



DEPARTMENT OF DEFENSE
Defense Contract Management Agency

INSTRUCTION

Patents and Royalties

Contracts Directorate
DCMA-AQCF

DCMA-INST 115
June 14, 2013

Validated Current with Administrative Changes, May 15, 2014

1. PURPOSE. This Instruction:

- a. Reissues and updates the Agency policy and assigns roles, responsibilities for DCMA Instruction (DCMA-INST) 115, "Patents and Royalties," (Reference (a)).
- b. Implements Government policy pursuant to the references on page 3.
- c. Is established in compliance with DoD Directive (DoDD) 5105.64 (Reference (b)).

2. APPLICABILITY. ~~This Instruction applies to all DCMA activities that perform Contract Receipt and Review.~~ *This instruction applies to all DCMA activities unless higher-level regulations, policy, guidance, waiver, or agreements take precedence; e.g., DCMA International and Special Programs. For classified contracts with security requirements, exceptions to this Instruction shall be in accordance with supplemental instructions maintained by the Special Programs Directorate.*

3. MANAGERS' INTERNAL CONTROL PROGRAM. This Instruction contains managers' internal control provisions that are subject to evaluation and testing as required by DCMA-INST 710, "Managers' Internal Control Program" (Reference (c)). The process flowchart is located ~~at Appendix A~~ *on the policy resource Web page of this Instruction.*

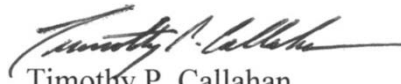
4. RELEASABILITY – UNLIMITED. This Instruction is approved for public release.

5. PLAS CODE(S).

- a. 154 - Patents and Royalties
- b. Programs: ACAT/Other Customers (when applicable)
- c. Other National; Training and Travel; Local Programs (when applicable)

6. POLICY RESOURCE WEB PAGE. <https://home.dcma.mil/policy/115r>

7. EFFECTIVE DATE. By order of the Director, DCMA, this Instruction is effective immediately.



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Contracts

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REFERENCES

- (a) DCMA-INST 115, "Patents and Royalties," December 31, 2009 (hereby canceled)
- (b) DoDD 5105.64, "Defense Contract Management Agency (DCMA)," January 10, 2013
- (c) DCMA-INST 710, "Managers' Internal Control Program," April 21, 2014
- (d) DCMA-INST 118, "Contract Receipt and Review," June 25, 2013
- (e) FAR 52.227-1, Authorization and Consent
- (f) FAR 52.227-2, Notice and Assistance Regarding Patent and Copyright Infringement
- (g) FAR 52.227-3, Patent Indemnity
- (h) FAR 52.227-5, Waiver of Indemnity
- (i) FAR 52.227-6, Royalty Information
- (j) FAR 52.227-7, Patents - Notice of Government Licensee
- (k) FAR 52.227-9, Refund of Royalties
- (l) FAR 52.227-10, Filing of Patent Applications - Classified Subject Matter
- (m) FAR 52.227-11, Patent Rights - Ownership by the Contractor
- (n) FAR 52.227-13, Patent Rights - Ownership by the Government
- (o) DFARS 252.227-7038, Patent Rights - Ownership by the Contractor (Large Business)
- (p) DFARS 252.227-7039, Patents - Reporting of Subject Inventions
- (q) DCMA MOCAS User's Manual
- (r) FAR 42.5, Postaward Orientation
- (s) FAR 27.305-2, Administration by the Government
- (t) DFARS 227.7006, Investigation and administrative disposition of claims
- (u) FAR 27.202-4, Refund of royalties
- (v) DCMA-INST 135, "Contract Closeout," August 6, 2013

CHAPTER 1

POLICY

1.1. POLICY. It is DCMA policy that:

1.1.1. Administrative contracting officer (ACO) shall review contracts to identify patent and royalty clauses and protect the Government's interests.

1.1.2. The term ACO as used in this Instruction can refer to corporate administrative contracting officer (CACO), divisional administrative contracting officer (DACO), termination contracting officer, or ACO unless otherwise specified.

