



SBIR/STTR Phase III What Small Businesses Need to Know

Agenda

01

How Phase III Supports Acquisition Transformation

Understanding the strategic role of Phase III in modernizing defense acquisition

03

Benefits of a Phase III Contract

Key advantages and opportunities for small business innovators

05

SBIR/STTR Data Rights

Understanding the 20-year protection period and what it means

02

SBIR/STTR Phase III Description

Core definition and fundamental characteristics of Phase III contracts

04

SBIR/STTR Phase III Mandate

Legal requirements and agency obligations under federal statute

06

Data Rights Benefits to Small Businesses

How intellectual property protection drives commercialization success

How Phase III Supports Acquisition Transformation

War-winning Speed and Agility in Acquisition

Phase III awards bridge early-stage R&D to procurement-ready technology for immediate program office adoption. This accelerates the timeline from concept to capability, enabling warfighters to access cutting-edge solutions faster than traditional acquisition pathways allow.

Expanding and Revitalizing the Defense Industrial Base

The SBIR/STTR pipeline actively brings non-traditional and commercial innovators into defense problem spaces. By lowering barriers to entry, Phase III helps diversify the supplier base with agile companies that bring fresh perspectives and breakthrough technologies.

Supporting the Unified, Outcome-Driven Innovation Ecosystem

Phase III products smoothly transition into operational programs or production, delivering capability from innovation. This creates a coherent pathway where research investments translate directly into fielded systems that address real operational needs.

→ CONTINUED

How Phase III Supports Acquisition Transformation

Embracing Commercial Innovation and Dual-Use Pathways

SBIR/STTR Phase III is structured to leverage non-SBIR funding sources to take proven innovations to scale and operational use. This dual-use approach ensures that technologies developed for defense can also create commercial value, sustaining small businesses beyond government contracts.

Creating Repeatable Transition Pathways

Phase III awards and metrics tracking help institutionalize a feedback loop that continuously improves the innovation-to-acquisition process:

- Reduces technology risk by validating solutions through structured phases
- Signals acquisition demand to guide investment decisions
- De-risks DoD procurement decisions with proven technology
- Enables metrics-driven outcomes across portfolios for accountability



SBIR/STTR Phase III Description

Phase III represents a critical bridge in the innovation lifecycle, transforming early-stage research into operational capabilities. Understanding its unique characteristics is essential for small businesses seeking to scale their innovations.

Derives From Prior SBIR/STTR Work

Work that derives from, extends, or completes an effort made under prior SBIR/STTR funding agreements, but is funded by sources **other than SBIR/STTR set-aside funding**. This work may encompass products, production, services, R&D, or any combination thereof.

Streamlines Technology Transition

Phase III contracts streamline the transition of Small Business efforts into hardware, software, processes, or services that benefit the Government and/or the private sector. This commercialization pathway removes traditional barriers and accelerates deployment timelines.

Benefits of a Phase III Contract

Phase III offers unparalleled advantages that position small businesses for success in the federal marketplace. These benefits create a competitive edge while protecting innovation investments.



Reduces Barriers to Federal Contracting

Provides capital to help "bridge the gap" between R&D and the commercial marketplace, enabling small businesses to become established sources for the Federal Government without the traditional hurdles.



No Size Limitations

Small business size limitations do not apply to Phase III awards, enabling growth beyond traditional thresholds while maintaining SBIR benefits.



20-Year SBIR Data Rights Protection

Protects small business innovation for two decades, giving companies time to commercialize products and recoup investments before data rights revert to Government Purpose Rights.



Unlimited Award Flexibility

No limits on the contract type, dollar value, number, or duration of award(s). A Phase III could be a contract, task/delivery order, Other Transaction, subcontract, or CRADA.



Sole Source Contract Authority

No competition required (15 U.S.C. 638(r)(4)), allowing agencies to award contracts directly to the technology developer without lengthy competitive processes.



👍 CONTINUED

Benefits of a Phase III Contract

Flexible Timing

May be awarded at any time to a small business with a SBIR/STTR Phase I/Phase II, TACFI, and/or STRATFI award. There is no limit on the time that may elapse between a Phase I/II and a Phase III award, providing flexibility for technology maturation.

Cross-Agency Opportunities

There is no requirement that a SBIR/STTR Phase III be issued by the same office or agency that funded the Phase I/II. This opens doors to multiple customer bases across the entire federal government.

Matching Funds Eligibility

Phase III awards may be eligible as matching funds if applying for a STRATFI/TACFI, creating additional leverage for securing advanced funding opportunities and scaling operations.

