruhn NewTech used did this was, at least in part, to record this information at the bottom of every file. So every source file will show at the bottom a list of revisions made to it with the revision number, date, time stamp and initials.

Subsequently, higher numbers were reduced for later customer releases, and they would also be tracked the same way. So you would find a list of files with the current revision level and then you could look in the file for the revision history for that particular file.

Moreover, BNT-Denmark knew that the Copyright Office did not have the entire source code for CRIDs 40, 1489, 1490, and 1491. In her testimony at the liability trial in the above-captioned case, plaintiffs' then attorney Mary Beth Tung, who submitted applications for the '490 Registration and the '500 Registration, testified that she received only part of the "computer code" from "the client" and that she did not receive the entire "computer code" from "the client." Ms. Tung testified that "I did not have the complete computer code" and indicated that her deposits with the Copyright Office did not include the "complete computer code" because "[i]t's not required to be filed." According to Ms. Tung's testimony, only "the first 25 pages and last 25 pages were submitted," and "the examiner wanted to make sure that the -- there were some dates I think embedded in the code if I remember.

and she just wanted to make sure that those matched.” The dates Ms. Tung referred to were included in the record before the court. In the material deposited ***817** with the Copyright Office for the ‘490 Registration, the following image appears:

```
$Log: mainfrm.cpp $
Revision 1.204 2008/03/28 06:52:52Z ip
NwtDb#16988: Contents file for EOD plug-in online help sometimes uses
WinNBCs content
```

As indicated in the image immediately above, the material deposited with the ‘490 Registration lists a revision date of March 28, 2008, which the copyright examiner would have been able to review. The materials deposited with the ‘500 Registration include numerous revision dates in 1998, including the following image:

```
$Log: MainFrm.cpp $
Revision 1.120 1998/12/29 13:32:35Z kpr
Typos/Grammar correction from EBA.
Revision 1.119 1998/12/21 06:47:30 jwj
Operational mode and security level updated when setup wizard
is started from the startup dialog
-
Revision 1.118 1998/12/15 10:52:42 jwj
Corrected error NWTDB# 5955
Security key check when program is running
-
Revision 1.117 1998/12/07 18:41:12 jwj
Error NWTDB# 5802 corrected.
(When closing program with a map maximized, the program fails to
open.)
Error NWTDB# 5878 corrected.
(Runtime error when changing scenario with message dialog open)
```

As indicated in the image immediately above, there are revision dates in 1998, which would have been available for review by the copyright examiner.

Plaintiffs, however, knew that they had not provided the entire source code for CRIDs 40, 1489, 1490, and 1491 to Ms. Tung and knew that Ms. Tung only had a portion of the source code for CRIDs 40, 1489, 1490, and 1491 to provide to the Copyright Office. As such, BNT-Denmark knew that the revision dates in the portions of code for CRIDs 40, 1489, 1490, and 1491 being provided to the Copyright Office would not provide accurate years of completion because BNT-Denmark knew that Ms. Tung, and the Copyright Office, did not have the full source code for CRIDs 40, 1489, 1490, and 1491. Ms. Tung's testimony indicates that BNT-Denmark was aware that the copyright examiner was looking at dates “embedded in the code” provided to the Copyright Office, which was limited and incomplete, in an effort to determine when CRIDs 40, 1489, 1490, and 1491 were first completed. BNT-Denmark, however, had the complete source code for each of CRIDs 40, 1489, 1490, and 1491 at the time it submitted its applications for the ‘490 Registration and ‘500 Registration and was able to review the revision dates in the source code to determine when each of the CRIDs were first completed. As indicated in the testimony of John O'Donahue, BNT-Denmark had the ability to look at individual CRIDs to see when the source code files were last revised, which provides the year in which a CRID is completed. The evidence before the court does not indicate BNT-Denmark, as a multi-national software corporation, was unable to review the revision dates in its source code of CRIDs 40, 1489, 1490, and 1491 to determine when those CRIDs were created, as the information contained within BNT-Denmark's own files provided the BNT-Denmark with accurate years of completion. Thus, BNT-Denmark had knowledge of the correct years of completion for CRIDs 40, 1489, 1490, and 1491 and should have established whether the information being submitted to the Copyright Office was accurate. Specifically, BNT-Denmark had the knowledge to determine whether it was inaccurate to state in the copyright application for the ‘500 Registration that CRID 40 was complete in 1998, as opposed to 1999, and whether it was inaccurate to state in the ‘490 Registration that ***818** CRIDs 1489 and 1490 were complete in 2008, as opposed to 2012.

Regarding the inaccurate nations of first publication, BNT-US' delivery notes indicate when, where, and to which organization CRIDs 40, 1489, and 1490 were delivered. As stated above, BNT-Denmark had the source code and knew when CRIDs 40,


1489, and 1490 were first complete. By knowing when CRIDs 40, 1489, and 1490 were complete and where CRIDs 40, 1489, and 1490 were first distributed to a customer, BNT-Denmark knew where CRIDs 40, 1489, and 1490 were first published. BNT-Denmark also had knowledge that it had disclaimed previous versions, if any, of CRIDs 40, 1489, and 1490 in its copyright applications for the '490 Registration and '500 Registration, as its attorney at the time, Mary Beth Tung, had requested, in writing, that all previous versions be excluded from the '490 Registration and '500 Registration. BNT-Denmark had knowledge of the facts surrounding the first publication of CRIDs 40, 1489, and 1490, and knew that CRIDs 40, 1489, and 1490 were first sent for distribution to the United States government in California shortly after each CRID was complete. By expressly disclaiming previous versions, BNT-Denmark could not have reasonably believed that it had previously published versions of CRID 40, 1489, and 1490 in a nation other than the United States. Thus, BNT-Denmark had knowledge of the facts indicating that Denmark was an inaccurate nation of first publication for CRIDs 40, 1489, and 1490.

In the Register of Copyrights' March 18, 2019 response to the court's referral of copyright questions, the Register of Copyrights states that it "would have refused registration" if it was aware that the application for the '490 Registration listed an inaccurate nation of first publication and states that it "would have refused registration" if it was aware that the application for the '500 Registration listed an inaccurate nation of first publication. Regarding the year of completion for the '490 Registration, the Register of Copyright's response states:

Assuming that the work that was the subject of the application for TX 7-836-490 was completed in 2012, had the Office been aware at the time the application was submitted that the claimed work was completed in 2012 rather than 2008, the Office would have refused registration for the work if the application indicated the work had been completed in 2008.

In the Register of Copyright's March 18, 2019 response, the Register of Copyrights also states:

Assuming that the work that was the subject of the application for TX 7-836-500 was completed in 1999, had the Office been aware at the time the application was submitted that the claimed work was completed in 1999 rather than 1998, the Office would have refused registration if the application indicated that the work had been completed in 1998.

The Register of Copyrights, therefore, would have refused registration of BNT-Denmark's copyright applications for the '490 Registration and the '500 Registration if the Register of Copyrights had known that the copyright applications for the '490 Registration and the '500 Registration contained the inaccurate years of completion discussed above and inaccurate nations of first publication also discussed above. Thus, BNT-Denmark does not have valid registrations for purposes of filing copyright infringement claims concerning the CRIDs BNT-Denmark applied to register under the '490 Registration and the '500 Registration. See 17 U.S.C. § 411(b)(1); see also  [SellPoolSuppliesOnline.com LLC v. Ugly Pools Ariz. Inc.](#), 2018 WL 4565900, at *15 ("Therefore, the Court concludes that, pursuant to § 411(b)(1), Plaintiff's certificate of registration is not sufficient to bring a copyright infringement claim because the registration application includes inaccurate information, Plaintiff included the inaccurate information 'with knowledge that it was inaccurate,' and 'the inaccuracy of the information, if known, would have caused the Register of Copyrights to refuse registration' with a July 2014 publication date." (quoting 17 U.S.C. § 411(b)(1))).

In plaintiffs' second amended complaint, BNT-Denmark asserts that the "unauthorized transfer of the original software code, and the updates and improvements to that code, to ROK and Jordanian armed forces *819 resulted in loss of revenue and profit to BNT-Denmark." (internal references omitted). The only two copyright registrations identified in the second amended

complaint are the '490 Registration and '500 Registration. The '490 Registration and '500 Registration, however, are invalid for purposes of filing a copyright infringement claim under 17 U.S.C. § 411(b)(1), as discussed above. BNT-Denmark, therefore, has not established that the alleged transfers of software to the Republic of Korea and the Kingdom of Jordan constitute copyright infringement. Thus, Count II in plaintiffs' second amended complaint is without merit as to both the allegations involving the Republic of Korea and the Kingdom of Jordan.

Application of 28 U.S.C. § 1498(c)

Although BNT-Denmark does not possess valid copyright registrations for the purposes of filing a copyright infringement claim, the court addresses defendant's argument involving 28 U.S.C. § 1498(c) (2018). Defendant argues that 28 U.S.C. § 1498(c) bars copyright infringement claims arising in a foreign country, and that "[t]he facts demonstrate that the alleged infringements in South Korea are barred because they accrued outside the United States." In a footnote in defendant's post-trial brief, defendant states that the "Government acknowledges that under the specific facts of this case, Section 1498(c) does not bar BNT-Denmark's claim with respect to the alleged infringing transfer of 10 laptops to Jordanian personnel."²⁶ Plaintiffs, however, assert that 28 U.S.C. § 1498(c) does not bar plaintiffs' copyright infringement claims because the software originally was delivered to the United States government in the United States. According to plaintiffs' post-trial brief:

Even if § 1498(c) did apply, the additional steps of copying and distribution that took place on a United States military base located in South Korea – on the way to delivering the software to South Korean facilities – should properly be considered additional acts undertaken within the United States under the circumstances of this case.

The statute at 28 U.S.C. § 1498(b) states:


[W]henever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the exclusive action which may be brought for such infringement shall be an action by the copyright owner against the United States in the Court of Federal Claims for the recovery of his reasonable and entire compensation as damages for such infringement





Id. The statute at 28 U.S.C. § 1498(c), however, states that "[t]he provisions of this section shall not apply to any claim arising in a foreign country." Id.






²⁶

Although not explained in the footnote in defendant's post-trial brief, 28 U.S.C. § 1498(c) does not appear to bar BNT-Denmark's copyright infringement claim involving the Kingdom of Jordan because, as stipulated by the parties, Paul Moroney loaded CRID 1489 onto ten laptop computers "at a Leidos facility in San Diego, California, configured the program, and shipped the computers to DTRA for re-shipment to Jordan." The actions underlying BNT-Denmark's alleged copyright infringement claim involving the Kingdom of Jordan, therefore, occurred within the United States. As discussed below, regarding the laptop computers transferred to the Republic of Korea, the software was loaded onto the laptop computers inside of the Republic of Korea, and the actual transfer of the laptop computers occurred inside of the Republic of Korea. Although 28 U.S.C. § 1498(c) may not bar plaintiffs' alleged copyright infringement claim involving the alleged transfer of CRID 1489 to the Kingdom of Jordan, plaintiffs' alleged copyright infringement claim involving the alleged transfer of CRID 1489 to the Kingdom of Jordan, nevertheless, fails because, as discussed above, plaintiffs' '490 Registration and '500 Registration are invalid under 17 U.S.C. § 411(b).

In  [Leonardo v. United States](#), a Judge of this court stated:

It is apparent from the legislative history that [section 1498\(c\)](#) was adopted “to remove the possibility of [the bill] being interpreted as applying to acts of infringement in foreign countries.”  [Zoltek Corp. v. United States](#), 51 Fed. Cl. 829, 835 (2002) (quoting [S. Rep. No. 86-1877, at 7](#) (1960), [reprinted in](#) 1960 U.S.C.C.A.N. 3444, 3450). In addition, the Acting Director of the *820 USIA [United States Information Agency] recommended the adoption of the language from section 2680(k) ^[27] for [section 1498\(c\)](#) because without it the proposed legislation was “not by its terms limited to infringements in the United States.” Def.’s Mot. at 27 (quoting [S. Rep. No. 86-1877, at 11](#) (1960), [reprinted in](#) 1960 U.S.C.C.A.N. 3444, 3452). He also brought to the attention of Congress the interpretation of the FTCA by the U.S. Supreme Court which confirmed its application only to acts occurring in the United States. [Id.](#)


The FTCA has been interpreted to apply only to tortious conduct occurring in the United States. See [United States v. Spelar](#), 338 U.S. 217, 219, 70 S. Ct. 10, 94 L.Ed. 3 (1949);  [Smith v. United States](#), 507 U.S. 197, 200-202, 113 S. Ct. 1178, 122 L.Ed.2d 548 (1993). U.S. courts do not possess jurisdiction under the FTCA to hear a claim based on an incident that took place at a government facility, even an embassy, abroad. See [id.](#) In addition, for the purposes of the FTCA, an act “arises” “where the negligent act or omission occurs,”   [Nurse v. United States](#), 226 F.3d 996, 1003 (9th Cir. 2000) (internal citations omitted), not at the place where the act or omission had its “operative effect.”  [Richards v. United States](#), 369 U.S. 1, 10, 82 S. Ct. 585, 7 L.Ed.2d 492 (1962).

 [Leonardo v. United States](#), 55 Fed. Cl. 344, 354 (2003) (first alteration in original) (footnote omitted). The  [Leonardo](#) court determined that the “the act which destroyed plaintiff’s artwork took place in Brussels, Belgium,” at a location the  [Leonardo](#) court considered to be “diplomatic property” and concluded that the  [Leonardo](#) “plaintiff’s copyright infringement claim is barred by 28 U.S.C. § 1498(c).” See  [id.](#)

²⁷ Section 2680(k) states that the Federal Torts Claims Act (FTCA) shall not apply to “[a]ny claim arising in a foreign country.” See 28 U.S.C. § 2680(k).

In the above-captioned case, there were two separate transfers of laptop computers, which contained software provided by BNT-US, to Republic of Korea personnel. The first transfer involved two laptop computers containing images of JWARN Block 1F Phase 2 C2PC CRID 1414, while the second transfer involved five additional laptop computers containing images of JWARN Block 1F Phase 2 C2PC CRID 1490. BNT-US initially delivered CRIDs 1414 and 1490 to the United States government in California. The parties have stipulated that, “[s]ometime between October 27, 2011 and March 20, 2012, the Government made one or more copies of JWARN Block 1F Phase 2 C2PC CRID 1414 in San Diego and transferred one or more copies from San Diego to USFK.” The parties also have stipulated that, “[s]ometime between October 1, 2012 and the end of January 2013, the Government made one or more copies of JWARN Block 1F Phase 2 C2PC CRID 1490 in San Diego and transferred one or more copies from San Diego to USFK.” The copying of CRIDs 1414 and 1490 in the United States and transferring of copies of CRIDs 1414 and 1490 to the United States Forces Korea appears to have been an authorized use of CRIDs 1414 and 1490, as the government appears to have been making copies of software it acquired for use by the United States military and providing the copies to the United States Forces Korea.

CRIDs 1414 and 1490 were not copied or imaged onto the seven transferred laptops until CRIDs 1414 and 1490 were in the Republic of Korea. The parties have stipulated that government contractor Mark White copied or imaged CRID 1414 onto two laptop computers and copied or imaged CRID 1490 onto five additional laptop computers while Mark White “was inside his workplace in a building in South Korea operated and controlled by the Government.” On March 20, 2012, as discussed above, government contractors Paul Moroney and Marty Sikes transferred the two laptop computers containing CRID 1414 to members of the Republic of Korea military, and, subsequently, Marty Sikes transferred the five additional laptop computers containing CRID 1490 to members of the Republic of Korea military. The copying or imaging of CRIDs 1414 and 1490 onto

the seven laptop computers which were ultimately transferred to the Republic of Korea, as well as the actual transfer of the seven laptop computers containing images of CRIDs 1414 and 1490, occurred within the Republic of Korea. BNT-Denmark's copyright *821 infringement claims involving CRIDs 1414 and 1490, therefore, arose in a foreign country, and, consequently, the statute at 28 U.S.C. § 1498(c) bars BNT-Denmark's copyright infringement claims involving CRIDs 1414 and 1490. See 28 U.S.C. § 1498(c); see also  Leonardo v. United States, 55 Fed. Cl. at 354; cf. United States v. Spelar, 338 U.S. 217, 219, 70 S.Ct. 10, 94 L.Ed. 3 (1949) (stating that an “air base” located in Newfoundland, which was leased to and operated by the United States, was considered to be a foreign country under the FTCA).²⁸

²⁸ Additionally, defendant argues that BNT-Denmark's “copyright infringement claim is barred by the Government time, material, or facilities proviso” in 28 U.S.C. § 1498(b), and that, “[t]o the extent that BNT-Denmark seeks recovery for acts of copyright infringement that allegedly occurred before June 30, 2013, recovery is barred by Section 1498(b)'s three-year limitation.” The court already has determined that BNT-Denmark's ‘490 and ‘500 Registrations are invalid for purposes of filing a copyright infringement claim, and that BNT-Denmark's copyright infringement claim involving the Republic of Korea is barred under 28 U.S.C. § 1498(c). The court, therefore, does not address defendant's additional arguments in this regard.

CONCLUSION

Plaintiffs have failed to support the breach of contract action asserted in Count I of the second amended complaint or the copyright infringement claims asserted in Count II of the second amended complaint. The Clerk of the United States Court of Federal Claims shall enter **JUDGMENT** in favor of defendant.

IT IS SO ORDERED.

All Citations

144 Fed.Cl. 755

142 Fed.Cl. 341
United States Court of Federal Claims.

HITKANSUT LLC, et al., Plaintiffs,
v.
UNITED STATES, Defendant.

No. 12-303C
|
Filed: March 15, 2019

Synopsis

Background: Patentee of method of changing physical properties of structure using concurrent application of multiple energy types brought infringement action against government. After entry of judgment for patentee, [130 Fed.Cl. 353](#), patentee moved for attorneys' fees and costs.

Holdings: The Court of Federal Claims, [Lettow](#), Senior Judge, held that:

as matter of first impression, the Court of Federal Claims could make award of fees and costs separate from award of compensation regarding infringement;

as matter of first impression, contingency arrangement did not bar recovery of attorneys' fees;

pre-litigation conduct was relevant to whether government's conduct had not been substantially justified, as prerequisite for recovery of fees and costs;

government's conduct had not been substantially justified;

the Court of Federal Claims would award portion of requested attorneys' fees;

the Court of Federal Claims would award portion of requested costs; and

award of damages did not cap awards of attorneys' fees and costs.

Motion granted in part and denied in part.

Procedural Posture(s): Motion for Attorney's Fees; Motion for Costs.

Attorneys and Law Firms

***345** [John S. Artz](#), Dickinson Wright, PLLC, Troy, Michigan, for plaintiffs. With him on the briefs were [John A. Artz](#) and [Franklin M. Smith](#), Dickinson Wright, PLLC, Troy, Michigan.

[Gary L. Hausken](#), Director, Commercial Litigation Branch, Civil Division, United States Department of Justice, Washington, D.C., for defendant. With him on the brief was [Joseph H. Hunt](#), Assistant Attorney General, Civil Division, United States Department of Justice, Washington, D.C.

Patent case; motion for award of attorneys' fees and expenses pursuant to 28 U.S.C. § 1498(a); prevailing plaintiffs; jurisdiction; standing; patent owners' fee agreements with counsel; findings regarding justification for the government's position; reasonable attorneys' fees, expense of expert witnesses, and costs

OPINION AND ORDER

LETTOW, Senior Judge.

Plaintiffs Hitkansut LLC and Accelecyne Technologies, Ltd. LLC (collectively, “Hitkansut”) brought suit against the United States (the “government”) for patent infringement. After a lengthy litigation culminating in a post-trial decision, Hitkansut prevailed on the merits and the court awarded it \$ 200,000 plus interest as reasonable and entire compensation for the infringement. See *Hitkansut LLC v. United States*, 130 Fed.Cl. 353, 391-95 (2017), *aff'd*, 721 Fed. Appx. 992 (Fed. Cir. 2018). The judgment was affirmed on appeal. 721 Fed. Appx. 992.¹ Hitkansut now has moved for an award of approximately \$ 4.51 million in attorneys' fees and expenses pursuant to 28 U.S.C. § 1498(a).


¹ The judgment has not yet been paid, see Hr'g Tr. 68:3-7 (Feb. 15, 2019), and interest is still running.

The government opposes an award. It (1) challenges this court's jurisdiction to award attorneys' fees and costs separate from the underlying judgment for compensation, (2) contends that the statute requires the request for fees and costs to be made by the patent owners, but this request is in actuality being made by the owners' attorneys, (3) maintains that its position in the litigation was substantially justified and, (4) to the extent that Hitkansut merits award, urges that Hitkansut's request is unreasonable and must be reduced.

The court concludes that it has jurisdiction to consider Hitkansut's motion for fees and costs and also finds (1) that the fee request has been properly made by Hitkansut, (2) that Hitkansut is eligible for an award of attorneys' fees and costs as a prevailing plaintiff that meets the statutory size criteria, and (3) that the government's position was not substantially justified. The court further finds that Hitkansut's request is generally reasonable, but must be reduced to elide some inappropriate and unallowable costs and excessive attorneys' fees. Accordingly, Hitkansut's request for expenses and attorneys' fees is granted in part and denied in part.

BACKGROUND

A. Infringement of Hitkansut's Patent

Hitkansut owns a patent,  United States Patent No. 7,175,722 (“the '722 patent”), that *346 “describes a method of ‘changing physical properties of a structure using concurrent application of multiple energy types ... and methodologies for determining operational settings’ ” *Hitkansut*, 130 Fed.Cl. at 360-61 (quoting the '722 patent). While the patent application was pending, in October 2003, Hitkansut entered into a three-year non-disclosure agreement with Oak Ridge National Laboratory (“Oak Ridge”) and in accord with that agreement provided a copy of the then-unpublished patent application to senior staff at Oak Ridge. *Id.* at 363. Some of the research staff at Oak Ridge had been experimenting with a materials processing method that involved treatment of metallic parts or materials through application of a high-strength magnetic field. See *id.* at 364. After the disclosure by Hitkansut, however, the researchers at Oak Ridge shifted to experiments involving “concurrent application of two energies, induction heating and a high magnetic field.” *Id.* (emphasis in original).

Between March 2004 and March 2006, researchers at Oak Ridge applied for “multiple patents for a materials processing method ... termed thermomagnetic processing.” *Hitkansut*, 130 Fed.Cl. at 364-66. The court found that Oak Ridge “prepared various research reports, received funding, authored multiple publications, and received awards” for its thermomagnetic processing research, which was based upon unauthorized use of the ‘722 patent. *Id.* at 366. Hitkansut’s suit alleged that certain of the ‘722 patent’s claims were infringed by Oak Ridge’s thermomagnetic processing. *Id.* at 367. The court agreed, upholding the validity of the ‘722 patent and finding that Oak Ridge’s thermomagnetic processing infringed three claims of the ‘722 patent. *Id.* at 371-90.

The court awarded Hitkansut \$ 200,000 as an up-front licensing fee plus interest dating from February 2007, the date the ‘722 patent was issued. *Hitkansut*, 130 Fed.Cl. at 391-94. Hitkansut had also sought a royalty of \$ 4.5 to \$ 5.6 million based upon Oak Ridge’s having received \$ 45 million in private and public research funding for thermomagnetic processing. *Id.* at 392. But because all monetary benefit to Oak Ridge had resulted from research funding and not from commercialization, the court found royalties to be inappropriate. *Id.* at 392-94.

The court ordered final judgment to be entered with respect to “reasonable and entire compensation for infringement,” *i.e.*, \$ 200,000 plus interest, invoking Rule 54(b) of the Rules of the Court of Federal Claims (“RCFC”), and permitting Hitkansut “[i]n due course, [to] apply for an award of reasonable costs and reasonable fees for expert witnesses and attorneys under 28 U.S.C. § 1498(a).” *Hitkansut*, 130 Fed.Cl. at 395.² The court deferred such an application for fees and expenses “until after any appellate process has been concluded or, alternatively, after the time for taking an appeal has expired.” *Id.* At the parties’ request, the court clarified the time for requesting attorneys’ fees and costs by stating that pursuant to RCFC 54(d)(2)(B), any motion for fees and expenses had to be filed within 30 days of the conclusion of the appellate process or when the time for taking an appeal expired. Order of February 28, 2017, ECF No. 236.

2 Rule 54(b) provides:

(b) Judgment on Multiple Claims or Involving Multiple Parties. When an action presents more than one claim for relief—whether as a claim, counterclaim, or third-party claim—or when multiple parties are involved, *the court may direct entry or a final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.* Otherwise, any order or other decision, however designated, that adjudicates fewer than all the claims or the rights and liabilities of fewer than all the parties does not end the action as to any of the claims or parties and may be revised at any time before the entry of a judgment adjudicating all the claims and all the parties’ rights and liabilities.

RCFC 54(b) (emphasis added).

Both parties appealed the judgment. On May 9, 2018, the Court of Appeals for the Federal Circuit affirmed this court’s decision, *Hitkansut*, 721 Fed. Appx. at 992, and the formal mandate affirming this court’s decision was issued on August 3, 2018, *see* Mandate, ECF No. 241. Neither party petitioned the Supreme Court for certiorari, *see* Hr’g Tr. at 3:22 to 4:1, 4:12-18 (Sept. 24, 2018), and Hitkansut filed its motion for fees and costs *347 on October 24, 2018, Pls.’ Req. for Costs & Att’ys’ Fees Pursuant to 28 U.S.C. § 1498(a) (“Pls.’ Mot.”), ECF No. 243.

Hitkansut’s motion for fees and costs included documentation to substantiate its request in the form of a declaration by Hitkansut’s lead counsel attesting to the reasonableness and accuracy of the request and itemizing expenses. Pls.’ Mot. at 3; *see also id.* Attach A (Decl. of John S. Artz in Support of [Pls.’ Mot.] (“Artz Decl.”)). The declaration consists of 18 exhibits (“PX”) that provide professional information for the three primary attorneys representing Hitkansut (PXs A-C), economic surveys conducted by the American Intellectual Property Law Association (“AIPLA”) that showed attorneys’ fees in intellectual property litigation by area of the country for 2013, 2015, and 2017 (PXs D-F), a summary and itemization of fees and expenses (PXs G-N, R), and excerpts from the trial transcripts and several interrogatory answers provided by the government (PXs O-Q).³ The government responded in opposition on January 2, 2019, and included an appendix with 10 exhibits, two of which consisted of the attorneys’ retention agreements with Hitkansut, while the remaining eight contained resumes for attorneys who appear in Hitkansut’s attorneys’ fee request. Resp. of the United States to Hitkansut’s Appl. for Fees & Costs (“Def.’s Resp.”),

ECF No. 248.⁴ Following receipt of Hitkansut's reply on January 30, 2019, Pls.' Reply in Support of its Appl. for Fees & Costs ("Pls.' Reply"), ECF No. 251, the court held a hearing on February 15, 2019.

³ Hitkansut's exhibits will be referred to as "PX __ at A __," reflecting the exhibit number followed by the page number.

⁴ The government's response contains an appendix consisting of 10 undesignated but consecutively paginated exhibits. The government's exhibits will be referred to as "GA __," which reflects the page number of the appendix.

B. Costs and Fees Requested Pursuant to 28 U.S.C. § 1498(a)

Hitkansut seeks \$ 4,507,062.56 through August 3, 2018, the end of the appellate process, consisting of: (1) \$ 3,241,353.00 in attorneys' fees; (2) \$ 823,196.92 in expert and consulting expenses; and (3) \$ 442,497.04 in litigation expenses exclusive of expert fees. PX H at A042-46 (attorneys' fees); PXs J-L at A050-202 (expert fees); PXs. M-N at A204-320 (expenses).⁵ Hitkansut also stated that it seeks its fees and expenses in pursuing this motion, but such fees and expenses were not listed, *see* Pls.' Mot. at 19-20, nor have they subsequently been provided.

⁵ These values have been corrected. Hitkansut's motion contains a summary of costs, *see* Pls.'s Mot. at 3, and a breakdown of costs by category and expense type, *id.* at 13-20, but these costs do not match and contain minor typographical errors. Calculation errors also appear in some of the summary tables of the exhibits, *see, e.g.*, PXs G, I, M, and in the itemization of attorneys' fees, *see, e.g.*, PX H at A044 (Smith, Franklin), A045 (Artz, John S.), although the cumulative errors appear to be less than 1% of the total costs sought.

