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In the United States Court of Federal Claims

No. 19-883C
(Filed: January 14, 2020)

RAYTHEON COMPANY, Plaintiff, v. THE UNITED STATES OF AMERICA, Defendant.	Keywords: Motion to Dismiss; Subject-Matter Jurisdiction; 28 U.S.C. § 1491(a)(2); Contract Disputes Act; 10 U.S.C. § 2321; DFARS; Proprietary Information; Vendor List; Technical Data; Government Purpose Rights

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Domenique Kirchner, Senior Trial Counsel, Commercial Litigation Branch, Civil Division, U.S. Department of Justice, Washington, DC, for Defendant, with whom were *Patricia M. McCarthy*, Assistant Director, *Robert E. Kirschman, Jr.*, Director, and *Joseph H. Hunt*, Assistant Attorney General.

OPINION AND ORDER

KAPLAN, Judge.

Plaintiff Raytheon Company ("Raytheon") has a contract with the United States Army Contracting Command – Redstone ("the Army") to supply engineering services that support the Patriot weapon system. This case involves a dispute regarding the restrictive markings Raytheon placed on certain vendor lists it was contractually obligated to supply to the Army. An Army contracting officer issued a final decision directing Raytheon to remove the proprietary marks it had placed on the lists and to replace them with the legend used for technical data in which the government holds "government purpose rights" under applicable regulations. See Department of Defense Federal Acquisition Regulation Supplement ("DFARS") 252.227-7013(b)(2), (h)(2).

In this suit, Raytheon seeks declarations: 1) that the contracting officer's final decision directing Raytheon to affix the government purpose rights ("GPR") legend to its lists is invalid because Raytheon was denied certain procedural protections guaranteed by 10 U.S.C. § 2321 (Count I); 2) that the Army breached the contract by failing to follow procedures for challenging restrictive markings set forth in DFARS 252.227-7037, which is incorporated into the contract (Count II); 3) that Raytheon's vendor lists are not technical data as defined in DFARS 252.227-

7013(a)(15) (Count III); 4) that the Army breached the contract by treating the vendor lists as technical data (Count IV); and 5) that even if the vendor lists are properly classified as technical data, the Army is entitled to only "limited rights" to the lists, rather than "government purpose rights" (Count V). See Compl. at 16–23, ECF No. 1.

The case is currently before the Court on the government's motion to dismiss Count I of the complaint for lack of subject-matter jurisdiction under Rule 12(b)(1) of the Rules of the Court of Federal Claims ("RCFC") or, alternatively, for failure to state a claim under RCFC 12(b)(6). In addition, the government notes its objections to passages in Raytheon's complaint which request that the Court declare the contracting officer's final decision "invalid" or "void." For the reasons set forth below, the government's motion is **DENIED**.

BACKGROUND

I. Legal Framework

Pursuant to 10 U.S.C. § 2320(a)(1), the Secretary of Defense is directed to "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."[1] Under § 2320, and its implementing regulations, where an item or process is developed exclusively with federal funds, the United States is given "the unlimited right to [] use technical data pertaining to the item or process [or] release or disclose the technical data to persons outside the government or permit the use of the technical data by such persons." 10 U.S.C. § 2320(a)(2)(A). On the other hand, "in the case of an item or process that is developed by a contractor or subcontractor exclusively at private expense," the statute and regulations provide that "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." Id. § 2320(a)(2)(B). Finally, where the item or process is developed in part with federal funds and in part at private expense:

> [T]he respective rights of the United States and of the contractor or subcontractor in technical data . . . 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.

Id. § 2320(a)(2)(E).

The other statutory provision relevant to this litigation, and upon which Count I is predicated, is 10 U.S.C. § 2321. It establishes procedures for validating proprietary data

[1] "Technical data" is defined by regulation as "recorded information, regardless of the form or method of the recording, of a scientific or technical nature (including computer software documentation)." DFARS 252.227-7013(a)(15). "The term does not include . . . data incidental to contract administration, such as financial and/or management information." Id.

restrictions for "any contract for supplies or services entered into by the Department of Defense that includes provisions for the delivery of technical data." See 10 U.S.C. § 2321(a). Section 2321 directs that contracts must include a provision stating that a contractor shall be prepared to furnish to the contracting officer a written justification for any "use or release restriction" on technical data asserted by the contractor or subcontractor. Id. § 2321(b). It further provides that the Secretary of Defense may challenge such restrictions if he finds that "reasonable grounds exist to question the current validity of the asserted restriction; and [] 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." Id. § 2321(d)(1).

Under the statute, the Secretary must provide written notice which "state[s] the specific grounds for challenging the asserted restriction." Id. § 2321(d)(3)(A). A contractor is given sixty days to justify the "validity of the asserted restriction." Id. § 2321(d)(3)(B). Thereafter, "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." Id. § 2321(g)(2). These procedures for challenging the restrictive markings a contractor affixes to technical data are mirrored in the procedures set forth at DFARS 252.227-7037(d)–(g).

II. Background of Plaintiff's Claims[2]

The Army and Raytheon are currently parties to a follow-on contract to provide engineering services in support of the Patriot weapons system (Contract No. W31P4Q-14-C-0097). That contract was awarded to Raytheon on August 15, 2014. Compl. ¶ 23. Like the initial engineering services contract (Contract No. W31P4Q-09-C-0057) and consistent with DI-MGMT-80894A, the follow-on contract requires Raytheon to submit to the Army a listing of all the sources it used to procure subcontracted items in support of the Patriot Missile system "as a means for the Government to track parts selection, supplier qualifications, and identification of parts." Id. ¶¶ 4, 22, 85.

Raytheon submitted vendor lists to the Army under the initial contract on July 16, 2013 and July 17, 2014 and under the follow-on contract on February 20, 2015. Id. ¶ 36, 38. Each of these lists contained proprietary markings and export control warnings. Id. The February 20, 2015 vendor list, for example, bore the following legend:

> Distribution Statement E: Distribution authorized to DoD Components only, Proprietary Information, 01/07/2015. Other requests shall be referred to [sic] Project Manager, PEO Missiles and Space, ATTN: SFAE-MSLS-LT-PC, Bldg 5250, Martin Road, Redstone Arsenal, AL 35898-8000.
>
> WARNING – This document contains technical data whose export is restricted by the Arms Export Control Act (Title 22, U.S.C. Sec 2751, et seq) or the Export Administration Act of 1979, as amended, Title 50, U.S.C., App. 2401 et seq.

[2] The facts set forth below are drawn from the complaint and are presumed to be true for purposes of the government's motion to dismiss.

> Violations of these export laws are subject to severe criminal penalties. Disseminate in accordance with provisions of DoD Directive 5230.25.

Id. ¶ 38.

Raytheon submitted another vendor list on June 9, 2015. Id. ¶ 40. This list contained the same legend as the February list. Id. Notwithstanding that it had previously raised no objection to the legend, the Army challenged its validity in a July 13, 2015 letter to Raytheon. Id. ¶¶ 40–41. Raytheon responded by letter of August 20, 2015. Id. ¶ 42. It asserted that the vendor lists were "management" data under DI-MGMT-80894A, and not "technical" data as defined by DFARS 252.227-7013, and that it intended to modify the legends it placed on its vendor lists to reflect that view. Id.

Raytheon effected its stated intent when submitting vendor lists in August and November of 2016. It deleted the Distribution Statement E legend and the export control warnings placed on previous lists and substituted the following:

> RAYTHEON COMPANY PROPRIETARY DATA
>
> Information contained herein is proprietary to Raytheon Company, is submitted in confidence, and is privileged and exempt from disclosure by the U.S. Government under paragraph (b) of the Freedom of Information Act (5 USC 552) and subject to 18 USC 1905.

Id.

On September 20, 2016, the Army challenged Raytheon's use of this legend on the grounds that the information contained in the lists was technical, not management data. Id. ¶ 44. The Army explained that Raytheon had included the same information on various drawings without restriction, and that Government employees needed the information contained in the vendor lists to fulfill other government contracts. Id. The Army instructed Raytheon to remove the proprietary data legend within sixty days and resubmit the list. Id. In a November 9, 2016 letter, Raytheon declined to comply with this directive on the grounds that "it was under no obligation to diminish its competitive advantage by making its Vendor Lists available to its competitors." Id. ¶ 45.

On March 2, 2017, the Army again objected to the markings on Raytheon's vendor list and instructed Raytheon to remove them. Id. ¶ 46. The Army warned that if Raytheon did not comply, it would remove the legends at Raytheon's expense, reject future submissions, and withhold 10% of the total contract price until Raytheon submitted vendor lists with the proper markings. Id.

More than a year later, on June 21, 2018, the contracting officer ("CO") issued a contracting officer's final decision regarding Raytheon's November 9, 2016 justification of its proprietary legend. Id. ¶ 47. In her decision, the CO asserted that Raytheon's vendor lists qualified as technical data. Id. She explained that the vendor list contained a list of technical parts, part numbers, and sources and were "used in conjunction with other technical data (such as

technical drawings) to maintain essential Army systems and databases." Def.'s Mot. to Dismiss Parts of the Compl. App. at 4, ECF No. 8-1.

In addition to instructing Raytheon to remove the nonconforming markings, the CO also directed that within ninety days Raytheon must replace its proprietary legend with the GPR legend that is set forth at DFARS 252.227-7013(f)(2). Id. at 6. The CO also warned that she would disapprove all future submissions that did not bear the GPR legend and that she reserved the right to withhold 10% of the total contract price until Raytheon came into compliance. Id.

III. The Present Action

Raytheon filed the present complaint in this court on June 17, 2019. ECF No. 1. As noted above, Raytheon requests that the Court issue declaratory judgments regarding the Army's compliance with the procedural rights specified in 10 U.S.C. § 2321 and with various contractual provisions that incorporate by reference the relevant regulations at DFARS 252.227-7013, 7037.

On September 16, 2019, the government moved to dismiss Raytheon's claim regarding violations of 10 U.S.C. § 2321 (Count I) for lack of subject-matter jurisdiction or, alternatively, for failure to state a claim. See generally Def.'s Mot. to Dismiss Parts of the Compl. ("Def.'s Mot."), ECF No. 8. Raytheon filed its response to the government's motion on October 14, 2019, to which the government replied on October 22, 2019. ECF Nos. 9, 10. Thereafter, the Court issued an order directing the parties to submit supplemental briefs addressing the application of the decision of the United States Court of Appeals for the Federal Circuit in Todd Construction, L.P. v. United States, 656 F.3d 1306 (Fed. Cir. 2011). ECF No. 14. The parties timely submitted their supplemental briefs on December 6, 2019 and oral argument was held on December 18, 2019. ECF Nos. 17, 18, 21

DISCUSSION

As noted, the government has moved to dismiss Count I of the complaint under RCFC 12(b)(1) for lack of subject-matter jurisdiction. According to the government, the Court lacks jurisdiction over this claim because under the Tucker Act, 28 U.S.C. § 1491(a)(1), it may only exercise jurisdiction over claims based on a statute where a plaintiff seeks monetary relief. Def.'s Mot. at 4 (citing Doe v. United States, 372 F.3d 1308, 1312 (Fed Cir. 2004)); see also Nat'l Air Traffic Controllers Ass'n v. United States, 160 F.3d 714, 716–17 (Fed. Cir. 1998) (stating that the Court of Federal Claims lacks jurisdiction to issue declaratory judgments that are unrelated to any money claim pending before it). Raytheon, of course, does not seek an award of money damages in this case. Instead it requests declaratory relief with respect to the alleged violation of the statutory procedures set forth at 10 U.S.C. § 2321 and asks the Court to declare the CO's decision void or invalid based on that violation.

The Court agrees with the government that Count I is not within the jurisdiction conferred by 28 U.S.C. § 1491(a)(1) because Raytheon does not seek money damages for the alleged statutory violation. The government's motion to dismiss for lack of subject-matter jurisdiction is nonetheless without merit because the request for declaratory relief in Count I falls within this Court's jurisdiction under the Contract Disputes Act (the "CDA"), 41 U.S.C. §§ 7101–09. See 28 U.S.C. § 1491(a)(2) (stating that the Court of Federal Claims "shall have

jurisdiction to render judgment upon any claim by or against, or dispute with, a contractor arising under section 7104(b)(1) of title 41"). The claims covered by this grant of jurisdiction include disputes "concerning termination of a contract, rights in tangible or intangible property, compliance with cost accounting standards, and other nonmonetary disputes on which a decision of the contracting officer has been issued under section 6 of th[e CDA]." 28 U.S.C. § 1491(a)(2) (emphasis supplied).

The CDA does not contain its own definition of the word "claim." The court of appeals has therefore held applicable the definition of the term that appears in the Federal Acquisition Regulations ("FAR"). Todd Constr., 656 F.3d at 1311 (citing H.L. Smith, Inc. v. Dalton, 49 F.3d 1563, 1564–65 (Fed. Cir. 1995)). Under FAR 2.101, a "claim" is "a written demand or written assertion by one of the contracting parties seeking, as a matter of right, the payment of money in a sum certain, the adjustment or interpretation of contract terms, or other relief arising under or relating to the contract." Id. (emphasis supplied). A claim "relat[es] to the contract" for purposes of establishing jurisdiction under 28 U.S.C. § 1491(a)(2) if it has "some relationship to the terms or performance of a government contract." Id. at 1312 (citing Applied Cos. v. United States, 144 F.3d 1470, 1478 (Fed. Cir. 1998)). A claim covered by the CDA "need not be based on the contract itself (or a regulation that can be read into the contract) as long as it relates to its performance under the contract." Id. at 1314.

Applying these standards, the CO's decision that the vendor lists contained technical data and her direction to Raytheon requiring it to affix GPR marks to those lists resolved a "claim" for purposes of conferring jurisdiction on the Court pursuant to the CDA. See Cubic Def. Applications, Inc., ASBCA No. 58519, 18-1 BCA ¶ 37,049 (holding that "the contractor's response to the CO's challenge [to the validity of its restrictive markings] is considered a 'claim' under the CDA"); Alenia N. Am., Inc., ASBCA No. 57935, 13 BCA ¶ 35,296 (noting that the government's direction to remove restrictive markings from data "would certainly be something 'related to' the performance of th[e] contract"); see also Garrett v. Gen. Elec. Co., 987 F.2d 747, 749 (Fed. Cir. 1993) (holding that a Navy directive requiring a contractor to correct or replace defective engines constituted "other relief" within the FAR's third category of "claims"). Indeed, the government concedes that a challenge that involves the validity of a contractor's restrictive markings is a claim under the CDA. See Def.'s Resp. to Nov. 26, 2019 Ct. Order at 3, ECF No. 17. And it does not dispute that the CO issued a decision on that claim as required to confer jurisdiction on this Court under 28 U.S.C. § 1491(a)(2).

Nonetheless, the government contends that the Court lacks jurisdiction over Count I of Raytheon's complaint because in Count I Raytheon "does not seek a determination of whether the government is entitled to a GPR license in the Vendor Lists, or whether Raytheon must deliver the Vendor Lists with GPR markings." Id. Instead, the government argues, "Count I is solely that the contracting officer's final decision should be declared to be 'invalid' and 'void' because the Army did not follow the procedures in subsections (d) and (g) of 10 U.S.C. § 2321 before issuing it." Id.

The Court disagrees with the government's characterization of Count I as not presenting a challenge to the government's claimed right to have the vendor lists delivered with GPR markings. To the contrary, the Court understands that the gravamen of Count I is that Raytheon cannot be compelled to deliver the vendor lists with GPR markings because the CO denied

Raytheon the procedural protections mandated by statute. Specifically, Raytheon contends that once the CO concluded that the lists contained technical data, the statute required her to give Raytheon the opportunity to assert and justify the use of restrictive markings of its own choice, including a "limited rights" legend. Whether or not that contention has merit, it certainly seeks a determination whether Raytheon can be compelled to affix the GPR legend to its vendor lists as the CO directed. For these reasons, the Court rejects the government's contention that it lacks jurisdiction to consider Raytheon's claim that the CO's directive was invalid because she failed to follow the statutory procedures governing challenges to restrictive markings.

The Court also rejects the government's arguments regarding the Court's authority to include language in any judgment it might enter which declares that the CO's decision is "invalid" or "null and void." See Def.'s Mot. at 2. The question of whether any procedural violations were committed by the CO and whether such violations prejudiced Raytheon remains to be decided. The Court declines to address the scope of any declaratory relief it might provide in the context of the government's motion to dismiss.

Finally, in addition to its jurisdictional argument, the government contends that Count I must be dismissed under RCFC 12(b)(6) because 10 U.S.C. § 2321 does not supply Raytheon with a private cause of action to enforce its requirements. But Count I of Raytheon's complaint does not assert a "'freestanding private right of action to enforce' the provisions of 10 U.S.C. § 2321" as the government argues. Id. at 16 (quoting Alexander v. Sandoval, 532 U.S. 275, 290–91 (2001)). Instead, it asserts a violation of § 2321 as the basis for its claim under the CDA that the government lacked the legal authority to direct it to affix GPR markings to its vendor lists. Cf. Cessna Aircraft Co. v. Dalton, 126 F.3d 1442, 1447 (Fed. Cir. 1997) (finding that a contractor pursuing a CDA claim based on an implied-in-fact contract has standing to raise the agency's non-compliance with the Anti-Deficiency Act to show that it never lawfully exercised its option to extend a written contract). The government's contention that Count I should be dismissed for failure to state a claim is therefore without merit.

CONCLUSION

For the foregoing reasons, the government's motion to dismiss for lack of subject-matter jurisdiction or, alternatively, for failure to state a claim is **DENIED**. Raytheon's motion to strike the government's notice of an additional exhibit, ECF No. 23, is **DENIED**. The parties shall submit a joint preliminary status report by **Tuesday, February 4, 2020**.

IT IS SO ORDERED.

s/ Elaine D. Kaplan
ELAINE D. KAPLAN
Judge

In the United States Court of Federal Claims

No. 14-513
(Filed: 30 October 2020[*])

THALES VISIONIX, INC.,	*	
	*	
Plaintiff,	*	
	*	
v.	*	
	*	Patent infringement; claim construction;
THE UNITED STATES,	*	*Markman* hearing; plain and ordinary
	*	meaning; prosecution disclaimer.
Defendant,	*	
	*	
and	*	
	*	
ELBIT SYSTEMS OF AMERICA, LLC,	*	
	*	
Third-Party Defendant.	*	
	*	

Meredith M. Addy, AddyHart P.C., of Atlanta, GA, with whom were *Daniel I. Konieczny* and *Katherine M. O'Brien*, Tabet DiVito & Rothstein LLC, both of Chicago, IL, for plaintiff. *Charles A. Pannell III*, AddyHart P.C., of Atlanta, GA, and *Benjamin M. Cappel*, AddyHart P.C., of Chicago, IL, of counsel.

Carrie Rosato, Trial Attorney, Commercial Litigation Branch, Civil Division, Department of Justice, with whom were *Joseph H. Hunt*, Assistant Attorney General, *Gary L. Hausken*, Director, and *Scott Bolden*, of counsel, all of Washington, DC, for defendant. *Andrew P. Zager*, Department of Navy, of Washington, DC, of counsel.

Kurt G. Calia, Covington & Burling LLP, of Palo Alto, CA, with whom were *Ranganath Sudarshan*, *Matthew Kudzin*, and *Rajesh Paul*, Covington & Burling LLP, all of Washington, DC, for third-party defendant Elbit Systems of America, LLC.

CLAIM CONSTRUCTION OPINION AND ORDER

[*] This opinion was originally filed under seal on 27 October 2020 pursuant to the protective order in this case. The Court provided the parties 3 days to submit proposed redactions, if any, before the opinion was released for publication. On 30 October 2020, the parties filed a joint notice informing the Court no party seeks redaction of the claim construction opinion and order. *See* Notice with Respect to Sealed Order, ECF No. 183. The opinion is now reissued for publication in its original form.

Plaintiff Thales Visionix, Inc. accuses the government of patent infringement. The government noticed a series of subcontractors involved in the development of the technology, including Elbit Systems of America, LLC ("Elbit"). Elbit joins the government in defending the claims of patent infringement. Following a series of discovery-related disputes, the Court set a briefing schedule for the parties to resolve all claim construction disputes. The parties were able to resolve the construction of several terms amongst themselves. Once briefing was complete on the remaining three claim terms, a *Markman* hearing on claim construction was held. This Claim Construction Opinion and Order construes the disputed terms.

I. Background

A. Factual and Procedural History

Plaintiff is the owner of U.S. patent no. 6,474,159 ("the '159 patent"). Compl. ¶ 11. The '159 patent relates to technology regarding the "inertial tracking of objects for head mounted displays," such as those used by aircraft pilots. *Id.* ¶¶ 4, 12. Conventional systems used in inertial tracking typically "measure head motion relative to a reference frame that is stationary relative to the ground." *Id.* ¶ 12. The '159 patent, however, relates to a system "using inertial trackers to track motion relative to a moving platform instead of relative to the earth." *Id.* Plaintiff accuses the government of infringing the '159 patent by utilizing systems covered by this alleged "new method" in the F-35 Joint Strike Fighter tactical fighter jet. *See id.* Plaintiff's complaint was filed 16 June 2014. The government noticed Elbit as a subcontractor involved in the development of various components implicated in plaintiff's infringement allegations. *See* Notice to Third Parties, ECF No. 132. Elbit jointed this case by filing an answer to the complaint on 9 December 2014. *See* Elbit Systems of America, LLC's Answer and Affirmative Defenses to Pl. Thales Visionix, Inc.'s Compl., ECF No. 16.

This case has a long and complex procedural history, which the Court discussed in great detail in its 6 April 2020 Order resolving the parties' discovery dispute. *See Thales Visionix, Inc. v. United States*, 149 Fed. Cl. 38, 42–44 (2020) ("*Thales Disc. Order*" or "the 6 April Order"). In the 6 April Order, the Court ordered Elbit to produce source code and a series of technical documents for specific modules of the accused system identified in plaintiff's supplemental document requests. *Id.* at 64. Following a meet and confer by the parties and a subsequent status conference, the Court ordered the following: (1) Elbit was given a timeline to produce the documents identified in the 6 April Order; (2) the previous scheduling order limiting discovery to the issue of infringement was mooted, permitting the parties to seek discovery amongst themselves on all remaining issues in this case; (3) third-party discovery was stayed; (4) consideration of Elbit's motion for summary judgment and motion for Rule 11 sanctions were stayed; (5) consideration of plaintiff's cross-motion pursuant to Rule 56(d) was stayed; and (6) a schedule for claim construction was set. *See* Order, ECF No. 149.

On 12 June 2020, the parties filed an initial joint claim construction chart. *See* Joint Claim Construction Chart, ECF No. 154. Following a meet and confer, the parties filed an updated joint claim construction chart on 1 July 2020. *See* Am. Joint Claim Construction Chart, ECF No. 158. On 3 July 2020, the parties filed their opening claim construction briefs. *See* Defs.' Opening Claim Construction Br., ECF No. 159 ("Defs.' Op. Cl. Constr. Br.") (the

government and Elbit jointly submitted all briefing on claim construction); Opening Claim Construction Br. of Pl. Thales Visionix, Inc., ECF No. 160 ("Pl.'s Op. Cl. Constr. Br."). On 27 July 2020, the parties filed their responsive claim construction briefs. *See* Pl. Thales Visionix, Inc.'s Resp. Claim Construction Br., ECF No. 165 ("Pl.'s Resp. Cl. Constr. Br."); Defs.' Resp. Claim Construction Br., ECF No. 166 ("Defs.' Resp. Cl. Constr. Br."). On 7 August 2020, the parties filed their reply briefs. *See* Defs.' Reply Claim Construction Br., ECF No. 168 ("Defs.' Reply Cl. Constr. Br."); Pl. Thales Visionix, Inc.'s Reply Claim Construction Br., ECF No. 169 ("Pl.'s Reply Cl. Constr. Br."). On 27 August 2020 the Court informed the parties of its preliminary construction of the disputed claim terms. The Court conducted a *Markman* hearing on claim construction 28 August 2020. *See* Order, ECF No. 149.

B. Technology Overview

According to the '159 patent, technology utilized prior to the invention of the disclosed motion-tracking systems did not utilize "inertial trackers . . . in applications which require tracking motion relative to a moving platform . . . ." '159 Patent at Abstract. To fill this perceived gap in the application of such technology, the '159 patent set out to "enable[] the use of inertial head-tracking systems on-board moving platforms by computing the motion of a 'tracking' Inertial Measurement Unit (IMU) mounted on the HMD [head mounted display] relative to a 'reference' IMU rigidly attached to the moving platform." *Id.* As the Court noted in its previous 6 April Order:

> Conventional motion tracking systems use an inertial sensor mounted on the tracked object and another mounted on the moving reference frame, such as the aircraft. Inertial sensors measure linear accelerations or rotation rates with respect to the reference frame of the earth. The linear accelerations or rotation rates are integrated to reveal the orientation of the object relative to the earth. The difference between these values reveals the relative orientation or position of the respective sensors.

Thales Disc. Order at 41 (internal quotation marks omitted).

The Federal Circuit, when reviewing this court's previous decision invalidating the claims of the '159 patent pursuant to 35 U.S.C. § 101, further noted that "[w]hen mounted on a moving object, inertial sensors can calculate the position, orientation, and velocity of the object in 3-dimensional space, based on a specified starting point, without the need for any other external information." *Thales Visionix Inc. v. United States*, 850 F.3d 1343, 1345 (Fed. Cir. 2017). "Because small errors in the measurement of acceleration and angular velocity translate to large errors in position over time, inertial systems generally include at least one other type of sensor, such as an optical or magnetic sensor, to intermittently correct these errors that compound over time." *Id.*

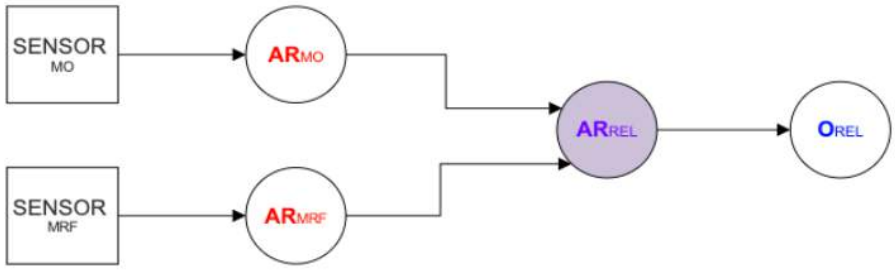
The '159 patent proposed an alternative inertial tracking system to track an object relative to a moving reference frame, as opposed to relative to the ground.

> The helmet-mounted display system ("HMDS") of the '159 patent is synchronized with changes in the helmet's orientation based upon the orientation of the tracked object relative to the moving reference frame, rather than relative to the earth. [T]he system determines a 'relative' angular rate or acceleration signal from the sensors, and then integrates that relative signal to determine the orientation or position of the helmet relative to the aircraft. For purposes of differentiating the two methods of motion tracking, the conventional systems are hereinafter referred to as the "old method," while the systems of the '159 patent are referred to as the "new method."