SBIR/STTR Phase III Mandate

15 U.S.C. 638(r)(4)

To the greatest extent practicable, Federal agencies and Federal prime contractors shall consider an award under the SBIR/STTR program, and issue, without further justification, Phase III awards relating to technology, **including sole source awards**, to the SBIR/STTR award recipients that developed the technology.

Legal Foundation for Phase III

Awards

The law requires agencies to make a 'good faith effort' to award Phase III contracts to the SBIR/STTR technology developer. This statutory mandate provides small businesses with a competitive advantage when their technology meets an agency need.

Federal Contracting Officers must actively consider Phase III pathways when the specific technology developed under Phase I/II aligns with current procurement requirements. This creates a legally supported preference for continuing with the original innovator.

What This Means for You

Agencies cannot simply ignore your Phase III qualification. They must document their consideration of your technology and justify any decision to pursue alternative solutions.

SBIR/STTR Data Rights

Data rights protection is one of the most powerful benefits of the SBIR/STTR program, providing small businesses with the legal framework to control their intellectual property and maintain competitive advantages.

1

20-Year Protection Period

Upon expiration of the SBIR/STTR data protection period, the Government has Government Purpose Rights. This extended timeframe gives small businesses two decades to commercialize and profit from their innovations.

2

Applies to All Program Phases

Protections apply to all phases of the SBIR/STTR program (Phase I/II/III, TACFI, STRATFI), ensuring consistent intellectual property safeguards throughout the entire innovation lifecycle.

3

Retained Even as Subcontractor

Small business retains data rights, even if the Phase III is a subcontract issued by a Prime. This protection ensures your IP remains secure regardless of contract structure.

4

Universal Government Coverage

Data rights protections apply to both military and civilian agencies, providing consistent safeguards across the entire federal government landscape.

Critical: PCOs are prohibited from negotiating other than SBIR Data Rights on SBIR/STTR contracts (15 U.S.C. 638(ee)(2)(C)). It is critical that small businesses mark SBIR/STTR data appropriately to protect it from disclosure.

SBIR/STTR Data Rights Benefits to Small Businesses

The 20-year SBIR data rights protection period creates tangible economic advantages that directly impact your ability to build a sustainable business around your innovations.

Commercialization Window

The extended protection period allows the small business to commercialize a product and sell it for an adequate number of years to recoup its investment in the technology. This timeframe aligns with typical product lifecycles and market penetration strategies.

Enhanced Business Valuation

The protection also allows the SBIR firm to sell its technology, or the SBIR firm itself, to a buyer with an assurance that the valuable SBIR data underlying the firm's SBIR technology will not be disclosed anytime soon. This significantly enhances acquisition value and exit opportunities.

Potential Phase III Contract Vehicles

Phase III offers exceptional flexibility in contract vehicle selection, enabling small businesses to choose the pathway that best fits their technology, business model, and customer relationship. Understanding these options helps you structure the most advantageous agreements.



Direct Contracts and Agreements

A Phase III could be a stand-alone contract, Other Transaction (OT), CRADA, or purchase order. These direct vehicles provide the simplest path from award to execution.



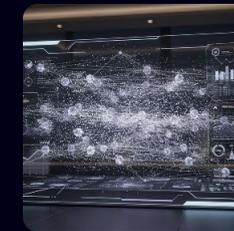
Subcontracts Under Prime Contractors

Small business retains its data rights protections even when working as a subcontractor. This structure leverages prime contractor relationships while maintaining IP control.



Government-Wide Acquisition Contracts (GWAC)

Task/delivery orders under NASA SEWP VI, Polaris, or Alliant 2 provide access to multiple agencies through pre-competed vehicles. These streamline the procurement process.



Multiple Award Contracts (MAC/IDIQ)

OASIS/OASIS+ contracts and GSA Multiple Award Schedules (GSA MAS) offer broad market access and simplified ordering procedures for federal agencies.

Global Data Marketplace (GDM)

Space as a Service

A web-based, one-stop shop with access to vetted businesses. The GDM allows the Space Force to advertise, award, and fund short-term surveillance, reconnaissance, and tracking contracts with commercial vendors. Small businesses own and manage their contract while the Government buys as needed—a true "as-a-service" model for space capabilities.

Dual-Use Technology Innovation

The Global Data Marketplace focuses on dual-use technology, enabling commercial providers to serve both government and private sector customers with the same platform. This model maximizes return on innovation investment.

Breaking Down Barriers

The GDM removes barriers to geography and market visibility, enabling small businesses anywhere to compete for Space Force missions. This democratizes access to defense contracts and accelerates capability delivery.

SBIR/STTR Phase III Challenges

While Phase III offers significant advantages, small businesses must navigate real challenges to successfully secure and execute these contracts. Understanding these obstacles helps you prepare effective strategies.