Hitkansut divides its attorneys' fees and expenses into four broad numeric categories representing litigation stages. Category 1 represents pre-trial activities, and runs from the start of representation on January 27, 2011, through February 1, 2016. It is associated with five enumerated attorney tasks: 1 (investigation, pleadings, initial disclosures), 3 (non-summary judgment motions), 4 (discovery), 5 (claim construction), and 6 (motions for summary judgment). *See* PX H at A042-45. Category 2 represents activities preparing for trial, at trial, and during post-trial proceedings. *See id.* at A045-46. It runs from February 2, 2016, through January 9, 2017, and is associated with attorney task 8. Category 3 covers activities on appeal. *See id.* at A046. It runs from January 10, 2017, through August 3, 2018, and is associated with attorney task 9.⁶ Category 4 covers post appeal activities, such as pursuing costs and fees, is associated with task 10, and runs *348 from August 4, 2018, until the present. Category 4 is barren.

⁶ Although Hitkansut states the appellate process ended on May 2, 2018, the Federal Circuit issued its judgment on May 9, 2018. The discrepancy appears immaterial as no costs appear during the seven-day interval. Some expenses are assigned to the period between May 9, 2018, and August 3, 2018, when the mandate issued from the appeals court. The court adopts August 3, 2018, as the end of the appellate process.



Attorneys' Fees and Costs Claimed by Litigation Stage* (through Aug 3, 2018)					
Litigation Stage	Pre-Trial (Category 1)	Trial Prep, Trial, & Post Trial (Category 2)	Appeal (Category 3)	Post Appeal (Category 4)	Total Claimed**
Date Range	Jan 27, 2011 – Feb 1, 2016	Feb 2, 2016 – Jan 9, 2017	Jan 10, 2017 – Aug 3, 2018	Aug 4, 2018 – Present	
Attorneys' Fees	\$ 1,894,511.00	\$ 1,015,709.00	\$ 331,131.00	# 10	\$ 3,241,351.00
Task ID	# 1, 3, 4, 5, 6	# 8	# 9		
Expenses – “hard” (incurred & paid, excluding experts)	\$ 53,891.99	\$ 132,028.67	\$ 24,666.61		\$ 210,587.27
Expenses – “soft” (internal to firm)	\$ 92,077.96	\$ 82,167.51	\$ 57,664.30		\$ 231,909.77
Expert / Consulting Dr. Cahill	\$ 28,584.94	\$ 0.00	\$ 0.00		\$ 28,584.94
Expert Dr. Wagoner	\$ 263,744.72	\$ 255,670.70	\$ 20,340.00		\$ 539,755.42
Expert Mr. Epps	\$ 120,076.23	\$ 134,780.33	\$ 0.00		\$ 254,856.56
Total*	\$ 2,452,883.84	\$ 1,620,356.21	\$ 433,801.91		\$ 4,507,046.96
* As presented by Hitkansut and corrected for errors. See PX H at A042-46 (attorneys' fees); PXs J-L at A050-202 (expert fees); PXs M-N at A204-320 (expenses).					
** Total excludes category 4 (i.e., costs after Aug 3, 2018).					

STATUTORY AUTHORIZATION: 28 U.S.C. § 1498(a)

Section 1498(a) of Title 28 permits a patent holder to bring suit against the United States for patent infringement. It reads in pertinent part:

“Whenever an invention described in and covered by a patent of the United States 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, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.”

28 U.S.C. § 1498(a).

Prior to 1996, “reasonable and entire compensation” had not been delineated by the statute. *E.g.*, 28 U.S.C. § 1498(a) (1994). Courts had interpreted it to mean “just compensation” as “required by the Fifth Amendment for government takings by eminent domain.” H.R. Rep. No. 104-373, at 2 (1995), 1996 U.S.C.C.A.N. 4173, 4174 (citing  *Waite v. United States*, 282 U.S. 508, 509, 51 S.Ct. 227, 75 L.Ed. 494 (1931)). The Fifth Amendment, however, does not itself require the United States to pay litigation expenses in eminent domain cases; “such fees and costs can only be authorized by statute.” *Id.* (citing  *United States v. Bodcaw Co.*, 440 U.S. 202, 203, 99 S.Ct. 1066, 59 L.Ed.2d 257 (1979)). Although Congress had authorized “legal fees and costs in cases related to the taking of real property [under] the ‘Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970,’ ... [n]o such provision exist[ed] [prior to 1996] ... in the case where the government is found liable for taking a patent.” *Id.* (citing the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (“Uniform

Relocation Act”), 42 U.S.C. § 4654). Further, as of 1995 “[n]o [patent] owner ha[d] yet been able to recover any of its litigation costs under the [Equal Access to Justice Act],” H.R. Rep. No. 104-373, at 2, 1996 U.S.C.C.A.N. at 4174, and this court had held in 1993 that the Equal Access to Justice Act (“EAJA”), 28 U.S.C. § 2412, did not apply to patent owners suing the government under 28 U.S.C. § 1498(a), see *De Graffenried v. United States*, 29 Fed.Cl. 384, 386-88 (1993).

*349 Endeavoring to “help small business, independent inventors and nonprofit organizations recover the legal costs associated with defending their patents when the [f]ederal government is found liable for taking and using them,” Congress amended 28 U.S.C. § 1498(a) in 1996 to define “ ‘reasonable and entire compensation’ to include attorney’s fees and costs.” H.R. Rep. No. 104-373, at 1-2, 6, 1996 U.S.C.C.A.N. at 4174-75, 4178; see also Pub. L. No. 104-308, 110 Stat. 3814 (1996) (amending 28 U.S.C. § 1498(a)). Attorneys’ fees and costs were made available for patent owners who are either “independent inventor[s], a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding [infringement by the United States].” 28 U.S.C. § 1498(a). While the original proposal in the House of Representatives conditioned attorney’s fees and costs solely on finding the government liable, see 141 Cong. Rec. 36,190 (1995) (statement of Rep. Moorhead), the bill as enacted after a Senate amendment allowed the government to avoid paying attorney’s fees and costs if the court found either that “the position of the United States was substantially justified or that special circumstances make an award unjust,” 28 U.S.C. § 1498(a); see also 142 Cong. Rec. 27,243 (1996) (statement of Sen. Lott) (proposing amendment to H.R. 632). In its current form, 28 U.S.C. § 1498(a) now provides in pertinent part:

“Reasonable and entire compensation shall include the owner’s reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States. Not[]withstanding the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.”

28 U.S.C. § 1498(a).


JURISDICTION & STANDING

A. Post-Appellate Jurisdiction over the Claim for Attorneys’ Fees and Expenses

In the post-trial opinion, this court directed “judgment pursuant to RCFC 54(b) respecting the reasonable and entire compensation for infringement,” and allowed Hitkansut to apply for costs and attorneys’ fees as allowed by 28 U.S.C. § 1498(a) after the appellate process ended. *Hitkansut*, 130 Fed.Cl. at 395 (emphasis added). The government argues that this court lacks jurisdiction to address Hitkansut’s motion because it is impermissible to bifurcate the compensation awarded for infringement and an award of attorneys’ fees and costs. Though the government acknowledges that the court may award fees and costs under 28 U.S.C. § 1498(a), it contends that a proper interpretation of the statute “requires that fees be awarded prior to final judgment because the fees and costs are included in the definition of the ‘reasonable compensation’ to be awarded.” Def.’s Resp. at 5. As the government would have it, it has waived its sovereign immunity for the patent owner’s fees and costs, but only to the extent such fees and costs are awarded concurrently with compensation for use. In its view, reasonable and entire compensation is a “singular award” that encompasses attorneys’ fees and costs, and does not involve discrete claims or issues. *Id.* at 5. The government avers that once Hitkansut appealed this court’s judgment, it “effectively waived any claim for fees as part of that judgment.” *Id.* at 6 (emphasis in original).

Hitkansut responds that well-settled case law permits the court to award attorneys’ fees and costs after resolution of the appeal. Pls.’ Reply at 4, 6. Hitkansut invokes RCFC 54, arguing that the rule both “expressly permits the [c]ourt to separate claims where there is just reason to do so” and “contemplates a motion for attorneys’ fees and costs being filed after the substantive

*350 legal issues have been decided.” *Id.* at 4-5 (citing RCFC 54(d)(2)(A)) (emphasis removed).⁷ RCFC 54 so provides, and the question presented is whether the statute explicitly mandates a contrary result.

⁷ Hitkansut also argues that the government expressly agreed to bifurcation. Pls.’ Reply at 5. While perhaps true, neither subject-matter jurisdiction nor sovereign immunity may be waived by consent of the parties. *See, e.g.,*  *United States v. Cotton*, 535 U.S. 625, 630, 122 S.Ct. 1781, 152 L.Ed.2d 860 (2002) (“Subject-matter jurisdiction, because it involves a court’s power to hear a case, can never be forfeited or waived.”).


Whether the court may act under 28 U.S.C. § 1498(a) to first award compensation for the government’s unauthorized use and then award the owner’s costs in pursuing successfully an infringement action presents an issue of first impression for the court. The statute provides that “[r]easonable and entire compensation shall include the owner’s reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action ... [unless] the court finds that the position of the United States was substantially justified” 28 U.S.C. § 1498(a).⁸ Under this court’s rules, “[w]hen an action presents more than one claim for relief ... the court may direct entry of final judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay.” RCFC 54(b).⁹

⁸ 28 U.S.C. § 1498(a) also requires that the patent owner be either “an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding [the infringement].” That Hitkansut meets this requirement is undisputed.

⁹ RCFC 54 also contemplates award of attorneys’ fees to be made by separate motion “unless the substantive law requires those fees to be proved at trial as an element of damages.” RCFC 54 (d)(2). Section 1498(a) does not require that attorneys’ fees and expenses constitute a element of infringement. Instead, fees and expenses follow, and depend upon, a finding of infringement and may be awarded to patent holders of Hitkansut’s size unless the United States shows that its position was “substantially justified.” *See* 28 U.S.C. § 1498(a); *Wright v. United States*, 56 Fed.Cl. 350, 352 (2003) (“The government bears the burden [under 28 U.S.C. § 1498] of demonstrating that its position was substantially justified.”) (citing *Doty v. United States*, 71 F.3d 384, 385 (Fed. Cir. 1995) (construing “substantially justified” in the context of EAJA)).

The infringement claim and the claim for attorneys’ fees and costs in this case constitute distinct claims. The second is necessarily dependent on final disposition of the first. Subsequent litigation regarding attorneys’ fees and expenses cannot alter a judgment finding compensation for infringement, as this case evidences. Deferral of attorneys’ fees and expenses does not preclude appellate review of the underlying decision regarding infringement. To adopt the government’s position would require the court to read into the term “reasonable and entire compensation” an intent to inseparably merge two distinct claims. But such an intent cannot be found. Neither the text of the statute, nor the legislative history of the 1996 amendment to Section 1498(a), nor common practice endorsed by the Supreme Court and the Federal Circuit regarding comparable fee-shifting statutes, requires such a result.

The statutory text does not expressly prohibit recognition of separate claims. 28 U.S.C. § 1498(a). The merger of the parts of the award into a single claim must then arise by implication, from the language that “reasonable and entire compensation shall include the owner’s reasonable costs.” That “reasonable and entire compensation” includes fees and costs speaks to the amount owed and to what is compensable. It does not speak to timing. It does not imply that two distinct evidentiary showings, one of which must proceed from, and is dependent upon, the other, ought to be treated as one claim. The natural reading of the statute, that the court must award attorneys’ fees and costs if the patent owner meets certain enumerated conditions, has factual premises largely divorced from proofs of infringement.

The Uniform Relocation Act provides a useful parallel. It authorizes a court to award attorneys’ fees and costs to a private plaintiff “in a proceeding” that grants compensation for the government’s taking of property “as a part of such judgment or settlement.” 42 U.S.C. § 4654(c). Similarly to 28 U.S.C. § 1498(a), the Uniform Relocation Act provides compensation for a takings claim under *351 the Fifth Amendment. Courts have routinely awarded prevailing plaintiffs attorneys’ fees and costs under the Uniform Relocation Act separate from final judgments regarding damages. *E.g.,*  *Arkansas Game & Fish Comm’n*

v. *United States*, 87 Fed.Cl. 594, 647 (2009) (issuing judgment on compensation for a taking under RCFC 54(b), and allowing plaintiff to apply for attorneys' fees and costs after conclusion of the appellate process), *rev'd*, 637 F.3d 1366 (Fed. Cir. 2011), *rev'd and remanded*, 568 U.S. 23, 133 S.Ct. 511, 184 L.Ed.2d 417 (2012), *aff'd on remand*, 736 F.3d 1364, 1367 (Fed. Cir. 2013).¹⁰ Awards of attorneys' fees and costs under RCFC 54(b) in takings cases under the Uniform Relocation Act have occurred after proceedings that, for example, spanned several trials and appeals, and ultimate briefing of fee and cost claims. *E.g.*, *Otay Mesa Prop. L.P. v. United States*, 124 Fed.Cl. 141, 148-49, 151-52 (2015), *appeal dismissed*, Nos. 16-1438, 1478 (Fed. Cir. Mar. 21, 2016). The fee proceedings were dependent upon the outcome of the litigation. *See Otay Mesa Prop., L.P. v. United States*, 111 Fed.Cl. 422 (2013), *aff'd in part, vacated in part, and remanded*, 779 F.3d 1315 (Fed. Cir. 2015), *on remand*, 124 Fed. Cl. 141 (2015); 127 Fed.Cl. 146 (2016).

¹⁰ Neither the Federal Circuit's initial reversal of the trial court, nor the Supreme Court's reversal of the Federal Circuit, nor the Federal Circuit's ultimate affirmance of the original decision on remand took issue with issuing a final judgment respecting compensation separate from any award of attorneys' fees and costs. *See Arkansas Game & Fish*, 637 F.3d 1366, *rev'd*, 568 U.S. 23, 133 S.Ct. 511; *aff'd on remand*, 736 F.3d 1364. The decision and judgment for compensation was entered on July 1, 2009. In due course, plaintiff applied for fees and costs in April 2014, which were awarded pursuant to a settlement agreement. *See* Order of Final Judgment, *Arkansas Game & Fish Comm'n v. United States*, No. 05-381L (Fed. Cl. Sept. 24, 2014), ECF No. 182.

Precedential common practice under similar fee-shifting statute further cuts against the government's proposed interpretation. EAJA cites “any civil action” when discussing fees and costs, language “without any reference to separate parts of the litigation, such as discovery requests, fees, or appeals,” and contemplates that “a fee award presumptively encompasses all aspects of the civil action.” *Commissioner, I.N.S. v. Jean*, 496 U.S. 154, 158, 161, 166, 110 S.Ct. 2316, 110 L.Ed.2d 134 (1990). Obviously, fees and costs expended pursuing appeals cannot be awarded contemporaneously with final judgment on the underlying claim. But since these subsequent litigation costs are allowable under EAJA, it must be permissible to award attorneys' fees and costs subsequent to, and therefore separate from, a final award of damages. *Jean* implicitly endorses this practice, because the district court decided the merits in 1982 and awarded attorneys' fees and costs in 1986, which award included expenses incurred on appeal and preparing the application for fees and costs. *Jean*, 496 U.S. 154, 110 S.Ct. 2316, 110 L.Ed.2d 134 (1990), *aff'g sub nom. Jean v. Nelson*, 863 F.2d 759, 763-65 (11th Cir. 1988) (discussing case history), *aff'g sub nom. Louis v. Nelson*, 646 F.Supp. 1300 (S.D. Fla. 1986) (awarding attorneys' fees and costs).

The court finds the language of the Uniform Relocation Act and EAJA and the reasoning in *Jean* to be instructive for 28 U.S.C. § 1498(a). Bolstering this conclusion is that both statutes are cited in the legislative history of 1996 amendment to 28 U.S.C. § 1498(a) that added the provisions for attorneys' fees and expenses. *See H.R. Rep. No. 104-373*, at 2, 1996 U.S.C.C.A.N. at 4174-75. Under 28 U.S.C. § 1498(a), the patent holder may be compensated for costs “in pursuing the action,” 28 U.S.C. § 1498(a), referring to a single “action,” as do the Uniform Relocation Act and EAJA. And similar to awarding costs and fees in those statutes, the comparable language of 28 U.S.C. § 1498(a) indicates that the court may award fees and costs for the entirety of the single action, to include expenses incurred on appeal and preparing the application for fees and costs. But such an ability would be meaningless unless the court could defer determining costs and fees until after the appellate process concluded. *See also Jean*, 496 U.S. at 161-62, 110 S.Ct. 2316 (“EAJA – like other fee-shifting statutes – favors treating a case as an inclusive whole.”) (citing *Sullivan v. Hudson*, 490 U.S. 877, 888, 109 S.Ct. 2248, 104 L.Ed.2d 941 (1989)) (emphasis added).

The legislative history also evinces an intent to expand compensation to assist certain *352 patent owners in bringing potentially viable claims against the government. *See H.R. Rep. No. 104-373*, at 1-2, 1996 U.S.C.C.A.N. at 4173-74. The government's attempt to impose a timing constraint would have the opposite effect. Indeed, the government's approach would not only limit when litigation expenses could be requested, but would complicate proceedings before a final judgment regarding infringement could be entered. But, courts have repeatedly held expenses during appeal and in applying for fees as properly

compensable under other comparable fee-shifting statutes. *E.g.*, [Jean](#), 496 U.S. 154, 110 S.Ct. 2316. The government points to no evidence Congress intended a different result under 28 U.S.C. § 1498(a).¹¹

¹¹ Ironically, adopting the government's position would entail a different type of bifurcation of reasonable fees and costs. Instead of dividing reasonable costs into its constituent parts, reasonable costs would be divided by litigation stage. Before the trial court, plaintiffs would seek damages and attorneys' fees and costs through judgment. But since all costs through the fee application are properly recoverable, *e.g.*, [Jean](#), 496 U.S. at 156, 161-62, 110 S.Ct. 2316, plaintiffs would then seek additional reasonable costs before the appellate court consisting of attorneys' fees and costs during appeal, and perhaps again before the Supreme Court, and perhaps again after success upon remand, and so on. This scenario could "spawn a 'Kafkaesque judicial nightmare' of infinite litigation to recover fees for the last round of litigation," against which the Supreme Court has cautioned. [Id.](#) at 163, 110 S.Ct. 2316 (citations omitted).

In this case also, the Federal Circuit affirmed the underlying decision in its entirety under [Fed. Cir. R. 36](#), which decision had included a plain statement deferring attorneys' fees and costs until the appellate process concluded. *See* [721 Fed. Appx. 992](#), *aff'g* [130 Fed.Cl. 353](#), 395.

In sum, the court finds nothing within the text of 28 U.S.C. § 1498(a), appearing either expressly or arising inferentially from a natural reading, or among interpretations of similar statutes, that deprives this court of the ability to make an award of fees and expenses separate from an award of compensation regarding infringement. Accordingly, this court concludes that it retains jurisdiction under the statute to adjudicate Hitkansut's motion for fees and costs.

B. Standing—Real Party in Interest

The government also argues that the court cannot award attorneys' fees and expenses because 28 U.S.C. § 1498(a) "limits recovery to fees incurred by the owner," and it further contends that the nature of the fee arrangements between Hitkansut and its attorneys means Hitkansut neither incurred any fees nor would "benefit[] from the fee award." Def.'s Resp. at 3 (emphasis removed). In effect, the government argues that the attorneys are the real party in interest: "Dickinson [Wright] has sole control over the request for costs and fees ... and is entitled to the entire award." *Id.* at 2. Hitkansut defends the fee arrangement in the retention agreements, arguing that it retains ownership rights in the ['722 patent](#) despite the fee arrangement. Pls.' Reply at 2-3.¹² Further, Hitkansut notes that it is entitled to the recovery after reimbursing its attorneys for costs and some fees, and thus the greater the award, the greater the recovery that flows to Hitkansut. *Id.* at 3. At issue then, is what properly constitutes Hitkansut's costs under an arrangement where Hitkansut's obligation to pay depends on the size of the recovery and is, to some extent, disconnected from the actual value of the work performed by its attorneys.

¹² The court concurs that Hitkansut's representation agreements did not transfer ownership of the ['722 patent](#), but does not interpret the government's contention as raising an argument to the contrary.


Hitkansut executed two retention agreements with Dickinson Wright. Under the first agreement, Dickinson Wright agreed to represent Hitkansut regarding Oak Ridge's alleged infringement of the ['722 patent](#) on a contingency basis where Dickinson Wright would obtain 50% of the net recovery after reimbursement for expenses. GA 1-3. In the event Hitkansut did not prevail, Hitkansut would have no liability for any expenses or fees incurred by Dickinson Wright. GA 1, 3. Hitkansut executed a second fee agreement with Dickinson Wright in March 2017 that covered the appeal. GA 5. By its explicit terms, the second agreement did not affect ***353** the first agreement, but it did delineate how an ultimate recovery would be disbursed that covered all stages of the litigation. GA 6. Hitkansut agreed to pay Dickinson Wright for all expenses and attorneys' fees incurred in handling the appeal, with attorneys' fees to be determined based upon Dickinson Wright's standard hourly rate, although the appellate costs would be paid from any recovery. GA 6. The agreement also gave Dickinson Wright the "right to pursue reimbursement of


attorneys' fees and expenses with either [this court or the appellate court]" and specified that Dickinson Wright was "solely entitled to any award of fees and expenses." GA 6. Dickinson Wright's receipt of any attorneys' fees awarded to Hitkansut would not affect Dickinson Wright's entitlement to its contingency fee. GA 7.




In sum, Hitkansut would have no financial obligation to Dickinson Wright in the event of no recovery. GA 1, 3, 6. But if Hitkansut did recover—as it has—its recovery would be distributed in the following order: first, Dickinson Wright would receive payment for expenses but not attorneys' fees incurred in the original litigation prior to appeal; next, from any remaining recovery, Dickinson Wright would receive expenses and attorneys' fees incurred pursuing the appeal; and finally, Dickinson Wright and Hitkansut would split evenly any remaining recovery, pursuant to their contingency agreement. GA 1, 3, 6-7. In short, Hitkansut's share of the recovery, assuming the reasonableness of Dickinson Wright's expenses, would vary based on whether this court awards attorneys' fees and costs.



Contrary to the government's argument, an award of pre-appeal expenses aside from attorneys' fees and all appellate fees and expenses would affect the size of Hitkansut's recovery. As circumstances played out, so long as the court awarded at least approximately \$ 1.35 million towards expenses and appellate attorneys' fees, there would be a positive recovery for Hitkansut.¹³ Hitkansut only recovers if awarded these fees and expenses. Because Hitkansut is legally obligated to pay these costs before it receives any of the award, it has incurred these costs and it is thus proper for Hitkansut to seek them.

¹³ Attorneys' fees during appeal and total expenses are approximately \$ 1.6 million. An award of at least \$ 1.35 million would have less than \$ 250,000 in remaining costs. Hitkansut's award with interest is currently worth at least \$ 400,000, leaving a recovery to split once remaining costs are paid.

What remains, then, is the approximately \$ 2.9 million in pre-appeal attorneys' fees. While this court has not previously construed what constitutes "the owner's ... costs" under 28 U.S.C. § 1498(a), interpretation of other fee-shifting statutes indicates that the contingency arrangement should not bar recovery of Hitkansut's pre-appeal attorneys' fees. The Court of Appeals for the Federal Circuit has found that "[g]enerally, 'awards of attorneys' fees where otherwise authorized are not obviated by the fact that individual plaintiffs are not obligated to compensate their counsel [because] an attorney-client relationship suffices to entitle prevailing litigants to receive fee awards.'"  *Ed A. Wilson, Inc. v. General Servs. Admin.*, 126 F.3d 1406, 1409 (Fed. Cir. 1997)







(quoting  *Rodriguez v. Taylor*, 569 F.2d 1231, 1245 (3d Cir. 1977)). Construction of three other fee-shifting statutes frequently at issue in the Federal Circuit indicates that attorneys' fees under 28 U.S.C. § 1498(a) should be recoverable notwithstanding a contingency arrangement.




The Back Pay Act provides that a government employee who is wrongfully deprived pay "is entitled, on correction of the personnel action, to receive ... reasonable attorney fees ... [that] shall be awarded in accordance with the standards established under § 7701(g) of this title." 5 U.S.C. § 5596(b)(1)(A). Section 7701(g), in turn, requires, among other things, that the fees awarded be "incurred" by the employee,  5 U.S.C. § 7701(g)(1), or be awarded "as part of the costs,"  42 U.S.C. § 2000e-5 (cited by  5 U.S.C. § 7701(g)(2)). In approving an award of attorneys' fees to a legal services organization at market rates that exceeded actual cost, the Federal Circuit held that to:

restrict 'reasonable attorney fees incurred' to 'reasonable attorney fees *actually* incurred' constitutes precisely the type of legislative rewrite that any court should *354 avoid. It imposes a limitation which Congress neither expressed nor intended. Congress has passed a variety of statutes that have specifically referred to attorney fees as 'incurred,' *see, e.g.*,  5 U.S.C. § 552(a)(4)(E) (Freedom of Information Act ("FOIA"));  5 U.S.C. § 552a(g) (Privacy Act of 1974); *Fed. R. Civ. P. 37(a)(4)*, but the courts have


neither interpreted the ‘incurred’ term in these statutes to restrict or limit the payment of fees to those *actually* incurred, nor prevented market-rate fees from being awarded.


 *Raney v. Federal Bureau of Prisons*, 222 F.3d 927, 934 (Fed. Cir. 2000) (emphasis in original).

Similarly, EAJA permits a court to “award reasonable fees and expenses of attorneys” and “fees and expenses ... *incurred* by that party”  28 U.S.C. § 2412(b),  (d)(1)(A) (emphasis added). The Federal Circuit held in  *Ed A. Wilson, Inc.* that the plaintiff “incurred” attorneys’ fees under EAJA despite its “insurer being responsible for paying them.”  126 F.3d at 1408-10. The court continued, “[i]t is well-settled that an award of attorney fees is not necessarily contingent upon an obligation to pay counsel. Generally, awards of attorneys’ fees where otherwise authorized are not obviated by the fact that individual plaintiffs are not obligated to compensate their counsel.”  *Id.* at 1409. As the court had reasoned in an earlier case, “any fee award is made to the ‘prevailing party,’ not the attorney [and thus the attorney cannot] directly claim or be entitled to the award In this sense, [a plaintiff who must turn over any fee award to the attorney per their agreement] incurs the attorney fees that may be awarded.”  *Phillips v. General Servs. Admin.*, 924 F.2d 1577, 1582 (Fed. Cir. 1991).

In contrast to EAJA or the Back Pay Act, the attorneys’ fees provision of the Uniform Relocation Act requires the court to “reimburse [the] plaintiff for his reasonable costs, disbursements, and expenses ... actually incurred because of such proceeding.” 42 U.S.C. § 4654(c). In *Washington Metro. Area Transit Auth. v. United States*, 57 Fed.Cl. 148, 152-53 (2003), this court held that the use of “reimburse” and “actually incurred” in the Uniform Relocation Act distinguished that statute from the Back Pay Act as interpreted by the Federal Circuit in  *Raney*. Accordingly, the court restricted attorneys’ fees to those actually incurred by the plaintiff. *Id.* This court has applied similar reasoning in other cases under the Uniform Relocation Act. *E.g.*,  *Lost Tree Vill. Corp. v. United States*, 135 Fed.Cl. 92, 98-99 (2017) (allowing reimbursement of fees actually paid by the plaintiff but rejecting a “success fee” that was contractually recoverable only from the “government as part of the reasonable attorney’s fees” owed to the plaintiff); *but see*  *Shelden v. United States*, 41 Fed.Cl. 347, 357 (1998) (construing the Uniform Relocation Act to be comparable to EAJA).

The text of 28 U.S.C. § 1498(a) speaks to plaintiff’s “costs.” Missing are terms like “reimburse” and “actually incurred,” which distinguishes Section 1498(a), EAJA, and the Back Pay Act from the Uniform Relocation Act. Parallel language counsels parallel interpretation. Had Hitkansut agreed to pay pre-appeal attorneys’ fees based on an hourly rate and from any recovery, as it did for attorneys’ fees incurred on appeal, Hitkansut would have actually incurred these costs to the extent of its recovery. The government essentially asks the court to distinguish this possible arrangement with Hitkansut’s actual arrangement. But if that was the rule,

attorneys hired on a straight hourly basis would recover their full fee up to the market rate, but attorneys on retainers, attorneys with contingent fees, and attorneys offering services under prepaid legal plans would recover less. [The Federal Circuit] has not drawn such a distinction under the Equal Access to Justice Act. *See*  *Phillips*, 924 F.2d at 1582 & n. 4. There is no reason to draw such a distinction in cases arising under the attorney fee provisions of the Back Pay Act.

