



School of Law
UNIVERSITY OF GEORGIA

Journal of Intellectual Property Law

Volume 2 | Issue 2

Article 2

March 1995

Patent Infringement Against the United States and Government Contractors Under 28 U.S.C. § 1498 in the United States Court of Federal Claims

Lionel Marks Lavenue

Follow this and additional works at: <https://digitalcommons.law.uga.edu/jipl>



Part of the [Intellectual Property Law Commons](#)

Recommended Citation

Lionel M. Lavenue, *Patent Infringement Against the United States and Government Contractors Under 28 U.S.C. § 1498 in the United States Court of Federal Claims*, 2 J. INTELL. PROP. L. 389 (1995).

Available at: <https://digitalcommons.law.uga.edu/jipl/vol2/iss2/2>

This Article is brought to you for free and open access by Digital Commons @ University of Georgia School of Law. It has been accepted for inclusion in Journal of Intellectual Property Law by an authorized editor of Digital Commons @ University of Georgia School of Law. [Please share how you have benefited from this access](#) For more information, please contact tstriepe@uga.edu.

ARTICLES

**PATENT INFRINGEMENT AGAINST THE
UNITED STATES AND GOVERNMENT
CONTRACTORS UNDER 28 U.S.C. § 1498
IN THE UNITED STATES COURT OF
FEDERAL CLAIMS**

*Lionel Marks Lavenue**

Contents

Page

INTRODUCTION	393
--------------------	-----

* Member, District of Columbia Bar and Florida Bar. Law Clerk (1994-96), Chief Judge Glenn L. Archer, Jr., United States Court of Appeals for the Federal Circuit; Law Clerk (1992-94), Judge Robert J. Yock, United States Court of Federal Claims (formally United States Claims Court). B.A., 1988, Vanderbilt University; J.D., 1992, Washington College of Law, The American University; LL.M. (Patent and Intellectual Property Law and Government Procurement Law), 1994, The National Law Center, George Washington University; M.S. Candidate (Information Systems), 1996, School of Information Technology & Engineering, George Mason University.

This Article represents an adaptation of the author's thesis written in partial satisfaction for the requirements of a Master of Laws degree (LL.M.) in Patent and Intellectual Property Law and Government Procurement Law from the National Law Center of George Washington University.

The opinions expressed herein are solely the views of the author and should not be attributed, either directly or indirectly, to any other person or entity.

I. THE GENESIS OF PATENT INFRINGEMENT AGAINST THE UNITED STATES	398
A. PATENT INFRINGEMENT AGAINST THE UNITED STATES: DEVELOPMENT OF THE VENUE	399
1. <i>The Congressional Forum</i>	400
2. <i>The Quasi-Judicial Forum</i>	402
3. <i>The Judicial Fora</i>	402
a. <i>Venue for Trial</i>	403
i. <i>United States Court of Claims</i>	403
ii. <i>United States Claims Court</i>	405
iii. <i>United States Court of Federal Claims</i> ..	406
b. <i>Venue for Appeal</i>	406
i. <i>United States Court of Appeals for the Federal Circuit</i>	406
ii. <i>United States Supreme Court</i>	407
B. PATENT INFRINGEMENT AGAINST THE UNITED STATES: DEVELOPMENT OF THE LAW	408
1. <i>Patent Infringement Against the United States by Reference of Congress</i>	408
2. <i>Patent Infringement Against the United States Under the Common Law</i>	409
3. <i>Patent Infringement Against the United States by Statute</i>	411
4. <i>Patent Infringement Against the United States Pursuant to 28 U.S.C. § 1498</i>	413
II. ANATOMY OF THE STATUTE: 28 U.S.C. § 1498	415
A. THE PATENT INFRINGEMENT PROVISION	417
1. <i>The Patent Infringement Provision: Jurisdictional Basis</i>	417
a. <i>An Invention Described In and Covered By a Patent of the United States</i>	418
b. <i>Used or Manufactured By or For the United States</i>	419
c. <i>Without License of the Owner or Lawful Right to Use or Manufacture the Same</i>	420
d. <i>Remedy Shall Be By Action Against the United States in the United States Court of Federal Claims</i>	421

<i>e. For the Recovery of Reasonable and Entire Compensation for Such Use and Manufacture</i>	423
2. <i>The Patent Infringement Provision: Scope of Jurisdiction</i>	425
<i>a. Jurisdiction for Patent Infringement by Authorization and Consent</i>	425
<i>b. No Jurisdiction for Patent Infringement Before July 1, 1918</i>	426
<i>c. No Jurisdiction for Patent Infringement by Government Employee</i>	426
B. THE COPYRIGHT INFRINGEMENT PROVISION	428
C. THE FOREIGN COUNTRY INFRINGEMENT DISCLAIMER	428
D. THE PLANT VARIETY INFRINGEMENT PROVISION	429
E. THE MASK WORKS INFRINGEMENT PROVISION	430
III. THE CONTRACTING OF PATENT INFRINGEMENT UNDER 28 U.S.C. § 1498	430
A. STATUTORY INDUCEMENT OF PATENT INFRINGEMENT	431
1. <i>The War Secrecy Act/The Invention Secrecy Act</i>	432
2. <i>The Royalty Adjustment Act</i>	433
3. <i>The Atomic Energy Act</i>	434
4. <i>The Mutual Security Act</i>	435
5. <i>Other Agency and Department Statutory Provisions</i>	435
B. REGULATORY INDUCEMENT OF PATENT INFRINGEMENT	437
1. <i>Distinguishing the Regulations</i>	439
<i>a. Authorization and Consent Clause</i>	439
<i>b. Notice and Assistance Clause</i>	440
<i>c. Patent Indemnity Clause</i>	441
<i>d. Waiver of Indemnity Clause</i>	443
2. <i>Distinguishing the Regulations: A Reprise</i>	444
IV. THE LITIGATION OF PATENT INFRINGEMENT UNDER 28 U.S.C. § 1498	452
A. ADMINISTRATIVE PROCEEDINGS	453
1. <i>Anticipated Patent Infringement in Bid Protests</i>	454
2. <i>Patent Infringement During Contract Administration</i>	456
B. JUDICIAL PROCEEDINGS	458

1. <i>Distinguishing the Cases</i>	461
a. <i>Type of Proceeding</i>	461
i. <i>Summary Judgement</i>	461
ii. <i>Trial</i>	462
b. <i>Type of Patent</i>	463
i. <i>Utility Patent</i>	463
ii. <i>Design Patent</i>	463
iii. <i>Plant Patent</i>	465
c. <i>Type of Contract</i>	465
i. <i>Supply and Service Contracts</i>	465
ii. <i>Construction Contract</i>	466
iii. <i>Research and Development Contract</i>	467
2. <i>Distinguishing the Cases: A Reprise</i>	468
V. PATENT INFRINGEMENT AGAINST THE UNITED STATES IN CONTEXT: THE PAST, PRESENT, AND FUTURE OF	
28 U.S.C. § 1498	472
A. 28 U.S.C. § 1498: A RETROSPECTIVE	473
1. <i>Preference for the Patentee</i>	474
2. <i>Preference for Competition</i>	474
B. 28 U.S.C. § 1498: A PERSPECTIVE	476
1. <i>Problem: Adequacy of Protection for the Patentee</i>	483
2. <i>Solution: Provision for Direct Suits for Patent Infringement</i>	484
3. <i>Problems Anew</i>	487
a. <i>Fairness</i>	488
b. <i>Competition</i>	488
c. <i>Cost</i>	489
d. <i>Delay</i>	490
e. <i>Best Technology for the Government</i>	490
C. 28 U.S.C. § 1498: A PROSPECTIVE	491
CONCLUSION	502

INTRODUCTION

The United States Constitution explicitly provides congressional authority for laws governing creations of the mind in the Constitutional provision that Congress “shall have Power To . . . promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”¹ Divided into copyright laws for the “Authors . . . to their respective Writings,”² and patent laws for the “Inventors . . . to their . . . Discoveries,” Congress accorded definable rights to these expressions of creativity as the property of the intellect, hence intellectual property.³ As with all property rights, however, the same government which grants these rights in intellectual property may similarly redeem or revoke such rights for the public welfare. Although discussion of the United States’s power to usurp property for the public welfare commonly involves real property, this eminent domain power⁴ extends to personal

¹ U.S. CONST. art. I, § 8, cl. 8.

² See Lionel M. Lavenue, Note, *Lotus Dev. Corp. v. Paperback Software Int’l: Copyrightability for the User Interface of Computer Software in the United States and the International Realm*, 7 AM. U. J. INT’L L. & POLY 289 (1992) (describing development of copyright law from 1909 Act to 1976 Act, with emphasis on copyrightability of computer programs in United States).

³ Hegel first utilized the term “intellectual property” to encompass the broad expanse of intangibles which a person conjures with the mind in contrast to the tangible forms of property created by the hands. See GEORG HEGEL, *ELEMENTS OF THE PHILOSOPHY OF RIGHT* § 43 (H.B. Nisbet trans. 1991) (discussing externalization of spirit through knowledge, sciences, and talents to become things); see also Mary B. Percifull, Note, *Digital Sampling: Creative or Just Plain “CHEEZ-OID?”* 42 CASE W. RES. 1263, 1293 (1992) (considering Hegelian theory of intellectual property). Intellectual property law encompasses five primary means to protect the products of the intellect, specifically patent law, copyright law, trademark law, trade secret law, and mask work protection.

⁴ Eminent domain characterizes the inherent power of federal and state governments to take private property for public use without the owner’s consent. P. SACKMAN, *NICHOL’S THE LAW OF EMINENT DOMAIN* § 1.11 (rev. 3d ed. 1985). By delegated authority, however, counties, municipalities, and even private parties may exercise the power as well. JACQUES B. GELIN & DAVID W. MILLER, *THE FEDERAL LAW OF EMINENT DOMAIN* § 1.1, at 1 (1982). While the term “eminent domain” originated with the works of Hugo Grotius, its modern meaning traces to the King’s prerogative. 5A GEORGE W. THOMPSON, *COMMENTARIES ON THE MODERN LAW OF REAL PROPERTY* § 2575, at 59 (1978). By this privilege, the King maintained the right to acquire property in order to perform governmental functions. *Id.* at 58.

property as well, including intellectual property.⁵

The eminent domain power, as defined in the Fifth Amendment to the Constitution,⁶ forbids the expropriation (or "taking") by the United States of "private property . . . for public use, without just compensation."⁷ Thus, in all eminent domain proceedings, the Government must consider the three issues: (1) "private property"; (2) "public use"; and (3) "just compensation."⁸ First, private property encompasses any property not held by a governmental entity,⁹ with neither the Constitution nor the eminent domain power immunizing certain types of property from government expropriation.¹⁰ Second, the eminent domain power applies only to use by the general public.¹¹ Finally, the justness of compensa-

⁵ The rationale of patent and other intellectual property rights rests in promoting the public good and the general welfare. Thomas W. Merrill, *The Economics of Public Use*, 72 CORNELL L. REV. 61, 95-96 (1986). The rationale of eminent domain rests in the same source. *Id.* Eminent domain may apply as to intellectual property as a statutorily created form of personal property. See 35 U.S.C. § 261 (1988) (defining patent as possessing "attributes of personal property").

⁶ The King's prerogative predated any limitations. William B. Stoebuck, *A General Theory of Eminent Domain*, 47 WASH. L. REV. 553-54 (1972). The King faced the first limitation to the prerogative in 1215 A.D. with the signing of the Magna Carta. See MAGNA CARTA, ch. XXIX ("no Freeman shall be taken, or imprisoned, or be disseized of his Freehold . . . but by lawful Judgment of his Peers, or by the Law of the Land"). Similarly, the doctrine of eminent domain predated any limitations. Stoebuck, *supra*, at 553. The Fifth Amendment to the United States Constitution contains the first limits on the power of eminent domain. *Id.* Despite the presence of the Fifth Amendment, almost one hundred years passed before the United States Supreme Court first addressed limitations to the power of eminent domain. *Kohl v. United States*, 91 U.S. (1 Otto) 367, 371-72 (1876).

⁷ U.S. CONST. amend. V.

⁸ THOMPSON, *supra* note 4, § 2576, at 71.

⁹ For an overview of the various views of "private property," see Frank I. Michelman, *Property, Utility, and Fairness, Comments on the Ethical Foundations of "Just Compensation" Law*, 80 HARV. L. REV. 1165, 1204 (1967).

¹⁰ THOMPSON, *supra* note 4, § 2578, at 111. The rights and private ownership in all property, both real and personal, tangible and intangible, remain subject to the power of the sovereign through eminent domain. *Id.* at 112.

¹¹ *Id.* § 2577 at 81. "The existence of the power of eminent domain and the exercise thereof are justified on the theory that the rights of individuals must yield to the public good, and that the welfare of the state is paramount to that of the individual citizen." *Id.* § 2575 at 61. "The rule most generally adhered to is that the general public must have the right to a definite and fixed use of the property appropriated, not as a mere matter of favor or by permission of the owner, but as a matter of right." *Id.* § 2577 at 89. However, the line separating private and public use have gradually blurred. MYRES S. MCDOUGAL & DAVID HABER, *PROPERTY, WEALTH, LAND: ALLOCATION, PLANNING, & DEVELOPMENT* 900-02 (1948).

tion for the taking generally requires judicial determination.¹² While the federal government needs no statutory authority to take private property, Congress has nonetheless provided for explicit statutory taking authority in areas outside of normal condemnation proceedings in eminent domain,¹³ including intellectual property.¹⁴

Despite the inclusion of intellectual property under takings law jurisprudence, a historical distinction exists between the means of compensation for the government expropriation of real and personal property, particularly intellectual property.¹⁵ When the federal government converts real property, the Fifth Amendment requires only just compensation. In retrospect, when the government converted intellectual property prior to 1910,¹⁶ conversion of intellectual property¹⁷ under the Fifth Amendment mandate faced

¹² THOMPSON, *supra* note 4, § 2582, at 196. In the taking of real property, the generalized standard requires basing compensation on the damage suffered by the owner and not the benefit derived by the Government.

¹³ GEORGE A. PINDAR, *AMERICAN REAL ESTATE LAW* § 2-4, at 32 (1976).

¹⁴ ROBERT KRATORIL & RAYMOND J. WERNER, *REAL ESTATE LAW* § 6.06(a), at 57 (9th ed. 1988).

¹⁵ Jack M. Beerman, *Government Official Torts and the Takings Clause: Federalism & State Sovereign Immunity*, 68 B.U. L. REV. 277, 301 (1988). Ironically, although the majority of American case law involves the taking of real property, precursors to the Fifth Amendment considered only chattels and not real property. Leslie Bender, *The Takings Clause: Principles or Politics?*, 34 BUFFALO L. REV. 735, 752 (1985).

¹⁶ *Lucas v. South Carolina Coastal Council*, 112 S. Ct. 2886, 2901 (1992); *United States v. Lee*, 106 U.S. (16 Otto) 196, 218 (1882). Most commonly, a taking of property in violation of the Fifth Amendment occurs "where real estate is actually invaded by superinduced additions of water, earth, sand, or other material, or by having any artificial structure placed on it, so as to effectually destroy or impair its usefulness, it is a taking, within the meaning of the Constitution." *Pumpelly v. Green Bay Co.*, 80 U.S. (13 Wall.) 166, 181 (1872). However, the United States Supreme Court has recognized a variety of other types of takings. See, e.g., *First English Evangelical Lutheran Church v. County of Los Angeles*, 482 U.S. 304, 311 (1987) (land use regulations "temporary" taking); *Keystone Bituminous Coal Assn. v. DeBenedictis*, 480 U.S. 470, 485 (1987) (nuisance laws as taking); *Penn Cent. Transp. Co. v. New York City*, 438 U.S. 104, 119 (1978) (zoning laws as taking).

¹⁷ As noted earlier, intellectual property includes patents, copyrights, trademarks, trade secrets, and mask work rights. See *supra* note 3. The realm of Government transactions involving intellectual property, however, includes a sixth area, "technical data rights." Captain Donna C. Maizel, *Trade Secrets and Technical Data Rights in Government Contracts*, 114 MIL. L. REV. 225, 225 (1986). "Technical Data rights" encompass the rights of the owner of certain data to the technical merit of reports, drawings, blueprints or any similar technical data or information." *Id.* at 236. Since 1955, the Department of Defense has provided regulatory protection for this type of data. *Id.*

an encyclopedic series of common law tenancies and judicial decrees. In 1910, however, Congress provided a statutory means of redress for the unauthorized and uncompensated Government use of patents in § 1498 of Title 28 of the United States Code.¹⁸ Focusing on this takings remedy for "patent infringement by the Government," this Article examines the statutory remedy for patent owners in the United States Court of Federal Claims when the United States or contractors of the United States utilize a patent without the consent of the owner.¹⁹

Part I studies the history behind the introduction of a statutory right of redress for patent infringement by the United States. Part I first considers the evolution of venues for such claims, including: (1) the congressional forum, where congressional committees hear and decide disputes proffered by private bills or congressional reference; (2) the quasi-judicial forum, where administrative agencies dedicate decisional bodies to resolve disputes of fact and issue recommendations of law to Congress; and (3) judicial fora, which initially made recommendations to Congress but later gained authority to make final rulings on fact and law. After describing the various venues, Part I follows the development of the law for claims of patent infringement against the United States, from its genesis in congressional reference cases, through development of a common law theory based on implied-in-fact contract, to development of a statutory basis for the assertion of patent infringement against the United States culminating in the enactment of 28 U.S.C. § 1498.

Part II dissects 28 U.S.C. § 1498 into its component parts, analyzing the role and effect of each element in the statutory design and its application in case law. This Part also attempts to ascertain the scope of jurisdiction, and thus the scope of protection for a patentee.

Part III focuses upon the odd feature of 28 U.S.C. § 1498(a), whereby the statute actually enables the Government to engage in patent infringement by contract. It explains how 28 U.S.C.

¹⁸ 28 U.S.C. § 1498 (1988).

¹⁹ As evident from its title, this Article considers not merely the use of patents by the United States per se but also the use of patents by contractors of the United States. These "contractors" represent individuals and businesses who enter into contracts with the United States Government for the delivery of goods or performance of services.

§ 1498(a) appears to induce patent infringement by authorizing compensation to a patentee for any use or manufacture by or for the United States without authorization and consent of the patentee pursuant to a government contract. The Part also delineates the other statutory sources of patent infringement against the United States, from agency specific statutory schemes to government wide specialized patent policies. It also contains the implementing regulations for 28 U.S.C. § 1498(a) and portrays a flow chart diagram and a hypothetical situation applying the diagram. This hypothetical examines whether the regulatory provisions apply to a particular Government contract, and if so, what clauses apply.

Part IV examines the administrative problems of anticipated patent infringement in bid protests and the issues relating to patent infringement during contract performance. It then analyzes the case law under 28 U.S.C. § 1498, distinguishing the cases by the type of proceeding (summary judgment or trial), the type of patent (utility, design, or plant), and the type of government contract (supply or service, construction, or research and development). Part IV finally scrutinizes the characterization of an assertion of patent infringement under 28 U.S.C. § 1498 as an action in eminent domain.

Part V reviews the rationale for a right of patent infringement against the United States and critiques the two reasons for the continuance of 28 U.S.C. § 1498(a). It then considers recommendations to change the statute, including the recent suggestions of the Department of Defense Advisory Panel on Streamlining and Codifying Acquisition Law, particularly the recommendation of direct suits for patent infringement against government contractors. This Article criticizes the recommendations based not only on the adverse result upon small business, but also the effect upon federal procurement in general with regard to fairness, competition, cost, delay, and best technology. Finally, Part V turns to the practicalities of suing the United States pursuant to 28 U.S.C. § 1498(a), employing a database of all reported suits depicting the number of statutory patent infringement suits initiated against the United States, the types of proceedings for the resolution of such suits, and the win/loss ratios for these suits in the Court of Federal Claims and Claims Court.

This Article concludes by focusing on the unique nature of patent infringement against the United States pursuant to 28 U.S.C. § 1498 by examining the property right in a patent, the statutory authorization of a compulsory license, and the function of the eminent domain theory behind the statutory framework. Although recommending a statutory amendment allowing the recovery of attorneys' fees, the Article argues that 28 U.S.C. § 1498 has served the United States, government contractors, and even patentees well, and that any proposal to change the current statutory framework should contemplate the long, successful history of the statute.

I. THE GENESIS OF PATENT INFRINGEMENT AGAINST THE UNITED STATES

Pursuant to Article I, Section 8, the United States Congress passed the first patent act one year after the adoption of the United States Constitution.²⁰ In the same year, Samuel Hopkins of Pittsford, Vermont received the first United States patent for a process of making potash from wood ashes.²¹ Under the original Act of 1790, patent applicants merely submitted patents to three Government officials for review and consent.²² As this system became increasingly burdensome, the Patent Act of 1793²³ transformed the United States patent system into a simple registration process, similar to the copyright process today.²⁴ Under the Patent Act of 1836,²⁵ as well as the Patent Act of 1870,²⁶ the current system of formal requirements and examina-

²⁰ Patent Act of 1790, ch. 7, 1 Stat. 109-112 (April 10, 1790). See ROBERT P. MERGES, *PATENT LAW AND POLICY* 1-10 (1992) (presenting historical overview of American patent law).

²¹ Henry Paynter, *The First U.S. Patent*, AM. HERITAGE OF INVENTION AND TECH., Fall 1990, at 18.

²² WILLIAM C. ROBINSON, *THE LAW OF PATENTS* 76-77 (1890). The Act authorized the Secretary of State, the Secretary of War, and the Attorney General, or any two, to grant a patent for a term of fourteen years. *Id.* at 77-79.

²³ Patent Act of 1793, ch. 11, 1 Stat. 318-21 (1793).

²⁴ BRUCE W. BUGBEE, *THE GENESIS OF THE AMERICAN PATENT AND COPYRIGHT LAW* 126-43 (1967).

²⁵ Patent Act of 1836, ch. 357, 5 Stat. 117-19 (1836) (repealed 1870).

²⁶ Patent Act of 1870, ch. 2301, 16 Stat. 198-201 (1870) (repealed 1952).

tion procedures developed²⁷ and carried forward into the Patent Act of 1952.²⁸

A. PATENT INFRINGEMENT AGAINST THE UNITED STATES: DEVELOPMENT OF THE VENUE

From the outset, the federal government has avoided liability for its use of a patent by relying on sovereign immunity. Present in England as far back as the thirteenth century,²⁹ sovereign immunity originally immunized the King from suit by the English citizenry in the courts of the King.³⁰ Although antithetical to the concept of democratic government,³¹ sovereign immunity in the United States traces its origins to the sovereign status of the King of England.³²

The capacity to sue the United States Government finds its

²⁷ P. J. Federico, *Transitional Problems of the New Patent Act*, 35 J. PAT. [& TRADEMARK] OFF. SOC'Y 325, 326 (1953).

²⁸ Patent Act of 1952, ch. 950, § 1, 66 Stat. 792 (1952) (codified as amended at 35 U.S.C. §§ 1-376 (1988 & Supp. V 1993)). For an overview of the 1952 Act, see generally *The Patent Act of 1952*, 34 J. PAT. [& TRADEMARK] OFF. SOC'Y 525, 548 (1952).

²⁹ As generally understood, sovereign immunity embodies the American tradition for English monarchical convention that "the King can do no wrong." The tenant behind the English theory maintained that, as the King created the courts and as the courts acted subject to the King, the King could not be subject to the courts. W.S. Holdsworth, *The History of Remedies Against the Crown*, 38 L.Q. REV. 141, 143 (1922).

³⁰ ROBERT D. WATKINS, *THE STATE AS A PARTY LITIGANT* 7 (1927). On occasion, however, the King would grant a waiver of this immunity, typically pursuant to a "Petition of Right." 10 WILLIAM S. HOLDSWORTH, *A HISTORY OF ENGLISH LAW* 13-17 (1926). In 1305, the King designed the "King in Parliament" to address these petitions, although the King continued to entertain certain Petitions of Right himself. 1 FREDERICK POLLOCK & FREDERIC W. MAITLAND, *THE HISTORY OF ENGLISH LAW* 197 (1923).

³¹ See NATIONAL ASS'N OF ATTORNEYS GENERAL, COMMITTEE ON THE OFFICE OF ATTORNEY GENERAL, *SOVEREIGN IMMUNITY: THE TORT LIABILITY OF THE GOVERNMENT AND ITS OFFICIALS* 1 (1979) [hereinafter *SOVEREIGN IMMUNITY*] ("This absolutist, monarchical notion . . . appears antithetical to the basic concept of democratic government . . . [because it] bars the people, at whose pleasure and for whose benefit the government exists, from suing their representatives when they have been wronged by them"); but see Louis L. Jaffe, *Suits Against Governments and Officers: Sovereign Immunity*, 77 HARV. L. REV. 1, 4 (1963) ("The immunity of the sovereign from suit (sovereign immunity) and his capacity to violate or not violate the law ('the King can do no wrong') are distinct and independent concepts, for the grant of consent is based precisely on the proposition that the King has acted contrary to law").

³² Jaffe, *supra* note 31, at 1.

genesis in the Declaration of Independence.³³ Citing the King's refusal to heed colonists' "petitions for redress," Jefferson berated the King for failing to waive his immunity in his own courts.³⁴ Thus, ironically, the desire to escape sovereign immunity comprises a fundamental premise of the founding of this Nation.³⁵

Despite Jefferson's protestations in the Declaration of Independence, the Articles of Confederation contained no provision for the right of redress against the United States.³⁶ Upon adopting the Constitution in 1789, the Founding Fathers again failed to provide a right to petition the Government.³⁷ In the Bill of Rights, however, the Founding Fathers remedied this oversight with an explicit provision for the right to "petition the Government for a redress of grievances" in the First Amendment.³⁸ Although indefinite, this mandate includes the right of petition of Congress directly for grievances against the Government.³⁹

1. *The Congressional Forum.* Following the Revolutionary War, the Congress of the Articles of Confederation faced a plethora of claims against the Government, particularly relating to the War of Independence.⁴⁰ Unable to adjudicate the claims, the Congress established a quasi-judicial system for redress in the three-man "Board of Treasury."⁴¹ Although temporary, the quasi-judicial

³³ *Id.*

³⁴ Jefferson wrote: "In every stage of these oppressions we have petitioned for relief in the most humble terms; our repeated petitions have been answered only by repeated injury." THE DECLARATION OF INDEPENDENCE, para. 30 (U.S. 1776). Ironically, Jefferson became the first administrator of the United States patent system. *Outline of the History of the United States Patent Office*, J. PAT. [& TRADEMARK] OFF. SOC'Y, July 1936, at 64.

³⁵ Holdsworth, *supra* note 29, at 143.

³⁶ Cf. William R. Hartl, Note, *Sovereign Immunity: An Outdated Doctrine Faces Demise in a Changing Judicial Arena*, 69 N. DAK. L. REV. 401, 404-05 (1993) (discussing sovereign immunity in early America). Hartl records the first United States case in which a court applied sovereign immunity. *Id.* In *Respublica v. Sparhawk*, 1 U.S. (1 Dall.) 357 (1788), a claimant sought compensation for 227 barrels of flour lost in the Revolutionary War. *Id.* at 357-58. The Supreme Court denied the claim based on sovereign immunity. *Id.* at 362-63.

³⁷ Walter Gellhorn & C. Newton Schenck, *Tort Actions Against the Federal Government*, 47 COLUM. L. REV. 722, 722 (1947).

³⁸ U.S. CONST., amend. I.

³⁹ BERNARD SCHWARTZ, 2 THE BILL OF RIGHTS: A DOCUMENTARY HISTORY 842 (1971).

⁴⁰ 2 WILSON COWEN ET AL., THE UNITED STATES COURT OF CLAIMS: A HISTORY 2 (1978).

⁴¹ *Id.* at 3 (quoting William M. Wiecek, *The Origin of the United States Court of Claims*, 20 ADMIN. L. REV. 387, 389 (1968)). From 1776 to 1784, the Congress would normally have delegated the administrative responsibilities for such claims to the Superintendent of

board actually was the first body to decide claims against the Government under the Articles of Confederation.⁴² More importantly, the board operated under the first explicit waiver of sovereign immunity.⁴³

Following the ratification of the Constitution and the establishment of the United States, claims for redress fared no better under the new system of government.⁴⁴ Under a "private bill" system,⁴⁵ claimants against the Government submitted claims to their Legislator or Senator for presentation to the full Congress.⁴⁶ Thus, Congress acted as the administrative tribunal for the resolution of private claims.⁴⁷ As under the Articles of Confederation, Congress found these private proceedings before the entire Congress created not only delay but also impropriety.⁴⁸ Accordingly, Congress adopted a procedure similar to that under the Articles of Confederation, relegating such claims to the newly

Finance, Robert Morris. Unable to trust Morris, however, the Congress awaited his departure and then established the "Board of Treasury after he left office in 1784." William M. Wiecek, *The Origin of the United States Court of Claims*, 20 ADMIN. L. REV. 387, 389 (1968).

