This Section introduces some basic SBIR and STTR Data Rights concepts by means of questions and answers. These frequently asked questions provide an opportunity to introduce some basic facts about this complex subject by means of real questions that SBIR entrepreneurs and their staffs frequently ask.

**QUESTION 1**
I have funding from one of the eleven agencies that participates in the SBIR program, but the award did not result from a response to an SBIR Topic or a Phase I or II SBIR. Do I need to be concerned about SBIR Data Rights?

Answer: This question also can be asked in a more general way: “When do SBIR Data Rights apply?” The answer is that they apply in only three instances: in all Phase I, II and III SBIR awards. Phase I and II awards are funded with SBIR set aside funds and must be accorded the SBIR Data Rights clause. Inclusion of the SBIR/STTR clause in awards for Phase I and II awards is rarely an issue. In its May 2, 2019 Directive, SBA issued a new SBIR clause that will be used for both SBIR and STTR awards, and will apply to both civilian and military agencies. If funding referenced above is a Phase III award, then it also must be accorded the SBIR Data Rights clause. It is a Phase III SBIR award if the work funded derives from, extends, or completes prior SBIR effort, and is funded with non-SBIR funds. If none of these tests apply, and the funding did not result from an SBIR Phase I or II award, then SBIR Data Rights do not apply.

**QUESTION 2**
How do I notify the government that I have a Phase III award?

Answer: Always write to the Contracting Officer in notifying the agency regarding your award. However, it is no longer necessary to notify the government of your receipt of a new SBIR award because SBA eliminated the extension or “roll-over” provision in its May 2, 2019 SBA SBIR/STTR Policy Directive. Hence, the need to notify the Government of each new SBIR award no longer exists. In its place, SBA implemented a 20-year SBIR/STTR Data Rights Protection Period that begins on the date of each new award. This new protection period became effective on May 2, 2019.
QUESTION 3
I have been advised that equity investors won’t have any interest in my medical technology because of the “march in” rights that agencies have and the non-exclusive license rights of agencies. How should I address that?

Answer: These equity investors are not completely familiar with federal funding rights. The government obtains “march in” rights in patents, not in SBIR Data. When a patent covers a “subject invention,” some agencies could take rights in the patent, including “march in” rights. These rights allow the government to step in and take over the patent. A “subject invention” is one conceived or reduced to practice under a federal funding agreement (a contract, grant, cooperative agreement, or other federally funded award). The government has rarely, if ever, exercised these “march in” rights. These “march in” rights relate to patents granted only for subject inventions, and not to patents granted for technologies that were not conceived or reduced to practice under a federal funding agreement. “March in” rights do not apply to SBIR Data, which the government has no right to compromise while the protection period is in effect.

QUESTION 4
I know that SBIR Data Rights are important to companies with funding from DoD, but are they important for companies with funding from DOE?

Answer: An emphatic “yes.” SBIR Data Rights are always important, regardless of the agency, program, or funding. SBIR Data Rights grant the government a non-exclusive, royalty-free, paid-up, worldwide license to use SBIR Data, but it cannot disclose SBIR Data as long as the protection period remains in effect. SBIR Data are the basic building blocks of the technology the SBIR firm hopes to convert to a product and eventually sell. Disclosure of this data by the government invites competitor’s free entry into the market the SBIR firm is attempting to create, without any investment, effort, or work. If any of these competitors are multi-billion dollar entities, they could dominate or take over completely the SBIR firm’s technology, rendering sale of the technology and eventual sale of the SBIR firm problematic at anything near fair values. Think of SBIR Data as the “Coke” formula. Coca Cola would have hundreds of competitors if its formula were disclosed. SBIR Data Rights preserve value in the SBIR technology, the SBIR firm, and eventually, wealth for its owners. Hence, marking and preserving SBIR Data Rights is vital, regardless of the agency or technology.
QUESTION 5
I have funding from the National Oceanic and Atmospheric Administration (NOAA) and I’m using a subcontractor to help design my technology. Does the flow down of SBIR Data Rights give them an ownership position in the technology?

SBIR/STTR DOUGHNUT HOLE

Answer: Yes. Using a subcontractor during the development stage of your SBIR technology creates a “doughnut hole” in that technology. All data developed under the SBIR contract or award is SBIR Data, even the data the subcontractor developed. The subcontractor owns the SBIR Data that it generates, and the SBIR firm owns the SBIR Data that it generates (the government owns none of it, but rather obtains a license to use it). Thus, be very careful about involving subcontractors during the development stage of SBIR technologies, to assist in developing the technology. This may lead to expensive redevelopment of the subcontractor portion later or paying ransom to the subcontractor later to retrieve full ownership of the technology. The subcontractor’s role should ideally be limited to testing, or late stage refinements that are not critical to the technology. This ideal meets reality, however, when the subcontractor is required at the proposal stage to win the SBIR award in the first place.

QUESTION 6
I have an STTR from the Army. Are the guidelines and concerns different for STTR Data Rights than for SBIR Data Rights?

Answer: STTR Data Rights are the same as they are for SBIR. For the Army, the STTR and SBIR Data Rights clause was the same: DFARS 252.227-7018. The new Data Rights clause will be used in both SBIR and STTR awards. The SBIR and STTR programs differ in one major respect. STTR proposals and awards must include participation of a non-profit entity. STTR Data Rights are shared between them. SBIR has no such requirement. SBA’s May 2, 2019 SBIR/STTR Policy Directive now combines regulations affecting SBIR and STTR funding agreements into a single Directive.

QUESTION 7
As NASA is a mission agency, are SBIR Data Rights handled in the same way there, as they are with DoD?

Answer: Award of SBIR Data Rights does not depend on the mission or non-mission status of the agency. NASA is a civilian agency, and therefore, SBIR awards that NASA makes must be accorded the new SBIR Data Rights clause. This includes Phase III awards. The new Data Rights clause applies to both civilian agencies, like NASA, and DoD alike. Like the prior clauses, the new clause grants the government a non-exclusive, royalty-free, paid-up, worldwide license to use the SBIR Data.

QUESTION 8
May an agency enter into a Phase III contract as a sole source contract?

Answer: Yes. Sole-source rights are one of the many advantages to both the SBIR firm and the government of Phase III status. The reauthorization act and the SBA Directive both provide for this sole-source right as a matter of law. We go into this advantage of Phase III status in further detail in Sections Three and Four.

We hope these questions and answers have been helpful in summarizing some of these important SBIR and STTR Data Rights issues.