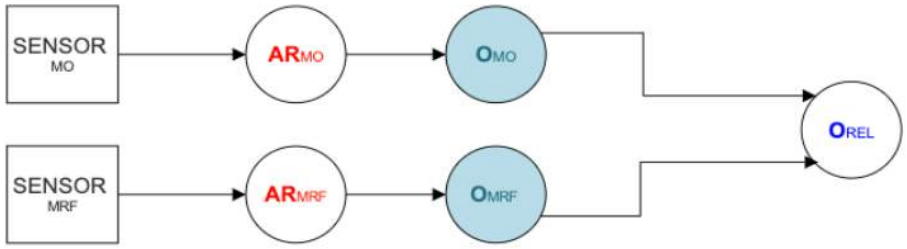
Thales Disc. Order at 41 (internal quotation marks and citations omitted). The Federal Circuit noted this "new method" of the '159 patent utilizes "the platform (e.g., vehicle) inertial sensors [to] directly measure the gravitational field in the platform frame." *Thales*, 850 F.3d at 1345. As a result, "[t]he object (e.g., helmet) inertial sensors then calculate position information relative to the frame of the moving platform." *Id.* This change in the "reference frame" allows for the tracking of "the position and orientation of the object within the moving platform without input from a vehicle altitude reference system or calculating orientation or position of the moving platform itself." *Id.* In view of these differences between the "old method" and the "new method," the Federal Circuit noted "multiple advantages of the disclosed system over the prior art." *Id.* These advantages included: "increase[d] . . . accuracy with which inertial sensors measure the tracked object on the moving frame;" the ability to "operate independently, without requiring other hardware on the moving platform that determine the orientation or position of the moving platform itself;" and simpler installation as "the whole system is installed on the inside of the moving platform." *Id.*

During the *inter partes* review ("IPR"), the Patent Trial and Appeal Board ("PTAB") analyzed the '159 patent in view of one prior art reference in particular, McFarlane. *Thales Disc. Order* at 42. As the Court noted in the 6 April Order, "[i]n differentiating the 'new method' of the '159 patent from the 'old method' disclosed in the prior art, plaintiff's expert witness provided the following explanation of the two-step process which the 'new method' follows: 'the raw signal data from the inertial sensors . . . is used to determine the relative angular rate signal;' and '[t]hat relative angular rate signal . . . is then used to calculate the relative orientation.'" *Id.* at 44 (quoting *Elbit Systems of Am., LLC v. Thales Visionix, Inc.*, 881 F.3d 1354, 1358 (Fed. Cir. 2018)). Plaintiff prepared the following figure in its responsive claim construction brief based on representations previously made by their expert, Dr. Welch. The Court finds this figure helpful in illustrating the "new method," or "two-step method," used by the '159 patent to calculate the relative orientation of a moving object:

New Method



Old Method



Pl.'s Resp. Cl. Constr. Br. at 3. In the above figure, "MO" is used to indicate the moving object, while "MRF" is used to indicate the moving reference frame. *Id.* at 2. Both the old and new methods utilize these sensors to transmit angular rate data ("AR"). The "new method," however, then uses the angular rate to calculate a relative angular rate, or "AR_{REL}." *Id.* The relative orientation of the object ("O_{REL}") is then calculated by integrating the relative angular rate. *Id.* The "old method" does not calculate a relative angular rate. Instead, the angular rate data is used to perform "separate orientation calculations made with respect to the ground (OMO, OMRF)." *Id.* at 3. As illustrated by the "old method" above, the O_{REL} is then calculated using these ground-based orientation calculations. *Id.*

C. Overview of Claims

Following the PTAB proceedings, only eight asserted claims remain in this case: claims 3–5, 13, 24–26, and 34. Defs.' Op. Cl. Constr. Br. at 5. All of the remaining asserted claims are dependent claims. *See* '159 Patent at 11:49–14:18. Claims 3–5 and 13 depend from independent claim 1; claims 24–26 and 34 depend from independent claim 22. *See id.* Each of the remaining asserted claims requires integration (or double integration) of either a relative angular rate signal or a relative linear acceleration signal. The disputed claim terms appear in the claims as follows:

Claim Term	**Applicable Claims**
an element	3, 13
a relative angular rate signal determined from the angular rate signals measured by the first and second inertial sensors	3, 24
a relative linear acceleration signal computed from the linear accelerometer signals measured by the first and second inertial sensors	13, 34

Accordingly, the Court finds claims 3 and 13 most useful for illustrating the disputed claims. Claim 3 depends from claim 2, which in turn depends from independent claim 1. Claim 13 depends from claim 12, which in turn depends from claim 11. Claim 11 similarly traces its dependence back to claims 1 and 2. A full understanding of the scope of claims 3 and 13 therefore requires an understanding of each of claims 1, 2, 11, and 12. Claims 1–3 and 11–13 are reproduced below, with emphasis on each of the disputed claim terms:

> 1. A system for tracking the motion of an object relative to a moving reference frame, comprising:
>
> > a first inertial sensor mounted on the tracked object;
> >
> > a second inertial sensor mounted on the moving reference frame; and
> >
> > *an element* adapted to receive signals from said first and second inertial sensors and configured to determine an orientation of the object relative to the moving reference frame based on the signals received from the first and second inertial sensors.
>
> 2. The system of claim 1 in which the first and second inertial sensors each comprises three angular inertial sensors selected from the set of angular accelerometers, angular rate sensors, and angular position gyroscopes.
>
> 3. The system of claim 2, in which the angular inertial sensors comprise angular rate sensors, and the orientation of the object relative to the moving reference frame is determined by integrating *a relative angular rate signal determined from the angular rate signals measured by the first and second inertial sensors*.
>
> 11. The system of claim 2, in which the first and second inertial sensors each further comprises three linear accelerometers.
>
> 12. The system of claim 11, further comprising *an element* for calculating the position of the object relative to the moving reference frame.
>
> 13. The system of claim 12, in which the calculating *element* double-integrates *a relative linear acceleration signal computed from the linear accelerometer signals measured by the first and second inertial sensors*.

'159 Patent col. 11:49–12:2, 12:38–47 (emphasis added).

II. Construction of Disputed Claim Terms

A. Applicable Law

1. Construction of Claim Terms

"[T]he interpretation and construction of patents claims, which define the scope of the patentee's rights under the patent, is a matter of law exclusively for the court." *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 970–71 (Fed. Cir. 1995). "To construe a claim term, the trial court must determine the meaning of any disputed words from the perspective of one of ordinary skill in the pertinent art at the time of filing." *Chamberlain Grp. v. Lear Corp.*, 516 F.3d 1331, 1335 (Fed. Cir. 2008). "[T]he words of a claim 'are generally given their ordinary and customary meaning,'" which "is the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention, i.e., as of the effective filing date of the patent application.'" *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (citing *Vitronics Corp. v. Conceptronic, Inc.*, 90 F.3d 1576, 1582 (Fed. Cir. 1996)). "There are only two exceptions to this general rule: (1) when a patentee sets out a definition and acts as his own lexicographer, or (2) when the patentee disavows the full scope of a claim term either in the specification or during prosecution." *Thorner v. Sony Comput. Entm't Am. LLC*, 669 F.3d 1362, 1365 (Fed. Cir. 2012).

The analysis of any disputed claim terms begins with the intrinsic evidence of record, as "intrinsic evidence is the most significant source of the legally operative meaning of disputed claim language." *Vitronics*, 90 F.3d at 1582. Additional claims, whether asserted or not, "can also be valuable sources of enlightenment as to the meaning of a claim term." *Phillips*, 415 F.3d at 1314. This includes consistent use throughout the patent, differences amongst particular terms, and various limitations added throughout the dependent claims. *Id.* at 1314–15. The claims do not stand on their own; "they are part of 'a fully integrated written instrument,' consisting principally of a specification that concludes with the claims." *Id.* at 1315 (quoting *Markman*, 52 F.3d at 978). The claims are therefore "read in view of the specification." *Markman*, 52 F.3d at 979. It is important that limitations from preferred embodiments are not read "into the claims absent a clear indication in the intrinsic record that the patentee intended the claims to be so limited." *Liebel-Flarsheim v. Medrad, Inc.*, 358 F.3d 898, 913 (Fed. Cir. 2004).

The prosecution history may serve as an additional source of intrinsic evidence. *Markman*, 52 F.3d at 980. The prosecution history "consists of the complete record of the proceedings before the [United States Patent and Trademark Office ("USPTO")] and includes the prior art cited during the examination of the patent." *Phillips*, 415 F.3d at 1317. The prosecution history "represents an ongoing negotiation between the [US]PTO and the applicant, rather than the final product of that negotiation." *Id.* This results in the prosecution history often "lack[ing] the clarity of the specification," making it "less useful for claim construction purposes." *Id.* After considering all intrinsic evidence of record, the court has discretion to consider sources of extrinsic evidence, such as dictionaries, treatises, and expert and inventor testimony, if the court "deems it helpful in determining 'the true meaning of language used in the patent claims.'" *Id.* at 1317–18. While sometimes helpful, extrinsic evidence is "less significant than the intrinsic record in determining the legally operative meaning of claim language." *Id.* at 1317 (quoting *C.R. Bard, Inc. v. U.S. Surgical Corp.*, 388 F.3d 858, 862 (Fed Cir. 2004) (internal quotation marks and citations omitted)).

2. Prosecution Disclaimer

"Prosecution disclaimer 'preclud[es] patentees from recapturing through claim interpretation specific meanings disclaimed during prosecution.'" *Aylus Networks, Inc. v. Apple Inc.*, 856 F.3d 1353, 1359 (Fed. Cir. 2017) (quoting *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1323 (Fed. Cir. 2003)). Federal Circuit caselaw "requires that the alleged disavowing actions or statements made during prosecution be both clear and unmistakable" in order to apply the principles of prosecution disclaimer. *Id.* (quoting *Omega Eng'g*, 334 F.3d at 1325–26). "[W]hen the patentee unequivocally and unambiguously disavows a certain meaning to obtain a patent, the doctrine of prosecution history disclaimer narrows the meaning of the claim consistent with the scope of the claim surrendered." *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2013). "Where the alleged disavowal is ambiguous, or even 'amenable to multiple reasonable interpretations,' [the Federal Circuit has] declined to find prosecution disclaimer." *Avid Tech., Inc. v. Harmonic, Inc.*, 812 F.3d 1040, 1045 (Fed. Cir. 2016) (quoting *Cordis Corp. v. Medtronic AVE, Inc.*, 339 F.3d 1352, 1359 (Fed. Cir. 2003)).

The Federal Circuit recognizes disclaimer to "include[] all express representations made by or on behalf of the applicant to the examiner to induce a patent grant." *Standard Oil Co. v. Am. Cyanamid Co.*, 774 F.2d 448, 452 (Fed. Cir. 1985). Disclaimers may thus present themselves through either amendment to the claims, or arguments presented by the patentee. *Aylus Networks*, 856 F.3d at 1359. "Though this doctrine arose in the context of pre-issuance prosecution, [the Federal Circuit has] applied the doctrine in other post-issuance proceedings before the [USPTO]." *Id.* at 1360. In extending this doctrine to *inter partes* review ("IPR") proceedings before the Patent Trial and Appeal Board ("PTAB"), the Federal Circuit noted it would "ensure that claims are not argued one way in order to maintain their patentability and in a different way against accused infringers." *Id.* Applying prosecution disclaimer to IPR proceedings thus "'promote[s] the public notice function of the intrinsic evidence and protect[s] the public's reliance on definitive statements made during' IPR proceedings." *Id.* (quoting *Omega Eng'g*, 334 F.3d at 1324).

B. Terms Resolved by the Parties

In the parties' first joint claim construction chart, eleven claim terms were identified as being disputed. *See* Joint Claim Construction Chart, ECF No. 154. After a meet and confer, the parties filed an amended joint claim construction chart. *See* Am. Joint Claim Construction Chart, ECF No. 158. Of the eleven claim terms originally disputed, the parties were able to reach an agreement amongst themselves as to a construction for five of the disputed terms, as shown by the chart below:

Claim Term	**Agreed-Upon Construction**
based on the signals received from the first and second inertial sensors based on signals from two inertial sensors	plain and ordinary meaning
angular rate sensors	plain and ordinary meaning
a non-inertial measuring subsystem	plain and ordinary meaning

for correcting drift	to attempt to reduce cumulative measurement errors
double-integrates double-integrating	plain and ordinary meaning

The parties further combined a series of the initially disputed terms, leaving just three terms requiring construction by the Court.

III. Disputed Claim Term #1: "an element"

Plaintiff's Proposed Construction	**Defendants' Proposed Construction**
one or more associated processing units and electronic components	plain and ordinary meaning, wherein the plain and ordinary meaning is a one or more components involved in the inertial calculations

A. Parties Arguments

Defendants argue the proper construction of "an element" is straightforward, as it is a generic term readily understood by a person having ordinary skill in the art ("PHOSITA" or "POSITA"). Defs.' Op. Cl. Constr. Br. at 23. Defendants further argue, to the extent this term requires construction, the court should adopt the plain and ordinary meaning, which defendants identify as "a component used in inertial calculations." *Id.* at 25. Plaintiff argues the proper construction for "an element" must include the term "associated," as this more properly illustrates the relationship between the processing units and the inertial computation. Pl.'s Resp. C. Constr. Br. at 23. Plaintiff also argues for replacing the term "component" from defendants proposed construction with "processing units and electronic components," noting these terms act to narrow the scope of the claims to particular types of "components." Pl.'s Reply Cl. Constr. Br. at 14–15.

Plaintiff further notes use of the indefinite article "a" or "an" carries the meaning of "one or more." Pl.'s Op. Cl. Constr. Br. at 5. Plaintiff thus advocates for the inclusion of "one or more" to ensure this is reflected in the Court's construction. *Id.* at 6. Although defendants' proposed construction does not similarly contain the phrase "one or more," defendants do not oppose the inclusion of this phrase in the construction of "an element." *See, e.g.*, Defs.' Resp. Cl. Constr. Br. at 20 ("Defendants have not made any proposals or arguments regarding how many processors 'an element' may include, and in particular Defendants have not limited it to a single processor as Plaintiff argues."); Tr. at 16:3–5 (defendants' counsel responding to the Court's question whether there was "any dispute related to 'an element' potentially covering plurality:" "No, Your Honor."); *id.* at 18:15–17 (defendants' counsel stating: "I think as we've already agreed today, Defendants are not disputing that it could be one or more components.").

The Court provided the parties with the following preliminary construction prior to the Markman hearing: "an element" is construed according to its "plain and ordinary meaning." Tr. at 8:13–15. During the *Markman* hearing, defendants' counsel clarified the slight disagreement

between the parties proposed constructions: "I think that the issue arises whether or not the element can do additional processing that is not related to the inertial calculations. And so our concern is that the Plaintiff's construction does encompass more than what the claims describe." *Id.* at 18:18–22. In response, plaintiff's counsel further clarified just how close the parties' respective positions are: "[W]e feel like plain and ordinary meaning is okay as long as these other things that are going on are not excluded. . . . I think there may be components involved in the inertial calculations that aren't claimed because this is such a complex thing." *Id.* at 35:3–5, 35:17–19.

While attempting to reconcile this slight difference in proposed constructions, both parties agreed the issue does not raise any concerns regarding the Federal Circuit's direction in *O2 Micro International Ltd. v. Beyond Innovation Tech. Co., Ltd.*, 521 F.3d 1351, 1361 (Fed. Cir. 2008): "A determination that a claim term . . . has the 'plain and ordinary meaning' may be inadequate when a term has more than one 'ordinary' meaning or when reliance on a term's 'ordinary' meaning does not resolve the parties' dispute." In their briefing, defendants argue the term "an element" "does not require construction; as such the *O2 Micro* holding does not apply here." Defs.' Op. Cl. Constr. Br. at 24. Defendants' counsel further represented at the *Markman* hearing they "don't really see this as an O2 Micro issue," further noting "[w]e don't think that's an O2 Micro issue on element. We think that if there's ever a dispute, the Court as a fact-finder could use its own fact-finding skills to determine whether what they point to is an element or not." Tr. at 30:10–11, 32:11–15. Plaintiff's counsel further noted they "prefer there not be an O2 Micro issue." *Id.* at 34:12–13. As the Federal Circuit has stated, "a sound claim construction need not always purge every shred of ambiguity. The resolution of some line-drawing problems . . . is properly left to the trier of fact." *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007); *see also PPG Indus. v. Guardian Indus. Corp.*, 156 F.3d 1351, 1355 (Fed. Cir. 1998) ("[A]fter the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact.").

B. Plain and Ordinary Meaning

The Court begins by giving claim terms "their ordinary and customary meaning" in view of the intrinsic record. *Phillips*, 415 F.3d at 1312–13. The specification of the '159 patent only uses the term "element" three times, each in the "Summary of the Invention" section.[1] *See generally* '159 Patent. First, the specification refers to "an element coupled to the first and second inertial sensors." *Id.* at 1:58–59. The second reference to "an element" states "[a]n element may be included for calculating the position of the object relative to the moving reference frame." *Id.* at 2:31–33. The third and final reference to "an element" in the specification notes "[t]he calculating element may double-integrate the relative linear acceleration signal computed from the linear accelerometer signals measured by the first and second inertial sensors." *Id.* at 2:33–36.

[1] The term "elements" also appears once in the specification. This term, however, is used in a different context relating to variables contained in a "skew-symmetric matrix formed from the elements" and thus does not aid the Court in construing the claim term at issue. '159 Patent at 3:51–52.

As the parties agreed during the *Markman* hearing, the plain and ordinary meaning, in view of the intrinsic record, should govern the construction of "an element." *See* Tr. at 18:12–15 (defendants' counsel stating "[d]efendants agree that plain and ordinary meaning is sufficient and the term 'an element' does not need additional construction"); *id.* at 35:3–5 (plaintiff's counsel noting "we feel like plain and ordinary meaning is okay as long as these other things that are going on are not excluded"). The only disagreement remaining between the parties is whether "an element" is broad enough to encompass anything "associated" with an aircraft generally, or must instead be "related to the inertial calculations." *Id.* at 18:20; *see also* Tr. at 31:9–12, 31:23–24 (defendants' counsel noting their "major concern is just associated, the term–the reason why we think plain and ordinary is better than using the word associated is if something in the F-35, in the jet, . . . [we] would say that's not within the plain and ordinary meaning of an element").

In an effort to illustrate the breadth of "an element," plaintiff consistently referred back to Figure 4 of the '159 patent. *See, e.g.*, Tr. at 16:20–17:4 ("Figure 4 says that each part of the processing element . . . has different parts. . . . However, Figure 4 says nothing about these being the only elements. And that makes sense because this is a complicated inertial tracking device, and there are going to be other things in here like buffers and things like that that aren't shown."). Defendants dispute the applicability of Figure 4 to the remaining claims at issue, noting "it is not clear which of the claims Figure 4 is related to." *Id.* at 18:24–25. Defendants further argue "Figure 4 does not depict any other processing units that are performing processing functions not related to the inertial sensor data." *Id.* at 24:23–25:1. Thus, defendants position is best summarized as follows: "in looking to the claims, the claims say that what the element receives is data from the inertial sensors and it performs the necessary calculations within the elements. . . . [Plaintiff] only describe[s] the element performing calculations related to the inertial sensor data." *Id.* at 25:4–10.

Further questioning by the Court, however, revealed plaintiff's position is no different from defendants. When specifically asked whether the use of the term "associated" in plaintiff's proposed construction could encompass "component[s] not directly involved with the inertial calculations," plaintiff's counsel responded:

> I'm not sure that would make a difference. *I think there may be components involved in the inertial calculations that aren't claimed because this is such a complex thing*. And the claims are saying, look, we came up with this new thing, this relative angular rate that was not used before, and we've got a claim that shows you how to take the angular rate data from the sensors and send it to the element. But then it's not specific about how—the claim is not specific about how the elements calculate the relative angular rate. . . . [T]here could be other things in the system. It's not that you write this claim and then you're stuck only with these things.

Id. at 35:16–36:11 (emphasis added). Plaintiff is thus concerned whether defendants' proposed construction will narrow the construction of "an element" to only that which is explicitly claimed, and nothing else. "An element," as used in claim 1, is part of a system claim utilizing the open-ended transition "comprising." '159 Patent at col. 11:49–55. "The transition 'comprising' in a method claim indicates that the claim is open-ended and allows for additional

steps." *Invitrogen Corp. v. Biocrest Mfg., L.P.*, 327 F.3d 1364, 1368 (Fed. Cir. 2003). To the extent plaintiff is concerned with the plain and ordinary meaning of "an element" operating to exclude other components involved in the inertial calculations as a result of not being explicitly claimed, such a construction would be contrary to established precedent. Further, it is not yet before the Court whether defendants accused system satisfies this definition of an element. *See PPG Indus.*, 156 F.3d at 1355 ("[A]fter the court has defined the claim with whatever specificity and precision is warranted by the language of the claim and the evidence bearing on the proper construction, the task of determining whether the construed claim reads on the accused product is for the finder of fact.").

C. Court's Construction

As the parties agreed during the *Markman* hearing, "an element" shall be given its plain and ordinary meaning in view of the intrinsic record.

Plaintiff's Proposed Construction	**Defendants' Proposed Construction (with edits)**
one or more associated processing units and electronic components	plain and ordinary meaning~~, wherein the plain and ordinary meaning is a one or more components involved in the inertial calculations~~
Court's Construction	
Plain and ordinary meaning	

IV. Disputed Claim Term #2: "a relative angular rate signal determined from the angular rate signals measured by the first and second inertial sensors"

Plaintiff's Proposed Construction	**Defendants' Proposed Construction**
signal data representing the rate that the tracked object is rotating in the moving reference frame determined using signal data representing the angular rate of objects measured by the first and second inertial sensors	a signal representing the rate at which the tracked object is rotating relative to the moving reference frame that is computed directly from the raw signals measured by the first and second angular rate sensors

A. Parties Arguments

Plaintiff argues using the term "in" to describe the relationship between the tracked object and the moving reference frame is "simpler" than defendants' proposal: "rotating relative to the moving reference frame." Pl.'s Op. Cl. Constr. Br. at 7. Plaintiff next takes issue with defendants proposed use of "angular rate sensors," arguing this limitation is too restrictive and should be replaced with the broader phrase "inertial sensors." *Id.* at 8. According to plaintiff, however, neither of these disagreements are considered "substantive." *Id.*

The first "substantive" disagreement plaintiff identifies is that "signal" should be construed as "signal data" based on both the specification and dictionary definitions. *Id.* at 9. Lastly, plaintiff accuses defendants of "insert[ing] a further limitation into the claim language." *Id.* at 10. According to plaintiff, defendants' "additional limitations restrict *how* a relative rate signal is 'determined,' which according to [defendants] 'is computed directly' and from 'raw signals.'" *Id.* Plaintiff asserts "the claim language explicitly does not include limitations on how the relative angular rate signal is determined." *Id.*

Defendants argue their proposed construction "flows from [plaintiff's] many statements to the Patent Office regarding the scope of its claims during the IPR proceeding, which are part of the intrinsic record and limit the claims under the prosecution disclaimer doctrine." Defs.' Op. Cl. Constr. Br. at 7. Even if the Court declines to apply the doctrine of prosecution disclaimer, defendants argue their proposed construction "accords with the patent specification" as it "defines the relative angular rate signal with an equation" specifying "the relative angular rate signal is calculated directly from the raw signals form the inertial sensors." *Id.* at 17–18. As the equation provided in the specification is the only disclosed embodiment of plaintiff's "novel concept introduced by the patent," defendants argue the only possible construction for this term is one that accords with the disclosed embodiment, as "this is . . . how a skilled artisan would understand the term." *Id.* at 18–19. Defendants further argue plaintiff is "judicially estopped from arguing that a 'relative angular rate signal' does not have to be computed from the inertial sensors' 'raw signals'" based on "representations to the Federal Circuit in its Section 101 appeal." *Id.* at 19–20.

The Court provided the parties with the following preliminary construction prior to the *Markman* hearing: "signal data representing the rate at which the tracked object is rotating relative to the moving reference frame, determined from signal data received directly from the first and second angular rate sensors." Tr. at 8:16–23. As the parties disagree as to various smaller terms within the context of the claim term at large, the Court addresses each of the individual claim terms individually (though within the overall larger context of the entire claim term itself).

B. Individual Claim Terms Within Broader Claim Term

1. "signal" vs. "signal data"

Plaintiff proposes using the phrase "signal data" in place of the claim term "signal," as it clarifies the information being transmitted is not "the electromagnetic carrier wave or impulse itself rather than the data carried on that wave or impulse." Pl.'s Op. Cl. Constr. Br. at 8–9. The Court begins by giving claim terms "their ordinary and customary meaning" in view of the intrinsic record. *Phillips,* 415 F.3d at 1312–13. A reading of the claims themselves shows the claims consistently refer to only a "signal." *See generally* '159 patent. The specification of the '159 does not utilize the phrase "signal data." *See id.* The specification does, however, refer to both "signals" and "data" seemingly interchangeably. For example, the specification refers to signals in the following instances: "signals from the first and second inertial sensors;" "signals from the first inertial sensor;" and "signals from the second inertial sensor." *Id.* at col. 1–2. The specification further refers to "data" as: "data available from the two IMUs [inertial

measurements units];" and "[t]he processor unit gathers the data from the various sensors." *Id.* at col. 8:17, 8:66–67. Each of these uses throughout the specification references either the output of the sensors or the input of the processor unit.

The phrase "signal data" is further consistent with the Federal Circuit's previous characterization in this case. In *Elbit Systems*, the Federal Circuit adopted plaintiff's expert's definition of the "new method," wherein the term "signal data" was used to characterize the information being transmitted from the inertial sensors. *Elbit Systems*, 881 F.3d at 1358. As the Federal Circuit noted, the "signal data" is then "used to determine the relative angular rate signal." *Id.* Such a determination involves various "calculations required to determine relative orientation." *Id.* As set forth in detail in the specification of the '159 patent, these calculations involve a series of equations. The '159 patent contemplates the use of numerical values coming from the inertial sensors and being sent to the processor unit for further computation. *See* '159 patent at Fig. 4. As the term "signal" when used in isolation could be potentially ambiguous as to whether it references the numerical value itself, or rather the carrier wave responsible for transmitting the numerical value, the Court finds clarifying this term with the phrase "signal data" removes any ambiguity.

"Signal data" is further supported by the extrinsic evidence presented by plaintiff. The Court has discretion to evaluate any extrinsic evidence presented by the parties. *Phillips*, 415 F.3d at 1317. Plaintiff presents two sets of dictionary definitions for "signal." Pl.'s Op. Cl. Constr. Br. at 9–10. These definitions are provided by plaintiff to support its position the term "signal" is used in the '159 specification to describe "the data itself that provides the angular rate of the object being tracked, and that the specification teaches is operated on." *Id*. at 9. Each of the definitions presented by plaintiff provides alternative definitions for signal: either a means for transmitting a sound, image, or message, or the sound, image or message itself. *See* American Heritage College Dictionary, 4th ed. 1290 (2004) ("[a]n impulse or a fluctuating electric quantity, such as voltage, whose variations represent coded information;" "[t]he sound, image, or message transmitted or received in telegraphy, telephony, radio, television, or radar"); Merriam-Webster Online Dictionary ("the sound or image conveyed in telegraphy, telephony, radio, radar, or television;" "a detectable physical quantity or impulse (such as a voltage, current, or magnetic field strength) by which messages or information can be transmitted."). In analyzing the '159 patent, the Federal Circuit explained "the raw signal data from the inertial sensors . . . is used to determine the relative angular rate signal . . . [and] [t]hat relative angular rate signal . . . is then used to calculate the relative orientation." *Elbit Systems*, 881 F.3d at 1358 (quoting J.A. 2112). The "signal" of the asserted claims undergoes subsequent computations, in accordance with both the specification and the Federal Circuit's previous characterization of the claim language.