1

No Dedicated Funding Set-Aside

Unlike for SBIR/STTR Phase I/II, there is no statutory provision that sets aside funding for Phase III. You must compete for operational budgets within program offices, requiring strong relationships and demonstrated value.

2

Knowledge Gaps in Government Teams

The benefits of and the acquisition process for Phase III awards may be new to some Government teams. You may need to educate your contracting partners on Phase III authorities and advantages.

3

Sole Source Limitations

Issuance of a Broad Agency Announcement (BAA) that covers the technical area of the Phase I/Phase II does not make a company entitled to a Phase III. Sole source preference applies only when the agency seeks the **specific** technology developed under a Phase I/II.

4

Cross-Agency Funding Challenges

When seeking a Phase III from an office/agency different from the one that issued the Phase I/II, it can be challenging to source further funding for the technology. Building new relationships and establishing credibility takes time.

How Small Businesses Can Help Themselves

Success in Phase III requires proactive engagement, clear communication, and strategic positioning. These actionable steps will significantly improve your chances of securing and executing Phase III contracts.

Build Strong Program Office Relationships

Establish and maintain a relationship with the program office funding the Phase I/II effort. Regular communication, progress updates, and understanding their mission needs creates trust and positions your technology as the solution.

Communicate Technical Progress Clearly

Clearly communicate your technical progress under the Phase I/II. Use metrics, demonstrations, and documentation that speak to both technical and non-technical stakeholders. Show, don't just tell.

Tell the Derivation Story

Assist the Contracting Officer in telling the story of how the proposed Phase III work derives from, extends or completes prior SBIR/STTR-funded work. When possible, provide a picture or illustration that helps non-technical personnel see the path from Phase I/II work to the Phase III work.

Articulate Value, Not Just Features

Know the value of your technology, not just the technical features. Translate capabilities into mission impact, cost savings, and operational advantages that resonate with decision-makers.

Identify and Cultivate Buyers

Identify potential buyers for your SBIR/STTR-derived technology across multiple agencies and offices. Diversifying your customer base reduces risk and increases transition opportunities.

KEY

POINTS

SBIR/STTR Phase III Critical Takeaways

These essential points capture the core value proposition of Phase III. Keep these principles in mind as you develop your transition strategy and engage with government partners.



Derives from, Extends, or Completes



Bridges R&D to Commercialization



Reduces Federal Contracting Barriers



20-Year Data Rights Protection



Flexible Award Timing



No Size Limitations Apply



**Unlimited Award
Parameters**



Multiple Contract Vehicle Options



Sole Source Authority



SpaceWERX

Phase III Success Stories

These real-world examples demonstrate the transformative impact of Phase III contracts, showcasing how small businesses have leveraged the program to deliver critical capabilities to the Department of War while building sustainable commercial enterprises.

VARDA SPACE | HYPERSONIC RE-ENTRY CAPSULES

Letting Gravity do the Work: Hypersonics Testing from Orbit

THE THREAT

- China Leads in Hypersonics
- Expanding threat rings threaten INDOPACOM assets

THE CHALLENGE

-  Hypersonic testing prohibitively costly
-  Lack of Testing Facilities
-  Difficulty Recovering Test Vehicles