⁴² COWEN ET AL., *supra* note 40, at 2-3.

⁴³ *Id.* In the absence of any constitutional procedures for the "petition of redress," the Congress of the Articles of Confederation initially waived sovereign immunity for such claims by private relief bills. Brian R. Levey, *Tortious Government Conduct and the Government Contract: Tort, Breach of Contract, or Both?*, 42 CATH. L. REV. 1, 7 (1992).

⁴⁴ Harold J. Krent, *Reconceptualizing Sovereign Immunity*, 45 VAND. L. REV. 1529, 1544 (1992); see generally Floyd D. Shimomura, *The History of Claims against the United States: The Evolution from a Legislative Toward a Judicial Model of Payment*, 45 LA. L. REV. 625 (1985) (discussing Congress's various means for addressing sovereign immunity).

⁴⁵ Shimomura, *supra* note 44, at 644. A private bill comprises a bill which a legislator presents to Congress for the benefit of a private party. Michael Rust, Comment, *Expansion of the Feres Doctrine*, 32 EMORY L.J. 237, 238 n.5 (1983); see generally Note, *Private Bills in Congress*, 79 HARV. L. REV. 1684 (1966) (explaining role of private bills in legislature).

⁴⁶ Richard H. Fallon, Jr., *Claims Court at the Crossroads*, 40 CATH. L. REV. 517, 520 (1991).

⁴⁷ COWEN ET AL., *supra* note 40, at 4.

⁴⁸ *Id.* In 1832, John Quincy Adams complained that private bills expended "half of the time" of Congress. Alexander Holtzoff, *Tort Claims Against the United States*, 25 A.B.A. J. 828 (1939) (quoting diary of John Quincy Adams, February 23, 1832). When Senator Richard Broadhead submitted the Court of Claims Act of 1855, he stated that private bills expended one-third of the time of the Senate. 30 CONG. GLOBE 33 Cong., 2d Sess. 70 (1854). Congress enacted the Court of Claims Act in part to prevent "frauds upon the Treasury of the United States." Act of Feb. 26, 1853, ch. 81, § 1, 10 Stat. 170 (1853) (repealed 1855). For a discussion of the claims system by private bill, see Dalehite v. United States, 346 U.S. 15, 25 n.9 (1953).

created Treasury Department.⁴⁹

2. *The Quasi-Judicial Forum.* Other than by private bill, alternative procedures of prosecuting petitions of redress against the United States continued as under the Articles of Confederation, with the Comptroller of the Treasury instead of the Articles' Board of Treasury handling the administrative responsibilities.⁵⁰ Until the early 1800's, except for the direct petition of Congress by private bill, such claims constituted the sole route of redress against the Government.⁵¹ However, unlike a finding of Congress under a private bill, the conclusions of the Department of Treasury remained subject to congressional approval. Thus, the Comptroller of the Treasury served only a quasi-judicial role.⁵² Because of the Comptroller's lackluster history, by the 1840's, Congress began to demand a separate means to resolve private claims against the United States.⁵³ In response to the delays caused by congressional resolution of private claims and congressional supervision for the Department of Treasury decisions, Congress eventually considered a permanent judicial body to hear and adjudicate claims against the United States.⁵⁴

3. *The Judicial Fora.* On December 6, 1854, Senator Broadhead of Pennsylvania introduced a bill calling for the establishment of an administrative commission for the resolution of claims against the United States, a "Commission for the Examination of and Adjust-

⁴⁹ COWEN ET AL., *supra* note 40, at 4.

⁵⁰ *Id.*

⁵¹ *Id.* at 4-7.

⁵² Wiecek, *supra* note 41, at 389-90. Submission of a claim to the Department of Treasury began upon receipt of a "public account" by Congress, after which the auditor of Congress would certify the balance and submit the account to the Comptroller of the Treasury for proceedings. *Id.* at 389. Although the exact procedures remain unknown, the Comptroller recommended a course of action to Congress after some form of fact-finding. *Id.*

James Madison attempted to make the decisions of the Comptroller final, with appeals to the United States Supreme Court, but Congress rejected the proposal. *Id.* at 390. Apparently, Congress considered such a proposal a violation of Article I, Section 9 of the Constitution. *Id.* at 389-90.

⁵³ *Id.* at 394-95. By 1855, Congress had considered nine different bills to change the dual private bill/Department of Treasury claim system. *Id.* at 395.

⁵⁴ *Id.* at 12-13.

ment of Private Claims.⁵⁵ Fourteen days later, he and two other Senators introduced a substitute bill calling for the establishment of a judicial body for the resolution of such claims.⁵⁶ This bill, entitled "An Act to Establish a Court for the Investigation of Claims against the United States,"⁵⁷ later became known as the Court of Claims Act of 1855.⁵⁸ On February 24, 1855, President Franklin Pierce signed the bill.⁵⁹ The Court of Claims Act created the first permanent judicial body to adjudicate claims against the United States—the United States Court of Claims.⁶⁰

a. Venue for Trial.

i. United States Court of Claims. Under the statement of purpose for the original Court of Claims Act of 1855, the Court of Claims maintained only limited jurisdiction.⁶¹ The Court of Claims Act granted jurisdiction over any claim founded upon (1) any law of Congress; (2) any regulation of the Executive Department; or (3) any contract with the United States Government, express or implied.⁶² Subsequently, Congress extended general jurisdiction over certain classes of cases and over particularly difficult matters by passage of "special jurisdiction statutes."⁶³

In 1887, Congress enacted the jurisdictional cornerstone of the

⁵⁵ 30 CONG. GLOBE, 33d Cong., 2d Sess. 15 (1854). As a member of the Senate Committee on Claims, Senator Broadhead remained well aware of the problems facing the dual claim procedures, especially relating to congressional reference claims. COWEN ET AL., *supra* note 40, at 13.

⁵⁶ COWEN ET AL., *supra* note 40, at 13.

⁵⁷ *Id.* at 14.

⁵⁸ *Id.*

⁵⁹ Act of Feb. 24, 1855, ch. 122, 10 Stat. 612 (1855).

⁶⁰ COWEN ET AL., *supra* note 40, at 15. The original Court of Claims comprised a scant three judges, and the decisions remained subject to the review of Congress. *Id.*

⁶¹ J.C. DEVEREUX, THE COURT OF CLAIMS, ITS ORIGINS AND PROGRESS, DEVEREUX COURT OF CLAIMS REPORTS—APPENDIX 16-17 n.* (1856). As an indication of the limited nature of the new court's jurisdiction, the Court of Claims began with only three judges, John James Gilchrist, Isaac N. Blackford, and George P. Scarborough. COWEN ET AL., *supra* note 40, at 19.

⁶² Act of Feb. 24, 1855, ch. 122, 10 Stat. 612 (1855). The original statement of jurisdiction recited jurisdiction over "all claims founded upon any law of Congress, or upon any regulation of an executive department, or upon any contract, express or implied, with the government of the United States . . . and also all claims which may be referred to said court by either house of Congress." *Id.* § 1. Notably, even from the inception, the Court of Claims had no jurisdiction over tort claims. *Gibbons v. United States*, 8 U.S. (Wall.) 269, 275 (1868). Apparently, Congress limited jurisdiction as to not grant too much authority to the new court.

⁶³ COWEN ET AL., *supra* note 40, at 25.

Court of Claims, the Tucker Act.⁶⁴ The Tucker Act empowered the Court of Claims to adjudicate almost any money claim against the United States⁶⁵ other than those "sounding in tort."⁶⁶ Under the original Court of Claims Act, as well as under the Tucker Act, however, the Court of Claims did not possess equity jurisdiction.⁶⁷ Nonetheless, the court maintained authority to adjudicate implied-in-fact contracts, a sort of equitable remedy.⁶⁸ Yet despite this broad new jurisdiction, Congress continued to expand the court's jurisdiction by special statutes encompassing such diverse areas as Indian claims, congressional reference, and other highly specific areas. In spite of this expanding jurisdiction, and the Tucker Act's extension of the Court of Claims' jurisdiction beyond simple contracts to any claim "founded upon the Constitution," the Supreme Court ruled that the Tucker Act did not extend jurisdic-

⁶⁴ Ch. 359, 24 Stat. 505 (1887). Named for Representative Randolph Tucker of Virginia, who sponsored the bill, the Tucker Act resulted from Representative Tucker's efforts to mitigate the large number of private claims made to Congress. COWEN ET AL., *supra* note 40, at 39. The Act thus represented the second evolution of the original Court of Claims Act of 1855. *Id.* at 39-40.

⁶⁵ *United States v. Testan*, 424 U.S. 392 (1976). Pursuant to sovereign immunity, the Tucker Act only waived Government immunity to those matters specifically enumerated in the statute. *Id.* at 399. Nevertheless, the Court of Claims exercised wide authority, extending jurisdiction to almost *all* money claims. *Id.* at 400-01.

⁶⁶ The term "not sounding in tort" means more than simply non-tort claims. *Clapp v. United States*, 117 F. Supp. 576, 581, 127 Ct. Cl. 505 (1954), *cert. denied*, 348 U.S. 834 (1954). In *Pan Am. World Airways v. United States*, F. Supp. 682, 129 Ct. Cl. 53, 122 (1954), for example, the Court of Claims recognized:

When Congress, having expressly given this court jurisdiction of claims "founded upon any express or implied contract with the United States," in the very next clause gave the court jurisdiction over claims "for liquidated or unliquidated damages in cases not sounding in tort," it must have supposed that there are non-contractual claims which do not sound in tort.

122 F. Supp. at 683-84. This interpretation serves as the source of theory that the Court of Claims maintains jurisdiction over essentially *all* money claims against the United States, except those "sounding in tort." *Cf. Simanonok v. Simanonok*, 918 F.2d 947, 954 (Fed. Cir. 1990) (holding that "Claims Court lacks jurisdiction over claims sounding *only* in tort") (emphasis added).

⁶⁷ *United States v. Jones*, 131 U.S. 1 (1889).

⁶⁸ *Aetna Casualty & Sur. Co. v. United States*, 655 F.2d 1047, 1059-60, 228 Ct. Cl. 146, 164 (1981). For a further discussion of implied-in-fact contracts, see *infra* notes 98-115 and accompanying text.

tion over the tort of patent infringement.⁶⁹

ii. *United States Claims Court.* Pursuant to the Federal Courts Improvement Act of 1982 (FCIA),⁷⁰ Congress reorganized the structure of the Court of Claims, splitting the court into the United States Court of Appeals for the Federal Circuit (Federal Circuit) and the United States Claims Court (Claims Court).⁷¹ The existing judges of the Court of Claims, along with the judges of the abolished United States Court of Customs and Patent Appeals (CCPA), became the first judges of the Federal Circuit.⁷² The trial commissioners of the Court of Claims became the first judges of the Claims Court.⁷³ The FCIA empowered the Article I judges of the Claims Court with the same jurisdiction as the original Court of Claims,⁷⁴ while the Act empowered the Federal Circuit with full appellate review of the Claims Court's deci-

⁶⁹ *Schillinger v. United States*, 155 U.S. 163 (1894). In *Schillinger*, a claimant sought jurisdiction over a patent infringement claim under the Tucker Act. *Id.* at 167. The claimant recited the taking clause of the Fifth Amendment as a claim "founded upon the Constitution." *Id.* Reciting the same reasons as those cited in *United States v. Palmer*, 128 U.S. 262 (1888), the Supreme Court denied the claim as that of a tort and not of a "constitutional claim." *Id.* at 168. For a discussion of the *Palmer* case, see *infra* notes 106-107 and accompanying text. Ironically, despite the introduction of a statutory right of patent infringement against the United States per 28 U.S.C. § 1498, the rule of *Schillinger v. United States* remains valid today.

⁷⁰ Pub. L. No. 97-164, ch. 7, § 105(a), 96 Stat. 27, 28 (codified at 28 U.S.C. § 171 (1988)).

⁷¹ Richard L. Revesz, *Specialized Courts and the Administrative Lawmaking System*, 138 U. PA. L. REV. 1111, 1112 n.2 (1990).

⁷² Ellen E. Sward & Rodney F. Page, *The Federal Courts Improvement Act: A Practitioner's Perspective*, 33 AM. U. L. REV. 385, 392 (1984).

⁷³ *Id.* These judges required nomination and confirmation pursuant to Article I of the Constitution and, primarily because of the continued ability to issue declaratory judgments pursuant to congressional reference cases, initially only served fifteen year appointments. 28 U.S.C. § 171 (1988). In 1987, however, Congress authorized any judge not selected for reappointment to take "senior judge" status for an indefinite term. 5 U.S.C. § 8331 (Supp. IV 1993). In effect, the judges of the Claims Court (now the Court of Federal Claims) enjoy a de facto life appointment.

⁷⁴ The Honorable Randall R. Rader, *Specialized Courts: The Legislative Response*, 40 AM. U. L. REV. 1003, 1011 n.35 (1991). Although scholars have questioned the constitutionality of the Claims Court and the Court of Federal Claims, both Article I courts, the Court of Claims largely existed without question of its constitutionality. *Id.* Some scholars on the Claims Court and the Court of Federal Claims, however, have expressed much trepidation over the constitutionality of any court created under Article I of the Constitution. See generally Joan E. Baker, *Is the United States Claims Court Constitutional?*, 32 CLEV. ST. L. REV. 55 (1983) (discussing constitutional concerns resulting from creation of Claims Court).

sions.⁷⁵ The decisions of the Court of Claims, as well as of the CCPA, remain binding precedent for the Claims Court as well as the Federal Circuit.⁷⁶

iii. *United States Court of Federal Claims.* In conformity with the Court of Federal Claims Technical and Procedural Improvement Act (CFCTPIA) of 1992,⁷⁷ Congress renamed the Claims Court the Court of Federal Claims and made several refinements to the court's jurisdiction.⁷⁸ The Act did not change the jurisdiction of the new Court of Federal Claims over patent infringement suits against the United States.⁷⁹

b. *Venue for Appeal.*

i. *United States Court of Appeals for the Federal Circuit.* The United States Court of Appeals for the Federal Circuit has exclusive appellate jurisdiction over the decisions of the Court of Federal Claims.⁸⁰ Unlike the Court of Federal Claims, an Article I court, the United States Court of Appeals for the Federal Circuit (CAFC) is an Article III court. Just as the Court of Federal Claims follows precedents of the Court of Claims, unless a decision of the United States Court of Appeals for the Federal Circuit controls, the

⁷⁵ 41 U.S.C. § 609 (1988).

⁷⁶ *South Corp. v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982) (*en banc*). Due to the nature of appellate review by the United States circuit courts, several panels have sought to diverge from the precedent of the Court of Claims or the Court of Customs and Patent Appeals. See *Atlantic Thermoplastics Co. v. Faytex Corp.*, 974 F.2d 1279, 1281 (Fed. Cir. 1992) (Rich, J., dissenting) (decrying panel's rejection of CCPA precedent, "[I]t is mutiny. It is heresy. It is illegal.").

⁷⁷ Pub. L. No. 102-572, § 902, 106 Stat. 4516 (1992) (codified at 28 U.S.C. § 1491 (Supp. V 1993)).

⁷⁸ *Hannon v. United States*, 29 Fed. Cl. 142, 143 n.1 (1993). One impetus for the new legislation was that many people frequently confused the United States Claims Court with the Small Claims Court. Interview with David Lampen, Clerk, Court of Federal Claims, in Washington, D.C. (Sept. 1, 1992).

⁷⁹ Further, pursuant to General Order 33, the Court of Federal Claims adopted the same Rules as applied by the Claims Court. *M.A. Morteusson Co. v. United States*, 29 Fed. Cl. 82, 89 n.5 (1993).

⁸⁰ See Sward & Page, *supra* note 72, at 392. Under the original appointment, the CAFC had twelve judges, five from the Court of Customs and Patent Appeals and seven from the Court of Claims. Thomas H. Case & Scott R. Miller, Note, *An Appraisal of the Court of Appeals for the Federal Circuit*, 57 S. CAL. L. REV. 301, 304 (1984). The judges of the Court of Claims and CCPA became the first Circuit Judges of the Federal Circuit. The Honorable S. Jay Plager, *The United States Court of Appeals, The Federal Circuit, and the Non-Regional Subject Matter Concept: Reflections on the Search for a Model*, 39 AM. U. L. REV. 853, 863 (1990).

Federal Circuit follows precedents of the Court of Claims and the Court of Customs and Patent Appeals.⁸¹

ii. *United States Supreme Court.* Under the Act of March 3, 1863,⁸² later refined by the Act of March 17, 1866,⁸³ the United States Supreme Court gained statutory authority to review the decisions of the Court of Claims.⁸⁴ Until Congress changed the structure of the Court of Claims in 1982, the Supreme Court reviewed approximately 1795 decisions of the court,⁸⁵ almost fourteen cases a year. After Congress reorganized the Court of Claims in 1982, however, the Supreme Court dramatically decreased the number of cases for which it granted *certiorari*. From 1982 to 1992, the Supreme Court has reviewed only seventeen cases of the Federal Circuit,⁸⁶ and only nine cases have involved decisions of the Claims Court,⁸⁷ less than a single case each year. Of these nine cases, none involved patent infringement claims under 28 U.S.C. § 1498. In this regard, the Supreme Court apparently has decided to grant great deference to the appellate

⁸¹ See *supra* note 76 and accompanying text; see also Harold C. Petrowitz, *Federal Court Reform: The Federal Courts Improvement Act of 1982—And Beyond*, 32 AM. U. L. REV. 543, 543 (1983).

⁸² Act of Mar. 3, 1863, ch. 92, § 5, 12 Stat. 765, 766, *repealed by* Act of Mar. 17, 1866, ch. 19, 17 Stat. 9.

⁸³ Act of Mar. 17, 1866, ch. 19, 14 Stat. 9.

⁸⁴ COWEN ET AL., *supra* note 40, at 21-25.

⁸⁵ Search of LEXIS, Genfed Library, US File (April 1, 1994). Notably, of these 1795 cases, only 116 regarded patent rights. Only eight regarded patent infringement specifically: *Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1 (1943); *United States v. Esnault-Pelterie*, 303 U.S. 26 (1938); *United States v. Esnault-Pelterie*, 299 U.S. 201 (1936); *O'Donoghue v. United States*, 289 U.S. 516 (1933); *Colgate v. United States*, 280 U.S. 43 (1929); *Kornhauser v. United States*, 276 U.S. 145 (1928); *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331 (1928); *United States v. Societe Anonyme Des Anciens Etablissements Cail*, 224 U.S. 309 (1912).

⁸⁶ See, e.g., *Keene Corp. v. United States*, 113 S. Ct. 373 (1992); *Cardinal Chem. Co. v. Morton Int'l Inc.*, 113 S. Ct. 52 (1992); *United States v. Hill*, 503 U.S. 1004 (1992).

⁸⁷ *Keene Corp. v. United States*, 113 S. Ct. 373 (1992); *United States v. Thompson/Center Arms Co.*, 502 U.S. 807 (1991); *Montedoro Whitney Corp. v. Marsh McBirney, Inc.*, 498 U.S. 1061 (1991); *United States v. Goodyear Tire & Rubber Co.*, 493 U.S. 132 (1989); *United States v. Sperry Corp.*, 493 U.S. 52 (1989); *Eli Lilly & Co. v. Medtronic, Inc.*, 493 U.S. 889 (1989); *Office of Personnel Management v. Richmond*, 493 U.S. 806 (1989); *Van Drasek v. Webb*, 481 U.S. 738 (1987); *United States v. General Dynamics Corp.*, 481 U.S. 239 (1987); *O'Connor v. United States*, 479 U.S. 27 (1986); *United States v. American Bar Endowment*, 477 U.S. 105 (1986); *United States v. American College of Physicians*, 475 U.S. 834 (1986); *Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809 (1986); *United States v. City of Fulton*, 475 U.S. 657 (1986); *Cornelius v. Nutt*, 472 U.S. 648 (1985).

decisions of the Federal Circuit.

B. PATENT INFRINGEMENT AGAINST THE UNITED STATES: DEVELOPMENT OF THE LAW

As a court with jurisdiction primarily over money claims, but expressly without jurisdiction over tort claims, the Court of Claims traditionally had no jurisdiction over patent infringement claims against the United States. Because the absence of a means to redress patent infringement against the United States resulted in substantial inequities to patentees, claimants and courts contrived routes for remedy. Prior to the adoption of a statutory right to bring a patent infringement claim against the United States, practice and procedure relegated patentees to direct resolution by congressional reference and indirect judicial resolution by implied-in-fact contract.

1. *Patent Infringement Against the United States by Reference of Congress.* As noted earlier, the first claims of patent infringement arose by private bill in Congress.⁸⁸ Claimants gained access to this forum by simply requesting that a legislator submit a claim to the full Congress.⁸⁹ When inventors submitted more and more such private claims, Congress began to relegate many judicial functions to the Court of Claims.⁹⁰ These congressional reference cases found particular favor in cases of patent infringement against the United States.⁹¹

Through congressional reference, patentees initially gained jurisdiction in the Court of Claims by two means, either by

⁸⁸ Fallon, *supra* note 46, at 520. The role of private bills for patent infringement tracks the similar path of private bills for tort claims. John Astley, *United States v. Johnson: Feres Doctrine Gets New Life and Continues to Grow*, 38 AM. U. L. REV. 185, 191 (1988). As the number of private bills began to grow, Congress developed other legal remedies to ease the burden of such direct petitions on the Congress. See generally Walter Gellhorn & Louis Lauer, *Congressional Settlement of Tort Claims Against the United States*, 55 COLUM. L. REV. 1, 1-4 (1955) (describing congressional maneuvers to reduce use of private bills to settle tort claims).

⁸⁹ *Dalehite v. United States*, 346 U.S. 15, 25 (1953). See generally 1 LESTER S. JAYSON, *HANDLING FEDERAL TORT CLAIMS: ADMINISTRATIVE AND JUDICIAL REMEDIES* § 51, at 2-3 (1982) (discussing burden of private bills on Congress).

⁹⁰ COWEN ET AL., *supra* note 40, at 53-57.

⁹¹ *Id.*

asserting a claim of congressional reference under the Bowman Act⁹² or under section 14 of the Tucker Act.⁹³ In *Forehand v. United States*,⁹⁴ the inventor of a pistol cartridge gained a congressional reference under the Bowman Act for a finding of fact on patent infringement to the Court of Claims by the Senate Committee on Claims.⁹⁵ Similarly, in *Richardson v. United States*,⁹⁶ the inventor of certain ordnance projectiles gained a congressional reference under the Tucker Act for a reconsideration of a previous finding of fact by the Court of Claims, even though the court had already adjudicated the same issue.⁹⁷ As these two cases demonstrate, claimants frequently used the congressional reference as a means of last resort for pressing meritless claims. Eventually Congress became overburdened by the requests for claims by congressional reference and a means of direct action before the Court of Claims developed based on common law.

2. *Patent Infringement Against the United States Under the Common Law.* In *Pitcher v. United States*,⁹⁸ the Court of Claims rejected a patent infringement claim based on a theory of implied-in-fact contract.⁹⁹ Upon review of the claim, the Court of Claims refused jurisdiction, finding no right to recover against the United States under contract law principles.¹⁰⁰ Some thirty years later, however, the Court of Claims reconsidered this position in *McKeever v. United States*.¹⁰¹

In *McKeever*, the Court of Claims first recognized an implied-in-fact contract theory for a patent infringement claim.¹⁰² As in

⁹² Ch. 116, § 1, 22 Stat. 485 (1883) (repealed).

⁹³ Ch. 359, § 13, 24 Stat. 505 (1887) (current version at 28 U.S.C. § 1491 (1988)).

⁹⁴ 23 Ct. Cl. 477 (1888).

⁹⁵ *Id.* at 477-82. Finding that the inventor's claim was really for patent infringement, a tort, the Court of Claims found no jurisdiction over that claim, and denied the claimant any right to compensation under contract principles. *Id.*

⁹⁶ 81 Ct. Cl. 948, 27 U.S.P.Q. (BNA) 255 (1935).

⁹⁷ 81 Ct. Cl. at 949.

⁹⁸ 1 Ct. Cl. 7 (1863).

⁹⁹ *Id.* at 8.

¹⁰⁰ *Id.* at 9.

¹⁰¹ 14 Ct. Cl. 396 (1878).

¹⁰² In *McKeever*, the Secretary of War had empaneled a board to select arms and ordnance. *Id.* at 422. Inventors appeared before the board and offered their products for sale. *Id.* McKeever had submitted two specimen "patent cartridge boxes" which the board recommended to the Secretary of War. *Id.* at 422-23. The Secretary approved the

Pitcher, the inventor in *McKeever* claimed entitlement to compensation on a theory of implied-in-fact contract, while the Government argued that the court lacked jurisdiction over the tort of patent infringement.¹⁰³ Unlike the *Pitcher* court, however, the court in *McKeever* expressly rejected the Government's position:

When a vendible article, such as ordinarily is the subject of bargain and sale, is offered by a producer to a consumer, though with no price specified, and is accepted and used by the latter, it is not to be supposed, on the one hand, that the offer was intended as a gift *inter vivos*, nor implied, on the other, that the taking was with a tortious intent.¹⁰⁴

Despite this finding, the viability of an implied-in-fact contract rationale for jurisdiction over patent infringement claims remained in doubt pending a ruling of the Supreme Court.¹⁰⁵

In *United States v. Palmer*,¹⁰⁶ the United States Supreme Court first mentioned the possibility of a common law cause of action based on implied-in-fact contract.¹⁰⁷ Later, in *United States v. Berdan Fire-Arms Manufacturing Co.*,¹⁰⁸ the Supreme Court expressly affirmed this common-law right.¹⁰⁹ In *Berdan Fire-Arms*, an inventor had submitted an invention for improvements to firearms to the War Department.¹¹⁰ When the government subsequently used the invention without compensating the

recommendation, and the Ordnance Department began production without notification to McKeever. *Id.* When he discovered the use, McKeever sued for patent infringement in the Court of Claims.

¹⁰³ *McKeever*, 14 Ct. Cl. at 422.

¹⁰⁴ *Id.* The claimant argued there was no inconsistency with *Pitcher v. United States*. *Id.* at 416.

¹⁰⁵ Louis H. Le Mieux, *Patent Jurisdiction of the Court of Claims*, 41 J. PAT. [& TRADEMARK] OFF. SOC'Y 112, 117 (1959).

¹⁰⁶ 128 U.S. 262 (1888).

¹⁰⁷ *Id.* at 270-72. In *Palmer*, the Court noted: "Whether a patentee may waive an infringement of his patent by the government, and sue upon an implied contract, is a question on which we do not express an opinion." *Id.* at 272.

¹⁰⁸ 156 U.S. 552 (1895).

¹⁰⁹ See also *United States v. Russell*, 80 U.S. (13 Wall.) 623 (1871) (discussing scope of jurisdiction of Court of Claims).

¹¹⁰ *Berdan Fire-Arms*, 156 U.S. at 553-55.

patentee, the inventor initiated suit in the Court of Claims under a theory of breach of implied-in-fact contract.¹¹¹ The Court of Claims ruled that an implied-in-fact contract resulted where the Government assuredly assumed the obligation of payment for the use of the invention.¹¹² The Supreme Court affirmed liability, even though the inventor had never discussed the terms of compensation with the Government.¹¹³ Nevertheless, absent the requisite showing for an implied-in-fact contract,¹¹⁴ and absent congressional reference, the Court of Claims possessed no jurisdiction over patent infringement actions before the statutory authorization of such jurisdiction.¹¹⁵

3. *Patent Infringement Against the United States by Statute.* On June 25, 1910, Congress created the first statutory action for patent infringement by the United States.¹¹⁶ The 1910 Act sought to resolve the inconsistencies and inequities of patent infringement claims by reference of Congress, as well as by common law doctrines.¹¹⁷ The primary rationale of the 1910 Act was resolution of the incongruity whereby the government could engage in patent infringement without incurring liability to the patentee.¹¹⁸

In *Crozier v. Fried Krupp Aktiengesellschaft*,¹¹⁹ the Supreme

¹¹¹ *Id.* at 562-64.

¹¹² *Id.* at 563.

¹¹³ *Id.* at 562. Before the Supreme Court, the United States cited authority that recovery for use of a patent required more than mere patent infringement, namely an implied-in-fact contract. *Id.* Rejecting the existence of any facts to support an implied-in-fact contract, the Government disclaimed liability. *Berdan Fire-Arms*, 156 U.S. at 562-63. In contrast, the inventor attempted to demonstrate the elements of an implied-in-fact contract claim. *Id.* at 563-64. The Supreme Court found the facts on all fours with the factual situation in *United States v. Palmer*, 128 U.S. 262 (1888), and rendered judgement in favor of the inventor. *Id.* at 569. The Court noted: "That no price was agreed upon, or that the officers of the Government were not authorized to agree upon a price, is immaterial. . . . The question is whether there was a contract for the use, and not whether all the conditions of the use were provided for in such contract." *Id.*

¹¹⁴ *E.g.*, *United States v. Great Falls Mfg. Co.*, 112 U.S. 645 (1884); *United States v. Alexander*, 148 U.S. 186, 191 (1893).