 *Raney*, 222 F.3d at 935. Owing to statutory language comparable to the Back Pay Act and EAJA, there is no reason to draw such a distinction in cases arising under the attorneys’ fee provision of Section 1498(a).

Accepting the government's argument would also dissuade litigation by the very class of people the fee-shifting provision of 28 U.S.C. § 1498(a) exists to help. The text of *355 the 1996 amendment to Section 1498(a) indicates for whom the benefit is intended: independent inventors, nonprofit organizations, and small businesses. 28 U.S.C. § 1498(a); see also H.R. Rep. No. 104-373, at 1, 1996 U.S.C.C.A.N. at 4173. This class is the least likely to be able to “actually incur” litigation costs, especially when pitted against the resources of the federal government. Depriving these plaintiffs of the ability to seek attorneys' fees if they use a contingency arrangement would hamper them from bringing claims and dissuade attorneys from taking their cases. As the Federal Circuit noted in *Raney* when holding that attorneys' fees were awardable even if not actually incurred, “[w]hen Congress amended the Back Pay Act to provide for fee awards more broadly, it sought to eliminate the strong financial disincentives for those who would protect their employment from unjustified governmental action. In so doing, it sought to deter the unreasonable exercise of governmental authority.” 222 F.3d at 935 (citations omitted); see also *Jean*, 496 U.S. at 163, 110 S.Ct. 2316 (EAJA exists to “eliminate for the average person the financial disincentive to challenge unreasonable governmental actions.”). The same logic applies here.

The cases advanced by the government are manifestly dissimilar, and in part contrary to precedent in this circuit. In *United States v. Paisley*, 957 F.2d 1161 (4th Cir. 1992), five former employees of Boeing who successfully defended themselves in a criminal prosecution sought attorneys' fees under EAJA. Boeing, however, agreed to indemnify them if required by state law. *Id.* at 1163. The Court of Appeals for the Fourth Circuit concluded that the employees did not incur attorneys' fees because they had “a legally enforceable right to full indemnification” by Boeing, “a solvent third party.” *Id.* at 1164. Correlatively, in *Securities & Exchange Commission v. Comserv Corp.*, 908 F.2d 1407, 1415 (8th Cir. 1990), a corporate officer was also indemnified by a third party, and the court ruled that the officer was ineligible for an award of fees under EAJA. In doing so, however, the court nonetheless noted that “EAJA awards *should be* available where the burden of attorneys' fees would have deterred the litigation challenging the government's actions.” *Id.* at 1415 (emphasis added). And in *Unification Church v. I.N.S.*, 762 F.2d 1077, 1082-83 (D.C. Cir. 1985), a suit where plaintiffs consisted of a church and its members, the church paid the entire litigation expense. The D.C. Circuit ruled that the church was the real party in interest and thus the members were ineligible to make a request for attorneys' fees.¹⁴ The church itself was found to be ineligible for fees because it had more than 500 employees. *Id.* at 1092.

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The Federal Circuit and other circuits have questioned the application of the real party in interest doctrine of *Unification Church*. See, e.g., *BASR P'ship v. United States*, 915 F.3d 771, 781-83 (Fed. Cir. 2019).

None of these cases rested upon facts comparable to those of Hitkansut's case. In *Paisley*, *Comserv*, and *Unification Church*, attorneys' fees were being paid by a third party. Hitkansut will not be indemnified, unless the court contorts indemnification to mean Hitkansut's attorneys will absorb any costs not awarded. Adopting the government's position based on these cases would preclude award of attorneys' fees under any attorney retention arrangement contingent upon the result. The government's reasoning reaches too far. It would make the attorneys the real party in interest in such circumstances, and the attorneys would not get fully paid, if paid at all, absent an award of fees unless the infringement award was sufficiently sizable. But, this outcome would fundamentally undermine the statute, precluding from bringing suit the very litigants intended to be benefitted by the 1996 statutory amendment. The patent owners most likely to use contingent arrangements are those with few resources to self-finance their litigation, namely those specifically identified by the statute.

In sum, the court finds that under 28 U.S.C. § 1498(a), the patent owner's costs consist of attorneys' fees that the owner may not be legally obligated to pay, such as those fees contingent on the amount of recovery, when the fees were incurred by the owner's attorney in representation of the owner, or where the owner would be contractually obligated *356 to pay such fees if awarded by the court.

ANALYSIS

To recover attorneys' fees and expenses under 28 U.S.C. § 1498(a), Hitkansut must first succeed on proving infringement, *i.e.*, be entitled to reasonable and entire compensation, and must have “costs” in “pursuing the action.” 28 U.S.C. § 1498(a). This court previously granted judgment in favor of Hitkansut, *Hitkansut*, 130 Fed.Cl. 353, and Hitkansut qualifies under the size limits imposed by the statute. Further, as previously discussed, Hitkansut's request for attorneys' fees and costs constitute “the owner's ... costs” as required by the statute. Accordingly, Hitkansut is entitled to an award of its costs, to include “fees for expert witnesses and attorneys” if “reasonable ... in pursuing the action” unless “the position of the United States was substantially justified or [] special circumstances make an award unjust.” 28 U.S.C. § 1498(a).

A. Was the Government's Position Substantially Justified?¹⁵




¹⁵ The government also argues that special circumstances require denial of the award. The context of their argument in this respect, however, involves the reasonableness of the request and is thus addressed as part of the analysis of reasonableness.

1. Interpretation of “substantially justified.”

The government urges the court to import the definition of “substantially justified” from EAJA, along with attendant judicial interpretations of the term. *See* Def.'s Resp. at 6-7, Hitkansut implicitly concurs. *See* Pls.' Mot. at 5, Pls.' Reply at 6-7.

The statute does not define when the government's position is substantially justified. The bill amending 28 U.S.C. § 1498(a) in the House of Representatives was not conditioned upon “the government's litigation position [not being] substantially justified.” H.R. Rep. No. 104-373, at 7, 1996 U.S.C.C.A.N. at 4179 (mentioning EAJA and the “substantially justified” standard). The Department of Justice commented that the bill created “a more expansive award” than was available to other claimants against the government. *Id.* The “substantially justified” standard was added later via amendment of the bill by the Senate. *See* 142 Cong. Rec. 27,243 (1996) (proposing the amendment that added the “substantially justified” standard). The Senate's amendment was adopted without discussion, but occurred subsequent to the House's report and addressed the Department of Justice's concerns cited in that report.

Neither the Supreme Court nor the Court of Appeals for the Federal Circuit have interpreted “substantially justified” in the context of 28 U.S.C. § 1498(a). This court, however, has previously interpreted the term in a manner consistent with its use in EAJA, *see Wright v. United States*, 56 Fed.Cl. 350, 352 (2003), a position supported by the limited legislative history, H.R. Rep. No. 104-373, at 2-3, 7, 1996 U.S.C.C.A.N. at 4174-75, 4179; 142 Cong. Rec. 27,243. The court thus adopts EAJA's interpretation of “substantially justified” for cases proceeding under 28 U.S.C. § 1498(a).

Under EAJA, the government's position is “substantially justified” when it is “justified in substance or in the main – that is, justified to a degree that could satisfy a reasonable person, [which is] no different from the ‘reasonable basis both in law and fact’ formulation.”  *Pierce v. Underwood*, 487 U.S. 552, 565, 108 S.Ct. 2541, 101 L.Ed.2d 490 (1988) (internal quotation marks omitted) (citations omitted). The court's inquiry must “focus[] on the governmental misconduct giving rise to the litigation,”  *Jean*, 496 U.S. at 165, 110 S.Ct. 2316, and must examine “the entirety of the government's conduct and make a judgment call whether the government's overall position had a reasonable basis in both law and fact,”  *Chiu v. United States*, 948 F.2d 711, 715 (Fed. Cir. 1991) (footnotes omitted). “The government bears the burden of demonstrating that its position was substantially justified.” *Wright*, 56 Fed.Cl. at 352 (citing *Doty v. United States*, 71 F.3d 384, 385 (Fed. Cir. 1995)).

2. *Pre-suit conduct & defining “the position of the United States.”*

The government objects to Hitkansut's recitation of the facts of Oak Ridge's pre-litigation *357 conduct as “irrelevant.” Def.'s Resp. at 13-14. Despite citing to EAJA to define “substantially justified,” the government rejects importation of EAJA's definition of “position of the United States,” which would incorporate pre-litigation conduct. *See id.* at 13-14. Instead, it insists that “the position of the United States” under 28 U.S.C. § 1498(a) refers only to “the position [taken] in litigation, not the pre-litigation conduct that led to the suit.” *Id.* at 14. Hitkansut argues to the contrary, citing the court's prior adoption of EAJA's definition. Pls.' Reply at 7.

EAJA defines the “position of the United States” as both “the position taken by the United States in the civil action” and “the action or failure to act by the agency upon which the civil action is based.” 28 U.S.C. § 2412(d)(2)(D); *see also* *Jean*, 496 U.S. at 158-59, 110 S.Ct. 2316. Unlike EAJA, 28 U.S.C. § 1498(a) does not expressly define “the position of the United States.” Strong reasons exist, however, to reject the government's argument and consider the government's conduct holistically, to include its pre-litigation conduct, when evaluating its position.

The text of 28 U.S.C. § 1498(a) refers to a single “position of the United States.” The statute makes no distinction between the pre-litigation position and the position taken once litigation commences. There is nothing inherent in the phrase that would confine its scope to only the position taken by the Department of Justice during litigation or only to the position taken by the government after a certain point.

Reference to “the position of the United States” describes what must be “substantially justified.” Accordingly, courts have routinely held that reference to the “position of the United States” requires a threshold determination regarding substantial justification encompassing the government's *entire* conduct. *E.g.*, *Jean*, 496 U.S. at 158-60, 110 S.Ct. 2316; *Doty*, 71 F.3d at 386. The “substantially justified” standard requires the government's overall position to have a “reasonable basis both in law *and* fact.” *Pierce*, 487 U.S. at 565, 108 S.Ct. 2541 (emphasis added) (citations omitted). The government, however, asks the court to strike, or severely circumscribe, “and fact” from that inquiry by ignoring pre-litigation conduct. But pre-litigation conduct is far from irrelevant under the “substantially justified” inquiry. Notably, that inquiry “properly focuses on the governmental misconduct *giving rise* to the litigation.” *Jean*, 496 U.S. at 165, 110 S.Ct. 2316 (emphasis added).

As a practical matter, the court cannot determine whether the government's position during litigation was justified without examining the underlying facts relating to the government's conduct. A reasonable basis requires more than conceptual arguments germane to the subject matter; arguments must also hue to the facts. That a litigation position may be reasonable in the abstract, *i.e.*, has a reasonable basis in law, does not mean that the litigation position as applied to a specific case remains reasonable when contradicted or unsupported by the factual record. That is as true in infringement litigation under Section 1498(a), as it is in most litigation. The acts of infringement necessarily occur pre-litigation.

Further, the addition of the “substantially justified” qualifier to the amendment to 28 U.S.C. § 1498(a) occurred after the Department of Justice commented to Congress that the attorneys' fees and cost provision as proposed in the House of Representatives expanded the government's liability beyond EAJA due to the absence of the “substantially justified” clause. *See H.R. Rep. No. 104-373*, at 7, 1996 U.S.C.C.A.N. at 4179 (citing the Department of Justice's views) (“There is no sound reason for adopting a different rule in the case of patent claims against the government from the EAJA rule on recovery of costs and attorneys' fees in other claims against the government.”). Ensuring that use of the phrase “the position of the United States” in Section 1498(a) aligns closely to EAJA's usage comports with this legislative history. *Compare* 28 U.S.C. § 1498(a) (“Reasonable and entire compensation shall include the owner's reasonable costs ... [but] shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust. *358 ”) (emphasis added), *with* EAJA, 28 U.S.C. § 2412(d)(1)(A) (“[A] court shall award to a prevailing party



other than the United States fees and other expenses [and costs] ... unless *the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.*") (emphasis added).




Accordingly, the court finds that to evaluate whether "the position of the United States was substantially justified" requires the court to examine all facts surrounding the conduct of the United States that are material to infringement of Hitkansut's patent, regardless of when the conduct occurred.

3. Whether the government's position was substantially justified.

Hitkansut challenges whether the government's position was substantially justified by providing examples of actions taken by the government that were found to be without merit. The most prominent example involves Oak Ridge's pre-litigation conduct, where Oak Ridge learned of Hitkansut's invention under a confidentiality agreement and then proceeded to breach the agreement and infringe the invention after discovering the advantages afforded by the invention. Pls.' Mot at 6-8. Further, once litigation commenced, Hitkansut contends that the government "maintained its unreasonable non-infringement positions [contrary to] the claim construction process." *Id.* at 8-9. Hitkansut also asserts that Oak Ridge failed to timely disclose adverse material information, such as a patent application that describes thermomagnetic processing in terms that contradicted its trial position and the work by another Oak Ridge researcher who spent half of the research funding expended on thermomagnetic processing.






Id. at 10-11. Finally, as Hitkansut would have it, the government asserted positions to invalidate the  '722 patent that were contrary to testimony of its own experts. *Id.* at 10.

The government responds that because its infringing conduct is a " 'rightful exercise of the power of eminent domain,' ... it would be incongruous to hold the Government liable for attorneys' fees based on pre-litigation conduct that was authorized by [the] very statute that grants those fees." Def.'s Resp. at 14 (quoting  *Leesona, Inc. v. United States*, 599 F.2d 958, 967 (Ct. Cl. 1979 (*en banc*))). In addressing specific instances raised by Hitkansut, the government cites decisions and orders by the court that adopted or accepted its positions and contends that those results demonstrate the reasonableness of its position, irrespective of the ultimate outcome or particular unreasonable stances. *Id.* at 8-11. For example, the government cites the court's rejection of four of the seven claims of the  '722 patent upon which Hitkansut sued, its bar of discovery into several classified projects, and its denial of a royalty based on research funding, which reduced the government's liability by more than 95%. *Id.* at 8-11, 22. Additionally, the government reiterates that specific instances of Oak Ridge's pre-litigation conduct cannot be part of the overall reasonableness landscape. *Id.* at 13-14.

As a preliminary matter, the court agrees with the government that the government can be found liable for infringement and still advance a substantially justified position. Holding otherwise would render the "substantially justified" clause superfluous, as infringement is already a prerequisite for reasonable and entire compensation. 28 U.S.C. § 1498(a); *see also*  *Pierce*, 487 U.S. at 569, 108 S.Ct. 2541 ("Conceivably, the [g]overnment ... could take a position that is substantially justified, yet lose."); *ACE Constructors, Inc. v. United States*, 81 Fed.Cl. 161, 165 (2008) (same). Thus, the relevant inquiry is whether the government has demonstrated that the positions it took during the case, including those taken by Oak Ridge beforehand, were such that a reasonable person could conclude that its position was supportable. *See*  *Pierce*, 487 U.S. at 565, 108 S.Ct. 2541 (Substantially justified means "justified to a degree that could satisfy a reasonable person."). And that inquiry "properly focuses on the governmental misconduct giving rise to the litigation."  *Jean*, 496 U.S. at 165, 110 S.Ct. 2316.

Oak Ridge's conduct towards Hitkansut impairs the government's attempt to argue that no infringement occurred or that the patent was invalid. Government researchers *359 did not merely develop thermomagnetic processing only to discover it infringed upon Hitkansut's patent. Instead, Oak Ridge had for years studied processing of metals in a magnetic field. *Hitkansut*, 130 Fed.Cl. at 364. Hitkansut then disclosed to Oak Ridge under a non-disclosure agreement its patent-pending process of applying two energies concurrently to improve the properties of metallic parts. *Id.* at 363. Promptly after the disclosure, Oak Ridge shifted its metal-treating research to a process involving the concurrent application of induction heating and a

high magnetic field. *Id.* at 364-65. Oak Ridge researchers took sole credit for this process, publishing papers and submitting patent applications, *id.* at 365-66, while deciding not to provide additional contracts or funding to Hitkansut, *id.* at 364. Despite thermomagnetic processing involving “a large oscillatory electromagnetic force,” *id.* at 364-65 (quoting one invention disclosure); *see also, e.g.*, Trial Tr. 493:16-19 (May 25, 2016) (deposition of Oak Ridge employee Dr. Wilgen, read into the record at trial), the government represented the opposite, *see e.g.*, PX P at A342-43 (setting out the government's response to Hitkansut's interrogatories). The government also advanced arguments inconsistent with the court's claim construction. *E.g.*, *Hitkansut*, 130 Fed.Cl. at 375, 377, 378. In sum, the government's position that no infringement occurred lacks substantial justification in light of Oak Ridge's decision to substantially alter its research to align with Hitkansut's patented process promptly after learning of that process, then using Hitkansut's process to Oak Ridge's benefit without compensating Hitkansut, and issuing papers and filing patent applications making no reference to Hitkansut's patent.

Oak Ridge attempted to invalidate the  '722 patent as covering patent-ineligible subject matter, being obvious, and failing the enablement requirement. *Hitkansut*, 130 Fed.Cl. at 378-79, 382, 389. Raising these issues certainly was legitimate, but the government's specific arguments lacked substantial justification because they were unsupported by the facts. The government failed to demonstrate either of the two parts of the test for patent-eligible subject matter explicated in  *Alice Corp. Pty. v. CLS Bank Int'l*, 573 U.S. 208, 134 S.Ct. 2347, 189 L.Ed.2d 296 (2014). *See Hitkansut*, 130 Fed.Cl. at 378-82 (finding that Hitkansut never attempted to patent an abstract mathematical relationship, while its process, though described mathematically, set out a novel method). Arguments directed towards showing obviousness failed to “address an essential element of each of the three asserted claims” or to “demonstrate any motivation to combine the ... prior art.” *Id.* at 384, 386. The government's witnesses acknowledged that the  '722 patent generated “unexpected” results accomplished through an unconventional use of a relationship. *E.g.*, *id.* at 365, 387-88. Further, despite years of prior research in metal processing, Oak Ridge's progress “changed drastically” only after it “copied [the]  '722 method.” *Id.* at 388. The enablement argument failed because although the  '722 patent contained errors, even the government's expert witness conceded that “a person of ordinary skill in the art could account for the errors in the patent without undue experimentation and perform all necessary calculations within approximately one hour.” *Id.* at 390. The court also noted that despite arguing invalidity, part of Oak Ridge's infringing conduct involved filing its own patent applications. *Id.* at 365.



The government nonetheless avers that several “reported opinions on the merits [and] unreported opinions on procedural issues” show the reasonableness of the government's positions. Def.'s Resp. at 8. The government overstates the materiality of its success on many of these points.¹⁶ It did prevail in its argument against including research funding in the royalty base, and that result substantially constrained the compensation owed to Hitkansut. This stance likely saved the government more than \$ 3.5 million.¹⁷ But, because the court is to consider the totality of the circumstances in conducting this inquiry, the government's position *360 may not be substantially justified even though it may have taken certain reasonable stances during the dispute. Here, the primary issue was infringement. Consideration of research funding, though important to determination of compensation, was secondary to infringement as a subset of damages. That the government blocked Hitkansut's attempt to expand the government's liability by raising an issue of first impression regarding the basis for royalties does not alter whether the government was substantially justified in arguing that no infringement occurred or that the patent was invalid.


¹⁶ For example, while the government succeeded in invalidating four of the seven contested patent claims, the remaining claims sufficed to establish a basis for the alleged infringement.



¹⁷ This amount is based on the possible application of an 8% royalty rate to the approximately \$ 45 million Oak Ridge received in research fees related to thermomagnetic processing.

B. Entitlement to Fees & Costs

1. Hitkansut's submission of records.

The government argues that Hitkansut's presentation of attorneys' fees and expenses "does not permit an evaluation." Def.'s Resp. at 33-34. Hitkansut defends its submissions as highly detailed, consisting of both raw data and summaries. Pls.' Reply at 17-18. While 28 U.S.C. § 1498(a) does not specify what a plaintiff must provide to justify their request for fees and costs, the plaintiff ultimately bears the burden of proving the fees owed. See  *Hensley v. Eckerhart*, 461 U.S. 424, 437, 103 S.Ct. 1933, 76 L.Ed.2d 40 (1983) ("[T]he fee applicant bears the burden of establishing entitlement to an award."). Accordingly, the plaintiff should present records "in a manner that will enable a reviewing court to identify distinct claims." See  *id.* at 437, 103 S.Ct. 1933 (EAJA standard).

Hitkansut has provided highly detailed records, including an itemization of all attorney hours and the value of that time, an itemization of all expenses, invoices for all experts, and summary tables. See, e.g., PXs G, H at A039-46. The extensive details may make sorting through each entry a cumbersome process, but such is to be expected given six years of litigation involving more than 12,600 hours. The court was also able to understand the basis of the request despite the extensiveness of the records and the presence of a limited number of mathematical or typographic errors. In its analysis "the court need not engage in a tediously detailed analysis of every hour billed, assigning time to different issues,"  *Dalles Irrigation Dist. v. United States*, 91 Fed.Cl. 689, 704 (2010), especially where, as in this case, only infringement and compensation were at issue. The court thus finds Hitkansut's submissions sufficient to meet its burden.

One aspect of Hitkansut's submission is flawed, however. Hitkansut has indicated it plans to submit another fee request for its post-appeals work, namely its fee request. Pls.' Mot. at 20. While all reasonably incurred fees are recoverable,  *Jean*, 496 U.S. at 156, 161-62, 110 S.Ct. 2316, Hitkansut has not timely filed its supplement. The court cannot entertain multiple, successive fee requests. Otherwise, the fee process would be neverending. In effect, Hitkansut has waived the right to seek reimbursement of fees in preparing the fee application because none of those fees or expenses were included in its application or have since been provided. See  *Jean*, 496 U.S. at 163, 110 S.Ct. 2316 (warning against a " 'nightmare' of infinite litigation to recover fees"); *Bratcher v. United States*, 138 Fed.Cl. 543, 547 (2018) (holding that owners prevailing in a taking claim waived right to reimbursement of fees incurred after cut-off date owners used in an initial application).

2. Attorneys' fees.

Hitkansut's claim for \$ 3,241,351.00 in attorneys' fees represents 12,604.4 hours of work performed as follows: 7,726 hours pre-trial (Category 1) totaling \$ 1,894,511.00; 3,779.2 hours related to trial (Category 2) totaling \$ 1,105,709.00; and 1,099.2 hours during appeal (Category 3) totaling \$ 331,131.00. See PX H at A041-46.¹⁸

¹⁸ PX R, a detailed itemization of attorney hours, shows 12,721.1 hours at \$ 3,290,782.50. PX R at A603. The difference is attributable to eight employees not listed in PX H and an additional 43.3 hours among five attorneys that appears in PX R. Compare PX H, with PX R at A601-03. Hitkansut represents that the eight employees appearing in PX R and not PX H were omitted intentionally and affirms the \$ 3,241,351.00 requested in its motion and supported by PX H, Hr'g Tr. 22:6-22 (Feb. 15, 2019), as corrected for minor typographical errors. The government's objection to fees for these eight attorneys, see Def.'s Resp. at 24-26, 31-33, thus is moot.

Thirty-five Dickinson Wright employees were involved with the case, though nine *361 attorneys and one "specialist" account for 97.5% of the fees and nearly 97% of the hours. See PX H. Hitkansut provided biographical information for the top three attorneys by fees sought: Franklin Smith, John A. Artz, and John S. Artz. See PXs A-C (biographies). These three represent nearly 75% of the attorneys' fees sought. See PX H. Franklin Smith is an associate attorney who graduated from law school in 2013 and billed \$ 1,017,797.50 for 4,369.4 hours at hourly rates ranging from \$ 210 to \$ 285, and an average rate of \$ 233. PXs C, H, R.¹⁹ John A. Artz is a member of Dickinson Wright with 50 years of legal experience and who practices in the intellectual property field. PX B. He billed \$ 916,740.00 for 3,333.6 hours at a consistent hourly rate of \$ 275. PX R at A602. John S. Artz is a member of Dickinson Wright with 25 years of legal experience involving intellectual property. PX A. He billed \$ 485,605.50

for 1,029.1 hours at hourly rates ranging from \$ 395 to \$ 545, and an average rate of \$ 472. *See* PX H. The remaining seven of the top 10 employees were billed at hourly rates ranging from \$ 115 to \$ 280. *See* PX H.

¹⁹ Mr. Smith was also billed at \$ 115 to \$ 120 per hour for the first 11 hours of Task 1 work. *See* PX H at A042.

The government argues that Hitkansut's requested attorneys' fees are excessive. For John S. Artz, the government contends that some of his hourly rates exceed acceptable lodestars, which should be based on the prevailing mean rates for intellectual property lawyers practicing in the Detroit, Michigan, area and as reflected in the economic surveys conducted by the AIPLA. Def.'s Mot. at 30-31. The government argues that Hitkansut's presentation fails to justify certain rates and does not allow for easy evaluation of the rates and hours claimed. *Id.* at 33-35. The government also objects to fees involving two previous unsuccessful lawsuits brought in district courts, and the fees incurred on appeal. *Id.* at 35-37. The government further contends any fee award must be scaled down significantly due to the court's rejection of including research funding in the royalty base. *Id.* at 38-39. In that respect, the government proposes a reduction of 95% based on Hitkansut's receipt of 5% of the compensation it sought. *Id.* at 38-39.

Hitkansut defends the rates sought by John S. Artz, arguing that he has charged his standard rate, which “represents the opportunity cost of what the firm turned away in order to take [Hitkansut's case].” Pls.' Reply at 14. Hitkansut accepts the AIPLA surveys and use of a localized rate, *see* Hr'g Tr. 20:14-24 (Feb. 15, 2019); PXs D-F (AIPLA surveys provided by Hitkansut), and notes that John S. Artz's maximum rate is below the 90th percentile for partners in the applicable geographic area as reflected by the AIPLA surveys and that his credentials and experience merit a rate higher than the median. Pls.' Reply at 15; Hr'g Tr. 21:9-23 (Feb. 15, 2019). Hitkansut also argues that it achieved success by prevailing on the only infringement claim it asserted and rebutted the government's attempt to invalidate the patent. Pls.' Reply at 20.

The statute expressly permits recovery of “reasonable fees for ... attorneys.” 28 U.S.C. § 1498(a). The “most useful starting point ... is the number of hours reasonably expended on the litigation multiplied by a reasonable hourly rate.” *Hubbard v. United States*, 480 F.3d 1327, 1332 (Fed. Cir. 2007) (quoting *Hensley*, 461 U.S. at 433, 103 S.Ct. 1933). A reasonable rate is one “adequate to attract competent counsel” while avoiding “windfalls to attorneys.” *Biery v. United States*, 818 F.3d 704, 710 (Fed. Cir. 2016) (quoting *Hensley*, 461 U.S. at 444, 103 S.Ct. 1933). Reasonable attorneys' fees for all stages of the litigation are recoverable. *E.g.*, *Jean*, 496 U.S. at 156, 161-62, 110 S.Ct. 2316 (“[A] fee award presumptively encompasses all aspects of the civil action.”). With these starting points, the court “must then consider [several factors regarding] whether to increase or decrease the fee, of which ‘the most critical factor is the degree of success obtained.’ ” *Hubbard*, 480 F.3d at 1332 (quoting *Hensley*, 461 U.S. at 436, 103 S.Ct. 1933). The court has applied these standards to fee-shifting provisions of the Civil Rights Act, EAJA, and the Uniform Relocation Act, *e.g.*, ***362** *id.* 480 F.3d at 1333 (discussing the Civil Rights Act and EAJA); *Biery*, 818 F.3d at 712 (Uniform Relocation Act); *Lost Tree*, 135 Fed.Cl. at 96 (Uniform Relocation Act), and thus finds that this approach should apply to fees sought under 28 U.S.C. § 1498(a) as well.

As previously discussed, the court finds Hitkansut's highly detailed itemization of attorney hours and tasks sufficient to support the hours expended. Regarding a reasonable hourly rate, the court concurs with the parties that the AIPLA surveys provide an appropriate starting point for hourly rates and that the “Other Central” category, which encompasses Detroit, Michigan, is the appropriate reference point. *See, e.g.*, PX E at A025 (defining the “Other Central” area).²⁰ Litigation of intellectual property is sufficiently specialized to justify using rates applicable to that specific field. Between 2012 and 2016, during which the greater part of the litigation occurred, the average hourly billing rates for partners in the intellectual property field in the “Other Central” area ranged from \$ 376 (in 2012) to \$ 398 (in 2016). *See* PXs D-F. Median rates ranged from \$ 355 (in 2012) to \$ 378 (in 2016) while rates for the third quartile ranged from \$ 440 (in 2012) to \$ 458 (in 2014). *See* PXs D-F. Mean and median associate rates ranged from \$ 254 to \$ 283 (mean) and \$ 243 to \$ 260 (median) during the same period. *See* PXs D-F.