Consistent with the Court's preliminary construction provided to the parties prior to the *Markman* hearing, defendants' counsel clarified that with respect to this individual term within the larger disputed claim term, while "not waiving" the arguments presented in its briefing, it was "not [at the *Markman* hearing] fighting anymore on 'signal data.'" Tr. at 44:9–13. Plaintiff went a step further than defendants, representing they "are okay with the Court's proposed construction. We can accept it." *Id.* at 68:6–7. Thus, consistent with the parties' representations

during the *Markman* hearing and the discussion set forth here, the Court construes "signal" to mean "signal data."

2. "rotating in the moving reference frame" vs. "rotating relative to the moving reference frame"

Plaintiff characterizes the parties proposed constructions of this second smaller claim term as exhibiting "no significant difference," but claims its proposed construction of the phrase better "reflects that fact that the tracked object is moving 'in' the moving reference frame." Pl.'s Op. Cl. Constr. Br. at 7. Plaintiff, however, does not present any evidence in the specification or otherwise indicating what it means to rotate "in the moving reference frame." The claim language describes the "orientation of the object relative to the moving reference frame." '159 Patent at col. 11:65–66. Each of the respective sensors are placed *on* the tracked object and *on* the moving reference frame. *Id.* at col. 11:52, 53–54. Neither the claims, or the specification, detail the tracked object to be *in* the moving reference frame. Plaintiff's proposed construction is therefore at odds with the claim language itself. As each of the inertial sensors measures a value, and the respective values are used to determine the *relative* orientation of the object, it follows that describing the rotation of the tracked object is done so "relative to the moving reference frame." Defs.' Resp. Cl. Constr. Br. at 15.

While defendants' counsel did not explicitly address this argument during the *Markman* hearing, they did note "we really think the dispute can be narrowed to the issue of the word 'directly.'" Tr. at 44:13–15. Defendant's expressed at the Markman hearing they are "not here today fighting anymore on 'signal data'" or contest "most of the Court's construction" of the relevant claim term except the desired addition of the word "directly" in the claim term. *Id.* at 44:12–20. Accordingly, the claim language itself dictates the rate at which the tracked object is rotating "relative to the moving reference frame;" the tracked object does not "rotate in the moving reference frame."

3. "determined using signal data representing the angular rate of objects" vs. "computed directly from the raw signals"

Perhaps the parties' most significant disagreement involves the construction of "determined from the angular rate signals." Plaintiff maintains defendants' proposed construction imparts an additional limitation into the claims, restricting *how* a relative angular rate signal is determined. Pl.'s Op. Cl. Constr. Br. at 10. Defendants do not dispute they seek to impart such an additional limitation, but rather argue the additional imitation is required based on various legal doctrines requiring the importation of such a limitation into the claim language. Defs.' Op. Cl. Constr. Br. at 8. As defendants' counsel noted during the *Markman* hearing, "we really think the dispute can be narrowed to the issue of the word 'directly.'" Tr. at 44:13–15.

a. Prosecution History Disclaimer

Defendants first, and primary, theory for justifying the inclusion of the additional claim term is prosecution history disclaimer. As the Federal Circuit has clarified, prosecution history disclaimer is applicable to IPR proceedings at the PTAB and can be used to restrict the scope of

claims based on a patentee's statements made during such proceedings. *Aylus Networks*, 856 F.3d at 1358–59. Defendants identify a series of statements made by both plaintiff and plaintiff's expert during the IPR proceeding which purportedly limited the scope of claim 3. For example, defendants identify the following language from the previous proceedings: "Claims 3 and 24 of the '159 Patent *are limited to* systems or methods wherein *raw signals* measured by the first and second angular rate sensors are used to determine a relative angular rate signal." Defs.' Op. Cl. Constr. Br. at 9 (quoting ECF No. 107-12 at 6) (emphasis in original). Defendants next highlight a quote from plaintiff's expert related to what the "claims require." "[T]he inventors of the '159 Patent teach (and *the claims require*) *processing raw signals, i.e., directly from sensors*." *Id*. at 9 (quoting ECF No. 121-1 ¶ 52) (emphasis in original).

Defendants continuously rely on plaintiff's expert's statements in support of their proposed claim construction. "[I]nventions claimed in the '159 Patent *directly use signals from the sensors* (i.e., *raw signals*) on both the moving object and moving reference frame *to determine relative signals* which are used to determine relative orientation." *Id*. at 10 (quoting ECF No. 107-12 at 3) (emphasis in original). Regarding the alleged "new method" of the system of the '159 patent, defendants point to the following quote from plaintiff's expert: "In contrast [to the old way], . . . the 'new way' recited in *claims 3 and 24 uses raw signal data to determine a relative angular rate signal*, which is used to determine relative orientation." *Id*. at 10 (quoting ECF No. 107-12 at 33) (emphasis in original). Defendants then move on to statements from plaintiff's expert specifically directed to alleged improvements over the prior art during the previous proceedings: "McFarlane does not teach *using raw signals directly from the gyros (inertial sensors) to compute relative orientation*." *Id*. at 11 (quoting ECF No. 107-12 at 29) (emphasis in original); *see also Id*. at 11 (quoting ECF No. 121-1 ¶ 70) ("[A] POSITA would understand that McFarlane explicitly teaches the use of *already processed* azimuth and elevation signals (FAZ and FEL). Further, a POSITA would understand that AZ/EL and FAZ/FEL *are not raw signals obtained directly from gyros (inertial sensors)* mounted on the helmet or vehicle, respectively.") (emphasis in original); *Id*. at 11 (quoting ECF No. 107-12 at 30) ("Velger does not disclose using *raw signals from the disclosed accelerometers or gyros to determine relative orientation* and position.") (emphasis in original).

Although the IPR proceeding did not directly involve a dispute as to the current claim term, it did involve significant review of the '159 patent and associated prior art. In particular, the PTAB looked at whether "the method of integrating the 'relative angular rate signal' taught in claim 3 of the '159 patent would have been obvious to a [person having ordinary skill in the art]." *Elbit Systems*, 881 F.3d at 1357. In attempting to distinguish the '159 patent over the prior art, plaintiff's expert distilled the system of the '159 patent down to a two-step method (the "new method"): "'the raw signal data from the inertial sensors . . . is used to determine the relative angular rate signal;' and '[t]hat relative angular rate signal . . . is then used to calculate the relative orientation.'" *Id.* at 1358. The Federal Circuit found plaintiff's expert credible, relying on this characterization of the "new method" as "constitut[ing] substantial evidence showing that the prior art does not teach the Asserted Claims' 'relative angular rate signal.'" *Id.* It was thus plaintiff themselves who first introduced the idea of "raw" signals into the calculus for determining a relative angular rate signal. Disclaimers may present themselves through either amendment to the claims, or arguments presented by the patentee. *Aylus Networks*, 856 F.3d at

1359. "Prosecution disclaimer 'preclud[es] patentees from recapturing through claim interpretation specific meanings disclaimed during prosecution.'" *Id.*

While plaintiff initially interjected the term "raw" into the proceedings, as it does not appear in the specification of the '159 patent, use of this term alone does not result in a disclaimer of claim scope. Plaintiff must make a "clear and unmistakable" waiver of claim scope in order for these principles to apply. *Id.* (quoting *Omega Eng'g*, 334 F.3d at 1325–26). Further review of plaintiff's statements before the PTAB show repeated use of the term "raw" in describing the determination of the relative angular rate signal. For example, plaintiff's counsel noted "[c]laims 3 and 24 of the '159 patent *are limited to* systems or methods wherein *raw signals* measured by the first and second angular rate sensors are used to determine a relative angular rate signal." Defs.' Op. Cl. Constr. Br. at 9 (citing Thales PTAB brief at 6) (emphasis in original). Plaintiff's expert further stated, "the inventors of the '159 patent teach (*and the claims require*) processing *raw signals*, i.e., directly from sensors." *Id.* at 9 (citing Dr. Welch expert declaration at ¶ 52) (emphasis in original). Plaintiff continued to reference the use of raw signals: "[i]nventions claimed in the '159 Patent directly use signals from the sensors (i.e. *raw signals*) on both the moving object and moving reference frame to determine relative signals which are used to determine relative orientation." *Id.* at 10 (citing Thales PTAB brief at 3) (emphasis in original); *see also* Defs.' Resp. Cl. Constr. Br. at 7 (citing Thales PTAB briefing at 29) ("Because azimuth . . . and elevation . . . are measures of angles, not angular rates, a POSITA would readily understand that these measurements are computed by additional subsystems, and are not raw signals obtained directly from sensors (e.g., gyros)."); *id.* ("Thus, Velger discloses a system wherein relative orientation is determined not from raw signals from the inertial sensors, but rather, from further processing of that information based on a locally-level navigation frame.").

Not only did plaintiff repeatedly emphasize the need for determining the relative angular rate signal using raw signals, but plaintiff specifically argued this contributed to the '159 patents advance over the prior art: "McFarlane *does not teach using raw signals* directly from the gyros (inertial sensors) to compute relative orientation." Defs.' Op. Cl. Constr. Br. at 11 (citing Thales PTAB brief at 29) (emphasis in original). Although plaintiff argues this particular claim was not at issue during the IPR proceeding and thus any reference to "raw signals" at the PTAB was unnecessary, such arguments do not accord with established Federal Circuit caselaw. Pl.'s Op. Cl. Constr. Br. at 11–12. "The fact that the applicant may have given up more than was necessary does not render the disclaimer ambiguous. The analysis focuses on what the applicant said, not on whether the representation was necessary or persuasive." *Uship Int. Props., LLC v. United States*, 714 F.3d 1311, 1315 (Fed. Cir. 2013)).

Defendants further introduce extrinsic evidence in the form of expert testimony regarding what a PHOSITA would understand "raw signals" to mean in the context of the '159 patent. *See* Defs.' Resp. Cl. Constr. Br. at 11. Defendants rely on this evidence in an attempt to show "raw signals" are commonly understood as "signals taken directly from the inertial sensors." *Id.* Although plaintiff initially attempted to explain both it and its expert's use of "raw signals" in the initial briefing, it found common ground with defendants' expert's definition of "raw" in their reply brief: "the claims differed [over the prior art] by requiring raw angular rate data to be received by the processing element *directly from the sensors*." Pl.'s Op. Cl. Constr. Br. at 12–

13; Pl.'s Reply Cl. Constr. Br. at 2 (emphasis added); *see also* Pl.'s Resp. Cl. Constr. Br. at 13 ("Thus, the specification confirms that 'raw' and 'directly' simply mean that the data is input from the sensor into the processing element and is ultimately used to determine a relative angular rate signal regardless of other processing."). The Court agrees with this and disagrees with plaintiff's earlier statements attempting to explain previous references to "raw signals" as nothing more than "simple examples" or "a casual term that has no precise meaning and is simply a cooking analogy offered to help understand the complexities of the system." Pl.'s Op. Cl. Constr. Br. at 12; Pl.'s Resp. Cl. Constr. Br. at 20. During the *Markman* hearing, plaintiff's counsel took a similar position regarding the alleged use of nothing more than a "casual" analogy.

> THE COURT: [I]n your initial briefing, I think you described it as explaining as a way of a casual cooking analogy, referring only to an embodiment, but then in your final reply briefing you seemed to shift gears a little bit and instead argued that raw only describes what is already in the claims, is that the processor uses raw signal data sent directly from the sensor.
>
> PLAINTIFF'S COUNSEL: I think that's correct.

Tr. at 68:24–69:7.

As Elbit's counsel acknowledged during the *Markman* hearing, the Court's construction, while not using the word "raw," adopts a meaning consistent with Elbit's proposed use of the term "raw." *See Id*. at 55:9–17 (responding to the Court's questions regarding "the meaning of raw," Elbit's counsel represented "we think the Court took care of that in the preliminary construction.") *see also Id*. at 43:9–13 (commenting on the Court's preliminary construction, Elbit's counsel stated: "We appreciate that 'directly' is not in the claim. So it's our understanding that the Court has looked at the PTAB statements and finds there's something that's got to be done with all these statements that had to mean something.").

The references in the specification, coupled with both plaintiff's and plaintiff's expert's characterizations during the IPR proceeding, support a claim limitation wherein the relative angular rate signal is determined from signal data received directly from the first and second inertial sensors. The Court thus finds plaintiff disclaimed a broader claim scope based on "clear and unmistakable" statements such that the scope of the claims was narrowed to only receiving signal data directly from the first and second angular rate sensors. *Aylus Networks*, 856 F.3d at 1359.

Yet Elbit argues the Court's proposed construction does not go far enough. According to Elbit, the word "directly" must be introduced a second time into the Court's construction, or alternatively reordered such that it modifies both where the signal data is received from, as well as *how* the relative angular rate signal is determined. *See* Tr. at 44:14–16 ("Our position is the [Court's preliminary] construction needs to be clarified just slightly to show that the signals are not just received directly but also processed directly."). Counsel for Elbit thus confirmed their "only tweak" to the Court's preliminary construction was "to add 'directly' to the moving reference frame 'directly determined from signal data received.'" *Id.* at 44: 3–7.

Although the Court agrees with defendants that plaintiff disclaimed a broader scope of this claim term based on statements at the PTAB, the Court next turns to review defendants' proposed construction to ensure it accurately represents the scope of such disclaimer. Defendants proposed construction states the relative angular rate signal is "computed *directly* from the raw signals." Defs.' Op. Cl. Constr. Br. at 7 (emphasis added). Plaintiff argues, however, this language does not align with the actual statements made by plaintiff and plaintiff's expert at the PTAB. Plaintiff's statements were all directed to the use of "raw signals" in the sense that the signals are transmitted directly from the sensors to the processing unit. *See, e.g.*, Defs.' Op. Cl. Constr. Br. at 9 (citing Dr. Welch expert declaration at ¶ 52) (emphasis in original) ("processing raw signals, i.e., *directly from sensors*."); Defs.' Op. Cl. Constr. Br. at 10 (citing Thales PTAB brief at 3) (emphasis added) ("*directly* use signals form the sensors (i.e. raw signals)").

The specification does reference sending signal data "directly" from the sensors to the processing unit. *See, e.g.*, '159 Patent at col. 4:62–63 ("omega_{bib} is available directly from the gyros"); *id.* at col. 4:66–67 ("[where] omega_{nin} cannot be calculated, but it can be directly measured by gyros mounted on the moving platform"); *id.* at 8:14–17 ("If the reference IMU is mounted at the origin of the n-frame, then it directly measures f_{nin} and omega_{nin}, so (10) is the complete navigation equation, which can be integrated using just data available from the two IMUs."). Defendants proposed ordering of terms, however, improperly attempts to "modify the computation aspect of the element rather than the signal reception aspect of the element." Pl.'s Reply Cl. Constr. Br. at 4. Defendants point to nothing in the specification supporting such a limitation regarding determination of the relative angular rate signal, nor was defendants' counsel able to identify any such support in the specification during the *Markman* hearing.

> THE COURT: So how about in the specification, is there any detail to support this limitation being imparted upon the claim language?
>
> DEFENDANTS' COUNSEL: [] I will say this, Your Honor. Our argument is not primarily based on the specification. It's based on the disclaimer . . . . This is not a—this is not a you look at the spec and there's a lexicography. We're not pushing for that. It's really what they said afterwards to save the claims.
>
> THE COURT: [] So your position, then, is that these arguments were clear and unmistakable?
>
> DEFENDANTS' COUNSEL: Absolutely.
>
> THE COURT: Is there precedent language from the Federal Circuit that in order to have a construction that is limiting in this way, there must also be some support in the specification?
>
> DEFENDANTS' COUNSEL: No. I believe that is not the case law.

Tr. at 59:1–21. Plaintiff's counsel confirmed the Court's suspicion as to whether any such limitation was even disclosed in the specification to begin with. As plaintiff's counsel explained, "you are going to end up disclaiming in a disclaimer situation things that are in the spec. That's the nature of what it is . . . . [I]t doesn't make sense to disclaim something that was never there to begin with." Tr. at 88:11–15. Although Elbit's counsel did identify a series of cases later in the *Markman* hearing purporting to demonstrate the Federal Circuit finding a patentee disclaimed a limitation during prosecution which was not first disclosed in the specification, the Court could find no such support in any of the identified cases. Elbit's counsel characterized this position as "[d]isclaimer with no need for it to be backed up by the spec, all based on what the applicant said in prosecution." Tr. at 82:13–15. First, Elbit's counsel pointed to *North American Container, Inc. v. Plastipak Packaging, Inc.*, 415 F.3d 1335 (Fed. Cir. 2005). *Id.* at 81:25–82:10. Elbit's counsel directed the Court to a passage around page 1346 discussing an issue of disclaimer based on representations made by the patentee during prosecution of the patent in question. *Id.* at 82:18–84:13. The discussion from *North American Container*, however, does not support Elbit's position that a patentee can disclaim a limitation during prosecution or subsequent PTAB proceedings that was not first disclosed in the specification. Rather, *North American Container* applies prosecution disclaimer in order to exclude specific embodiments originally disclosed in the specification. *North American Container*, 415 F.3d at 1346 ("As the district court recognized, the fact that claims do not cover certain embodiments *disclosed in the patent* is compelled when narrowing amendments are made in order to gain allowance over prior art.") (emphasis added). Second, Elbit's counsel directed the Court to *Uship Intellectual Properties, LLC v. United States*, 714 F.3d 1311 (Fed. Cir. 2013). Tr. at 84:17–18. Elbit's counsel highlighted a passage from page 1316 discussing both disclosure in the specification and the application of prosecution disclaimer. *Id.* at 84:18–21. Again, this passage does not support Elbit's contention that a patentee can disclaim a limitation during prosecution or subsequent PTAB proceedings that was not first disclosed in the specification. In fact, *Uship* appears to suggest the very opposite. After the Federal Circuit noted it "d[id] not see the conflict about which [the patentee] complains," the court went on to state: "Even if the specification had disclosed an embodiment [directed to the disputed limitation], prosecution disclaimer could result in that embodiment not being covered by the claims." *Uship Intellectual Properties,* 714 F.3d at 1316. As the Federal Circuit found the disputed limitation not disclosed in the specification, prosecution disclaimer was inapplicable. *Id.* To the extent the limitation was disclosed, the Federal Circuit then noted application of the doctrine of prosecution disclaimer "could result in that embodiment not being covered by the claims." *Id.* This suggests disclosure of the limitation itself is a prerequisite to applying the doctrine of prosecution disclaimer in order to find disclaimer of such a limitation.

Alternatively, defendants attempt to invoke a series of equations recited in the specification to support the specification's alleged disclosure supporting "direct processing."

> [T]he equation at Column 5, . . . which shows the actual signal, the relative angular rate signal, from the omegas—one of the omegas is the moving reference, one of the omegas is from the person who's being tracked, and that signal has no—no other inputs whatsoever. And so that is the direct processing. So the Court could say—could look at the one clear disclosure . . . in Column 5 of the

> relative angular rate signal being integrated and said that is consistent with the disclaimer.

Tr. at 60:22–61:5. Defendants further elaborated on the disclosed equation in Column 5 of the specification:

> The omega-sub-I-N is the raw signal from the moving reference frame. And you can see that they've—that's what they're pointing to as the so-called new way. You relate them, that's the minus, and then the whole thing gets integrated . . . . But there's absolutely not other processing. It's directly—the raw signals are directly processed to get you a relative angular rate signal. There's no error correction. There's no further processing that they want to point to in Figure 4, no bias compensation, no common filters.

Tr. at 86:5–16. To the extent defendants attempt to rely on the equation in Column 5 as showing "direct processing," plaintiff directly addressed this argument in its response brief. "However, both variables [the omegas] are shown in the processor *after* other processing has been performed . . . . Thus, the specification confirms that 'raw' and 'directly' simply mean that the data is input from the sensor into the processing element and is ultimately used to determine a relative angular rate signal regardless of other processing." Pl.'s Resp. Cl. Constr. Br. at 13 (emphasis in original). Plaintiff thus argues "[t]he claims are not limited to, as Defendants suggest, a computation directly upon the incoming sensor signal itself." *Id.* To the extent defendants argue for the inclusion of "direct processing" in the Court's construction based on the specification's disclosure of the equations in Column 5, plaintiff's reference to the relevant omega variables being fed to the processing element *after* passing through at least a bias compensation module defeats such an argument.

As defendants point out, however, their "argument is not primarily based on the specification. It's based on the disclaimer." Tr. at 59:4–5. Assuming, arguendo, that a limitation later disclaimed during prosecution need not first be disclosed in the specification, the Court addresses defendants substantive argument: "throughout . . . the PTAB process, [plaintiff] was very clear that the only thing that would get them over [the prior art] was the two-step versus three-step [process]." Tr. at 65:14–17. In its briefs, defendants argue "[plaintiff] was incredibly direct in explaining that the claims *require* and *are limited to* the 'relative angular rate signal' being directly determined from 'raw signal data' from the inertial sensors." Defs.' Op. Cl. Constr. Br. at 9 (emphasis in original). Reading these arguments together, defendants thus assert the so-called "two-step" method requires calculating the relative angular rate signal directly from the raw signals measured by the inertial sensors. The Court must therefore review the specific statements made by plaintiff at both the PTAB and the Federal Circuit, as well as the final written decision of the PTAB and the Federal Circuit's subsequent opinion on appeal, to determine the specific requirements of the "two-step" method.

The PTAB did not use the "two-step" or "three-step" labels in differentiating the prior art from the system of the '159 patent. Rather, the PTAB used only the designations "old way" and "new way." *See generally Elbit Systems of America, LLC. v. Thales Visionix, Inc.*, IPR2015-01095 (PTAB Oct. 14, 2016), ECF No. 160-2. These designations are, however, synonymous

with the Court's reference to both the "old method" (i.e., the "three-step method") and the "new method" (i.e., the "two-step method"). The PTAB observed plaintiff characterized the "old method" of computing relative orientation as "first integrating the signal output of each angular rate sensor . . . to compute orientation of each relative to ground, and then computing the orientation of the object relative to the moving reference frame." *Id.* at 14. The PTAB further noted plaintiff argued the "new method" calculated relative orientation "by integrating a 'relative angular rate signal' . . . determined from 'raw signal data.'" *Id.* Adopting plaintiff's arguments, the PTAB found the prior art "rel[ies] on the old way and provide[s] no hint or perceived need to determine a 'relative angular rate signal' prior to determining orientation." *Id.* at 15. As such, the PTAB concluded "no cited reference teaches or suggests the recited 'relative angular rate signal,' which can be then integrated to obtain relative orientation." *Id.*

The Federal Circuit, in reviewing the PTAB's final written decision, initially coined the phrases "two-step method" and "three-step method." *See Elbit Systems,* 881 F.3d at 1357. The Federal Circuit, relying on plaintiff's expert's characterization of the technology, described the system of the '159 patent as "employ[ing] a two-step method: 'the raw signal data from the inertial sensors . . . is used to determine the relative angular rate signal'; and '[t]hat relative angular rate signal . . . is then used to calculate relative orientation.'" *Id.* at 1358 (quoting J.A. 2112 [Declaration of Dr. Welch, ¶43]). Viewing this "two-step method" with the specification, the Federal Circuit further noted the system of the '159 patent calculates relative orientation "'without the need to ever know or measure or calculate the orientation or position of the moving platform.'" *Id.* (quoting '159 Patent at col. 8 37–41). As the Federal Circuit recognized, "[t]his eliminates the need to calculate an object's position relative to the ground." *Id.* at 1355.

The Federal Circuit identified the systems used in the prior art as "calculat[ing] an object's relative orientation using a three-step method." *Id.* at 1357. Again relying on plaintiff's expert's testimony, the Federal Circuit described the "three-step method" as follows:

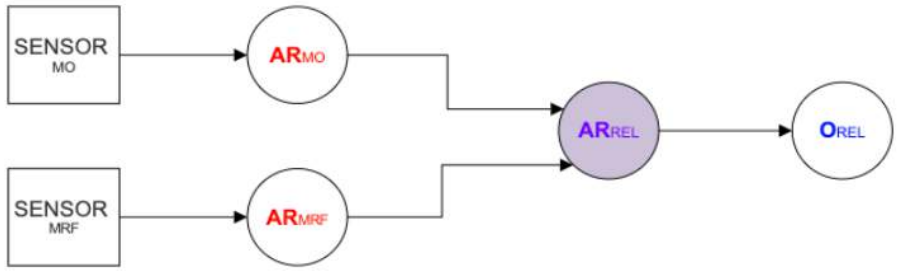
> First, the orientation of a moving object . . . is calculated with respect to an inertial reference frame . . . using inertial sensors mounted to a moving object (e.g., angular rate sensors . . .). Next, the orientation of a moving reference frame . . . is calculated with respect to the inertial reference frame using inertial sensors mounted to the moving reference frame. . . . Finally, the relative orientation of the moving object with respect to the moving platform . . . is calculated by resolving the orientation calculations.

Id. at 1357–58 (quoting J.A. 2109–10 [Declaration of Dr. Welch, ¶39]).

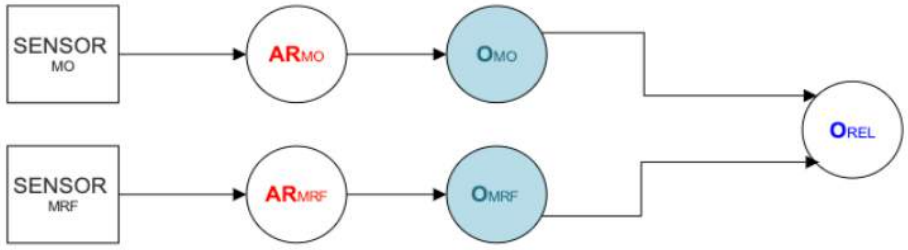
The Court thus reproduces the graphic originally provided by plaintiff with the following annotations to remove any ambiguity as to what the various "steps" are in both the "two-step method" and the "three-step method."

New Method: Two-Step Method

Step One	Determine relative angular rate signal from signal data received directly from inertial sensors
Step Two	Use relative angular rate signal to calculate relative orientation



Old Method: Three-Step Method	
Step One	Calculate orientation of moving object with respect to inertial reference frame
Step Two	Calculate orientation of moving reference frame with respect to inertial reference frame
Step Three	Calculate relative orientation of moving object by resolving orientation calculations from steps one and two



Pl.'s Resp. Cl. Constr. Br. at 2–3. During the *Markman* hearing, plaintiff's counsel attempted to distance the system of the '159 patent from the "two-step method" label.

> THE COURT: [Plaintiff's] expert explained [during the Federal Circuit appeal] that the two-step method employed by the asserted claims reduces both the number of calculations required to determine relative orientation and the propagation of errors that inevitably occur when using inertial sensors to track motion. . . . [I]sn't that prohibiting this additional integration?
>
> PLAINTIFF'S COUNSEL: No, Your Honor. First of all, those are the benefits of the invention. . . . And so there's nothing that says you can't do other things to get from the angular rate to the relative angular rate. And that's what the claim

> says. It says determined from. And if you want to do it with a bunch of steps, you can do it with a bunch of steps. . . . [T]he way that [the Federal Circuit] described it was that it has two steps, but they didn't say that it only ever has two steps.