¹¹⁵ *Le Mieux*, *supra* note 105, at 114.

¹¹⁶ Act of June 25, 1910, 36 Stat. 851 (codified as amended at 28 U.S.C. § 1498 (Supp. IV 1992)).

¹¹⁷ H.R. REP. NO. 1288, 61st Cong., 2d Sess., at 1 (May 7, 1910).

¹¹⁸ *Id.* at 1. See also *Trojan, Inc. v. Shat-R-Shield, Inc.*, 885 F.2d 854, 857, 12 U.S.P.Q.2d (BNA) 1132 (Fed. Cir. 1989) ("The original legislative premise was to assure a remedy to patentees.").

¹¹⁹ 224 U.S. 290, 304 (1912).

Court first considered the new statute. A German corporation sought an injunction in the Court of Claims to prevent patent infringement by the Army's Chief of Ordnance.¹²⁰ Although recognizing the applicability of the 1910 Act,¹²¹ the Supreme Court rejected the suit based on the nature of the relief requested.¹²²

In *William Cramp & Sons Ship & Engine Building Co. v. International Curtis Marine Turbine Co.*,¹²³ the Supreme Court revisited the issue and severely restricted the application of the 1910 Act.¹²⁴ On appeal to the Supreme Court, the plaintiff argued that the 1910 Act extended a defense to government contractors by an implied license to infringe patents in the course of such a contract.¹²⁵ The Supreme Court rejected this argument and found that the 1910 Act extended protection in the absence of specific contractual indemnification of the Government.¹²⁶ Unfortunately, the Supreme Court engaged in too limited an interpretation of the 1910 Act, allowing recovery under the Act only for the acts of Government employees acting within the scope of their

¹²⁰ *Id.* The corporation sought to enjoin production of field guns and carriages made after the "Model of 1902," a type of gun and carriage for which the German corporation maintained a United States patent. *Id.*

¹²¹ *Id.* After noting the jurisdiction of the Court of Claims over a controversy involving the use or manufacture of a patent by the United States pursuant to an implied-in-fact contract, the Court recognized the newly authorized jurisdiction over patent infringement claims. *Id.* at 293.

¹²² The court recited:

In the recent act, approved June 25, 1910, the patentee is given still further authority to sue the United States, and he may now file suit in the Court of Claims to recover compensation where his patents have been used without his consent, through there be no contract with the Government, express or implied.

Crozier, 224 U.S. at 293.

¹²³ 246 U.S. 28 (1917).

¹²⁴ *International Curtis Turbine Company* sued *William Cramp & Sons* for infringement of a patent covering a turbine used in torpedo boat destroyers under a contract with the Navy Department. Notably, the contract provided indemnity to the Government for patent infringement occurring pursuant to the performance of the contract. The district court found infringement and liability, and the Third Circuit affirmed. *Id.* at 42.

¹²⁵ *Id.* at 37.

¹²⁶ *Id.* at 42. The Supreme Court rationalized this ruling by finding that the 1910 Act only contemplated patent infringement jurisdiction in the Court of Claims for those claims not suable under a contract theory. *Id.* at 41-42.

authority.¹²⁷

Following the *William Cramp & Sons* ruling, commentators voiced great concern over delays incumbent in government contracts if patentees could sue for injunctions during the performance of a government contract.¹²⁸ Because this ruling occurred during World War I, the Department of War expressed much concern over delays in the production of materials and the continuation of supplies during this critical period.¹²⁹

4. *Patent Infringement Against the United States Pursuant to 28 U.S.C. § 1498.* In response to *Crozier v. Crupp* and its progeny, particularly *William Cramp & Sons*, Congress amended the 1910 Act with the Naval Appropriations Act of 1918.¹³⁰ The 1918 Act resulted in 35 U.S.C. § 68, the precursor to 28 U.S.C. § 1498(a), and substantially enlarged the protection afforded to patentees.¹³¹ The 1918 Act eliminated many of the expansive defenses authorized under the 1910 Act, including the authority defense recognized in *William Cramp & Sons*.¹³² Furthermore, the 1918 Act allowed suit against the Government not only for use, sale, or other disposition by the Government, but also for any use, sale, or other disposition for the Government.¹³³

In *Richmond Screw Anchor Co. v. United States*,¹³⁴ the Supreme Court considered the 1918 Act, engaging in an extensive analysis of the statutory right to a patent infringement action against the United States.¹³⁵ The Court reviewed the history of this statutory right,¹³⁶ including the legislative reversal of *Wil-*

¹²⁷ *William Cramp & Sons*, 246 U.S. at 41-42.

¹²⁸ Karl Fenning, *Patent Infringement by the Government*, 37 YALE L.J. 773, 777 (1928).

¹²⁹ COWEN ET AL., *supra* note 40, at 56-57.

¹³⁰ Act of July 1, 1918, 40 Stat. 705 (current version at 35 U.S.C. § 68 (1988)).

¹³¹ Fenning, *supra* note 128, at 777.

¹³² *Id.*

¹³³ *Id.*

¹³⁴ 275 U.S. 331 (1928). The Government had used cargo beams covered by a United States patent owned by the Richmond Screw Anchor Company. The Government questioned the validity of the patent, arguing that the beam in question was neither novel nor nonobvious, and also challenged the patent's applicability under the statutory mandates when prosecuted by an assignee of the patent.

¹³⁵ RALPH C. NASH, JR. & LEONARD RAWICZ, *PATENTS AND TECHNICAL DATA* 284, 288 (1983).

¹³⁶ *Richmond Screw*, 275 U.S. at 339-46.

*liam Cramp & Sons v. International Curtis Marine Turbine Co.*¹³⁷ Citing the new statutory mandate, the Court explained the ramifications of the new amendment:

The intention and purpose of Congress in the Act of 1918 was to stimulate contractors to furnish what was needed for the War, without fear of becoming liable themselves for infringements to inventors or the owners or assignees of patents. . . . To accomplish this governmental purpose, Congress exercised the power to take away the right of the owner of the patent to recover from the contractor for infringements.¹³⁸

The Court found, however, that if this amendment only applied to original patentees, and not to assignees, such a result would pose problems under the Fifth Amendment.¹³⁹ The Court ruled that the amendment in the 1918 Act expanded protection to all holders in due course of rights in a patent.¹⁴⁰

Other than the amendments of the 1918 Act, the 1910 Act

¹³⁷ *Id.* at 342.

¹³⁸ *Id.* at 345. The Court previously had explained:

The purpose of the amendment was to relieve the contractor entirely from liability of every kind for the infringement of patents in manufacturing anything for the Government and to limit the owner of the patent and his assigns and all claiming through or under him to suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture. The word "entire" emphasizes the exclusive and comprehensive character of the remedy provided. As the Solicitor General states in his brief with respect to the Act, it is more than a waiver of immunity and effects an assumption of liability by the Government.

Id. at 343-44.

¹³⁹ *Richmond Screw*, 275 U.S. at 345. The Court noted:

This is not a case of a mere declared immunity of the Government from liability for its own torts. It is an attempt to take away from a private citizen his lawful claim for damage to his property by another private person which but for this Act he would have against the private wrongdoer. This result, . . . would seem to raise a serious question as to the constitutionality of the Act of 1918 under the Fifth Amendment to the Federal Constitution.

Id. at 345.

¹⁴⁰ *Id.* at 345-46.

remained unchanged until the initiation of World War II, when Congress wholly repealed these statutory provisions in favor of a revised statutory structure and enacted the first version of 28 U.S.C. § 1498(a).¹⁴¹ Of most significance, the 1948 amendment further broadened the protection of government contractors by emphasizing protection not merely for the “use, sale, or other disposition . . . for the Government” but for any performance “used or manufactured . . . by or for the Government.”¹⁴² One year later, Congress amended section 1498(a), making the statute applicable to agents of the government as well as authorized representatives.¹⁴³

II. ANATOMY OF THE STATUTE: 28 U.S.C. § 1498

Section 1498 of Title 28 provides statutory authority for an action against the United States for the unauthorized use or manufacture of United States patents by the government and by government contractors. The purpose of § 1498 is to provide complete relief to a contractor from liability for any kind of patent infringement in manufacturing any item for the government. To fulfill this purpose, the statute limits the owner of the patent, assigns, and all claiming through or under the patentee, to suit against the United States in the Court of Federal Claims for recovery of reasonable and entire compensation for such use and manufacture.

As in any other claim against the government, a statute of

¹⁴¹ Act of June 25, 1948, ch. 646, § 1, 62 Stat. 942 (codified as amended at 28 U.S.C. § 1498 (1988 & Supp. V 1993)).

¹⁴² *Id.* (emphasis added).

¹⁴³ Act of May 24, 1949, ch. 139, § 87, 63 Stat. 89, 102 (codified as amended at 28 U.S.C. § 1498 (1988 & Supp. V 1993)). In 1951, Congress again revised 28 U.S.C. § 1498 by incorporating a substantial part of the Royalty Adjustment Act into the statutory scheme. Act of Oct. 31, 1951, ch. 655, § 50(c), 65 Stat. 710, 727 (codified as amended at 28 U.S.C. § 1498 (1988 & Supp. V 1993)). To bring the statutory framework in conformity with the new Patent Act of 1952, Congress enacted another substantial amendment to 28 U.S.C. § 1498 with the Act of July 17, 1952, ch. 930, 66 Stat. 757 (codified as amended at 28 U.S.C. § 1498 (1988 & Supp. V 1993)). Further amendments occurred in 1982, when Congress replaced the name of the Court of Claims with the Claims Court, Act of Apr. 2, 1982, § 133(d), 96 Stat. 25, 40 (codified as amended at 28 U.S.C. § 1498 (1988 & Supp. V 1993)), and in 1992, when Congress again replaced the name of the Claims Court with the Court of Federal Claims. Court of Federal Claims Technical and Procedural Improvements Act of 1992, § 902, 106 Stat. 4516 (codified at 28 U.S.C. § 1498 (1988 & Supp. V 1993)).

limitations limits recovery on any patent infringement claim to six years from the date on which the use or manufacture occurred.¹⁴⁴ For claims in the Court of Federal Claims, except for any period during which an administrative claim is pending,¹⁴⁵ 28 U.S.C. § 2501 requires the initiation of suit before the six-year statute of limitations expires.¹⁴⁶ In addition to the statute of limitations, the government's liability for patent infringement depends on the inclusion or exclusion of certain regulatory clauses anticipating this source of liability. Part III of this Article describes the various regulatory provisions and the required contractual provisions for the allowance of suit against the government for patent infringement under 28 U.S.C. § 1498.

If the statute of limitations permits, and if the requisite contractual and regulatory clauses allow, a patentee may seek recovery for

¹⁴⁴ The statute runs with the first use or manufacture of the patented item. *Starobin v. United States*, 662 F.2d 747, 749 (1981). In *Regent Jack Mfg. Co. v. United States*, 337 F.2d 649, 143 U.S.P.Q. (BNA) 136 (1964), a patentee sought recovery for the use of a hydraulic jack after the expiration of the statute of limitations but within six years of an actual use of the invention by the United States. The Court of Claims denied the patentee's attempt to avoid the statute of limitations, describing first use as the time of first availability for use. *Regent Jack Mfg. Co.*, 337 F.2d at 650. As noted in *De Graffenried v. United States*, 25 Cl. Ct. 209, 24 U.S.P.Q.2d (BNA) 1594 (1992), however, two exceptions may apply. If a plaintiff patentee demonstrates "that defendant has concealed its acts with the result that plaintiff was unaware of their existence or [shows] that its injury was 'inherently unknowable' at the accrual date. . . . the statute will not begin to run until plaintiff learns or reasonably should have learned of his cause of action." 25 Cl. Ct. at 213 (quoting *Japanese War Notes Claimants Ass'n of the Philippines, Inc. v. United States*, 373 F.2d 356, 359 (Ct. Cl.), *cert. denied*, 389 U.S. 971 (1967)).

¹⁴⁵ *Custer v. United States*, 622 F.2d 554, 557, 208 U.S.P.Q. (BNA) 886 (Ct. Cl.), *cert. denied*, 449 U.S. 1010 (1980):

Whereas 28 U.S.C. § 2501 requires suit to be brought within 6 years after the claim 'first accrues,' 35 U.S.C. § 286 extends the time for bringing suit for a period equal to the time an administrative claim was pending before a department or agency of the Government prior to the date of filing the petition.

Id. 35 U.S.C. § 286 excludes the time during which an patentee seeks redress from an administrative agency. *Id.*

¹⁴⁶ 28 U.S.C. § 2501 (1988). The statute of limitations provides, in part: "Every claim of which the United States Court of Federal Claims has jurisdiction shall be barred unless the petition thereon is filed within six years after such claim first accrues." *Id.* See, e.g., *De Graffenried v. United States*, 29 Fed. Cl. 384, 390 (1993) (holding that statute runs when plaintiff knew or should have known of unauthorized use); *Messerschmidt v. United States*, 29 Fed. Cl. 1, 10 (1993) (holding that six-year limit not applicable to all defenses); *De Graffenried*, 25 Cl. Ct. 209, 212 (1992) (holding that statute does not run until plaintiff should have been aware of unauthorized use).

patent infringement under 28 U.S.C. § 1498(a). Yet recovery under § 1498(a) involves more than the mere assertion of a claim, because § 1498(a) contains four paragraphs of requirements for recovery, including the base requirements for jurisdiction (at the first paragraph of 28 U.S.C. § 1498(a)) as well as three specific limitations on jurisdiction (at the second through fourth paragraphs of 28 U.S.C. § 1498(a)). Moreover, § 1498 encompasses more than patent infringement, including five subsections: (1) the patent infringement provision of 28 U.S.C. § 1498(a); (2) the copyright infringement provision of 28 U.S.C. § 1498(b); (3) the foreign country infringement disclaimer of 28 U.S.C. § 1498(c); (4) the plant variety infringement provision of 28 U.S.C. § 1498(d); and (5) the mask works infringement provision of 28 U.S.C. § 1498(e).

A. THE PATENT INFRINGEMENT PROVISION

In contrast to a typical patent infringement suit, where one private party sues another in a United States district court pursuant to 28 U.S.C. § 1338,¹⁴⁷ a private party sues the government for the illegal use or manufacture of a patented device in the Court of Federal Claims pursuant to 28 U.S.C. § 1498(a).¹⁴⁸ While a suit under § 1338 in a district court is an action in tort,¹⁴⁹ a suit under § 1498 in the United States Court of Federal Claims is an action in eminent domain.¹⁵⁰

1. *The Patent Infringement Provision: Jurisdictional Basis.* Paragraph one of § 1498(a)¹⁵¹ details the jurisdictional basis of the Court of Federal Claims over patent infringement claims

¹⁴⁷ 28 U.S.C. § 1338 (1988).

¹⁴⁸ 28 U.S.C. § 1498 (1988 & Supp. V 1993).

¹⁴⁹ *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1031, 22 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 1992).

¹⁵⁰ *Airborne Data, Inc. v. United States*, 702 F.2d 1350, 1352, 217 U.S.P.Q. (BNA) 297 (Fed. Cir. 1983).

¹⁵¹ 28 U.S.C. § 1498(a), ¶ 1 (Supp. V 1993):

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

brought against the United States. This jurisdictional mandate contains five elements: (a) "an invention described in and covered by a patent of the United States"; (b) "used or manufactured by or for the United States"; (c) "without license of the owner thereof or lawful right to use or manufacture the same"; (d) with remedy by "action against the United States in the United States Court of Claims"; (e) "for the recovery of his reasonable and entire compensation for such use and manufacture." The following sections examine these elements.

a. An Invention Described In and Covered By a Patent of the United States. Although the first of a five-part analysis, this element comprises the ultimate step in the judicial determination of whether infringement has occurred.¹⁵² Distinguishable from claim interpretation, where a court considers a patent's application and scope, a court determines infringement by claim construction.¹⁵³ As explained in *Messerschmidt v. United States*,¹⁵⁴ "[a] court first interprets a claim, with the aid of the specification, drawings, and prosecution history, to give meaning to the words and symbols, and then a court constructs (or construes) a claim by comparison to the accused device in order to ascertain the legal operation."¹⁵⁵ When a claimant considers the first of these five analyses of 28 U.S.C. § 1498(a), only a subjective determination may be made for purposes of establishing a claim of patent infringement.¹⁵⁶ And of course, any such determination remains dependent upon the particular facts and circumstances of each case.¹⁵⁷ Furthermore, in addition to considering whether the subject invention remains "described or covered by a patent," as set forth above, 28 U.S.C. § 1498 extends protection to the owners of

¹⁵² *Brunswick Corp. v. United States*, 22 Cl. Ct. 278, 281, 19 U.S.P.Q.2d (BNA) 1702 (1991).

¹⁵³ ROBERT PATRICK MERGES, *PATENT LAW AND POLICY* 656 (1992).

¹⁵⁴ 29 Fed. Cl. 1, *aff'd without op.*, 14 F.3d 613 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1382 (1994).

¹⁵⁵ *Id.* at 45 n.10.

¹⁵⁶ See *Marsh-McBirney, Inc. v. Jennings*, 22 U.S.P.Q.2d (BNA) 1621, 1624 (C.D. Cal. 1991) ("a subjective belief that he was not infringing is irrelevant if, under the undisputed facts of the case, he should have realized that he was infringing").

¹⁵⁷ *Id.*

patents of the United States.¹⁵⁸

b. Used or Manufactured By or For the United States. Undefined by the statute, the use or manufacture of an invention remains a matter of judicial determination.¹⁵⁹ For purposes of patent infringement determinations against the government, the Court of Federal Claims has recognized that "use or manufacture" under 28 U.S.C. § 1498 parallels "make or use" under 35 U.S.C. § 271.¹⁶⁰

Although also undefined by the statute, "by or for the United States" has a much more discernable meaning.¹⁶¹ Following the amendment to the initial statutory allowance of patent infringement suits against the United States in 1948, Congress expanded the statutory application to use or manufacture "by or for the United States."¹⁶² Accordingly, under 28 U.S.C. § 1498, liability for patent infringement exists against the United States for any use or manufacture by the government or by any person or entity for the government, such as in a government contract.¹⁶³

¹⁵⁸ *United States v. Decca, Ltd.*, 544 F.2d 1070, 191 U.S.P.Q. (BNA) 439 (Ct. Cl. 1976); *Hughes Aircraft Co. v. United States*, 534 F.2d 889, 192 U.S.P.Q. (BNA) 296 (Ct. Cl. 1976).

¹⁵⁹ *Hughes Aircraft Co. v. United States*, 29 Fed. Cl. 197, 29 U.S.P.Q.2d (BNA) 1974 (1993) ("The words 'manufacture' and 'use' in § 1498 (as well as the words 'make,' 'use' and 'sell' in Title 35) have never been defined by Congress and have become a matter of judicial interpretation.").

¹⁶⁰ 29 Fed. Cl. at 218 n.21. *See also* *Paper Converting Mach. Co. v. Magna-Graphics Corp.*, 745 F.2d 11, 223 U.S.P.Q. (BNA) 591 (Fed. Cir. 1984) (considering term "make" under 35 U.S.C. § 271).

¹⁶¹ *See* *Larson v. United States*, 26 Cl. Ct. 365, 368, 24 U.S.P.Q.2d (BNA) (1992): Pursuant to 28 U.S.C. § 1498(a), the United States Claims Court has exclusive jurisdiction over claims against the government for unauthorized use of patented inventions. Section 1498(a) provides two bases for liability: (1) unauthorized use of a patented invention 'by' the government or (2) unauthorized use of a patented invention 'for' the government and with its 'authorization and consent'.

(footnote omitted).

¹⁶² *See In re Valuation Proceedings Under Sections 303(c) and 306 of the Regional Rail Reorganization Act of 1973*, 445 F. Supp. 994, 1024 (Regional Rail Reorg. Ct. 1977) ("The 1918 amendment . . . made recovery available not only when the United States had 'used' an invention covered by a patent, but whenever the invention had been 'used or manufactured by or for the United States.'").

¹⁶³ *See* *Evans v. McDonnell Aircraft Corp.*, 270 F. Supp. 778, 780, 154 U.S.P.Q. (BNA) 338 (E.D. Mo. 1967) ("The purpose of this section is to relieve contractors working for the United States Government from liability for infringement of patents in manufacturing anything for the government and to limit patentee, and those claiming through him, to suit against the United States Government in the Court of Claims.") (emphasis added).

c. *Without License of the Owner or Lawful Right to Use or Manufacture the Same.* This element requires consideration of whether the government maintained a license to use or manufacture the subject invention or whether the government maintained another right to do the same.¹⁶⁴ *Brunswick Corp. v. United States*¹⁶⁵ presents one of the most comprehensive analyses of the type of license under which the Government is subject to liability for patent infringement. The Claims Court recognized jurisdiction over all claims submitted by the owner of an exclusive license, regardless of the approval or participation of the patentee.¹⁶⁶ In effect, the third element of 28 U.S.C. § 1498(a) extends the cause of action from owners of a United States patent to licensees of such patents.¹⁶⁷ Additionally, the cause of action encompasses any other "lawful right to use or manufacture the same." Accordingly, in *Heinemann v. United States*,¹⁶⁸ the Court of Claims expressly declined to restrict claims of patent infringement under 28 U.S.C. § 1498 to the owner of the record title to the patent, recognizing jurisdiction over a claim by the equitable owner of a patent.¹⁶⁹ Thus, the third element of 28 U.S.C. § 1498(a) contemplates a broad variety of claimants under the statute, that is, the owner of

¹⁶⁴ See, e.g., *Leesona Corp. v. United States*, 198 U.S.P.Q. (BNA) 4 (Ct. Cl. 1978) (observing that government's "license to use the *improvement* does not carry with it a license to use the inventions covered by the infringed, unlicensed claims of the other Leesona patents"), modified, 599 F.2d 958 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979); *Pitcairn v. United States*, 547 F.2d 1106, 1115-16, 192 U.S.P.Q. (BNA) 612 (Ct. Cl. 1976) (discussing whether government's use of patented article constituted license to continue such use); *Rolls-Royce, Ltd. v. United States*, 364 F.2d 415, 417, 150 U.S.P.Q. (BNA) 460 (Ct. Cl. 1966) (characterizing issue of government license as "manifestly" relevant).

¹⁶⁵ 22 Cl. Ct. 278, 281, 19 U.S.P.Q.2d (BNA) 1702 (Cl. Ct. 1991).

¹⁶⁶ 22 Cl. Ct. at 282. In *Brunswick Corp.*, the court also noted the allowability of such claims where the licensor refuses to join the licensee in the suit. *Id.* (citing *Independent Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 469, reh. denied, 270 U.S. 84 (1926)). However, citing *E.W. Bliss Co. v. United States*, 53 Ct. Cl. 47, 60-61 (1917), the Claims Court noted a circumstance where no jurisdiction may lie, distinguishing a "mere licensee" for which no jurisdiction exists from an "exclusive licensee" for which jurisdiction exists. 22 Cl. Ct. at 282-83.

¹⁶⁷ *Id.*

¹⁶⁸ 620 F.2d 874, 877, 206 U.S.P.Q. (BNA) 418 (Ct. Cl. 1980).

¹⁶⁹ In *Heinemann*, the Court of Claims considered the Government's argument that the United States had waived sovereign immunity pursuant to 28 U.S.C. § 1498 only with respect to the holder of record title in a patent infringement suit against the United States. 620 F.2d at 877.

the patent for purposes of the statute.¹⁷⁰

d. Remedy Shall Be By Action Against the United States in the United States Court of Federal Claims. Although the statutory language clearly states the jurisdiction of the Court of Federal Claims, the courts have made strangely irregular rulings on this issue.¹⁷¹ Since the enactment of the statute, the Court of Claims has uniformly ruled that 28 U.S.C. § 1498 constitutes the sole remedy for patent infringement by the United States,¹⁷² and both the Claims Court and Court of Federal Claims have adhered to this interpretation.¹⁷³ However, in *Sperry Gyroscope Co. v. Arma Engineering Co.*,¹⁷⁴ the Supreme Court rejected 28 U.S.C. § 1498 as a jurisdictional requirement.¹⁷⁵ Similarly, in *Manville Sales*

¹⁷⁰ See, e.g., *LeFiell v. United States*, 162 Ct. Cl. 865, 867-71, 138 U.S.P.Q. (BNA) 312 (1963) (allowing claim by company on patent held by officer); *Wing Eng'g Corp. v. United States*, 151 F. Supp. 314, 315, 113 U.S.P.Q. (BNA) 343 (Ct. Cl. 1957) (finding exclusive right to license "use" ownership for purposes of § 1498).

¹⁷¹ Compare *Leesona Corp. v. United States*, 599 F.2d 958, 964 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979) (describing 28 U.S.C. § 1498 as jurisdictional statute establishing exclusivity of jurisdiction of Court of Claims (Court of Federal Claims) over patent infringement suits against United States) with *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554, 16 U.S.P.Q.2d (BNA) 1587 (Fed. Cir. 1990) (describing 28 U.S.C. § 1498 as affirmative defense).

¹⁷² See, e.g., *Leesona Corp.*, 599 F.2d at 964 ("[28 U.S.C. § 1498] provides that the exclusive remedy for patent infringement by the government is an action in the United States Court of Claims, and in such an action, the owner of a valid claim is entitled to recover 'reasonable and entire' compensation for infringement.") (emphasis added). In *Hughes Aircraft Co. v. United States*, the court noted:

By its express terms, 29 U.S.C. § 1498(a) vests exclusive jurisdiction in this court over patent infringement claims against the Government arising upon either one or both of the following two grounds: (1) unlicensed use or manufacture of a patented invention by the U.S. directly; and/or (2) unlicensed use or manufacture of a patented invention for the U.S. and with its authorization or consent.

534 F.2d 889, 897, 192 U.S.P.Q. (BNA) 276 (Ct. Cl. 1976) (first emphasis added).

¹⁷³ See *Penda Corp. v. United States*, 29 Fed. Cl. 533, 573 (1993) ("The patentee's sole remedy is a suit in this court for its 'reasonable and entire compensation' under section 1498."), appeal dismissed, 44 F.3d 967, 33 U.S.P.Q.2d (BNA) 1200 (Fed. Cir. 1994), petition for cert. filed, (March 22, 1995) (No. 94-1563).

¹⁷⁴ 271 U.S. 232 (1926).

¹⁷⁵ *Sperry Gyroscope* involved a private party infringement suit in which a district court had dismissed a complaint for lack of jurisdiction under the predecessor of 28 U.S.C. § 1498(a). The Supreme Court held the statute went to the merits of the case, not the jurisdiction of the court:

The true intent and meaning of the statute is not free from doubt; but certainly there is nothing therein which shows any clear purpose to take

Corp. v. Paramount Systems, Inc.,¹⁷⁶ the Federal Circuit affirmed that 28 U.S.C. § 1498 provides an affirmative defense, not a jurisdictional requirement.¹⁷⁷ Interestingly, however, the Federal Circuit distinguished between the application of 28 U.S.C. § 1498 as jurisdictional in suits against the United States in the Court of Federal Claims and as an affirmative defense in a district court involving private litigants.¹⁷⁸ While the court specifically declined to name the Court of Federal Claims as the exclusive forum for claims of patent infringement by the United States,¹⁷⁹ it noted that, had the plaintiff in the case maintained a claim against the Government under 28 U.S.C. § 1498, the appropriate resolution involved transfer to the Court of Federal Claims.¹⁸⁰ Therefore, despite the somewhat confusing status of the fourth element of 28 U.S.C. § 1498, precedents uniformly hold that the exclusive remedy for a patent infringement action against the United States remains in the Court of Federal Claims.¹⁸¹

away the power to decide. It became the duty of the court below to consider and determine whether, in the circumstances stated, appellee was relieved of liability and permitted by the statute to do what otherwise would have constituted a violation of appellant's rights. There was jurisdiction.

271 U.S. at 235-36.

¹⁷⁶ 917 F.2d 544, 16 U.S.P.Q.2d (BNA) 1587 (Fed. Cir. 1990).

¹⁷⁷ 917 F.2d at 555. "The Supreme Court has established that section 1498(a) is to be applied, at least with respect to suits to which the United States is not a party, as a codification of a defense and not as a jurisdictional statute." *Id.* at 554. *But see* *Fulmer v. United States*, 83 F. Supp. 137, 143, 80 U.S.P.Q. (BNA) 545 (N.D. Ala. 1949) (finding that *Sperry Gyroscope* only permitted district court to ascertain its own jurisdiction).

