



January 2006 SBIR Newsletter Material

Upcoming events

UNC – Office of Tech Development Seminar: "Can an issued patent block me from doing my research? Recent Court Decisions regarding Research Tools": January 12, 2006 from 5:15 to 6:15 pm in 014 Sitterson Hall <http://research.unc.edu/otd/seminar>

Biotech Forum: The World of "omics" – January 9th, RTP.
https://secure.cednc.org/programs/industry_forums/biotech_forum/register.htmls

Combination Medical Device / Biotech Forum – February 13, 2006

SBIR Solicitation Reminders

As the new year begins, be sure to update your calendars with Agency solicitation release and closing dates. New openings are on the horizon for NIH (mid-Jan.), DoD (Feb. 1), DOT (Feb. 15), EPA (Mar. 23). A complete listing of current and future openings is available at:
<http://www.zyn.com/sbir/scomp.htm>

Lessons Learned: Campbell Plastics *A Warning that Invention Disclosure Rules Matter* *By: Kevin Flynn*

As a patent attorney, I have spoken to SBIR grant recipients at conferences and I emphasized the need to follow the rules set out in the SBIR grant to report inventions to the granting Agency in the prescribed manner within the prescribed time. SBIR grant recipients could not imagine any government agency would use these contract clauses to rip away full title to a patent for the mere failure to submit reports about inventions in a particular quirky way. Besides, they have heard of other grant recipients that failed to report inventions in a timely manner and nothing bad resulted from a tardy disclosure.

That was then, this is now.

There is now a case where the Appeals Court for the Federal Circuit upheld the government's right to take full title for an invention developed during execution of a government contract based on the failure of the contractor to report an invention in the specific manner called for in the contract. The formal name of the case is Campbell Plastics Engineering v. Brownlee, 389 F.3d 1243 (Fed. Cir. 2004).

For grant recipients, it is time to revisit the invention reporting rules and to set in place procedures to get these inventions disclosed in the manner specified by the grant contract.

For investors and those seeking to obtain rights to patents arising from SBIR sponsored research, it is time to add this issue to your due diligence list.

While it was not a SBIR grant recipient that lost its patent rights, the fact pattern is too close to ignore. The relevant Federal Acquisition Requirements (FARs) interpreted in the Campbell Plastics case have identical counter parts in 37 CFR 401.14 which governs SBIR contracts.

As you can guess, Campbell Plastics did not report an invention related to the use of ultrasonic welds in making a protective mask in the manner specified. There is no question that in aggregate the communications from Campbell Plastics to the Army provided an enabling disclosure of the invention, they just didn't report it as an invention.

Campbell Plastics notified the Army of the patent soon after it issued and of the government rights listed in the front of the patent. The Army through its Administrative Contracting Officer claimed title to the issued patent. The parties fought this through the courts where it ended with the United States Court of Appeals for the Federal Circuit affirming the right of the Army to enforce its contract provision.

In the end Campbell Plastics lost its patent rights, paid large legal bills, and alienated the Army. Invention disclosure rules do matter.

Questions or comments about this article can be directed to Kevin E. Flynn, a patent attorney with the North Carolina office of The Eclipse Group, an Intellectual Property Law Firm(www.eclipsegrp.com . Kevin's email address is kflynn@eclipsegrp.com.

Epilogue

To drive home the gravity of this decision, I have pasted the relevant record from the United States Patent and Trademark web site showing the assignment record for the patent at issue.

Total Assignments: 1

Patent #: [5895537](#) **Issue Dt:** 04/20/1999 **Application #:** 08947870 **Filing Dt:** 10/09/1997

Inventor: RICHARD G CAMPBELL

Title: SONIC WELDED GAS MASK AND PROCESS

Assignment: 1

Reel/Frame: [011828/0396](#)

Recorded: 05/15/2001

Pages: 6

Conveyance: CONTRACTING OFFICER'S FINAL DECISION LETTER

Assignor: [CAMPBELL PLASTIC ENGINEERING & MFG., INC.](#)

Exec Dt: 12/15/2000

Assignee: [UNITED STATES OF AMERICA AS REPRESENTED BY THE SECRETARY OF THE](#)

ARMY

WASHINGTON, DISTRICT OF COLUMBIA 20515

Correspondent: U.S. ARMY SOLDIER & BIOLOGICAL CHEMICAL
COMMAND
ANSSB-CC/ BLDG E4435 (VICKI UPCHURCH)
5183 BLACKHAWK ROAD
APG MD 21010

Case Study – Q&A

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In our company we have only salaried employees, but we have a policy that overtime is paid on the 1:1 basis: if a salary of a person is \$90,000 per year, we calculate hourly pay as $\$90000/52/40=\43.27 . Then, if at any given week this person works, for example, 45 hours, he gets paid extra $\$43.27*5=\216.35

Q: Is this policy legal under the government accounting practice, and can we recover this extra pay and associated indirect costs from the government?

