SECNAV INSTRUCTION 5870.2E

From: Secretary of the Navy


Ref: See enclosure (1).

Encl: (1) References
(2) Definitions
(3) Responsibilities
(4) Royalty Distribution Procedures

1. Purpose. To implement references (a), (b), and (c) by providing for the licensing of Department of the Navy (DON) owned Inventions and DON developed Computer Software, and references (c), (d), and (e) by providing for the distribution of royalties or other income received from the licensing or assignment of DON-owned Inventions and DON-developed Computer Software. This is a complete revision of SECNAVINST 5870.2D and should be read in its entirety.

2. Cancellation. SECNAVINST 5870.2D.

3. Definitions. See enclosure (2).

4. Applicability. This instruction is applicable to all commands and activities within the DON responsible for the sponsorship, management, administration, and execution of Domestic Technology Transfer.

5. Policy. It is the policy and objective of this instruction to promote the transfer of DON technology for commercial application by the licensing of Inventions and Computer Software arising from DON-funded research and development.

6. Responsibilities. See enclosure (3).
7. **Delegation of Authority**

   a. Under the provisions of references (f), (g), and (h), the Chief of Naval Research (CNR) is responsible for the encouragement, promotion, planning, initiation, and coordination of Naval research and the supervision, administration, and control of activities within or on behalf of the DON relating to patents, inventions, trademarks, copyrights, royalty payments, and matters connected therewith. The CNR is delegated the authority to supervise, administer, and control the DON Invention and Computer Software licensing programs. Under the provisions of references (c), (h), (i), and (j), the CNR may delegate to Heads of DON Laboratories and/or Technical Activities the authority to negotiate licenses of DON Inventions and Computer Software. The CNR is delegated the authority to execute licenses to DON Inventions and Computer Software and may redelegate such authority within the Office of the CNR.

   b. The Heads of DON Laboratories and/or Technical Activities are delegated the authority to take appropriate precautions against the unauthorized disclosure of any Computer Software or related Computer Software documentation covered by paragraph 1(a) of reference (c), including exemption per reference (k), for a period of up to five years after the development of the Computer Software by the DON Activities for the purposes of this instruction.

8. **Licensing Procedures.** DON Inventions and DON Computer Software, except those inventions and Computer Software under which the transfer of the technology would be detrimental to the national security, must be made available for licensing in order to transfer the technology for commercial application. The terms, conditions, and procedures set forth in reference (b) must be followed in the licensing of DON Inventions. DON Computer Software must be made available for licensing under the terms of reference (c). Nonexclusive, exclusive, or partially exclusive licenses on DON Inventions or DON Computer Software may be granted. The CNR will maintain the record required by reference (b) of the determinations by the DON to grant exclusive or partially exclusive licenses. The CNR will maintain the records required by reference (c) of the implementation and effectiveness of the licensing of DON Computer Software.

10. Additional Licenses. Nothing in this instruction precludes the CNR from granting licenses under DON Inventions or DON Computer Software in the authorized exchange of rights in the settlement of disputes. The following exemplify circumstances wherein such licenses may be granted:

   a. In consideration of a settlement;

   b. In consideration of a release of a claim of infringement or of an interference; or

   c. In exchange for or as part of the consideration for a license under adversely held patents.

11. Transfer of Custody. To facilitate the transfer of the technology for commercial application, the CNR may transfer the custody and administration, in whole or in part, to another Federal agency of the right, title, or interest in a DON Invention or DON Computer Software. The CNR may accept custody from another Federal agency of the right, title, or interest in an Invention or Computer Software. The CNR may delegate these authorities to the Heads of DON Laboratories.

12. Appeals. Any decision or determination concerning the grant, denial, interpretation, modification, or termination, in whole or in part, of a license to a DON Invention or DON Computer Software may be appealed to the CNR.

   a. The following parties may appeal:

      (1) A person whose application for license has been denied;

      (2) A licensee whose license has been terminated, in whole or in part;

      (3) For a decision or determination regarding a license for a DON Invention, a person who, in a timely manner, filed a written objection in response to the notice required by 404.7(a)(1) or 404.7(b)(1) of reference (b) and who can demonstrate to the satisfaction of the CNR that such person may be damaged by the DON action;
(4) For a decision or determination regarding a license for DON Computer Software, a person who, in a timely manner, filed a written objection in response to the notice required by reference (c).

b. The following procedures are applicable to all appeals:

(1) Written notice of appeal must be sent to the CNR within 30 days from the date of the decision or determination which is being appealed;

(2) A written statement setting forth the issues appealed, the reasons for the appeal and the specific remedy sought by appeal must be submitted to the CNR within 20 days (or such longer period as may be fixed in writing by the CNR) from the date of receipt by the CNR of the notice of appeal. The CNR may request additional information relevant to the appeal;

(3) After reviewing the evidence presented, the CNR will issue a final decision on behalf of the DON.

13. Records Management

a. Records created as a result of this instruction, regardless of format or media, must be maintained and dispositioned according to the records disposition schedules found on the Directives and Records Management Division (DRMD) portal page: https://portal.secnav.navy.mil/orgs/DUSNM/DONAA/DRM/SitePages/Home.aspx/.

b. For questions concerning the management of records related to this instruction or the records disposition schedules, please contact your local Records Manager or the DRMD program office.