Tr. at 114:9–115:10.

Plaintiff's characterization of the relevance of the "two-step method" highlights an important distinction between the Federal Circuit's previous discussion related to distinguishing the system of the '159 patent over the prior art, and the Court's current exercise of construing the claim terms. Plaintiff's counsel further provided the following, succinct statement on this distinction: "[T]he two-step and the three-step have to do with the relative angular rate signal. And the fact that in the prior art there was no relative angular rate signal, the angular rates in the prior art were not used to form a relative angular rate signal at all . . . . [T]hat is the difference between the two-step and the three-step." Tr. at 97:3–9. As the Federal Circuit held, the overall system of the '159 patent operates according to a "two-step method," whereas the prior art operated according to an overall "three-step method." *Elbit Systems*, 881 F.3d at 1358. The "elimination" of a step by the '159 patent is the result of determining a "relative angular rate signal" in place of two previous, independent calculations of the orientation of both the moving object and the moving reference frame. *Id.* Now, at the claim construction phase, the Court must determine what it means to determine a relative angular rate signal from the angular rate signals measured by the sensors. As plaintiff rightly points out, "if you want to do it with a bunch of steps, you can do it with a bunch of steps . . . . [I]nefficient infringement is still infringement." Tr. at 115:9–15.

Nothing in the previous decisions of the PTAB or Federal Circuit suggest any limitation on the number of steps required in determining the relative angular rate signal. The previous decisions of both the PTAB and Federal Circuit only require the system of the '159 patent to utilize the step of determining the relative angular rate signal in place of the independent orientation calculations for both the moving object and the moving reference frame. The only requirement recognized by either the PTAB or the Federal Circuit regarding the determination of the relative angular rate signal itself is the use of "raw signal data" in making the determination. As the Court previously addressed, the use of "raw signal data" is better understood as the element responsible for determining the relative angular rate signal receives signal data directly from the angular rate sensors. See *supra* at 18. There is no evidence supporting that either the PTAB or Federal Circuit relied on plaintiff's alleged representations the relative angular rate signal is further *directly* determined from these direct signals as a prerequisite for distinguishing the system of the '159 patent over the prior art.

Beyond the express findings of either the PTAB or Federal Circuit, defendants point to specific statements made by plaintiff's expert during the PTAB and Federal Circuit proceedings in an attempt to import the term "directly" into the determination of the relative angular rate signal. Defendants' primary evidence is the following quote from plaintiff's expert: "Inventions claimed in the '159 Patent *directly use signals from the sensors* (i.e., *raw signals*) on both the moving object and moving reference frame *to determine relative signals* which are used to determine relative orientation." Defs.' Op. Cl. Constr. Br. at 10 (quoting ECF No. 107-12 at 3)

(emphasis in original). Although defendants urge the Court to read this statement as requiring direct determination of the signals from the sensors, the Court finds plaintiff's interpretation of this particular statement equally—if not more—plausible: "'[A] POSITA reading the statements provided would understand that 'raw' and 'directly' refer to the fact that the processing elements required by the claims must simply receive angular rate signal data from the receptive sensors and use that data to ultimately determine a relative angular rate.'" Tr. at 116:2–8 (quoting ECF No. 170 ¶¶ 15–16 [Declaration of Dr. Welch]).

In addition to relying on their own expert, plaintiff further relied on statements of defendants' expert in supporting their interpretation of these earlier statements.

> And then if you look at what Dr. Paradiso says, and that's Defendants' expert that they use here, he says, "In my opinion, these statements in the intrinsic record make clear that the claim language, the language of the claim, specifically refers to and is limited to relative angular rate signal being determined from raw signals directly from the inertial sensor." So he's adopting that "determined from," too. And nobody is saying directly computed, not either expert.

Id. at 116:9–17. As plaintiff points out, when "dealing with disclaimer, it has to be clear and unequivocal. And if there are two reasonable interpretations, there's no disclaimer." *Id.* at 115:23–25. *See Aylus Networks*, 856 F.3d at 1359 (quoting *Omega Eng'g*, 334 F.3d at 1325–26). Accordingly, the Court need not reach which of the parties' interpretations is the correct interpretation. As the Court finds each of the proposed interpretations a plausible reading of the statements made in the intrinsic record, the statements are by definition not a "clear and unmistakable" waiver of claim scope. "Where the alleged disavowal is ambiguous, or even 'amenable to multiple reasonable interpretations,' [the Federal Circuit has] declined to find prosecution disclaimer." *Avid Tech*, 812 F.3d at 1045 (quoting *Cordis Corp.*, 339 F.3d at 1359) (internal citations omitted); *see Baxalta Inc. v. Genentech, Inc.*, No. 19-1527, 2020 WL 5048435, at *6 (Fed. Cir. Aug. 27, 2020) (finding the patentee's claim amendment did "not clearly establish disclaimer" where another "plausible" explanation for the introduction of the amendment was presented).

Accordingly, while plaintiff did disclaim the broader use of determining a relative angular rate signal using anything other than signals measured by the inertial sensors and sent directly to the processing unit, characterizing this disclaimer as to require the relative angular rate signal be "computed directly from the raw signals" results in a forfeiture of claim scope beyond that which plaintiff disclaimed.[2] *See Omega Eng'g*, 334 F.3d at 1327 (finding "[t]he

[2] Defendants raised an additional argument during the *Markman* hearing regarding the order of operations in the asserted claims:

> [O]nce you integrate, you don't have a relative angular rate signal. And then what they're—what [it] seems like they might be trying to do is[, and] we just call this the new old way or the new, new way, it's hard to tell. But once you take this relative orientation, they're suggesting that, you know, you can differentiate it into an integrated—into a relative angular rate signal again and then integrate it again, and that's still okay. . . . And so this illustrates to the Court what we think is inappropriate about what follows Markman if they get their construction, is they try to say, okay, well this signal now, which is a rate, you can—you can differentiate, you can integrate it, it's already been processed, but we'll still call it at the end of the day a relative angular rate signal.

district court was therefore correct in finding prosecution disclaimer, but erred in ascertaining the scope of the disavowal").

b. Judicial Estoppel

Defendants further assert an alternative argument in an attempt to preclude plaintiff from recovering what defendants view as disclaimed claim scope during prior judicial proceedings. According to defendants, plaintiff "is also judicially estopped from arguing that a 'relative angular rate signal' does not have to be computed from the inertial sensors' 'raw signals,' as [plaintiff] now argues with its proposed construction." Defs.' Op. Cl. Constr. Br. at 19. Defendants cite Supreme Court precedent, defining the doctrine of judicial estoppel as: "'[w]here a party assumes a certain position in a legal proceeding, and succeeds in maintaining that position, he may not thereafter, simply because his interests have changed, assume a contrary position, especially if it be to the prejudice of the party who has acquiesced in the position formerly taken.'" *Id.* (quoting *New Hampshire v. Maine*, 532 U.S. 742, 749 (2001)).

This principle of judicial estoppel "generally prevents a party from prevailing in one phase of a case on an argument and then relying on a contradictory argument to prevail in another phase." *New Hampshire*, 532 U.S. at 749 (quoting *Pegram v. Herdrich*, 530 U.S. 211, 227 (2000)). The Supreme Court has identified a series of factors to consider when applying the doctrine of judicial estoppel: (1) "a party's later position must be 'clearly inconsistent' with its earlier position;" (2) "whether the party has succeeded in persuading a court to accept the party's earlier position, so that judicial acceptance of an inconsistent position in a later proceeding would create 'the perception that either the first or the second court was misled;'" and (3) "whether the party seeking to assert an inconsistent position would derive an unfair advantage or impose an unfair detriment on the opposing party if not estopped." *Id*. at 750–51 (first quoting *United States v. Hook*, 195 F.3d 299, 306 (C.A.7 1999), then quoting *Edwards v. Aetna Life Ins. Co.*, 690 F.2d 595, 599 (C.A.6 1982)).

Defendants' counsel further noted during the *Markman* hearing the judicial estoppel argument sought to accomplish the same goal as the prosecution history disclaimer argument: to prohibit plaintiff from recovering claim scope previously disclaimed based on statements inconsistent with their current position. *See* Tr. at 137:4–12 ("I would just briefly like to remind the Court that it's not just prosecution disclaimer that applies here, it is also judicial estoppel. And they're both equitable doctrines *with the same purpose*, which is to hold a party to their word.") (emphasis added). Each of defendants proposed "inconsistent statements" identified under the judicial estoppel argument were previously analyzed under the Court's discussion of prosecution history disclaimer, as each of these statements appeared during either the IPR

Tr. at 95:24–96:21. In sum, defendants take issue with whether the asserted claims cover calculating a relative angular rate signal by differentiating the relative orientation. Defendants' argument is thus grounded out of concern plaintiff will attempt to read defendants' system on claim 3 based upon subsequent calculations occurring after the relative orientation is calculated. To the extent defendants are attempting to raise infringement-related concerns at the claim construction phase, such arguments are premature. *Eon Corp. IP Holdings v. Silver Springs Networks*, 815 F.3d 1314, 1319 (Fed. Cir. 2016) ("[T]here are limits to the court's duties at the claim construction stage. For example, courts should not resolve questions that do not go to claim scope, but instead go to infringement . . . .") (internal citations omitted). Accordingly, the Court does not reach such arguments at this stage of the proceedings.

proceeding or subsequent appeal.[3] Accordingly, the Court does not further address defendants judicial estoppel arguments.

4. "inertial sensors" vs. "angular rate sensors"

Claim 1 introduces a first and second inertial sensor, with the first inertial sensor mounted on the tracked object and the second inertial sensor mounted on the moving reference frame. '159 Patent at col. 11:52, 53–54. Claim 2, which is dependent on Claim 1, further defines each of the first and second inertial sensors as "compris[ing] three angular inertial sensors selected from the set of angular accelerometers, angular rate sensors, and angular position gyroscopes." *Id.* at col. 11:60–64. Claim 3, which in turn depends from claim 2, further narrows the angular inertial sensors to "compris[ing] angular rate sensors." *Id*. at col 11:61–12:2.

Plaintiff argues claim 3's language covering "[t]he system of claim 2, in which the angular inertial sensors *comprise* angular rate sensors" defines the claim language of "'inertial sensors' [to] include 'angular rate sensors,' but the inertial sensors are not limited to only angular rate sensors.'" Pl.s' Op. Cl. Constr. Br. at 8 (emphasis in original). Therefore, plaintiff argues defendants' "attempt to narrow the claimed 'first and second inertial sensors' to 'first and second angular rate sensors,' is improper." *Id*. Defendants support their proposed claim construction by noting the term "comprising" "is a term of art used in claim language which means that *the named elements are essential*," and argues the Court should interpret the essential elements of the claim as requiring the term "angular rate sensors." Defs.' Resp. Cl. Constr. Br. at 16–17 (quoting *In re Crish*, 393 F.3d 1253, 1257 (Fed. Cir. 2004)). In support of this interpretation, defendants point to communications plaintiff made with the Patent Office, which defendants argue "form part of the intrinsic record" from which the Court may understand the claim language. *Id*. at 16.

Plaintiff had previously explained to the Patent Office "[c]laims 3 and 24 of the '159 Patent are *limited to* systems or methods wherein the raw signals measured by the first and second *angular rate sensors* are used to determine a relative *angular rate signal*, which is integrated to determine the relative orientation of the moving object with respect to the moving reference frame." Patent Owner Response, ECF No. 107-12 at 6 (emphasis added) ("Patent Response"). Plaintiff's proposed claim construction now fails to incorporate this understanding of the claim's structure and scope. The Federal Circuit, on "numerous occasions," has reaffirmed "that '[t]he best source for understanding a technical term is the specification from

[3] At the *Markman* hearing, defendants argued there was at least one position taken during the previous § 101 appeal to the Federal Circuit which did not appear in the IPR and patent prosecution history for which judicial estoppel would apply to limit the claim scope, but prosecution disclaimer would not: "in addition they've said in the [§ 101] appeal that the method allows for using of raw data directly from the inertial sensors to determine without external input for error corrections the orientation of one moving object relative to another moving object." Tr. at 137:19–23. The Court notes, however, plaintiff did present an identical argument during the IPR proceeding: "The '159 Patent covers a discrete measurement apparatus and method that allows for using raw data directly from IMUs to accurately determine, without external inputs or error corrections, the orientation of one moving object relative to another moving object, in a self-contained system." Pl.'s Op. Cl. Constr. Br., Ex. 5 at 19 (plaintiff's Patent Owner Response from the PTAB proceeding). Therefore, the Court's discussion of prosecution history disclaimer fully applies to the "inconsistent statements" defendants identified under the judicial estoppel argument.

which it arose, informed, as needed, by the prosecution history.'" *Phillips*, 415 F.3d at 1315 (quoting *Multiform Desiccants, Inc. v. Medzam, Ltd.*, 133 F.3d 1473, 1478 (Fed. Cir. 1998)); *see also Kinik Co. v. Int'l Trade Comm'n*, 362 F.3d 1359, 1365 (Fed. Cir. 2004) ("The words of patent claims have meaning and scope with which they are used in the specification and the prosecution history.").

Claim 2, which is dependent on claim 1, includes inertial sensors "in which . . . [each inertial sensor] comprises three angular inertial sensors selected from the set of angular accelerometers, angular rate sensors, and angular position gyroscopes." '159 Patent at col. 11:60–63. Claim 3, which is dependent on claim 2, narrows the angular inertial sensors to comprising "angular rate sensors" before stating the orientation of an object is determined by integrating "a relative *angular rate signal* determined from the *angular rate signals* measured by the first and second inertial sensors." *Id*. at col 11:64–12:2 (emphasis added). Claim 3 narrows the "inertial sensors" comprising of "three angular inertial sensors" in claim 2 to comprise specifically of "angular rate sensors." *Id*. at col 11:60–12:2. This understanding of the scope of claim language is further supported by plaintiff's explanation of claim 3 as only encompassing systems or methods wherein a raw signal is measured "by angular rate sensors . . . used to determine a relative angular rate signal." Patent Response at 6. In construing the meaning of the term "first and second inertial sensors" used in claim 3 to measure "the angular rate signals," the Court looks to the prosecution history to understand the meaning of the technical term as used in the claim. *Phillips*, 415 F.3d at 1315. The prosecution history informs the Court the claim language of "inertial sensor" should be interpreted as "angular rate sensor" so as to be consistent with plaintiff's description of the claim language in the intrinsic record. At the *Markman* hearing, the Court asked for "[p]laintiff's position" on the Court's proposed construction of claim 2. Tr. at 68:3–5. Plaintiff's counsel represented they "are okay with the Court's proposed construction." *Id*. at 68:6–7. The limitations imposed on claim 3 as dependent on claim 2, the intrinsic evidence related to the prosecution history, and plaintiff's agreement during the *Markman* hearing all support the court's construction of "inertial sensors" in claim 3 as "angular rate sensors." *Phillips*, 415 F.3d at 1315.

C. Court's Construction

Defendants' arguments as to disclaimer are accurate to the extent they require the processing element to receive raw signals directly from the inertial sensors. Beyond direct receipt, however, to the extent defendants attempt to extend the disclaimer argument to the exclusion of any further computation by the processing element, such arguments go too far. Plaintiff is correct that the extent of the disclaimer ends at the processing elements receipt of the "raw" signals "directly" from the sensors.

Plaintiff's Proposed Construction	**Defendants' Proposed Construction (with edits)**
signal data representing the rate that the tracked object is rotating in the moving reference frame determined using signal data representing the angular rate of objects	~~a signal~~ [signal data] representing the rate at which the tracked object is rotating relative to the moving reference frame ~~that is computed directly~~ [determined] from the ~~raw~~ signal~~s~~

measured by the first and second inertial sensors	[data] ~~measured~~ [received directly from] ~~by~~ the first and second angular rate sensors
Court's Construction	
Signal data representing the rate at which the tracked object is rotating relative to the moving reference frame determined from signal data received directly from the first and second angular rate sensors	

V. Disputed Claim Term #3: "a relative linear acceleration signal computed from the linear accelerometer signals measured by the first and second inertial sensors"

Plaintiff's Proposed Construction	Defendants' Proposed Construction
signal data representing the linear acceleration of the tracked object in the moving reference frame computed using signal data representing the linear acceleration of objects measured by the first and second inertial sensors	a signal representing the linear acceleration of the tracked object relative to the moving reference frame that is computed directly from the raw signals measured by the first and second linear accelerometers

A. Parties Arguments

Plaintiff notes "this claim language should be construed in a similar manner as the [second disputed claim term]." Pl.'s Op. Cl. Constr. Br. at 16. "Other than replacing 'angular rate' with 'linear acceleration,' the claim phrases only differ by using 'computed' rather than 'determined.'" *Id.* Plaintiff thus notes "[b]ecause the remaining portions of the two claim phrases do not differ significantly for purposes of resolving the parties' claim construction issues, the construction format . . . should follow the construction format for" the second claim term. *Id.* Defendants note "[t]he analysis for this term is effectively the same as for the [second term], as the only real difference is the use . . . of linear accelerometers, as opposed to the use of inertial sensors." Defs.' Op. Cl. Constr. Br. at 22. Defendants conclude that "[t]he parties therefore seem to agree that the 'relative linear acceleration signal' term should be construed consistently with the 'relative angular rate signal term.'" Defs.' Resp. Cl. Constr. Br. at 19.

The Court provided the parties with the following preliminary construction prior to the *Markman* hearing: "the signal data representing the linear acceleration of the tracked object relative to the moving reference frame determined from signal data received directly from the first and second linear accelerometers." Tr. at 9:2–6.

B. Court's Construction

The parties agree this claim term is to be construed in accordance with that of the second disputed claim term. The Court accordingly adopts a similar construction to the second claim term discussed above, replacing the applicable terms as follows: "signal data representing the *linear acceleration* of the tracked object relative to the moving reference frame determined from signal data received directly from the first and second *linear accelerometers*."

Plaintiff's Proposed Construction	**Defendants' Proposed Construction (with edits)**
signal data representing the linear acceleration of the tracked object in the moving reference frame computed using signal data representing the linear acceleration of objects measured by the first and second inertial sensors	~~a~~ signal [data] representing the linear acceleration of the tracked object relative to the moving reference frame ~~that is computed~~ [determined from] ~~directly from the raw~~ signal~~s~~ [data received directly from] ~~measured by~~ the first and second linear accelerometers
Court's Construction	
Signal data representing the linear acceleration of the tracked object relative to the moving reference frame determined from signal data received directly from the first and second linear accelerometers	

VI. Conclusion

The disputed terms of the '159 patent are interpreted by the Court in this Claim Construction Opinion and Order. The Court adopts the construction of the terms as set forth herein.

IT IS SO ORDERED.

s/ Ryan T. Holte
RYAN T. HOLTE
Judge

United States Court of Appeals for the Federal Circuit

THE BOEING COMPANY,
Appellant

v.

SECRETARY OF THE AIR FORCE,
Appellee

2019-2147

Appeal from the Armed Services Board of Contract Appeals in Nos. 61387, 61388, Administrative Judge J. Reid Prouty, Administrative Judge Michael N. O'Connell, Administrative Judge Richard Shackleford.

Decided: December 21, 2020

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Before NEWMAN, LOURIE, and CHEN, *Circuit Judges*.

LOURIE, *Circuit Judge*.

The Boeing Company ("Boeing") appeals from the final judgment of the Armed Services Board of Contract Appeals (the "Board"). *Appeals of Boeing Co.*, ASBCA Nos. 61387, 61388, 2019 ASBCA LEXIS 87 (Mar. 18, 2019) ("*Final Judgment*"). The Board entered final judgment after denying Boeing's motion for summary judgment regarding the legends that Boeing may mark on technical data it delivers to the United States Air Force under certain government contracts. *See Appeals of Boeing Co.*, ASBCA Nos. 61387, 61388, 2018 ASBCA LEXIS 352 (Nov. 28, 2018) ("*Summary Judgment Decision*"). For the reasons explained below, we reverse the Board's denial of summary judgment, we vacate the Board's entry of final judgment, and we remand to the Board for further proceedings consistent with this opinion.

BACKGROUND

This case involves the allocation of technical data rights between the government and a contractor that delivers technical data to the government in performance of a government contract. More specifically, it involves the legends that a contractor may mark on any such technical data pertaining to noncommercial items.

I. Statutory and Regulatory Framework

By federal statute, 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." 10 U.S.C. § 2320 ("Rights in technical data"). Under the law, "[s]uch 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*. at § 2320(a)(1). The statute requires that the regulations account for different scenarios in which technical data might be developed exclusively with federal funds, exclusively at private expense, or with mixed funding. *Id*. at § 2320(a)(2). For example, for items or processes developed exclusively with federal funds, the statute requires that under the regulations:

> [T]he 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.

Id. at § 2320(a)(2)(A).

The Department of Defense ("DoD") has issued regulations that implement 10 U.S.C. § 2320 with respect to technical data as part of the Defense Federal Acquisition Regulation Supplement ("DFARS"), which is codified in 48 C.F.R. Chapter 2. The specific regulations most relevant to this appeal that govern the allocation of technical data rights between contractors and the government appear in DFARS parts 227 and 252.

DFARS 227.7103 addresses data rights in noncommercial items or processes. The regulation establishes four government licenses for noncommercial technical data: (1) unlimited rights; (2) government purpose rights; (3) limited rights; and (4) specifically negotiated license rights. *See* DFARS 227.7103-5(a)–(d). The regulation also mandates that the government incorporate a particular contract

clause into any contract in which noncommercial technical data will be delivered to the government. DFARS 227.7103-6(a). The language of that contract clause is provided in DFARS 252.227-7013, and the clause is thus referred to as the "-7013 clause."

The -7013 clause is incorporated into government contracts to address the contractor's and the government's respective rights in noncommercial technical data, as well as the contractual obligations for protecting those rights. For example, the -7013 clause specifies that the contractor grants the government one of the four licenses enumerated in DFARS 227.7103-5. *See* DFARS 252.227-7013(b). The -7013 clause also makes clear, however, that the contractor retains all rights not granted to the government. *See* DFARS 252.227-7013(c).

Of particular relevance to this appeal are the marking requirements in the -7013 clause. The -7013 clause "[r]equires a contractor that desires to restrict the Government's rights in technical data to place restrictive markings on the data, provides instructions for the placement of the restrictive markings, and authorizes the use of certain restrictive markings." DFARS 227.7103-10(b). The instructions and authorizations of the markings appear in paragraph (f) of the -7013 clause ("Subsection 7013(f)"), which begins:

> (f) 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. Except as provided in paragraph (f)(5) of this clause, ***only 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) (emphases added). Subsection 7013(f) proceeds to describe the general marking instructions for conspicuously and legibly marking the appropriate legend on technical data, *see id.* at 252.227-7013(f)(1), as well as the specific authorized markings pertaining to each category of rights the government may have in technical data delivered under the contract. *See id.* at 252.227-7013(f)(2) (government purpose rights markings); *id.* at 252.227-7013(f)(3) (limited rights markings); *id.* at 252.227-7013(f)(4) (special license rights markings).

The DFARS also gives the government the "right to establish conformity of markings" on technical data delivered by a contractor. *See* DFARS 227.7103-12. Under the regulations, the government may reject "nonconforming markings." In relevant part, the regulation states:

> Authorized markings are identified in [Subsection 7013(f)]. All other markings are nonconforming markings.

Id.; *see also* DFARS 252.227-7013(h) ("Removal of unjustified and nonconforming markings").

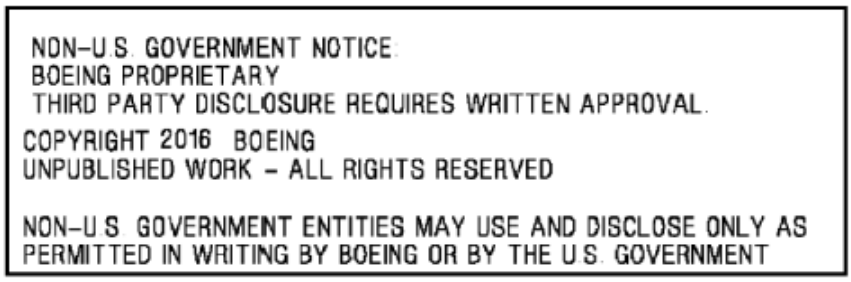
II. Factual Background and Procedural History

As relevant to this appeal, Boeing entered into two contracts with the United States Air Force to provide work under the F-15 Eagle Passive/Active Warning Survivability System.[1] Both contracts require Boeing to deliver technical data to the Air Force with "unlimited rights," which means that the government has the right to "use, modify,

[1] The two contracts are Contract No. F33657-01-D-0026 and Contract No. FA8634-17-C-2650.

reproduce, perform, display, release, or disclose [the] technical data in whole or in part, in any manner, and for any purpose whatsoever, and to have or authorize others to do so." *See* DFARS 252.227-7013(a)(16) (defining "unlimited rights"). It is undisputed that, notwithstanding the government's unlimited rights, Boeing retains ownership of any technical data it delivers to the government under the contracts. *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *2.

As required by the DFARS, both contracts incorporated the -7013 clause, including the marking requirements in Subsection 7013(f).[2] In the course of its performance of the contracts, Boeing marked each technical data deliverable that it submitted to the Air Force with a legend that purports to describe Boeing's rights in the data as they pertain to third parties:

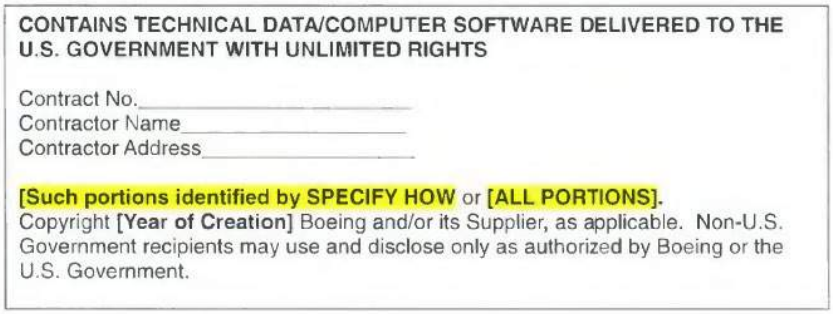

NON-U.S. GOVERNMENT NOTICE
BOEING PROPRIETARY
THIRD PARTY DISCLOSURE REQUIRES WRITTEN APPROVAL.
COPYRIGHT 2016 BOEING
UNPUBLISHED WORK - ALL RIGHTS RESERVED

NON-U.S. GOVERNMENT ENTITIES MAY USE AND DISCLOSE ONLY AS PERMITTED IN WRITING BY BOEING OR BY THE U.S. GOVERNMENT

See J.A. 170. The government rejected Boeing's technical data deliverables due to the legend that Boeing placed on the data. Boeing requested a Contracting Officer Final

[2] One contract incorporated the November 1995 version of the clause, while the other contract incorporated the February 2014 version of the clause. For purposes of this appeal, neither party has argued that there is a meaningful difference between the 1995 version and the 2014 version. *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *7.