A: If your policy is documented the payment for hours worked in excess of 40 per week is an allowable expense.

NOTE: You do need to be aware that excess salary for employees if their annual compensation is high might be challenged as unreasonable and thus a portion would be deemed unallowable.

Q: Can we (and should we?) put reasonable expectations of overtime in the budgets for proposals?

A: There is no need to adjust proposals for your practice of paying straight time for hours worked in excess of 40 per week, unless people continuously charge significant amounts of overtime then your indirect rates might need to be adjusted (primarily fringe).

Q: Are the employer-paid payroll taxes allowable costs? If they are allowable, are they compensated as direct or indirect expenses?

A: Payroll taxes are part of fringe benefits which are usually indirect except for NIH and NSF where they can be included as direct.

PBC, Inc.: www.pbcinc.com

Tri-state SBIR Conference Slated for Spring 2006 NC, VA and WV to Team

March 21– 23, 2006

Wyndham Hotel– Roanoke Airport

2801 Hershberger Road, Roanoke, VA

Room Rate \$68 + tax —Tagged “Tri-State Forum” - Cut-off date Feb. 23, 2006

Call 540-563-9300; toll-free 877-999-3223

EXPLORE how to grow your business through the interests of the federal government

LEARN how to fund your R&D projects through non-traditional resources

NETWORK with other entrepreneurs, industry experts and SBIR/STTR veterans

This conference will provide professionals and researchers with a strong understanding of the focus of the SBIR/STTR programs, and the education to prepare competitive proposals.

Hear successes of CEOs who have used SBIR as a launch pad for commercial growth—*Dr. Chris Busch (invited), a pioneer in SBIR rural outreach, has owned a small business, won many SBIR awards, sold to a large entity, and given testimony to congress on SBIR .*

Respective state sessions (VA, NC, WV) will focus on state and regional services available to small business firms for SBIR and other federal Research and Development funding. To include private companies with small business programs key spokesmen from universities in the tri-state area will share the changing perspective of universities in high-tech economic development and visions for the future.

In key technology sessions, learn how FDA regulatory requirements impact medical device design and development, clinical testing requirements, regulatory and commercialization considerations for medical devices.

Get professional advice from legal and financial experts on valuation of intellectual property, angel networking, alliances and how to leverage your awards towards further commercialization efforts.

Learn from Larta Institute, CEO, Rohit Shukla (invited) how to accelerate the transition of cutting-edge technologies to the marketplace.

For more information on this event please contact John Ujvari: 919-962-8287 or sbir@sbtcd.org

NIH Training: Electronic Submission

TITLE: NIH's New Electronic Grant Application Process and the SF424 (R&R)

PURPOSE: By May 2007 all research grant applications for NIH will have to be submitted

electronically through Grants.gov using the SF424 Research & Related (R&R) form set. This training session, geared toward the applicant community, will provide an overview of NIH's transition plans, the submission process and the new form set. A question and answer session will follow the formal presentations.

WHO: This training is open to both the general public and to NIH staff.

WHAT: [Click here for the Agenda.](#)

WHEN & WHERE: 2 Sessions Available

Wednesday, January 11, 2006, 8:30 AM to 12:00 PM EST -
Natcher Main Auditorium, NIH Campus, Bethesda, MD

Wednesday, January 11, 2006, 12:30 PM to 4:00 PM EST -
Natcher Main Auditorium, NIH Campus, Bethesda, MD

COST: This training session is free for both attendees and VideoCast viewers.

LIMITED SEATING: On-site participation is limited to 500 people per session and seating preference will be given to the applicant community. If space permits, NIH staff will be allowed to register for in-person attendance beginning January 4, 2006.

VIDEOCAST AVAILABLE: Both the morning and afternoon sessions will be available for remote viewing via VideoCast, NIH's streaming video service. Due to limits in the number of concurrent viewers, VideoCast participants are encouraged to view the sessions in groups to allow for maximum participation. Access to the VideoCast will require RealPlayer software. Links to download RealPlayer and the list of VideoCast events can be found at <http://videocast.nih.gov/default.asp>. Questions submitted by VideoCast viewers will be addressed either during the session or after the fact. Responses to frequent questions will be incorporated into "Frequently Asked Questions" that will be later posted on the [Electronic Submission of Grant Applications](#) website.

