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April 12, 2024

Via Federal eRulemaking Portal
(<https://www.regulations.gov>)

David E. Johnson

Re: Comments on DFARS Case 2021-D002, Use of DoD Program
Nomenclature, 89 Fed. Reg. 11803 (February 15, 2024)

Dear Mr. Johnson:

The American Bar Association (“ABA”) Section of Public Contract Law (“Section”) is pleased to offer comments on the Proposed Rule, Defense Federal Acquisition Regulation Supplement (DFARS) Use of DoD Program Nomenclature Case 2021-D002 (the “Proposed Rule”) by the Department of Defense (“DoD”).¹ The Section consists of attorneys and associated professionals in private practice, industry, and government service. The Section’s governing Council and substantive committees include members representing these three segments to ensure that all points of view are considered. By presenting their consensus view, the Section seeks to improve the process of public contracting for needed supplies, services, and public works.

The views expressed herein are presented on behalf of the Section. They have not been reviewed or approved by the House of Delegates or the Board of Governors of the American Bar Association and, therefore, should not be construed as representing the position of the ABA.²

The Section appreciates the opportunity to provide these comments and is available to provide additional information or assistance as you may require.

¹ Mary Ellen Coster Williams, Section Delegate to the ABA House of Delegates, and Elizabeth Witwer, member of the Section’s Council, did not participate in the Section’s consideration of these comments and abstained from the voting to approve and send this letter.

² This letter providing the Section’s comments on the subject proposed rule is available in pdf format at http://www.americanbar.org/groups/public_contract_law/resources/prior_section_comments/.

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I. INTRODUCTION AND BACKGROUND OF PROPOSED RULE

The Section is pleased to offer comments on the Proposed Rule which seeks to amend the DFARS to govern how contractors use DoD trademarks and program names (“Government designations” or “contract-specific designations” for Government designations applicable to a particular contract); would require contractors and offerors to identify existing and proposed marks applicable to a given contract in a new rights assertion table (a “marks-list”); authorize the Government to use contractor marks and the contractor to use Government designations in the course of contract performance; and limit how those marks can be used both during contract administration and beyond.

In light of the specific comments articulated below, the Section respectfully suggests that the proposed rule may not be needed at this time, and that the policy concerns expressed in the proposed rule would be more efficiently addressed on a case-by-case basis in the proposal process should trademark issues arise during a DoD procurement.

II. COMMENTS REGARDING NEED FOR PROPOSED RULE

The Section suggests that the Proposed Rule may not be needed to resolve any trademark concerns. The Government has long been empowered to apply for and enforce trademarks—a search of uspto.gov reveals over 100 registered or pending marks owned by the Department of Defense, for example. The Department of Defense can also utilize legal processes, such as oppositions and cancellations, to resolve disputes related to trademarks. As the Department of Defense actively oversees performance by its contractors, the danger of issuing naked trademark licenses should be low. Likewise, DoD could purchase relevant trademarks, or seek statutorily granted marks, if it believes that ownership would be in the warfighter’s interest. And—importantly—program designations do not necessarily function as *trademarks* and are often unpublished.³

A. The Proposed Rule Should be Withdrawn as Contrary to Congressional Intent in Waiving Liability for Trademark Infringement

While the Government has long been liable for unauthorized uses of private-sector trademarks,⁴ concerns regarding acquiring a license to a trademark or service mark, as well as

³ E.g., DoD Instruction 4120.15, *Designating and Naming Military Aerospace Vehicles* (2023) refers to the list being on DTIC’s DoDTechipedia Website which is not available to the general public.

⁴ See generally David S. Bloch & James G. McEwen, *Like Toddlers in Big Surf: Can the Government Control the Effects of Federal Trademark Liability?*, 33 PUBLIC CONTRACT L. J. 209 (Fall 2003).

the scope of any needed license, could more easily be resolved if trademark searches are included as a consideration by contracting officers at the pre-solicitation stage of a procurement. Generally speaking, it is reasonable and appropriate that a contractor's pre-existing trademark could be asserted against the Government if the Government chooses to use a trademark on goods or services confusingly similar to the goods or services offered under this trademark by the contractor. This was the situation in *Preferred Risk Mut. Ins. Co. v. United States*, 86 F.2d 789 (8th Cir. 1996), *cert. denied*, 520 U.S. 1116 (1997), which helped inspire Congress to enact the Trademark Amendments Act of 1999. Thus, potential Government liability for trademark infringement represents an affirmative Congressional policy that should not be disturbed by regulation.