¹⁷⁸ *Manville Sales*, 917 F.2d at 554-55. Citing *Sperry Gyroscope*, the Federal Circuit concluded:

Without deciding, we see no inconsistency between interpreting section 1498(a) as a jurisdictional statute (waiving sovereign immunity) in suits against the United States and as merely codifying a defense that private parties who are alleged infringers may raise on the merits. That two different effects occur depending on the party raising section 1498(a) is the clear implication of *Sperry* and the other cases, read together.

Id. at 555 n.6. In *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1058, 1 U.S.P.Q.2d (BNA) 1071 (Fed. Cir. 1986), the Federal Circuit had reasoned to the contrary, but the *Manville Sales* panel dismissed the *TVI Energy Corp.* finding as dictum, contrary to *Sperry Gyroscope*. *Manville Sales*, 917 F.2d at 555 n.7.

¹⁷⁹ *Manville Sales*, 917 F.2d at 555 n.6.

¹⁸⁰ *Id.* at 555 n.8.

¹⁸¹ *See, e.g., TVI Energy Corp.*, 806 F.2d at 1061 (noting that "if TVI now has a cause of action, its remedy is against the Government in the Claims Court").

e. For the Recovery of Reasonable and Entire Compensation for Such Use and Manufacture. When determining reasonable and entire compensation, the Court of Claims traditionally applied a standard taking analysis under the Fifth Amendment.¹⁸² In the context of 28 U.S.C. § 1498, this analysis requires a determination of the “reasonable royalty” and compensation for the delay in making provision of the royalty.¹⁸³

In the absence of guidance from the Supreme Court,¹⁸⁴ the Court of Claims recognized three methods to ascertain a “reasonable royalty,” including: (1) the reasonable royalty of a license; (2) lost profits; and (3) savings to the government.¹⁸⁵ Generally, the Court of Claims preferred establishing the royalty by a comparative royalty technique,¹⁸⁶ determining the royalty using evidence of the royalty rate used by the patentee in commercial licensing.¹⁸⁷ When no such evidence was available, the Court of Claims made a finding under the first of the three methods, determining an

¹⁸² *Calhoun v. United States*, 453 F.2d 1385, 1391, 172 U.S.P.Q. (BNA) 438 (Ct. Cl. 1972). In *Leesona Corp. v. United States*, 599 F.2d 958, 964, 202 U.S.P.Q. (BNA) 424 (Ct. Cl.), *cert. denied*, 444 U.S. 991 (1979), the Court of Claims explained the rationale of the statute: “The theory for recovery against the government for patent infringement is not analogous to that in litigation between private parties. When the government has infringed, it is deemed to have “taken” the patent license under an eminent domain theory, and compensation is the just compensation required by the fifth amendment.”

¹⁸³ *Decca, Ltd. v. United States*, 640 F.2d 1156, 1168, 209 U.S.P.Q. (BNA) 52 (Ct. Cl. 1980), *cert. denied*, 454 U.S. 819 (1981).

¹⁸⁴ See Leslie Pickering Francis, *Eminent Domain Compensation in Western States: A Critique of the Fair Market Value Model*, 1984 UTAH L. REV. 429, 431 (“The Supreme Court never has precisely defined ‘just compensation,’ nor has it held that a single standard of compensation such as the fair market value standard is constitutionally mandated.”).

¹⁸⁵ *Decca*, 640 F.2d at 1167.

¹⁸⁶ *Tektronix, Inc. v. United States*, 552 F.2d 343, 347, 193 U.S.P.Q. (BNA) 385 (Ct. Cl. 1977), *cert. denied*, 439 U.S. 1048 (1978).

¹⁸⁷ 552 F.2d at 349. The Court noted, however, wide discretion in defining “reasonable compensation”:

Even an established royalty may be modified upward, or downward, depending on the circumstances of the case. Where no established royalty is found, one may be selected on the basis of royalty rates for related patents. A settlement rate may be considered, or other contracts between the parties may be used as a guide. Savings realized by the defendant as a result of the infringement are sometimes used as a measure of compensation, and lost profits have been awarded.

Id. at 347 n.5 (citations omitted).

unlicensed royalty by consideration of a hypothetical license.¹⁸⁸ Then the court compared this result with the findings under the remaining two methods to determine the "reasonable royalty."¹⁸⁹ For example, in *Penda Corp. v. United States*,¹⁹⁰ upon finding no evidence of a royalty rate under commercial licenses, the Court of Federal Claims examined the considerations incumbent in defining a "reasonable royalty"¹⁹¹ and adopted the fourteen-part willing buyer/willing seller hypothetical license analysis of *Georgia-Pacific Corp. v. United States Plywood Corp.*¹⁹²

In addition to a determination of the reasonable royalty, 28 U.S.C. § 1498(a) contemplates compensation for the delay in making a royalty remuneration to the claimant.¹⁹³ As explained in *ITT Corp. v. United States*,¹⁹⁴ when Congress amended the statutory basis of patent infringement in 1918 from guaranteeing "reasonable compensation" to provide for "reasonable and entire compensation," Congress ensured the recovery not only of a reasonable royalty but also of compensation for the delay in recovery.¹⁹⁵ As noted in *ITT Corp.*, this delay compensation

¹⁸⁸ *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574-76, 7 U.S.P.Q.2d (BNA) 1606 (Fed. Cir. 1988). See, e.g., *De Graffenried v. United States*, 25 Cl. Ct. 209, 221, 24 U.S.P.Q.2d (BNA) 1594 (1992) (holding "hypothetical negotiation" appropriate to determine unlicensed royalty); *Amerace Esna Corp. v. United States*, 462 F.2d 1377, 1380, 174 U.S.P.Q. (BNA) 517 (Ct. Cl. 1972) (describing use of "hypothetical negotiation" to determine reasonable royalty).

¹⁸⁹ *Fromson*, 853 F.2d at 1574-76.

¹⁹⁰ 29 Fed. Cl. 533 (1993).

¹⁹¹ *Id.* at 570-87.

¹⁹² 318 F. Supp. 1116, 1120, 166 U.S.P.Q. (BNA) 235 (S.D.N.Y. 1970), modified, 446 F.2d 295 (2d Cir.), cert. denied, 404 U.S. 870 (1971). See also *De Graffenried*, 25 Cl. Ct. at 221 ("[A] reasonable royalty analysis based on a hypothetical negotiation seems particularly appropriate in Section 1498 cases.").

¹⁹³ See *De Graffenried*, 25 Cl. Ct. at 216 ("The first component is the value of the license that, in effect, was taken by the government. The value is 'determined ordinarily as of the time the Government takes the license.' The second component involves compensation for the government's delay in paying for that license.") (citations omitted).

¹⁹⁴ 17 Cl. Ct. 199, 233, 11 U.S.P.Q.2d (BNA) 1657 (Cl. Ct. 1989).

¹⁹⁵ 17 Cl. Ct. at 233. In *ITT Corp.*, the Claims Court recognized a Supreme Court case which distinguished the 1910 Act from the 1918 Act. *Id.* (citing *Waite v. United States*, 282 U.S. 508, 509 (1931)). The court noted that the Supreme Court intended a successful claimant under 28 U.S.C. § 1498(a) to recover not only "reasonable" but "reasonable and entire compensation." *Id.* at 232 (emphasis added).

usually takes the form of prejudgment interest.¹⁹⁶

2. *The Patent Infringement Provision: Scope of Jurisdiction.* Whereas the first paragraph of 28 U.S.C. § 1498(a) describes the jurisdictional prerequisites for a patent infringement action against the United States, paragraphs two through four of 28 U.S.C. § 1498(a) establish the scope of such jurisdiction.¹⁹⁷

a. *Jurisdiction for Patent Infringement by Authorization and Consent.* Paragraph two of § 1498(a) establishes the scope of jurisdiction when the government grants authorization and consent for patent infringement in a government contract. It extends liability not only to infringement by the government contractor, but also to infringement by any subcontractor or any other person, firm, or corporation within the authorization and consent of the United States.¹⁹⁸ The provision does not require privity for the United States to incur liability for patent infringement.¹⁹⁹ On the other hand, the absence of "authorization and consent" precludes liability.²⁰⁰

¹⁹⁶ *Id.* (citation omitted). In computing interest, the Court of Claims traditionally used simple interest. *Miller v. United States*, 620 F.2d 812, 812 (Ct. Cl. 1980); *Tektronix*, 552 F.2d at 352; *Pitcairn v. United States*, 547 F.2d 1106 (Ct. Cl. 1976), *cert. denied*, 434 U.S. 1051 (1978). The Claims Court has also generally computed awards by simple interest. *Henry v. United States*, 8 Cl. Ct. 389, 393 (1985); *Foster v. United States*, 3 Cl. Ct. 738, 744 (1983); *Jones v. United States*, 3 Cl. Ct. 4, 7 (1983). However, for a Claims Court decision computing awards with compound interest and an exhaustive analysis of the simple/compound interest issue, see *ITT Corp.* 17 Cl. Ct. at 234-37.

In addition to interest, "equivalents" of delay costs may even include certain costs related to the patent infringement proceeding. *Cf. Bendix Corp. v. United States*, 209 U.S.P.Q. (BNA) 778, 780 n.4 (Ct. Cl. 1980) (awarding expenses for complying with pretrial order). However, attorney fees fall outside the ambit of "equivalents" in this determination. *Id.* at 787.

¹⁹⁷ 28 U.S.C. § 1498(a), ¶ 2-4 (1988).

¹⁹⁸ 28 U.S.C. § 1498(a), ¶ 2 (1988):

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

¹⁹⁹ *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1283, 6 U.S.P.Q.2d (BNA) 1277 (Fed. Cir. 1988) ("In the event Garlock becomes a sub or sub sub contractor, a gracious government has also taken care of that possibility in the second paragraph of § 1498(a).").

²⁰⁰ *Carrier Corp. v. United States*, 534 F.2d 244, 249, 190 U.S.P.Q. (BNA) 55 (Ct. Cl. 1976) ("Since [s]ection 1498(a) expressly provides that any use of a patented invention for the Government must be authorized or consented to, it is plain that the Government can limit its authorization and consent as it did in this instance."); see generally *Yassin v. United States*, 76 F. Supp. 509, 518, 76 U.S.P.Q. (BNA) 466 (Ct. Cl. 1948) (considering meaning and

b. No Jurisdiction for Patent Infringement Before July 1, 1918. Paragraph three of § 1498(a) limits jurisdiction for patent infringement by the United States to claims occurring after July 1, 1918.²⁰¹ Even though Congress enacted the first patent infringement provisions in 1910,²⁰² § 1498 precludes application before the effective date of the amended statute.²⁰³ Perhaps because of the incontrovertible language of the paragraph, neither the Court to Federal Claims nor any other court has construed this third paragraph.²⁰⁴

c. No Jurisdiction Over Patent Infringement by Government Employee. Paragraph four of § 1498(a) limits jurisdiction to claims by nonemployees of the government or employees acting outside an official capacity.²⁰⁵ Section 1498(a) expressly proscribes patent infringement suits by certain types of claimants,²⁰⁶ even if the statute of limitations runs out on the claim while the claimant remains in one of the prohibited categories of claimants.²⁰⁷ Although this category originally included only government employees, the present version of § 1498(a) extends the class of prohibited claimants to include *any person* "in a position to order, influence, or induce use of the copyrighted work by the Govern-

application of authorization and consent).

²⁰¹ 28 U.S.C. § 1498(a), ¶ 3 (1988):

A Government employee shall have the right to bring suit against the Government under this section except where he was in a position to order, influence, or induce use of the invention by the Government. This section shall not confer a right of action on any patentee with respect to any invention discovered or invented by a person while in the employment or service of the United States, where the invention was related to the official functions of the employee, in cases in which such functions included research and development, or in the making of which Government time, materials or facilities were used.

²⁰² See *supra* note 117 and accompanying text.

²⁰³ 28 U.S.C. § 1498(a), ¶ 3 (1988).

²⁰⁴ Search of LEXIS, Genfed library, FED file (March 1, 1994).

²⁰⁵ 28 U.S.C. § 1498(a), ¶ 4 (1988) ("The [C]ourt [of Federal Claims] shall not award compensation under this section if the claim is based on the use or manufacture by or for the United States of any article owned, leased, used by, or in the possession of the United States prior to July 1, 1918.").

²⁰⁶ *Id.*

²⁰⁷ *Fletcher v. United States*, 138 F. Supp. 279, 280, 108 U.S.P.Q. (BNA) 254 (Ct. Cl. 1956).

ment.”²⁰⁸ Thus, in contrast to earlier holdings on the right of government employees to sue the United States for patent infringement,²⁰⁹ the present statutory structure allows suit by government employees,²¹⁰ provided the employee falls outside of the statutorily precluded class of claimants.²¹¹

²⁰⁸ The statutory prohibitions on suit by government employees has changed dramatically since the 1918 Act which provided “... the benefits of this act shall not enure to any patentee who, when he makes such claim, is in the employment ... of the Government ...” *National Elec. Signaling Co. v. United States*, 60 Ct. Cl. 338, 340 (1925). Later, when Congress reauthorized the patent infringement provision of 35 U.S.C. § 68 at 28 U.S.C. § 1498, the Act provided that “[T]his section shall not confer a right of action on any patentee who, when he makes such a claim, is in the employment ... of the United States ...” *Kessenich v. United States*, 135 F. Supp. 528, 530, 133 Ct. Cl. 292, 296 (1955). While the predecessors to the current statutory language focused entirely upon government employment, the 1952 amendments to 28 U.S.C. § 1498(a) greatly reduced the prohibition: “A Government employee shall have the right to bring suit against the Government under this section, except where he was in a position to order, influence or induce use of the invention by the Government.” Act of July 17, 1952, ch. 930, 66 Stat. 757, 757 (codified as amended at 28 U.S.C. § 1498(a) (1988 & Supp. V 1993)).

²⁰⁹ *Le Mieux*, *supra* note 105, at 121-23, 125-26. Under the original statutory authorization—the 1910 and 1918 Acts—for patent infringement suits against the United States, Congress did not provide for suit against the United States by government employees. *Id.* at 121. Congress excluded government employees to prevent them from suing for work done within the terms of government employment. *Id.* (citing H. Rep. No. 1228, 61st Cong., 2d Sess., May 7, 1910; H. Rep. No. 1726, 82d Cong., 2d Sess., April 7, 1952). Even if the government employee made the invention expressly outside of the scope of employment, the Supreme Court nevertheless ruled that the statutes precluded suit by a government employee. *Moore v. United States*, 249 U.S. 487, 489 (1919).

²¹⁰ *Government Acquisition of License to Employee's Invention*, 60 Comp. Gen. 248, 251 (1981). In this advisory opinion, the Comptroller General considered the patent rights of an employee of the United States Air Force. *Id.* at 248. The employee had invented a high contrast light display lens. *Id.* In considering the employee's rights in the invention, the Comptroller General recognized three tests:

First, Mr. Jeffers' invention must have been made without the use of Government equipment, facilities, materials, time or information. Second, the invention may not be related to the employee's official functions if those functions include research and development responsibilities. Third, he cannot be in a position to order, influence, or induce use of the invention by the Government.

Id. at 249-50. Finding no conflict with any of these considerations, and particularly finding no influence of the employee over the Air Force procurement system, the Comptroller General allowed the employee to retain patent rights in the invention. *Id.* at 250-51.

²¹¹ *Stub v. United States*, 119 F. Supp. 206, 207, 180 U.S.P.Q. (BNA) 49 (Ct. Cl. 1954).

B. THE COPYRIGHT INFRINGEMENT PROVISION

Congress has only provided statutory authority for copyright infringement suits against the United States since 1960.²¹² In *Williams & Wilkins Co. v. United States*,²¹³ the Court of Claims made the first and most cited consideration of a copyright infringement claim against the United States pursuant to § 1498(b). Following *Williams & Wilkins Co.*, the Court of Federal Claims and its predecessors have disposed of several copyright infringement claims by applying the law of private copyright infringement²¹⁴ in a manner similar to the interrelationship between 28 U.S.C. § 1498(a) and 35 U.S.C. § 271.²¹⁵ Unlike 28 U.S.C. § 1498(a), which applies the same statute of limitations to all other claims in the Court of Federal Claims,²¹⁶ 28 U.S.C. § 1498(b) has a three-year statute of limitations.²¹⁷ Except for this irregularity, the Court of Federal Claims and its predecessors have applied the law of copyright infringement pursuant to 28 U.S.C. § 1498(b) and patent infringement pursuant to 28 U.S.C. § 1498(a) similarly.

C. THE FOREIGN COUNTRY INFRINGEMENT DISCLAIMER

Under 28 U.S.C. § 1498(c),²¹⁸ the patent infringement provisions of Title 28 do not apply outside of the United States.²¹⁹

²¹² *Steve Altman Photography v. United States*, 18 Cl. Ct. 267, 279 (1989). Notably, the Court of Federal Claims still maintains no jurisdiction over trademark infringement suits against the United States. *Lockridge v. United States*, 218 Ct. Cl. 687, 688, 200 U.S.P.Q. (BNA) 271 (Fed. Cl. 1978).

²¹³ 487 F.2d 1345, 180 U.S.P.Q. (BNA) 49 (Ct. Cl. 1973).

²¹⁴ *Sterner v. United States*, 434 F.2d 656, 656 (Ct. Cl. 1970).

²¹⁵ *International Trade Management, Inc. v. United States*, 553 F. Supp. 402, 402-03 (Ct. Cl. 1982).

²¹⁶ See *supra* notes 144-145 and accompanying text.

²¹⁷ 28 U.S.C. § 1498(b) (1988 & Supp. V 1993). This section also provides for tolling of the three year statute of limitations for any period during which an administrative claim is pending. *General Elec. Co. v. United States*, 206 U.S.P.Q. (BNA) 260, 267-68 (Ct. Cl. 1979).

²¹⁸ 28 U.S.C. § 1498(c) (1988) provides that "[t]he provisions of this section shall not apply to any claim arising in a foreign country."

²¹⁹ *Decca, Ltd. v. United States*, 544 F.2d 1070, 1072, 191 U.S.P.Q. (BNA) 439 (Ct. Cl. 1976) ("United States patent laws are territorial in their application and by their own terms are not infringed by acts in foreign countries that would be infringements at home."). Thus, as noted in *Hughes Aircraft Co. v. United States*, just as the Federal Tort Claims Act does not apply to acts outside the United States, § 1498 does not apply to patent or copyright

However, as recognized in *Leesona Corp. v. United States*,²²⁰ only use or manufacture within the United States need occur for liability to arise.²²¹ Indeed, in *Leesona Corp.*, the Court of Claims noted that mere “availability” for use or manufacture within the United States may satisfy § 1498(c).²²² Otherwise, § 1498(c) excludes application of the patent and copyright infringement provisions of Title 28 outside of the United States.

D. THE PLANT VARIETY INFRINGEMENT PROVISION

Because the Plant Patent Act of 1930 includes asexually reproduced plants among subject matter suitable for a utility patent,²²³ any claim of infringement of a patent on such plants finds its basis in § 1498(a). Coextensive with the Plant Variety Protection Act of 1970,²²⁴ 28 U.S.C. § 1498(d) provides protection for sexually-reproduced plant varieties in relationships between private contractors and the United States.²²⁵ However, as of 1994, neither the Court of Federal Claims nor its predecessors have decided a case on the merits of 28 U.S.C. § 1498(d).²²⁶ If such a dispute arises, however, the Court of Federal Claims will assuredly turn to the existing case law in the United States District Courts applying the Plant Variety Act of 1970.

infringement outside the United States. 29 Fed. Cl. 197, 230, 29 U.S.P.Q.2d (BNA) 1974 (1993).

²²⁰ 198 U.S.P.Q. (BNA) 4, 6 (Ct. Cl. 1978).

²²¹ *Id.* at 14. In *Leesona Corp.*, the Court of Claims rejected any analogy to *DeepSouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), where the Supreme Court held that the making and selling of unpatented parts, shipped overseas and assembled into a patented combination, precluded infringement under United States patent laws. Finding *DeepSouth* distinguishable on the facts and law, the Court of Claims focused upon the circumstances of the contract, noting that the United States had contracted domestically and the contractor had manufactured domestically, although use occurred outside the United States. *Leesona Corp.*, 198 U.S.P.Q. (BNA) at 22.

²²² *Id.* at 21.

²²³ 35 U.S.C. § 161 (1988). Asexual plant reproduction occurs either from a physical cutting or slip from the actual new plant variety. *In re Bergy*, 596 F.2d 952, 980, 201 U.S.P.Q. (BNA) 352 (C.C.P.A. 1979), *vacated on other grounds*, *Diamond v. Chakrabarty*, 444 U.S. 1028 (1980).

²²⁴ 5 ERNEST. B. LIPSCOMB III, WALKER ON PATENTS § 17:4 (3d ed. 1986) [hereinafter WALKER ON PATENTS].

²²⁵ 28 U.S.C. § 1498(d) (Supp. V 1993).

²²⁶ Search of LEXIS, Genfed library, FED file (March 1, 1994).

E. THE MASK WORKS INFRINGEMENT PROVISION

Although the Semiconductor Chip Protection Act of 1984 (SCPA) provides protection for the intellectual property contained in the structural facets of semiconductor design,²²⁷ 28 U.S.C. § 1498(e) provides similar protection against infringement by the United States.²²⁸ While the Court of Federal Claims has found no opportunity to rule on mask work infringement by the United States, any claim under 28 U.S.C. § 1498(e) would assuredly rely on the limited case law developed under the SCPA.²²⁹

III. THE CONTRACTING OF PATENT INFRINGEMENT UNDER 28 U.S.C. § 1498

To provide the fruits of invention for the general welfare, § 1498 and other statutes and regulations authorize the utilization of all forms of intellectual property for the benefit of the general public.²³⁰ In the private arena, this authority only extends to the lapsed intellectual property rights, e.g., the copyright past term, the expired patent, the generic trademark, the disclosed trade secret. In the public arena, however, 28 U.S.C. § 1498 renders a caveat to the general provisions of patent and copyright law and the terms of protection. Section 1498(a) grants authority for the infringement of patents under government contracts without regard to the source of allowance or the nature of the application. In effect, § 1498(a) induces patent infringement by the United States during government contracting—the “contracting of patent infringement.”²³¹

The United States, of course, infrequently enters contracts anticipating patent infringement. Nonetheless 28 U.S.C. § 1498

²²⁷ 17 U.S.C. § 901-14 (1988).

²²⁸ 28 U.S.C. § 1498(e) (1988).

²²⁹ See *Brooktree Corp. v. Advanced Micro Devices, Inc.*, 977 F.2d 1555, 24 U.S.P.Q.2d (BNA) 1401 (Fed. Cir. 1992) (providing first appellate interpretation of Semiconductor Chip Protection Act).

²³⁰ *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 231-32, 140 U.S.P.Q. (BNA) 524 (1964).

²³¹ While this Article describes the result of 28 U.S.C. § 1498(a) as the “contracting of patent infringement,” a more traditional description views the effect of the statute as the granting of a “compulsory license.” *Williams & Wilkins Co. v. United States*, 487 F.2d 1345, 1360 (Ct. Cl. 1973), *aff'd*, 420 U.S. 376 (1975).

functions to contract patent infringement. To understand the mechanism that allows this result, a regard for more than the statute arises: while 28 U.S.C. § 1498 represents a statutory animal, the nature of the beast becomes understood only by reference to the regulatory framework. Therefore, this Part considers both the statutory and regulatory nature of 28 U.S.C. § 1498, whereby the government induces patent infringement.

A. STATUTORY INDUCEMENT OF PATENT INFRINGEMENT

As reviewed in Part II of this Article, 28 U.S.C. § 1498 entails five main components in § 1498(a-e), with § 1498(a) containing the heart of the statute regarding patent infringement. Also described in Part II, these statutory provisions expressly detail the application and scope of protection for government contractors in the performance of government contracts. What remains absent from Part II is, however, an understanding of the broad application of the statute. The following two cases demonstrate the expansive nature of the protection afforded to government contractors by § 1498(a).

In *TVI Energy Corp. v. Blane*,²³² Blane Enterprises, Inc. submitted thermal targets for a weapons targeting demonstration at Fort Knox, Kentucky in contemplation of selling the targets to the United States. At the demonstration, TVI Energy Corp. observed the Blane targets and believed that they infringed a TVI patent. TVI subsequently sued Blane in a United States district court for patent infringement.²³³ On a motion for summary judgment, Blane claimed immunity under 1498(a).²³⁴ TVI argued against summary judgment because Blane had only participated in the demonstration in order to qualify to bid on a government contract.²³⁵ The district court granted summary judgment in favor of Blane and the Federal Circuit affirmed.²³⁶ The Federal Circuit expressly noted that the government may expressly or

²³² 806 F.2d 1057, 1 U.S.P.Q.2d (BNA) 1071 (Fed. Cir. 1986), *overruled by* *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 16 U.S.P.Q.2d 1587 (Fed. Cir. 1990).

²³³ 806 F.2d at 1059.

²³⁴ *Id.*

²³⁵ *Id.*

²³⁶ *Id.* at 1059-61.

impliedly authorize patent infringement under the terms of a government contract, or in this case, in preparation for bidding on a government contract.²³⁷

In *W.L. Gore & Associates, Inc. v. Garlock, Inc.*,²³⁸ the Federal Circuit exercised similar latitude under § 1498, even though an injunction was in effect. In *W.L. Gore*, the patentee had obtained an injunction prohibiting Garlock's infringement of its patent.²³⁹ When Garlock attempted to respond to a government invitation for bids on a product requiring application of the patent, the district court refused to modify the injunction to allow Garlock's participation.²⁴⁰ Citing § 1498, the Federal Circuit emphasized that the statute "automatically" authorizes the infringement of any patent within the context of government procurement.²⁴¹ Thus, even in the face of an injunction, the interests embodied in § 1498 are overriding.

Section 1498 generally, and § 1498(a) specifically, represent the most recognized and expansive sources of statutory authority for the acquisition and use of a patent "by or for" the government. However, § 1498 is not the only source of *statutory* authority for infringement of intellectual property rights. The Court of Federal Claims has jurisdiction over other forms of statutory inducements of patent infringement, including the War Secrecy (or Invention Secrecy) Act, the Royalty Adjustment Act, the Atomic Energy Act, and the Mutual Security Act. Additionally, administrative agencies and departments also maintain specialized patent provisions, generally used only in highly specialized circumstances.

1. *The War Secrecy Act/The Invention Secrecy Act.* The first War Secrecy Act authorized compensation for any inventor who, during World War I, found his or her patent placed under a secrecy order by the Commissioner of Patents for reasons of national

²³⁷ *TVI Energy Corp.*, 806 F.2d at 1060.

²³⁸ 842 F.2d 1275, 6 U.S.P.Q.2d (BNA) 1277 (Fed. Cir. 1988).

²³⁹ *Id.* at 1278.

²⁴⁰ *Id.*

²⁴¹ *Id.* at 1282. Although the Federal Circuit failed to reverse the district court's refusal to modify the injunction, the court noted that under § 1498, Garlock had every right to participate in the Government procurement without any concern for the injunction. *Id.* at 1283. Indeed, the court found no modification necessary. *W.L. Gore*, 842 F.2d at 1283.

security.²⁴² If the inventor adhered to the secrecy order and the government used the invention, the Act provided for a remedy in the Court of Claims.²⁴³ Congress enacted a second War Secrecy Act arose during World War II,²⁴⁴ and amended it by the Act of 1942.²⁴⁵ Under these Acts, however, the inventor gained standing for such a claim only upon issuance of the patent.²⁴⁶ Upon the Act's reauthorization in 1952 in the Invention Secrecy Act of 1951,²⁴⁷ Congress dramatically expanded the scope of protection.²⁴⁸ Under this Act, an inventor could sue for either (1) damages resulting from a secrecy order or for the government use of the invention, upon notification of placement of the application under a secrecy order, or (2) damages occurring after the rescission of the secrecy order and the issuance of the patent.²⁴⁹ The Act also creates an alternative jurisdictional basis, giving the inventor a choice of fora between the Court of Federal Claims or the United States district court for the district in which the inventor/applicant resides.²⁵⁰

2. *The Royalty Adjustment Act.* During World War II, Congress sought to constrain "excessive licenses" for patent rights and other forms of intellectual property.²⁵¹ Accordingly, Congress enacted the Royalty Adjustment Act which authorized the head of an agency to establish a "fair royalty rate," which was a cap on license royalties.²⁵² Challenges to the "fair royalty rate" were subject to Tucker Act jurisdiction, with claims of less than \$10,000 to be

²⁴² Act of Oct. 6, 1917, ch. 95, 40 Stat. 394, 395 (repealed).

²⁴³ *Id.* See 35 U.S.C. § 181 (1988) (describing secrecy order whereby Commissioner of Patents may place indefinite hold on patent application for reasons of national security).

²⁴⁴ Act of July 1, 1940, ch. 501, 54 Stat. 710 (repealed).

²⁴⁵ Act of June 16, 1942, ch. 415, 56 Stat. 370 (repealed).

²⁴⁶ *Fulmer v. United States*, 83 F. Supp. 137, 144, 80 U.S.P.Q. (BNA) 545 (N.D. Ala. 1949).