For questions regarding the training session or videocast please contact [Jessica Clausen](#), 301-435-4642.

SBIR Proposal Writing Basics: Smart Schmoozing with the DoD *Gail & Jim Greenwood, Greenwood Consulting Group, Inc.*

Anyone who has attended one of our SBIR/STTR workshops knows that we strongly encourage schmoozing with technical points of contact (TPOCs) and topic authors before submitting Phase 1 proposals to the Dept of Defense (DOD). Schmoozing here means taking time to better understand the topic (and the person behind it) before writing a proposal on a Phase 1 DOD topic, because the one page topic description in the solicitation probably does not contain all of the relevant information you need to submit a credible proposal.

Unfortunately, the opportunity to schmooze with DOD topic authors/TPOCs is in jeopardy. There is a strong possibility that DOD will either eliminate the “pre-release period” (the time between when the tentative topics are available in the solicitation and when DOD begins accepting proposals, the latter date generally being 30 days before the proposal deadline) or greatly shortening it. One reason is that DOD topic authors/TPOCs are apparently being inundated with silly schmoozing. The purpose of this article is to help you do smart schmoozing, with the hopes that it will help you and keep DOD from disallowing schmoozing during the “pre-release period.”

We understand there are several problems with the schmoozing some DOD TPOCs/topic authors have been receiving. First, they are being asked questions that are clearly answered within the DOD solicitation. Second, they are being subjected to sales pitches. Third, they are being tied up by long winded phone/email conversations with potential SBIR/STTR proposers.

To overcome these problems, we suggest you consider the following:

1. Be considerate. Maybe you think the “public servant” on the other end of the phone works for you, the taxpayer, and darn better spend as much time as you demand and answer any question you can think up. If this is your attitude, then look in the mirror in terms of seeing your own worst enemy. Many topic authors/TPOCs feel primary allegiance to their agency/component/war fighter, and not to the proposer. You are seen as a potential supplier and as such are expected to treat them respectfully. Therefore, don’t demand and don’t think they owe you answers or significant chunks of their time—be considerate.
2. Do your homework. No one likes to be asked questions to which the answer is readily available to the asker. Therefore, make sure you have downloaded, read, and even studied the most recent DOD solicitation to answer some of your questions, rather than posing them to the TPOC/topic author.
3. Plan for 10 minutes. One of the DOD SBIR/STTR program managers told us that this the time frame that a typical topic author/TPOC can spend on the phone or respond to an email from a potential proposal submitter. This demands that you be prepared and focused before you pick up the phone to call the topic author/TPOC; if you’re sending email instead, then you need to ask questions that can be thought about and responded to in that brief time period (one suggestion is to ask questions with short answers; don’t ask essay questions unless absolutely necessary).
4. Write down your questions ahead of time, in priority order. Given you only have 10 minutes, you need to have a clear list of questions before you pick up the phone or peck out an email. Make the list, then go back and reorder it based on priorities—of course, you want to put the highest priority questions at the top. If you plan to provide some background on your approach to see if it is consistent with what DOD wants, then have it written down, keep it short, and rehearse it ahead of time since it also becomes part of your 10 minutes.
5. Avoid a sales pitch. You don’t like being interrupted at work by a telemarketer, and neither does the DOD topic author/TPOC. Carefully craft your background statement so it gives the topic author/TPOC a quick sense of your approach and your qualifications, but does not come across like a used car sales pitch.

We strongly disagree with the movement within DOD to eliminate or further restrict the communication between SBIR/STTR proposers and the DOD topic authors/TPOCs (we think it will not only hurt proposers but also the DOD because they’ll get more proposals that miss the

target, so-to-speak). And reliance on SITIS (an Internet Q&A site where you can ask DOD topic-related questions, and where the answers are posted later) is not a suitable substitute, since your competitors can see and benefit from your intelligent and insightful questions. But we do understand the frustration within DOD about their topic authors/TPOCs being subjected to silly schmoozing. Therefore, start practicing smart schmoozing with DOD topic authors/TPOCs before we lose this important tool in the SBIR/STTR proposal writer's tool box.

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NC IDEA Grant Program Opens

NC IDEA will commence a beta program during the 2006 calendar year that will competitively award small grants up to \$50,000 to fund "proof-of-concept" business activities that validate potential markets, reduce business risks, and advance projects to the point at which they are suitable for private equity investment.

Applications for NC IDEA grants can be submitted online. Instructions on how to submit an application for the Spring 2006 solicitation at: <http://www.ncidea.org/grantsandloans.html>