Decision ("COFD") regarding the propriety of its markings, and while that request was pending, Boeing proposed an alternative legend:


CONTAINS TECHNICAL DATA/COMPUTER SOFTWARE DELIVERED TO THE U.S. GOVERNMENT WITH UNLIMITED RIGHTS

Contract No._____
Contractor Name_____
Contractor Address_____

[Such portions identified by SPECIFY HOW or [ALL PORTIONS].
Copyright [Year of Creation] Boeing and/or its Supplier, as applicable. Non-U.S. Government recipients may use and disclose only as authorized by Boeing or the U.S. Government.

J.A. 171. The government rejected Boeing's proposed alternative legend as well.

On July 31, 2017, the Air Force issued a COFD for each of the contracts, confirming the rejection of technical data marked with Boeing's legend. *See* J.A. 165–71, 172–78. The Procurement Contracting Officer ("PCO") found that Boeing's legend is a nonconforming marking because it is not in the format authorized by the contracts pursuant to Subsection 7013(f). The COFDs directed Boeing to correct the markings at Boeing's expense. *Id.*

Boeing appealed the COFDs to the Board. Boeing moved for early summary judgment based on its position that the first sentence of Subsection 7013(f) makes clear that, as a matter of law, Subsection 7013(f) only applies to legends that restrict the government's rights in technical data. Boeing argued that Subsection 7013(f) is categorically inapplicable to legends like Boeing's that only restrict the rights of third parties. Boeing thus argued that Subsection 7013(f) does not apply in this case, and its legend cannot be nonconforming.

The Board denied Boeing's summary judgment motion. *See Summary Judgment Decision*, 2018 ASBCA LEXIS

352. The Board agreed with the government that, after stating the words "only the following legends are authorized under this contract," Subsection 7013(f) lists four specific legends, and it is undisputed that Boeing's legend is not one of the listed legends. *Id.* at *5–6. In rejecting Boeing's argument that Subsection 7013(f) does not apply to legends that restrict third party rights, the Board noted that Subsection 7013(f) refers to a notice of copyright that does limit the actions of third parties. *Id.*

The parties agreed that "the Board's decision on Boeing's motion for summary judgment decided the only issue presented," and they jointly requested that the Board enter final judgment denying Boeing's appeals of the COFDs. *See Final Judgment*, 2019 ASBCA LEXIS 87, at *1. The Board entered final judgment, and Boeing appealed to this court. We have jurisdiction under 28 U.S.C § 1295(a)(10) and 41 U.S.C. § 7107(a)(1)(A).

DISCUSSION

The "interpretation of a contract by [the Board] is a question of law that is reviewed without deference on appeal." *England v. Contel Advanced Sys., Inc.*, 384 F.3d 1372, 1377 (Fed. Cir. 2004). The interpretation of agency regulations is also a question of law. *See Gose v. U.S. Postal Serv.*, 451 F.3d 831, 836 (Fed. Cir. 2006). And the interpretation of a contract clause in the DFARS that is incorporated into a government contract is similarly a question of law. *See Forman v. United States*, 329 F.3d 837, 841 (Fed. Cir. 2003); *Aydin Corp. v. Widnall*, 61 F.3d 1571, 1577 (Fed. Cir. 1995). "This court reviews the Board's conclusions of law without deference." *Grumman Aero. Corp. v. Wynne*, 497 F.3d 1350, 1356 (Fed. Cir. 2007) (citing *Rex Sys., Inc. v. Cohen*, 224 F.3d 1367, 1371 (Fed. Cir. 2000)).

The primary question presented in this case is the interpretation of Subsection 7013(f), which has been incorporated into Boeing's two contracts with the Air Force. We review that question *de novo*.

I

We begin, as we must, with the plain language of Subsection 7013(f). *Am. Airlines, Inc. v. United States*, 551 F.3d 1294, 1299 (Fed. Cir. 2008) ("In construing a statute or regulation, we begin by reviewing its language to ascertain its plain meaning."); *Lockheed Corp. v. Widnall*, 113 F.3d 1225, 1227 (Fed. Cir. 1997) ("To interpret a regulation we must look at its plain language and consider the terms in accordance with their common meaning."). The disputed language is contained in the first paragraph of Subsection 7013(f). That paragraph contains two sentences. The first sentence states:

> 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.

DFARS 252.227-7013(f) (emphasis added). The second sentence states:

> Except as provided in paragraph (f)(5) of this clause, ***only 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.

Id. (emphasis added). Each party contends that the plain language supports its position.

Boeing argues that there is a natural relationship between the two consecutive sentences in the first paragraph of Subsection 7013(f). According to Boeing, the first sentence clearly demonstrates the context in which Subsection 7013(f) applies: when a contractor elects to "assert

restrictions on the Government's rights." In a situation in which a contractor does not seek to restrict the Government's rights in any way, Boeing argues that Subsection 7013(f) is silent on what legends the contractor may or may not mark on its data.

The government responds that the Board correctly interpreted the second sentence of the paragraph to mean exactly what it says: "only the following legends"—*i.e.*, and no other legends—"are authorized under this contract." Thus, the government argues, a contractor may not mark the data with any legend other than those specifically enumerated in Subsection 7013(f).

When interpreting regulations, we apply the same interpretive rules we use when analyzing the language of a statute. *Mass. Mut. Life Ins. Co. v. United States*, 782 F.3d 1354, 1365 (Fed. Cir. 2015) (citing *Tesoro Haw. Corp. v. United States*, 405 F.3d 1339, 1346 (Fed. Cir. 2005)). And it is well established that, when interpreting statutes or regulations, "[t]he plain meaning that we seek to discern is the plain meaning of the whole statute [or regulation], not of isolated sentences." *Beecham v. United States*, 511 U.S. 368, 372 (1994) (citations omitted).

Here, we have a paragraph in a regulation that contains two sentences, and a proper interpretation must give meaning to both. *See Shea v. United States*, 976 F.3d 1292, 1300 (Fed. Cir. 2020) ("[I]t is a 'cardinal principle of statutory construction that courts must give effect, if possible, to every clause and word of a statute . . . .'" (quoting *Williams v. Taylor*, 529 U.S. 362, 364 (2000))); *see also Sierra Club v. EPA*, 536 F.3d 673, 680 (D.C. Cir. 2008) *("*It is a court's duty to give effect, if possible, to every clause and word of a statute. The same is true for regulations." (quotations and citations omitted)). The plain language of the first sentence in Subsection 7013(f) makes clear that the two sentences together are describing the way in which a contractor "may assert restrictions on the ***Government's***

rights." Thus, we agree with Boeing that Subsection 7013(f) is only applicable in that context, and it is silent on any legends that a contractor may mark on its data when it seeks to restrict only the rights of non-government third parties.

Under the Board's reading, the first sentence would be entirely unnecessary to the regulation, and the scope of Subsection 7013(f) would be exactly the same even without that sentence. If, as the Board concluded, the second sentence of Subsection 7013(f) operates to prevent contractors from placing any and all markings on technical data even if those markings have no impact on the government's rights, then Subsection 7013(f) could have simply begun with the second sentence which introduces the authorized legends. But that is not how the regulation is written, and we cannot disregard the first sentence. *See, e.g.*, *TRW Inc. v. Andrews*, 534 U.S. 19, 32 (2001) ("It is a 'cardinal principle of statutory construction' that 'a statute ought, upon the whole, to be so construed that, if it can be prevented, no clause, sentence, or word shall be superfluous, void, or insignificant' . . . . We are 'reluctant to treat statutory terms as surplusage in any setting.'" (quoting *Duncan v. Walker*, 533 U.S. 167, 174 (2001))); *Sullivan v. McDonald*, 815 F.3d 786, 790 (Fed. Cir. 2016) ("[W]e attempt to give full effect to all words contained within that statute or regulation, thereby rendering superfluous as little of the statutory or regulatory language as possible." (quoting *Glover v. West*, 185 F.3d 1328, 1332 (Fed. Cir. 1999))).

The Board was persuaded that Subsection 7013(f) precludes even legends that restrict only third-party rights because it authorizes a "notice of copyright that would, in fact, provide notice to or limit the actions of third parties." *Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *18. But the fact that an authorized restriction might ***also*** restrict the rights of third parties in addition to the government's rights is immaterial. It is sufficient for inclusion in Subsection 7013(f) that a notice of copyright would restrict

the government's rights, notwithstanding any other effects of the notice of copyright. The government insists that a notice of copyright does not actually restrict the government's rights because the government automatically obtains a copyright license that is coextensive with its technical data rights license. *See* DFARS 227.7103-4(a); DFARS 227.7103-9(a)(1). But that argument is self-defeating; indeed, the government's need for a copyright license serves as the very indication that the government could, under certain circumstances, be subject to a suit for copyright infringement under 28 U.S.C. § 1498 if it exceeds the scope of its license. *See Jacobsen v. Katzer*, 535 F.3d 1373, 1380 (Fed. Cir. 2008) ("If . . . the licensee acts outside the scope [of a copyright license], the licensor can bring an action for copyright infringement." (citing *S.O.S., Inc. v. Payday, Inc.*, 886 F.2d 1081, 1087 (9th Cir. 1989) and Nimmer on Copyright, § 1015[A] (1999))). Thus, a notice of copyright is a legend that restricts the government's rights, and Subsection 7013(f)'s authorization of such a notice of copyright is consistent with our interpretation.

Our interpretation of Subsection 7013(f) also remains faithful to the overall purpose of the -7013 clause and the broader technical data rights regulations in DFARS parts 227 and 252, all of which govern the allocation of data rights between contractors and the government. The government cites nothing in the DFARS (or anywhere else) to suggest that the DoD intended the technical data rights regulations—or specifically intended Subsection 7013(f)—to have a broader impact that could affect a contractor's relationship with third parties.

For example, the policy set forth in DFARS 227.7103-1 pertains only to the government's acquisition of rights in technical data, and limitations and restrictions on the government's rights. *See* DFARS 227.7103-1(a) ("DoD policy is to acquire only the technical data, and the rights in that data, necessary to satisfy agency needs."); *see also id.* at

227.7103-1(c), (d). Moreover, in describing the purpose of Subsection 7013(f), the DFARS states:

> The clause at 252.227-7013, Rights in Technical Data-Noncommercial Items . . . [r]equires a contractor that desires to restrict the Government's rights in technical data to place ***restrictive markings*** on the data, provides instructions for placement of the ***restrictive markings***, and authorizes the use of certain ***restrictive markings***.

DFARS 227.7103-10(b)(1) (emphases added). As indicated by the added emphases, that provision uses the term "restrictive markings" three times in a single sentence pertaining to a contractor that "desires to restrict the Government's rights in technical data." The first usage of the term "restrictive markings" indisputably refers to markings that restrict the government's rights. Similarly, the second usage of the term "restrictive markings" is preceded by the word "the," clearly indicating that it refers back to those markings that restrict the government's rights. And while the last usage of the term "restrictive markings" is not expressly qualified by a word to indicate that the first two usages are its antecedent, one would have to strain to read that third usage as referring to some other set of restrictive markings different from the first two usages. The only reasonable interpretation of the provision is consistent with Boeing's argument that Subsection 7013(f) "authorizes the use of certain restrictive markings" ***for the purpose of restricting the government's rights***.

Therefore, we conclude that the plain language of Subsection 7013(f) demonstrates that it applies only in situations when a contractor seeks to assert restrictions on the government's rights. And our interpretation is confirmed by the language of the -7013 clause and the other provisions of the technical data rights regulations in the DFARS.

II

The government makes a number of arguments—beyond the nine isolated words in the second sentence—to support its position that Subsection 7013(f) prevents contractors from marking noncommercial technical data with any legend other than those listed. The government bases those arguments on a variety of sources, including language in Subsection 7013(f), language in other paragraphs of the -7013 clause, other technical data rights provisions in the DFARS, and the regulatory history of the technical data rights regulations. We address many of the government's arguments below.

Regarding the language of Subsection 7013(f) itself, the government contrasts the word "marking" in the first sentence with the word "legends" in the second sentence. But, as the government concedes, the word "marking" in the first sentence is a verb, while the word "legends" in the second sentence is a noun, and it is thus not surprising that the words are different. Moreover, we see no evidence that the word "legends" in the second sentence of Subsection 7013(f) is anything but a synonym of the noun form of the word "markings" used elsewhere in the technical data rights provisions of the DFARS. *See, e.g.*, DFARS 227.7103-12 ("restrictive markings"). Regardless, such a word choice is not sufficient to destroy the natural relationship between the opening sentence of the paragraph and the sentence that immediately follows it.

As for other paragraphs in the -7013 clause, the government argues that the "authorized" legends enumerated in Subsection 7013(f) are distinct from the "nonconforming markings" described in Subsection 7013(h)(2). *See* DFARS 252.227-7013(h)(2) ("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."); *see also* DFARS 227.7103-12(a)(1) ("Authorized markings are

identified in [Subsection 7013(f)]. All other markings are nonconforming markings."). The government argues, as the Board concluded, that legends that restrict third-party rights are necessarily "nonconforming" because they are not specifically authorized by Subsection 7013(f). *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *18–19 (citing DFARS 252.227-7013(h)(2), and noting "[a]ccordingly, any legend not specified in the contract is nonconforming"). But the government's argument relies on circular reasoning because it must assume, as its premise, that Subsection 7013(f) is applicable to legends that restrict only third-party rights. Yet that assumed premise is precisely the question before us in this case, and, as explained above, we disagree with it. Because we conclude that Subsection 7013(f) is ***not*** applicable to legends that restrict only third-party rights, its silence regarding any such legends is not meaningful.

The government also compares the -7013 clause to other contract clauses set forth in DFARS 252.227. For example, the government contrasts the limited number of authorized legends for noncommercial data with the more flexible rules for marking commercial data embodied in other contract clauses. *See* DFARS 252.227-7015; DFARS 252.227-7025. We agree with Boeing, however, that the legends available for contractors to restrict the government's rights in commercial data do not inform the meaning of the two sentences in Subsection 7013(f). That is particularly true because the default license rights that the government obtains in unmarked commercial data are far more limited to begin with, *see* DFARS 252.227-7015(2); DFARS 227.7102-2(a), compared to the default "unlimited rights" that the government obtains in unmarked noncommercial data. And it is the first sentence of Subsection 7013(f) that establishes that default set of rights for unmarked noncommercial data. Thus, by design, the provisions pertaining to commercial data rights do not have a counterpart to the first sentence of Subsection 7013(f), nor

do those sections require a counterpart to the second sentence.

Turning to the regulatory history, the government identifies a number of comments from the DoD that were published in the Federal Register in connection with the promulgation of the technical data rights regulations in 1995. As an initial matter, because we hold that the plain language of Subsection 7013(f) does not support the government's position, the government's reliance on regulatory history brings with it a heavy burden. *See*, *e.g.*, *Garcia v. United States*, 469 U.S. 70, 75 (1984) ("Only the most extraordinary showing of contrary intentions from [the legislative history] would justify a limitation on the 'plain meaning' of the statutory language."); *Massing v. Sec'y of HHS*, 926 F.2d 1133, 1135 (Fed. Cir. 1991) (holding that in order to construe the statute contrary to its plain meaning, petitioner "must show clear legislative history supporting its asserted construction"). The government's arguments in this case fail to meet that burden.

For example, the government points to comments relating to the markings that may be placed on noncommercial software pursuant to DFARS 252.227-7014(f), which is a different, albeit similar, contract clause. *See Rights in Technical Data*, 60 Fed. Reg. 33,465 (June 28, 1995). There, the DoD noted that a contractor "might consider using . . . a marking agreed to by the contracting officer, to protect its commercial interests . . . ." *Id.* But the DoD's comment related to a specific circumstance of "derivative software created by integrating commercial computer software with computer software developed with Government funds . . . ." *Id.* We decline to infer from that narrowly focused comment a general principle broadly applicable to other provisions like Subsection 7013(f).

The government also relies on regulatory history to support its argument that "the two sentences [in Subsection 7013(f)] address two separate issues," and should

therefore not limit each other. Appellee Br. 34. According to the government, whereas prior to the existence of Subsection 7013(f) there were multiple ways for a contractor to restrict the government's rights in technical data, the first sentence of Subsection 7013(f) established marking as the only way to restrict the government's rights and created a default rule that the government obtains unlimited rights in technical data delivered without any markings. *Id.* at 35 (citing *Bell Helicopter Textron*, ASBCA No. 21192, 85-3 BCA ¶ 18,415 (Sept. 23, 1985)). In contrast, the government argues, the second sentence serves a distinct purpose of eliminating confusion about the government's rights by setting forth a limited universe of authorized legends. *Id.* at 36 (citing 60 Fed. Reg. 33465). While we recognize the complicated history of the technical data rights regulations, and many sentences in the regulations likely address a variety of "purposes" and "issues," none of the history persuades us to drive a wedge between the two sentences in the one paragraph in Subsection 7013(f), which is essentially what the government asks us to do.

As explained, we are unpersuaded by the government's arguments. Ultimately, the government fails to convince us to abandon what we hold to be the plain language interpretation of Subsection 7013(f).

III

We next address the policy-based arguments presented by the parties. Boeing asserts that the Board's interpretation of Subsection 7013(f) will have far-reaching consequences that will impair contractors' abilities to protect their rights in their technical data and threaten the willingness of technology innovators to do business with the government. The government responds that allowing contractors unbridled freedom to mark technical data with self-created legends of their choosing is inconsistent with the DFARS and would encumber unrestricted information

with unclear markings that make it difficult for the government to exercise its license rights.

To be clear, neither party presents any policy arguments that would be sufficient to overcome the plain language of Subsection 7013(f), as explained above. In any event, we decide this case on the regulation, not policy. *See First Interstate Bank v. United States*, 61 F.3d 876, 879 (Fed. Cir. 1995) ("The government's policy argument, however, cannot override the plain language of the agreement and the implementing regulations."); *see also Artuz v. Bennett*, 531 U.S. 4, 10 (2000) ("Whatever merits these and other policy arguments may have, it is not the province of this Court to rewrite the statute to accommodate them. We hold as we do because respondent's view seems to us the only permissible interpretation of the text—which may, for all we know, have slighted policy concerns on one or the other side of the issue as part of the legislative compromise that enabled the law to be enacted."); *Dominion Res., Inc. v. United States*, 641 F.3d 1359, 1363 (Fed. Cir. 2011) ("[T]hese policy arguments do not trump the plain language of the statute."). But our interpretation of the plain language of Subsection 7013(f) has the added benefit of alleviating some of Boeing's policy concerns.

Neither party disputes that, when a contractor delivers technical data to the government, the contractor maintains ownership of the data and at least some rights in the data. For example, in this case, both parties agree that, notwithstanding the Air Force's unlimited rights in technical data Boeing delivers, Boeing still owns those data. Our interpretation of Subsection 7013(f) allows Boeing a bare minimum of protection for the data, namely, the ability to notify the public of its ownership. A contrary interpretation would result in Boeing *de facto* losing all rights in any technical data it delivers to the government. *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *19–20 (citing academic commentary discussing the risks of delivering unlimited rights data to the government).

The Board noted that Boeing had ample warning that its proprietary legend was not authorized under the regulations, and "[a] prudent contractor would have sought clarification prior to entering the contract, if it interpreted the clause differently." *Id*. The government echoes that sentiment by arguing that Boeing should have negotiated "special license rights" as envisioned by Subsection 7013(f)(4). But the special license is reserved for "unusual situations" in which "the standard[] rights may not satisfy the Government's needs." DFARS 227.7103-5. Neither party suggests that we have that situation here. In fact, Boeing concedes that it is not attempting to provide the government with anything less than the default "unlimited rights."

Moreover, we find the logical extension of the Board's and the government's reasoning to be even more problematic. If we were to agree with the government and the Board that Boeing should have foreseen this dispute and negotiated special contract provisions up front, we can easily envision that every contractor will be incentivized to negotiate a special license rather than submitting to the standard provisions set forth in the DFARS contract clauses. At that point, the special license would cease to be "special" and the standardized contract clauses would no longer be useful. The technical data rights regulations, and specifically the contract clauses provided in the DFARS, are intended to avoid such a result.

Turning to the government's policy arguments, we are not persuaded that allowing contractors to mark technical data with proprietary legends will lead to an epidemic of confusion that would broadly prevent the government from exercising its license rights under government contracts. Neither party provided us with a clear explanation why this issue has never before arisen since Subsection 7013(f) was put in place in 1995. *See* Oral Arg. at 12:14, 25:13, http://oralarguments.cafc.uscourts.gov/default.aspx?fl=19-2147_11042020.mp3. But Boeing represented that it has

been marking noncommercial technical data with proprietary legends under government contracts since as early as 2002 without objection from any government contracting officer. *See* Oral Arg. at 12:59; J.A. 220–21. The government was unable to counter that representation with compelling evidence that confusion from unclear markings has created serious burdens for the government. Even the Board found the government's evidence on this point, which consisted of one declaration from one first-line supervisor in Georgia, to be tenuous at best. *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *13–14. Moreover, in this case, Boeing offered to compromise by marking its data with a legend that would have removed all confusion by explicitly acknowledging the government's "unlimited rights," yet the government rejected that offer. Under these circumstances, we do not find that the government's policy concerns are sufficiently problematic to impact our interpretation of the plain language of Subsection 7013(f).

IV

Finally, we must address the government's argument that Boeing's legend does, in fact, restrict the government's rights. As explained above, if the legend does restrict the government's rights, then it is improper because it fails to conform to the authorized legends of Subsection 7013(f). In contrast, if it does not restrict the government's rights, then it is proper because it is not subject to the requirements of Subsection 7013(f).

The PCO found that Boeing's proprietary legend "does restrict the Government's rights as it will restrict the distribution of the data and allows Boeing to be an authority for its further use and disclosure." J.A. 175. The Board, on the other hand, noted that:

> 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" . . . . Despite this contention, the [-7013] 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).

Summary Judgment Decision, 2018 ASBCA LEXIS 352, at *15.

As this is a factual question, we review the Board's decision with deference. *See* 41 U.S.C. § 7107. By statute:

> [T]he decision of the agency board on a question of fact is final and conclusive and may not be set aside unless the decision is—
>
> (A) fraudulent, arbitrary, or capricious;
>
> (b) so grossly erroneous as to necessarily imply bad faith; or
>
> (C) not supported by substantial evidence.

Id.; *see also J.C. Equip. Corp. v. England*, 360 F.3d 1311, 1315 (Fed. Cir. 2004) ("Under the Contract Disputes Act, however, Board decisions on factual questions are final unless, among other things, they are not supported by substantial evidence.").

In light of that statutory framework for our review, before we can reach the merits of the parties' arguments about the factual dispute over whether Boeing's proprietary legend restricts the government's rights, we must first determine whether the Board made a "decision" on that factual question. If the Board did not reach that factual question then, quite simply, we have nothing to review on appeal.

To be sure, the Board expressed doubt that Boeing's proprietary legend places any meaningful restrictions on

the government's rights. *See Summary Judgment Decision*, 2018 ASBCA LEXIS 352, at *15. But the Board did so only to the extent that it found there was a live dispute between the parties in this case. *See id.* What the Board did not do, and what Boeing's summary judgment motion could not have asked the Board to do, was resolve factual disputes between the parties over whether Boeing's legend does or does not restrict the government's rights. The Board may not resolve such factual disputes at the summary judgment phase. *See id.* at *5–6 (citing *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48 (1986) and *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986)).

Therefore, although we reverse the Board's denial of summary judgment with respect to the legal proposition set forth in Subsection 7013(f), an unresolved factual dispute remains between the parties regarding whether Boeing's proprietary legend, in fact, restricts the government's rights. As the reviewing appellate court, we are not in a position to resolve that dispute, and we must remand the case to the Board.

CONCLUSION

We have considered the parties' remaining arguments but we find them unpersuasive. Therefore, we reverse the Board's denial of summary judgment with respect to the interpretation of Subsection 7013(f), we vacate the Board's entry of final judgment, and we remand the case to the Board for further proceedings consistent with this opinion.

REVERSED, VACATED, AND REMANDED

COSTS

Costs to Boeing.

UNPUBLISHED

UNITED STATES COURT OF APPEALS
FOR THE FOURTH CIRCUIT

No. 20-1241

In re: FLUOR INTERCONTINENTAL, INC., a California corporation; FLUOR FEDERAL GLOBAL PROJECTS, INC.; FLUOR FEDERAL SERVICES, LLC,

Petitioners.

On Petition for Writ of Mandamus. (1:19-cv-00289-LO-TCB)

Submitted: March 2, 2020 Decided: March 25, 2020

Before DIAZ, THACKER, and RUSHING, Circuit Judges.

Petition granted by unpublished per curiam opinion.

Mark C. Moore, Jennifer S. Cluverius, NEXSEN PRUET, LLC, Greenville, South Carolina; John P. Elwood, Craig D. Margolis, Tirzah S. Lollar, Christian D. Sheehan, Samuel M. Shapiro, ARNOLD & PORTER KAYE SCHOLER LLP, Washington, D.C., for Petitioners. Eric N. Heyer, Thomas O. Mason, THOMPSON HINE LLP, Washington, D.C., for Respondent.

Unpublished opinions are not binding precedent in this circuit.

PER CURIAM:

On March 13, 2020, we granted a petition by Fluor Intercontinental, Inc., Fluor Federal Global Projects, Inc., and Fluor Federal Services, LLC (collectively "Fluor") for a writ of mandamus. We directed the district court to vacate portions of three orders that required Fluor to produce information over which the district court concluded Fluor had waived attorney-client privilege. We set out our reasons here.

I.

In 2017, Fluor, a government contractor, began an internal investigation of an alleged conflict of interest involving an employee, Steven Anderson, and a company (Relyant Global, LLC) to which Fluor planned to award a contract. Fluor's legal department supervised the investigation, providing advice about Fluor's potential legal exposure and the need to report any wrongdoing to the government. Following its investigation, Fluor terminated Anderson. It also sent a summary of its findings to the government pursuant to 48 C.F.R. § 52.203-13(b)(3)(i), which provides that "[t]he Contractor shall timely disclose, in writing, to the agency Office of the Inspector General . . . whenever . . . the Contractor has credible evidence" that an employee has violated certain federal criminal laws, including the False Claims Act.[1]

[1] In addition to the disclosure requirement, this regulatory regime, called the "Contractor Code of Business Ethics and Conduct," requires government contractors to have a written code of business ethics and conduct, exercise due diligence to prevent and detect criminal conduct, and establish an ongoing business ethics awareness and compliance program as well as an internal control system. *Id.* § 52.203-13(b)–(c). The

The summary of Fluor's findings includes the following statements: (1) "Anderson had a financial interest in and appears to have inappropriately assisted [a] Fluor supplier and potential subcontractor"; (2) "Fluor considers this a violation of its conflict of interest policy and Code of Business Conduct and Ethics"; (3) "Anderson used his position as the [Afghanistan] project manager to pursue Relyant concrete contracts with the German military, and Mr. Anderson used his position as the [Afghanistan] project manager to obtain and improperly disclose nonpublic information to Relyant"; and (4) "Fluor estimates there may have been a financial impact to the Government because Mr. Anderson's labor was charged to the contract task order while he engaged in improper conduct." Pet. Writ of Mandamus 13.