²⁴⁷ Act of Feb. 1, 1952, ch. 4, 66 Stat. 3. (codified as amended at 35 U.S.C. § 183 (Supp. V 1993)).

²⁴⁸ As recognized in *Constant v. United States*, 16 Cl. Ct. 629, 632, 12 U.S.P.Q.2d (BNA) 1727 (Ct. Cl.) *aff'd*, 884 F.2d 1398 (Fed. Cir.) *cert. denied*, 493 U.S. 1002 (1989), recovery under a secrecy order contrasts from recovery under § 1491.

²⁴⁹ Act of Feb. 1, 1952, ch. 4, § 3, 66 Stat. 3, 4-5 (codified as amended at 35 U.S.C. § 183 (Supp. V 1993)).

²⁵⁰ *Id.*

²⁵¹ S. REP. NO. 1640, 77th Cong., 2d Sess. (1942).

²⁵² Act of Oct. 31, 1942, ch. 634, 56 Stat. 1013 (repealed 1952).

brought in the district courts and claims of \$10,000 or more in the Court of Claims.²⁵³ As most claimants sought more than \$10,000, the majority of claims arose in the Court of Claims. Although two sections of the Royalty Adjustment Act applied during wartime and expired upon the conclusion of World War II,²⁵⁴ and although Congress amended § 1498 to incorporate much of the Act,²⁵⁵ 35 U.S.C. §§ 91-96 continues to apply to the establishment of royalty rates by the United States.²⁵⁶

3. *The Atomic Energy Act.* After the first use of the atomic bomb in World War II, Congress enacted the Atomic Energy Act of 1946.²⁵⁷ The Act revoked all patents for inventions used in the production of, or research concerning, fissionable material or in the use of such material in a military weapon.²⁵⁸ In exchange for this condemnation of patent rights—in effect the nationalization of atomic energy industry²⁵⁹—the Act promised “just compensation” for this taking as established by the Atomic Energy Commission (AEC).²⁶⁰ The Act further provided for jurisdiction over challenges to the compensation offered by the AEC in the Court of Claims or in the district courts.²⁶¹ Few cases, however, arose under the 1946 Act.²⁶²

Under the Atomic Energy Act of 1954, Congress reorganized the

²⁵³ *Id.*

²⁵⁴ *International Tel. & Tel. Corp. v. United States*, 536 F.2d 1361, 1365, 191 U.S.P.Q. (BNA) 739 (Ct. Cl. 1976).

²⁵⁵ See *supra* note 143 and accompanying text.

²⁵⁶ See *International Tel. & Tel. Corp.*, 536 F.2d at 1364 (declaring §§ 91 - 96 of Royalty Adjustment Act of continuing legal effect).

²⁵⁷ Act of Aug. 1, 1946, ch. 724, § 11, 60 Stat. 755, 768-69 (codified as amended at 42 U.S.C. §§ 2181-90 (1988)).

²⁵⁸ *Id.*; see *Gay v. United States*, 356 F.2d 516 (Ct. Cl.), *cert. denied*, 385 U.S. 898 (1966) (discussing Atomic Energy Act of 1946).

²⁵⁹ See *Pacific Legal Found. v. State Energy Resources Conservation & Dev. Comm'n*, 472 F. Supp. 191, 192-93 (S.D. Cal. 1979) (“Originally, the federal government retained exclusive authority over the development and use of atomic energy.”) (citation omitted), *rev'd on other grounds*, 659 F.2d 903 (9th Cir. 1981).

²⁶⁰ Act of Aug. 1, 1946, ch. 724, 60 Stat. at 769.

²⁶¹ *Id.*; see, e.g., *Fletcher v. United States Atomic Energy Comm'n*, 192 F.2d 29, 32, 90 U.S.P.Q. (BNA) 3 (D.C. Cir. 1951), *cert. denied*, 342 U.S. 914 (1952) (stating that person dissatisfied with compensation may sue in either Court of Claims or district court).

²⁶² See, e.g., *Fletcher v. United States*, 138 F. Supp. 279, 108 U.S.P.Q. (BNA) 254 (Ct. Cl. 1956); *Consolidated Eng'g Corp. v. United States*, 127 F. Supp. 558, 104 U.S.P.Q. (BNA) 111 (Ct. Cl.), *cert. denied*, 349 U.S. 939 (1955).

claims procedures for compensation claims.²⁶³ If an inventor challenged the AEC's decision on compensation, jurisdiction arose only in the United States Court of Appeals.²⁶⁴ The jurisdictional structure of the 1954 Act replaced that of the 1946 Act with one exception: § 2223 of the 1954 Act authorized alternative claim jurisdiction in the Court of Claims and in the district courts for the disclosure "to any nation [of] any [r]estricted [d]ata based on a patent application not belonging to the United States."²⁶⁵ Thus, the Court of Federal Claims possesses limited jurisdiction over claims under the present Atomic Energy Act.²⁶⁶

4. *The Mutual Security Act.* Enacted in 1951, and later expanded in 1954, the Mutual Security Act authorizes both the establishment of technical cooperation programs with any foreign government or foreign government agency and the entry into and performance of contracts in connection with such technical cooperation programs.²⁶⁷ The Act further provides certain protection for inventors and patentees by authorizing actions against the United States for any infringement of patent rights by federal agencies or departments under the terms of the Act.²⁶⁸ For any cause of action, the Act authorizes alternative jurisdiction in either the Court of Federal Claims or in the district courts.²⁶⁹ Notably, the Court of Claims has strictly construed application of the Act, expressly requiring that any infringement of a compensable United States patent right arise under the authority of the Mutual Security Act.²⁷⁰

5. *Other Administrative Agency and Department Statutory Provisions.* Individual administrative agencies and departments

²⁶³ Atomic Energy Act of 1954, ch. 1073, §§ 151-60, 68 Stat. 919, 943-48 (current version at 42 U.S.C. §§ 2181-90 (1988 & Supp. V 1993)).

²⁶⁴ *Id.* § 157, 68 Stat. at 947 (current version at 42 U.S.C. § 2187 (1988 & Supp. V 1993)).

²⁶⁵ *Id.* § 173, 68 Stat. at 953 (current version at 42 U.S.C. § 2223 (Supp. V 1993)).

²⁶⁶ Despite this special jurisdictional exception, LEXIS contains no references to any cases in the Court of Federal Claims or its predecessors or in the district courts brought on this basis. Search of LEXIS, Genfed library, FED file (March 1, 1994).

²⁶⁷ Mutual Security Act of 1954, ch. 937, Title III, § 301-308, 68 Stat. 832, 841-43 (repealed 1961). See also Exec. Order No. 10,973, 3 C.F.R. 493 (1959-1963) (describing scope of application of Mutual Security Act).

²⁶⁸ Mutual Security Act of 1951, ch. 497, Title V, § 517, 65 Stat. 373, 382-83 (repealed 1954); Mutual Security Act of 1954, ch. 937, Title V, § 506, 68 Stat. 832, 852 (repealed 1961).

²⁶⁹ 65 Stat. at 383 (repealed 1954); 68 Stat. at 852 (repealed 1961).

²⁷⁰ *Kaplan v. United States*, 153 F. Supp. 787, 790 (Ct. Cl. 1957).

also maintain specialized statutory provisions relating to patent rights and other rights in intellectual property. The Department of Defense, the Department of Energy, the Department of Health and Human Services, the Department of the Interior, the Department of State, the National Aeronautical and Space Administration, the Environmental Protection Agency, the Tennessee Valley Authority, and the Consumer Product Safety Commission all operate under specific statutory mandates pertaining to patent and other intellectual property rights.²⁷¹ Only when these more

²⁷¹ The Department of Defense (DOD) maintains a statutory mandate for the procurement of patent rights and other intellectual properties. 10 U.S.C. § 2386 (1988). In such situations, however, compensation for the acquisition or use of such property is required. See 22 U.S.C. § 526 (1988) (providing that Army and Navy compensate patent owners for rights utilized in government contracts regarding war material).

Patent rights related to the Department of Energy (DOE) cannot be granted for either "special nuclear material" or "atomic energy in an atomic weapon." See 42 U.S.C. § 2014(aa) (1988) (defining "special nuclear material"). If patents are granted for these categories, or in the production or utilization thereof, such patents will be revoked. 42 U.S.C. §§ 2181-82 (1988). Thus, all rights to inventions pertaining to "special nuclear material" or "atomic energy in an atomic weapon" vest in the DOE. 42 U.S.C. § 2182 (1988). For other types of inventions, although patents may be issued, the DOE maintains authority to utilize these discoveries and grant licenses for such use. 42 U.S.C. §§ 2183, 2186 (1988). These powers cannot be prevented by injunction, but the DOE must compensate the patent owner for use of the discovery. 42 U.S.C. §§ 2184, 2187 (1988). In the performance of a government contract, any discoveries arising from research and development vest in the United States instead of the inventor. 42 U.S.C. § 5908(a) (1988).

The Nuclear Regulatory Commission (NRC) operates under the same statutory authority as that of the DOE. 42 U.S.C. §§ 2201, 2223 (1988 & Supp. V 1993).

The Department of Health and Human Services (DHHS) maintains statutory authority to limit rights in intellectual properties pursuant to research grants issued through the National Institute for Occupational Safety and Health (NIOSH). 30 U.S.C. § 937(b) (1988). Thus, the NIOSH operates under the same statutory authority as the DHHS.

The Department of the Interior (DOI) maintains statutory authority to acquire property rights, including patent rights. *E.g.*, 16 U.S.C. § 833a(d) (1988) (granting rights in connection with project at Fort Peck, Montana). The DOI maintains further mandatory obligations to require public availability of inventions discovered pursuant to research and development in mining. 30 U.S.C. §§ 951, 1226(c), 1328(c) (1988).

The Department of State (DOS) maintains statutory authority to require public availability of inventions discovered in the prosecution of contracts with its agencies. See, *e.g.*, 22 U.S.C. § 2572 (1988) (providing for contracts made with United States Arms Control and Disarmament Agency).

The National Aeronautics and Space Administration (NASA) operates under statutory authority which provides for the vesting of all property rights in the United States that are discovered in the performance of any contract with NASA. 42 U.S.C. § 2457(a) (1988). A patent may not issue for any invention that possesses "significant utility in the conduct of aeronautical and space activities" without the authorization of the administrator of NASA.

specific statutory inducements of patent infringement fail does 28 U.S.C. § 1498 apply, provided the regulatory framework for such an infringement action against the United States exists.

B. REGULATORY INDUCEMENT OF PATENT INFRINGEMENT

Just as 28 U.S.C. § 1498 effectively allows patent infringement through contracts, the regulatory framework for government contracting of intellectual property further illustrates the means by which the government may contract patent infringement. Part 27 of the Federal Acquisition Regulation (FAR), in the Code of Federal Regulations (CFR), sets forth the varied regulatory provisions regarding patents, copyrights, and technical data.²⁷² The FAR defines the competing policies that all federal agencies must consider in government contracting with regard to all forms of intellectual property and sets forth the means for implementing these policies.²⁷³

Section 27.104 of the FAR sets forth eight policies of guidance for implementing the “general contracting requirements” of FAR 27.²⁷⁴ These policies include seven points relevant to patents specifically and intellectual property generally:

Id. § 2457(c). Moreover, NASA maintains statutory authority to compensate any “scientific or technical contribution” to NASA. 42 U.S.C. § 2458(a) (1988).

The Environmental Protection Agency (EPA) operates under statutory authority to acquire patent rights pertaining to fuels and vehicles, 42 U.S.C. § 7404(b)(4) (1988 & Supp. V 1993), and pertaining to solid waste disposal, 42 U.S.C. § 6981 (1988). Similarly, for environmental concerns related to emissions standards, the EPA also maintains statutory authority for the mandatory licensing of such patent rights if done with “reasonable terms and conditions.” 42 U.S.C. § 7608 (1988).

The Tennessee Valley Authority (TVA) operates under statutory authority which requires the vesting in the TVA of all patent rights “made by virtue of and incidental to such service” relating to the TVA. 16 U.S.C. § 831d(i) (1988).

The Consumer Product Safety Commission (CPSC) operates under statutory authority which protects the rights of the patent owner in the patent, but requires public disclosure of information resulting from any “more than minimal” CPSC activity. 15 U.S.C. § 2054 (1988).

²⁷² 48 C.F.R. §§ 27.000-.601 (1994).

²⁷³ *Id.* “The policies, procedures, and clauses prescribed by this part 27 are applicable to all agencies. Agencies are authorized to adopt alternate policies, procedures, and clauses, but only to the extent determined necessary to meet the specific requirements of laws, executive orders, treaties, or international agreements. *Id.* § 27.101.

²⁷⁴ *Id.* § 27.104.

- (a) The Government encourages the maximum practical commercial use of inventions made while performing Government contracts.
- (b) Generally, the Government will not refuse to award a contract on the grounds that the prospective contractor may infringe a patent.
- (c) Generally, the Government encourages the use of inventions in performing contracts and, by appropriate contract clauses, authorizes and consents to such use, even though the inventions may be covered by U.S. patents and indemnification against infringement may be appropriate.
- (d) Generally, the Government should be indemnified against infringement of U.S. patents resulting from performing contracts when the supplies or services acquired under the contracts normally are or have been sold or offered for sale by any supplier to the public in the commercial open market or are the same as such supplies or services with relatively minor modifications.
- (e) The Government acquires supplies or services on a competitive basis in accordance with part 6, but it is important that the efforts directed toward full and open competition not improperly demand or use data relating to private developments.
- (f) The Government honors the rights in data resulting from private developments and limits its demands for such rights to those essential for Government purposes.
- (g) The Government honors rights in patents, data, and copyrights, and complies with the stipulations of law in using or acquiring such rights.²⁷⁵

Although these points appear inconsistent on first impression, careful review of the syntax reveals each point's limited nature. Subsection (a) only "encourages" maximum commercial use; (b-d) contains only "general" prescriptions; (e) proscribes only "improper"

²⁷⁵ *Id.* § 27.104(a-g).

demand or use of data; and (f-g) merely "honor" rights in such data.²⁷⁶ As evidenced by the limited nature of these points of general guidance, regulatory inducement of patent infringement lies in the clauses recited by the FAR.

1. *Distinguishing the Regulations.* The subparts of part 27 of the FAR pertaining to patents and patent rights under government contracts contain four clauses for the acceptance (or disclaimer) of government liability for patent infringement occurring in the performance of government contracts.²⁷⁷ These four clauses form the bedrock of the regulatory inducement of patent infringement by the United States in government contracts.²⁷⁸ These clauses are, respectively, the authorization and consent clause, the notice and assistance clause, the patent indemnification clause, and the waiver of indemnity clause.

a. *Authorization and Consent Clause.*²⁷⁹ The most common

²⁷⁶ *Id.*

²⁷⁷ 48 C.F.R. § 27.201-203, 27.203-6 (1994).

²⁷⁸ See generally Richard J. McGrath, *The Unauthorized Use of Patents by the United States Government or its Contractors*, 18 AIPLA Q.J. 349, 352-54 (1991) (examining authorization and consent clause, patent indemnity clause, waiver of indemnity clause, and notice and assistance clause).

²⁷⁹ The authorization and consent clause provides:

(a) The Government authorizes and consents to all use and manufacture, in performing this contract or any subcontract at any tier, of any invention described in and covered by a United States patent (1) embodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract or (2) used in machinery, tools, or methods whose use necessarily results from compliance by the Contractor or a subcontractor with (i) specifications or written provisions forming a part of this contract or (ii) specific written instructions given by the Contracting Officer directing the manner of performance. The entire liability to the Government for infringement of a patent of the United States shall be determined solely by the provisions of the indemnity clause, if any, included in this contract or any subcontract hereunder (including any lower-tier subcontract), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

(b) The Contractor agrees to include, and require inclusion of, this clause, suitably modified to identify the parties, in all subcontracts at any tier for supplies or services (including construction, architect engineer services, and materials, supplies, models, samples, and design or testing services expected to exceed \$25,000 (however, omission of this clause from any subcontract, under or over \$25,000, does not affect this authorization and consent.)

means by which government contracts constitute patent infringement is by entering contracts containing an "authorization and consent clause."²⁸⁰ This clause appears in almost all government contracts, except for small purchases, that encompass complete performance and delivery within the United States.²⁸¹ The authorization and consent clause entitles a contractor to use any invention disclosed in a patent of the United States necessary for the performance of a government contract, and simultaneously, to avoid liability for patent infringement.²⁸²

*b. Notice and Assistance Clause.*²⁸³ Government contracts

48 C.F.R. § 27.201-2(a) (1994); 48 C.F.R. § 52.227-1 (1994). Under the express instructions of § 27.201-2, the authorization and consent clause from § 52.227-1 is to be utilized. However, FAR § 27.201-2 requires a separate authorization and consent clause for research and development contracts. 48 C.F.R. § 27.201-2(b) (1994). Further, for obscure cases of contracts for communication services with a common carrier, § 27.201-2 requires a third type of clause. *Id.* § 27.201-2(c).

²⁸⁰ 48 C.F.R. § 27.201 (1994); 48 C.F.R. § 52.227-1 (1994). FAR § 52.227-1 illustrates the most common authorization and consent clause, or the clause which applies to all construction and supply contracts. 48 C.F.R. § 52.227-1(a) (1994). Notably, this clause contains several restrictions on application. In contrast, FAR § 27.201-2 requires a separate authorization and consent clause for research and development contracts. *Id.* § 27.201-2(b). Further, for the obscure cases of contracts for communication services with a common carrier, FAR § 27.201-2 requires but a third clause. *Id.* § 52.227.1 (Alternate II).

²⁸¹ 48 C.F.R. § 27.201-1(b)(2) (1994).

²⁸² *Id.* § 27.201-1(a).

²⁸³ The notice and assistance clause requires that:

(a) The Contractor shall report to the Contracting Officer, promptly and in reasonable written detail, each notice or claim of patent . . . infringement based on the performance of this contract of which the Contractor has knowledge.

(b) In the event of any claim or suit against the Government on account of any alleged patent . . . infringement arising out of the performance of this contract or out of the use of any supplies furnished or work or services performed under this contract, the Contractor shall furnish to the Government, when requested by the Contracting Officer, all evidence and information in possession of the Contractor pertaining to such suit or claim. Such evidence and information shall be furnished at the expense of the Government except where the Contractor has agreed to indemnify the Government.

(c) The Contractor agrees to include, and require inclusion of, this clause in all subcontracts at any tier or supplies or services (including construction and architect engineer subcontracts and those for material, supplies, models, samples, or design or testing services) expected to exceed the dollar amount set forth in 13,000 of the Federal Acquisition Regulation (FAR).

48 C.F.R. § 27.202 (1994); 48 C.F.R. § 52.227-2 (1994).

that contain the authorization and consent clause generally include the "notice and assistance" clause.²⁸⁴ This clause requires the contractor who infringes a patent during performance of the contract to assist in the defense of any action under 28 U.S.C. § 1498.²⁸⁵ The clause requires that the contractor provide notice of any claim of infringement relating to a government contract and, when requested, that the contractor provide assistance in connection with any such suit.²⁸⁶

*c. Patent Indemnity Clause.*²⁸⁷ In contrast to both the authorization and consent clause and the coordinate notice and assistance clause, the "patent indemnity clause" absolves the government of liability for patent infringement.²⁸⁸ While a

²⁸⁴ *Id.*

²⁸⁵ 48 C.F.R. § 27.202-1 (1994).

²⁸⁶ 48 C.F.R. § 52.277-2(b) (1994).

²⁸⁷ The patent indemnity clause provides that:

(a) The Contractor shall indemnify the Government and its officers, agents, and employees against liability, including costs, for infringement of any United States patent (except a patent issued upon an application that is now or may hereafter be withheld from issue pursuant to a Secrecy Order under 35 U.S.C. 181) arising out of the manufacture or delivery of supplies, the performance of services, or the construction, alteration, modification, or repair of real property (hereinafter referred to as "construction work") under this contract, or out of the use of disposal by or for the account of the Government of such supplies or construction work.

(b) This indemnity shall not apply unless the Contractor shall have been informed as soon as practicable by the Government of the suit or action alleging such infringement and shall have been given such opportunity as is afforded by applicable laws, rules, or regulations to participate in its defense. Further, this indemnity shall not apply to (1) an infringement resulting from compliance with specific written instructions of the Contracting Officer directing a change in the supplies to be delivered or in the materials or equipment to be used, or directing a manner of performance of the contract not normally used by the Contractor, (2) an infringement resulting from addition to or change in supplies or components furnished or construction work performed that was made subsequent to delivery or performance, or (3) a claimed infringement that is unreasonably settled without the consent of the Contractor, unless required by final decree of a court of competent jurisdiction.

48 C.F.R. § 27.203 (1994); 48 C.F.R. § 52,227-3 (1994).

²⁸⁸ FAR § 52.227-3 illustrates the most common patent indemnity clause, or the clause which applies to all sealed bid contracts for supplies or services, except for sealed bid construction contracts or sealed bid contracts for the dismantling, demolition, or removal of improvements, provided the goods or services are normally for sale on the open market. 48

patentee may sue the United States pursuant to 28 U.S.C. § 1498 under a contract with a patent indemnity clause, the clause requires the contractor to reimburse the government for damages paid under a finding of liability.²⁸⁹ The FAR mandates the inclusion of a patent indemnity clause in government contracts for any form of performance that normally appears for sale on the open market.²⁹⁰ The FAR otherwise precludes the inclusion of the clause in government contracts in all other situations,²⁹¹ except for sealed bid contracts for "specific components, spare parts, or services" or for contractors who so agree.²⁹² The FAR prohibits the inclusion of the patent indemnification clause in government contracts for architect-engineer work,²⁹³ for small purchases,²⁹⁴ for performance outside the United States,²⁹⁵ or for contracts that contain the authorization and consent clause.²⁹⁶

In addition, the inclusion or exclusion of the patent indemnity clause within a government contract depends upon whether the government sought the contract by sealed bids or by negotiation.²⁹⁷ Although the FAR requires the inclusion of a patent indemnity clause in all sealed bid contracts for goods or services normally for sale on the open market,²⁹⁸ except construction

C.F.R. § 27.203-2(a) (1994). In situations where the foregoing types of sealed bid contracts require specific components or services normally for sale on the open market or otherwise, the FAR provides for an addendum clause to the general clause either including or excluding the respective good or service. *Id.* § 27.203-2(b); 48 C.F.R. § 52.227-3 (1994) (Alternate I); *Id.* (Alternate III). Whether the inclusionary or exclusionary clause applies depends entirely upon simplicity and convenience. *Id.* § 27.203-2(b). As contracts with communication services with a common carrier require a specific authorization and consent clause, similarly the FAR requires a specific patent indemnity clause for these obscure contracts. *Id.* § 52.227-3 (Alternate III).

²⁸⁹ *Id.* § 27.203-1.

²⁹⁰ *Id.* § 27.203-1(a).

²⁹¹ *Id.* § 27.203-1(b)(2).

²⁹² 48 C.F.R. § 27.203-1(b)(2) (1994).

²⁹³ *Id.* § 27.203-1(b)(5).

²⁹⁴ *Id.* § 27.203-1(b)(4).

²⁹⁵ *Id.* § 27.203-1(b)(3).

²⁹⁶ *Id.* § 27.203-1(b)(1).

²⁹⁷ Compare 48 C.F.R. § 27.203-2 (1994) (describing use of patent indemnity clause with sealed bids) with 48 C.F.R. § 27.203-3 (1994) (describing use of patent indemnity clause with negotiated contracts).

²⁹⁸ *Id.* § 27.203-2.

contracts,²⁹⁹ the FAR mandates no inclusion of this clause for similarly situated negotiated contracts.³⁰⁰ Instead, the decision to include a patent indemnity clause in negotiated contracts initially depends upon price considerations.³⁰¹ The inclusion of a patent indemnity clause in negotiated contracts also depends upon certain defined exceptions to the general practice of exclusion, although in contrast to the sealed bid requirements, these exceptions entail only discretionary mandates of inclusion.³⁰² Specifically, the FAR provides discretionary authority to include a patent indemnity clause in negotiated contracts where the goods or services are normally for sale on the open market,³⁰³ where the prospective contractor expresses willingness to indemnify the Government,³⁰⁴ where "specific components, spare parts, or services" are normally for sale on the open market,³⁰⁵ or where the contract entails communication services by a common carrier.³⁰⁶

d. *Waiver of Indemnity Clause.*³⁰⁷ Even though the FAR

²⁹⁹ Any contract for construction or for dismantling, demolition, and removal of improvements requires a separate analysis under the FAR. *Id.* §§ 27.203-2, 27.203-3. As set forth at FAR § 27.203-5, unless otherwise prohibited, these contracts require the inclusion of the specific construction patent indemnity clause. *See supra* note 288 (describing FAR § 27.203-1(b)). *Id.* FAR § 52.227-4 sets forth this particular clause. Nevertheless, "nonstandard, noncommercial, or special" techniques or other construction or demolition requirements may gain an express exclusion to patent indemnity if the contracting officer anticipates the requirement. *Id.* § 27.203-5. As with the construction patent indemnity clause, FAR § 52.227-4 also contains a clause for such an exclusion. *Id.* § 52.227-4 (Alternate I).

³⁰⁰ *Id.* § 27.203-3.

³⁰¹ *Id.*

³⁰² 48 C.F.R. § 27.203-4 (1994).

³⁰³ *Id.* § 27.203-4(a)(2).

³⁰⁴ *Id.* § 27.203-4(a)(1). This exception includes the same provision as that of FAR 27.203-1(b)(2)(ii). *See supra* note 288.

³⁰⁵ *Id.* § 27.203-4(b).

³⁰⁶ *Id.* § 27.203-4(c).

³⁰⁷ The waiver of indemnity clause mandates that:

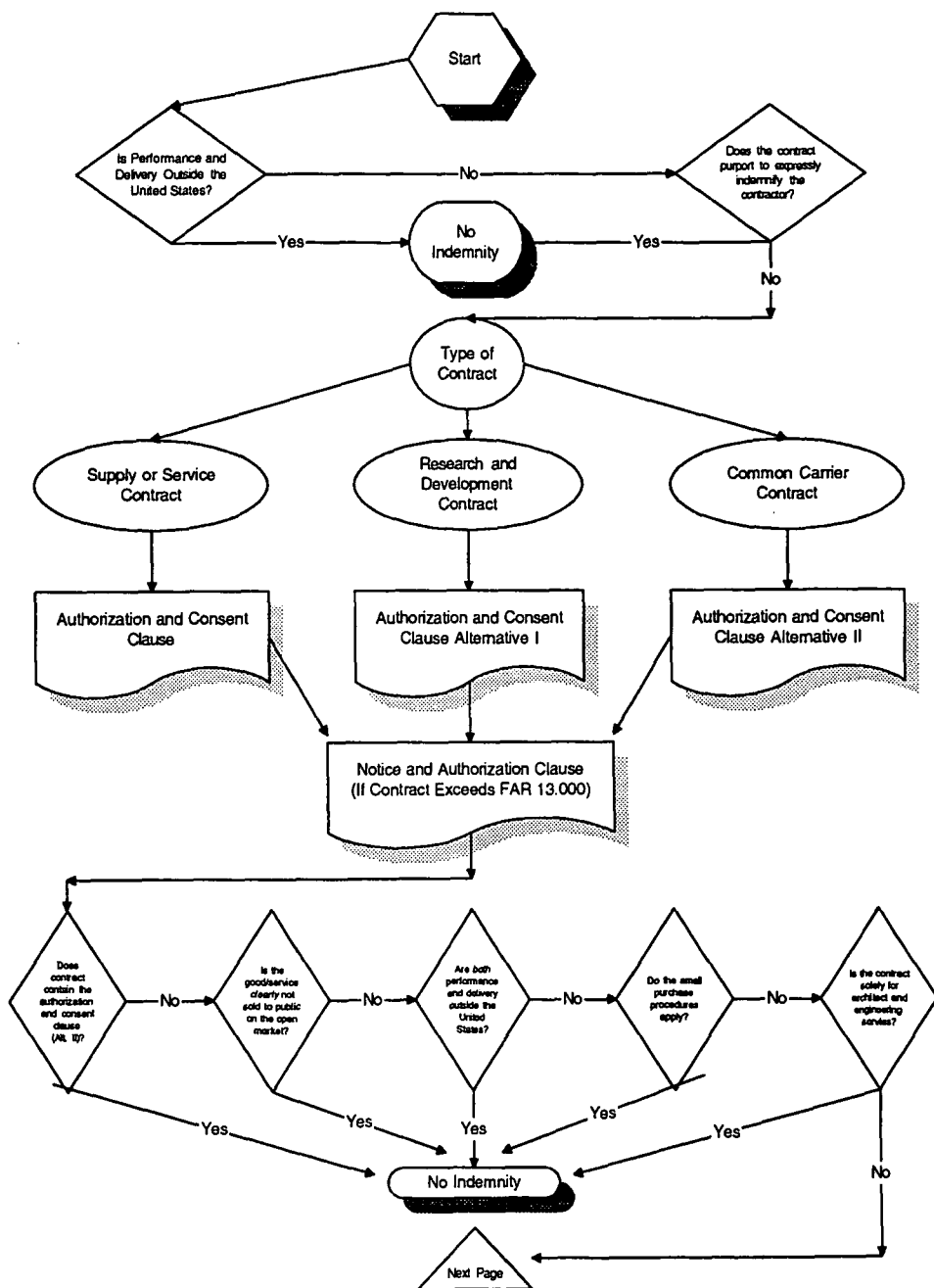
Any provision or clause of this contract to the contrary notwithstanding, the Government hereby authorizes and consents to the use and manufacture, solely in performing this contract, or any invention covered by the United States patents identified below and waives indemnification by the Contractor with respect to such patents: [The Contracting Officer must identify the patents by number or by other means if more appropriate].
48 C.F.R. § 27.203-6 (1994); 48 C.F.R. § 52.227-5 (1994).