THOMAS B. MODLY
Under Secretary of the Navy

Distribution: Electronic only, via Department of the Navy Issuances website https://doni.documentservices.dla.mil.
REFERENCES

(a) 35 U.S.C. §207-211
(b) 37 C.F.R. 404
(c) 10 U.S.C. §2514 note (2016) (Enhanced Transfer of Technology Developed at Department of Defense Laboratories)
(d) 15 U.S.C. §3710c
(e) DoD Instruction 5535.8 of 14 May 1999
(f) 10 U.S.C. §5022
(g) SECNAVINST 5430.7Q
(h) DoD Directive 5535.3 of 21 May 1999
(i) 15 U.S.C. §3710a
(j) E.O. 12591
(k) 5 U.S.C. §552
(l) SECNAVINST 5700.17
DEFINITIONS

1. DON Invention is defined as an invention, plant, or design which is covered by a patent, patent application, plant variety protection, or other form of protection, in the United States or in a foreign country, title to which has been assigned to or otherwise vested in the United States Government and in the custody of the DON.

2. DON Computer Software is defined as Computer Software and its related Computer Software documentation that was developed at a DON Laboratory and that is the subject of efforts to maintain its secrecy, such that it would be a trade secret under subsection (b)(4) of reference (k) if it had been obtained from a non-Federal party.

3. A Qualifying Inventor is an inventor entitled under references (d) and (e) to a share of the royalties or other income received by the DON from the licensing or assignment of a DON Invention. The inventor must have assigned his or her rights in the invention to the United States.

4. A Qualifying Software Developer is a software developer entitled under reference (c) to a share of the royalties or other income DON receives from licensing of DON Computer Software.

5. A DON Laboratory is any facility or group of facilities that:
   a. Is owned, leased, operated, or otherwise used by the DON;
   b. Meets the definition of Laboratory under references (c) or (e); and
   c. Has been designated as a Laboratory by the Office of Naval Research, per reference (l).
RESPONSIBILITIES

1. CNR will distribute the majority of royalties and other income to the Laboratory where the Invention or Computer Software development occurred. Out of each distribution the CNR will identify the amount to be shared with each Qualifying Inventor or Qualifying Software Developer.

2. The Heads of DON Laboratories and/or Technical Activities will distribute the identified amounts to the Qualifying Inventors or Qualifying Software Developers. The remaining balance may be used by the Laboratory for:

   a. Payment of expenses incidental to administration and licensing of DON Inventions or DON Computer Software;

   b. Reward of scientific, engineering, and technical employees at that Laboratory;

   c. Promotion of scientific exchange among the DON Laboratories;

   d. Education and training of employees consistent with the research and development mission and objectives of the DON and other activities that increase the potential for transfer of the technology of the Laboratory; and

   e. Scientific research and development consistent with the research and development missions and objectives of the Laboratory.
ROYALTY DISTRIBUTION PROCEDURES

1. Share of Royalties and Other Income. Royalties or other income received on account of a DON Invention or DON Computer Software will be shared with Qualifying Inventors or Qualifying Software Developers.

2. Payments. Payments will continue as long as the DON receives royalties or other income regardless of a change in employment status. If royalties or other income result from the license or assignment of a DON Invention or DON Computer Software, the Qualifying Inventor(s) or Qualifying Software Developer(s) will receive payment as follows:

   a. Qualifying Inventors will receive payment of their prescribed share of any royalties or other income received by the DON on an annual basis coincident with each fiscal year.

   b. For a licensed DON Invention, if the royalty or other income received by the DON each fiscal year is less than $2,000 times the number of Qualifying Inventors (one or more), the Qualifying Inventor(s) will receive the entire amount in equal shares. If the royalty or other income received each fiscal year is equal to or greater than $2,000 times the number of Qualifying Inventors, the Qualifying Inventor(s) will each receive $2,000 and share equally in 20 percent of the remainder, subject to the limitations in paragraph 1(c).

   c. Payments of royalties or other income from a DON Invention to a Qualifying Inventor must not exceed $150,000 per year without Presidential approval as provided in reference (b).

   d. Qualifying Inventors will be entitled under this instruction to share in all royalties or other income received by the DON on or after 20 October 1986, the effective date of reference (b), regardless of the date of the invention, patent application, patent, assignment, or license.

   e. For licensed DON Computer Software, if the royalty or other income received by the DON from licensing the DON Computer Software each fiscal year is $2,000 or less, Qualifying Software Developer(s) (one or more) will receive the entire amount in equal shares. If the royalty or other income received each fiscal year is equal to or greater than $2,000 times the number
of Qualifying Software Developers, the Qualifying Software Developer(s) will each receive $2,000 and share equally in 20 percent of the remainder, subject to the limitations in paragraph 1(f).

f. Payment of royalties to a Qualifying Software Developer must not exceed $75,000 per year without Presidential approval as provided in reference (c).

g. Royalties or other income from the licensing of DON Inventions or DON Computer Software transferred to a DON Laboratory must be used or obligated by the Laboratory during the fiscal year in which they are received or during the two succeeding fiscal years.

h. Any of such royalties or other income not so used or obligated as provided above must be paid into the Treasury of the United States.