B. The Proposed Rule Should be Withdrawn Since The Government Has Less Onerous Mechanisms To Achieve the Same End

If the DoD is concerned about the fact pattern presented in *DNC Parks and Resorts at Yosemite Inc. v. United States* (Ct. Fed. Cl. No. 1:15-cv-1034), the Section believes that this fact pattern is unlikely to recur and thus require regulatory action.⁵ Instead, the Government can utilize words in an RFP to describe a weapon system, for example, that are merely descriptive of that weapon system. Then those words cannot generally be trademarked because they are merely descriptive or generic. *Scanwell Laboratories, Inc. v. Dept. of Transp., Fed. Aviation Administration*, 484 F.2d 1385 (1973) ("V-Ring" used as descriptive of the antenna elements, not as trademark). *See also In Re Armco Steel Corp.*, 127 U.S.P.Q. (BNA) ¶ 135 (1960) (grade designation had not acquired trademark meaning). With proper planning, the Ahwahnee hotel and other place names in Yosemite (at issue in the *DNC Parks* case) could have been protected in this manner for use by others, and the same would hold true for weapon systems.

It follows that if a contractor coins a name for a proposed weapon system, the Government could negotiate to obtain a royalty-free license to use the mark, or the Government could choose not to adopt it or only adopt it if the contractor allows the name to be used as a descriptive or generic term for that weapon system (allowing the contractor to retain rights to the name for other, non-descriptive purposes).

⁵ In the *DNC Parks* case, a concession services vendor obtained federal trademarks on the names of iconic Yosemite National Park properties such as THE AHWAHNEE, CURRY VILLAGE, WAWONA, and BADGER PASS. After it lost a competitive bid for the concession services contract in 2016, the trademark owner sued the United States and obtained a settlement worth approximately \$12 million in exchange for a license and eventual retrocession of the marks to the United States of America.

Or the parties could engage in some kind of cross-licensing activity if one of the counterparties (Government or contractor) desires to undertake the burden of managing the license. In some cases, that may be a necessary and desirable approach. But that of necessity will be a situation-by-situation determination not suitable for a one-size-fits-all DFARS regulation.

C. The Proposed Rule Should be Withdrawn and Replaced with A Focus on Addressing Confusingly Similar Marks and Program Names

As an alternative, insofar as DoD simply wants more formal guidance for its contracting personnel, it can look to the DoD Joint Publication on program names, which specifically requires a trademark search before adopting a program name,⁶ or it can adapt the existing DFARS guidance in DFARS 227.70 on patent infringement claims to address trademarks as well (and include any necessary clauses needed to settle a trademark dispute). Another resource available to DoD is to tailor and utilize the trademark clause that exists and is often used in non-procurement technology transfer agreements.

On the other hand, the proposed rule would impose significant burdens on both DoD contracting personnel and DoD contractors for minimal benefit to the Government. Some DoD contracting personnel currently struggle with the existing DFARS rules relating to intellectual property both in terms of training and execution. The proposed rule would require DoD contracting personnel to be trained to implement these additional trademark processes and procedures. It would likewise require contractors to add this trademark identification exercise to their proposal development process.

D. The Proposed Rule Affecting All Contracts Should be Withdrawn and Republished With Improved Guidance on Licensing Alternatives Specific to a Procurement

In addition, if DoD believes regulatory guidance in the form of regulation is necessary, there are two critical areas where the proposed rule may be improved. First, the proposed regulation could better address the common situation where a trademark relates to a product that was developed with mixed funding, but that is produced by the contractor. In that situation, the contractor would at least expect a cross-license to or co-ownership of the relevant trademark for use in private or foreign sales, and to also police the mark against counterfeits and cybersquatters. But co-ownership would require DoD to exercise continued supervision over private sector uses of the mark—something that exceeds DoD's typical role as a buyer of goods and services. Second, the proposed regulation does not carve out or provide assurances relating

⁶ DAFI 16-401/AR 70-50/NAVAIRINST 13100.16, which is required under DoDI 4120.15.

to commercial products with established brand names. Even a small risk to continued trademark protection could deter commercial contractors from transacting with DoD.