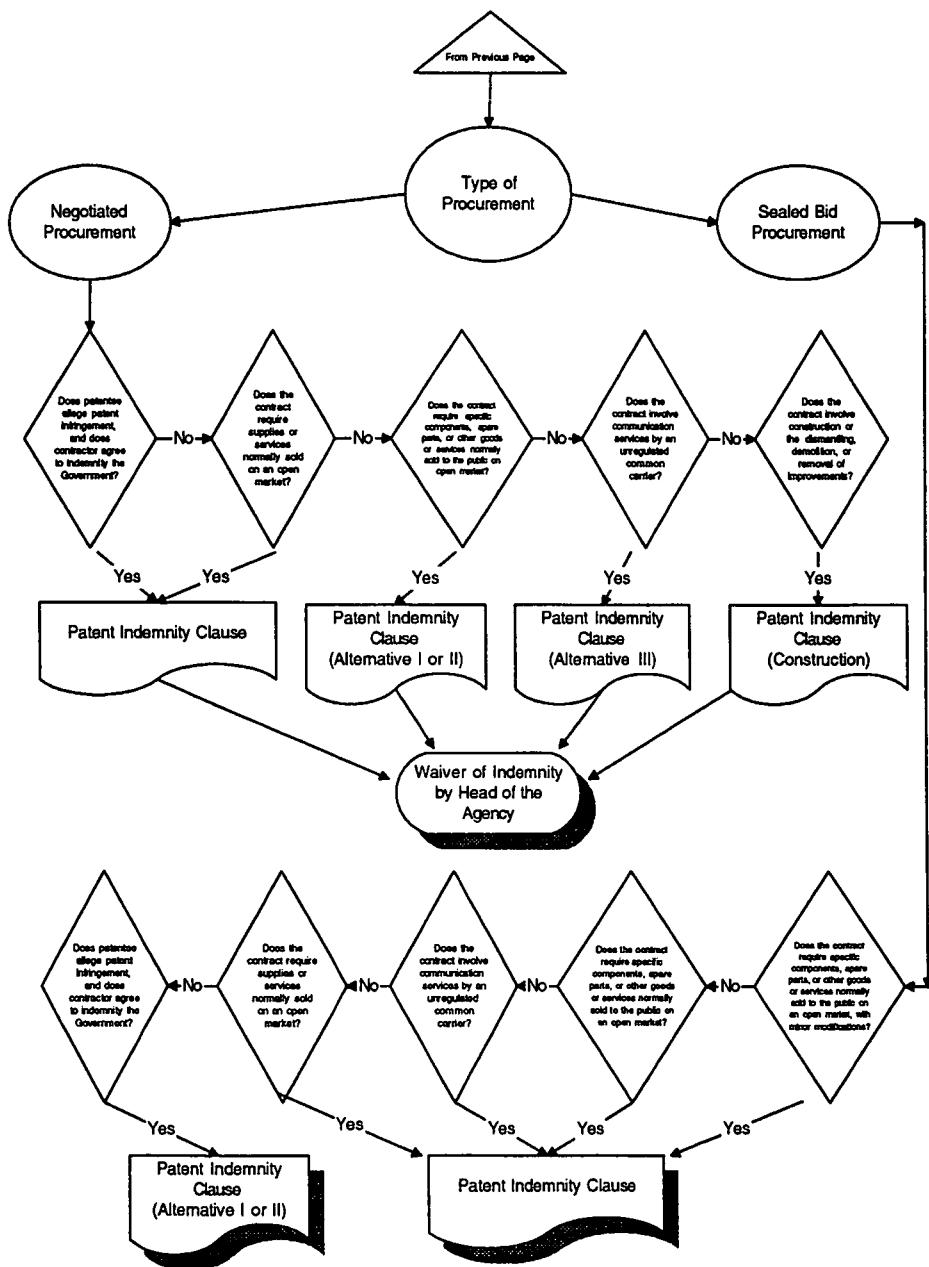
provisions regarding patent indemnity require the clause's inclusion in particular situations, the government may grant a waiver of such indemnity for specific United States patents.³⁰⁸ An unusual occurrence in the regulatory setting, such a waiver requires approval from the head of the respective contracting agency.

2. *Distinguishing the Regulations: A Reprise.* In applying these regulations, a contracting organ of the government may ascertain the need for any indemnity provisions from the outset and thereby attempt to induce the submission of the lowest overall price. However, as the government bears the burden of applying these regulations, the patentee or the government contractor may dispute the choice taken by the Government official, almost always a contracting officer.³⁰⁹ In order to aid parties in applying the regulations, this Article offers a flow diagram analysis of the regulatory decision-making process:

³⁰⁸ *Id.*

³⁰⁹ See generally To the Chairman, United States Atomic Energy Comm'n, 46 Comp. Gen. 227 (1966) (describing obligation of contracting officer to apply regulations regarding patent infringement).





This Article also provides two hypotheticals to illustrate the above application of the diagram.³¹⁰

Hypothetical #1

The United States Marine Corps issues a solicitation for offers (SFO) for a standard type of helicopter with delivery within the United States. The SFO contains no express indemnity provision.

As the diagram illustrates, a contracting officer begins the regulatory analysis with two initial considerations: (1) whether the contract's performance and delivery occurs outside the United States and (2) whether the contract expressly indemnifies the contractor.³¹¹ If the contracting officer can answer either of these questions in the affirmative, no authorization and consent extends to the contract.³¹² Otherwise, if the contracting officer can answer the question in the negative, the contracting officer next considers the contract type.³¹³ In the hypothetical, the contracting officer must consider the contract type.

Hypothetical #1(A)

The SFO calls for a research and development contract not to exceed \$100,000,000.

If the contract is for a supply or service, then the contracting officer must insert the authorization and consent clause.³¹⁴ If the contract involves research and development, then the contracting officer must insert an authorization and consent clause (Alternate I).³¹⁵ Finally, if the contract is a common carrier contract, then the contracting officer must insert an authorization and consent clause (Alternate II).³¹⁶ Further, if the dollar value of the con-

³¹⁰ The hypotheticals are derived from *Messerschmidt v. United States*, 29 Fed. Cl. 1, *aff'd without op.*, 14 F.3d 613 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1382 (1994).

³¹¹ 48 C.F.R. § 27.201-1(b) (1994).

³¹² *Id.*

³¹³ *Id.*

³¹⁴ 48 C.F.R. § 52.227.1 (1994).

³¹⁵ *Id.* § 52.227.1 (Alternate I).

³¹⁶ *Id.* § 52.227.1 (Alternate II).

tract exceeds the limits of FAR 13.000, then the contracting officer must also incorporate a notice and assistance clause within the research and development contract.³¹⁷

After these determinations, regardless of the type of authorization and consent clause applied, the contracting officer considers whether to include the patent indemnity clause.³¹⁸ In the hypothetical, because the solicitation for offers calls for a research and development contract, the contracting officer should include an Alternate I authorization and consent clause. Further, because the contract amount most likely will exceed \$25,000, the contracting officer should also include a notice and authorization clause pursuant to FAR 13.000.³¹⁹

Hypothetical #1(B)

The SFO requires not only engineering requirements for production of the helicopter but manufacturing of the helicopter as well.

Even if the contracting officer includes an authorization or consent clause and a notice and assistance clause within a contract, these clauses alone do not preclude the introduction of a patent indemnity clause.³²⁰ Indeed, the FAR specifically recognizes the likelihood of both an authorization and consent clause and a patent indemnity clause within the same contract.³²¹ In five specific circumstances, however, the contracting officer *shall not* include a patent indemnity clause within a contract:³²² (1) a research and development contract with authorization and consent clause (Alternate I);³²³ (2) a contract for supplies or services that clearly

³¹⁷ 48 C.F.R. § 27.202-2 (1994).

³¹⁸ *Id.* § 27.201-1. The contracting officer also considers the inclusion or exclusion of the patent indemnity clause from a contract because "both a patent indemnity clause and an authorization and consent clause may be included in the same contract." *Id.*

³¹⁹ 48 C.F.R. § 13.000 (1994).

³²⁰ 48 C.F.R. § 27.201-1(a) (1994).

³²¹ *Id.*

³²² *Id.* § 27.203-1(b).

³²³ *Id.* § 27.203-1(b)(1). However, if the research and development contract includes supplies normally sold to the public on the open market, the contracting officer may allow a patent indemnity clause solely for those supplies. *Id.*

have not been sold to the public on the open market;³²⁴ (3) a contract requiring *both* performance and delivery outside the United States;³²⁵ (4) a contract involving small purchase procedures;³²⁶ or (5) a contract involving only architect-engineer services.³²⁷ If the contracting officer finds any of these five circumstances present, and a patent indemnity clause improper, the analysis ends; otherwise, the contracting officer continues the analysis depending on the type of procurement.³²⁸ In the hypothetical, as the solicitation for offers satisfies none of the five conditions, the regulations allow no provision for patent infringement to the government contractor. Thus, the contracting officer would continue the analysis and consider the type of procurement to ascertain whether a patent indemnity clause is appropriate.

Hypothetical #1(C)

The SFO calls for the negotiated procurement of the helicopters. Further, in response to the SFO, Eugene Luegemaker submits a letter to the contracting officer alleging that any helicopter produced under the anticipated contract would infringe his patent. Luegemaker owns a patent to a four-axis helicopter controller similar to the controller required under the SFO. None of the government contractors agree to indemnify the government with regard to Luegemaker's assertions of patent infringement.

If the specification calls for a negotiated procurement, the contracting officer generally has discretion to avoid the inclusion of a patent indemnity clause in order to secure the most advantageous pricing.³²⁹ This discretion is the general rule, absent one of five exceptions: (1) if a patentee alleges patent infringement, and the

³²⁴ *Id.* § 27.203-1(b)(2).

³²⁵ 48 C.F.R. § 27.203-1(b)(3) (1994). Note that this exception only applies if no supplies or services are ultimately shipped to the United States, despite the performance and delivery means. *Id.* Note that the United States also includes its possessions and Puerto Rico. *Id.*

³²⁶ *Id.* § 27.203-1(b)(4).

³²⁷ *Id.* § 27.203-1(b)(5).

³²⁸ *Id.* §§ 27.203-2, 27.203-3.

³²⁹ Compare 48 C.F.R. § 27.203-1 (applying strict requirements in application of regulation) with 48 C.F.R. § 27.203-4 (applying more lenient requirement in application of regulation).

contractor agrees to indemnify the United States without an increase in price or otherwise, the contracting officer may insert a patent indemnity clause;³³⁰ (2) if the supply or service contract requires goods normally sold on an open market;³³¹ (3) if the contract requires the provision of specific components, spare parts, or services normally sold to the public on an open market, the contracting officer may insert either patent indemnity clause (Alternative I) or patent indemnity clause (Alternate II);³³² (4) if the contract involves communication services by an unregulated common carrier, then the contracting officer *shall* insert a patent indemnity clause (Alternate III);³³³ or (5) if the contract involves a construction contract for dismantling, demolition, and removal of improvements, if standard,³³⁴ the contracting officer must insert a patent indemnity clause (construction contracts).³³⁵ Yet, even if the contracting officer determines whether the inclusion of a patent indemnity clause under this system is proper, upon approval of the head of the agency, the contracting officer may waive such indemnity.³³⁶ Whatever the outcome, this final determination ends the analysis. In the hypothetical, even though a patentee asserts patent infringement, no government contractor agrees to indemnify the government. Therefore, the contracting officer may not insert a patent indemnity clause.

Hypothetical #2

The invitation for bids (IFB) calls for sealed bids for the helicopters. In response to the IFB, Eugene Luegemaker submits a letter to the contracting officer alleging that any helicopter produced under the anticipated contract would infringe his patent. Luegemaker owns a patent to a four-axis helicopter controller similar to the controller required

³³⁰ 48 C.F.R. § 27.203-4(a)(1) (1994) (citing FAR 27.203-1(b)(2)(ii)).

³³¹ *Id.* § 27.203-4(a)(2).

³³² *Id.* § 27.203-4(b).

³³³ *Id.* § 27.203-4(c).

³³⁴ *Id.* § 27.203-5. If nonstandard structures, products, materials, equipment, processes, or methods, then the contracting officer may specifically exclude such matters from the patent indemnity clause. *Id.*

³³⁵ 48 C.F.R. § 27.203-5 (1994).

³³⁶ *Id.* § 27.203-6.

under the IFB. None of the government contractors agree to indemnify the government with regard to Luegemaker's assertions of patent infringement.

In sealed-bid procurement, the contracting officer possesses no discretion to determine whether to include a patent indemnity clause.³³⁷ Thus, in the following five circumstances the contracting officer must insert a patent indemnity clause in a sealed bid contract: (1) if a patentee contends that the contractor would infringe a United States patent, and the contractor agrees to indemnify the government without an increase in price or otherwise;³³⁸ (2) if the contract includes goods or services normally sold to the public on the open market;³³⁹ (3) if the contract involves communication services by an unregulated common carrier;³⁴⁰ (4) if the contract requires the provision of specific components, spare parts, or services normally sold to the public on the open market;³⁴¹ or (5) if the contract requires the provision of specific components, spare parts, or services normally sold to the public on the open market, or such with relatively minor modifications.³⁴² Again, as with the patent indemnity clause in negotiated procurement, the head of the agency may authorize the insertion of a patent indemnity clause, even if the contracting officer had found otherwise.³⁴³ In the hypothetical, the contracting officer reaches the same outcome as in the negotiated procurement, providing no patent indemnity clause absent agreement of the government contractor to indemnify the government.

By application of the diagram, the contracting officer maintains specific requirements for establishing which clauses to include and exclude within any particular contract.³⁴⁴ Despite whatever finding the contracting officer may deem appropriate under this

³³⁷ *Id.* § 27.203-2(a).

³³⁸ *Id.* § 27.203-1(b)(2)(ii).

³³⁹ *Id.* § 27.203-2(a).

³⁴⁰ 48 C.F.R. § 27.203-2(b) (1994). Notably, in this situation, the contracting officer has discretion to insert either a patent indemnity clause Alternate I or patent indemnity clause Alternate II.

³⁴¹ *Id.* § 27.203-2(a) (citing 27.203-1(b)(2)(i)).

³⁴² *Id.* § 27.203-2(c).

³⁴³ *Id.* § 27.203-6.

³⁴⁴ See *supra* notes 277-308 and accompanying text.

system, pursuant to FAR 27.203-6, the head of the agency maintains wide discretion to prevent the insertion of the patent indemnity clause in any contract.³⁴⁵ In so doing, the head of the agency maintains full authority over indemnification of the United States for the infringement of any United States patent by the United States directly or for the United States via a government contractor.³⁴⁶

IV. THE LITIGATION OF PATENT INFRINGEMENT UNDER 28 U.S.C. § 1498

Section 271 of Title 35 provides the statutory definition of patent infringement,³⁴⁷ yet the jurisdictional basis for patent infringement cases before the Court of Federal Claims lies not in 35 U.S.C. § 271, but in 28 U.S.C. § 1498(a).³⁴⁸ In contrast to 35 U.S.C. § 271, where a patentee frequently maintains a choice of suits, 28 U.S.C. § 1498(a) provides a single source of recovery against the United States and only for the type of direct infringement contemplated by 35 U.S.C. § 271.³⁴⁹ Yet, technically, a suit under 28 U.S.C. § 1498 constitutes neither an infringement nor a damage claim but a claim for reasonable and entire compensation in eminent domain.³⁵⁰

³⁴⁵ 48 C.F.R. § 27.203-6 (1994).

³⁴⁶ *Id.*

³⁴⁷ 35 U.S.C. § 271 (1988 & Supp. I 1994).

³⁴⁸ See generally Barry L. Springer, Patent Practice in the United States Court of Claims 3-4, 31-32 (1968) (unpublished LL.M. thesis, George Washington University) (on file with author) (making observations on patent infringement suits in Court of Federal Claims).

³⁴⁹ See *Decca Ltd. v. United States*, 640 F.2d 1156, 1169-70, 209 U.S.P.Q. (BNA) 52 (Ct. Cl. 1980) ("Section 1498 expressly waives the Government's sovereign immunity only with respect to governmental direct infringement of a patent. Nowhere in the section is active inducement of infringement or contributory infringement mentioned, either directly or by cross-reference to 35 U.S.C. §§ 271(b) and (c).").

³⁵⁰ See *Kornylak Corp. v. United States*, 207 U.S.P.Q. (BNA) 145, 161 (Ct. Cl. 1980):

The instant suit, however, is neither an action for 'infringement' in the sense in which that term is used in 35 U.S.C. § 271 (compare language of 35 U.S.C. § 271 with that of 28 U.S.C. § 1498(a)), nor an action for 'damages' in the sense in which that term is used in 35 U.S.C. § 284 (also compare language of 35 U.S.C. § 284 with that of 28 U.S.C. § 1498(a)). It is a suit for 'reasonable and entire compensation' for 'use or manufacture by or for the United States' of the invention described in and covered by the patent in suit 'without license or lawful right.' It is not

In an action against the government for the use or manufacture of a patent, although § 1498(a) refers to “reasonable and entire compensation,” and not infringement as such,³⁵¹ the legal standards for ascertaining a § 1498 action mirror the standards of infringement under 35 U.S.C. § 271.³⁵² For claims of “direct infringement,” or more properly for a compulsory, nonexclusive license in eminent domain, only the standards of infringement and standards for § 1498 violations are synonymous. Within this realm, still, the Court of Federal Claims³⁵³ applies the common infringement analysis of Title 35 in adjudicating a patent dispute under 28 U.S.C. § 1498(a).³⁵⁴

In contrast to patent infringement under Title 35, a patent infringement claim under 28 U.S.C. § 1498(a) generally takes place in two fora, first as a contingency in administrative proceedings, and second as a patent infringement claim in a judicial proceeding. In the contingency stage, a patentee may anticipate patent infringement will occur during the course of a government contract and may challenge the contract, either in a bid protest or through other administrative action. If patent infringement occurs, the patentee retains the sole remedy of a suit in the Court of Federal Claims.

A. ADMINISTRATIVE PROCEEDINGS

Distinguishable from judicial claims pursuant to 28 U.S.C. § 1498, patentees may seek administrative redress for the unauthorized use of a patent by the government or government contractors

an action sounding in tort, but an action for just compensation for an eminent domain *taking of a nonexclusive license*.

(emphasis in original).

³⁵¹ *Motorola, Inc. v. United States*, 729 F.2d 765, 768, 221 U.S.P.Q. (BNA) 297 (Fed. Cir. 1984) (holding that 35 U.S.C. § 287 has no application in eminent domain taking).

³⁵² *Lemelson v. United States*, 752 F.2d 1538, 1548, 224 U.S.P.Q. (BNA) 526 (Fed. Cir. 1985) (holding that burden of proving mode or structure of “accused device” differs under § 1498 and Title 35). See also *Deuterium Corp. v. United States*, 16 Cl. Ct. 454, 459 n.3, 11 U.S.P.Q.2d (BNA) 1481 (1989) (“Accordingly, [the Court of Federal Claims] uses ‘infringement’ as a familiar term accurately describing the central and relevant requirements of § 1498.”).

³⁵³ *Motorola*, 729 F.2d at 768.

³⁵⁴ *Siemens Aktiengesellschaft v. United States*, 26 Cl. Ct. 980 (1992).

before initiating a claim for patent infringement in the Court of Federal Claims.³⁵⁵ In most areas of government contracting, whether in the formation or administration of contracts, administrative proceedings usually constitute a condition precedent to judicial redress for a claim. For patent infringement claims, jurisdiction before exhaustion of administrative remedies is discretionary,³⁵⁶ but if a patentee pursues administrative remedies prior to judicial resolution, specific statutory authority excludes the period of administrative redress from the six-year statute of limitations.³⁵⁷

1. *Anticipated Patent Infringement in Bid Protests.* If a government contractor considers a government practice in the formation of a government contract to be improper or illegal under the laws or regulations of the federal procurement system, the contractor may assert a "bid protest."³⁵⁸ Unlike 28 U.S.C. § 1498, where jurisdiction exists solely in the United States Court of Federal Claims, a protestor maintains a choice of venue for these proceedings, except for automatic data processing equipment contracts for which protests occur only at the General Services Administration Board of Contract Appeals.³⁵⁹ In addition to a protest before the Comptroller General of the Department of the Treasury,³⁶⁰ pre-award protests for contracts other than data processing equipment contracts must be filed with the United States Court of Federal

³⁵⁵ *Halas v. United States*, 28 Fed. Cl. 354, 360-61 (1993). Notably, each agency and department maintains its own procedures for the initiation of administrative redress. *Id.*

³⁵⁶ *Omni Moving & Storage, Inc. v. United States*, 21 Cl. Ct. 224, 230 (1990). "If no statute exists, or if the relevant statute does not mandate exhaustion of remedies, however, then the reviewing court has jurisdiction over claims filed by plaintiffs who failed to exhaust their administrative remedies." *Halas*, 28 Fed. Cl. at 361. In such circumstances, application of the exhaustion doctrine is discretionary, not mandatory. *Id.* See also *American Tel. & Tel. Co. v. United States*, 685 F.2d 1361, 1361 (Ct. Cl. 1982) (finding no requirement of exhaustion of administrative remedies under Invention Secrecy Act).

³⁵⁷ 35 U.S.C. § 286 (1988). Compare 28 U.S.C. § 2501 (1988) (providing six year statute of limitations) with 28 U.S.C. § 1498(b) (1988) (providing three year statute of limitations for copyright infringement claims against United States).

³⁵⁸ Timothy J. Rollins, *A Contract Lawyer's Guide to the Requirement for Meaningful Discussions in Negotiated Procurements*, 122 MIL. L. REV. 221, 221 (1988).

³⁵⁹ *SMS Data Prods. Group, Inc.*, GSBCA Nos. 8589-P, 8863-C, 87-1 BCA (CCH) ¶ 19,637.

³⁶⁰ See RALPH C. NASH, JR. & JOHN CIBINIC, JR., *FORMATION OF GOVERNMENT CONTRACTS* 353 (2d ed. 1986) (noting examples of exceptions to solicitations).

Claims,³⁶¹ or if a post-award protest, the local United States District Court.³⁶² In the most common scenario, a government contractor protests the requirements of the solicitation, often on the grounds that the contract would lead to patent infringement.³⁶³ One other common scenario occurs when the ground for protest involves a dispute over whether the government properly awarded a contract to the lowest bidder irrespective of the patent's ownership.³⁶⁴ The Comptroller General, however, has uniformly rejected protests based on anticipated patent infringement since 28 U.S.C. § 1498 provides an adequate remedy at law.³⁶⁵

A recent Comptroller General decision illustrates the typical course of events in a protest based on anticipated patent infringement.³⁶⁶ In *Lab Products, Inc.*,³⁶⁷ the National Institute of Health (NIH) advertised an anticipated sole source contract for laboratory cages in the Commerce Business Daily. After two businesses expressed an interest in competing for the contract, NIH amended the contract to an invitation for bids. When the incumbent contractor discovered the change in the procurement mechanism, based on assertions of patent infringement by the other businesses, the incumbent contractor protested the change to the

³⁶¹ *Id.* For perhaps the most comprehensive consideration of the jurisdiction of the Court of Federal Claims over pre-award bid protests, see generally *Aerolease Long Beach v. United States*, 31 Fed. Cl. 342, 353-54 (1994).

³⁶² *NASH & CIBINIC*, *supra* note 360, at 353.

³⁶³ See *Aircraft Porous Media, Inc.*, Comp. Gen. B-241665.2, B-241665.3, Apr. 8, 1991, 91-1 CPD ¶ 356 at 11 ("A potential for patent infringement does not provide a basis for objection to award. As we have recognized, 28 U.S.C. § 1498 (1988) gives patent holders an adequate and effective remedy for patent infringement, while saving the government from having its procurements delayed pending litigation of patent disputes.")

³⁶⁴ See *David Fromson*, 40 Comp. Gen. 294, 299 (1960) ("[I]t is our opinion that alleged infringement of patent rights is not a sufficient justification for departing from the general rule that procurements are to be made after formal advertising with award to the lowest responsible bidder . . .").

³⁶⁵ See *Cryo-Technologies Mktg. Group*, Comp. Gen. B-207138, Oct. 27, 1982, 82-2 CPD ¶ 372, at 2 ("Section 1498, Title 28, United States Code, was designed for the purpose of furnishing patentees adequate compensation for the use of their patents by or on behalf of the Government, and at the same time preventing the obstruction of Government activities by disputes or litigation between private parties respecting such patents.")

³⁶⁶ "Anticipated patent infringement" arises in federal procurement when no infringement has occurred but the patentee "anticipates" such by the execution of a government contract. *NASH & CIBINIC*, *supra* note 360, at 353.

³⁶⁷ Comp. Gen. B-252452, Mar. 19, 1993, 93-1 CPD ¶ 250.

Comptroller General. In the interest of "full and open competition," however, the Comptroller General rejected the protest.

As the Comptroller has ruled, "[a] potential for patent infringement does not provide a basis for objecting to a contract award."³⁶⁸ This prohibition extends to issues relating to anticipated patent infringement, including the payment of patent royalties,³⁶⁹ patent rights created under government contracts,³⁷⁰ patent rights pursuant to subcontracts with the government,³⁷¹ delay compensation,³⁷² use of patented drawings in a solicitation,³⁷³ use of technical data rights,³⁷⁴ the infringement of foreign patents,³⁷⁵ and the infringement of United States patents by foreign concerns.³⁷⁶

2. *Patent Infringement During Contract Administration.* As 28 U.S.C. § 1498(a) contains no statutory requirement for the exhaustion of administrative remedies before the initiation of suit in the Court of Federal Claims, a patentee has the choice of suit in an administrative agency or in the Court of Federal Claims.³⁷⁷ In

³⁶⁸ Odetics, Inc., Comp. Gen. B-246008, Feb. 13, 1992, 92-1 CPD ¶ 185 at 3.

³⁶⁹ Aircraft Porous Media, Inc., B-241665.2, B-241665.3, Apr. 8, 1991, 91-1 CPD ¶ 356, at 11.

³⁷⁰ Thomas-Morse Aircraft Corp., 4 Comp. Gen. 224, 228-29 (1924).

³⁷¹ AWC, Inc., Comp. Gen. B-237405, Feb. 9, 1990, 90-1 CPD ¶ 173.

³⁷² RCA Corp., Comp. Gen. B-184053, Apr. 14, 1980, 80-2 CPD ¶ 80.

³⁷³ Diversified Technologies, Comp. Gen. B-236035, Nov. 6, 1989, 89-2 CPD ¶ 427.

³⁷⁴ Hughes Aircraft Co., Comp. Gen. B-226955, July 15, 1987 87-2 CPD ¶ 48.

³⁷⁵ Goodyear Tire & Rubber Co., Comp. Gen. B-177115, May 14, 1973, 1973 CPD ¶ 39.

³⁷⁶ Charles Pfizer & Co., Comp. Gen. B-141459, May 10, 1960, 1960 CPD ¶ 37.