CHAPTER 2

RESPONSIBILITIES

2.1. CONTRACT MANAGEMENT OFFICE (CMO) CONTRACTS DIRECTOR, OR THE DIRECTOR OF CORPORATE/DIVISIONAL ADMINISTRATIVE CONTRACTING OFFICER GROUP. The appropriate CMO contracts director, or the CACO/DACO group director shall ensure compliance with this Instruction by subordinate contracting staff.

2.2. ADMINISTRATIVE CONTRACTING OFFICER (ACO). The ACO has primary responsibility for identifying patents and royalties clauses. The ACO must pay specific attention to patents and royalties clauses contained in the contract during contract receipt and review (CRR) (DCMA-INST 118, “Contract Receipt and Review” (Reference (d))).

CHAPTER 3

PROCEDURES

3.1. CONDUCT CONTRACT RECEIPT AND REVIEW (CRR).

3.1.1. During the initial review of the contract, the ACO shall check the contract for the following patents and royalties clauses in accordance with DCMA-INST 118 (Reference (d)):

- Federal Acquisition Regulation (FAR) 52.227-1, Authorization and Consent (Reference (e))
- FAR 52.227-2, Notice and Assistance Regarding Patent and Copyright Infringement (Reference (f))
- FAR 52.227-3, Patent Indemnity (Reference (g))
- FAR 52.227-5, Waiver of Indemnity (Reference (h))
- FAR 52.227-6, Royalty Information (Reference (i))
- FAR 52.227-7, Patents - Notice of Government Licensee (Reference (j))
- FAR 52.227-9, Refund of Royalties (Reference (k))
- FAR 52.227-10, Filing of Patent Applications - Classified Subject Matter (Reference (l))
- FAR 52.227-11, Patent Rights - Ownership by the Contractor (Reference (m))
- FAR 52.227-13, Patent Rights - Ownership by the Government (Reference (n))
- Defense Federal Acquisition Regulation Supplement (DFARS) 252.227-7038, Patent Rights - Ownership by the Contractor (Large Business) (Reference (o))
- DFARS 252.227-7039, Patents - Reporting of Subject Inventions (Reference (p))

3.1.2. Mechanization of Contract Administration Services (MOCAS) automatically generates an R9 02 code for contracts when the contract kind is 2 (Research and Development) in the Contract Data Record and/or if the Patents, Royalty, and Technical Data Required codes are either G (Patents only), Y (Technical data plus royalty and patents), R (Royalty only), T (Technical data), or W (Technical data plus patents) in the Provision Data Record. The R9 02 code prompts MOCAS to generate a report in Reveal (MOCAS ACO Alert, Report UYCDO1). The report is generated annually from the effective date of the contract until the contract moves to section 2. If for some reason the contract contains a patent clause and MOCAS does not automatically input the R9 02 code, the ACO shall input the code manually (DCMA MOCAS User's Manual (Reference (q))).

3.2. CONTRACT REQUIREMENTS.

3.2.1. Provide Formal/Informal Patent Instructions to the Contractor. After identifying the contract patent requirements, the ACO shall contact the contractor to review the requirements in accordance with FAR 42.5, Post-award Orientation (Reference (r)).

3.2.2. If the contractor is not familiar with patent rights requirements, the ACO shall provide formal instructions on the reporting and disclosure requirements and other provisions of the

various patent clauses through a post-award orientation conference (PAOC). See FAR 52.227-11, FAR 52.227-13, and FAR 27.305-2(e) (References (m), (n) and (s)).

3.2.3. If no formal PAOC is held, the ACO shall send a patent rights orientation letter that explains the contractor's responsibilities under the clauses. The patent rights orientation letter shall:

3.2.3.1. Inform the contractor/subcontractor that the contract/subcontract contains a Patent Rights Clause (letters to subcontractors should be addressed to/through their prime contractors).