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The Federal Circuit has recognized that where attorneys perform the majority of their work outside of Washington, D.C., local rates may be appropriate. *See, e.g., Biery*, 818 F.3d at 712-14 (affirming use of St. Louis rates when awarding attorneys' fees for attorneys who worked primarily in St. Louis, in a case under the Uniform Relocation Act); *Avera v. Secretary of Health & Human Servs.*, 515 F.3d 1343, 1349-50 (Fed. Cir. 2008) (allowing, but not mandating, use of a local rate in a case under the Vaccine Act).

The court finds that an hourly rate up to \$ 458 reflecting the third quartile, is reasonable for John S. Artz, given his patent litigation experience. *See* PX A. He is the only partner whose hourly rate exceeds the mean rate urged by the government. The court further finds that the median rate for associates of \$ 260 is reasonable, given the patent litigation experience attained by Franklin Smith, *see* PX C, the only associate whose hourly rate exceeds the median rate. These rates appear appropriate to attract counsel competent to handle highly-technical patent litigation against the resources of the federal government, especially considering that fewer than 10% of attorney hours exceeded these caps, and then only slightly.

Hitkansut may recover reasonable fees for paralegals at prevailing market rates if sufficiently documented. *Dalles Irrigation Dist.*, 91 Fed.Cl. at 708 (citing *Richlin Sec. Serv. Co. v. Chertoff*, 553 U.S. 571, 128 S.Ct. 2007, 170 L.Ed.2d 960 (2008)). Hitkansut has provided detailed invoices for its paralegals, "specialists," and an "intellectual property intern" (collectively, "legal support staff"). *See* PXs H, R. Hourly rates ranged from \$ 150 to \$ 215 over 545.7 hours, totaling \$ 87,113. *See* PXs H, R. As with attorneys, rates prevailing in the community should apply. Hitkansut, however, has not provided prevailing local market rates for its legal support staff as it has for attorneys. Some legal support staff were billed at rates slightly below associates, and those rates appear to align with rates for Washington, D.C. rather than Detroit. *See, e.g., Campbell v. United States*, 138 Fed.Cl. 65, 74-78 (2018) (showing rates for paralegals claimed at \$ 210 per hour, though noting that the Laffey Matrix and Kavanaugh Matrix suggested rates between \$ 154 to \$ 187 for 2013 to 2017).

Because the work and hours of the legal support staff appear reasonable, the court rejects the government's argument that Hitkansut's failure to justify a rate requires denial of an award. Rather, the rates requested can be adjusted to ensure that a reasonable rate prevails. Recently, the District Court for the Eastern District of Michigan has found hourly rates for paralegal services up to \$ 100 to be reasonable in EAJA cases, though these matters often involved social security claims and attorneys outside of Detroit. *See Brusch v. Colvin*, No. 15-13972, 2017 WL 1279228, at *3 (E.D. Mich. Apr. 6, 2017) (\$ 100 for a Chicago paralegal); *Rheen v. Commissioner of Social Security*, No. 14-11124, 2016 WL 3135762 (E.D. Mich. Apr. 21, 2016) (\$ 75 for a Michigan *363 paralegal). This court has found rates ranging between \$ 150 and \$ 190 per hour to be reasonable for the applicable period for the St. Louis market in Uniform Relocation Act cases, *e.g., Whispell Foreign Cars, Inc. v. United States*, 139 Fed.Cl. 386, 400-01 (2018) (\$ 150 for 2015-16); *Campbell*, 138 Fed.Cl. at 75 (\$ 175 to \$ 190); *Bratcher v. United States*, 136 Fed.Cl. 786, 800 (2018) (\$ 150 for 2015-16); *Greenwood v. United States*, 131 Fed.Cl. 231, 241 (2017) (\$ 150 to \$ 175 for paralegal work performed after 2011), and the AIPLA places St. Louis and Detroit into comparable metropolitan areas, *e.g., PX F* at A032. The Laffey Matrix prepared by the United States Attorney's Office for the District of Columbia suggests hourly paralegal compensatory rates of \$ 154 to \$ 164 for D.C.-based work between 2015 and 2018, while the alternate Kavanaugh Matrix suggests rates between \$ 175 and \$ 187.²¹ Based on the lower cost of legal services in Detroit than Washington, as reflected by the AIPLA surveys, and taking into account approved rates in St. Louis, which falls in the same geographic region as Detroit per the AIPLA surveys, the court adopts \$ 150 as a reasonable rate for services of Hitkansut's legal support staff.

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The Laffey Matrix is available at <https://www.justice.gov/usaodc/file/796471/download>. The Kavanaugh Matrix adjusts the Laffey Matrix based on changes to the Legal Services Index of the Consumer Price Index. *Biery*, 818 F.3d at 713. The Court of Appeals for the Federal Circuit has affirmed fee awards using either matrix as part of the court's discretion, so long as the court "consider[s] all the relevant facts are circumstances" and justifies its award decision. *Id.* at 714.




Of the \$ 1,894,511.00 requested for pre-trial activities (Category 1), attorneys' fees incurred before Hitkansut filed its complaint in this court amounted to \$ 75,831.00. *See* PX R at A394-401.²² The court finds that these fees are not reasonably related to the case in this court. The pertinent time was expended in pursuing two failed suits, one in the District Court for the Eastern







District of Michigan and the other in this court filed when the case in the Eastern District of Michigan remained pending. *See Hitkansut LLC, et al. v. UT Battelle LLC*, No. 2:11-cv-15598 (E.D. Mich. 2011); *Hitkansut LLC, et al., v. United States*, No. 12-163 (Fed. Cl. 2012). Both actions were voluntarily dismissed because jurisdiction was lacking. *See* Def.'s Resp. at 35.

22 This amount excludes time of seven attorneys and an IP specialist for whom fees are not requested. *See* PX R at A391-A401; Hr'g Tr. 22:6-22 (Feb. 15, 2019).





Of the remaining Category 1 fees, 141.4 partner hours, 7.1 associate hours, and 160.2 legal support staff hours exceed the hourly lodestar rates, and accordingly must be reduced by \$ 6,703.80 in fees. Of the \$ 1,015,709.00 requested for trial preparation, trial, and post-trial activities (Category 2), 377.8 partner hours, 48.1 associate hours, and 385.5 legal support staff hours exceed the hourly lodestar rates, and must be reduced by \$ 14,648.10 in fees. Of the \$ 331,131.00 requested for appellate activities (Category 3), 136.8 partner hours and 306.6 associate hours exceed the hourly lodestar rates, and must be reduced by \$ 13,803.10 in fees.²³

23 The court is cognizant that it may not award interest without express statutory permission. *E.g.*,  *Hubbard*, 480 F.3d at 1334. No such permission exists under 28 U.S.C. § 1498(a). But because Hitkansut requests hourly rates generally below the lodestars deemed applicable by the court for attorneys and the court adopts an hourly rate for legal support staff at the low end of the common range, it is unnecessary to identify distinct rates for each year of litigation to avoid running afoul of the no-interest rule.

Examining whether to reduce the award based on the measure of success, the “mechanical mathematical analysis” proposed by the government to reduce fees by 95% “is inconsistent with the nuanced approach” the trial court should take.  *Hubbard*, 480 F.3d at 1334 (rejecting the government's argument that fees and costs awarded should be 0.06% of those requested when damages awarded were 0.06% of those sought); *see also*  *Hubbard v. United States*, 80 Fed.Cl. 282 (2008) (awarding, on remand, approximately \$ 90,000 in fees and costs where \$ 400 in damages were awarded), *aff'd*, 315 Fed. Appx. 307 (Fed. Cir. 2009) (per curiam). In this instance also, the compensation awarded warrants no reduction of the award. Hitkansut brought *364 and succeeded on its only claim, that of infringement of the  '722 patent, and successfully defended the validity of its patent against the government's challenges. Though Hitkansut only prevailed on three of seven asserted claims of the patent, there is a difference between use of “claim” in the context of the litigation and the patent. Infringement of three claims of the patent results in the same legal outcome as infringement of one or seven claims.

The government did successfully argue that Oak Ridge's research funding could not give rise to royalties, effectively reducing Hitkansut's award by 95%. But this dispute did not represent 95% of the case. Rather, infringement represented the primary issue. The status of research funding represented a subset of the damages aspect of the infringement claim. Arguments focused on the status of research funding did not present a distinct claim nor was the issue sufficiently significant to warrant identifying and eliminating costs associated with that subset. *See*  *Hensley*, 461 U.S. at 440, 103 S.Ct. 1933 (“Where the plaintiff has failed to prevail on a claim that is distinct in all respects from his successful claim, the hours spent on the unsuccessful claim should be excluded.”);  *Biery*, 818 F.3d at 712 (“When multiple claims are brought in a single litigation and involve common questions of law, it may be difficult, if not impossible, to separate out the hours expended on each claim [But a] fee award is subject to a court's discretion and a court ‘may attempt to identify specific hours that should be eliminated, or it may simply reduce the award to account for the limited success.’ ”) (quoting  *Hensley*, 461 U.S. at 436-37, 103 S.Ct. 1933) (emphasis added). Further, success or failure on the multiple procedural issues are subsumed into the overall outcome of the case. *Cf.*  *Hensley*, 461 U.S. at 440, 103 S.Ct. 1933 (“Where a lawsuit consists of related claims, a plaintiff who has won substantial relief should not have his attorney's fee reduced simply because the district court did not adopt each contention raised.”). Here, Hitkansut obtained more than nominal compensation. The up-front licensing fee of \$ 200,000 that was awarded considerably exceeds what would be deemed nominal damages, even in a patent litigation. *Compare*  *id.* at 432-36, 103 S.Ct. 1933 (taking degree of success into account along with a range of other factors to determine a reasonable fee), with  *Farrar v. Hobby*,

506 U.S. 103, 115, 113 S.Ct. 566, 121 L.Ed.2d 494 (1992) (ruling on a reasonable fee when “a plaintiff recovers only nominal damages because of his failure to prove an essential element of his claim for monetary relief”).

Additionally, the court rejects the government's argument that the appeals court is the proper court to determine attorneys' fees for the appeal. Def.'s Mot. 37 (arguing that the appeals court “is the appropriate court to determine whether the position of the United States was ‘substantially justified’ or whether ‘special circumstances make an award unjust’”) (citation omitted). The Supreme Court implicitly rejected this position in  *Jean*. The appeals court does not make a separate determination regarding substantial justification. “[A] fee award presumptively encompasses all aspects of the civil action,” “favors treating a case as an inclusive whole,” and “only one threshold determination [of substantial justification] for the entire civil action is to be made.”  *Jean*, 496 U.S. at 159-62, 110 S.Ct. 2316. And, “it is appropriate to allow the [trial] court discretion to determine the amount of the fee award, given its ‘superior understanding of the litigation’”  *Jean*, 496 U.S. at 161, 110 S.Ct. 2316 (quoting  *Hensley*, 461 U.S. at 437, 103 S.Ct. 1933). While “[n]o costs were taxed in [the] appeal,” Notice of Entry of Judgment Without Opinion (May 9, 2018), ECF No. 239, taxable costs do not encompass attorneys' fees. See 28 U.S.C. § 1920(1); see also Fed. Cir. R. 39 (Practice Notes). Thus, the Federal Circuit's judgment of affirmance does not preclude award of attorneys' fees incurred during appeal.

Accordingly, the court awards \$ 3,130,365.00 in attorneys' fees to Hitkansut, representing \$ 1,811,976.20 for pre-trial work (Category 1), \$ 1,001,060.90 for trial preparation, trial, and post-trial work (Category 2), \$ 317,327.90 for appellate work (Category 3), and \$ 0.00 for post-appellate work (Category 4).



*365 3. Expert witness expenses.


Hitkansut requests \$ 823,196.92 for the expenses of three experts, Dr. Cahill, Dr. Wagoner, and Mr. Epps. See PX I at A048; PXs J-L. Hitkansut provided itemized invoices for services rendered by each, PXs J-L, and has already paid these experts for their services, see PX N. The government has not raised specific objections to the request for expert fees.

Hitkansut employed Dr. Cahill from September 2013 through August 2014 to assist pre-trial with technical aspects of the patent. Pls.' Mot. at 14; PX J. Dr. Cahill was a department head and the Donald B. Willett Professor of Engineering, Professor of Materials Science and Engineering at the University of Illinois at Urbana-Champaign. *Hitkansut v. United States*, 115 Fed.Cl. 719, 722 n.5 (2014). Dr. Cahill billed \$ 28,584.94 for consulting services at \$ 495 per hour, actual travel expenses, and travel time at \$ 247.50 per hour. See PXs I, J.

Hitkansut employed Dr. Wagoner from August 2014 through September 2017 to assist during all litigation stages with technical aspects of the patent, to include testifying as Hitkansut's technical expert during trial. See PX K; see also, e.g., *Hitkansut*, 130 Fed.Cl. at 372 & nn.18, 19. Dr. Wagoner was a professor emeritus of materials science and engineering at the Ohio State University, and had been chair of the materials science and engineering department. *Hitkansut*, 130 Fed.Cl. at 372 n.19. Dr. Wagoner billed \$ 539,755.42 for consulting services at \$ 450 per hour and for actual travel expenses. See PXs I, K.

Hitkansut employed Mr. Epps of Epps Forensic Consulting PLLC to consult on damages from May 2015 through September 2016. See PX L. Mr. Epps has a bachelor's degree in business and accounting from California State University and a master's degree in education from the University of Phoenix. *Hitkansut*, 130 Fed.Cl. at 391-92 & n.31. He was accepted as an expert in forensic accounting and testified at trial regarding damages. *Id.* Epps Forensic Consulting billed \$ 254,856.56 for consulting services provided by eight employees at rates ranging from \$ 155 to \$ 425 and for actual travel expenses. PXs I, L.

“Reasonable and entire compensation ... includ[es] reasonable fees for expert witnesses.” 28 U.S.C. § 1498(a). The court finds the expert fees to be reasonable, considering they were incurred in arm's length transactions, cf.  *Lost Tree*, 135 Fed.Cl. at 96 (citing  *Florida Rock Indus., Inc. v. United States*, 9 Cl. Ct. 285, 290 (1985)) (“Fees incurred and paid by a client

at an agreed rate are presumptively reasonable.”), and given the qualifications and purpose of the experts.²⁴ Dr. Wagoner, Hitkansut's primary expert witness who incurred two-thirds of the expert expenses, had strong credentials and was crucial to Hitkansut's case. “[R]easonable costs ... in pursuing the action” includes costs incurred during all stages of the litigation through the submission of the request for attorneys' fees and costs, *see*  *Jean*, 496 U.S. at 161-62, 110 S.Ct. 2316, and thus encompasses the cost of experts during the appellate process as well.

²⁴ Unlike EAJA, 28 U.S.C. § 1498(a) neither contains an express term limiting expert compensation nor uses a term regarding expert compensation that would counsel that any limitation should be imported from EAJA. *Compare* 28 U.S.C. § 1498(a), *with id.* § 2412. Correlatively, the Uniform Relocation Act permits reimbursement of “reasonable ... appraisal, and engineering fees, actually incurred.” 42 U.S.C. § 4654(c).

No costs were taxed in the appeal, and the court has carefully avoided inclusion of any such costs at this post-appeal stage. Many of the statutorily taxable costs are inapplicable to appeals because they relate to trial proceedings, such as “fees and disbursements for ... witnesses.” *See* 28 U.S.C. § 1920(1); *see also* Fed. Cir. R. 39 (Practice Notes). Taxable witness fees are further defined to cover attendance at trial and attendant travel time, meals, and the actual transportation expense. *See* 28 U.S.C. § 1821. None of the expert witness fees incurred by Hitkansut during appeal fall into those categories, *see, e.g.*, PX J at A153, A156, and thus are not precluded from award.

Accordingly, the court awards \$ 823,196.92 in expert fees, representing \$ 412,405.89 for pre-trial work (Category 1), \$ 390,451.03 for ***366** trial preparation, trial, and post-trial work (Category 2), and \$ 20,340.00 for work during the appellate stage (Category 3).

4. Other (non-expert) expenses & costs.

Hitkansut claims \$ 442,497.04 in expenses exclusive of expert witnesses through August 3, 2018, divided into “hard” and “soft” expenses. Hard expenses totaling \$ 210,587.27 were those “paid by the firm,” while soft expenses totaling \$ 231,909.77 were those “incurred by the firm but not paid out.” PX N; Artz. Decl. ¶ 6.²⁵ Hard expenses reflect \$ 53,891.99, \$ 132,028.67, and \$ 24,666.61 incurred in Categories 1 through 3, respectively. *See* PX M.²⁶ Hard expenses include, among other things, travel costs, court fees, delivery services, transcripts and certified copies of official records, and third-party document reproduction services. PX N at A206-17. Soft expenses reflect \$ 92,077.96, \$ 82,167.51, and \$ 57,644.30 in Categories 1 through 3, respectively. *See* PX M. Soft expenses include, among other things, internal reproduction of documents, computerized legal research, telephone charges, and data hosting. PX N at A218-A320. The court adopts \$ 442,497.04 as the starting point for expenses through August 3, 2018.

²⁵ Hitkansut's itemization of soft costs totals \$ 235,167.77 from December 2, 2011, through September 30, 2018, *see* PX N at A320. Hitkansut's request of \$ 231,909.77, however, omits expenses for August and September 2018 that appear on the invoice.

²⁶ Hitkansut's invoice of hard expenses reflects \$ 28,415 more than requested between Categories 1 and 2. *Compare* PX M at A204 (summary showing \$ 210,587.27), *with* PX N at A217 (invoice showing \$ 239,003.17 after \$ 823,196.92 in expert expenses is removed from the total of \$ 1,062,200.09). Since the discrepancy is neither explained nor readily apparent, the court adopts the lower number as requested by Hitkansut.


The government argues that \$ 817.73 in expenses predate the complaint in this court and must be excised because they were not incurred in pursuit of this case. Def.'s Mot. at 36. The government also contends that expenses from appeal are not permitted because costs were not taxed on appeal. *Id.* at 37.

Hitkansut's expenses are awardable if reasonably related to the case and not otherwise barred. *See* 28 U.S.C. § 1498(a). Hitkansut incurred expenses totaling \$ 3,554.98 prior to commencing litigation in this court, such as filing fees in another court, and those pre-suit expenses are not reasonably related to the litigation.²⁷ Further, no costs were taxed in the appeal. Hitkansut incurred expenses totaling \$ 4,614.55 on appeal that are not assignable per the Federal Circuit's judgment. *See* 28 U.S.C. § 1920(1)-(5);

see also [Fed. Cir. R. 39](#) (Practice Notes). Other expenses are not covered by the definition of “cost” for the purpose of whether they are taxable, and thus are not subject to the Federal Circuit's decision.

27 Ineligible expenses include the \$ 817.73 in hard costs challenged by the government and an additional \$ 2,737.25 in soft costs. PX N at A218.

Among non-expert hard expenses are costs associated with attorney travel, including transportation, lodging, and meals. The court finds these compensable under [28 U.S.C. § 1498\(a\)](#) if supported by sufficient documentation and reasonably related.

See, e.g.,  [Dalles Irrigation Dist.](#), 91 Fed.Cl. at 710 (finding attorney travel compensable under EAJA). Hitkansut's itemized expenses suffice. See PX R.







Accordingly, the court awards \$ 434,327.62 in non-expert expenses and costs, consisting of \$ 142,414.97 in pre-trial expenses (Category 1), \$ 214,196.18 in trial preparation, trial, and post-trial expenses (Category 2), \$ 77,716.45 in expenses during the appeal process (Category 3), and \$ 0.00 in post-appellate expenses.


5. General reasonableness & special circumstances.

Lastly, the government argues that Hitkansut's request must be reduced because it is unreasonable for costs to exceed the value of the claim. Def.'s Mot. at 37-40. Essentially, the government seeks to cap any award at \$ 200,000 plus interest from February 2007. *Id.* at 40. Hitkansut avers that no case law supports this proposition, Pls.' Reply at 20, and that value lies in vindication of its ownership *367 rights, its reputation, and the patent's validity, see Hr'g Tr. at 67:5-23 (Feb. 15, 2019).

The court recognizes that an award of attorney fees and costs of several million dollars is significant. Hitkansut's claim, however, was vigorously contested by the government, involved highly-technical subject matter, spanned six years, and proceeded through a lengthy appeal. Hitkansut also faced an opponent with vast resources whose calculus regarding settlement and the value of precedent differs from that of a private litigant.

The fee shifting provision contains no explicit cap on the owner's reasonable costs. Instead, it provides that “[r]easonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action.” [28 U.S.C. § 1498\(a\)](#). The government reads an unstated cap into the statute through the term “reasonable.” As the government sees it, it is unreasonable to spend millions to obtain a judgment of \$ 200,000 plus interest. See Def.'s Mot. at 39.

Precedent uniformly contravenes the government use of “reasonable” in the context of a fee-shifting statute. Under both the Uniform Relocation Act and EAJA, it is not uncommon for awarded attorneys' fees and costs to exceed damages. E.g.,  [Biery](#), 818 F.3d 704 (affirming award under the Uniform Relocation Act of more than \$ 700,000 in fees and costs on damages of \$ 270,000), *aff'g*,  No. 07-693L, 2014 WL 12540517 (Fed. Cl. Jan. 24, 2014);  [Hubbard](#), 80 Fed.Cl. 282 (awarding \$ 90,000 in fees and costs under EAJA for on damages of \$ 400), *aff'd*, 315 Fed. Appx. 307 (per curiam); see also  [Dalles Irrigation Dist.](#), 91 Fed.Cl. 689 (awarding \$ 210,000 in fees and costs under EAJA where \$ 173,000 was awarded in damages);  [Shelden](#), 41 Fed.Cl. 347 (awarding \$ 600,000 in fees and costs under the Uniform Relocation Act where \$ 200,000 was awarded in damages). Fee awards exceeding damages occur despite EAJA's explicit caps on hourly rates for experts and attorneys.  [28 U.S.C. § 2412\(d\)\(2\)](#). But these caps do not preclude fees and expenses from exceeding damages because EAJA imposes a ceiling on hourly rates, not a ceiling on total compensation. Awards under the Uniform Relocation Act, a takings statute like [28 U.S.C. § 1498\(a\)](#), omit any caps. See [42 U.S.C. § 4654\(c\)](#). Accordingly, “reasonable” in this context examines whether costs were necessary to the litigation and incurred at prevailing market rates, and not whether costs would have made litigation unprofitable in the absence of a fee-shifting provision.

Accepting the government's argument would contravene the statutory purpose. Fee-shifting provisions like 28 U.S.C. § 1498(a) exist precisely to accommodate suits where the cost to bring the suit could not be recovered from the damages awarded, *i.e.*, suits where a meritorious plaintiff could not afford to bring the suit because the damages recoverable, however real, are insufficient to attract attorneys. See H.R. Rep. No. 104-373, at 1, 6-7, 1996 U.S.C.C.A.N. at 4173, 4178-9 ("The purpose of [the amendment] is to help *small business, independent inventors and nonprofit organizations* recover the legal costs associated with defending their patents when the Federal government is found liable for taking and using them.") (emphasis added); see also H.R. Rep. No. 96-1418, at 1, 12, 1980 U.S.C.C.A.N. 4984, 4984, 4991 (identifying EAJA's purpose as "reduc[ing] the deterrents and disparity" that arise "because of the expense involved in securing the vindication of their rights [against the government]," and finding that "[w]hen there is an opportunity to recover costs, a party does not have to choose between acquiescing to an unreasonable government order or prevailing to his financial detriment"). "The [g]overnment's general interest in protecting the federal fisc is subordinate to the specific statutory goals of encouraging private parties to vindicate their rights and 'curbing excessive regulation and the unreasonable exercise of [g]overnment authority.' "  *Jean*, 496 U.S. at 163-65, 110 S.Ct. 2316 (citation omitted). Forcing a potentially meritorious patent owner to choose between surrender and a Pyrrhic victory creates precisely the Catch-22 situation that Congress and courts have specifically rejected under other fee-shifting statutes.

*368 Finally, the government's analysis of reasonableness rests on several improper assumptions. The government emphasizes the final results, not the potential value at the time Hitkansut made its litigation decisions. Hitkansut may have recovered only \$ 200,000 plus interest, but sought up to \$ 5.6 million based on the research-funding issue of first impression. What matters for rationality is Hitkansut's potential value: its possible recovery multiplied by the probability of success, perhaps adjusted for aversion to risk, and less anticipated legal costs. See, e.g., Steven Shavell, *Suit, Settlement, & Trial: A Theoretical Analysis Under Alternative Methods for the Allocation of Legal Costs*, 11 J. Legal Stud. 55, 56-59 (1982).²⁸

²⁸ A similar question, if it were based on valid assumptions, could be asked of the government, which likely spent far more than \$ 200,000 to defend this case.

This simple proposition is further complicated here by several considerations not addressed by the government. The odds of success are difficult to calculate for an issue of first impression. Prior expenditures that cannot be recovered, *i.e.*, sunk costs, should be given no consideration in whether to proceed with further costs to obtain the expected result. Litigation proceeds in discrete stages: pre-complaint investigation, complaint, initial discovery, extended discovery, expert discovery, pre-trial motions to dismiss or for judgment, trial, post-trial motions, appeal. Each stage imposes discrete costs, could change the expected value, results in previous costs being sunk, and thus requires a new decision at every stage whether to proceed by assuming whether future costs are likely to exceed the expected value.²⁹ An additional point of complexity arises from fee-shifting provisions like 28 U.S.C. § 1498(a). In such cases, litigation costs may not actually be sunk, and thus must, like the expected recovery, also be adjusted for the probability of success. See, e.g., Shavell, *supra*, at 60. Irrespective of an economic analysis, 28 U.S.C. § 1498(a), like other fee-shifting statutes, contemplates awards of attorneys' fees and costs in excess of damages precisely to allow vindication of rights by those with limited means.

²⁹ It is rational for a plaintiff to spend more than the expected value of the case so long as any cost in proceeding is below the expected value. For example, assuming undisputed damages of \$ 100,000 and liability as the only issue, if a plaintiff believed it had a 50% chance of winning, the expected value of the case is \$ 50,000. Therefore, it would be rational to spend up to \$ 50,000 in litigation costs. Assume the hypothetical plaintiff succeeds at trial at a cost of \$ 35,000. Defendant appeals. Plaintiff assesses chances of prevailing on appeal at 75%. The expected value is now \$ 75,000 at this stage. It would be rational to litigate further so long as litigation costs in this round are below \$ 75,000. Thus, plaintiff may spend \$ 110,000 to recover \$ 100,000; \$ 35,000 from the first trial and \$ 75,000 from the second. Of course, an astute plaintiff can consider the total probability of success from the outset, which combine to a 37.5% overall success rate, but could still end up spending more than the ultimate recovery.

CONCLUSION

For the foregoing reasons, Hitkansut's motion for attorneys' fees and costs under 28 U.S.C. § 1498(a) is GRANTED in part and DENIED in part. Hitkansut is awarded attorneys' fees and costs as delineated above. The clerk shall enter final judgment for Hitkansut for the total amount of \$ 4,387,889.54.

It is so **ORDERED**.

All Citations

142 Fed.Cl. 341

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B- 416990.2 (Comp.Gen.), 2019 CPD P 188, 2019 WL 2408664

COMPTROLLER GENERAL

Matter of: Chromalloy San Diego Corporation

DOCUMENT FOR PUBLIC RELEASE The decision issued on the date below was subject to a GAO Protective Order. The entire decision has been approved for public release.

June 3, 2019

*1 William M. Weisberg, Esq., Law Offices of William Weisberg PLLC, for the protester.
Howard B. Rein, Esq., Paul C. Scheck, Esq., and Kerry G. Hotopp, Esq., Department of the Navy, for the agency.

Glenn G. Wolcott, Esq., April Y. Shields, Esq., and Christina Sklarew, Esq., Office of the General Counsel, GAO, participated in the preparation of the decision.

DIGEST

In solicitation for depot-level overhaul of turbine generators used to power certain Navy ships, agency reasonably required offerors to have access to the original equipment manufacturer's (OEM) technical data and to OEM tooling.

DECISION

Chromalloy San Diego Corporation, of San Diego, California, protests the provisions of request for proposals (RFP) No. N64498-18-R-4023, issued by the Department of the Navy, to perform depot-level overhaul of LM2500 turbine gas generators.¹ Specifically, Chromalloy challenges, as overly restrictive, the solicitation's requirements that an offeror have access to the original equipment manufacturer's (OEM) technical data and OEM tooling.