³⁷⁷ SAUL ELBAUM, *Information Paper, The Role of Privately Owned Patents in Government Procurement* (Feb. 5, 1992), in 3 WORKING GROUP FIVE WORKING PAPERS § 17 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC). A patentee maintains two choices, either the filing of an administrative claim with the agency responsible for the contract in which the infringement resulted or suit in the Court. While the filing of an administrative claim involves great expense, a suit in the Court of Federal Claims faces a funding anomaly disadvantageous to the resolution of a patent infringement by administrative redress. *Id.* Elbaum explains the funding anomaly as follows:

The funding anomaly is that when an agency voluntarily settles a patent claim, it must pay that claim out of its appropriated funds. On the other hand, if the agency declines to settle and the claimant files suit, the claim is ultimately paid out of the Permanent Judgment Appropriation. Since there is no requirement for agencies to reimburse the Judgement Appropriation in patent cases, the agency escapes fiscal responsibility. The funding anomaly contributes to agency reluctance to settle administrative claims for patent infringement.

the most common situation, however, if the contractor seeks guidance from one of the Boards of Contract Appeals (BCAs), the BCA refers the patent issues to the terms of the contract.³⁷⁸ Because almost all patent issues arise in the context of patent infringement, the BCAs (just as with the bid protest fora) defer these matters to the Court of Federal Claims.³⁷⁹

Other matters related to, but not resulting from, patent infringement may nevertheless arise within the jurisdiction of the BCAs. The most common matter involves the construction of a contract specification to include a proprietary good or its "equal."³⁸⁰ Another common issue before the BCAs relates to the allowability of various costs (particularly legal costs) related to patents under the Cost Accounting Standards (CAS).³⁸¹ As a well recognized general rule, the BCAs consider costs incurred in connection with patent infringement litigation as unallowable unless otherwise provided for under a government contract.³⁸²

Other patent issues considered by the BCAs include the government's obligation to retain patent notices on drawings delivered to

Id.

³⁷⁸ Kings Point Mfg. Co., ASBCA No. 27201, 85-2 BCA (CCH) ¶ 18,043, at 90,571, 90,574.

³⁷⁹ James B. Nolan Investigative & Protective Co., GSBAC Nos. 5905, 5985, 82-2 BCA (CCH) ¶ 15,943, at 79,024. Nevertheless, even should a BCA decide a patent infringement issue in the express absence of jurisdiction, the Court of Claims has adopted the findings of fact of such a proceeding. Whittaker Corp., ASBCA No. 18,422, 81-1 BCA (CCH) ¶ 15,055, at 74,478. If, however, the alleged patent infringement regards actions occurring after the performance of a Government contract, then the Court of Federal Claims maintains no jurisdiction over the matter. *See, e.g.,* Rhodes-Lewis Co., ASBCA No. 5150, July 17, 1959, 59-2 BCA, ¶ 2274, 1959 A.S.B.C.A. LEXIS 1339, at *11-14 (noting jurisdiction does not exist for post-performance claim brought on behalf of assignee).

³⁸⁰ Meredith Constr. Co., DOTCAB No. 1549, 85-1 BCA (CCH) ¶ 17896, at 89,618 (rejecting claimant's request for reimbursement of expenditures incurred to procure "brand name welding shop exhaust hood" where equivalent hoods available); Arnold M. Diamond, Inc., ASBCA No. 22,733, 78-2 BCA (CCH) ¶ 13447, at 65,720 (rejecting claimant's argument that government violated procurement regulation through failure to disclose existence of patent for specified oil collection pans); MB Assocs., ASBCA Nos. 19,924, 20,476, 77-2 BCA (CCH) ¶ 12,797, at 62,272 (requiring claimant to develop satisfactory reproduction test in absence of clearly delineated government specifications).

³⁸¹ Bos'n Towing & Salvage Co., ASBCA No. 41,357, 92-2 BCA (CCH) ¶ 24,864.

³⁸² Blue Cross Ass'n & Blue Shield Ass'n, ASBCA No. 25,778, 89-2 BCA (CCH) ¶ 21,840, at 109, 885-86.

it,³⁸³ determining respective entitlement to patent rights pursuant to the Patents Rights clause,³⁸⁴ establishing the validity of reservations of rights relating to contractor liability under the various clauses,³⁸⁵ and calculating royalties under licensing agreements for patent rights.³⁸⁶ Whatever the dispute, however, if the patent question involves infringement, the BCAs have uniformly rejected jurisdiction in favor of the Court of Federal Claims pursuant to 28 U.S.C. § 1498.

B. JUDICIAL PROCEEDINGS

A proceeding in the Court of Federal Claims for the "unauthorized use or manufacture" of a patent pursuant to 28 U.S.C. § 1498 mirrors a similar proceeding in a United States District Court.³⁸⁷ For the infringement determination, the Court of Federal Claims applies the same standards as the district courts.³⁸⁸ Like the district courts, the Court of Federal Claims maintains explicit authority to affirm or reject the validity of a patent.³⁸⁹ Outside of these two determinations, however, the similarities between the two judicial fora generally end. For example, whereas the district courts maintain injunctive authority regarding patents in private

³⁸³ See, e.g., *Teledyne Continental Motors*, ASBCA No. 16,516, 76-1 BCA (CCH) ¶ 11,852, at 56,783 (concluding that contract at issue permitting only those "legends" on submitted drawings that are "specifically authorized by the contract or are otherwise approved by the Government").

³⁸⁴ *General Dynamics Corp.*, ASBCA No. 14,466, 73-2 BCA (CCH) ¶ 10,260. If reduction to practice occurs before execution of a contract that includes a Patents Rights clause, the contractor maintains the patent rights, but if reduction to practice occurs after execution of the contract, the government maintains the patent rights. *Id.*

³⁸⁵ *Wallace O. Leonard, Inc.*, ASBCA No. 11,273, 66-2 BCA (CCH) ¶ 5983, at 27,667.

³⁸⁶ *Raytheon Co.*, ASBCA No. 6616, 1963 BCA (CCH) ¶ 3446.

³⁸⁷ *Lemelson v. United States*, 752 F.2d 1538, 1548, 224 U.S.P.Q. (BNA) 526 (Fed. Cir. 1985).

³⁸⁸ *Motorola, Inc. v. United States*, 729 F.2d 765, 768-69, 221 U.S.P.Q. (BNA) 297 (Fed. Cir. 1984).

³⁸⁹ See *id.* at 768:

Although concepts, phrases and words commonly used in the patent field may connote or denote a panoply of rights and remedies under Title 35, the same concepts, phrases and words do not and cannot always connote or denote the same meaning under section 1498. Although a section 1498 action may be similar to a Title 35 action, it is nonetheless only parallel and not identical.

suits, the Court of Federal Claims maintains no injunctive authority for patent infringement suits against the United States.³⁹⁰

For infringement questions, the Court of Federal Claims follows the precedent of the Court of Claims and of the United States Court of Appeals for the Federal Circuit.³⁹¹ Infringement analyses almost always trace to *Autogiro Co. v. United States*,³⁹² in which the Court of Claims defined the classic infringement analysis: "[T]he determination of patent infringement is a two-step process. First, the meaning of the claims in issue must be determined by a study of all relevant patent documents. Secondly, the claims must be read on the accused structures."³⁹³ In the first step of the infringement analysis, claim interpretation, a court determines what is patented. In the second step of the analysis, claim construction, the court ascertains whether the accused device embodies every element of the claim. Even if the accused device fails to embody every literal detail of a claimed invention, however, it may infringe the patent if it constitutes a substantially equivalent embodiment of the patented invention.³⁹⁴

Although the Court of Federal Claims applies the same standards for validity as the Court of Claims, it has distinguished the need to consider validity if noninfringement exists.³⁹⁵ While the Court of

³⁹⁰ *Id.*

³⁹¹ *South Corp. v. United States*, 690 F.2d 1368, 1369, 215 U.S.P.Q. (BNA) 657 (Fed. Cir. 1982).

³⁹² 384 F.2d 391, 155 U.S.P.Q. (BNA) 697 (Ct. Cl. 1967).

³⁹³ *Id.* at 401. See also *Deuterium Corp. v. United States*, 16 Cl. Ct. 454, 11 U.S.P.Q. (BNA) 1481 (1989) (expanding upon traditional approach).

³⁹⁴ *Deuterium Corp.*, 16 Cl. Ct. at 461. The classic "doctrine of equivalents" asks whether the accused process "performs substantially the same function in substantially the same way to obtain the same result" as the patent claim. *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608, 85 U.S.P.Q. (BNA) 328 (1950) (quoting *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42 (1929)).

³⁹⁵ Compare *Gargoyles, Inc. v. United States*, 26 Cl. Ct. 1367, 1369 (1992) (stating "[T]his court need consider the [patent] validity arguments only if infringement is found" and citing *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 959 F.2d 948, 22 U.S.P.Q.2d (BNA) 1231 (Fed. Cir. 1992), *vacated*, 113 S. Ct. 1967 (1993), *aff'd without op. in part, and vacated without op. in part*, 6 F.3d 787 (Fed. Cir. 1993)) with *Pacific Technica Corp. v. United States*, 11 Cl. Ct. 393, 405, 3 U.S.P.Q.2d (BNA) 1168 (1986) (observing that "[p]atent disputes in the United States Claims Court require the court to make determinations on both validity and infringement, regardless of the conclusion reached on either validity or infringement") (citing *Simmons Fastener Corp. v. Illinois Tools Works, Inc.*, 739 F.2d 1573, 1576, 222 U.S.P.Q. (BNA) 744

Claims allowed the trial commissioners to avoid lengthy validity analyses upon a finding of noninfringement,³⁹⁶ the Supreme Court considers validity, not infringement, as the matter of greatest importance.³⁹⁷ Following the Court of Claims' rationale, however, the Federal Circuit developed the practice of vacating validity findings upon an affirmance of noninfringement, citing the rationale that a court need not consider validity if no infringement exists.³⁹⁸ District courts, as well as the Court of Federal Claims, have adopted this practice on the trial level as well.³⁹⁹ In *Cardinal Chemical Co. v. Morton International, Inc.*,⁴⁰⁰ the Supreme Court overturned the Federal Circuit practice of vacating validity findings following rulings of noninfringement.⁴⁰¹ Antithetically, the Court also stressed the ruling's limited nature, reviewing the appellate practice but not any trial-level conventions of finding a validity determination moot upon finding noninfringement.⁴⁰²

(Fed. Cir. 1984), *cert. denied*, 471 U.S. 1065 (1985)).

³⁹⁶ See *Barrett v. United States*, 405 F.2d 502, 510, 160 U.S.P.Q.2 (BNA) 224 (Ct. Cl. 1968) ("Since there is no infringement, it is unnecessary to decide validity."); *Autogiro Co. v. United States*, 384 F.2d 391, 415 (Ct. Cl. 1967) ("Only on claims found infringed is it necessary to reach a decision on validity.").

³⁹⁷ *Sinclair & Carroll Co. v. Interchemical Corp.*, 325 U.S. 327, 330 (1945). See also *Altwater v. Freeman*, 319 U.S. 359, 363 (1943) (commenting that "[t]hrough the decision of non-infringement disposes of the bill and answer, it does not dispose of the counterclaim which raises the question of validity").

³⁹⁸ See, e.g., *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1517, 3 U.S.P.Q.2d (BNA) 1094 (Fed. Cir. 1987) (dismissing cross-appeal on invalidity as moot); *Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1571, 1 U.S.P.Q.2d (BNA) 1881 (Fed. Cir. 1986) (criticizing custom of proving validity prior to deciding infringement).

³⁹⁹ See *Gargoyles*, 26 Cl. Ct. at 1369 (rendering validity issue extraneous upon finding of noninfringement); *Unette Corp. v. Unit Pack Co.*, 226 U.S.P.Q. 715, 717 (D.N.J. 1985) (rendering validity issue moot upon finding of noninfringement), *aff'd*, 785 F.2d 1026, 228 U.S.P.Q. (BNA) 933 (Fed. Cir. 1986). In contrast to making the validity of a patent moot following a finding of noninfringement, the sole issue at the trial level is whether a court should review validity at the trial level upon a finding of noninfringement. See Howard T. Markey, *On Simplifying Patent Trials*, 116 F.R.D. 369, 370-71, 380-81 (1987) (considering role of trial courts as fora for validity determinations in absence of infringement).

⁴⁰⁰ 113 S. Ct. 1967, 26 U.S.P.Q.2d (BNA) 1721 (1993).

⁴⁰¹ The Supreme Court also reiterated the public interest in resolving questions of patent validity. *Id.* at 1977.

⁴⁰² See *id.* at 1974 (pointing out that "the issue before us, therefore[,] concerns the jurisdiction of an intermediate appellate court—not the jurisdiction of either a trial court or this Court"). Additionally, the decision also suggests that the holding applies only to appellate consideration of declaratory judgment decisions. *Carroll Touch, Inc. v. Electro Mechanical Sys.*, 3 F.3d 1573, 1579 (Fed. Cir. 1993).

With regard to validity, however, the Court of Federal Claims has recognized somewhat of a distinction between the district courts' consideration of validity pursuant to 35 U.S.C. § 271 and the validity determinations in patent infringement suits against the United States. Whereas the district courts recognize no precedent regarding validity determinations after a finding of noninfringement,⁴⁰³ the Court of Federal Claims has strictly followed the precedent of the Court of Claims by considering validity only after finding noninfringement upon a showing of "plainly evident" invalidity.⁴⁰⁴

1. *Distinguishing the Cases.* The Court of Federal Claims and its immediate predecessor, the Claims Court, have adjudicated approximately fifty-two reported cases under 28 U.S.C. § 1498. Before that, beginning as early as 1917 with the inception of statutory authority for patent infringement suits against the United States, the Court of Claims adjudicated approximately 190 reported cases. As precedent and persuasive authority for suits under 28 U.S.C. § 1498, the practitioner must maintain close familiarity with these cases. An analytical overview leads to three classifications of suits under 28 U.S.C. § 1498: (1) the type of proceeding, (2) the type of patent, and (3) the type of contract.

a. *Type of Proceeding.*

i. *Summary Judgement.* In the Court of Federal Claims, disposition of a patent infringement claim under 28 U.S.C. § 1498 usually involves disposition by summary judgment rather than trial.⁴⁰⁵ Although an appropriate procedure of judicial dispute

⁴⁰³ But see *Unette Corp. v. Unit Pack Co.*, 226 U.S.P.Q. (BNA) 715, 717 (D.N.J. Mar. 8, 1985) (rendering validity issue moot upon finding of noninfringement), *aff'd*, 785 F.2d 1026 (Fed. Cir. 1986).

⁴⁰⁴ See *Messerschmidt*, 29 Fed. Cl. at 17 ("The crucible of deciding validity at the trial level, therefore, appears to hinge on whether the defendant presents sufficient evidence to render as 'plainly evident' the invalidity of the patent-in-suit.") (emphasis added) (quoting *Vieau v. Japax, Inc.*, 823 F.2d 1510, 1521 (Fed. Cir. 1987)).

⁴⁰⁵ The Court of Claims has long ruled that even patent cases remain amenable to summary judgment. See, e.g., *Ace Fastener Corp. v. United States*, 276 F.2d 391, 392, 125 U.S.P.Q. (BNA) (Cl. Ct. 1960) (stating that design patents are particularly susceptible to summary judgment disposition).

resolution,⁴⁰⁶ summary judgment in patent cases requires a higher level of analysis than summary judgment in other types of cases.⁴⁰⁷ Nevertheless, if no genuine issue of material fact is present and the movant is entitled to judgement as a matter of law, a court may render summary judgement even though patent infringement constitutes a question of fact.

ii. *Trial.* Per the national,⁴⁰⁸ even international,⁴⁰⁹ jurisdiction of the Court of Federal Claims, trials generally take place in the venue where the majority of the witnesses and parties to the dispute are found.⁴¹⁰ A trial in the Court of Federal Claims mirrors a trial in a district court, with the major exception that the Court of Federal Claims maintains no authority to empanel a jury for the adjudication of claims against the government.⁴¹¹

⁴⁰⁶ See *Becton Dickinson & Co. v. C.R. Bard, Inc.*, 922 F.2d 792, 795, 17 U.S.P.Q.2d (BNA) 1097 (Fed. Cir. 1990) (holding that "[a]s in other cases, the grant of summary judgment under Fed. R. Civ. P. 56 is appropriate in a patent case where no genuine issue of material fact exists and the movant is entitled to judgment as a matter of law") (footnote omitted); *Barmag Barmer Maschinenfabrik AG v. Murata Mach., Ltd.*, 731 F.2d 831, 835, 221 U.S.P.Q. (BNA) 561 (Fed. Cir. 1984) (commenting that "[s]ummary judgment is as appropriate in a patent case as in any other").

⁴⁰⁷ See *D.M.I., Inc. v. Deere & Co.*, 755 F.2d 1570, 1573, 225 U.S.P.Q. (BNA) 236 (Fed. Cir. 1985) ("[A] motion for summary judgment of infringement or noninfringement should be approached with a care proportioned to the likelihood of its being inappropriate.").

⁴⁰⁸ See, e.g., *Branning v. United States*, 7 Cl. Ct. 777, 782 (1985) (refusing to limit payment of attorney's fees to local rates because of national jurisdiction of Court of Claims), *aff'd*, 784 F.2d 361 (Fed. Cir. 1986); *Charlson Realty Co. v. United States*, 384 F.2d 434, 446 (Cl. Ct. 1967) (pointing out importance of procedural rule due to national jurisdiction of Court of Claims).

⁴⁰⁹ In the Court of Federal Claims Technical and Procedural Improvements Act of 1992, Pub. L. No. 102-572, § 906, 106 Stat. 4516, 4517-18 (codified at 28 U.S.C. § 798 (Supp. V 1993)) Congress authorized the Court of Federal Claims to conduct proceedings outside of the District of Columbia, including foreign countries "whose laws do not prohibit such proceedings." 106 Stat. 4518.

⁴¹⁰ *Precision Specialty Corp. v. United States*, 15 Cl. Ct. 1, 11 (1988).

⁴¹¹ From the inception of the waiver of sovereign immunity for claims against the United States, the government has allowed no provision for jury trials. *COWEN ET AL.*, *supra* note 40, at 17. While the Sixth Amendment to the Constitution requires jury trials in criminal matters and the Seventh Amendment provides for jury trials in civil matters over \$20, neither the Court of Federal Claims nor any of its predecessors have provided for jury trials in suits against the United States. *Id.* See generally Practitioner's Handbook for the Court of Federal Claims (Court of Federal Claims Bar Association 1994).

Following the creation of the Court of Claims, the Supreme Court considered the validity of the court absent jury trials in *McElrath v. United States*, 102 U.S. 426 (1880). In *McElrath*, the petitioner claimed that the legal authority for the Court of Claims violated the

b. Type of Patent.

i. Utility Patent. The Court of Federal Claims has applied the standard infringement analysis to utility patents, the most prevalent type of patent.⁴¹² In *Messerschmidt v. United States*,⁴¹³ the Court of Federal Claims provided an exhaustive description of the patent infringement analysis for utility patents.⁴¹⁴ Although relying on a separate statutory basis for jurisdiction, the court recognized the same dual literal infringement/doctrine of equivalents analysis used by the district courts pursuant to 35 U.S.C. § 271.⁴¹⁵ As recognized in *Messerschmidt*,⁴¹⁶ the precedent for this approach originates with *Autogiro Co. v. United States*.⁴¹⁷ Although affirmed in an unpublished opinion of the Federal Circuit, *Messerschmidt v. United States* represents perhaps the best starting point for any suit of patent infringement against the United States.

ii. Design Patent. The analysis of infringement of a design patent differs from that of a utility patent.⁴¹⁸ Similar to trade dress of trademark law, a design patent encompasses the pattern or style of an invention.⁴¹⁹ Although design patents require

Seventh Amendment, but the Court rejected the claim, noting the status of the Court of Claims as a special court with special jurisdiction. *Id.* at 440. Neither the Court of Claims nor any of its predecessors have questioned the absence of jury trials since *McElrath*. See, e.g., *Capital Eng'g & Mfg. Co. v. United States*, 19 Cl. Ct. 774, 775 (1990) (refusing to dismiss counterclaim on grounds of jury unavailability in forum chosen by plaintiff); *Seaboard Lumber Co. v. United States*, 15 Cl. Ct. 366, 374 (1988) (holding that jury trial not required where suit did not involve public rights or exercise of Article III power), *aff'd*, 903 F.2d 1560 (Fed. Cir. 1990); *Frantz Equip. Co. v. United States*, 105 F. Supp. 490, 494 (Ct. Cl. 1952) (holding that plaintiff consented to adjudication of government's counterclaim by filing action in Court of Claims).

⁴¹² RAPHAEL V. LUPO & DONNA M. TANGUAY, WHAT CORPORATE AND GENERAL PRACTITIONERS SHOULD KNOW ABOUT INTELLECTUAL PROPERTY LITIGATION 8 (1991). "Utility patents" or "mechanical patents" comprise any invention claimed under 35 U.S.C. § 101, or any "machine, process, manufacture, or composition of matter." *Id.*

⁴¹³ 29 Fed. Cl. 1, *aff'd without op.*, 14 F.3d 613 (Fed. Cir. 1993), *cert. denied*, 114 S. Ct. 1382 (1994).

⁴¹⁴ *Id.* at 45-66.

⁴¹⁵ *Id.* at 43-45.

⁴¹⁶ *Id.* at 44-45.

⁴¹⁷ 384 F.2d 391 (Ct. Cl. 1967).

⁴¹⁸ *Regent Jack Mfg. Co., v. United States*, 292 F.2d 868, 870, 130 U.S.P.Q. (BNA) 235 (Ct. Cl. 1961).

⁴¹⁹ JANE C. GINSBURG ET AL., TRADEMARK AND UNFAIR COMPETITION LAW 142 (1991).

essentially the same validity determination as utility patents,⁴²⁰ the infringement of a design patent likewise involves matters separate from those considered under the dual literal infringement/doctrine of equivalents analyses for utility patents.⁴²¹ In *Blumcraft of Pittsburgh v. United States*,⁴²² the Court of Claims recognized the differing standards,⁴²³ citing the Supreme Court decision of *Gorham Co. v. White*⁴²⁴ as the applicable standard for design patent infringement. Thus:

if, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other, the first one patented is infringed by the other.⁴²⁵

Although the Court of Claims, the Claims Court, and the Court of Federal Claims maintain little precedent for this, *Blumcraft of Pittsburgh* presents the most likely starting point for any design patent infringement claim against the United States pursuant to 28 U.S.C. § 1498(a).

⁴²⁰ *Principle Business Enters., Inc. v. United States*, 7 Cl. Ct. 433, 438-40, 226 U.S.P.Q. (BNA) 180 (1985).

⁴²¹ See also *Ace Fastener Corp. v. United States*, 276 F.2d 391, 392, 125 U.S.P.Q. (BNA) 143 (Ct. Cl. 1960) (noting that "[d]esign patents are particularly susceptible to disposition on summary judgment") (citation omitted).

⁴²² 372 F.2d 1014, 1016, 153 U.S.P.Q. (BNA) 298 (Ct. Cl. 1967).

⁴²³ In *Blumcraft of Pittsburgh*, the patentee owned a design patent to a unique hand rail. Applying the substantial identity of appearance test of *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511 (1871), the court found infringement. *Blumcraft of Pittsburgh*, 372 F.2d at 1018. Upon a finding of design patent infringement, the court then considered the patent's validity. A review of the prior art resulted in the court's finding of nonobviousness: "[I]t is equally clear that every such possible combination would not have the pleasing aesthetic effect, appeal of beauty, and compatibility with modern architecture achieved by the design taught by plaintiff's design patent." *Id.* at 1017-18. Accordingly, the Court of Claims found the United States liable pursuant to 28 U.S.C. § 1498.

⁴²⁴ 81 U.S. (14 Wall.) 511 (1872).

⁴²⁵ *Id.* at 528. In *Gargoyles, Inc.*, the Court of Federal Claims further noted that design infringement required that "the accused device must appropriate the novelty in the patented device which distinguishes it from the prior art." *Gargoyles, Inc. v. United States*, 26 Cl. Ct. 1367, 1370 (1992), *aff'd in part and vacated in part*, 6 F.3d 787 (Fed. Cir. 1993) (citation omitted).

iii. *Plant Patent*. Since Congress added 28 U.S.C. § 1498(d), no claims have arisen against the United States for the infringement of a plant patent. With the enactment of the Plant Patent Act of 1930⁴²⁶ and the Plant Variety Protection Act of 1970,⁴²⁷ Congress has authorized and extended the subject matter protected under the patent law.⁴²⁸ The 1930 Plant Patent Act afforded patent protection to certain asexually reproduced plants and the 1970 Plant Variety Protection Act authorized protection for certain sexually reproduced plants. Although the Supreme Court has provided instructive analysis of plant patent protection in *Diamond v. Chakrabarty*,⁴²⁹ no case has arisen under 28 U.S.C. § 1498(d) relating to plant patent infringement. If such a case ever arises in the context of patent infringement by the United States, *Diamond v. Chakrabarty*, as well as the Court of Customs and Patent Appeals decisions, will prove instructive in the application of 28 U.S.C. § 1498(d).

c. *Type of Contract*.

i. *Supply and Service Contracts*. A service or supply contract involves the most elementary of patent infringement disputes.⁴³⁰ If the contract at issue includes the authorization and consent clause (as required by the FAR and described by the flow diagram earlier in this Article), but no patent indemnity clause, liability arises pursuant to 28 U.S.C. § 1498 once the

⁴²⁶ The Plant Patent Act of 1930, ch. 312, § 2, 46 Stat. 376 (codified as amended at 35 U.S.C. §§ 161-64 (1988)), provides in relevant part: "Whoever invents or discovers and asexually reproduces any distinct and new variety of plant, including cultivated sports, mutants, hybrids, and newly found seedlings . . . may obtain a patent therefor. . . ." See generally WALKER ON PATENTS, *supra* note 224, at ch. IX.

⁴²⁷ 7 U.S.C. §§ 2321-2582 (1988). The Plant Patent Act of 1930 provided patent protection to "novel varieties of non-sexually reproduced plants." *Public Varieties v. Sun Valley Seed Co.*, 734 F. Supp. 250, 251, 14 U.S.P.Q.2d (BNA) 20355 (N.D. Miss. 1990). By 1970, however, Congress recognized that true-to-type reproduction was possible for sexually reproduced plants and passed the Plant Variety Protection Act of 1970 to provide patent-like protection for sexually reproduced plants. *Id.*

⁴²⁸ *In re Application of Bergy*, 596 F.2d 952, 978, 201 U.S.P.Q. (BNA) 352 (C.C.P.A. 1979), *vacated sub nom.*, *Parker v. Bergy*, 444 U.S. 1028, *aff'd* 447 U.S. 303 (1980).

⁴²⁹ 447 U.S. 303 (1980).

⁴³⁰ 1 RALPH C. NASH, JR. & JOHN CIBINIC, JR., *FEDERAL PROCUREMENT LAW* 412 (1977). Whereas research and development contracts and construction contracts must separate patent rights disputes from patent infringement disputes, the issue of infringement constitutes the sole issue in patent disputes involving supply and service contracts. *Id.*

government accepts the good or service.⁴³¹

ii. *Construction Contract.* In the construction of machines and similar technology, government contractors frequently develop or discover better methods or machines to fulfill the government contract, raising the question of ownership or license rights to these new discoveries. In these circumstances, pursuant to the Patent Rights clause,⁴³² the answer to ownership questions of the discoveries almost always depends on when the contractor developed the invention.⁴³³ If the contractor developed the invention during the performance of a government contract and reduction to practice occurred,⁴³⁴ the government generally retains an exclusive, royalty-free license to use and manufacture the teachings of such a discovery.⁴³⁵ Otherwise, the contractor retains all patent rights and no license results.⁴³⁶ Although prevalent in research and development contracts, these issues also arise in construction contracts.⁴³⁷ As a general rule, absent discovery of an invention during a construction contract, the mere use of a patented invention during performance does not constitute infringement without proof

⁴³¹ *Stelma, Inc. v. Bridge Elecs. Co.*, 300 F.2d 761, 132 U.S.P.Q. (BNA) 665 (3d Cir. 1962); *General Elec. Co. v. United States*, 206 U.S.P.Q. (BNA) 260 (Ct. Cl. 1979).

⁴³² Carl L. Vacketta & Oliver L. Holmes, *Patent Rights under Government Contracts*, BRIEFING PAPERS, Dec. 1983, 1, 2. The Patent Rights clause defines the requirements for a patent to an invention developed during the performance of a government contract. *Id.* The clause requires that, in the event a contractor develops an invention during the performance of a government contract, the government may retain certain patent rights if: (1) the invention was conceived or actually reduced to practice during the performance of the contract, (2) performance of the contract included matters closely related to the invention, and (3) the United States patent law, or foreign patent law, provides patentability for the invention. *Id.*

⁴³³ *Soundsciber Corp. v. United States*, 360 F.2d 954, 961 (Ct. Cl. 1966).

⁴³⁴ See *McDonnell Douglas Corp. v. United States*, 670 F.2d 156, 161, 214 U.S.P.Q. (BNA) 857 (Ct. Cl. 1982) ("Reduction to practice occurs when it is established that the invention will perform its intended function beyond a probability of failure."). The filing of a patent application constitutes a constructive reduction to practice. *In re Katz*, 687 F.2d 450, 454, 215 U.S.P.Q. (BNA) 14 (C.C.P.A. 1982); *Pacific Technica Corp. v. United States*, 11 Cl. Ct. 393, 428, 3 U.S.P.Q.2d (BNA) 1168, *aff'd in part and vacated in part*, 835 F.2d 871 (Fed. Cir. 1986).