3.2.3.2. Enclose a summary of the principal obligations imposed upon the contractor/subcontractor under the clause.

3.2.3.3. Request the name, title, address, and telephone number of the individual responsible for compliance with the clause requirements.

3.2.3.4. Inform contractors of their responsibility to obtain all reports and submissions from their subcontractors and submit to the ACO. The ACO shall forward the reports and submissions to the procuring contracting officer (PCO). (Exception: Affirmative reports and disclosures that the subcontractor wants withheld from the prime contractor may be submitted directly to the PCO.)

3.3. CONTRACT REPORTING REQUIREMENTS.

3.3.1. The patent rights clauses require certain contractor reports and notifications which are forwarded by the ACO to the PCO.

3.3.2. The reports required under FAR 52.227-11(c) (Reference (m)) should be reviewed by the ACO prior to forwarding to ensure that the contractor has met the timelines for:

3.3.2.1. Disclosing in writing each subject invention within 2 months after the inventor discloses it in writing to contractor personnel responsible for patent matters.

3.3.2.2. Electing in writing whether or not to retain ownership of any subject invention within 2 years of disclosure to the agency.

3.3.2.3. Filing either a provisional or a non-provisional patent application or a plant variety protection application on an elected subject invention within 1-year after election.

3.3.3. The reports required under FAR 52.227-13(e)(3), Patent Rights - Ownership by the Government (Reference (n)) should be reviewed by the ACO prior to forwarding to ensure that the contractor has met the timelines for:

3.3.3.1. Furnishing interim reports every 12 months (or a longer period as may be specified by the contracting officer) from the date of the contract listing subject inventions during that period, and stating that all subject inventions have been disclosed.

3.3.3.2. Furnishing a final report within 3 months after completion of the contracted work, listing all subject inventions or stating that there were none, and listing all subcontracts at any tier containing a patent rights clause or stating that there were none.

3.3.4. DFARS 252.227-7038(c), Patent Rights Ownership by the Contractor (Large Business) (Reference (o)) should be reviewed by the ACO prior to forwarding to ensure that the contractor has met the timelines for:

3.3.4.1. Disclosing, in writing, for each subject invention to the contracting officer within 2 months after the inventor discloses it in writing to contractor personnel responsible for patent matters, or within 6 months after the contractor first becomes aware that a subject invention has been made, whichever is first.

3.3.4.2. Electing, in writing, whether or not to retain ownership of any subject invention by notifying the contracting officer at the time of disclosure or within 8 months of disclosure, as to those countries (including the United States) in which the contractor will retain ownership.

3.3.4.3. Filing either a provisional or a nonprovisional patent application on an elected subject invention within 1-year after election provided that in all cases the application is filed prior to the end of any statutory period wherein valid patent protection can be obtained in the United States after a publication, on sale, or public use.

3.3.4.3.1. Filing a nonprovisional application within 10 months of the filing of any provisional application.

3.3.4.3.2. Filing patent applications in additional countries or international patent offices within either 10 months of the first filed patent application (whether provisional or nonprovisional) or 6 months from the date the Commissioner of Patents grants permission to file foreign patent applications where such filing has been prohibited by a secrecy order.

3.3.5. DFARS 252.227-7039(c), Patents - Reporting of Subject Inventions (Reference (p)) should be reviewed by the ACO to ensure that the contractor has met the timelines for furnishing:

3.3.5.1. Interim reports every 12 months (or such longer period as may be specified by the contracting officer) from the date of the contract, listing subject inventions during that period and stating that all subject inventions have been disclosed or that there are no such inventions.

3.3.5.2. A final report, within 3 months after completion of the contracted work, listing all subject inventions or stating that there were no such inventions.

3.3.5.3. Upon request, the filing date, serial number and title, a copy of the patent application and patent number, and issue data for any subject invention for which the contractor has retained title.

3.3.5.4. Upon request, the contractor shall furnish the Government an irrevocable power to inspect and make copies of the patent application file.