We deny the protest.

BACKGROUND

The record establishes that the LM2500 generator was developed as a commercial item by the General Electric Company (GE) approximately 40 years ago, and that the development and manufacture of those generators was funded entirely by GE.² Hearing Transcript (Tr.) at 9-11.³ Since then, the engines have been purchased by various customers, including the U.S. Navy.⁴ In connection with its development and manufacture of the LM2500, GE created a manual containing the technical data necessary for overhauling the LM2500, which it updates periodically. GE considers the information in the manual, and the manual updates, to be proprietary and marks the documents as such. Specifically, the cover of the manual states:

The information contained in this document is GE proprietary information and is disclosed in confidence. It is the property of GE and shall not be used, disclosed to others, or reproduced without the express written consent of GE, including, but without limitation, it is not to be used in the creation, manufacture, development, or derivation of any repairs, modifications, spare parts, designs, or configuration changes....

All technical documentation and information contained herein have been developed and approved for use with GE engines and parts that have been operated and maintained in accordance with GE technical documentation and recommendations. GE has no ... obligation for non-GE approved parts and repairs....

This document contains trade secrets and confidential commercial or financial information....

*2 Agency's Post-Hearing Comments, Apr. 30, 2019, encl. 1 at 1.

In this context, GE divides the maintenance, repair, and overhaul of the LM2500 into various categories or “levels.” Level I refers to routine maintenance performed aboard ship by Navy personnel; levels II and III refer to more complicated repairs; and level IV refers to complete overhaul—that is, “disassembly, repair of components ... rebuild and test.” Tr. at 13. Level IV repairs that are performed by a commercial entity must be performed at a depot that holds a GE level IV license. There are currently 6 depots worldwide that hold GE level IV licenses; Chromalloy is not a level IV licensee.

On August 28, 2018, the agency issued RFP No. N64498–18–R–4023, seeking proposals for the “commercial depot-level overhaul” of a quantity of LM2500 generators. AR, encl. 1, RFP at 3. The solicitation contemplates multiple awards of indefinite-delivery, indefinite-quantity (IDIQ) contracts, under which subsequent task orders will be issued during a five-year ordering period, and provides that awards will be made to all offerors that are found to be technically acceptable. As initially issued, the solicitation provided that, to be technically acceptable, an offeror must hold a GE level IV license. *Id.* at 100. Chromalloy filed a protest challenging that requirement, asserting that it should be considered capable of performing the overhaul requirements even though it does not hold a level IV license.⁵ In an effort to enhance competition, the agency responded to the protest by stating that it would further consider its solicitation requirements; accordingly, we dismissed the protest.

Thereafter, the agency amended the RFP several times. As ultimately amended, the solicitation provides that, to be technically acceptable, an offeror must either hold a GE level IV license or “have access to all relevant LM2500 OEM service manuals, updates to those manuals, and service bulletins concerning the LM2500 engine, periodically issued by the OEM.”⁶ AR, encl. 7, RFP amend. 6, at 6. The amended RFP also provided that an offeror must “demonstrate it owns or has access to all OEM-produced special tools required to completely disassemble, overhaul, and reassemble the LM2500 engine,” and lists 23 such tools identified by OEM tool number. *Id.* Prior to the final closing date following the RFP amendments, Chromalloy filed this protest.

DISCUSSION

Chromalloy challenges the solicitation requirements regarding (1) access to the OEM's technical data and (2) access to OEM tooling, characterizing these requirements as “overly restrictive and unreasonable,” and as “overstat[ing] the Navy's actual requirements.” Protest at 4.

Technical Data Requirements

***3** Chromalloy first challenges the requirement that an offeror “have access to all relevant LM2500 OEM service manuals, updates to those manuals, and service bulletins.” See RFP amend. 6, at 6. Although Chromalloy generally characterizes this requirement as “overly restrictive,” it does not meaningfully argue that the information in GE's manuals is not required to perform the solicitation requirements.⁷ Rather, Chromalloy primarily asserts that the Navy has acquired “unlimited rights” to GE's technical data and, based on that assertion, Chromalloy maintains that the solicitation should state that the Navy will provide GE's technical data, along with GE's future updates, to offerors that do not hold level IV licenses. Chromalloy Comments on AR, Apr. 8, 2019, at 3–5. In this context, Chromalloy asserts that, pursuant to a recent contract, the Navy provided GE's technical data to Chromalloy, and Chromalloy maintains that the Navy should continue to do so.

The agency first responds that the OEM technical data is critical to successful contract performance. More specifically, the agency notes that: the CG–47 Class ships are used for ballistic missile defense; the LM2500 powering these ships is a complex engine that must be overhauled to exacting standards;⁸ the prescribed procedures are periodically updated by GE to reflect “lessons learned and changes in technology”; and failure to properly overhaul the engines could result in catastrophic consequences for both the ship and shipboard personnel. AR, Contracting Officer's Statement/ Memorandum of Law, Mar. 27, 2019, at 4–6; Tr. at 154–55, 161. Accordingly, the agency maintains that an awardee's access to GE's technical data reflects the agency's minimum needs.

With regard to Chromalloy's assertion that the Navy is authorized to provide GE's technical data to Chromalloy, the Navy disagrees. More specifically, the agency notes that: the LM2500 was developed and manufactured at GE expense; GE provides its technical data to the Navy voluntarily to support the Navy's government-owned depot; the Navy has never acquired unlimited data rights to GE's manufacturing or process data; GE has consistently marked its manual containing the data necessary for overhauling the LM2500 as proprietary and subject to the Trades Secrets Act-violation of which would constitute a criminal act;⁹ and GE has not authorized release of such data to non-level IV licensees. *Id.*; Agency Post-Hearing Comments, Apr. 30, 2019, at 2–6; Tr. at 156–58. Finally, the Navy states that it inadvertently provided GE's technical data to Chromalloy under a recent contract, but has since notified Chromalloy of the error and advised Chromalloy to destroy the data. *See* Agency Post-Hearing Comments, Apr. 30, 2019, encl. 4. The Navy further notes that its prior mistake regarding release of GE data does not provide a basis for failing to comply with the Trade Secrets Act in the future.

***4** In preparing a solicitation, a contracting agency must generally solicit offers in a manner designed to achieve maximum competition and may include restrictive provisions only to the extent necessary to satisfy the agency's needs. 10 U.S.C. §2305(a)(1)(A). Nonetheless, a contracting agency has the discretion to determine its needs and the best method to accommodate them. *AdaRose, Inc.*, B-299091.3, Mar. 28, 2008, 2008 CPD ¶62 at 3. Where a protester challenges a specification or requirement as unduly restrictive of competition, the procuring agency has the responsibility of establishing that the specification or requirement is reasonably necessary to meet the agency's needs. *Remote Diagnostic Techs., LLC*, B-413375.4, B-413375.5, Feb. 28, 2017, 2017 CPD ¶80 at 3–4. GAO will examine the adequacy of the agency's justification to ensure that it is rational and can withstand logical scrutiny. *AAR Airlift Grp., Inc.*, B-409770, July 29, 2014, 2014 CPD ¶231 at 3. Where a requirement relates to national defense or human safety, an agency has the discretion to define solicitation requirements to achieve not just reasonable results, but the highest possible reliability. *Womack Mach. Supply Co.*, B-407990, May 3, 2013, 2013 CPD ¶117 at 3.

Based on our review of the record, including the testimony provided during the GAO hearing, we reject Chromalloy's assertion that the solicitation requirement that an offeror demonstrate its own access to the LM2500 manuals and updates overstates the agency's requirements. The record provides ample support for the proposition that the OEM information is necessary for successful contract performance; indeed, Chromalloy effectively concedes this fact. *See* Chromalloy Comments on AR, Apr. 8, 2019, at 2; Chromalloy Post-Hearing Comments, Apr. 30, 2019 at 2. Further, we reject Chromalloy's assertion that the Navy must provide this data to Chromalloy. As discussed above, the record is consistent with the Navy's assertions that the information was developed by GE at its own expense, and that GE has consistently identified the information as proprietary. Finally, other than referring to the Navy's apparent prior release of GE technical data, Chromalloy has presented no support for its assertion that the Navy has acquired unlimited rights to that data. On this record, the agency has reasonably supported its assertion that release of the information to Chromalloy would raise serious concerns regarding violation of the Trade Secrets Act, and the agency's prior release of such information does not render the current solicitation provision improper. Chromalloy's protest challenging the data access requirements of the solicitation is denied.

Tooling Requirements

***5** Next, Chromalloy challenges the solicitation requirement that an offeror have access to certain OEM tooling, asserting that Chromalloy's own tooling should be considered adequate. Protest at 5–6. In this regard, Chromalloy asserts, generally, that it has previously performed repairs on the LM2500 using its own “equivalent” tooling, and maintains that the Navy's “failure to conduct an equivalency analysis” of such tooling is “arbitrary and capricious.” *Id.*; Chromalloy Post-Hearing Comments, Apr. 30, 2019, at 7.

The agency responds that the OEM tools required by the solicitation are designed and built to the OEM's specifications and standards, and are based on proprietary GE drawings. Specifically, the Navy's lead engineer for the LM2500 testified that the required OEM tools are necessary to determine that the overhauled engine meets certain tolerances and performance requirements,¹⁰ and that the designated tools are critical to ensuring that the engines are not damaged and personnel are not injured during the overhaul, testing, and operation of the engines. Tr. at 158–63. Finally, the Navy states that it is unable to make

a valid determination as to whether Chromalloy's allegedly "equivalent" tools will perform as required.¹¹ AR, Contracting Officer's Statement/ Memorandum of Law, Mar. 27, 2019, at 5–7.

As noted above, GAO will examine the adequacy of a procuring agency's justification for allegedly restrictive requirements to ensure that the justification is rational and can withstand logical scrutiny. AAR Airlift Grp., Inc., supra. Where a requirement relates to national defense or human safety, an agency has the discretion to define solicitation requirements to achieve not just reasonable results, but the highest possible reliability. Womack Mach. Supply Co., supra.

Based on our review of the record, including the testimony provided during the GAO hearing, we reject Chromalloy's assertion that the requirement for an offeror to demonstrate access to a limited number of OEM tools overstates the agency's minimum needs. In this regard, the record establishes that the requirements at issue relate to national defense and human safety and reasonably supports the agency's determinations regarding the necessity of the tools to successfully perform the contract requirements. Chromalloy's general assertion that its tools are "equivalent" fails to meaningfully refute the agency's representations in this regard.

Accordingly, we reject Chromalloy's assertion that the solicitation's tooling requirements are overly restrictive, unreasonable, and/or overstate the agency's minimum needs.

The protest is denied.

Thomas H. Armstrong
General Counsel

Footnotes

- 1 The LM2500 generators power the Navy's CG–47 Class surface ships and are also referred to as marine turbine gas engines. Agency Report (AR), Contracting Officer's Statement/Memorandum of Law, Mar. 27, 2019, at 1–2.
- 2 The LM2500 is a derivative of GE's CF–6 family of aircraft engines.
- 3 In resolving this protest, GAO conducted a hearing, on the record, at which the Navy provided testimony from three witnesses: the contracting officer; a Navy engineer; and a GE product development manager. Chromalloy was given an opportunity to cross-examine the Navy witnesses, and Chromalloy did not offer any witnesses of its own.
- 4 The LM2500 has also been purchased for use in the oil and gas industry; by commercial marine users; and by foreign navies. Tr. at 9–11, 137–38. Although the Navy is the largest single customer, the Navy's purchases of the LM2500 have constituted no more than half of the total engines manufactured. *Id.* at 137.
- 5 Chromalloy holds GE licenses to repair a limited number of LM2500 components, but it has never sought a GE level IV license to perform a complete overhaul of the engines. Tr. at 79–83.
- 6 GE authorizes distribution of the information in its LM2500 manuals and updates to level IV licensees.
- 7 See Chromalloy Comments, Apr. 8, 2019, at 2. ("[T]he Navy correctly describes the information at issue as needed for 'service,' i.e. repair.")
- 8 At the GAO hearing, counsel for Chromalloy acknowledged that "[the LM2500 is] a complicated engine." Tr. at 80–81.
- 9 The Trade Secrets Act, 18 U.S.C. §1905, states:
[A]n officer or employee of the United States or any department or agency thereof ... [who] publishes, divulges, discloses, or makes known in any manner or to any extent not authorized by law any information coming to him in the course of his employment or official duties ... which information concerns or relates to the trade secrets, processes, operations, style of work, or apparatus ... of any person, firm, partnership, corporation, or association ... shall be fined under this title, or imprisoned not more than one year, or both; and shall be removed from office or employment.
- 10 For example, the Navy's lead engineer discussed a specific exhaust nozzle that must be precisely calibrated by the OEM to ensure proper performance during the testing phase of the overhaul. Tr. at 161–63.
- 11 Following the hearing, the Navy specifically referred to the exhaust nozzle, discussed above, as an example of a tool about which it is unable to make a reasonable equivalency determination. Agency's Post–Hearing Comments, Apr. 30, 2019, at 6–7.

B- 416990.2 (Comp.Gen.), 2019 CPD P 188, 2019 WL 2408664

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DoD INSTRUCTION 5010.44

INTELLECTUAL PROPERTY (IP) ACQUISITION AND LICENSING

Originating Component: Office of the Under Secretary of Defense for Acquisition and Sustainment

Effective: October 16, 2019

Releasability: Cleared for public release. Available on the Directives Division Website at <https://www.esd.whs.mil/DD/>.

Incorporates and Cancels: Paragraph 6.a.(4) of Enclosure 2 of DoD Instruction 5000.02, "Operation of the Defense Acquisition System," January 7, 2015, as amended

Approved by: Ellen M. Lord, Under Secretary of Defense for Acquisition and Sustainment

Purpose: In accordance with the authority in DoD Directive 5134.01 and the July 13, 2018 Deputy Secretary of Defense Memorandum, this issuance:

- Establishes policy, assigns responsibilities, and prescribes procedures for the acquisition, licensing, and management of IP pursuant to Sections 2320, 2321, and 2322(a) of Title 10, United States Code (U.S.C.).
- Establishes the DoD IP Cadre, pursuant to Section 2322(b) of Title 10, U.S.C.
- Designates the Assistant Secretary of Defense for Acquisition (ASD(A)) as the senior DoD official overseeing development and implementation of DoD policy and guidance for acquisition, licensing, and management of IP for DoD.

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SECTION 1: GENERAL ISSUANCE INFORMATION

1.1. APPLICABILITY. This instruction:

a. Applies to:

(1) OSD, the Military Departments, the Office of the Chairman of the Joint Chiefs of Staff and the Joint Staff, the Combatant Commands, the Office of the Inspector General of the Department of Defense, the Defense Agencies, the DoD Field Activities, and all other organizational entities within the DoD (referred to collectively in this instruction as the “DoD Components”).

(2) Acquisition, licensing, and management of IP that is acquired, created by or for, or used by or on behalf of the DoD for purposes relating to the acquisition, operation, maintenance, modernization, and sustainment of defense products and services, regardless of the legal instrument governing such activities, and regardless of whether the IP is treated as a product or a service.

b. Does not apply to:

(1) Licensing or other technology transfer of U.S. Government-owned IP or technology covered by DoD Directive 5535.03 and DoD Instruction 5535.8.

(2) Branding and trademark licensing by DoD Components covered by DoD Directive 5535.09 and DoD Instruction 5535.12.

1.2. POLICY. Weapon and information systems acquired by DoD in support of the warfighter are, and will be, increasingly dependent on technology for its operation, maintenance, modernization, and sustainment. Acquiring and licensing the appropriate IP is vital for ensuring the systems will remain functional, sustainable, upgradable and affordable. Because balancing the interests of the U.S. Government and industry in IP can be difficult, early and effective understanding, planning, and communications between the U.S. Government and industry is critical, as is ensuring delivery, acceptance, and management of the necessary IP deliverables (e.g., technical data and computer software), with appropriate license rights. The DoD requires fair treatment of IP owners, and seeks to create conditions that encourage technologically advanced solutions to meet DoD needs.

a. It is DoD policy to acquire, license, and manage IP to:

(1) Enable coordination and consistency across DoD Components in developing and implementing strategies for acquiring and licensing IP and communicating with industry.

(2) Ensure that program managers are aware of the rights and obligations of the Federal Government and contractors in IP, and that program managers fully consider and use all available techniques and best practices for acquiring and licensing IP early in the acquisition process.

(3) Encourage customized IP strategies for each system based on, at a minimum, the unique characteristics of the system and its components, the product support strategy for the system, the organic industrial base strategy of the military department concerned, and the commercial market.

b. The following core principles govern the DoD acquisition, licensing, and management of IP:

(1) Integrate IP planning fully into acquisition strategies and product support strategies to protect core DoD interests over the entire life cycle. Seek to acquire only those IP deliverables and license rights necessary to accomplish these strategies, bearing in mind the long-term effect on cost, competition, and affordability.

(2) Ensure acquisition professionals have relevant knowledge of how IP matters relate to their official duties. Cross-functional input and coordination is critical to planning and life-cycle objectives.

(3) Negotiate specialized provisions for IP deliverables and associated license rights whenever doing so will more effectively balance DoD and industry interests than the standard or customary license rights. This is most effective early in the life cycle, when competition is more likely.

(4) Communicate clearly and effectively with industry regarding planning, expectations and objectives for system upgrade and sustainment. Avoid requirements and strategies that limit the DoD's options in accessing vital technology and commercial solutions available from industry.

(5) Respect and protect IP resulting from technology development investments by both the private sector and the U.S. Government.

(6) Clearly identify and match data deliverables with the license rights in those deliverables. Data or software deliverables are of no value unless and until the license rights to use it are attached, and the U.S. Government actually obtains and accepts those deliverables.

SECTION 2: RESPONSIBILITIES

2.1. ASD(A). Under the authority, direction, and control of the Under Secretary of Defense for Acquisition and Sustainment, the ASD(A):

a. Serves as the senior DoD official overseeing development and implementation of DoD IP policy and guidance for DoD.

b. Manages a cadre of personnel who are experts in the acquisition, licensing, and management of IP, coordinating their development and activities, including:

(1) Establishing an appropriate leadership structure and office for the IP Cadre.

(2) Ensuring the Cadre has the appropriate number of staff and such staff possesses the necessary skills, knowledge, and experience to carry out the duties in Paragraph 3.3., including in relevant areas of law, program management, contracting, acquisition, logistics, configuration management, engineering, financial analysis, and valuation.

2.2. PRESIDENT, DEFENSE ACQUISITION UNIVERSITY (DAU). Under the authority, direction, and control of the ASD(A), the President, DAU:

a. In collaboration with the IP Cadre lead, develops and updates IP curricula and reference materials, making use of IP lessons learned from actual case studies to derive experiential learning materials for the acquisition workforce.

b. Provides IP training to help the U.S. Government identify, acquire, and license IP at the earliest appropriate time and at the most affordable cost, while treating industry fairly and providing incentives to participate in the defense marketplace.

c. Provides and continuously improves training and education tailored to the various disciplines that must implement and manage IP acquisition and licensing activities.

2.3. GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE. Pursuant to Section 140 of Title 10, U.S.C., and DoD Instruction 1442.02, the General Counsel of the Department of Defense, as the chief legal officer of the DoD, and as Director, Defense Legal Services Agency, provides legal advice and services in support of this issuance and in support of the IP Cadre established in Section 3.

2.4. DOD COMPONENT HEADS WITH ACQUISITION AUTHORITY OR CONTRACT ADMINISTRATIVE RESPONSIBILITIES. The DoD Component heads with acquisition authority or contract administrative responsibilities:

a. Oversee implementation of this issuance, and identify one or more offices with responsibility to coordinate matters related to the functions described below with the IP Cadre.

b. Ensure that program personnel engaged in all stages of the acquisition life cycle have relevant knowledge of the rights and obligations of the Federal Government and contractors regarding IP matters, IP law and regulations, program management, logistics, contracts, data management, valuation, and other disciplines as appropriate. Program personnel must fully consider and use all available techniques and best practices early in the acquisition process for identifying, acquiring, licensing, and enforcing the U.S. Government's rights to IP necessary to support operation, maintenance, modernization, and sustainment.

c. Incorporate consideration of types of IP deliverables and level of associated license rights into source selection evaluation factors, and as negotiation objectives in sole-source awards, as appropriate. Ensure there is sufficient clarity in contractors' identification and assertion of restrictions on IP rights to enable the U.S. Government to assess how those assertions may affect DoD interests over the life cycle, e.g., by requiring contractors to align assertions to specific IP deliverables, to particular system components or/processes, and to development or modernization funding.

d. Facilitate coordination and consistency across the DoD in strategies for determining the IP deliverables and IP rights necessary for operation, maintenance, modernization, and sustainment.

e. Incorporate IP planning elements into acquisition strategies, emphasizing the criticality of long-term analysis and planning during the earliest phases of the program, while preserving flexibility to address developments in the program sustainment strategy. Planning before solicitation for programs will address costs and benefits of procuring required IP and IP rights in light of corresponding investment and the government's means to reuse and adapt same. This includes configuration management planning that considers how mixes of contractor and government changes impacting delivered IP and data reuse and the ability to compete life-cycle support.

f. Communicate clearly and effectively with industry on IP matters early in the program life cycle. When both DoD and industry are making and planning technology investments, IP considerations will be critical to recognizing a return on such investments. For example, DoD Component heads will ensure IP matters are prioritized and included in such things as industry days, draft solicitations, one-on-one meetings with potential offerors, and presolicitation notices.

g. When communicating with industry, explore ways to share appropriate details about the program's IP strategy and product support strategy. During such communications, address the need for competitive and affordable product support and upgrades while providing appropriate protections for privately developed IP.

h. Acquire the necessary IP deliverables and associated license rights at fair and reasonable prices, while supporting the product support and reuse strategy. Improve the quality and consistency of financial analysis and valuation practices for determining fair and reasonable prices and appropriate needs for IP and IP rights in order to develop program budgets and evaluate proposals.

i. Ensure that IP strategies identify and enable actions to ensure return on U.S. Government investment in IP developed in whole or in part at U.S. Government expense, including by

negotiating for delivery of that IP and acquiring the appropriate associated license rights, preferably at the time of development of the technology.

j. Ensure IP deliverables (e.g., technical data and computer software) and associated license rights are acquired and managed as necessary to support the use of modular open systems approaches pursuant to Chapter 144B of Title 10, U.S.C.

k. Establish and maintain IP management procedures to ensure that time-sensitive actions are executed as appropriate to avoid an unintentional loss of IP rights, e.g., inspection and acceptance of IP deliverables, challenge and validation of asserted restrictions on deliverable IP, exercise of time-limited contract options for IP deliverables or IP rights.

SECTION 3: THE IP CADRE

3.1. CADRE PURPOSE. The IP Cadre facilitates the development and use of a highly competent and consistent approach across the DoD for acquiring, licensing, and managing IP, by providing timely expert advice, assistance, and resources to the acquisition workforce on IP matters. IP Cadre members will advise, assist, and provide resources to DoD Components on IP matters at various stages of the life cycle of a system.

3.2. ORGANIZATION AND MANAGEMENT. The IP Cadre is established under the authority, direction, and control of the ASD(A). It will consist of a director, and such subordinate organizational elements and members as established within resources assigned. The IP Cadre will interact with the DoD Components to facilitate a highly competent and consistent approach to assigned areas. In performance of assigned functions and responsibilities, the director of the IP Cadre will:

- a. Provide oversight and coordination on all acquisition and licensing policy and procedures for DoD IP.
- b. Coordinate actions and exchange information with other DoD organizations that have collateral or related functions.
- c. Identify and distribute best practices.
- d. Interface on assigned functions with Congress, industry, academia, as well as organizations throughout the DoD engaged in activities throughout the life-cycle of programs.
- e. Support development of requirements for training and credentialing the acquisition workforce.
- f. Provide assistance, when requested by the DoD Components, within the scope of the IP Cadre roles and responsibilities.

3.3. ROLES AND RESPONSIBILITIES. Members of the IP Cadre:

- a. Issue and interpret policies relating to acquisition, licensing, and management of IP, consistent with law and regulation.
- b. Advise and assist in the development of an acquisition strategy, product support strategy, and IP strategy for a system.
- c. Conduct or assist with the financial analysis and valuation of IP.
- d. Assist program offices in drafting relevant IP provisions in solicitations, contracts, other transaction agreements, and licenses.

- e. Assist contracting officers in interactions with contractors, including communications and negotiations with contractors regarding solicitations and awards.
- f. Assist contracting officers in the conduct of challenges to contractors' asserted restrictions on IP or if IP deliverables are incomplete or do not comply with the terms of a contract.
- g. Coordinate with the DAU, academia, and industry to develop and update IP curricula and reference materials, including guidance, training courses, and case studies.
- h. Address the management of IP deliverables and IP rights to support the creation and sustainment of a competitive environment, from program inception through sustainment.
- i. Facilitate coordination and consistency across the DoD in strategies for determining the IP deliverables and IP rights necessary for operation, maintenance, modernization and sustainment.

SECTION 4: IP IMPLEMENTATION GUIDANCE

4.1. IP STRATEGY. Each DoD program will have a robust IP strategy to identify and manage the full spectrum of IP and related matters (e.g., technical data and computer software deliverables, patented technologies, and license rights) from the inception of a program and updated throughout entire product life cycle—initially as part of the acquisition strategy, and during the operations and support phase as part of the life-cycle sustainment plan.

a. The IP strategy will describe, at a minimum:

(1) How program management will assess long-term program requirements, and total ownership costs of IP deliverables and associated license rights necessary for competitive and affordable operation, maintenance, modernization, and sustainment over the entire product life cycle. This includes integrating, for all systems, the IP planning elements required by Paragraph (S-70) of Section 207.106 of the Defense Federal Acquisition Regulation Supplement for major weapon systems and subsystems thereof.

(2) How IP and related matters necessary to support the program's use of modular open systems approaches, including in accordance with Sections 2320 and 2446a through 2446c of Title 10, U.S.C., will be addressed. This includes providing guidance for how solicitations and contracts will:

(a) Identify and require all major systems interfaces to be based on widely supported and consensus-based standards (if available and suitable), which are preferably non-proprietary.

(b) Include requirements to acquire the appropriate IP rights in such major systems interfaces.

(c) Include appropriate requirements for other non-major systems interfaces (e.g., interfaces necessary to segregation and reintegration activities).

b. Customize IP strategies based on, at a minimum, the common, shared, and unique characteristics of the system and its components, the system architecture and interfaces, the product support strategy, the organic industrial base strategy of the DoD Component concerned, whether the item can be found in the commercial market, and whether the standard commercial licensing terms meet DoD needs.

c. IP strategies must consider the use of specially negotiated licenses to acquire customized IP deliverables (e.g., technical data, computer software) and associated license rights appropriate for particular elements of the product support strategy.

4.2. DOD COMPONENT IP REQUIREMENTS.

a. Program management offices will use both direct competition at various levels and indirect means, such as best value considerations over the life cycle, to create competitive environments that encourage improved performance and cost control. Strategies to be

considered include, but are not limited to, competitive prototyping, dual sourcing, modular open systems approaches that enable competition for upgrades, acquisition of complete technical data packages for selected systems and components, competition at the subsystem level, and opportunities for small business and organizations employing the disabled.

b. Regarding IP developed at private expense, in whole or on part, the DoD Components will use all available techniques and best practices for developing and continuously refining requirements for the acquisition and licensing of IP and IP rights necessary for operation, maintenance, modernization, and sustainment, showing preference for modular open system approaches. The DoD Components will negotiate specialized licenses and delivery requirements whenever doing so will more effectively balance DoD and industry interests than the more limited standard license categories.

c. DoD Components will consider and use all available techniques and best practices, including modular open systems approaches when cost effective and feasible. Doing so will ensure visibility into the U.S. Government's and industry's relative investments in the development of the IP, and the approach to managing the associated IP rights as part of a strategy for return on such investments. This approach will reduce the risk of paying more than once for IP and IP rights. DoD Components will ensure these efforts account for IP rights that are not based on the source of development funding, e.g., technical data necessary for operation, maintenance, installation, and training; form, fit, and function data.

d. Information systems used to provide authorized access, retention, integration, sharing, transferring, and conversion of IP deliverables throughout their programs' life cycles must support product configuration management, data loss prevention, and data sharing or exchange.

GLOSSARY

G.1. ACRONYMS.

ASD(A)	Assistant Secretary of Defense for Acquisition
DAU	Defense Acquisition University
IP	intellectual property
U.S.C.	United States Code

G.2. DEFINITIONS. These terms and their definitions are for the purpose of this issuance.