Anderson filed suit against Fluor, asserting claims of, among other things, wrongful termination, defamation, and negligence stemming from Fluor's internal investigation and disclosure to the government. In discovery, Anderson sought copies of Fluor's files regarding the internal investigation. Fluor objected, arguing that the files were protected by attorney-client privilege and the work-product doctrine. Anderson moved to compel production, but a magistrate judge denied the motion, agreeing with Fluor that the files were protected from disclosure.

internal control system must provide for, among other things, "[f]ull cooperation with any Government agencies responsible for audits, investigations, or corrective actions." *Id.* § 52.203-13(c)(2)(ii)(G). The disclosure requirement is meant to "emphasize the critical importance of integrity in contracting." Federal Acquisition Regulation; FAR Case 2007-006, Contractor Business Ethics Compliance Program and Disclosure Requirements, 73 Fed. Reg. 67064-02, 67071 (Nov. 12, 2008).

On November 8, 2019, the district court overruled (in part) the magistrate judge's order. As relevant here, the court concluded that the four statements described above in Fluor's disclosure to the government revealed "legal conclusions which characterize [Anderson's] conduct in a way that reveals attorney-client communications," Pet. Writ of Mandamus Ex. D, at 10, and thus that Fluor had waived attorney-client privilege as to those statements, other communications on the same subject matter, and the details underlying them, including fact work product. The district court also concluded that Fluor's description of the disclosure as "voluntary" in its answer and counterclaim was a binding judicial admission. And it asserted that 48 C.F.R. § 52.203-13(b)(3)(i) requires only "a mere notice disclosing the fact that the contractor has credible evidence," so Fluor's disclosure of information beyond that fact was voluntary. Pet. Writ of Mandamus Ex. D, at 12 n.1. Fluor moved for reconsideration of the district court's ruling, but the court denied the motion on December 20, 2019.

The magistrate judge then ordered Fluor to produce the relevant internal investigation files. But based on Fluor's representation that it would promptly seek appellate review, the magistrate judge stayed the production order. On February 26, 2020, the district court overruled the magistrate judge's order staying production and ordered Fluor to produce the relevant materials within seven days.

Fluor then sought mandamus relief in our court.

II.

"Mandamus is a 'drastic' remedy that must be reserved for 'extraordinary situations[.]'" *Cumberland Cty. Hosp. Sys., Inc. v. Burwell*, 816 F.3d 48, 52 (4th Cir. 2016) (quoting *Kerr v. U.S. Dist. Court for the N. Dist. of Cal.*, 426 U.S. 394, 402 (1976)). We provide mandamus relief "only when (1) petitioner 'ha[s] no other adequate means to attain the relief [it] desires'; (2) petitioner has shown a 'clear and indisputable' right to the requested relief; and (3) the court deems the writ 'appropriate under the circumstances.'" *In re Murphy-Brown, LLC*, 907 F.3d 788, 795 (4th Cir. 2018) (quoting *Cheney v. U.S. Dist. Court*, 542 U.S. 367, 380–81 (2004)). As we explain, we conclude that Fluor has satisfied these exacting standards.

A.

We consider first whether Fluor has other adequate means to attain the relief it seeks. Anderson argues that Fluor has available to it three such means—(1) disobey the district court's order, be found in contempt, and appeal the contempt order; (2) seek certification of an interlocutory appeal under 28 U.S.C. § 1292(b); and (3) appeal after final judgment.

But under the circumstances of this case, we cannot agree that these means are adequate. As to appealing from a contempt order, we have previously held that "such an appellate remedy is hardly 'adequate.'" *Rowley v. McMillan*, 502 F.2d 1326, 1335 (4th Cir. 1974); *see also In re Kellogg Brown & Root, Inc.*, 756 F.3d 754, 761 (D.C. Cir. 2014) (noting that "forcing a party to go into contempt is not an 'adequate' means of relief"). As we have explained, a civil contempt sanction is not immediately appealable as an interlocutory order. *United States v. Myers*, 593 F.3d 338, 344 (4th Cir. 2010). And while

"a party to an action may immediately appeal an order of *criminal* contempt," Fluor couldn't have known in advance "whether the [d]istrict [c]ourt would punish its disobedience with an appealable criminal sanction or an 'onerously coercive civil contempt sanction with no means of review until the perhaps far distant day of final judgment.'" *See In re The City of New York*, 607 F.3d 923, 934 (2d Cir. 2010) (quoting 15B Charles Alan Wright, Arthur R. Miller & Edward C. Cooper, *Federal Practice and Procedure* § 3914.23, at 146 (2d ed. 1992)).

As to seeking certification of an interlocutory appeal under § 1292(b), we agree with Fluor that this means of relief is inadequate in light of the district court's suggestion that such an effort would be futile. When considering the magistrate judge's order staying production, the district court evaluated Fluor's likelihood of success on appeal. In doing so, it noted that, despite Fluor's "significant briefing and argument," Fluor "ha[d] not gone so far as to identify specific grounds which will satisfy the preconditions for [interlocutory appeal]." Pet. Writ of Mandamus Ex. K, at 8.

Nor are we satisfied that appealing after a final judgment is an adequate means of relief here. True, in *Mohawk Industries, Inc. v. Carpenter*, the Supreme Court concluded that post-judgment appeals are generally adequate means of relief from disclosure orders adverse to attorney-client privilege. 558 U.S. 100, 109 (2009). But it also noted that in "extraordinary circumstances," such as "when a disclosure order 'amount[s] to a judicial usurpation of power or a clear abuse of discretion,' or otherwise works a manifest injustice," a party may still "petition the court of appeals for a writ of mandamus." *Id.* at 111 (quoting *Cheney*, 542 U.S. at 390).

We conclude that such circumstances are present in this case. First, for the reasons discussed below, the district court's ruling that Fluor's disclosure waived attorney-client privilege is clearly and indisputably incorrect. Second, the ruling implicates "the important legal principles that protect attorney-client relationships," which we recently "elucidate[d]" in *In re Search Warrant Issued June 13, 2019*, 942 F.3d 159, 172–74 (4th Cir. 2019). Third, requiring Fluor to produce privileged materials is particularly injurious here, where Fluor acted pursuant to a regulatory scheme mandating disclosure of potential wrongdoing. Government contractors should not fear waiving attorney-client privilege in these circumstances. We think that together, these circumstances work a manifest injustice.

For these reasons, we conclude that Fluor has no other adequate means to attain the relief it desires.

B.

We consider next whether Fluor has shown a clear and indisputable right to relief. Fluor contends that it has done so as to three erroneous conclusions by the district court: (1) that Fluor's disclosure revealed attorney-client communications and thus waived attorney-client privilege, (2) that Fluor's disclosure was voluntary under 48 C.F.R. § 52.203-13, and (3) that Fluor's description of the disclosure as "voluntary" in its answer and counterclaim was a binding judicial admission. We agree that the district court clearly and indisputably erred as to the first conclusion, and so find it unnecessary to address the others.

The district court overruled the magistrate judge's denial of Anderson's motion to compel production of the internal investigation files because it concluded that the four

statements described above in Fluor's disclosure to the government waived attorney-client privilege. It focused on the following portions of the statements: "(i) Plaintiff 'appears to have inappropriately assisted . . .'; (ii) 'Fluor considers [that] a violation . . .'; (iii) Plaintiff 'used his position . . . to pursue [improper opportunities] and . . . to obtain and improperly disclose nonpublic information . . .'; and (iv) 'Fluor estimates there may have been a financial impact . . . [due to] improper conduct.'" Pet. Writ of Mandamus Ex. D, at 9–10.

According to the district court, because these four statements are "conclusions which only a lawyer is qualified to make," *id.* at 10 (quoting *In re Allen*, 106 F.3d 582, 605 (4th Cir. 1997)), they revealed attorney-client communications and thereby waived attorney-client privilege. Respectfully, the district court's conclusion was clearly and indisputably incorrect.

To find waiver, a court must find that there has been "disclosure of a communication or information covered by the attorney-client privilege or work-product protection." Fed. R. Evid. 502. But we will not infer a waiver merely because a party's disclosure covers "the same topic" as that on which it had sought legal advice. *Sky Angel U.S., LLC v. Discovery Commc'ns, LLC*, 885 F.3d 271, 276 (4th Cir. 2018); *see also United States v. O'Malley*, 786 F.2d 786, 794 (7th Cir. 1986) ("[A] client does not waive his attorney-client privilege 'merely by disclosing a subject which he had discussed with his attorney.' In order to waive the privilege, the client must disclose the communication with the attorney itself." (internal citation omitted)).

Relatedly, in determining whether there has been disclosure of a communication covered by the attorney-client privilege, we distinguish between disclosures based on the

advice of an attorney, on the one hand, and the underlying attorney-client communication itself, on the other. *See In re Grand Jury Subpoena*, 341 F.3d 331, 336 (4th Cir. 2003). In *In re Grand Jury Subpoena*, we considered whether the appellant waived attorney-client privilege by answering "no" to a question on a publicly filed document based on the advice of his attorney, and whether the appellant waived privilege by telling FBI agents that he answered "no" to the question "under the advice of an attorney." *Id.* at 334, 336.

We concluded that the appellant's statement—based on the advice of his attorney—on a publicly filed document did not waive privilege. *Id.* at 336. We explained that "[t]he underlying *communications* between Counsel and Appellant regarding his submission of [the publicly filed document] are privileged, regardless of the fact that those communications may have assisted him in answering questions in a public document." *Id.* Put differently, "Appellant filled out and submitted [the publicly filed document] himself; that he may have answered a question in a particular way on the advice of his attorney does not subject the underlying attorney-client communications to disclosure." *Id.* Ruling otherwise, we noted, "would lead to the untenable result that any attorney-client communications relating to the preparation of publicly filed legal documents—such as court pleadings—would be unprotected." *Id.*

But, as to the appellant's statements to the FBI agents, we concluded that he waived attorney-client privilege because he "clearly stated to a third party that his attorney had advised him to answer 'no'" to the relevant question, thereby disclosing the content of the underlying attorney-client communication itself. *Id.* at 337.

These principles reveal the clear and indisputable error in the district court's assertion that Fluor's disclosure contained "legal conclusions as to past events, as well as recommendations for future conduct, [] conclusions which only a lawyer is qualified to make." Pet. Writ of Mandamus Ex. D, at 10 (quoting *In re Allen*, 106 F.3d at 605). Setting aside whether Fluor's statements were in fact legal conclusions that only a lawyer could make, that is not the test for whether waiver of attorney-client privilege has occurred.[2] Instead, to find waiver, a court must conclude that there has been disclosure of *protected communications*.

As applied here, the fact that Fluor's disclosure covered the same topic as the internal investigation or that it was made pursuant to the advice of counsel doesn't mean that privileged communications themselves were disclosed. The district court clearly and indisputably erred in finding otherwise.

We also disagree with the district court's conclusion that this case is similar to *In re Martin Marietta Corp.*, 856 F.2d 619 (4th Cir. 1988). On the contrary, that case highlights the problem with the district court's determination that Fluor disclosed privileged communications. There, we concluded that the appellant waived privilege over protected internal audit interviews because its disclosure to the government quoted from the interviews, and it waived privilege over protected internal notes and memoranda on the

[2] As Fluor correctly notes, *In re Allen* has nothing to do with waiver. There, we held simply that because documents prepared by a lawyer contained legal conclusions that only an attorney was qualified to make, the documents were prepared in the attorney's capacity as an attorney rather than as a lay investigator. 106 F.3d at 605.

interviews because the disclosure "summariz[ed] in substance and format the interview results." *Id.* at 626 n.2. For example, the disclosure stated that "'of those consulted within the Company all will testify that any qualms they had about the arrangement had nothing to do with worries about fraud,' and 'there is no evidence, testimonial or documentary, that any company officials in the meeting [of November 17, 1983] except Mr. Pollard and his Maxim employees, understood that Maxim had departed from the strict procedures of its [] contract.'" *Id.* at 623. By directly quoting and summarizing what employees had said to counsel in the interviews, the appellant in *In re Martin Marietta Corp.* revealed privileged communications.

But here, there is no evidence to suggest that the four statements in Fluor's disclosure quoted privileged communications or summarized them in substance and format. Rather, the statements do no more than describe Fluor's general conclusions about the propriety of Anderson's conduct. We are unwilling to infer a waiver of privilege on these facts. The most that can be inferred from this record is that Fluor's statements were based on the advice of its counsel. Because that is clearly and indisputably insufficient to show waiver, Fluor has shown a clear and indisputable right to relief.

C.

Lastly, we are satisfied that a writ is appropriate under the circumstances. In addition to being manifestly incorrect, the district court's decision has potentially far-reaching consequences for companies subject to 48 C.F.R. § 52.201-13 and other similar disclosure requirements. We struggle to envision how any company could disclose credible evidence of unlawful activity without also disclosing its conclusion, often based

on the advice of its counsel, that such activity has occurred. More likely, companies would err on the side of making vague or incomplete disclosures, a result patently at odds with the policy objectives of the regulatory disclosure regime at issue in this case.

The district court's decision also introduces uncertainty and irregularity into waiver determinations. Whether a conclusion is one that only an attorney could make is a subjective determination that will likely depend on the particular legal question at issue. The Supreme Court has stated that "[a]n uncertain privilege, or one which purports to be certain but results in widely varying applications by the courts, is little better than no privilege at all." *Upjohn Co. v. United States*, 449 U.S. 383, 393 (1981). We agree, and therefore find it necessary to issue the writ here.

***

For the reasons given, we grant Fluor's petition for a writ of mandamus on the terms set out in our March 13 order.

PETITION GRANTED

In reply refer to
DARS Tracking Number: 2020-O0007

MEMORANDUM FOR COMMANDER, UNITED STATES CYBER COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES SPECIAL OPERATIONS COMMAND (ATTN: ACQUISITION EXECUTIVE)
COMMANDER, UNITED STATES TRANSPORTATION COMMAND (ATTN: ACQUISITION EXECUTIVE)
DEPUTY ASSISTANT SECRETARY OF THE ARMY (PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE NAVY (PROCUREMENT)
DEPUTY ASSISTANT SECRETARY OF THE AIR FORCE (CONTRACTING)
DIRECTORS, DEFENSE AGENCIES
DIRECTORS, DEFENSE FIELD ACTIVITIES

SUBJECT: Class Deviation— Protection of Technical Data and Computer Software Under Small Business Innovation Research Program Contracts

Effective immediately, contracting officers shall use the clause provided in Attachment 1, in lieu of the clause at DFARS 252.227-7018, Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program, in new solicitations and contracts awarded under the SBIR Program, when technical data or computer software will be generated during contract performance. Contracting officers shall use the deviation clause provided in Attachment 1 with Alternate I to DFARS 252.227-7018, as prescribed in DFARS 227.7104(d).

This class deviation implements the Small Business Administration's Policy Directive published in the *Federal Register* on April 2, 2019 (84 FR 12794). The Policy Directive extends the period of time during which the Government must protect technical data and computer software developed or generated under SBIR contracts against unauthorized use and disclosure. This protection period begins at contract award and ends 20 years after contract award. The Policy Directive also provides for the Government to use, and to authorize others to use on its behalf, the data for Government purposes.

This class deviation remains in effect until implemented in the DFARS or otherwise rescinded. My point of contact is Jennifer D. Johnson, who may be reached at 571-372-6100, or at jennifer.d.johnson1.civ@mail.mil.

Kim Herrington
Acting Principal Director,
Defense Pricing and Contracting

252.227-7018 Rights in Noncommercial Technical Data and Computer Software–Small Business Innovation Research (SBIR) Program. (DEVIATION 2020-O0007)
As prescribed in 227.7104(a), use the following clause:

RIGHTS IN NONCOMMERCIAL TECHNICAL DATA AND COMPUTER SOFTWARE--SMALL BUSINESS INNOVATION RESEARCH (SBIR) PROGRAM (MAR 2020) (DEVIATION 2020-O0007)

(a) *Definitions.* As used in this clause—

(1) "Commercial computer software" means software developed or regularly used for nongovernmental purposes which—

(i) Has been sold, leased, or licensed to the public;

(ii) Has been offered for sale, lease, or license to the public;

(iii) Has not been offered, sold, leased, or licensed to the public but will be available for commercial sale, lease, or license in time to satisfy the delivery requirements of this contract; or

(iv) Satisfies a criterion expressed in paragraph (a)(1)(i), (ii), or (iii) of this clause and would require only minor modification to meet the requirements of this contract.

(2) "Computer database" means a collection of recorded data in a form capable of being processed by a computer. The term does not include computer software.

(3) "Computer program" means a set of instructions, rules, or routines, recorded in a form that is capable of causing a computer to perform a specific operation or series of operations.

(4) "Computer software" means computer programs, source code, source code listings, object code listings, design details, algorithms, processes, flow charts, formulae, and related material that would enable the software to be reproduced, recreated, or recompiled. Computer software does not include computer databases or computer software documentation.

(5) "Computer software documentation" means owner's manuals, user's manuals, installation instructions, operating instructions, and other similar items, regardless of storage medium, that explain the capabilities of the computer software or provide instructions for using the software.

(6) "Covered Government support contractor" means a contractor (other than a litigation support contractor covered by 252.204-7014) 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), provided that the contractor—

(i) 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

(ii) Receives access to the technical data or computer software for performance of a Government contract that contains the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(7) "Data" means recorded information, regardless of the form or method of the recording. The term includes technical data and computer software. The term does not include information incidental to contract administration, such as financial, administrative, cost or pricing, or management information.

(8) "Detailed manufacturing or process data" means technical data that describe the steps, sequences, and conditions of manufacturing, processing or assembly used by the manufacturer to produce an item or component or to perform a process.

(9) "Developed" means—

(i) (Applicable to technical data other than computer software documentation.) An item, component, or process, exists and is workable. Thus, the item or component must have been constructed or the process practiced. Workability is generally established when the item, component, or process has been analyzed or tested sufficiently to demonstrate to reasonable people skilled in the applicable art that there is a high probability that it will operate as intended. Whether, how much, and what type of analysis or testing is required to establish workability depends on the nature of the item, component, or process, and the state of the art. To be considered "developed," the item, component, or process need not be at the stage where it could be offered for sale or sold on the commercial market, nor must the item, component or process be actually reduced to practice within the meaning of Title 35 of the United States Code;

(ii) A computer program has been successfully operated in a computer and tested to the extent sufficient to demonstrate to reasonable persons skilled in the art that the program can reasonably be expected to perform its intended purpose;

(iii) Computer software, other than computer programs, has been tested or analyzed to the extent sufficient to demonstrate to reasonable persons skilled in the art that the software can reasonably be expected to perform its intended purpose; or

(iv) Computer software documentation required to be delivered under a contract has been written, in any medium, in sufficient detail to comply with requirements under that contract.

(10) "Developed exclusively at private expense" means development was

accomplished entirely with costs charged to indirect cost pools, costs not allocated to a government contract, or any combination thereof.

(i) Private expense determinations should be made at the lowest practicable level.

(ii) Under fixed-price contracts, when total costs are greater than the firm-fixed-price or ceiling price of the contract, the additional development costs necessary to complete development shall not be considered when determining whether development was at government, private, or mixed expense.

(11) "Developed exclusively with government funds" means development was not accomplished exclusively or partially at private expense.

(12) "Developed with mixed funding" means development was accomplished partially with costs charged to indirect cost pools and/or costs not allocated to a government contract, and partially with costs charged directly to a government contract.

(13) "Form, fit, and function data" means technical data that describe the required overall physical, functional, and performance characteristics (along with the qualification requirements, if applicable) of an item, component, or process to the extent necessary to permit identification of physically and functionally interchangeable items.

(14) "Generated" means technical data or computer software first created in the performance of this contract.

(15) "Government purpose" means any activity in which the United States Government is a party, including cooperative agreements with international or multi-national defense organizations or sales or transfers by the United States Government to foreign governments or international organizations. Government purposes include competitive procurement, but do not include the rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software for commercial purposes or authorize others to do so.

(16) "Government purpose rights" means the rights to—

(i) Use, modify, reproduce, release, perform, display, or disclose technical data or computer software within the Government without restriction; and

(ii) Release or disclose technical data or computer software outside the Government and authorize persons to whom release or disclosure has been made to use, modify, reproduce, release, perform, display, or disclose that data for United States Government purposes.

(17) "Limited rights" means the rights to use, modify, reproduce, release, perform, display, or disclose technical data, in whole or in part, within the Government. The Government may not, without the written permission of the party asserting limited rights, release or disclose the technical data outside the Government, use the technical data for manufacture, or authorize the technical data to be used by another party,

except that the Government may reproduce, release, or disclose such data or authorize the use or reproduction of the data by persons outside the Government if—

(i) The production, release, disclosure, or use is—

(A) Necessary for emergency repair and overhaul; or

(B) A release or disclosure to—

(*1*) A covered Government support contractor in performance of its covered Government support contracts for use, modification, reproduction, performance, display, or release or disclosure to a person authorized to receive limited rights technical data; or

(*2*) A foreign government, of technical data other than detailed manufacturing or process data, when use of such data by the foreign government is in the interest of the Government and is required for evaluational or informational purposes;

(ii) The recipient of the technical data is subject to a prohibition on the further reproduction, release, disclosure, or use of the technical data; and

(iii) The Contractor or subcontractor asserting the restriction is notified of such reproduction, release, disclosure, or use.

(18) "Minor modification" means a modification that does not significantly alter the nongovernmental function or purpose of computer software or is of the type customarily provided in the commercial marketplace.

(19) "Noncommercial computer software" means software that does not qualify as commercial computer software under paragraph (a)(1) of this clause.

(20) "Restricted rights" apply only to noncommercial computer software and mean the Government's rights to—

(i) Use a computer program with one computer at one time. The program may not be accessed by more than one terminal or central processing unit or time shared unless otherwise permitted by this contract;

(ii) Transfer a computer program to another Government agency without the further permission of the Contractor if the transferor destroys all copies of the program and related computer software documentation in its possession and notifies the licensor of the transfer. Transferred programs remain subject to the provisions of this clause;

(iii) Make the minimum number of copies of the computer software required for safekeeping (archive), backup, or modification purposes;

(iv) Modify computer software provided that the Government may—

(A) Use the modified software only as provided in paragraphs (a)(20)(i) and (iii) of this clause; and

(B) Not release or disclose the modified software except as provided in paragraphs (a)(20)(ii), (v), (vi), and (vii) of this clause;

(v) Permit contractors or subcontractors performing service contracts (see 37.101 of the Federal Acquisition Regulation) in support of this or a related contract to use computer software to diagnose and correct deficiencies in a computer program, to modify computer software to enable a computer program to be combined with, adapted to, or merged with other computer programs or when necessary to respond to urgent tactical situations, provided that—

(A) The Government notifies the party which has granted restricted rights that a release or disclosure to particular contractors or subcontractors was made;

(B) Such contractors or subcontractors are subject to the non-disclosure agreement at 227.7103-7 of the Defense Federal Acquisition Regulation Supplement or are Government contractors receiving access to the software for performance of a Government contract that contains the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends;

(C) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(20)(iv) of this clause, for any other purpose; and

(D) Such use is subject to the limitations in paragraphs (a)(20)(i) through (iii) of this clause;

(vi) Permit contractors or subcontractors performing emergency repairs or overhaul of items or components of items procured under this or a related contract to use the computer software when necessary to perform the repairs or overhaul, or to modify the computer software to reflect the repairs or overhaul made, provided that—

(A) The intended recipient is subject to the non-disclosure agreement at 227.7103-7 or is a Government contractor receiving access to the software for performance of a Government contract that contains the clause at 252.227-7025, Limitations on the Use or Disclosure of Government Furnished Information Marked with Restrictive Legends;

(B) The Government shall not permit the recipient to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to paragraph (a)(20)(iv) of this clause, for any other purpose; and

(C) Such use is subject to the limitations in paragraphs (a)(20)(i) through (iii) of this clause; and

(vii) Permit covered Government support contractors in the performance of Government contracts that contain the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends, to use, modify, reproduce, perform, display, or release or disclose the computer software to a person authorized to receive restricted rights computer software, provided that—

(A) The Government shall not permit the covered Government support contractor to decompile, disassemble, or reverse engineer the software, or use software decompiled, disassembled, or reverse engineered by the Government pursuant to the paragraph (a)(20)(iv) of this clause, for any other purpose; and

(B) Such use is subject to the limitations in paragraphs (a)(20)(i) through (iv) of this clause.

(21) "SBIR data" means all data developed or generated in the performance of a SBIR contract.

(22) "SBIR data protection period" means the period of time during which the Government is obligated to protect SBIR data against unauthorized use and disclosure in accordance with SBIR data rights. The SBIR protection period begins on the date of award of the contract under which the SBIR data are developed or generated and ends 20 years after that date. This protection period is not extended by any subsequent SBIR contracts under which any portion of that SBIR data is used or delivered. The SBIR data protection period of any such subsequent SBIR contract applies only to the SBIR data that are developed or generated under that subsequent contract.

(23) "SBIR data rights" means the Government's rights, during the SBIR data protection period, in SBIR data covered by paragraph (b)(5) of this clause, as follows:

(i) Limited rights in such SBIR technical data; and

(ii) Restricted rights in such SBIR computer software.

(24) "Technical data" means recorded 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 information incidental to contract administration, such as financial and/or management information.

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

(b) *Rights in technical data and computer software.* The Contractor grants or shall obtain for the Government the following royalty-free, world-wide, nonexclusive, irrevocable license rights in technical data or noncommercial computer software. All rights not granted to the Government are retained by the Contractor.

(1) *Unlimited rights.* The Government shall have unlimited rights in technical

data, including computer software documentation, or computer software, including such data generated under this contract, that are—

(i) Form, fit, and function data;

(ii) Necessary for installation, operation, maintenance, or training purposes (other than detailed manufacturing or process data);

(iii) Corrections or changes to Government-furnished technical data or computer software;

(iv) Otherwise publicly available or have been released or disclosed by the Contractor or a subcontractor without restrictions on further use, release or disclosure other than a release or disclosure resulting from the sale, transfer, or other assignment of interest in the technical data or computer software to another party or the sale or transfer of some or all of a business entity or its assets to another party;

(v) Data in which the Government has acquired previously unlimited rights under another Government contract or as a result of negotiations;

(vi) Data furnished to the Government, under this or any other Government contract or subcontract thereunder, with—

(A) Government purpose license rights, limited rights, or restricted rights, and the restrictive condition(s) has/have expired; or

(B) Government purpose rights and the Contractor's exclusive right to use such data for commercial purposes has expired; and

(vii) Computer software documentation generated or required to be delivered under this contract.

(2) *Government purpose rights.*

(i) The Government shall have government purpose rights for the period specified in paragraph (b)(2)(ii) of this clause in data that are—

(A) Not SBIR data, and are—

(*1*) Technical data pertaining to items, components, or processes developed with mixed funding, or computer software developed with mixed funding, except when the Government is entitled to unlimited rights in such data as provided in paragraph (b)(1) of this clause; or

(*2*) Created with mixed funding in the performance of a contract that does not require the development, manufacture, construction, or productions of items, components, or processes; or

(B) SBIR data, upon expiration of the SBIR data protection period.

(ii)(A) For the non-SBIR data described in paragraph (b)(2)(i)(A) of this clause, the Government shall have Government purpose rights for a period of five years, or such other period as may be negotiated. This period shall commence upon execution of the contract, subcontract, letter contract (or similar contractual instrument), or contract modification (including a modification to exercise an option) that required development of the items, components, or processes, or creation of the data described in paragraph (b)(2)(i)(A)(*2*) of this clause. Upon expiration of the five-year or other negotiated period, the Government shall have unlimited rights in the data.