THE EFFECTS

Testing Costs per Flight

NOW	VARDA
\$100M+	>6x CHEAPER

SIMPLIFIED TESTING

**LOW COST
HIGH CADENCE**

	REACHING NEW SPEEDS
	MACH 25+

Transition Partners:
Space Vehicles Directorate

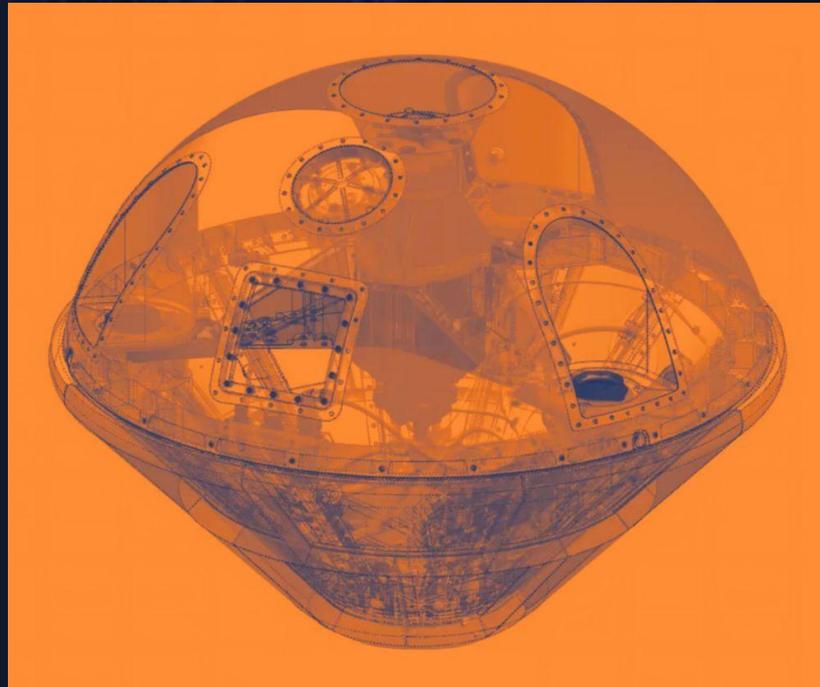
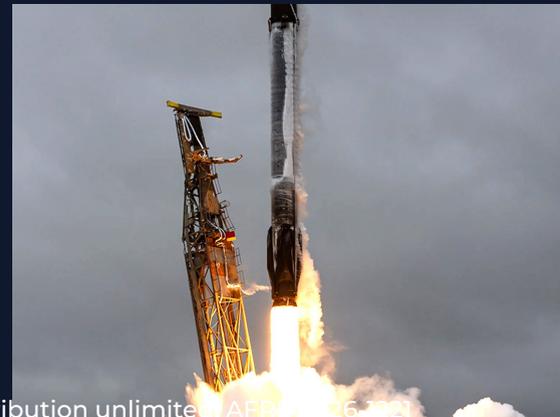
THE PARTNERSHIP

\$80M	Ph I-II-III STRATFI
--------------	------------------------

	SUCCESSFUL 2025 TESTS AFRL SENSORS
---	---

Ph III in Half the Time

 **50%**



K2 SPACE | MEGA-CLASS SATELLITE BUS

Scaling Space Superiority at Low Cost

THE THREAT

China

- 1000% growth in 10 yrs
- Goal to rival US by 2030
- Fielded Space-Enabled Kill Chains

THE CHALLENGE



DoD Space Strategy
DETERRENCE BY RESILIENCE

- Longer Life
- Higher Volume
- Easier to Replace

THE EFFECTS

Cost per Satellite Bus

NOW	WITH K2
\$150M	\$15M

90% COST SAVINGS

Boosting Space & Battle
Network Resilience

4x	more volume than using traditional buses
-----------	--

Transition Partner:
Space Systems Command
SDA/Combat Power PEO

THE PARTNERSHIP

\$31M

Ph I & II
STRATFI

\$110M
in VC

Proven
Concept

STRATFI in half the time

50%



Critical
Airspace
Coordination

BLUESTAQ | UNIFIED DATA LIBRARY

Space Situational Awareness Marketplace Driving Cost & Schedule Efficiency

THE THREAT

- Proliferation of Space Threats
- Reliance on Space C4ISR
- Kill Web Slowed by Data Silos

THE CHALLENGE

Space Data is Disjointed:

- National vs Commercial
- Spread Worldwide
- Bottleneck is Integration

THE EFFECTS

Data Accessibility

FROM
Ad Hoc
Search

TO
Real
Time

Competitive Pricing

FROM
Individual
Search

TO
Marketwide
Comparison

Augmenting SSA with
**MULTI-SOURCE
INTEGRATED DATA**

THE PARTNERSHIP

\$5.2M

Ph I & II
TACFI

AFWERX

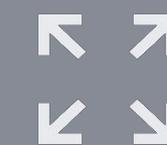
Early Success since 2018

GSA TRANSITION

\$327M

**Phase
III**

IN UNDER 15 MONTHS



Expanded
Applications:
DHA | Allies

SBIR/STTR Phase III Resources

These resources provide comprehensive guidance on SBIR/STTR Phase III policies, procedures, and best practices. Bookmark these sites for ongoing reference as you navigate your Phase III journey.



SBA SBIR/STTR Website
<https://www.sbir.gov/>



SpaceWERX Website
<https://spacewerx.us/>



Department of Defense Office for Small Business Innovation
<https://www.defensesbirstr.mil/>



SBIR/STTR Policy Directive
<https://www.sbir.gov/about/policies>



SBIR Statute (15 U.S.C. 638)
<https://uscode.house.gov/>



SBA SBIR/STTR Tutorials
<https://www.sbir.gov/tutorials>



SBA SBIR/STTR Data Rights FAQs
<https://www.sbir.gov/faq/data-rights>



Small Business Technical Council
<https://sbtc.org/resources/>



Army SBIR/STTR Phase III
<https://armysbir.army.mil/phase/phase-iii/>



Navy SBIR/STTR Phase III
<https://www.navysbir.com/trans-com.htm>

Questions?

Thank you for your attention. We're here to help you navigate the Phase III pathway and transform your innovations into operational capabilities.