IP. Information, products, or services that are protected by law as intangible property, including data (e.g., technical data and computer software), technical know-how, inventions, creative works of expression, trade names.

IP deliverables. Products or services (including information products and services) that are required to be delivered or provided to the U.S. Government by contract or other legal instrument and that include or embody IP (e.g., technical data and computer software).

IP rights. The legal rights governing IP, including ownership as well as license or other authorization to engage in activities with IP (e.g., make, use, sell, import, reproduce, distribute, modify, prepare derivative works, release, disclose, perform, or display IP). When the IP involves access to classified information, DoD Directive 5535.02, DoD Instruction 2000.03, and Volume 2 of DoD Manual 5220.22 may apply.

REFERENCES

- Defense Federal Acquisition Regulation Supplement, current edition
- Deputy Secretary of Defense Memorandum, “Establishment of the Office of the Under Secretary of Defense for Research and Engineering and the Office of the Under Secretary of Defense for Acquisition and Sustainment,” July 13, 2018
- DoD Directive 5134.01, “Under Secretary of Defense for Acquisition, Technology, and Logistics (USD(AT&L)),” December 9, 2005, as amended
- DoD Directive 5535.02, “DoD Patent Security Review Process,” March 24, 2010, as amended
- DoD Directive 5535.03, “DoD Domestic Technology Transfer (T2) Program,” May 21, 1999, as amended
- DoD Directive 5535.09, “DoD Branding and Trademark Licensing Program,” December 19, 2007
- DoD Instruction 1442.02, “Personnel Actions Involving Civilian Attorneys,” September 30, 2010
- DoD Instruction 2000.03, “International Interchange of Patent Rights and Technical Information,” January 17, 2006, as amended
- DoD Instruction 5535.8, “DoD Technology Transfer (T2) Program,” May 14, 1999, as amended
- DoD Instruction 5535.12, “DoD Branding and Trademark Licensing Program Implementation,” September 13, 2013
- DoD Manual 5220.22, Volume 2, “National Industrial Security Program: Industrial Security Procedures for Government Activities,” August 1, 2018
- United States Code, Title 10

United States Code Annotated

Title 28. Judiciary and Judicial Procedure (Refs & Annos)

Part IV. Jurisdiction and Venue (Refs & Annos)

Chapter 91. United States Court of Federal Claims (Refs & Annos)

28 U.S.C.A. § 1498

§ 1498. Patent and copyright cases

Effective: October 28, 1998

[Currentness](#)

(a) Whenever an invention described in and covered by a patent of the United States 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, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. Reasonable and entire compensation shall include the owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action if the owner is an independent inventor, a nonprofit organization, or an entity that had no more than 500 employees at any time during the 5-year period preceding the use or manufacture of the patented invention by or for the United States. Notwithstanding ¹ the preceding sentences, unless the action has been pending for more than 10 years from the time of filing to the time that the owner applies for such costs and fees, reasonable and entire compensation shall not include such costs and fees if the court finds that the position of the United States was substantially justified or that special circumstances make an award unjust.

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

The court shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee or any assignee of such patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

(b) Hereafter, whenever the copyright in any work protected under the copyright laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government and with the authorization or consent of the Government, the exclusive action which may be brought for such infringement shall be an action by the copyright owner against the United States in the Court of Federal Claims for the recovery of his reasonable and entire compensation as damages for such infringement, including the minimum statutory damages as set forth in [section 504\(c\) of title 17, United States Code](#): *Provided*, That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the copyrighted work by the Government: *Provided, however*, That this subsection shall not confer a right of action on any copyright owner or any assignee of such owner with respect to any copyrighted work 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: *And provided further*, That before such action against the United States has been instituted the appropriate corporation owned or controlled by the United States or the head of the appropriate department or agency of the Government, as the case may be, is authorized to enter into an agreement with the copyright owner in full settlement and compromise for the damages accruing to him by reason of such infringement and to settle the claim administratively out of available appropriations.

Except as otherwise provided by law, no recovery shall be had for any infringement of a copyright covered by this subsection committed more than three years prior to the filing of the complaint or counterclaim for infringement in the action, except that the period between the date of receipt of a written claim for compensation by the Department or agency of the Government or corporation owned or controlled by the United States, as the case may be, having authority to settle such claim and the date of mailing by the Government of a notice to the claimant that his claim has been denied shall not be counted as a part of the three years, unless suit is brought before the last-mentioned date.

(c) The provisions of this section shall not apply to any claim arising in a foreign country.

(d) Hereafter, whenever a plant variety protected by a certificate of plant variety protection under the laws of the United States shall be infringed by the United States, by a corporation owned or controlled by the United States, or by a contractor, subcontractor, or any person, firm, or corporation acting for the Government, and with the authorization and consent of the Government, the exclusive remedy of the owner of such certificate shall be by action against the United States in the Court of Federal Claims for the recovery of his reasonable and entire compensation as damages for such infringement: *Provided*, That a Government employee shall have a right of action against the Government under this subsection except where he was in a position to order, influence, or induce use of the protected plant variety by the Government: *Provided, however*, That this subsection shall not confer a right of action on any certificate owner or any assignee of such owner with respect to any protected plant variety made by a person while in the employment or service of the United States, where such variety 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: *And provided further*, That before such action against the United States has been instituted, the appropriate corporation owned or controlled by the United States or the head of the appropriate agency of the Government, as the case may be, is authorized to enter into an agreement with the certificate owner in full settlement and compromise, for the damages accrued to him by reason of such infringement and to settle the claim administratively out of available appropriations.

(e) Subsections (b) and (c) of this section apply to exclusive rights in mask works under chapter 9 of title 17, and to exclusive rights in designs under chapter 13 of title 17, to the same extent as such subsections apply to copyrights.

CREDIT(S)

(June 25, 1948, c. 646, 62 Stat. 941; May 24, 1949, c. 139, § 87, 63 Stat. 102; Oct. 31, 1951, c. 655, § 50(c), 65 Stat. 727; July 17, 1952, c. 930, 66 Stat. 757; [Pub.L. 86-726](#), §§ 1, 4, Sept. 8, 1960, 74 Stat. 855, 856; [Pub.L. 91-577](#), Title III, § 143(d), Dec. 24, 1970, 84 Stat. 1559; [Pub.L. 94-553](#), Title I, § 105(c), Oct. 19, 1976, 90 Stat. 2599; [Pub.L. 97-164](#), Title I, § 133(d), Apr. 2, 1982, 96 Stat. 40; [Pub.L. 100-702](#), Title X, § 1020(a)(6), Nov. 19, 1988, 102 Stat. 4671; [Pub.L. 102-572](#), Title IX, § 902(a), Oct. 29, 1992, 106 Stat. 4516; [Pub.L. 104-308](#), § 1(a), Oct. 19, 1996, 110 Stat. 3814; [Pub.L. 105-147](#), § 3, Dec. 16, 1997, 111 Stat. 2680; [Pub.L. 105-304](#), Title V, § 503(d), Oct. 28, 1998, 112 Stat. 2917.)

Notes of Decisions (378)

Footnotes

¹ So in original. Probably should be “Notwithstanding”.

28 U.S.C.A. § 1498, 28 USCA § 1498

Current through P.L. 116-66.

End of Document

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Public Law 115–390
115th Congress

An Act

To require the Secretary of Homeland Security to establish a security vulnerability disclosure policy, to establish a bug bounty program for the Department of Homeland Security, to amend title 41, United States Code, to provide for Federal acquisition supply chain security, and for other purposes.

Dec. 21, 2018
[H.R. 7327]

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE; TABLE OF CONTENTS.

(a) **SHORT TITLE.**—This Act may be cited as the “Strengthening and Enhancing Cyber-capabilities by Utilizing Risk Exposure Technology Act” or the “SECURE Technology Act”.

(b) **TABLE OF CONTENTS.**—The table of contents for this Act is as follows:

Strengthening
and Enhancing
Cyber-
capabilities by
Utilizing Risk
Exposure
Technology Act.
41 USC 101 note.

Sec. 1. Short title; table of contents.

**TITLE I—DEPARTMENT OF HOMELAND SECURITY INFORMATION
SECURITY AND OTHER MATTERS**

Sec. 101. Department of Homeland Security disclosure of security vulnerabilities.

Sec. 102. Department of Homeland Security bug bounty pilot program.

Sec. 103. Congressional submittal of reports relating to certain special access programs and similar programs.

TITLE II—FEDERAL ACQUISITION SUPPLY CHAIN SECURITY

Sec. 201. Short title.

Sec. 202. Federal acquisition supply chain security.

Sec. 203. Authorities of executive agencies relating to mitigating supply chain risks in the procurement of covered articles.

Sec. 204. Federal Information Security Modernization Act.

Sec. 205. Effective date.

**TITLE I—DEPARTMENT OF HOMELAND
SECURITY INFORMATION SECURITY
AND OTHER MATTERS**

**SEC. 101. DEPARTMENT OF HOMELAND SECURITY DISCLOSURE OF
SECURITY VULNERABILITIES.**

6 USC 663 note.

(a) **VULNERABILITY DISCLOSURE POLICY.**—The Secretary of Homeland Security shall establish a policy applicable to individuals, organizations, and companies that report security vulnerabilities on appropriate information systems of Department of Homeland Security. Such policy shall include each of the following:

- Criteria.
- (1) The appropriate information systems of the Department that individuals, organizations, and companies may use to discover and report security vulnerabilities on appropriate information systems.
- (2) The conditions and criteria under which individuals, organizations, and companies may operate to discover and report security vulnerabilities.
- (3) How individuals, organizations, and companies may disclose to the Department security vulnerabilities discovered on appropriate information systems of the Department.
- (4) The ways in which the Department may communicate with individuals, organizations, and companies that report security vulnerabilities.
- (5) The process the Department shall use for public disclosure of reported security vulnerabilities.
- (b) REMEDIATION PROCESS.—The Secretary of Homeland Security shall develop a process for the Department of Homeland Security to address the mitigation or remediation of the security vulnerabilities reported through the policy developed in subsection (a).
- (c) CONSULTATION.—
- (1) IN GENERAL.—In developing the security vulnerability disclosure policy under subsection (a), the Secretary of Homeland Security shall consult with each of the following:
- (A) The Attorney General regarding how to ensure that individuals, organizations, and companies that comply with the requirements of the policy developed under subsection (a) are protected from prosecution under section 1030 of title 18, United States Code, civil lawsuits, and similar provisions of law with respect to specific activities authorized under the policy.
- (B) The Secretary of Defense and the Administrator of General Services regarding lessons that may be applied from existing vulnerability disclosure policies.
- (C) Non-governmental security researchers.
- (2) NONAPPLICABILITY OF FACa.—The Federal Advisory Committee Act (5 U.S.C. App.) shall not apply to any consultation under this section.
- (d) PUBLIC AVAILABILITY.—The Secretary of Homeland Security shall make the policy developed under subsection (a) publicly available.
- (e) SUBMISSION TO CONGRESS.—
- (1) DISCLOSURE POLICY AND REMEDIATION PROCESS.—Not later than 90 days after the date of the enactment of this Act, the Secretary of Homeland Security shall submit to the appropriate congressional committees a copy of the policy required under subsection (a) and the remediation process required under subsection (b).
- (2) REPORT AND BRIEFING.—
- (A) REPORT.—Not later than one year after establishing the policy required under subsection (a), the Secretary of Homeland Security shall submit to the appropriate congressional committees a report on such policy and the remediation process required under subsection (b).
- (B) ANNUAL BRIEFINGS.—One year after the date of the submission of the report under subparagraph (A), and annually thereafter for each of the next three years, the
- Deadline.
Records.

Secretary of Homeland Security shall provide to the appropriate congressional committees a briefing on the policy required under subsection (a) and the process required under subsection (b).

(C) MATTERS FOR INCLUSION.—The report required under subparagraph (A) and the briefings required under subparagraph (B) shall include each of the following with respect to the policy required under subsection (a) and the process required under subsection (b) for the period covered by the report or briefing, as the case may be:

(i) The number of unique security vulnerabilities reported.

(ii) The number of previously unknown security vulnerabilities mitigated or remediated.

(iii) The number of unique individuals, organizations, and companies that reported security vulnerabilities.

(iv) The average length of time between the reporting of security vulnerabilities and mitigation or remediation of such vulnerabilities.

(f) DEFINITIONS.—In this section:

(1) The term “security vulnerability” has the meaning given that term in section 102(17) of the Cybersecurity Information Sharing Act of 2015 (6 U.S.C. 1501(17)), in information technology.

(2) The term “information system” has the meaning given that term by section 3502 of title 44, United States Code.

(3) The term “appropriate information system” means an information system that the Secretary of Homeland Security selects for inclusion under the vulnerability disclosure policy required by subsection (a).

(4) The term “appropriate congressional committees” means—

(A) the Committee on Homeland Security, the Committee on Armed Services, the Committee on Energy and Commerce, and the Permanent Select Committee on Intelligence of the House of Representatives; and

(B) the Committee on Homeland Security and Governmental Affairs, the Committee on Armed Services, the Committee on Commerce, Science, and Transportation, and the Select Committee on Intelligence of the Senate.

SEC. 102. DEPARTMENT OF HOMELAND SECURITY BUG BOUNTY PILOT PROGRAM. 6 USC 663 note.

(a) DEFINITIONS.—In this section:

(1) The term “appropriate congressional committees” means—

(A) the Committee on Homeland Security and Governmental Affairs of the Senate;

(B) the Select Committee on Intelligence of the Senate;

(C) the Committee on Homeland Security of the House of Representatives; and

(D) Permanent Select Committee on Intelligence of the House of Representatives.

(2) The term “bug bounty program” means a program under which—

- (A) individuals, organizations, and companies are temporarily authorized to identify and report vulnerabilities of appropriate information systems of the Department; and
- (B) eligible individuals, organizations, and companies receive compensation in exchange for such reports.
- 6 USC 651 note. (3) The term “Department” means the Department of Homeland Security.
- (4) The term “eligible individual, organization, or company” means an individual, organization, or company that meets such criteria as the Secretary determines in order to receive compensation in compliance with Federal laws.
- (5) The term “information system” has the meaning given the term in section 3502 of title 44, United States Code.
- (6) The term “pilot program” means the bug bounty pilot program required to be established under subsection (b)(1).
- (7) The term “Secretary” means the Secretary of Homeland Security.
- (b) BUG BOUNTY PILOT PROGRAM.—
- Deadline. (1) ESTABLISHMENT.—Not later than 180 days after the date of enactment of this Act, the Secretary shall establish, within the Office of the Chief Information Officer, a bug bounty pilot program to minimize vulnerabilities of appropriate information systems of the Department.
- (2) RESPONSIBILITIES OF SECRETARY.—In establishing and conducting the pilot program, the Secretary shall—
- (A) designate appropriate information systems to be included in the pilot program;
- (B) provide compensation to eligible individuals, organizations, and companies for reports of previously unidentified security vulnerabilities within the information systems designated under subparagraph (A);
- Criteria. (C) establish criteria for individuals, organizations, and companies to be considered eligible for compensation under the pilot program in compliance with Federal laws;
- Consultation. (D) consult with the Attorney General on how to ensure that approved individuals, organizations, or companies that comply with the requirements of the pilot program are protected from prosecution under section 1030 of title 18, United States Code, and similar provisions of law, and civil lawsuits for specific activities authorized under the pilot program;
- Consultation. (E) consult with the Secretary of Defense and the heads of other departments and agencies that have implemented programs to provide compensation for reports of previously undisclosed vulnerabilities in information systems, regarding lessons that may be applied from such programs; and
- (F) develop an expeditious process by which an individual, organization, or company can register with the Department, submit to a background check as determined by the Department, and receive a determination as to eligibility; and
- (G) engage qualified interested persons, including non-government sector representatives, about the structure of the pilot program as constructive and to the extent practicable.

(3) **CONTRACT AUTHORITY.**—In establishing the pilot program, the Secretary, subject to the availability of appropriations, may award 1 or more competitive contracts to an entity, as necessary, to manage the pilot program.

(c) **REPORT TO CONGRESS.**—Not later than 180 days after the date on which the pilot program is completed, the Secretary shall submit to the appropriate congressional committees a report on the pilot program, which shall include—

(1) the number of individuals, organizations, or companies that participated in the pilot program, broken down by the number of individuals, organizations, or companies that—

- (A) registered;
- (B) were determined eligible;
- (C) submitted security vulnerabilities; and
- (D) received compensation;

(2) the number and severity of vulnerabilities reported as part of the pilot program;

(3) the number of previously unidentified security vulnerabilities remediated as a result of the pilot program;

(4) the current number of outstanding previously unidentified security vulnerabilities and Department remediation plans;

(5) the average length of time between the reporting of security vulnerabilities and remediation of the vulnerabilities;

(6) the types of compensation provided under the pilot program; and

(7) the lessons learned from the pilot program.

(d) **AUTHORIZATION OF APPROPRIATIONS.**—There is authorized to be appropriated to the Department \$250,000 for fiscal year 2019 to carry out this section.

SEC. 103. CONGRESSIONAL SUBMITTAL OF REPORTS RELATING TO CERTAIN SPECIAL ACCESS PROGRAMS AND SIMILAR PROGRAMS.

The National Defense Authorization Act for Fiscal Year 1994 (50 U.S.C. 3348) is amended—

(1) by striking “Congress” each place it appears and inserting “the congressional oversight committees”;

(2) in subsection (f)(1), by striking “appropriate oversight committees” and inserting “congressional oversight committees”; and

(3) in subsection (g)—

(A) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively; and

(B) by inserting before paragraph (2), as so redesignated, the following:

“(1) **CONGRESSIONAL OVERSIGHT COMMITTEES.**—The term ‘congressional oversight committees’ means—

Definition.

“(A) congressional leadership and authorizing and appropriations congressional committees with jurisdiction or shared jurisdiction over a department or agency;

“(B) the Committee on Homeland Security and Governmental Affairs of the Senate; and

“(C) the Committee on Oversight and Government Reform of the House of Representatives.”.

Federal
Acquisition
Supply Chain
Security Act
of 2018.
41 USC 101 note.

TITLE II—FEDERAL ACQUISITION SUPPLY CHAIN SECURITY

SEC. 201. SHORT TITLE.

This title may be cited as the “Federal Acquisition Supply Chain Security Act of 2018”.

SEC. 202. FEDERAL ACQUISITION SUPPLY CHAIN SECURITY.

41 USC 1321
prec.

(a) IN GENERAL.—Chapter 13 of title 41, United States Code, is amended by adding at the end the following new subchapter:

“SUBCHAPTER III—FEDERAL ACQUISITION SUPPLY CHAIN SECURITY

41 USC 1321.

“§ 1321. Definitions

“In this subchapter:

“(1) APPROPRIATE CONGRESSIONAL COMMITTEES AND LEADERSHIP.—The term ‘appropriate congressional committees and leadership’ means—

“(A) the Committee on Homeland Security and Governmental Affairs, the Committee on the Judiciary, the Committee on Appropriations, the Committee on Armed Services, the Committee on Commerce, Science, and Transportation, the Select Committee on Intelligence, and the majority and minority leader of the Senate; and

“(B) the Committee on Oversight and Government Reform, the Committee on the Judiciary, the Committee on Appropriations, the Committee on Homeland Security, the Committee on Armed Services, the Committee on Energy and Commerce, the Permanent Select Committee on Intelligence, and the Speaker and minority leader of the House of Representatives.

“(2) COUNCIL.—The term ‘Council’ means the Federal Acquisition Security Council established under section 1322(a) of this title.

“(3) COVERED ARTICLE.—The term ‘covered article’ has the meaning given that term in section 4713 of this title.

“(4) COVERED PROCUREMENT ACTION.—The term ‘covered procurement action’ has the meaning given that term in section 4713 of this title.

“(5) INFORMATION AND COMMUNICATIONS TECHNOLOGY.—The term ‘information and communications technology’ has the meaning given that term in section 4713 of this title.

“(6) INTELLIGENCE COMMUNITY.—The term ‘intelligence community’ has the meaning given that term in section 3(4) of the National Security Act of 1947 (50 U.S.C. 3003(4)).

“(7) NATIONAL SECURITY SYSTEM.—The term ‘national security system’ has the meaning given that term in section 3552 of title 44.

“(8) SUPPLY CHAIN RISK.—The term ‘supply chain risk’ has the meaning given that term in section 4713 of this title.

41 USC 1322.

“§ 1322. Federal Acquisition Security Council establishment and membership

“(a) ESTABLISHMENT.—There is established in the executive branch a Federal Acquisition Security Council.

“(b) MEMBERSHIP.—

“(1) IN GENERAL.—The following agencies shall be represented on the Council:

“(A) The Office of Management and Budget.

“(B) The General Services Administration.

“(C) The Department of Homeland Security, including the Cybersecurity and Infrastructure Security Agency.

“(D) The Office of the Director of National Intelligence, including the National Counterintelligence and Security Center.

“(E) The Department of Justice, including the Federal Bureau of Investigation.

“(F) The Department of Defense, including the National Security Agency.

“(G) The Department of Commerce, including the National Institute of Standards and Technology.

“(H) Such other executive agencies as determined by the Chairperson of the Council.

“(2) LEAD REPRESENTATIVES.—

“(A) DESIGNATION.—

“(i) IN GENERAL.—Not later than 45 days after the date of the enactment of the Federal Acquisition Supply Chain Security Act of 2018, the head of each agency represented on the Council shall designate a representative of that agency as the lead representative of the agency on the Council. Deadline.

“(ii) REQUIREMENTS.—The representative of an agency designated under clause (i) shall have expertise in supply chain risk management, acquisitions, or information and communications technology.

“(B) FUNCTIONS.—The lead representative of an agency designated under subparagraph (A) shall ensure that appropriate personnel, including leadership and subject matter experts of the agency, are aware of the business of the Council.

“(c) CHAIRPERSON.—

“(1) DESIGNATION.—Not later than 45 days after the date of the enactment of the Federal Acquisition Supply Chain Security Act of 2018, the Director of the Office of Management and Budget shall designate a senior-level official from the Office of Management and Budget to serve as the Chairperson of the Council. Deadline.

“(2) FUNCTIONS.—The Chairperson shall perform functions that include—

“(A) subject to subsection (d), developing a schedule for meetings of the Council;

“(B) designating executive agencies to be represented on the Council under subsection (b)(1)(H);

“(C) in consultation with the lead representative of each agency represented on the Council, developing a charter for the Council; and Consultation.

“(D) not later than 7 days after completion of the charter, submitting the charter to the appropriate congressional committees and leadership. Deadline.

“(d) MEETINGS.—The Council shall meet not later than 60 days after the date of the enactment of the Federal Acquisition Supply Deadline.

Chain Security Act of 2018 and not less frequently than quarterly thereafter.

41 USC 1323.

“§ 1323. Functions and authorities

“(a) IN GENERAL.—The Council shall perform functions that include the following:

Recommendations.

“(1) Identifying and recommending development by the National Institute of Standards and Technology of supply chain risk management standards, guidelines, and practices for executive agencies to use when assessing and developing mitigation strategies to address supply chain risks, particularly in the acquisition and use of covered articles under section 1326(a) of this title.

Criteria.

“(2) Identifying or developing criteria for sharing information with executive agencies, other Federal entities, and non-Federal entities with respect to supply chain risk, including information related to the exercise of authorities provided under this section and sections 1326 and 4713 of this title. At a minimum, such criteria shall address—

“(A) the content to be shared;

“(B) the circumstances under which sharing is mandated or voluntary; and

“(C) the circumstances under which it is appropriate for an executive agency to rely on information made available through such sharing in exercising the responsibilities and authorities provided under this section and section 4713 of this title.

“(3) Identifying an appropriate executive agency to—

“(A) accept information submitted by executive agencies based on the criteria established under paragraph (2);

“(B) facilitate the sharing of information received under subparagraph (A) to support supply chain risk analyses under section 1326 of this title, recommendations under this section, and covered procurement actions under section 4713 of this title;

“(C) share with the Council information regarding covered procurement actions by executive agencies taken under section 4713 of this title; and

“(D) inform the Council of orders issued under this section.

“(4) Identifying, as appropriate, executive agencies to provide—

“(A) shared services, such as support for making risk assessments, validation of products that may be suitable for acquisition, and mitigation activities; and

“(B) common contract solutions to support supply chain risk management activities, such as subscription services or machine-learning-enhanced analysis applications to support informed decision making.

Guidance.

“(5) Identifying and issuing guidance on additional steps that may be necessary to address supply chain risks arising in the course of executive agencies providing shared services, common contract solutions, acquisitions vehicles, or assisted acquisitions.

“(6) Engaging with the private sector and other nongovernmental stakeholders in performing the functions described in

paragraphs (1) and (2) and on issues relating to the management of supply chain risks posed by the acquisition of covered articles.

“(7) Carrying out such other actions, as determined by the Council, that are necessary to reduce the supply chain risks posed by acquisitions and use of covered articles.

“(b) PROGRAM OFFICE AND COMMITTEES.—The Council may establish a program office and any committees, working groups, or other constituent bodies the Council deems appropriate, in its sole and unreviewable discretion, to carry out its functions.

“(c) AUTHORITY FOR EXCLUSION OR REMOVAL ORDERS.—

“(1) CRITERIA.—To reduce supply chain risk, the Council shall establish criteria and procedures for—

“(A) recommending orders applicable to executive agencies requiring the exclusion of sources or covered articles from executive agency procurement actions (in this section referred to as ‘exclusion orders’);

“(B) recommending orders applicable to executive agencies requiring the removal of covered articles from executive agency information systems (in this section referred to as ‘removal orders’);

“(C) requesting and approving exceptions to an issued exclusion or removal order when warranted by circumstances, including alternative mitigation actions or other findings relating to the national interest, including national security reviews, national security investigations, or national security agreements; and

“(D) ensuring that recommended orders do not conflict with standards and guidelines issued under section 11331 of title 40 and that the Council consults with the Director of the National Institute of Standards and Technology regarding any recommended orders that would implement standards and guidelines developed by the National Institute of Standards and Technology.

“(2) RECOMMENDATIONS.—The Council shall use the criteria established under paragraph (1), information made available under subsection (a)(3), and any other information the Council determines appropriate to issue recommendations, for application to executive agencies or any subset thereof, regarding the exclusion of sources or covered articles from any executive agency procurement action, including source selection and consent for a contractor to subcontract, or the removal of covered articles from executive agency information systems. Such recommendations shall include—

“(A) information necessary to positively identify the sources or covered articles recommended for exclusion or removal;

“(B) information regarding the scope and applicability of the recommended exclusion or removal order;

“(C) a summary of any risk assessment reviewed or conducted in support of the recommended exclusion or removal order; Summary.

“(D) a summary of the basis for the recommendation, including a discussion of less intrusive measures that were considered and why such measures were not reasonably available to reduce supply chain risk; Summary.

“(E) a description of the actions necessary to implement the recommended exclusion or removal order; and

“(F) where practicable, in the Council’s sole and unreviewable discretion, a description of mitigation steps that could be taken by the source that may result in the Council rescinding a recommendation.

“(3) NOTICE OF RECOMMENDATION AND REVIEW.—A notice of the Council’s recommendation under paragraph (2) shall be issued to any source named in the recommendation advising—

“(A) that a recommendation has been made;

“(B) of the criteria the Council relied upon under paragraph (1) and, to the extent consistent with national security and law enforcement interests, of information that forms the basis for the recommendation;

“(C) that, within 30 days after receipt of notice, the source may submit information and argument in opposition to the recommendation;

“(D) of the procedures governing the review and possible issuance of an exclusion or removal order pursuant to paragraph (5); and

“(E) where practicable, in the Council’s sole and unreviewable discretion, a description of mitigation steps that could be taken by the source that may result in the Council rescinding the recommendation.

“(4) CONFIDENTIALITY.—Any notice issued to a source under paragraph (3) shall be kept confidential until—

“(A) an exclusion or removal order is issued pursuant to paragraph (5); and

“(B) the source has been notified pursuant to paragraph (6).

“(5) EXCLUSION AND REMOVAL ORDERS.—

“(A) ORDER ISSUANCE.—Recommendations of the Council under paragraph (2), together with any information submitted by a source under paragraph (3) related to such a recommendation, shall be reviewed by the following officials, who may issue exclusion and removal orders based upon such recommendations:

“(i) The Secretary of Homeland Security, for exclusion and removal orders applicable to civilian agencies, to the extent not covered by clause (ii) or (iii).

“(ii) The Secretary of Defense, for exclusion and removal orders applicable to the Department of Defense and national security systems other than sensitive compartmented information systems.

“(iii) The Director of National Intelligence, for exclusion and removal orders applicable to the intelligence community and sensitive compartmented information systems, to the extent not covered by clause (ii).