The Government proposed a somewhat similar FAR clause in 2001.⁷ That prior proposal rule would have required contractors to notify the Government in advance of asserting any trademark rights related to a Government contract and would have created a new class of Government marks.⁸ Ultimately, the proposed rule was not adopted. For similar reasons and as set forth above, the Section suggests that the Proposed Rule represents an approach that is inappropriate for the actual risk of trademark infringement by the Government, does not address how to mitigate risks where the mark and program names are the same, and should be withdrawn in its current form.

III. COMMENTS ON PROPOSED RULE, SHOULD THE GOVERNMENT ELECT TO PROCEED

The Section respectfully recommends that, should the Government elect to proceed with the proposed rule, the specific provisions below be revised.

A. The Section Recommends Removing the Requirement of a Trademark Rights-Assertion Table in Proposed DFARS 227.7X03

Sections (b)-(d) would require the contracting officer to compile a list of contract-specific designations and contractor-asserted trademarks, and to update this list during contract administration. These designations are not necessarily protectable trademarks. This raises a couple of concerns. First, it is not clear under what circumstances DoD and its contractors would agree to update the list of marks. In addition, contractors will need to create a new internal mechanism for ensuring the listed contract-specific designations do not interfere with a mark they own or marks of their subcontractors (commercial or non-commercial) for a particular proposal. The creation of a new and different marks-assertion table would be burdensome for contractors, may deter commercial companies from bidding on DoD contracts for fear of losing their marks, and does not serve an apparent Government purpose. All of this would impose significant training and performance requirement on US Government contracting staff that is already overburdened and undertrained.

⁷ See 66 Fed. Reg. 42102-03 (Aug. 9, 2001).

⁸ For a critical discussion of the 2001 FAR proposal, see Thomas J. Madden, Fernand A. Lavalley, & Andrew D. Price, *Missing The Mark: The Proposed FAR Rule on Trademarks Presents Another Roadblock In the Path to Developing a Rational IP Policy (Or, Smokey Bear and Woodsy Owl, Meet Tom-A-Hawk and Hawk-Eye)*, 76 FED. CONTRACTS REP. 584 (Dec. 4, 2001).

As a result, the Section recommends removing the requirement for a trademark rights-assertion table.

B. The Section Recommends Removing the Requirement to Identify Trademarks During the Proposal Process in Proposed DFARS 252.227-70XX

The proposed language in DFARS 252.227-70XX requires offerors and subcontractors to list all “Asserted Marks,” which include registered and unregistered marks “that are associated with a specific contract or program.” The list also requires information on any associated registration numbers and goods/services in textual form, and would apply to commercial and non-commercial contracts.

The plain language of the rule would require bidders to disclose both contemplated and already-registered marks. This creates a business problem, in that the premature disclosure of a contemplated trademark could trigger strategic registrations by others (including cybersquatting on related domain names or filing registrations in foreign jurisdictions such as China where trademark rights attach to the first *registrant* rather than the first *user*) and may provide unwarranted insights into the bidder’s future strategies (information that normally would be treated as a trade secret).

In addition, the proposed rule indicates that failing to list a particular trademark constitutes a waiver of the owner’s ability to later enforce that mark against the Government. This idea is contrary to the function of trademarks as source identifiers (the consumer association of a mark with a particular supplier does not change based on whether that supplier properly listed its mark on a DoD rights-assertion table) and contradicts Congressional intent as expressed at 15 U.S.C. § 1122 (a) (which comprehensively waives the Government’s sovereign immunity for trademark infringement).

This requirement would impose another barrier to entry to new government contractors and would impose further significant requirements on existing contractors during the proposal development process.

The Section recommends that the rule be revised to eliminate the requirement for the parties to identify trademarks during the proposal process. Alternatively, the Section recommends that contracting parties be required to identify only existing trademarks, which would affect a published Government designation for the goods and services to be provided under the contract, and that no waiver will apply to subsequently registered marks.

C. The Section Recommends Eliminating or Revising the Requirements in Proposed DFARS 252.227-70YY

The Section respectfully recommends that the below provisions in Proposed DFARS 252.227-70YY should be revised or eliminated.

Subsection (b), *Contractor acknowledgement and agreement*, indicates that if DoD lists a contract-specific designation and the contractor does not claim rights in that designation in *its* assertions under Proposed DFARS 252.227-70XX, then DoD will take the position that the contractor cannot use the same mark as the contract-specific designation (whether or not that designation would otherwise qualify as a trademark) and cannot create *its own* trademark *based on* the contract-specific designation. *See* subsection (b)(6)(i). Thus, a contractor oversight in completing its identification of asserted marks could irreparably harm the contractor’s trademark portfolio—and the only remedy would be amending the assertion table based on the mutual-consent procedures set forth in Proposed DFARS 227.7X03(d).