(B) For the SBIR data described in paragraph (b)(2)(i)(B) of this clause, the Government shall have Government purpose rights perpetually, or for such other period as may be negotiated. This period commences upon the expiration of the SBIR data protection period. Upon expiration of any such negotiated period, the Government shall have unlimited rights in the data.

(iii) The Government shall not release or disclose data in which it has government purpose rights unless—

(A) Prior to release or disclosure, the intended recipient is subject to the nondisclosure agreement at 227.7103-7 of the Defense Federal Acquisition Regulation Supplement (DFARS); or

(B) The recipient is a Government contractor receiving access to the data for performance of a Government contract that contains the clause at DFARS 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends.

(iv) The Contractor has the exclusive right, including the right to license others, to use technical data in which the Government has obtained government purpose rights under this contract for any commercial purpose during the time period specified in the government purpose rights legend prescribed in paragraph (f)(2) of this clause.

(3) *Limited rights.* The Government shall have limited rights in technical data, that were not generated under this contract, pertain to items, components or processes developed exclusively at private expense, and are marked, in accordance with the marking instructions in paragraph (f)(1) of this clause, with the legend prescribed in paragraph (f)(3) of this clause.

(4) *Restricted rights in computer software.* The Government shall have restricted rights in noncommercial computer software required to be delivered or otherwise furnished to the Government under this contract that were developed exclusively at private expense and were not generated under this contract.

(5) *SBIR data rights.* Except for technical data, including computer software documentation, or computer software in which the Government has unlimited rights under paragraph (b)(1) of this clause, the Government shall have SBIR data rights, during the SBIR data protection period of this contract, in all SBIR data.

(6) *Specifically negotiated license rights*. The standard license rights granted to the Government under paragraphs (b)(1) through (b)(5) of this clause may be modified by mutual agreement to provide such rights as the parties consider appropriate but shall not provide the Government lesser rights in technical data, including computer software documentation, than are enumerated in paragraph (a)(17) of this clause or lesser rights in computer software than are enumerated in paragraph (a)(20) of this clause. Any rights so negotiated shall be identified in a license agreement made part of this contract.

(7) *Prior government rights*. Technical data, including computer software documentation, or computer software that will be delivered, furnished, or otherwise provided to the Government under this contract, in which the Government has previously obtained rights shall be delivered, furnished, or provided with the pre-existing rights, unless—

(i) The parties have agreed otherwise; or

(ii) Any restrictions on the Government's rights to use, modify, release, perform, display, or disclose the technical data or computer software have expired or no longer apply.

(8) *Release from liability*. The Contractor agrees to release the Government from liability for any release or disclosure of technical data, computer software, or computer software documentation made in accordance with paragraph (a)(15), (a)(19), or (b)(5) of this clause, or in accordance with the terms of a license negotiated under paragraph (b)(6) of this clause, or by others to whom the recipient has released or disclosed the data, software, or documentation and to seek relief solely from the party who has improperly used, modified, reproduced, released, performed, displayed, or disclosed Contractor data or software marked with restrictive legends.

(9) *Covered Government support contractors*. The Contractor acknowledges that—

(i) Limited rights technical data and restricted rights computer software are authorized to be released or disclosed to covered Government support contractors;

(ii) The Contractor will be notified of such release or disclosure;

(iii) The Contractor may require each such covered Government support contractor to enter into a non-disclosure agreement directly with the Contractor (or the party asserting restrictions as identified in a restrictive legend) regarding the covered Government support contractor's use of such data or software, or alternatively that the Contractor (or party asserting restrictions) may waive in writing the requirement for an non-disclosure agreement; and

(iv) Any such non-disclosure agreement shall address the restrictions on the covered Government support contractor's use of the data or software as set forth in the clause at 252.227-7025, Limitations on the Use or Disclosure of Government-Furnished Information Marked with Restrictive Legends. The non-disclosure agreement shall not

include any additional terms and conditions unless mutually agreed to by the parties to the non-disclosure agreement.

(c) *Rights in derivative computer software or computer software documentation.* The Government shall retain its rights in the unchanged portions of any computer software or computer software documentation delivered under this contract that the Contractor uses to prepare, or includes in, derivative software or documentation.

(d) *Third party copyrighted technical data and computer software.* The Contractor shall not, without the written approval of the Contracting Officer, incorporate any copyrighted technical data, including computer software documentation, or computer software in the data or software to be delivered under this contract unless the Contractor is the copyright owner or has obtained for the Government the license rights necessary to perfect a license or licenses in the deliverable data or software of the appropriate scope set forth in paragraph (b) of this clause and, prior to delivery of such—

(1) Technical data, has affixed to the transmittal document a statement of the license rights obtained; or

(2) Computer software, has provided a statement of the license rights obtained in a form acceptable to the Contracting Officer.

(e) *Identification and delivery of technical data or computer software to be furnished with restrictions on use, release, or disclosure.*

(1) This paragraph does not apply to technical data or computer software that were or will be generated under this contract or to restrictions based solely on copyright.

(2) Except as provided in paragraph (e)(3) of this clause, technical data or computer software that the Contractor asserts should be furnished to the Government with restrictions on use, release, or disclosure is identified in an attachment to this contract (the Attachment). The Contractor shall not deliver any technical data or computer software with restrictive markings unless the technical data or computer software are listed on the Attachment.

(3) In addition to the assertions made in the Attachment, other assertions may be identified after award when based on new information or inadvertent omissions unless the inadvertent omissions would have materially affected the source selection decision. Such identification and assertion shall be submitted to the Contracting Officer as soon as practicable prior to the scheduled date for delivery of the technical data or computer software, in the following format, and signed by an official authorized to contractually obligate the Contractor:

Identification and Assertion of Restrictions on the Government's Use, Release, or Disclosure of Technical Data or Computer Software.

The Contractor asserts for itself, or the persons identified below, that the Government's rights to use, release, or disclose the following technical data or computer software should be restricted:

Technical Data or Computer Software to be Furnished With Restrictions*	Basis for Assertion**	Asserted Rights Category***	Name of Person Asserting Restrictions****
(LIST)	(LIST)	(LIST)	(LIST)

*If the assertion is applicable to items, components, or processes developed at private expense, identify both the technical data and each such item, component, or process.

**Generally, development at private expense, either exclusively or partially, is the only basis for asserting restrictions on the Government's rights to use, release, or disclose technical data or computer software. Indicate whether development was exclusively or partially at private expense. If development was not at private expense, enter the specific reason for asserting that the Government's rights should be restricted.

***Enter asserted rights category (e.g., limited rights, restricted rights, government purpose rights, or government purpose license rights from a prior contract, SBIR data rights under another contract, or specifically negotiated licenses).

****Corporation, individual, or other person, as appropriate.

Date _____
Printed Name and Title _____
_____
Signature _____

(End of identification and assertion)

(4) When requested by the Contracting Officer, the Contractor shall provide sufficient information to enable the Contracting Officer to evaluate the Contractor's assertions. The Contracting Officer reserves the right to add the Contractor's assertions to the Attachment and validate any listed assertions, at a later date, in accordance with the procedures of the Validation of Asserted Restrictions—Computer Software and/or Validation of Restrictive Markings on Technical Data clauses of this contract.

(f) *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 or computer software to be delivered under this contract by marking the deliverable data or software subject to restriction. Except as provided in paragraph (f)(7) of this clause, only the following markings are authorized under this contract: the limited rights legend at paragraph (f)(3) of this clause; the restricted rights legend at paragraph (f)(4) of this clause, the SBIR data rights legend at paragraph (f)(5) of this clause, or the special license rights legend at paragraph (f)(6) of this clause; and/or a notice of copyright as prescribed under 17 U.S.C. 401 or 402.

(1) *General marking instructions*. The Contractor, or its subcontractors or suppliers, shall conspicuously and legibly mark the appropriate legend to all technical

data and computer software that qualify for such markings. The authorized legends shall be placed on the transmittal document or storage container and, for printed material, each page of the printed material containing technical data or computer software for which restrictions are asserted. When only portions of a page of printed material are subject to the asserted restrictions, such portions shall be identified by circling, underscoring, with a note, or other appropriate identifier. Technical data or computer software transmitted directly from one computer or computer terminal to another shall contain a notice of asserted restrictions. However, instructions that interfere with or delay the operation of computer software in order to display a restrictive rights legend or other license statement at any time prior to or during use of the computer software, or otherwise cause such interference or delay, shall not be inserted in software that will or might be used in combat or situations that simulate combat conditions, unless the Contracting Officer's written permission to deliver such software has been obtained prior to delivery. Reproductions of technical data, computer software, or any portions thereof subject to asserted restrictions shall also reproduce the asserted restrictions.

(2) *Government purpose rights markings.* Data delivered or otherwise furnished to the Government with government purpose rights shall be marked as follows:

GOVERNMENT PURPOSE RIGHTS

Contract No. _____

Contractor Name _____

Contractor Address _____

_____

Expiration Date _____

The Government's rights to use, modify, reproduce, release, perform, display, or disclose these data are restricted by paragraph (b)(2) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. No restrictions apply after the expiration date shown above. Any reproduction of data or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(3) *Limited rights markings.* Technical data not generated under this contract that pertain to items, components, or processes developed exclusively at private expense and delivered or otherwise furnished with limited rights shall be marked with the following legend:

LIMITED RIGHTS

Contract No. _____

Contractor Name _____

Contractor Address _____

The Government's rights to use, modify, reproduce, release, perform, display, or disclose these technical data are restricted by paragraph (b)(3) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. Any reproduction of technical data or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such data must promptly notify the above named Contractor.

(End of legend)

(4) *Restricted rights markings.* Computer software delivered or otherwise furnished to the Government with restricted rights shall be marked with the following legend:

RESTRICTED RIGHTS

Contract No. _____

Contractor Name _____

Contractor Address _____

_____

The Government's rights to use, modify, reproduce, release, perform, display, or disclose this software are restricted by paragraph (b)(4) of the Rights in Noncommercial Technical Data and Computer Software—Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. Any reproduction of computer software or portions thereof marked with this legend must also reproduce the markings. Any person, other than the Government, who has been provided access to such software must promptly notify the above named Contractor.

(End of legend)

(5) *SBIR data rights markings.* Except for technical data or computer software in which the Government has acquired unlimited rights under paragraph (b)(1) of this clause, or negotiated special license rights as provided in paragraph (b)(6) of this clause, technical data or computer software generated under this contract shall be marked with the following legend. The Contractor shall enter the expiration date for the SBIR data protection period on the legend:

SBIR DATA RIGHTS

Contract No. _____

Contractor Name _____

Contractor Address _____

_____

Expiration of SBIR Data _____

Protection Period _____

The Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software marked with this legend are restricted during the period shown as provided in paragraph (b)(5) of the Rights in Noncommercial Technical Data and Computer Software–Small Business Innovation Research (SBIR) Program clause contained in the above identified contract. After the expiration date shown above, the Government has perpetual government purpose rights as provided in paragraph (b)(5) of that clause. Any reproduction of technical data, computer software, or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(6) *Special license rights markings.*

(i) Technical data or computer software in which the Government's rights stem from a specifically negotiated license shall be marked with the following legend:

SPECIAL LICENSE RIGHTS

The Government's rights to use, modify, reproduce, release, perform, display, or disclose this technical data or computer software are restricted by Contract No. _____(Insert contract number)____, License No. ____(Insert license identifier)____. Any reproduction of technical data, computer software, or portions thereof marked with this legend must also reproduce the markings.

(End of legend)

(ii) For purposes of this clause, special licenses do not include government purpose license rights acquired under a prior contract (see paragraph (b)(7) of this clause).

(7) *Pre-existing data markings.* If the terms of a prior contract or license permitted the Contractor to restrict the Government's rights to use, modify, reproduce, release, perform, display, or disclose technical data or computer software, and those restrictions are still applicable, the Contractor may mark such data or software with the appropriate restrictive legend for which the data or software qualified under the prior contract or license. The marking procedures in paragraph (f)(1) of this clause shall be followed.

(g) *Contractor procedures and records.* Throughout performance of this contract, the Contractor, and its subcontractors or suppliers that will deliver technical data or computer software with other than unlimited rights, shall—

(1) Have, maintain, and follow written procedures sufficient to assure that restrictive markings are used only when authorized by the terms of this clause; and

(2) Maintain records sufficient to justify the validity of any restrictive markings on technical data or computer software delivered under this contract.

(h) *Removal of unjustified and nonconforming markings.*

(1) *Unjustified markings.* The rights and obligations of the parties regarding the validation of restrictive markings on technical data or computer software furnished or to be furnished under this contract are contained in the Validation of Restrictive Markings on Technical Data and the Validation of Asserted Restrictions–Computer Software clauses of this contract, respectively. Notwithstanding any provision of this contract concerning inspection and acceptance, the Government may ignore or, at the Contractor's expense, correct or strike a marking if, in accordance with the applicable procedures of those clauses, a restrictive marking is determined to be unjustified.

(2) *Nonconforming markings.* A nonconforming marking is a marking placed on technical data or computer software delivered or otherwise furnished to the Government under this contract that is not in the format authorized by this contract. Correction of nonconforming markings is not subject to the Validation of Restrictive Markings on Technical Data or the Validation of Asserted Restrictions—Computer Software clause of this contract. If the Contracting Officer notifies the Contractor of a nonconforming marking or markings and the Contractor fails to remove or correct such markings within sixty (60) days, the Government may ignore or, at the Contractor's expense, remove or correct any nonconforming markings.

(i) *Relation to patents.* Nothing contained in this clause shall imply a license to the Government under any patent or be construed as affecting the scope of any license or other right otherwise granted to the Government under any patent.

(j) *Limitation on charges for rights in technical data or computer software.*

(1) The Contractor shall not charge to this contract any cost, including but not limited to, license fees, royalties, or similar charges, for rights in technical data or computer software to be delivered under this contract when—

(i) The Government has acquired, by any means, the same or greater rights in the data or software; or

(ii) The data are available to the public without restrictions.

(2) The limitation in paragraph (j)(1) of this clause—

(i) Includes costs charged by a subcontractor or supplier, at any tier, or costs incurred by the Contractor to acquire rights in subcontractor or supplier technical data or computer software, if the subcontractor or supplier has been paid for such rights under any other Government contract or under a license conveying the rights to the Government; and

(ii) Does not include the reasonable costs of reproducing, handling, or mailing the documents or other media in which the technical data or computer software will be delivered.

(k) *Applicability to subcontractors or suppliers.*

(1) The Contractor shall assure that the rights afforded its subcontractors and suppliers under 10 U.S.C. 2320, 10 U.S.C. 2321, and the identification, assertion, and delivery processes required by paragraph (e) of this clause are recognized and protected.

(2) Whenever any noncommercial technical data or computer software is to be obtained from a subcontractor or supplier for delivery to the Government under this contract, the Contractor shall use this same clause in the subcontract or other contractual instrument, and require its subcontractors or suppliers to do so, without alteration, except to identify the parties. The Contractor shall use the Technical Data—Commercial Items clause of this contract to obtain technical data pertaining to commercial items, components, or processes. No other clause shall be used to enlarge or diminish the Government's, the Contractor's, or a higher tier subcontractor's or supplier's rights in a subcontractor's or supplier's technical data or computer software.

(3) Technical data required to be delivered by a subcontractor or supplier shall normally be delivered to the next higher tier contractor, subcontractor, or supplier. However, when there is a requirement in the prime contract for technical data which may be submitted with other than unlimited rights by a subcontractor or supplier, then said subcontractor or supplier may fulfill its requirement by submitting such technical data directly to the Government, rather than through a higher tier contractor, subcontractor, or supplier.

(4) The Contractor and higher tier subcontractors or suppliers shall not use their power to award contracts as economic leverage to obtain rights in technical data or computer software from their subcontractors or suppliers.

(5) In no event shall the Contractor use its obligation to recognize and protect subcontractor or supplier rights in technical data or computer software as an excuse for failing to satisfy its contractual obligation to the Government.

(End of clause)

necessary. A petition without such information is facially incomplete because it fails to provide minimum factual information for EPA to make the threshold findings needed to respond to and act on the petition as contemplated by TSCA section 21.

In this case, PEER's petition refers to hazard databases and makes conclusory statements of toxicity but provides little further information that would support granting a TSCA section 6(a) rulemaking request. The petition lacks analysis that would be expected in a TSCA risk evaluation preceding a section 6(a) rulemaking. For example, there is no discussion of the appropriate hazard threshold, exposure estimates, assessment of risks, or how the facts presented allow EPA to comply with its duties under section 26 or other statutory requirements in making an unreasonable risk determination. Absent such minimal factual information, EPA cannot make the threshold determinations necessary to substantively assess and grant a petition for a TSCA section 6(a) rulemaking. As a result, EPA denies PEER's petition request as facially incomplete.

V. References

The following is a listing of the documents that are specifically referenced in this document. The docket includes these documents and other information considered by EPA, including documents that are referenced within the documents that are included in the docket, even if the referenced document is not physically located in the docket. For assistance in locating these other documents, please consult the technical person listed under **FOR FURTHER INFORMATION CONTACT**.

Whitehouse, Timothy, Public Employees for Environmental Responsibility (PEER) to the Administrator of the Environmental Protection Agency. Re: Ban on Hydrofluoric Acid in Refineries: Petition for Rulemaking. Received August 7, 2019.

List of Subjects in 40 CFR Chapter I

Environmental protection, Hydrofluoric Acid, Oil Refineries, Chemicals, Hazardous substances, Prohibition on Chemicals.

Dated: November 4, 2019.

Alexandra Dapolito Dunn,

Assistant Administrator, Office of Chemical Safety and Pollution Prevention.

[FR Doc. 2019–24406 Filed 11–8–19; 8:45 am]

BILLING CODE 6560–50–P

DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Parts 207, 212, 215, 227, and 252

[Docket DARS–2019–0064]

RIN 0750–AK79

Defense Federal Acquisition Regulation Supplement: Negotiation of Price for Technical Data and Preference for Specially Negotiated Licenses (DFARS Case 2018–D071)

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Advance notice of proposed rulemaking.

SUMMARY: DoD is seeking information that will assist in the development of a revision to the Defense Federal Acquisition Regulation Supplement to implement sections of the National Defense Authorization Acts for Fiscal Years 2018 and 2019. In brief, for DoD only, those provisions provide for the negotiation of a price for technical data to be delivered under contracts for the engineering and manufacturing development, production, or sustainment of a major weapon system; and a preference for specially negotiated licenses for customized technical data to support the product support strategy of a major weapon system or subsystem thereof.

DATES: Interested parties should submit written comments to the address shown below on or before January 13, 2020, to be considered in the formation of any proposed rule.

DoD is also hosting public meetings to obtain the views of interested parties in accordance with the notice published in the **Federal Register** on August 16, 2019, at 84 FR 41953.

ADDRESSES: Submit written comments identified by DFARS Case 2018–D071, using any of the following methods:

- *Federal eRulemaking Portal: http://www.regulations.gov.* Search for "DFARS Case 2018–D071." Select "Comment Now" and follow the instructions provided to submit a comment. Please include "DFARS Case 2018–D071" on any attached documents.
- *Email: osd.dfars@mail.mil.* Include DFARS Case 2018–D071 in the subject line of the message.
- *Fax:* 571–372–6094.
- *Mail:* Defense Acquisition Regulations System, Attn: Ms. Jennifer D. Johnson, OUSD(A–S)DPC/DARS, Room 3B941, 3060 Defense Pentagon, Washington, DC 20301–3060.

Comments received generally will be posted without change to *http://www.regulations.gov,* including any personal information provided. To confirm receipt of your comment(s), please check *www.regulations.gov,* approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Ms. Jennifer D. Johnson, telephone 571–372–6100.

SUPPLEMENTARY INFORMATION:

I. Background

DoD is seeking information from the public, particularly experts and interested parties in Government and the private sector, that will assist in the development of a revision to the Defense Acquisition Regulation Supplement (DFARS) to implement section 835 of the National Defense Authorization Act (NDAA) for Fiscal Year (FY) 2018 (Pub. L. 115–91) and section 867 of the NDAA for FY 2019 (Pub. L. 115–232). Both sections are for DoD only; they do not impact other Federal agencies. Section 835 enacted a new provision into permanent law (10 U.S.C. 2439) and added a new subsection (f) to 10 U.S.C. 2320. Section 867 expanded the scope of 10 U.S.C. 2439. As a result, 10 U.S.C. 2439 now requires that the Secretary of Defense ensure, to the maximum extent practicable, that DoD, before selecting a contractor for the engineering and manufacturing development of a major weapon system, production of a major weapon system, or sustainment of a major weapon system, negotiates a price for technical data to be delivered under a contract for such development, production, or sustainment. 10 U.S.C. 2320(f) now provides for a preference for specially negotiated licenses for customized technical data to support the product support strategy of a major weapon system or subsystem of a major weapon system.

II. Discussion and Analysis

An initial draft of the proposed revisions to the DFARS to implement section 835 of the NDAA for FY 2018 and section 867 of the NDAA for FY 2019 is available in the Federal eRulemaking Portal at *http://www.regulations.gov,* by searching for "DFARS Case 2018–D071", selecting "Open Docket Folder" for RIN 0750–AK79, and viewing the "Supporting Documents". The strawman is also available at *https://www.acq.osd.mil/*

dpap/dars/change_notices.html under the publication notice for November 12, 2019, and DFARS Case 2018–D071. The following is a summary of DoD's proposed approach and the feedback DoD is seeking from industry and the public.

A. Negotiation of Price for Technical Data (10 U.S.C. 2439)

DoD is considering revising the DFARS to require the contracting officer to negotiate a price for data (including technical data and computer software) and associated license rights to be delivered or otherwise provided under a contract for services or for the development, production, or sustainment of a system, subsystem, or component. The contracting officer would be required to negotiate this price to the maximum extent practicable and before making a source selection decision or awarding a sole-source contract. Currently, the DFARS does not require the contracting officer to negotiate a price for data and associated license rights before the source selection decision or award of a sole-source contract. Prices for data and associated license rights are often negotiated after contract award.

The primary proposed change regarding mandatory negotiation of prices for data is found in proposed DFARS 215.470(a). The primary proposed change seeks to apply the new statutory requirement of 10 U.S.C. 2439 in a manner that is consistent with the implementation of other statutory requirements (*e.g.*, 10 U.S.C. 2320–2321) related to data (including technical data and computer software) and associated license rights (*e.g.*, rights to use technical data to repair damage to a system). DoD's intent is to foster consistency in treatment amongst contracts awarded by DoD that require the delivery of data (including technical data and computer software) and associated license rights. The change would clarify that price negotiations must occur whether or not the resulting contract is competed. Although 10 U.S.C. 2439 requires negotiation of prices for data for major weapon systems, the regulatory coverage would include commercial technical data, noncommercial technical data, and computer software (and associated license rights), consistent with the manner in which DoD has implemented 10 U.S.C. 2320–2321 in the DFARS over the past 24 years. Current DoD policy is to acquire needed technical data and computer software and associated license rights under contracts for the acquisition of supplies, services, and business systems. Accordingly, the primary proposed change would extend the scope of regulatory coverage to encompass contracts other than those for engineering and manufacturing development, production, or sustainment (including services contracts).

The House Armed Services Committee report accompanying the provision of the NDAA Bill that became section 835 of the NDAA for FY 2018 "urge[d] program managers when seeking technical data to consider the particular data that is required, the level of detail necessary, the purpose for which it will be used, with whom the government needs to share it, and for how long the government needs it." H.Rep. No. 115–200, at 165 (2017). Thus, Congress intended that a DoD contract must require the contractor to:

- Deliver or otherwise provide (*i.e.*, make available to the Government) technical data and computer software; *and*
- Grant license rights to that technical data and computer software.

Accordingly, to foster consistency in treatment, the proposed DFARS 215.470(a) would require that contracting officers negotiate a fair and reasonable price for all data (including technical data and computer software) *and* associated license rights to be delivered or otherwise provided under a DoD contract for services or for the development, production, or sustainment of a system, subsystem, or component. The requirement for price negotiation would not be limited to technical data to be delivered under a DoD contract for the engineering and manufacturing development, production, or sustainment of, a major weapon system.

The proposed DFARS 215.470(a) also seeks to address the concerns identified in Tension Point Papers 1, 4, and 5 of the Final Report of the Government-Industry Advisory Panel on Technical Data Rights (Section 813 Panel) submitted to the Congressional Defense Committees in mid-November 2018 pursuant to section 813(b) of the NDAA for FY 2016 (Pub. L. 114–92), as amended by section 809 of the NDAA for FY 2017 (Pub. L. 114–328). In brief, those Tension Point Papers state that offerors should provide in their proposals a detailed discussion of their intellectual property (IP) evaluation techniques and assumptions, and that contracting officers should be required to consider commercial IP valuation practices and standards when determining a fair and reasonable price for the requested IP.

The three valuation practices and standards traditionally used by commercial entities to calculate the value of IP for transactional and litigation purposes are the market method, the cost method, and the income method. The market method consists of a comparison of proposed prices to other prices for similar IP, for example, a comparison of proposed prices to historical prices paid. The cost method involves a review and evaluation of the separate cost elements and profit or fee that make up the proposed prices. The income method considers the income a contractor's IP could generate in the future and the costs of generating that income, *i.e.*, the economic benefit of the IP to the contractor.

Currently, contracting officers must comply with existing regulations at Federal Acquisition Regulation (FAR) 15.404–1, DFARS 212.209, and DFARS 215.404–1, which require contracting officers to use the market method first, followed by the cost method if it is not feasible to use the market method. The proposed DFARS 215.470(a) directs contracting officers to consult FAR 15.404–1, DFARS 212.209, and DFARS 215.404–1 when negotiating a fair and reasonable price for all data (including technical data and computer software) and associated license rights, delivered or otherwise provided under a DoD contract. Although nothing prohibits the contracting officer from using the income method, use of the income method is not discussed in the DFARS.

B. Preference for Specially Negotiated License Rights (10 U.S.C. 2320(f))

New paragraph (f) of 10 U.S.C. 2320 establishes a preference for specially negotiated license rights (SNLR) through two new requirements, both of which relate to and require revisions to existing DFARS coverage. The DFARS currently authorizes, but does not express a preference for, the use of SNLR.

First, new 10 U.S.C. 2320(f) requires that the assessments and planning for a program's long-term needs for technical data for sustainment (required by 10 U.S.C. 2320(e)) must now include consideration of the use of specially negotiated licenses for customized technical data that supports DoD's strategy for sustainment of the major weapon system or subsystem being purchased. The underlying requirement to assess and plan for long-term technical data needs is implemented at DFARS 207.106(S–70), which applies to the program's needs for computer software and associated license rights, as well as data for major weapon systems and subsystems. Accordingly, the new requirements of 2320(f) are

proposed to be implemented in a similar manner. Specifically, the new 10 U.S.C. 2320(f) requirement is proposed for insertion as new DFARS 207.106(S–70)(2)(ii), with existing paragraphs (ii)–(iv) renumbered accordingly.