“(B) DELEGATION.—The officials identified in subparagraph (A) may not delegate any authority under this subparagraph to an official below the level one level below the Deputy Secretary or Principal Deputy Director, except that the Secretary of Defense may delegate authority for removal orders to the Commander of the United States Cyber Command, who may not redelegate such authority

Deadline.

to an official below the level one level below the Deputy Commander.

“(C) FACILITATION OF EXCLUSION ORDERS.—If officials identified under this paragraph from the Department of Homeland Security, the Department of Defense, and the Office of the Director of National Intelligence issue orders collectively resulting in a governmentwide exclusion, the Administrator for General Services and officials at other executive agencies responsible for management of the Federal Supply Schedules, governmentwide acquisition contracts and multi-agency contracts shall help facilitate implementation of such orders by removing the covered articles or sources identified in the orders from such contracts.

“(D) REVIEW OF EXCLUSION AND REMOVAL ORDERS.—The officials identified under this paragraph shall review all exclusion and removal orders issued under subparagraph (A) not less frequently than annually pursuant to procedures established by the Council.

“(E) RESCISSION.—Orders issued pursuant to subparagraph (A) may be rescinded by an authorized official from the relevant issuing agency.

“(6) NOTIFICATIONS.—Upon issuance of an exclusion or removal order pursuant to paragraph (5)(A), the official identified under that paragraph who issued the order shall—

“(A) notify any source named in the order of—

“(i) the exclusion or removal order; and

“(ii) to the extent consistent with national security and law enforcement interests, information that forms the basis for the order;

“(B) provide classified or unclassified notice of the exclusion or removal order to the appropriate congressional committees and leadership; and

“(C) provide the exclusion or removal order to the agency identified in subsection (a)(3).

“(7) COMPLIANCE.—Executive agencies shall comply with exclusion and removal orders issued pursuant to paragraph (5).

“(d) AUTHORITY TO REQUEST INFORMATION.—The Council may request such information from executive agencies as is necessary for the Council to carry out its functions.

“(e) RELATIONSHIP TO OTHER COUNCILS.—The Council shall consult and coordinate, as appropriate, with other relevant councils and interagency committees, including the Chief Information Officers Council, the Chief Acquisition Officers Council, the Federal Acquisition Regulatory Council, and the Committee on Foreign Investment in the United States, with respect to supply chain risks posed by the acquisition and use of covered articles.

“(f) RULES OF CONSTRUCTION.—Nothing in this section shall be construed—

“(1) to limit the authority of the Office of Federal Procurement Policy to carry out the responsibilities of that Office under any other provision of law; or

“(2) to authorize the issuance of an exclusion or removal order based solely on the fact of foreign ownership of a potential procurement source that is otherwise qualified to enter into procurement contracts with the Federal Government.

Consultation.
Coordination.

41 USC 1324.	“§ 1324. Strategic plan
Deadline.	“(a) IN GENERAL.—Not later than 180 days after the date of the enactment of the Federal Acquisition Supply Chain Security Act of 2018, the Council shall develop a strategic plan for addressing supply chain risks posed by the acquisition of covered articles and for managing such risks that includes—
Criteria.	“(1) the criteria and processes required under section 1323(a) of this title, including a threshold and requirements for sharing relevant information about such risks with all executive agencies and, as appropriate, with other Federal entities and non-Federal entities;
	“(2) an identification of existing authorities for addressing such risks;
	“(3) an identification and promulgation of best practices and procedures and available resources for executive agencies to assess and mitigate such risks;
Recommendations.	“(4) recommendations for any legislative, regulatory, or other policy changes to improve efforts to address such risks;
Recommendations.	“(5) recommendations for any legislative, regulatory, or other policy changes to incentivize the adoption of best practices for supply chain risk management by the private sector;
Evaluation.	“(6) an evaluation of the effect of implementing new policies or procedures on existing contracts and the procurement process;
	“(7) a plan for engaging with executive agencies, the private sector, and other nongovernmental stakeholders to address such risks;
	“(8) a plan for identification, assessment, mitigation, and vetting of supply chain risks from existing and prospective information and communications technology made available by executive agencies to other executive agencies through common contract solutions, shared services, acquisition vehicles, or other assisted acquisition services; and
	“(9) plans to strengthen the capacity of all executive agencies to conduct assessments of—
	“(A) the supply chain risk posed by the acquisition of covered articles; and
	“(B) compliance with the requirements of this subchapter.
Deadline.	“(b) SUBMISSION TO CONGRESS.—Not later than 7 calendar days after completion of the strategic plan required by subsection (a), the Chairperson of the Council shall submit the plan to the appropriate congressional committees and leadership.
41 USC 1325.	“§ 1325. Annual report
	“Not later than December 31 of each year, the Chairperson of the Council shall submit to the appropriate congressional committees and leadership a report on the activities of the Council during the preceding 12-month period.
41 USC 1326.	“§ 1326. Requirements for executive agencies
	“(a) IN GENERAL.—The head of each executive agency shall be responsible for—
Assessment.	“(1) assessing the supply chain risk posed by the acquisition and use of covered articles and avoiding, mitigating, accepting, or transferring that risk, as appropriate and consistent with

the standards, guidelines, and practices identified by the Council under section 1323(a)(1); and

“(2) prioritizing supply chain risk assessments conducted under paragraph (1) based on the criticality of the mission, system, component, service, or asset.

“(b) INCLUSIONS.—The responsibility for assessing supply chain risk described in subsection (a) includes—

“(1) developing an overall supply chain risk management strategy and implementation plan and policies and processes to guide and govern supply chain risk management activities;

Strategy.
Plan.
Policy.
Processes.

“(2) integrating supply chain risk management practices throughout the life cycle of the system, component, service, or asset;

“(3) limiting, avoiding, mitigating, accepting, or transferring any identified risk;

“(4) sharing relevant information with other executive agencies as determined appropriate by the Council in a manner consistent with section 1323(a) of this title;

“(5) reporting on progress and effectiveness of the agency’s supply chain risk management consistent with guidance issued by the Office of Management and Budget and the Council; and

“(6) ensuring that all relevant information, including classified information, with respect to acquisitions of covered articles that may pose a supply chain risk, consistent with section 1323(a) of this title, is incorporated into existing processes of the agency for conducting assessments described in subsection (a) and ongoing management of acquisition programs, including any identification, investigation, mitigation, or remediation needs.

“(c) INTERAGENCY ACQUISITIONS.—

“(1) IN GENERAL.—Except as provided in paragraph (2), in the case of an interagency acquisition, subsection (a) shall be carried out by the head of the executive agency whose funds are being used to procure the covered article.

“(2) ASSISTED ACQUISITIONS.—In an assisted acquisition, the parties to the acquisition shall determine, as part of the interagency agreement governing the acquisition, which agency is responsible for carrying out subsection (a).

Determination.

“(3) DEFINITIONS.—In this subsection, the terms ‘assisted acquisition’ and ‘interagency acquisition’ have the meanings given those terms in section 2.101 of title 48, Code of Federal Regulations (or any corresponding similar regulation or ruling).

“(d) ASSISTANCE.—The Secretary of Homeland Security may—

“(1) assist executive agencies in conducting risk assessments described in subsection (a) and implementing mitigation requirements for information and communications technology; and

“(2) provide such additional guidance or tools as are necessary to support actions taken by executive agencies.

“§ 1327. Judicial review procedures

41 USC 1327.

“(a) IN GENERAL.—Except as provided in subsection (b) and chapter 71 of this title, and notwithstanding any other provision of law, an action taken under section 1323 or 4713 of this title, or any action taken by an executive agency to implement such an action, shall not be subject to administrative review or judicial

review, including bid protests before the Government Accountability Office or in any Federal court.

“(b) PETITIONS.—

Deadline.

“(1) IN GENERAL.—Not later than 60 days after a party is notified of an exclusion or removal order under section 1323(c)(6) of this title or a covered procurement action under section 4713 of this title, the party may file a petition for judicial review in the United States Court of Appeals for the District of Columbia Circuit claiming that the issuance of the exclusion or removal order or covered procurement action is unlawful.

“(2) STANDARD OF REVIEW.—The Court shall hold unlawful a covered action taken under sections 1323 or 4713 of this title, in response to a petition that the court finds to be—

“(A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;

“(B) contrary to constitutional right, power, privilege, or immunity;

“(C) in excess of statutory jurisdiction, authority, or limitation, or short of statutory right;

“(D) lacking substantial support in the administrative record taken as a whole or in classified information submitted to the court under paragraph (3); or

“(E) not in accord with procedures required by law.

“(3) EXCLUSIVE JURISDICTION.—The United States Court of Appeals for the District of Columbia Circuit shall have exclusive jurisdiction over claims arising under sections 1323(c)(5) or 4713 of this title against the United States, any United States department or agency, or any component or official of any such department or agency, subject to review by the Supreme Court of the United States under section 1254 of title 28.

“(4) ADMINISTRATIVE RECORD AND PROCEDURES.—

Applicability.

“(A) IN GENERAL.—The procedures described in this paragraph shall apply to the review of a petition under this section.

“(B) ADMINISTRATIVE RECORD.—

“(i) FILING OF RECORD.—The United States shall file with the court an administrative record, which shall consist of the information that the appropriate official relied upon in issuing an exclusion or removal order under section 1323(c)(5) or a covered procurement action under section 4713 of this title.

“(ii) UNCLASSIFIED, NONPRIVILEGED INFORMATION.—All unclassified information contained in the administrative record that is not otherwise privileged or subject to statutory protections shall be provided to the petitioner with appropriate protections for any privileged or confidential trade secrets and commercial or financial information.

“(iii) IN CAMERA AND EX PARTE.—The following information may be included in the administrative record and shall be submitted only to the court ex parte and in camera:

“(I) Classified information.

“(II) Sensitive security information, as defined by section 1520.5 of title 49, Code of Federal Regulations.

“(III) Privileged law enforcement information.

“(IV) Information obtained or derived from any activity authorized under the Foreign Intelligence Surveillance Act of 1978 (50 U.S.C. 1801 et seq.), except that, with respect to such information, subsections (c), (e), (f), (g), and (h) of section 106 (50 U.S.C. 1806), subsections (d), (f), (g), (h), and (i) of section 305 (50 U.S.C. 1825), subsections (c), (e), (f), (g), and (h) of section 405 (50 U.S.C. 1845), and section 706 (50 U.S.C. 1881e) of that Act shall not apply.

“(V) Information subject to privilege or protections under any other provision of law.

“(iv) UNDER SEAL.—Any information that is part of the administrative record filed ex parte and in camera under clause (iii), or cited by the court in any decision, shall be treated by the court consistent with the provisions of this subparagraph and shall remain under seal and preserved in the records of the court to be made available consistent with the above provisions in the event of further proceedings. In no event shall such information be released to the petitioner or as part of the public record.

“(v) RETURN.—After the expiration of the time to seek further review, or the conclusion of further proceedings, the court shall return the administrative record, including any and all copies, to the United States.

“(C) EXCLUSIVE REMEDY.—A determination by the court under this subsection shall be the exclusive judicial remedy for any claim described in this section against the United States, any United States department or agency, or any component or official of any such department or agency.

Determination.

“(D) RULE OF CONSTRUCTION.—Nothing in this section shall be construed as limiting, superseding, or preventing the invocation of, any privileges or defenses that are otherwise available at law or in equity to protect against the disclosure of information.

“(c) DEFINITION.—In this section, the term ‘classified information’—

“(1) has the meaning given that term in section 1(a) of the Classified Information Procedures Act (18 U.S.C. App.); and

“(2) includes—

“(A) any information or material that has been determined by the United States Government pursuant to an Executive order, statute, or regulation to require protection against unauthorized disclosure for reasons of national security; and

“(B) any restricted data, as defined in section 11 of the Atomic Energy Act of 1954 (42 U.S.C. 2014).

41 USC 1328.

“§ 1328. Termination

“This subchapter shall terminate on the date that is 5 years after the date of the enactment of the Federal Acquisition Supply Chain Security Act of 2018.”.

41 USC 1301
prec.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 13 of such title is amended by adding at the end the following new items:

“SUBCHAPTER III—FEDERAL ACQUISITION SUPPLY CHAIN SECURITY

“Sec.

“1321. Definitions.

“1322. Federal Acquisition Security Council establishment and membership.

“1323. Functions and authorities.

“1324. Strategic plan.

“1325. Annual report.

“1326. Requirements for executive agencies.

“1327. Judicial review procedures.

“1328. Termination.”.

Applicability.
41 USC 1321
note.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date that is 90 days after the date of the enactment of this Act and shall apply to contracts that are awarded before, on, or after that date.

Deadlines.
41 USC 1321
note.

(d) IMPLEMENTATION.—

(1) INTERIM FINAL RULE.—Not later than one year after the date of the enactment of this Act, the Federal Acquisition Security Council shall prescribe an interim final rule to implement subchapter III of chapter 13 of title 41, United States Code, as added by subsection (a).

Public comments.

(2) FINAL RULE.—Not later than one year after prescribing the interim final rule under paragraph (1) and considering public comments with respect to such interim final rule, the Council shall prescribe a final rule to implement subchapter III of chapter 13 of title 41, United States Code, as added by subsection (a).

Reports.
Estimate.

(3) FAILURE TO ACT.—

(A) IN GENERAL.—If the Council does not issue a final rule in accordance with paragraph (2) on or before the last day of the one-year period referred to in that paragraph, the Council shall submit to the appropriate congressional committees and leadership, not later than 10 days after such last day and every 90 days thereafter until the final rule is issued, a report explaining why the final rule was not timely issued and providing an estimate of the earliest date on which the final rule will be issued.

(B) APPROPRIATE CONGRESSIONAL COMMITTEES AND LEADERSHIP DEFINED.—In this paragraph, the term “appropriate congressional committees and leadership” has the meaning given that term in section 1321 of title 41, United States Code, as added by subsection (a).

SEC. 203. AUTHORITIES OF EXECUTIVE AGENCIES RELATING TO MITIGATING SUPPLY CHAIN RISKS IN THE PROCUREMENT OF COVERED ARTICLES.

(a) IN GENERAL.—Chapter 47 of title 41, United States Code, is amended by adding at the end the following new section:

“§ 4713. Authorities relating to mitigating supply chain risks in the procurement of covered articles 41 USC 4713.

“(a) **AUTHORITY.**—Subject to subsection (b), the head of an executive agency may carry out a covered procurement action.

“(b) **DETERMINATION AND NOTIFICATION.**—Except as authorized by subsection (c) to address an urgent national security interest, the head of an executive agency may exercise the authority provided in subsection (a) only after—

“(1) obtaining a joint recommendation, in unclassified or classified form, from the chief acquisition officer and the chief information officer of the agency, or officials performing similar functions in the case of executive agencies that do not have such officials, which includes a review of any risk assessment made available by the executive agency identified under section 1323(a)(3) of this title, that there is a significant supply chain risk in a covered procurement;

Recommendations.
Review.

“(2) providing notice of the joint recommendation described in paragraph (1) to any source named in the joint recommendation advising—

“(A) that a recommendation is being considered or has been obtained;

“(B) to the extent consistent with the national security and law enforcement interests, of information that forms the basis for the recommendation;

“(C) that, within 30 days after receipt of the notice, the source may submit information and argument in opposition to the recommendation; and

Deadline.

“(D) of the procedures governing the consideration of the submission and the possible exercise of the authority provided in subsection (a);

“(3) making a determination in writing, in unclassified or classified form, after considering any information submitted by a source under paragraph (2) and in consultation with the chief information security officer of the agency, that—

Consultation.

“(A) use of the authority under subsection (a) is necessary to protect national security by reducing supply chain risk;

“(B) less intrusive measures are not reasonably available to reduce such supply chain risk; and

“(C) the use of such authorities will apply to a single covered procurement or a class of covered procurements, and otherwise specifies the scope of the determination; and

“(4) providing a classified or unclassified notice of the determination made under paragraph (3) to the appropriate congressional committees and leadership that includes—

Summaries.

“(A) the joint recommendation described in paragraph (1);

“(B) a summary of any risk assessment reviewed in support of the joint recommendation required by paragraph (1); and

“(C) a summary of the basis for the determination, including a discussion of less intrusive measures that were considered and why such measures were not reasonably available to reduce supply chain risk.

“(c) **PROCEDURES TO ADDRESS URGENT NATIONAL SECURITY INTERESTS.**—In any case in which the head of an executive agency

determines that an urgent national security interest requires the immediate exercise of the authority provided in subsection (a), the head of the agency—

“(1) may, to the extent necessary to address such national security interest, and subject to the conditions in paragraph (2)—

“(A) temporarily delay the notice required by subsection (b)(2);

“(B) make the determination required by subsection (b)(3), regardless of whether the notice required by subsection (b)(2) has been provided or whether the notified source has submitted any information in response to such notice;

“(C) temporarily delay the notice required by subsection (b)(4); and

Deadline.

“(D) exercise the authority provided in subsection (a) in accordance with such determination within 60 calendar days after the day the determination is made; and

“(2) shall take actions necessary to comply with all requirements of subsection (b) as soon as practicable after addressing the urgent national security interest, including—

“(A) providing the notice required by subsection (b)(2);

“(B) promptly considering any information submitted by the source in response to such notice, and making any appropriate modifications to the determination based on such information;

“(C) providing the notice required by subsection (b)(4), including a description of the urgent national security interest, and any modifications to the determination made in accordance with subparagraph (B); and

Notice.
Deadline.

“(D) providing notice to the appropriate congressional committees and leadership within 7 calendar days of the covered procurement actions taken under this section.

“(d) CONFIDENTIALITY.—The notice required by subsection (b)(2) shall be kept confidential until a determination with respect to a covered procurement action has been made pursuant to subsection (b)(3).

“(e) DELEGATION.—The head of an executive agency may not delegate the authority provided in subsection (a) or the responsibility identified in subsection (f) to an official below the level one level below the Deputy Secretary or Principal Deputy Director.

“(f) ANNUAL REVIEW OF DETERMINATIONS.—The head of an executive agency shall conduct an annual review of all determinations made by such head under subsection (b) and promptly amend any covered procurement action as appropriate.

“(g) REGULATIONS.—The Federal Acquisition Regulatory Council shall prescribe such regulations as may be necessary to carry out this section.

“(h) REPORTS REQUIRED.—Not less frequently than annually, the head of each executive agency that exercised the authority provided in subsection (a) or (c) during the preceding 12-month period shall submit to the appropriate congressional committees and leadership a report summarizing the actions taken by the agency under this section during that 12-month period.

“(i) RULE OF CONSTRUCTION.—Nothing in this section shall be construed to authorize the head of an executive agency to carry out a covered procurement action based solely on the fact of foreign

ownership of a potential procurement source that is otherwise qualified to enter into procurement contracts with the Federal Government.

“(j) TERMINATION.—The authority provided under subsection (a) shall terminate on the date that is 5 years after the date of the enactment of the Federal Acquisition Supply Chain Security Act of 2018.

“(k) DEFINITIONS.—In this section:

“(1) APPROPRIATE CONGRESSIONAL COMMITTEES AND LEADERSHIP.—The term ‘appropriate congressional committees and leadership’ means—

“(A) the Committee on Homeland Security and Governmental Affairs, the Committee on the Judiciary, the Committee on Appropriations, the Committee on Armed Services, the Committee on Commerce, Science, and Transportation, the Select Committee on Intelligence, and the majority and minority leader of the Senate; and

“(B) the Committee on Oversight and Government Reform, the Committee on the Judiciary, the Committee on Appropriations, the Committee on Homeland Security, the Committee on Armed Services, the Committee on Energy and Commerce, the Permanent Select Committee on Intelligence, and the Speaker and minority leader of the House of Representatives.

“(2) COVERED ARTICLE.—The term ‘covered article’ means—

“(A) information technology, as defined in section 11101 of title 40, including cloud computing services of all types;

“(B) telecommunications equipment or telecommunications service, as those terms are defined in section 3 of the Communications Act of 1934 (47 U.S.C. 153);

“(C) the processing of information on a Federal or non-Federal information system, subject to the requirements of the Controlled Unclassified Information program; or

“(D) hardware, systems, devices, software, or services that include embedded or incidental information technology.

“(3) COVERED PROCUREMENT.—The term ‘covered procurement’ means—

“(A) a source selection for a covered article involving either a performance specification, as provided in subsection (a)(3)(B) of section 3306 of this title, or an evaluation factor, as provided in subsection (b)(1)(A) of such section, relating to a supply chain risk, or where supply chain risk considerations are included in the agency’s determination of whether a source is a responsible source as defined in section 113 of this title;

“(B) the consideration of proposals for and issuance of a task or delivery order for a covered article, as provided in section 4106(d)(3) of this title, where the task or delivery order contract includes a contract clause establishing a requirement relating to a supply chain risk;

“(C) any contract action involving a contract for a covered article where the contract includes a clause establishing requirements relating to a supply chain risk; or

“(D) any other procurement in a category of procurements determined appropriate by the Federal Acquisition

Regulatory Council, with the advice of the Federal Acquisition Security Council.

“(4) COVERED PROCUREMENT ACTION.—The term ‘covered procurement action’ means any of the following actions, if the action takes place in the course of conducting a covered procurement:

“(A) The exclusion of a source that fails to meet qualification requirements established under section 3311 of this title for the purpose of reducing supply chain risk in the acquisition or use of covered articles.

“(B) The exclusion of a source that fails to achieve an acceptable rating with regard to an evaluation factor providing for the consideration of supply chain risk in the evaluation of proposals for the award of a contract or the issuance of a task or delivery order.

“(C) The determination that a source is not a responsible source as defined in section 113 of this title based on considerations of supply chain risk.

“(D) The decision to withhold consent for a contractor to subcontract with a particular source or to direct a contractor to exclude a particular source from consideration for a subcontract under the contract.

“(5) INFORMATION AND COMMUNICATIONS TECHNOLOGY.—The term ‘information and communications technology’ means—

“(A) information technology, as defined in section 11101 of title 40;

“(B) information systems, as defined in section 3502 of title 44; and

“(C) telecommunications equipment and telecommunications services, as those terms are defined in section 3 of the Communications Act of 1934 (47 U.S.C. 153).

“(6) SUPPLY CHAIN RISK.—The term ‘supply chain risk’ means the risk that any person may sabotage, maliciously introduce unwanted function, extract data, or otherwise manipulate the design, integrity, manufacturing, production, distribution, installation, operation, maintenance, disposition, or retirement of covered articles so as to surveil, deny, disrupt, or otherwise manipulate the function, use, or operation of the covered articles or information stored or transmitted on the covered articles.

“(7) EXECUTIVE AGENCY.—Notwithstanding section 3101(c)(1), this section applies to the Department of Defense, the Coast Guard, and the National Aeronautics and Space Administration.”.

41 USC 4701
prec.

(b) CLERICAL AMENDMENT.—The table of sections at the beginning of chapter 47 of such title is amended by adding at the end the following new item:

“4713. Authorities relating to mitigating supply chain risks in the procurement of covered articles.”.

41 USC 4713
note.

(c) EFFECTIVE DATE.—The amendments made by this section shall take effect on the date that is 90 days after the date of the enactment of this Act and shall apply to contracts that are awarded before, on, or after that date.

SEC. 204. FEDERAL INFORMATION SECURITY MODERNIZATION ACT.

(a) IN GENERAL.—Title 44, United States Code, is amended—

(1) in section 3553(a)(5), by inserting “and section 1326 of title 41” after “compliance with the requirements of this subchapter”; and

(2) in section 3554(a)(1)(B)—

(A) by inserting “, subchapter III of chapter 13 of title 41,” after “complying with the requirements of this subchapter”;

(B) in clause (iv), by striking “; and” and inserting a semicolon; and

(C) by adding at the end the following new clause:

“(vi) responsibilities relating to assessing and avoiding, mitigating, transferring, or accepting supply chain risks under section 1326 of title 41, and complying with exclusion and removal orders issued under section 1323 of such title; and”.

(b) **RULE OF CONSTRUCTION.**—Nothing in this title shall be construed to alter or impede any authority or responsibility under section 3553 of title 44, United States Code. 44 USC 3553 note.

SEC. 205. EFFECTIVE DATE.

This title shall take effect on the date that is 90 days after the date of the enactment of this Act.

41 USC 1321 note.

Approved December 21, 2018.

LEGISLATIVE HISTORY—H.R. 7327:

CONGRESSIONAL RECORD, Vol. 164 (2018):

Dec. 19, considered and passed House and Senate.



United States Code Annotated

Title 17. Copyrights (Refs & Annos)

Chapter 1. Subject Matter and Scope of Copyright (Refs & Annos)

17 U.S.C.A. § 106

§ 106. Exclusive rights in copyrighted works

Effective: November 2, 2002

[Currentness](#)

Subject to [sections 107](#) through [122](#), the owner of copyright under this title has the exclusive rights to do and to authorize any of the following:

- (1) to reproduce the copyrighted work in copies or phonorecords;
- (2) to prepare derivative works based upon the copyrighted work;
- (3) to distribute copies or phonorecords of the copyrighted work to the public by sale or other transfer of ownership, or by rental, lease, or lending;
- (4) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and motion pictures and other audiovisual works, to perform the copyrighted work publicly;
- (5) in the case of literary, musical, dramatic, and choreographic works, pantomimes, and pictorial, graphic, or sculptural works, including the individual images of a motion picture or other audiovisual work, to display the copyrighted work publicly; and
- (6) in the case of sound recordings, to perform the copyrighted work publicly by means of a digital audio transmission.

CREDIT(S)

([Pub.L. 94-553](#), Title I, § 101, Oct. 19, 1976, 90 Stat. 2546; [Pub.L. 101-318](#), § 3(d), July 3, 1990, 104 Stat. 288; [Pub.L. 101-650](#), Title VII, § 704(b)(2), Dec. 1, 1990, 104 Stat. 5134; [Pub.L. 104-39](#), § 2, Nov. 1, 1995, 109 Stat. 336; [Pub.L. 106-44](#), § 1(g)(2), Aug. 5, 1999, 113 Stat. 222; [Pub.L. 107-273](#), Div. C, Title III, § 13210(4)(A), Nov. 2, 2002, 116 Stat. 1909.)

[Notes of Decisions \(270\)](#)

17 U.S.C.A. § 106, 17 USCA § 106
Current through P.L. 116-66.

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United States Code Annotated

Title 10. Armed Forces (Refs & Annos)

Subtitle A. General Military Law (Refs & Annos)

Part IV. Service, Supply, and Procurement (Refs & Annos)

Chapter 137. Procurement Generally (Refs & Annos)

10 U.S.C.A. § 2322

§ 2322. Management of intellectual property matters within the Department of Defense

Effective: December 12, 2017

[Currentness](#)

(a) Policy required.--The Secretary of Defense, acting through the Under Secretary of Defense for Acquisition and Sustainment, shall develop policy on the acquisition or licensing of intellectual property--

(1) to enable coordination and consistency across the military departments and the Department of Defense in strategies for acquiring or licensing intellectual property and communicating with industry;

(2) to ensure that program managers are aware of the rights afforded the Federal Government and contractors in intellectual property and that program managers fully consider and use all available techniques and best practices for acquiring or licensing intellectual property early in the acquisition process; and

(3) to encourage customized intellectual property strategies for each system based on, at a minimum, the unique characteristics of the system and its components, the product support strategy for the system, the organic industrial base strategy of the military department concerned, and the commercial market.

(b) Cadre of intellectual property experts.--(1) The Secretary of Defense, acting through the Under Secretary of Defense for Acquisition and Sustainment, shall establish a cadre of personnel who are experts in intellectual property matters. The purpose of the cadre is to ensure a consistent, strategic, and highly knowledgeable approach to acquiring or licensing intellectual property by providing expert advice, assistance, and resources to the acquisition workforce on intellectual property matters, including acquiring or licensing intellectual property.

(2) The Under Secretary shall establish an appropriate leadership structure and office within which the cadre shall be managed, and shall determine the appropriate official to whom members of the cadre shall report.

(3) The cadre of experts shall be assigned to a program office or an acquisition command within a military department to advise, assist, and provide resources to a program manager or program executive officer on intellectual property matters at various stages of the life cycle of a system. In performing such duties, the experts shall--

(A) interpret and provide counsel on laws, regulations, and policies relating to intellectual property;

(B) advise and assist in the development of an acquisition strategy, product support strategy, and intellectual property strategy for a system;

(C) conduct or assist with financial analysis and valuation of intellectual property;

(D) assist in the drafting of a solicitation, contract, or other transaction;

(E) interact with or assist in interactions with contractors, including communications and negotiations with contractors on solicitations and awards; and

(F) conduct or assist with mediation if technical data delivered pursuant to a contract is incomplete or does not comply with the terms of agreements.