Subsection (b) also indicates that the contractor’s right to use a contract-specific designation is limited to performance of the contract and terminates when the contract expires. This could unduly limit the contractor in the event it wishes to refer to the contract-specific designation in commercial sales, foreign sales, ancillary sales (e.g., apparel, toys), or even sales to other Government agencies. This also may lead to customer confusion (undermining the source-identifying function of a trademark) if the contractor by necessity adopts a different and (because the trademark cannot even be *based on* the contract-specific designation) unrelated mark for the same product sold to DoD versus the rest of the world.

There are a number of other problems with specific subsections of Subsection (b)(6):

- **Subsection (b)(6)(ii)** bars the contractor from challenging any Government-designated marks “in any jurisdiction” based on rights the contractor believes it owns—essentially surrendering any legitimate ownership argument the contractor may have *anywhere* in exchange for the subject contract. This provision conflicts with statutory rights allowed to mark owners under the Lanham Act,⁹ and should be eliminated.
- **Subsection (b)(6)(iii)**, prohibiting the contractor from initiating any “contest, dispute, challenge, [or] oppos[ition],” likewise requires the contractor to waive any meritorious claim it might have against DoD regarding ownership, license, or even a likelihood of confusion between the DoD mark and a contractor mark. This provision similarly conflicts with the Lanham Act and should be eliminated.
- **Subsection (b)(6)(v)** prohibits the contractor from undertaking any act that “will or may invalidate or jeopardize the Government’s rights in any contract-specific designation”—an impossibly vague standard that again deprives the contractor of otherwise potentially meritorious claims, even if those claims do not relate specifically to the Government’s rights in a contract-specific designation. For example, this language could prevent a contractor from arguing that a particular word or phrase related to a contract-specific

⁹ *E.g.*, 15 U.S. C. §§ 1063 & 1064 (granting “any person” the right to file an opposition or cancellation of a registration), and 15 U.S.C. § 1051 (granting the “owner” the right to file for a trademark application).

designation is generic or descriptive—even in purely private litigation. This provision similarly conflicts with the Lanham Act and should be eliminated.

- **Subsection(b)(6)(viii)** prevents contractors from using, combining, or altering a contract-specific designation in a way that would (subjectively) “[d]isparage the Government,” “[r]eflect adversely on the Government,” or “[w]eaken or damage any goodwill associated with” any DoD mark. This runs directly afoul of the contractor’s First Amendment rights and should be eliminated.
- **Subsection (b)(6)(ix)** would prevent the contractor from registering any domain name (regardless of confusion) that includes any form of “any contract-specific designation”—again, presenting significant problems under the First Amendment and also undercutting the traditional right to use another’s trademark in a non-confusing, nominative manner. (The possibility of using a “confusingly similar” domain name or other form of intellectual property is addressed instead in Subsection (b)(6)(x).) This provision should be eliminated.

Subsection (c), *Notification of infringement or unauthorized use*, creates an affirmative duty on the part of the contractor to report potential trademark infringement to the DoD—an obligation that is *not* tied to the life of a particular contract. It is not clear why contractors should be deputized to monitor possible infringement of DoD marks—nor whether a contract-specific designation would qualify as a protectable trademark at all.

The Section recommends that this provision be eliminated. In the alternative, if not eliminated, the Section recommends that this provision be confined to registered trademarks during the life of a particular contract. Further, the transactional costs that this obligation would impose on contractors should be expressly identified as an allowable cost allocable to the specific contract(s).

Subsection (f), *Subcontracts*, indicates that this clause must be flowed down to all subcontracts at all tiers—including for commercial products and services. This will have the effect of deterring non-traditional subcontractors whose primary business is in the commercial sector.

The Section recommends that this provision be eliminated. In the alternative, the Section recommends a carve-out for trademarks associated with commercial products and commercial services as those terms are defined in the FAR.

IV. CONCLUSION

The Section appreciates the opportunity to provide these Comments and is available to provide additional information or assistance as you may require.

Mr. David Johnson

April 12, 2024

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Sincerely,

/s/ Eric Whytsell

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