3.4. WITHHOLDING OF PAYMENT. (This paragraph does not apply to subcontracts.)

3.4.1. The ACO may withhold payments until a reserve not exceeding \$50,000 or 5 percent of the contract amount, whichever is less, is set aside if the contractor does not comply with the requirements of the patent rights clauses of the contract (See FAR 27.305-2(e) (Reference (s)) and FAR 52.227-13, Patent Rights - Ownership by the Government or DFARS 252.227-7038, Patent Rights Ownership by the Contractor (Large Business) (References (n) and (o))).

3.4.2. The ACO shall not make final payment under a contract before the contractor delivers all disclosures of subject inventions, an acceptable final report, and all past due confirmatory instruments.

3.4.3. The ACO may withhold payments any time during contract performance if the contractor fails to establish procedures for identifying inventions and adhering to reporting requirements.

3.5. INVESTIGATE NOTICES OF INFRINGEMENT.

3.5.1. Upon receipt of notification of any patent infringement claim, the ACO must promptly acknowledge receipt and notify the PCO and DCMA Counsel, who will in turn, notify the appropriate service patent counsel. See DFARS 227.7006, Investigation and administrative disposition of claims (Reference (t)).

3.5.2. The ACO is responsible for supporting investigations into any such claims, if requested by the service patent counsel.

3.6. ADMINISTER REPORTING OR REFUND OF ROYALTIES.

3.6.1. FAR 52.227-9, Refund of Royalties (Reference (k)), establishes procedures to pay the contractor royalties under the contract and recover royalties not paid by the contractor when the royalties were included in the contractor's fixed price (FAR 27.202-4. Reference (u)).

3.6.2. The ACO must ensure FAR 52.227-9 (Reference (k)) or equivalent is incorporated prior to consenting to the placement of subcontracts.

3.6.3. The ACO must ensure, prior to approving final payment, that the contractor has submitted its royalty report.

3.7. CONTRACT CLOSEOUT.

3.7.1. When a contract contains a patent rights clause, FAR 52.227-11(Reference (m)), FAR 52.227-13(Reference (n)), DFARS 252.227-7038 (Reference (o)), or DFARS 252.227-7039 (Reference (p)), the ACO shall obtain a final patent report from the contractor, as required by the clause, preferably on a DD Form 882, Report of Inventions and Subcontracts, in accordance with DCMA-INST 135, "Contract Closeout" (Reference (v)).

3.7.2. Additional close out procedures can be found in DCMA-INST 135 (Reference (v)).

GLOSSARY

DEFINITIONS

Patent. A grant made by a government that confers upon the creator of an invention the sole right to make, use, and sell that invention for a set period of time.

Payment. Compensation, discharge or performance of an obligation, or reimbursement, by giving over something that is of satisfactory value to its recipient, such as money.

Post Award Orientation Conference. A meeting after the award of a contract which aids both Government and contractor personnel to (1) achieve a clear and mutual understanding of all contract requirements, and (2) identify and resolve potential problems.

Royalty. A share in the proceeds paid to an inventor or a proprietor for the right to use his or her invention or services.

Subcontract. Agreement, purchase order, or any such legal instrument issued under a prime contract (by the prime contractor to a third party the subcontractor), calling for the performance of a defined piece of work or production and/or delivery of specified goods or services. Subcontracts contain special terms and conditions that are unique to the prime contract, and flow-down provisions that proceed from it.

GLOSSARY**ACRONYMS**

ACO	administrative contracting officer
CACO	corporate administrative contracting officer
CMO	contract management office
CRR	contract receipt and review
DACO	divisional administrative contracting officer
DCMA-INST	DCMA instruction
DFARS	Defense Federal Acquisition Regulation Supplement
DODD	Department of Defense directive
FAR	Federal Acquisition Regulation
MOCAS	mechanization of contract administration services
PAOC	post-award orientation conference
PCO	procuring contracting officer
PLAS	Performance Labor Accounting System