(4)(A) In order to achieve the purpose set forth in paragraph (1), the Under Secretary shall ensure the cadre has the appropriate number of staff and such staff possesses the necessary skills, knowledge, and experience to carry out the duties under paragraph (2), including in relevant areas of law, contracting, acquisition, logistics, engineering, financial analysis, and valuation. The Under Secretary, in coordination with the Defense Acquisition University and in consultation with academia and industry, shall develop a career path, including development opportunities, exchanges, talent management programs, and training, for the cadre. The Under Secretary may use existing authorities to staff the cadre, including those in subparagraphs (B), (C), (D), and (F).

(B) Civilian personnel from within the Office of the Secretary of Defense, Joint Staff, military departments, Defense Agencies, and combatant commands may be assigned to serve as members of the cadre, upon request of the Director.

(C) The Under Secretary may use the authorities for highly qualified experts under [section 9903 of title 5](#), to hire experts as members of the cadre who are skilled professionals in intellectual property and related matters.

(D) The Under Secretary may enter into a contract with a private-sector entity for specialized expertise to support the cadre. Such entity may be considered a covered Government support contractor, as defined in [section 2320](#) of this title.

(E) In establishing the cadre, the Under Secretary shall give preference to civilian employees of the Department of Defense, rather than members of the armed forces, to maintain continuity in the cadre.

(F) The Under Secretary is authorized to use amounts in the Defense Acquisition Workforce Development Fund for the purpose of recruitment, training, and retention of the cadre, including paying salaries of newly hired members of the cadre for up to three years.

CREDIT(S)

(Added [Pub.L. 115-91](#), Div. A, Title VIII, § 802(a)(1), Dec. 12, 2017, 131 Stat. 1450.)

10 U.S.C.A. § 2322, 10 USCA § 2322

Current through P.L. 116-66.

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United States Code Annotated
Title 10. Armed Forces (Refs & Annos)
Subtitle A. General Military Law (Refs & Annos)
Part IV. Service, Supply, and Procurement (Refs & Annos)
Chapter 137. Procurement Generally (Refs & Annos)

10 U.S.C.A. § 2321

§ 2321. Validation of proprietary data restrictions

Effective: August 13, 2018

[Currentness](#)

(a) Contracts covered by section.--This section applies to any contract for supplies or services entered into by the Department of Defense that includes provisions for the delivery of technical data.

(b) Contractor justification for restrictions.--A contract subject to this section shall provide that a contractor under the contract and any subcontractor under the contract at any tier shall be prepared to furnish to the contracting officer a written justification for any use or release restriction (as defined in subsection (i)) asserted by the contractor or subcontractor.

(c) Review of restrictions.--**(1)** The Secretary of Defense shall ensure that there is a thorough review of the appropriateness of any use or release restriction asserted with respect to technical data by a contractor or subcontractor at any tier under a contract subject to this section.

(2) The review of an asserted use or release restriction under paragraph (1) shall be conducted before the end of the three-year period beginning on the later of--

(A) the date on which final payment is made on the contract under which the technical data is required to be delivered; or

(B) the date on which the technical data is delivered under the contract.

(d) Challenges to restrictions.--**(1)** The Secretary of Defense may challenge a use or release restriction asserted with respect to technical data by a contractor or subcontractor at any tier under a contract subject to this section if the Secretary finds that--

(A) reasonable grounds exist to question the current validity of the asserted restriction; and

(B) the continued adherence by the United States to the asserted restriction would make it impracticable to procure the item to which the technical data pertain competitively at a later time.

(2)(A) A challenge to a use or release restriction asserted by the contractor in accordance with applicable regulations may not be made under paragraph (1) after the end of the six-year period described in subparagraph (B) unless the technical data involved--

- (i) are publicly available;
 - (ii) have been furnished to the United States without restriction;
 - (iii) have been otherwise made available without restriction; or
 - (iv) are the subject of a fraudulently asserted use or release restriction.
- (B) The six-year period referred to in subparagraph (A) is the six-year period beginning on the later of--
- (i) the date on which final payment is made on the contract under which the technical data are required to be delivered; or
 - (ii) the date on which the technical data are delivered under the contract.
- [(C) Repealed. Pub.L. 112-81, Div. A, Title VIII, § 815(b)(3), Dec. 31, 2011, 125 Stat. 1493]
- (3) If the Secretary challenges an asserted use or release restriction under paragraph (1), the Secretary shall provide written notice of the challenge to the contractor or subcontractor asserting the restriction. Any such notice shall--
- (A) state the specific grounds for challenging the asserted restriction;
 - (B) require a response within 60 days justifying the current validity of the asserted restriction; and
 - (C) state that evidence of a justification described in paragraph (4) may be submitted.
- (4) It is a justification of an asserted use or release restriction challenged under paragraph (1) that, within the three-year period preceding the challenge to the restriction, the Department of Defense validated a restriction identical to the asserted restriction if--
- (A) such validation occurred after a challenge to the validated restriction under this subsection; and
 - (B) the validated restriction was asserted by the same contractor or subcontractor (or a licensee of such contractor or subcontractor).
- (e) Time for contractors to submit justifications.**--If a contractor or subcontractor asserting a use or release restriction submits to the contracting officer a written request, showing the need for additional time to comply with the requirement to justify the current validity of the asserted restriction, additional time to adequately permit the submission of such justification shall be

provided by the contracting officer as appropriate. If a party asserting a restriction receives notices of challenges to restrictions on technical data from more than one contracting officer, and notifies each contracting officer of the existence of more than one challenge, the contracting officer initiating the first in time challenge, after consultation with the party asserting the restriction and the other contracting officers, shall formulate a schedule of responses to each of the challenges that will afford the party asserting the restriction with an equitable opportunity to respond to each such challenge.

(f) Presumption of development exclusively at private expense.--In the case of a challenge to a use or release restriction that is asserted with respect to technical data of a contractor or subcontractor under a contract for commercial items, the contracting officer shall presume that the contractor or subcontractor has justified the restriction on the basis that the item was developed exclusively at private expense, whether or not the contractor or subcontractor submits a justification in response to the notice provided pursuant to subsection (d)(3). In such a case, the challenge to the use or release restriction may be sustained only if information provided by the Department of Defense demonstrates that the item was not developed exclusively at private expense.

(g) Decision by contracting officer.--(1) Upon a failure by the contractor or subcontractor to submit any response under subsection (d)(3), the contracting officer shall issue a decision pertaining to the validity of the asserted restriction.

(2) After review of any justification submitted in response to the notice provided pursuant to subsection (d)(3), the contracting officer shall, within 60 days of receipt of any justification submitted, issue a decision or notify the party asserting the restriction of the time within which a decision will be issued.

(h) Claims.--If a claim pertaining to the validity of the asserted restriction is submitted in writing to a contracting officer by a contractor or subcontractor at any tier, such claim shall be considered a claim within the meaning of chapter 71 of title 41.

(i) Rights and liability upon final disposition.--(1) If, upon final disposition, the contracting officer's challenge to the use or release restriction is sustained--

(A) the restriction shall be cancelled; and

(B) if the asserted restriction is found not to be substantially justified, the contractor or subcontractor asserting the restriction shall be liable to the United States for payment of the cost to the United States of reviewing the asserted restriction and the fees and other expenses (as defined in [section 2412\(d\)\(2\)\(A\) of title 28](#)) incurred by the United States in challenging the asserted restriction, unless special circumstances would make such payment unjust.

(2) If, upon final disposition, the contracting officer's challenge to the use or release restriction is not sustained--

(A) the United States shall continue to be bound by the restrictions; and

(B) the United States shall be liable for payment to the party asserting the restriction for fees and other expenses (as defined in [section 2412\(d\)\(2\)\(A\) of title 28](#)) incurred by the party asserting the restriction in defending the asserted restriction if the challenge by the United States is found not to be made in good faith.

(j) Use or release restriction defined.--In this section, the term “use or release restriction”, with respect to technical data delivered to the United States under a contract subject to this section, means a restriction by the contractor or subcontractor on the right of the United States--

(1) to use such technical data; or

(2) to release or disclose such technical data to persons outside the Government or permit the use of such technical data by persons outside the Government.

CREDIT(S)

(Added [Pub.L. 98-525, Title XII, § 1216\(a\)](#), Oct. 19, 1984, 98 Stat. 2597; amended [Pub.L. 99-500, Title I, § 101\(c\)](#) [Title X, § 953(b)], Oct. 18, 1986, 100 Stat. 1783-82, 1783-171; [Pub.L. 99-591, Title I, § 101\(c\)](#) [Title X, § 953(b)], Oct. 30, 1986, 100 Stat. 3341-82, 3341-171; [Pub.L. 99-661](#), Div. A, Title IX, formerly Title IV, § 953(b), Nov. 14, 1986, 100 Stat. 3951; renumbered Title IX and amended [Pub.L. 100-26](#), §§ 3(5), 7(a)(5), Apr. 21, 1987, 101 Stat. 273, 276; [Pub.L. 100-180](#), Div. A, Title XII, § 1231(6), Dec. 4, 1987, 101 Stat. 1160; [Pub.L. 103-35, Title II, § 201\(g\)\(4\)](#), May 31, 1993, 107 Stat. 100; [Pub.L. 103-355, Title VIII, § 8106\(b\)](#), Oct. 13, 1994, 108 Stat. 3393; [Pub.L. 109-364](#), Div. A, Title VIII, § 802(b), Oct. 17, 2006, 120 Stat. 2313; [Pub.L. 110-181](#), Div. A, Title VIII, § 815(a)(2), Jan. 28, 2008, 122 Stat. 223; [Pub.L. 111-350](#), § 5(b)(18), Jan. 4, 2011, 124 Stat. 3844; [Pub.L. 111-383](#), Div. A, Title VIII, § 824(c), Jan. 7, 2011, 124 Stat. 4269; [Pub.L. 112-81](#), Div. A, Title VIII, § 815(b), Dec. 31, 2011, 125 Stat. 1492; [Pub.L. 113-291](#), Div. A, Title X, § 1071(a)(5), Dec. 19, 2014, 128 Stat. 3504; [Pub.L. 114-92](#), Div. A, Title VIII, § 813(a), Nov. 25, 2015, 129 Stat. 891; [Pub.L. 115-232](#), Div. A, Title VIII, § 865, Aug. 13, 2018, 132 Stat. 1901.)

AMENDMENT OF SUBSECTION (F)

<[Pub.L. 115-232](#), Div. A, Title VIII, § 836(c)(8), (h), Aug. 13, 2018, 132 Stat. 1866, 1874, provided that, effective January 1, 2020, subsection (f) is amended-->

<(A) in paragraph (1)-->

<(i) by striking “commercial items” and inserting “commercial products”; and >

<(ii) by striking “the item” both places it appears and inserting “commercial products”; and >

<(B) in paragraph (2)(A), in clauses (i) and (ii), by striking “commercial item” and inserting “commercial product”. >

AMENDMENT OF SUBSEC. (I)

<[Pub.L. 115-232](#), Div. A, Title VIII, § 866(a), (c), Aug. 13, 2018, 132 Stat. 1901, provided, that effective on the date of publication of the interim or final rule, whichever is earlier, and applicable to solicitations issued by Department of Defense contracting activities after that date unless a waiver is granted, subsec. (i) is amended:>

<(1) in the subsection heading, by inserting “PRIOR TO AND” after “RIGHTS AND LIABILITY”;>

<(2) by redesignating paragraphs (1) and (2) as paragraphs (2) and (3), respectively; and>

<(3) by inserting before paragraph (2), as so redesignated, the following new paragraph:>

<(1) Upon filing of a suit or appeal under the contract dispute statute by a contractor or subcontractor in an agency Board of Contract Appeals or United States Claims Court related to a decision made by a contracting officer under subsection (g), the Secretary of Defense, or a Secretary of a military department for programs for which milestone decision authority has been delegated, on a nondelegable basis, may, following notice to the contractor or subcontractor, authorize use of the technical data in dispute if the Secretary determines in writing that compelling mission readiness requirements will not permit awaiting the final decision by the agency Board of Contract Appeals or the United States Claims Court.>

10 U.S.C.A. § 2321, 10 USCA § 2321

Current through P.L. 116-66.

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United States Code Annotated

Title 10. Armed Forces (Refs & Annos)

Subtitle A. General Military Law (Refs & Annos)

Part IV. Service, Supply, and Procurement (Refs & Annos)

Chapter 137. Procurement Generally (Refs & Annos)

10 U.S.C.A. § 2320

§ 2320. Rights in technical data

Effective: December 12, 2017

[Currentness](#)

(a)(1) The Secretary of Defense shall prescribe regulations to define the legitimate interest of the United States and of a contractor or subcontractor in technical data pertaining to an item or process. Such regulations shall be included in regulations of the Department of Defense prescribed as part of the Federal Acquisition Regulation. Such regulations may not impair any right of the United States or of any contractor or subcontractor with respect to patents or copyrights or any other right in technical data otherwise established by law. Such regulations also may not impair the right of a contractor or subcontractor to receive from a third party a fee or royalty for the use of technical data pertaining to an item or process developed exclusively at private expense by the contractor or subcontractor, except as otherwise specifically provided by law.

(2) Such regulations shall include the following provisions:

(A) Development exclusively with Federal funds.--In the case of an item or process that is developed by a contractor or subcontractor exclusively with Federal funds (other than an item or process developed under a contract or subcontract to which regulations under section 9(j)(2) of the Small Business Act ([15 U.S.C. 638\(j\)\(2\)](#)) apply), the United States shall have the unlimited right to--

(i) use technical data pertaining to the item or process; or

(ii) release or disclose the technical data to persons outside the government or permit the use of the technical data by such persons.

(B) Development exclusively at private expense.--Except as provided in subparagraphs (C), (D), and (G), in the case of an item or process that is developed by a contractor or subcontractor exclusively at private expense, the contractor or subcontractor may restrict the right of the United States to release or disclose technical data pertaining to the item or process to persons outside the government, or permit the use of the technical data by such persons.

(C) Exception to subparagraph (B).--Subparagraph (B) does not apply to technical data that--

(i) constitutes a correction or change to data furnished by the United States;

(ii) relates to form, fit, or function;

(iii) is necessary for operation, maintenance, installation, or training (other than detailed manufacturing or process data, including such data pertaining to a major system component); or

(iv) is otherwise publicly available or has been released or disclosed by the contractor or subcontractor without restriction on further release or disclosure.

(D) Exception to subparagraph (B).--Notwithstanding subparagraph (B), the United States may release or disclose technical data to persons outside the Government, or permit the use of technical data by such persons, if--

(i) such release, disclosure, or use--

(I) is necessary for emergency repair and overhaul;

(II) is a release, disclosure, or use of technical data pertaining to an interface between an item or process and other items or processes necessary for the segregation of an item or process from, or the reintegration of that item or process (or a physically or functionally equivalent item or process) with, other items or processes; or

(III) is a release or disclosure of technical data (other than detailed manufacturing or process data) to, or use of such data by, a foreign government that is in the interest of the United States and is required for evaluational or informational purposes;

(ii) such release, disclosure, or use is made subject to a prohibition that the person to whom the data is released or disclosed may not further release, disclose, or use such data; and

(iii) the contractor or subcontractor asserting the restriction is notified of such release, disclosure, or use.

(E) Development with mixed funding.--Except as provided in subparagraphs (F) and (G), in the case of an item or process that is developed in part with Federal funds and in part at private expense, the respective rights of the United States and of the contractor or subcontractor in technical data pertaining to such item or process shall be established as early in the acquisition process as practicable (preferably during contract negotiations) and shall be based on negotiations between the United States and the contractor, except in any case in which the Secretary of Defense determines, on the basis of criteria established in the regulations, that negotiations would not be practicable. The establishment of such rights shall be based upon consideration of all of the following factors:

(i) The statement of congressional policy and objectives in [section 200 of title 35](#), the statement of purposes in section 2(b) of the Small Business Innovation Development Act of 1982 ([15 U.S.C. 638](#) note), and the declaration of policy in section 2 of the Small Business Act ([15 U.S.C. 631](#)).

(ii) The interest of the United States in increasing competition and lowering costs by developing and locating alternative sources of supply and manufacture.

(iii) The interest of the United States in encouraging contractors to develop at private expense items for use by the Government.

(iv) Such other factors as the Secretary of Defense may prescribe.

(F) Interfaces developed with mixed funding.-- Notwithstanding subparagraph (E), the United States shall have government purpose rights in technical data pertaining to an interface between an item or process and other items or processes that was developed in part with Federal funds and in part at private expense, except in any case in which the Secretary of Defense determines, on the basis of criteria established in the regulations, that negotiation of different rights in such technical data would be in the best interest of the United States.

(G) Major system interfaces developed exclusively at private expense or with mixed funding.--Notwithstanding subparagraphs (B) and (E), the United States shall have government purpose rights in technical data pertaining to a major system interface developed exclusively at private expense or in part with Federal funds and in part at private expense and used in a modular open system approach pursuant to [section 2446a](#) of this title, except in any case in which the Secretary of Defense determines that negotiation of different rights in such technical data would be in the best interest of the United States. Such major system interface shall be identified in the contract solicitation and the contract. For technical data pertaining to a major system interface developed exclusively at private expense for which the United States asserts government purpose rights, the Secretary of Defense shall negotiate with the contractor the appropriate and reasonable compensation for such technical data.

(H) A contractor or subcontractor (or a prospective contractor or subcontractor) may not be required, as a condition of being responsive to a solicitation or as a condition for the award of a contract--

(i) to sell or otherwise relinquish to the United States any rights in technical data except--

(I) rights in technical data described in subparagraph (A) for which a use or release restriction has been erroneously asserted by a contractor or subcontractor;

(II) rights in technical data described in subparagraph (C); or

(III) under the conditions described in subparagraph (D); or

(ii) to refrain from offering to use, or from using, an item or process to which the contractor is entitled to restrict rights in data under subparagraph (B).

(I) The Secretary of Defense may--

(i) negotiate and enter into a contract with a contractor or subcontractor for the acquisition of rights in technical data not otherwise provided under subparagraph (C) or (D), if necessary to develop alternative sources of supply and manufacture;

(ii) agree to restrict rights in technical data otherwise accorded to the United States under this section if the United States receives a royalty-free license to use, release, or disclose the data for purposes of the United States (including purposes of competitive procurement); or

(iii) permit a contractor or subcontractor to license directly to a third party the use of technical data which the contractor is otherwise allowed to restrict, if necessary to develop alternative sources of supply and manufacture.

(3) The Secretary of Defense shall define the terms “developed”, “exclusively with Federal funds”, and “exclusively at private expense” in regulations prescribed under paragraph (1). In defining such terms, the Secretary shall specify the manner in which indirect costs shall be treated and shall specify that amounts spent for independent research and development and bid and proposal costs shall not be considered to be Federal funds for the purposes of the definitions under this paragraph.

(b) Regulations prescribed under subsection (a) shall require that, whenever practicable, a contract for supplies or services entered into by an agency named in [section 2303](#) of this title contain appropriate provisions relating to technical data, including provisions--

(1) defining the respective rights of the United States and the contractor or subcontractor (at any tier) regarding any technical data to be delivered under the contract and providing that, 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 [section 2321\(f\)](#);

(2) specifying the technical data, if any, to be delivered under the contract and delivery schedules for such delivery;

(3) establishing or referencing procedures for determining the acceptability of technical data to be delivered under the contract;

(4) establishing separate contract line items for the technical data, if any, to be delivered under the contract;

(5) to the maximum practicable extent, identifying, in advance of delivery, technical data which is to be delivered with restrictions on the right of the United States to use such data;

(6) requiring the contractor to revise any technical data delivered under the contract to reflect engineering design changes made during the performance of the contract and affecting the form, fit, and function of the items specified in the contract and to deliver such revised technical data to an agency within a time specified in the contract;

(7) establishing remedies to be available to the United States when technical data required to be delivered or made available under the contract is found to be incomplete or inadequate or to not satisfy the requirements of the contract concerning technical data;

(8) authorizing the head of the agency to withhold payments under the contract (or exercise such other remedies as the head of the agency considers appropriate) during any period if the contractor does not meet the requirements of the contract pertaining to the delivery of technical data;

(9) providing that, in addition to technical data that is already subject to a contract delivery requirement, the United States may require, until the date occurring six years after acceptance of the last item (other than technical data) under a contract or the date of contract termination, whichever is later, the delivery of technical data that has been generated in the performance of the contract, and compensate the contractor only for reasonable costs incurred for having converted and delivered the data in the required form, upon a determination that--

(A) the technical data is needed for the purpose of reprourement, sustainment, modification, or upgrade (including through competitive means) of a major system or subsystem thereof, a weapon system or subsystem thereof, or any noncommercial item or process; and

(B) the technical data--

(i) pertains to an item or process developed in whole or in part with Federal funds; or

(ii) is described in subparagraphs (D)(i)(II), (F), and (G) of subsection (a)(2); and

(10) providing that the United States is not foreclosed from requiring the delivery of the technical data by a failure to challenge, in accordance with the requirements of [section 2321\(d\)](#) of this title, the contractor's assertion of a use or release restriction on the technical data.

(c) Nothing in this section or in [section 2305\(d\)](#) of this title prohibits the Secretary of Defense from--

(1) prescribing standards for determining whether a contract entered into by the Department of Defense shall provide for a time to be specified in the contract after which the United States shall have the right to use (or have used) for any purpose of the United States all technical data required to be delivered to the United States under the contract or providing for such a period of time (not to exceed 7 years) as a negotiation objective;

(2) notwithstanding any limitation upon the license rights conveyed under subsection (a), allowing a covered Government support contractor access to and use of any technical data delivered under a contract for the sole purpose of furnishing independent and impartial advice or technical assistance directly to the Government in support of the Government's management and oversight of the program or effort to which such technical data relates; or

(3) prescribing reasonable and flexible guidelines, including negotiation objectives, for the conduct of negotiations regarding the respective rights in technical data of the United States and the contractor.

(d) The Secretary of Defense shall by regulation establish programs which provide domestic business concerns an opportunity to purchase or borrow replenishment parts from the United States for the purpose of design replication or modification, to be

used by such concerns in the submission of subsequent offers to sell the same or like parts to the United States. Nothing in this subsection limits the authority of the head of an agency to impose restrictions on such a program related to national security considerations, inventory needs of the United States, the improbability of future purchases of the same or like parts, or any additional restriction otherwise required by law.

(e) The Secretary of Defense shall require program managers for major weapon systems and subsystems of major weapon systems to assess the long-term technical data needs of such systems and subsystems and establish corresponding acquisition strategies that provide for technical data rights needed to sustain such systems and subsystems over their life cycle. Such strategies may include the development of maintenance capabilities within the Department of Defense or competition for contracts for sustainment of such systems or subsystems. Assessments and corresponding acquisition strategies developed under this section with respect to a weapon system or subsystem shall--

- (1) be developed before issuance of a contract solicitation for the weapon system or subsystem;
- (2) address the merits of including a priced contract option for the future delivery of technical data that were not acquired upon initial contract award;
- (3) address the potential for changes in the sustainment plan over the life cycle of the weapon system or subsystem; and
- (4) apply to weapon systems and subsystems that are to be supported by performance-based logistics arrangements as well as to weapons systems and subsystems that are to be supported by other sustainment approaches.

(f) **Preference for specially negotiated licenses.**--The Secretary of Defense shall, to the maximum extent practicable, negotiate and enter into a contract with a contractor for a specially negotiated license for technical data to support the product support strategy of a major weapon system or subsystem of a major weapon system. In performing the assessment and developing the corresponding strategy required under subsection (e) for such a system or subsystem, a program manager shall consider the use of specially negotiated licenses to acquire customized technical data appropriate for the particular elements of the product support strategy.

(g) **Covered Government support contractor defined.**--In this section, the term "covered Government support contractor" means a contractor under a contract the primary purpose of which is to furnish independent and impartial advice or technical assistance directly to the Government in support of the Government's management and oversight of a program or effort (rather than to directly furnish an end item or service to accomplish a program or effort), which contractor--

- (1) is not affiliated with the prime contractor or a first-tier subcontractor on the program or effort, or with any direct competitor of such prime contractor or any such first-tier subcontractor in furnishing end items or services of the type developed or produced on the program or effort; and
- (2) executes a contract with the Government agreeing to and acknowledging--

(A) that proprietary or nonpublic technical data furnished will be accessed and used only for the purposes stated in that contract;

(B) that the covered Government support contractor will enter into a non-disclosure agreement with the contractor to whom the rights to the technical data belong;

(C) that the covered Government support contractor will take all reasonable steps to protect the proprietary and nonpublic nature of the technical data furnished to the covered Government support contractor during the program or effort for the period of time in which the Government is restricted from disclosing the technical data outside of the Government;

(D) that a breach of that contract by the covered Government support contractor with regard to a third party's ownership or rights in such technical data may subject the covered Government support contractor--

(i) to criminal, civil, administrative, and contractual actions in law and equity for penalties, damages, and other appropriate remedies by the United States; and

(ii) to civil actions for damages and other appropriate remedies by the contractor or subcontractor whose technical data is affected by the breach; and

(E) that such technical data provided to the covered Government support contractor under the authority of this section shall not be used by the covered Government support contractor to compete against the third party for Government or non-Government contracts.

(h) **Additional definitions.**--In this section, the terms “major system component”, “major system interface”, and “modular open system approach” have the meanings provided in [section 2446a](#) of this title.

CREDIT(S)

(Added [Pub.L. 98-525, Title XII, § 1216\(a\)](#), Oct. 19, 1984, 98 Stat. 2595; amended [Pub.L. 98-577, Title III, § 301\(b\)](#), Oct. 30, 1984, 98 Stat. 3076; [Pub.L. 99-145, Title IX, § 961\(d\)\(1\)](#), Nov. 8, 1985, 99 Stat. 703; [Pub.L. 99-500, Title I, § 101\(c\)](#) [Title X, § 953(a)], Oct. 18, 1986, 100 Stat. 1783-82, 1783-169; [Pub.L. 99-591, Title I, § 101\(c\)](#) [Title X, § 953(a)], Oct. 30, 1986, 100 Stat. 3341-82, 3341-169; [Pub.L. 99-661, Div. A, Title IX, formerly Title IV, § 953\(a\)](#), Nov. 14, 1986, 100 Stat. 3949; renumbered Title IX and amended [Pub.L. 100-26, §§ 3\(5\), 7\(a\)\(4\)](#), Apr. 21, 1987, 101 Stat. 273, 275; [Pub.L. 100-180, Div. A, Title VIII, § 808\(a\), \(b\)](#), Dec. 4, 1987, 101 Stat. 1128, 1130; [Pub.L. 101-189, Div. A, Title VIII, § 853\(b\)\(2\)](#), Nov. 29, 1989, 103 Stat. 1518; [Pub.L. 103-355, Title VIII, § 8106\(a\)](#), Oct. 13, 1994, 108 Stat. 3393; [Pub.L. 108-136, Div. A, Title VIII, § 844](#), Nov. 24, 2003, 117 Stat. 1553; [Pub.L. 109-364, Div. A, Title VIII, § 802\(a\)](#), Oct. 17, 2006, 120 Stat. 2312; [Pub.L. 111-84, Div. A, Title VIII, § 821](#), Oct. 28, 2009, 123 Stat. 2411; [Pub.L. 111-383, Div. A, Title VIII, §§ 801\(a\), 824\(b\)](#), Jan. 7, 2011, 124 Stat. 4253, 4269; [Pub.L. 112-81, Div. A, Title VIII, §§ 802\(b\), 815\(a\)](#), Dec. 31, 2011, 125 Stat. 1485, 1491; [Pub.L. 114-328, Div. A, Title VIII, § 809\(a\) to \(e\)](#), Dec. 23, 2016, 130 Stat. 2266; [Pub.L. 115-91, Div. A, Title VIII, § 835\(c\)](#), Dec. 12, 2017, 131 Stat. 1471.)

AMENDMENT OF SUBSECTION (B)

<[Pub.L. 115-232, Div. A, Title VIII, § 836\(c\)\(7\), \(h\)](#), Aug. 13, 2018, 132 Stat. 1866, 1874, provided that, effective January 1, 2020, subsection (b) is amended-->

<(A) in paragraph (1), by striking “a commercial item, the item” and inserting “a commercial product, the product”;
and >

<(B) in paragraph (9)(A), by striking “any noncommercial item or process” and inserting “any noncommercial product
or process”.>

Notes of Decisions (1)

10 U.S.C.A. § 2320, 10 USCA § 2320

Current through P.L. 116-66.

End of Document

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