Second, new 10 U.S.C. 2320(f) requires that, to the maximum extent practicable, programs for major weapon systems or subsystems thereof shall use specially negotiated licenses for technical data to support DoD's strategy for sustainment of the systems or subsystems. While the current DFARS coverage does not include a preference for specially negotiated licenses, the DFARS authorizes the use of SNLR for all types of technical data and computer software, both noncommercial and commercial. The current DFARS enables the parties to enter into special licenses only by voluntary mutual agreement, and reinforces that any rights granted to the Government must be enumerated in an agreement that is incorporated into the contract. The DFARS currently identifies the minimum license rights that the Government is authorized to accept. For example, DFARS 227.7103–5, Government rights, specifies that, when negotiating specific license rights for technical data, the Government may not accept less than limited rights.

The proposed approach for implementing the new statutory preference for SNLR is to incorporate an appropriate statement of preference into the existing DFARS sections and clauses that already authorize and address, but do not currently express a preference for, SNLR. This implementation requires consideration of how a "preference" for SNLR can be integrated appropriately into the current regulatory structure that allows for SNLR on the basis of voluntary, mutual agreement. The proposed approach expresses a preference for use of SNLR "whenever doing so will more equitably address the parties' interests than the standard license rights" provided in the applicable clause or allocation of rights. However, to ensure that SNLR are not merely authorized and encouraged, but are required to be considered, the approach also includes an affirmative requirement that, to the maximum extent practicable, the parties must enter into good faith negotiations whenever *either party* desires a special license. Thus, it is only in the case when neither party desires a special license agreement (*e.g.*, because neither party anticipates doing so would more equitably address the parties' relative interests), that the parties are not required to negotiate.

The proposed approach also maintains the existing DFARS coverage, which reinforces that neither party can be forced to relinquish its standard license rights. Additionally, the proposed approach retains the DFARS statement of mandatory minimum license rights, as applicable (*e.g.*, currently there is no required minimum license for commercial computer software or commercial computer software documentation). The approach includes the requirement from 10 U.S.C. 2320(f) that the special license must support the program's strategy for sustainment of the major weapon system or subsystem being purchased. The proposed approach also states that DoD may still challenge the basis for a contractor's assertions upon which a special license is based. DoD may challenge a contractor's assertions pursuant to DFARS 252.227–7019, Validation of Asserted Restrictions–Computer Software, and 252.227–7037, Validation of Restrictive Markings on Technical Data, as applicable. Finally, the approach also seeks to standardize the nomenclature for such negotiated licenses using variations of the term "special" (*e.g.*, special license, specially negotiated license rights), rather than the term "specifically," which is used inconsistently in the current DFARS.

This proposed implementation resulted in revisions to the existing DFARS coverage regarding SNLR for all forms of technical data and computer software, as follows:

(1) For commercial technical data, at 227.7102–2(b) and the associated clause at 252.227–7015(c).

(2) For noncommercial technical data, at 227.7103–5, and –5(d), and the associated clause at 252.227–7013(b)(4).

(3) For commercial computer software, at 227.7202–3(b) (for which there is no associated clause).

(4) For noncommercial computer software, at 227.7203–5, and –5(d), and the associated clause at 252.227–7014(b)(4).

(5) For the Small Business Innovation Research (SBIR) Program, at new 227.7104(d), and associated clause at 252.227–7018(b)(5).

Note that in the case of the SBIR Program, the proposed revisions limit the preference and authorization to negotiate special license agreements to be only after contract award, in accordance with section 8, paragraph 6, of the SBIR Program and Small Business Technology Transfer Program Policy Directive, published in the **Federal Register** on April 2, 2019, (84 FR 12794), and which became effective on May 2, 2019.

C. Seeking Public Comment on Additional Topics

In addition to seeking public comment on the substance of the draft DFARS revisions, DoD is also seeking information regarding any corresponding change in the burden, including associated costs or savings, resulting from contractors and subcontractors complying with the draft revised DFARS implementation. More specifically, DoD is seeking information regarding any anticipated increase or decrease in such burden and costs relative to the burden and costs associated with complying with the current DFARS implementing language.

III. Executive Orders 12866 and 13563

Executive Orders (E.O.s) 12866 and 13563 direct agencies to assess all costs and benefits of available regulatory alternatives and, if regulation is necessary, to select regulatory approaches that maximize net benefits (including potential economic, environmental, public health and safety effects, distributive impacts, and equity). E.O. 13563 emphasizes the importance of quantifying both costs and benefits, of reducing costs, of harmonizing rules, and of promoting flexibility. This is a significant regulatory action and, therefore, was subject to review under section 6(b) of E.O. 12866, Regulatory Planning and Review, dated September 30, 1993. This rule is not a major rule under 5 U.S.C. 804.

IV. Executive Order 13771

This Advance Notice of Proposed Rulemaking is not subject to E.O. 13771.

List of Subjects in 48 CFR Parts 207, 212, 215, 227, and 252

Government procurement.

Jennifer Lee Hawes,

Regulatory Control Officer, Defense Acquisition Regulations System.

[FR Doc. 2019–24585 Filed 11–8–19; 8:45 am]

BILLING CODE 5001–06–P

DEPARTMENT OF TRANSPORTATION

Federal Motor Carrier Safety Administration

49 CFR Part 396

[Docket No. FMCSA–2019–0075]

RIN 2126–AC29

Passenger Carrier No-Defect Driver Vehicle Inspection Reports

AGENCY: Federal Motor Carrier Safety Administration (FMCSA), DOT.

not developed exclusively at private expense.

* * * * *

(e) * * *

(1) * * *

(i) State the specific grounds for challenging the asserted restriction, including, for commercial items, to the maximum extent practicable, sufficient information to reasonably demonstrate that the commercial item was not developed exclusively at private expense;

* * * * *

(f) *Final decision when Contractor or subcontractor fails to respond.* Upon a failure of a Contractor or subcontractor to submit any response to the challenge notice the Contracting Officer will issue a final decision to the Contractor or subcontractor in accordance with the Disputes clause of this contract. In order to sustain the challenge for commercial items, the Contracting Officer will provide information demonstrating that the commercial item was not developed exclusively at private expense. This final decision will be issued as soon as possible after the expiration of the time period of paragraph (e)(1)(ii) or (e)(2) of this clause. Following issuance of the final decision, the Contracting Officer will comply with the procedures in paragraphs (g)(2)(ii) through (iv) of this clause.

(g) * * *

(2)(i) If the Contracting Officer determines that the validity of the restrictive marking is not justified, the Contracting Officer will issue a final decision to the Contractor or subcontractor in accordance with the Disputes clause of this contract. In order to sustain the challenge for commercial items, the Contracting Officer will provide information demonstrating that the commercial item was not developed exclusively at private expense. Notwithstanding paragraph (e) of the Disputes clause, the final decision will be issued within sixty (60) days after receipt of the Contractor's or subcontractor's response to the challenge notice, or within such longer period that the Contracting Officer has notified the Contractor or subcontractor of the longer period that the Government will require. The notification of a longer period for issuance of a final decision will be made within sixty (60) days after receipt of the response to the challenge notice.

* * * * *

[FR Doc. 2020–18640 Filed 8–28–20; 8:45 am]

BILLING CODE 5001–06–P

DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Parts 227 and 252

[Docket DARS–2019–0043]

RIN 0750–AK84

Defense Federal Acquisition Regulation Supplement: Small Business Innovation Research Program Data Rights (DFARS Case 2019–D043)

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Advance notice of proposed rulemaking.

SUMMARY: DoD is seeking information that will assist in the development of a revision to the Defense Federal Acquisition Regulation Supplement (DFARS) to implement the data rights portions of the Small Business Innovation Research Program and Small Business Technology Transfer Program Policy Directives.

DATES: Interested parties should submit written comments to the address shown below on or before October 30, 2020, to be considered in the formation of any proposed rule.

ADDRESSES: Submit written comments identified by DFARS Case 2019–D043, using any of the following methods:

- *Federal eRulemaking Portal: http://www.regulations.gov.* Search for "DFARS Case 2019–D043." Select "Comment Now" and follow the instructions provided to submit a comment. Please include "DFARS Case 2019–D043" on any attached documents.
- *Email: osd.dfars@mail.mil.* Include DFARS Case 2019–D043 in the subject line of the message.
- *Fax:* 571–372–6094.
- *Mail:* Defense Acquisition Regulations System, Attn: Ms. Jennifer D. Johnson, OUSD(A–S)DPC/DARS, Room 3B941, 3060 Defense Pentagon, Washington, DC 20301–3060.

Comments received generally will be posted without change to *http://www.regulations.gov,* including any personal information provided. To confirm receipt of your comment(s), please check *www.regulations.gov,* approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Ms. Jennifer D. Johnson, telephone 571–372–6100.

SUPPLEMENTARY INFORMATION:

I. Background

DoD is seeking information from experts and interested parties in Government and the private sector to assist in the development of a revision to the DFARS to implement the intellectual property (*e.g.,* data rights) portions of the revised Small Business Innovation Research (SBIR) Program and Small Business Technology Transfer (STTR) Program Policy Directives. The Small Business Administration (SBA) issued a notice of proposed amendments to the SBIR Program and STTR Program policy directives, which included combining the two directives in a single document, on April 7, 2016, at 81 FR 20483. The final combined SBIR/STTR Policy Directive was published on April 2, 2019, at 84 FR 12794, and became effective on May 2, 2019.

The final Policy Directive includes several revisions affecting the data rights coverage, which require corresponding revisions to the DFARS. For example, the new Policy Directive:

- Establishes a single, non-extendable, 20-year SBIR/STTR data protection period, rather than a 4-year period that can be extended indefinitely;
- Grants the Government licensed use for Government purposes after the expiration of the SBIR/STTR data protection period, rather than unlimited rights;
- Establishes or revises several important definitions to harmonize the terminology used in the Policy Directive and the Federal Acquisition Regulations (FAR) and DFARS implementations, while allowing for agency-specific requirements (*e.g.,* agency-specific statutes).

In drafting these revisions, DoD also considered the recommendations of the Government-Industry Advisory Panel on Technical Data Rights (Section 813 Panel) established by section 813 of the National Defense Authorization Act for FY 2016. The Section 813 Panel addressed SBIR data rights issues in its final report at Paper 21, "Small Business Innovation Research (SBIR) (Flow-down to Suppliers; Inability to Share with Primes; Evaluation)."

DoD also hosted a public meeting on December 20, 2019, to obtain the views of interested parties in accordance with the notice published in the **Federal Register** on November 25, 2019, at 84 FR 64878.

II. Discussion and Analysis

An initial draft of the proposed revisions to the DFARS to implement

the SBA's SBIR/STTR Policy Directive is available in the Federal eRulemaking Portal at *http://www.regulations.gov,* by searching for "DFARS Case 2019–D043", selecting "Open Docket Folder" for RIN 0750–AK84, and viewing the "Supporting Documents". The strawman is also available at *https://www.acq.osd.mil/dpap/dars/change_notices.html* under the publication notice for DFARS Case 2019–D043. The following is a summary of DoD's proposed approach and the feedback DoD is seeking from industry and the public.

The SBIR and STTR programs are governed by 15 U.S.C. 638, which includes specialized coverage regarding intellectual property developed under those programs. More specifically, the law requires that the SBIR and STTR program policy directives allow a small business concern to "[retain] the rights to data generated by the concern in the performance of an SBIR [or STTR] award for a period of not less than 4 years" (see 15 U.S.C. 638, paragraphs (j)(1)(B)(v), (j)(2)(A), and (p)(2)(B)(v)). This retention of rights applies even in cases when the development work is being paid for entirely at Government expense to meet the needs of the SBIR/STTR contract.

In contrast, the DoD statutory and regulatory approach to allocating data rights in non-SBIR/STTR contracts is based primarily on the source of development funding for the technology (*i.e.,* development of the item or process to which the technical data pertains; or development of the computer software). When the technology is developed entirely at Government expense, the Government is granted an "unlimited rights" license; for development exclusively at private expense, the Government is granted "limited rights" in technical data, and "restricted rights" in computer software; and for development with a mix of private and Governments funds, the Government receives "Government purpose rights." However, for certain types of data that generally do not contain detailed proprietary information that require greater protection, the Government receives unlimited rights regardless of the development funding (*e.g.,* form, fit, or function data; data necessary for operation, maintenance, installation, or training (OMIT data); and computer software documentation).

Accordingly, the implementation of the SBIR/STTR approach to allowing the small business to retain rights in SBIR/STTR data must generally function as an exception to the otherwise applicable DFARS approach based on development funding (see, *e.g.,* 10 U.S.C. 2320(a)(2)(A)). In general, this means that the small business SBIR/STTR contractor retains greater rights (during the SBIR/STTR data protection period) than it otherwise would retain for technology developed even entirely at Government expense under the contract. The specific nature and scope of the retention of rights (*e.g.,* what license is granted to the Government), the duration of the SBIR/STTR data protection period, and the Government's license rights after the expiration of the protection period have evolved over time, including important revisions in the final SBIR/STTR policy directive.

A. SBIR/STTR Data Protection Period

The new Policy Directive revises the SBIR/STTR protection period to start at the award of a SBIR or STTR contract and end 20 years thereafter. This period cannot be extended. Previously, the policy directives specified that the protection period for each SBIR or STTR contract was 4 years. However, if any SBIR/STTR data generated under such a contract was also referenced and protected under a subsequent SBIR/STTR contract awarded prior to the expiration of the protection period from the earlier contract, then the protection period for that data was extended for an additional 4 years. There was no limit to the number of times the protection period could be extended under these circumstances, but in each case the extension only covered the portion of the data that was referenced and protected in the subsequent award. This process, whereby a SBIR or STTR award could extend the protection period for data originally generated under a prior SBIR or STTR contract, is commonly referred to as "daisy-chaining" the individual protection periods.

The current DFARS implementation for the SBIR program provides a 5-year protection period for SBIR data, with the protection starting at contract award and ending 5 years "after the completion of the project." To implement the daisy-chaining idea allowing for extension of the protection period, the term "end of the project" is interpreted to mean the end of the last contract in which the relevant SBIR data is referenced and protected.

The draft revisions to the DFARS implement the new protection period in a manner analogous to that used in the new Policy Directive by defining a new term, "SBIR/STTR data protection period," (see 252.227–7018(a)(22)). The new definition performs two primary functions. It describes the nature of the protection (*i.e.,* the protection against unauthorized use and disclosure as more specifically set forth in the defined term "SBIR/STTR data rights"). In addition, the new definition identifies when those protections start and stop (*i.e.,* starting at contract award and ending 20 years after that). In anticipation of potential confusion regarding whether this new 20-year period can be extended, the draft DFARS revisions also add clarifying statements that "[t]his protection period is not extended by any subsequent SBIR/STTR contracts under which any portion of that SBIR/STTR data are used or delivered," and "[t]he SBIR/STTR data protection period of any such subsequent SBIR/STTR contract applies only to the SBIR/STTR data that are developed or generated under that subsequent contract."

B. U.S. Government Rights at Expiration of SBIR/STTR Data Protection Period

The new Policy Directive provides that after the end of the SBIR/STTR data protection period, the Government receives a license authorizing use and disclose of the SBIR/STTR data for U.S. Government purposes, but not for commercial purposes. Previously, the Government received unlimited rights upon expiration of the protection period. The draft DFARS amendments implement this change by granting the Government the existing defined license of "Government purpose rights" at the end of the SBIR/STTR data protection period (see draft revisions at 252.227–7018(a)(16), (c)(2)(i)(B), and (c)(2)(ii)(B)). Additional revisions cover the situation in which the Government received Government purpose rights in non-SBIR/STTR data that was developed with mixed funding (see draft revisions at 252.227–7018(c)(2)(i)(A) and (c)(2)(ii)(A)).

C. Definitions

The new Policy Directive added or revised definitions for several data rights terms, including the following: computer database, computer programs, computer software, computer software documentation, data, form fit and function data, operations maintenance installation or training (OMIT) data, prototype, SBIR/STTR computer software rights, SBIR/STTR data, SBIR/STTR data rights, SBIR/STTR protection period, SBIR/STTR technical data rights, technical data, and unlimited rights. In doing so, the SBA sought to harmonize the definitions used in the Policy Directive and the FAR and DFARS, while allowing the implementation in the FAR and DFARS to be tailored as necessary to incorporate agency-specific requirements (*e.g.,* required by agency-specific statutes). For example, the FAR

and DFARS both use the defined terms "limited rights" and "restricted rights" to describe the Government's license in technical data and computer software, respectively, related to technology developed exclusively at private expense. However, due in part to DoD-unique requirements contained in the DoD technical data statutes at 10 U.S.C. 2320 and 2321, the DFARS defines these terms differently than the FAR. To recognize such differences, the Policy Directive does not use or define those terms, instead creating new terms that attempt to capture the features that are common to both the FAR and DFARS definitions, but allowing for agency-specific tailoring in appropriate circumstances.

For example, the SBA's new defined term "SBIR/STTR Technical Data Rights" includes the authority for the Government to make a use or release of the data that is "[n]ecessary to support certain narrowly-tailored essential Government activities for which law or regulation permits access of a non-Government entity to a contractor's data developed exclusively at private expense, non-SBIR/STTR Data, such as for emergency repair and overhaul." (Policy Directive Section 3, definition (ii), paragraph (2)(i); see also the definition of "SBIR/STTR Computer Software Rights" at paragraph (ee)(2)(ii)(B)). This approach allows the DFARS implementation to continue to rely on its existing definitions of limited rights and restricted rights, including in the definition of "SBIR/STTR data rights" at draft 252.227–7018(a)(23).

D. Omission of Required Restrictive Markings

The SBIR/STTR Policy Directive reinforces the absolute requirement to place restrictive markings on SBIR/STTR data delivered with SBIR/STTR data rights. When data is delivered without the required restrictive markings, it is presumed to have been delivered with unlimited rights. However, the Government has, for decades, provided a procedure for correction of inadvertently unmarked data, at 227.7103–10(c) and 227.7203–10(c). The draft revisions include these procedures in new paragraph (g)(2) in the clause at 252.227–7018.

E. Applicability and Flowdown of SBIR/STTR Clauses

A key issue that is discussed in the Section 813 Panel's SBIR Paper, and reinforced in the new Policy Directive, is the need to clarify the applicability of the SBIR/STTR rules to all phases of those programs. In particular, there is concern that the appropriate SBIR/STTR clause(s) may not be used consistently when the contracted activity to be covered by the SBIR or STTR rules is only occurring in performance of a lower-tier subcontract. In this case, the activity at the prime contract or higher-tier subcontract levels would not otherwise be treated as a SBIR or STTR project, and those contracts or subcontracts likely would not typically include the required SBIR/STTR clause(s) for flowdown purposes.

To clarify and address the applicability and flowdown of the necessary SBIR/STTR clauses, the draft revisions include changes to—

(i) Relocate and clarify the prescription for the relevant SBIR/STTR clauses at new 227.7104–2;

(ii) Clarify the applicability and flowdown of the data rights clauses at draft revised 252.227–7013(l), 252.227–7014(l), 252.227–7015(f), and 252.227–7018(l); and

(iii) Add a new paragraph (b), "Applicability," to each of the primary data rights clauses to describe the scope of coverage of each clause at 252.227–7013(b), 252.227–7014(b), 252.227–7015(b), and 252.227–7018(b).

The overall intended operation of these draft revisions is to reinforce that contracts and subcontracts should include all of the appropriate data rights clauses that are necessary to allocate rights in all types of technical data and computer software relevant to the overall scope of work, and that when multiple such clauses are used, each clause governs only the appropriate type of technical data or computer software that is within scope of that clause. This approach, which may be referred to as "apportionment" of the applicable clause(s), is modeled after such an approach already implemented in the DFARS to address the applicability of the clauses at 252.227–7013 and 252.227–7015 to technical data pertaining to commercial items for which the Government has paid for any portion of the development (*e.g.*, 227.7102–4(b) and 227.7103–6(a)).

DoD also considered an alternative approach to addressing the scope and applicability of the SBIR/STTR clauses, and seeks public comment on this alternative. Specifically, the alternative approach would be to revise the scope of the primary SBIR/STTR clause at 252.227–7018 so that it applies ONLY to SBIR/STTR data, and does not include allocations of rights for any non-SBIR/STTR data. This would significantly streamline the clause at 252.227–7018. However, it would also require the incorporation and flowdown of all other clauses that are necessary to govern any non-SBIR/STTR data that may be delivered under the contract or subcontract. This approach would depart from the long-standing DFARS text for implementing the SBIR program rules, in which the primary SBIR clause is designed to cover all forms of data to be delivered, including non-SBIR data (*e.g.*, data not generated under the SBIR contract).

F. STTR-Specific Coverage

As noted, one element of the new Policy Directive is that it now covers the combination of both the SBIR Program and STTR Program. The DFARS coverage at 227.7104 has traditionally referenced only the SBIR program, and does not currently include any STTR-specific coverage. The draft revisions expand this coverage to address both programs by: (1) Adding references to STTR for coverage that applies both to SBIR and STTR (*e.g.*, revising "SBIR" to "SBIR/STTR"); and (2) adding new coverage for STTR-unique requirements. For example, the STTR Program requires additional activities, both preaward and postaward, for STTR contractors to submit information to confirm that the allocation of intellectual property rights between the STTR offeror/contractor and its partnering research institution do not conflict with the STTR solicitation or contract. New STTR-only definitions, regulatory, and provision/clause coverage is provided in the draft revisions at 227.7104–1(c); 227.7104–2(e); new provision at 252.227–70XX; and new clause at 252.227–70YY.

G. Prototypes

The new Policy Directive provides for special considerations regarding the handling (*e.g.*, disclosure, reverse engineering) of prototypes generated under SBIR and STTR awards, to avoid effects that may appear to be inconsistent with the SBIR and STTR program objectives. The draft DFARS revisions recognize and reference this guidance in new 227.7104–1(e).

H. Additional Administrative or Technical Revisions

In the course of making the foregoing revisions, additional edits are made to address administrative issues (*e.g.*, citations and cross-references) and make technical corrections, including the following:

(1) *Organization.* The overall coverage for the SBIR/STTR programs in 227.7104 was reorganized into two subjections: 227.7104–1 for rights in SBIR or STTR data; and 227.7104–2 for the prescriptions for provisions and clauses.

(2) *Unlimited rights categories.* The list of data types for which the Government receives unlimited rights in the SBIR/STTR clause at 252.227–7014 was corrected to harmonize with the description of those categories throughout the DFARS (see revisions at 252.227–7018(c)(1)(v)–(vii); compare 252.227–7013(c)(1)(vii)–(ix), 252.227–7014(c)(1)(ii)).

(3) *Markings.* The restrictive markings for SBIR/STTR data rights and Government purpose rights were revised to reflect the substantive changes.

I. Prohibition on Preaward Negotiation

Another specialized policy exception for the SBIR/STTR programs is that negotiation of specialized license agreements is prohibited as a condition of award, and thus is generally permitted only after award (see Policy Directive section 8(b)(6)). The implementation of this limitation was included in the draft revisions published for public comment as an advance notice of proposed rulemaking for DFARS case 2018–D071, Negotiation of Price for Technical Data and Preference for Specially Negotiated Licenses (84 FR 60988).

J. Comments Sought Regarding any Increase or Decrease in Burden and Costs

In addition to seeking public comment on the substance of the draft DFARS revisions, DoD is also seeking information regarding any corresponding change in the burden, including associated costs or savings, resulting from contractors and subcontractors complying with the draft revised DFARS implementation. More specifically, DoD is seeking information regarding any anticipated increase or decrease in such burden and costs relative to the burden and costs associated with complying with the current DFARS implementing language.

List of Subjects in 48 CFR Parts 227 and 252

Government procurement.

Jennifer Lee Hawes,

Regulatory Control Officer, Defense Acquisition Regulations System.

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DEPARTMENT OF DEFENSE

Defense Acquisition Regulations System

48 CFR Parts 245 and 252

[Docket DARS–2020–0026]

RIN 0750–AK92

Defense Federal Acquisition Regulation Supplement: Property Loss Reporting in the Procurement Integrated Enterprise Environment (DFARS Case 2020–D005)

AGENCY: Defense Acquisition Regulations System, Department of Defense (DoD).

ACTION: Proposed rule.

SUMMARY: DoD is proposing to amend the Defense Federal Acquisition Regulation Supplement (DFARS) to replace a legacy software application used for reporting loss of Government property with new capabilities developed within the DoD enterprise-wide, eBusiness platform, Procurement Integrated Enterprise Environment.

DATES: Comments on the proposed rule should be submitted in writing to the address shown below on or before October 30, 2020, to be considered in the formation of a final rule.

ADDRESSES: Submit comments identified by DFARS Case 2020–D005, using any of the following methods:

- *Regulations.gov: http://www.regulations.gov.* Search for "DFARS Case 2020–D005" under the heading "Enter keyword or ID" and select "Search." Select "Comment Now" and follow the instructions provided to submit a comment. Please include "DFARS Case 2020–D005" on any attached document.
- *Email: osd.dfars@mail.mil.* Include DFARS Case 2020–D005 in the subject line of the message.
- *Fax:* 571–372–6094.
- *Mail:* Defense Acquisition Regulations System, Attn: Ms. Kimberly R. Ziegler, OUSD(A&S)DPC/DARS, Room 3B941, 3060 Defense Pentagon, Washington, DC 20301–3060.

Comments received generally will be posted without change to *http://www.regulations.gov,* including any personal information provided. To confirm receipt of your comment(s), please check *www.regulations.gov,* approximately two to three days after submission to verify posting (except allow 30 days for posting of comments submitted by mail).

FOR FURTHER INFORMATION CONTACT: Ms. Kimberly R. Ziegler, telephone 571–372–6095.

SUPPLEMENTARY INFORMATION:

I. Background

DoD is proposing to amend the DFARS to replace the Defense Contract Management Agency (DCMA) eTool application used to report the loss of Government property with the new Government-Furnished Property (GFP) module in the Procurement Integrated Enterprise Environment (PIEE). The DCMA eTool application is a self-contained, legacy application that has numerous limitations, to include its inability to share data with other internal or external DoD business systems or to respond to changes in regulation, policies, and procedures. DoD developed the GFP module within the PIEE to house the GFP lifecycle to address these limitations and to provide the Department with the end-to-end accountability for all GFP transactions within a secure, single, integrated system.

II. Discussion and Analysis

The clause at DFARS 252.245–7002, Reporting Loss of Government Property, directs DoD contractors to use the Defense Contract Management Agency (DCMA) eTool software application for reporting loss of Government-furnished property (GFP). This rule proposes to revise the clause at DFARS 252.245–7002 to direct contractors to use the property loss function within the GFP module in the PIEE, instead of the DCMA eTool, when reporting loss of Government-furnished property. There are no changes to the data to be reported, only the application in which it is submitted. The new application is based upon newer technology that will provide contractors with a much more efficient process to submit data for their reports. For instance, contractors will not be required to enter the same data into multiple fields, the system will automatically populate data fields throughout the process. This one improvement will save contractors time and reduce the potential for errors during manual entry.

III. Applicability to Contracts at or Below the Simplified Acquisition Threshold and for Commercial Items, Including Commercially Available Off-the-Shelf Items

This proposed rule does not create any new provisions or clauses, nor does it change the applicability of any existing provisions or clauses included in solicitations and contracts valued at or below the simplified acquisition threshold, or for commercial items, including commercially available off-the-shelf items.