⁴³⁵ *Hazeltine Corp. v. United States*, 820 F.2d 1190, 1197-98, 2 U.S.P.Q.2d (BNA) 1744 (Fed. Cir. 1987).

⁴³⁶ *Technical Dev. Corp. v. United States*, 597 F.2d 733, 746 (Ct. Cl. 1979).

⁴³⁷ *Zonolite Co. v. United States*, 149 F. Supp. 953, 113 U.S.P.Q. (BNA) 223 (1957).

of a nexus between the construction and the infringement.⁴³⁸

iii. *Research and Development Contract.* Patent infringement may occur in one of two ways during a research and development contract; either the contractor may develop an invention during the research and development and later claim infringement of its patent or the contractor may use an invention during the research and development and a third-party patentee may claim infringement of its patent. In the former case, the patent rights clause of the contract applies, creating "an irrevocable, nonexclusive, nontransferable, royalty-free license in all inventions (whether patentable or not) 'conceived or first actually reduced to practice' in the performance of research and development work under the contract."⁴³⁹ In the latter case, 28 U.S.C. § 1498 applies.⁴⁴⁰ Under the Patent Rights clause, no infringement results from the development of an invention during the performance of a research and development contract, unless the contractor is a nonprofit or small business concern.⁴⁴¹ Moreover, the contractor may not assert a patent infringement claim against the government for use or manufacture of an invention developed during the performance of a contract by that contractor.⁴⁴² Under the *license vel non*, the government has long recognized that any discovery arising under the "close and umbilical relationship" of work it funded gives rise to a license.⁴⁴³ As a result, for a development made independently of the ongoing program,⁴⁴⁴ the contractor may make a claim

⁴³⁸ The best example of this general rule for construction contracts appears in *Carrier Corp. v. United States*, 534 F.2d 244, 248, 190 U.S.P.Q. (BNA) 55 (Ct. Cl. 1976) (holding incidental use not equivalent to "use" contemplated by 28 U.S.C. § 1498).

⁴³⁹ *General Dynamics Corp. v. United States*, 558 F.2d 985, 988, 198 U.S.P.Q. (BNA) 215 (Ct. Cl. 1977) (quoting Patent Rights Clause in contract at issue).

⁴⁴⁰ *Teledyne McCormick Selph v. United States*, 558 F.2d 1000, 1000, 195 U.S.P.Q. (BNA) 261 (Ct. Cl. 1977).

⁴⁴¹ *FilmTec Corp. v. Hydranautics*, 982 F.2d 1546, 1547-50, 25 U.S.P.Q.2d (BNA) 1283 (Fed. Cir. 1992), *cert. denied*, 114 S. Ct. 85 (1993).

⁴⁴² *AMP Inc. v. United States*, 389 F.2d 448, 454, 156 U.S.P.Q. (BNA) 647 (Ct. Cl.), *cert. denied*, 391 U.S. 964 (1968).

⁴⁴³ *Technical Dev. Corp. v. United States*, 197 U.S.P.Q. (BNA) 321, 329 (Ct. Cl. 1978), *aff'd as modified*, 597 F.2d 733 (Ct. Cl. 1979).

⁴⁴⁴ *Id.* In *Technical Development Corp.*, the Court of Claims best describes the rationale supporting government rights in intellectual property discovered during the stages of a government contract. The court explains: "If the Government and the patentee entered into several continuing research and development contracts and the invention was not separate from or independent of the ongoing program, the Government is entitled to a license." *Id.*

but only upon proof of such development.

2. *Distinguishing the Cases: A Reprise.* The notion of the "prerogatives of the Sovereign" originated concurrently with the idea of the "patent" in England.⁴⁴⁵ Edward III bestowed the first known patent, then named a commission, for the "philosopher's stone," a metaphysical invention based solely on superstition.⁴⁴⁶ Later, Elizabeth utilized the patent as a source of revenue, granting monopolies in exchange for capital.⁴⁴⁷ After granting a patent to everything from ashes to iron, Parliament modified and contained the law of English patents in the "Act concerning Monopolies."⁴⁴⁸ Even under this new statute, however, the patent in England remained not a right but a favor and, as such, subject to exclusion by the Crown.⁴⁴⁹ Therefore, under English law as early as the 1800's, the Crown maintained free access to any invention under the prerogative of the Sovereign, whether patented or not.⁴⁵⁰

In *McKeever v. United States*,⁴⁵¹ the Court of Claims considered

at 329-30. Thus,

[i]n research and development contracts, the Government normally is contracting for more than the final product. It is also contracting for design, development, improvements and advancements in technologies. Thus it is entitled to at least a "shop right" in or license to use the crystallized ideas, improvements and inventions emerging from the process of ongoing study, inquiry and creation.

Id.

⁴⁴⁵ CORYTON'S LAW OF PATENTS 4 (1903). The sovereign's royal prerogative is "the power of the king to do things which no one else could do, and his power to do them in a way in which no one else could do them." ADAMS, CONSTITUTIONAL HISTORY OF ENGLAND 78 (1921).

⁴⁴⁶ *Id.* (citing Case of Monopolies (Moore, p.675)).

⁴⁴⁷ *Id.*

⁴⁴⁸ *Id.* (citing An Act concerning Monopolies, and Dispensations with Penal Laws, and the Forfeitures Thereof, 21 Jac., ch. 3 (1623-24)). Parliament eventually decided to act out of fear that the Crown would grant a patent to bread. *Id.*

⁴⁴⁹ See L. Ray Patterson, *Free Speech, Copyright, and Fair Use*, 40 VAND. L. REV. 1, 23 n.66 (1987) (discussing sovereign's grant of patent).

⁴⁵⁰ See William J. Novak, *Common Regulation: Legal Origins of State Power in America*, 45 HASTINGS L.J. 1061, 1085-87 (1994) (discussing scope of royal prerogative). See, also, *Dixon v. London Small Arms Co.*, [1876] 1 App. Cas. 632 (appeal taken from Q.B.) (refusing to extend rule of *Feather v. The Queen* to private contractor manufacturing weapons for War Office); *Feather v. The Queen*, 122 Eng. Rep. 1191, 1204 (Q.B. 1865) (applying rules of construction to conclude that Crown has right to use patent without remuneration to inventor).

⁴⁵¹ 14 Ct. Cl. 396 (1878).

the English lineage of the American patent as well as the prerogatives of the Sovereign.⁴⁵² The court recognized: "[A] patent in England was nothing more than a grant dependent in contemplation of law upon royal favor, and subject to the general implication of all grants wherein the contrary was not expressed, that they shall not exclude a user by the Crown."⁴⁵³ In contrast, as specified by the Constitution, the Court of Claims noted that the Founding Fathers had intended a vastly different system for the protection of inventions in the United States.⁴⁵⁴ Under this system, the Constitution guaranteed not a privilege or favor but a legal property right to a patent. Thus, to appropriate that right, the government must exercise its powers of eminent domain pursuant to the Fifth Amendment of the Constitution and pay for the taking of the property in question.⁴⁵⁵

Review of all cases decided by the Supreme Court, the Court of Claims, the Court of Appeals for the Federal Circuit, the Claims Court, and the Court of Federal Claims reveals the most striking commonality. All view the interpretation of patent infringement claims under 28 U.S.C. § 1498(a) as suits in eminent domain.⁴⁵⁶ These assertions of the exercise of this power include:

It is settled that recovery of reasonable compensation under § 1498 is premised on a theory of an eminent domain taking under the Fifth Amendment.⁴⁵⁷

⁴⁵² *Id.* at 420.

⁴⁵³ *Id.*

⁴⁵⁴ *Id.* at 420-21 (noting patent grant as creation of right).

⁴⁵⁵ John E. Kidd, *Patent, Copyright, and Trademark Suits Against the Federal Government*, 33 FED. B.J. 125, 126 (1959).

⁴⁵⁶ Judge Rich of the United States Court of Appeals for the Federal Circuit describes this status as follows:

A patent is a grant of the right to exclude others from making, using, or selling the invention claimed. Taken at face value, this would seem to be a right to prevent a manufacturer from selling its product to the United States; but it is not because § 1498 says it is not. The patentee takes his patent from the United States subject to the government's eminent domain rights to obtain what it needs from manufacturers and to use the same.

W.L. Gore & Assocs., Inc. v. Garlock, Inc., 842 F.2d 1275, 1283, 6 U.S.P.Q.2d (BNA) 1277 (Fed. Cir. 1988) (citation omitted).

⁴⁵⁷ Tektronix, Inc. v. United States, 552 F.2d 343, 346, 193 U.S.P.Q. (BNA) 385 (Ct. Cl. 1977), *cert. denied*, 439 U.S. 1048 (1978).

When the government has infringed, it is deemed to have "taken" the patent license under an eminent domain theory, and compensation is the just compensation required by the fifth amendment.⁴⁵⁸

The Court of Claims, as well as its predecessors, continued to consider patent infringement claims against the government as the exercise of eminent domain, frequently reciting claims under 28 U.S.C. § 1498(a) as compulsory licenses compensable under eminent domain.⁴⁵⁹ Technically an action for "inverse condemnation,"⁴⁶⁰ 28 U.S.C. § 1498 has been widely used as an eminent domain statute in courts which have construed the jurisdictional statute.

In *De Graffenried v. United States*,⁴⁶¹ however, the Court of Federal Claims recently made an independent review of 28 U.S.C. § 1498(a) as an eminent domain statute.⁴⁶² The Court of Federal Claims specifically considered whether an action under 28 U.S.C. § 1498(a) constituted an eminent domain proceeding in determining a claimant's qualification for the recovery of attorneys' fees and expenses pursuant to the Equal Access to Justice Act (EAJA).⁴⁶³ The court first reviewed the holdings of the Court of Claims, reciting the many cases that refer to suits under 28 U.S.C. § 1498 as eminent domain actions. Then, the court recited the holding of *Leesona Corp. v. United States*.⁴⁶⁴

⁴⁵⁸ *Leesona Corp. v. United States*, 599 F.2d 958, 964, 202 U.S.P.Q. (BNA) 424 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979).

⁴⁵⁹ *Decca, Ltd. v. United States*, 544 F.2d 1070, 1082, 191 U.S.P.Q. (BNA) 439 (1976), cert. denied, 454 U.S. 819 (1981).

⁴⁶⁰ 4 HERBERT T. TIFFANY, *THE LAW OF REAL PROPERTY* § 1254, at 246-49 (Supp. 1995). In eminent domain proceedings, the government must adhere to certain requirements of due process; at a minimum, providing notice of the subject property's intended use. In inverse condemnation proceedings, however, a private party seeks remuneration from the government where no formal eminent domain procedure had taken place. *Id.* As § 1498(a) creates a remedy subsequent, and not a remedy precedent, to the unauthorized use of a patent, the most apt legal analogy lies in the realm of inverse condemnation.

⁴⁶¹ 29 Fed. Cl. 384 (1993).

⁴⁶² *Id.* at 386.

⁴⁶³ *Id.* at 385-86. See also 28 U.S.C. § 2412 (1988 & Supp. V 1993) (setting forth Equal Access to Justice Act).

⁴⁶⁴ *Id.* (citing *Leesona Corp. v. United States*, 599 F.2d 958, 969 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979)).

28 U.S.C. § 1498 . . . is essentially an Act to authorize the eminent domain taking of a patent license, and to provide just compensation for the patentee

. . . .

Despite this affirmation of the Court of Claims's decision, the Court of Federal Claims not only refused to apply the "eminent domain" status, but expressly rejected the *Leesona* finding.⁴⁶⁵ The Court of Federal Claims made what it considered⁴⁶⁶ the first judicial interpretation of 28 U.S.C. § 1498(a) as an eminent domain proceeding.⁴⁶⁷

In addressing the issue, the court rejected suits under 28 U.S.C. § 1498 as eminent domain proceedings because: (1) "in a technical sense, the United States has not 'taken' any property," (2) a patent infringement suit under 28 U.S.C. § 1498(a) and a request under the EAJA find dissimilar statutory sources, and (3) the EAJA maintains no suggestion for the inclusion of suits under 28 U.S.C. § 1498(a).⁴⁶⁸ Of these three rationales, the first presents the most specific refutation of the long precedent for regarding 28 U.S.C. § 1498(a) as an eminent domain proceeding.

In the first rationale, the court rejects the characterization of § 1498(a) as a "taking" because the statute authorizes that which the Fifth Amendment prohibits. As § 1498(a) grants authorization and consent for the infringement of patent rights "by or for the United States" upon payment of reasonable and entire compensation, the court concludes that no taking occurs. In rationales two and three, the court makes no direct refutation of the long historical understanding of 28 U.S.C. § 1498(a) as an eminent domain action, instead distinguishing a case for the recovery of attorneys' fees and expenses under EAJA from prior judicial rulings.

Although the Court of Federal Claims makes persuasive arguments in *De Graffenried*, this author considers the ultimate finding

⁴⁶⁵ *Id.* at 386-87 ("These statements, however, are not controlling in the instant action because they constitute dicta, and, in any event, do not address the precise issue raised herein.").

⁴⁶⁶ *De Graffenreid v. United States*, 29 Fed. Cl. 384, 386-87 (1993).

⁴⁶⁷ *Id.* at 387.

⁴⁶⁸ *Id.* at 387-89.

in error. In *Leesona Corp. v. United States*,⁴⁶⁹ the Court of Claims considered the issue of awarding attorneys' fees in a proceeding under 28 U.S.C. § 1498(a).⁴⁷⁰ Responding to the trial commissioner's decision to grant a motion for attorneys' fees, the Court of Claims ruled:

The fundamental error of the trial judge is that he has taken 28 U.S.C. § 1498, which is essentially an Act to authorize the eminent domain taking of a patent license, and to provide just compensation for the patentee, and he has converted it to a consent to suit on a tort theory, and the treatment of the United States as a tort-feasor.⁴⁷¹

Thus, the Court of Claims infers that a § 1498(a) action may constitute either a tort claim or a contract claim and decides that 28 U.S.C. § 1498(a) has basis in contract, and specifically, in eminent domain. Consequently, the Court of Claims not only ruled on the issue of the recovery of attorneys' fees pursuant to 28 U.S.C. § 1498(a), but also ruled on the issue of the status of an action under 28 U.S.C. § 1498 as an action in eminent domain. In *Crozier v. Fried Krupp Aktiengesellschaft*⁴⁷² and in *Waite v. United States*,⁴⁷³ the Supreme Court has made similar affirmative references to 28 U.S.C. § 1498 as an eminent domain statute.⁴⁷⁴

V. PATENT INFRINGEMENT AGAINST THE UNITED STATES IN CONTEXT: THE PAST, PRESENT, AND FUTURE OF 28 U.S.C. § 1498

Since Cyrus McCormick initiated the first claim of patent infringement against the United States in the Court of Claims by

⁴⁶⁹ 599 F.2d 958 (Ct. Cl.), cert. denied, 444 U.S. 991 (1979).

⁴⁷⁰ *Id.* at 963. In the trial commissioner's decision, the court had awarded the plaintiff \$100,000 in attorneys' fees. *Id.*

⁴⁷¹ *Id.* at 970.

⁴⁷² 224 U.S. 290, 305-08 (1912).

⁴⁷³ 282 U.S. 508, 508 (1931).

⁴⁷⁴ In analysis of this issue, Kidd contends that the Supreme Court has expressly adopted the eminent domain structure for suits under 28 U.S.C. § 1498. See Kidd, *supra* note 455, at 126 (citing *Waite v. United States*, 282 U.S. 508 (1931)).

reference of Congress,⁴⁷⁵ the body of law encompassing patent infringement against the United States has experienced dramatic development.⁴⁷⁶ The most significant development involves the creation of a statutory remedy for patent infringement pursuant to 28 U.S.C. § 1498.⁴⁷⁷ To understand the application of 28 U.S.C. § 1498 to claims of patent infringement against the government, this Article has provided a review of the history of this section as well as the exercise thereof by the courts. In this Part, the Article turns to the policy considerations of such suits in the Court of Federal Claims.

A. 28 U.S.C. § 1498: A RETROSPECTIVE

Upon viewing the history and development of 28 U.S.C. § 1498, a dichotomy emerges between a patentee's rights and the government's obligations in federal procurement. The struggle between the interests of the patentee and the government divides into two periods resulting from differing application of 28 U.S.C. § 1498. In the first period, from 1910 to 1958, application of 28 U.S.C. § 1498 coexisted with an implicit preference for the patentee because contracting officers considered the presence of patent infringement in the evaluation process. In the second period, from 1958 to present, the application of 28 U.S.C. § 1498 extended no preference to the patentee, as contracting officers simply assumed the indemnification of competitors without regarding the patent rights of a specific patentee. During the first period, the government assumedly paid more because only the patentee, or licensees thereof, maintained authorization to compete; during the second period, the government assumedly paid a lesser amount, even factoring in costs associated with the defense of patent infringement suits. Under this latter system, contracting officers assumed that the competitors had factored out the costs of patent infringement. Now, as then, the question remains whether the government calculated accurately and whether this system results in fairness

⁴⁷⁵ *McCormick v. United States*, 1 U.S. Cong. Rep. C.C. 11 (1856).

⁴⁷⁶ John Shea, *Statutory Jurisdiction of the Court of Claims: Past, Present, and Future*, 29 FED. B.J. 157, 163 (1987).

⁴⁷⁷ *Id.*

to all parties.

1. *Preference for the Patentee.* In the first period, from 1910 to 1958, the procurement system displayed an overt preference for the patentee.⁴⁷⁸ Contracting officers considered the likelihood of patent infringement in the procurement process and even factored such considerations into the price of the contract.⁴⁷⁹ Accordingly, patentees maintained a preferential position in any procurement because only the patentee possessed the ability to price a product absent the anticipated costs of patent infringement. The government either negotiated directly with patentees and their licensees, or if the solicitation took place by formal advertising, the government adjusted the bids of offerors without patent rights by a factor relative to the anticipated patent infringement costs.

2. *Preference for Competition.* In the beginning of the second period, the preference for the patentee began to obstruct the timely procurement of necessary goods and services.⁴⁸⁰ If the patentee, or its licensee, submitted a responsible offer, then the government most likely favored these offers over those by bidders without rights to the patent at issue. If not, the allowance of patent infringement claims against a contractor during the course of performance of a government contract frequently impeded the delivery of the good or service. Accordingly, after Congress authorized the statutory right to bring a patent infringement action against the United States, the Comptroller General reconsidered the historical preference for the patentee.

In an advisory opinion of the GAO, *To the Administrator, NASA*,⁴⁸¹ the Comptroller General considered the varieties of the statutory right to a patent infringement claim against the United States.⁴⁸² According to this opinion, the interest in timely and

⁴⁷⁸ NASH & RAWICZ, *supra* note 135, at 319-20.

⁴⁷⁹ Springer, *supra* note 348, at 7-25 (discussing what is "reasonable and entire compensation" under 1910 Act).

⁴⁸⁰ NASH & RAWICZ, *supra* note 135, at 319-20.

⁴⁸¹ B-136916, 46 Comp. Gen. 205 (1966).

⁴⁸² While the Comptroller General opinion concerns 28 U.S.C. § 1498 specifically, the findings thereof demonstrate not only the present understanding of the rationale of the statutory right but also shows the evolution of thinking since *Crozier v. Fried Krupp Aktiengesellschaft*. Compare *Crozier v. Fried Krupp Aktiengesellschaft*, 224 U.S. 290, 307 (1912) (finding equity as basis for 1910 Act) with *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 342 (1928) (reciting government contract performance issues as basis

orderly procurement takes precedence over the patentee's concerns.⁴⁸³ The Comptroller General explained this conclusion as follows:

Considering the act and its purposes, this Office has concluded that Government contracts should not be restricted to patent holders and their licensees where patents are held, but rather all potential sources should be permitted to compete for Government contracts regardless of possible patent infringement.⁴⁸⁴

The courts have followed the same reasoning throughout the application of 28 U.S.C. § 1498.⁴⁸⁵ However, the preference for patentees died in the *Herbert Cooper*⁴⁸⁶ case, another opinion of the Comptroller General.

The scholarship regarding 28 U.S.C. § 1498 acknowledges the pivotal role of *Herbert Cooper*.⁴⁸⁷ Subsequent to *Herbert Cooper*, the Comptroller General has required that the government award the contract to the lowest bidder pursuant to full and open competition. As such, the contracting officer has apparently lost the discretion to consider other factors in the evaluation of award.

Most recently, *American Sealcut*⁴⁸⁸ replayed the *Herbert Cooper* scenario. In the case, the Comptroller General recommended the cancellation of a sole source procurement to the patentee based on an inadequate basis for avoiding competition. When American Sealcut sought redress, the District Court dismissed the case, citing

for 1910 Act).

⁴⁸³ See *To the Administrator, NASA*, B-1369116, 46 Comp. Gen. 205 (1966) (describing rationale as "[t]he legislative intent of section 1498 is to assure that the Government will have available to it the resources of private industry unfettered by private patent rights.").

⁴⁸⁴ *Id.* (citations omitted).

⁴⁸⁵ See *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1059 (Fed. Cir. 1986) (noting that government maintains no obligations to accept or reject bid or offer based on presence of patent infringement).

⁴⁸⁶ Comp. Gen. B-136916, Aug. 25, 1958 (unpublished).

⁴⁸⁷ *NASH & RAWICZ*, *supra* note 135, at 317-19. As the first opinion to question the old practice of preference to the patentee, by allowing the government to compute the costs of patent infringement in the bid or solicitation, *Herbert Cooper* indeed constitutes an essential point of understanding regarding the application of 28 U.S.C. § 1498.

⁴⁸⁸ Com. Gen. B-201573, 81-1 CPD ¶ 327 (1981).

28 U.S.C. § 1498.⁴⁸⁹ The court recognized that: "[t]he purpose of this statute was to remove impediments to the government's procurement of patented articles; in other words, Congress sought to permit resolution of patent disputes *after* the contract award."⁴⁹⁰ Therefore, absent a sole bidder or offeror to a solicitation, *American Sealcut* represents the state of the law of 28 U.S.C. § 1498(a) today.⁴⁹¹

B. 28 U.S.C. § 1498: A PERSPECTIVE

The dichotomy between the period of preference to the patentee and the period of preference to competition resulted from different understandings regarding the application of 28 U.S.C. § 1498.⁴⁹² While the first period virtually ignored the statute, the second period affirmed 28 U.S.C. § 1498 and reemphasized its requirements. Since the transformation of the patent infringement statute subsequent to *Herbert Cooper*, patentees have nevertheless rebelled against stringent application of 28 U.S.C. § 1498. Perhaps because of equity considerations, patentees have sought reconsideration of *Herbert Cooper* and its progeny. In one of the most recognized attempts to do just that, a recent panel of experts in government procurement has recommended amendment of 28 U.S.C. § 1498 to more adequately protect the rights of patentees. This section considers these recommendations to amend 28 U.S.C. § 1498 and to change the effect of § 1498 on federal procurement.

⁴⁸⁹ *Principle Business Enters., Inc. v. Weinberger*, 216 U.S.P.Q. (BNA) 87 (D.D.C. 1982).

⁴⁹⁰ *Id.* at 88 (emphasis in original).

⁴⁹¹ See, e.g., *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 831 F. Supp. 1354, 1393, 28 U.S.P.Q.2d (BNA) 1801 (N.D. Ill. 1993); *Bath Iron Works Corp. v. Parmatic Filter Corp.*, 736 F. Supp. 1175, 1176, 15 U.S.P.Q.2d (BNA) 1807 (D. Me. 1990) (noting policy of § 1498 "is to relieve private government contractors from expensive litigation with patentees, possible injunctions, payment of royalties, and punitive damages").

Notably, the Comptroller General recognized an exception to the *Herbert Cooper* doctrine in *Capital Industries, Inc.*, 53 Comp. Gen. 270 (1973). Therein, only one bidder responded to an advertisement for bids, but the agency anticipated a patent problem by inclusion of the patent infringement clause. The Comptroller General allowed the agency to contract only with the patentee or licensee pursuant to 10 U.S.C. § 2304(a)(10).

⁴⁹² See NASH & RAWICZ, *supra* note 135, at 284-88 (noting divergence between reliance on contract jurisdiction from Tucker Act and specific statutory remedies under 28 U.S.C. § 1498(a)).

The National Defense Authorization Act of 1991 (NDAA)⁴⁹³ authorized the establishment of the Department of Defense Advisory Panel on Streamlining and Codifying Acquisition Law (Advisory Panel).⁴⁹⁴ The NDAA charged the Advisory Panel with continuing the financial and ethical integrity of defense procurement and protecting the best interests of the Department of Defense.⁴⁹⁵ To address these goals, the NDAA further charged the panel with recommending either the repeal or amendment of acquisition laws unnecessary for the government-government contractor relationship.⁴⁹⁶ To accomplish these tasks, the Advisory Panel created six working groups to study specific areas of the acquisition laws.⁴⁹⁷ Working Group Five (WG5) reviewed the laws dealing with intellectual property, specifically 28 U.S.C. § 1498,⁴⁹⁸ and developed recommendations in a draft proposal.⁴⁹⁹ WG5 distributed two sets of recommendations, one recommending amendment of 10 U.S.C. § 2403 and another recommending amendment of 28 U.S.C. § 1498 and 35 U.S.C. § 283.

⁴⁹³ National Defense Authorization Act for Fiscal Year 1991 (NDAA), Public L. No. 101-510, § 800, 104 Stat. 1485, 1587 (1990).

⁴⁹⁴ As section 800 of the NDAA authorized the establishment of the Advisory Panel, many publications refer to the panel as the "section 800 panel." Because the panel refers to itself as the Advisory Panel, however, this Article adopts that nomenclature.

⁴⁹⁵ 10 U.S.C. § 2687 (1988).

⁴⁹⁶ *Id.*

⁴⁹⁷ § 800, 104 Stat. at 1587.

⁴⁹⁸ Memorandum from Allan Burman & Ralph Nash, Chairmen, Advisory Panel on Streamlining and Codifying Acquisition Law, Department of Defense, to Distribution (Sept. 29, 1992), in 1 WORKING GROUP FIVE, WORKING PAPERS § A (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC) [hereinafter Advisory Panel Memorandum (Sept.)]. WG5 membership consisted of experts from both the private and public sector, including Chairman Allan Burman, Administrator, Office of Procurement Policy; Chairman Ralph C. Nash, Jr., Professor of Law, George Washington University; Pete Bryan, Director, Contract Policy & Administration, Office of the Secretary of Defense; Anthony Gamboa, Deputy General Counsel, Department of the Army; Jack Harding, Vice President, Contracts, Raytheon Corp.; LeRoy Haugh, Vice President, Procurement & Finance, Aerospace Industries Association; Thomas J. Madden, Partner, Venable, Baetjer, Howard, & Civiletti; F. Whitten Peters, Partner, Williams and Connolly; Gary Quigley, Deputy General Counsel, Defense Logistics Agency; Major General John D. Slinkard, USAF, Deputy Chief of Staff for Contracting, Headquarters, Air Force Material Command; Rear Admiral W. L. Vincent, USN, Commandant, Defense Systems Management College; Robert D. Wallick, Partner, Steptoe & Johnson; and Harvey Wilcox, Deputy General Counsel, Department of Navy. *Id.*

⁴⁹⁹ DEPT. DEF. ADVISORY PANEL ON STREAMLINING AND CODIFYING ACQUISITION LAW, DRAFT PROPOSAL (1992).

On June 25, 1992, WG5 called for comments on the draft proposal for the amendment of 10 U.S.C. § 2403(d).⁵⁰⁰ The recommendation proposed a statutory amendment permitting the head of an agency to approve a procurement covering a United States patent by sole source.⁵⁰¹ Limited to Department of Defense procurements, the recommendation suggested the addition of the following language to 10 U.S.C. § 2403(d):

(C) In the case of a contract for property or services covered by patent or copyright, the property or services may be considered to be available from only one source if—

- (i) the source is the patent or copyright owner and/or his licensee, and
- (ii) the source is responsible.

In order to increase the availability of sources for copyrighted or patented property or services, the head of an agency may

- (i) take a license from the patent or copyright owner or his licensee prior to award, and
- (ii) procure the property or services from an unlicensed source and consider as a bid evaluation factor the reasonable cost of a license from the patent or copyright holder.⁵⁰²

In effect, the proposed changes to 10 U.S.C. § 2403 sought to return the law addressing government use or manufacture of United States patents to that existing before *Herbert Cooper*.⁵⁰³ WG5

⁵⁰⁰ Memorandum from Allan Burman, Chairman of Advisory Panel on Streamlining and Codifying Acquisition Law to Distribution (June 25, 1992), in 1 WORKING GROUP FIVE, WORKING PAPERS § 7 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC).

⁵⁰¹ *Id.*

⁵⁰² *Id.*

⁵⁰³ Minutes of WG5 (undated) (on file with the Government Contracts Program, George Washington University, Washington, DC). During a discussion of the members of WG5, Thomas J. Madden best recited the rationale for the recommendations: "[T]he intent here was to reinstate the pre-CICA option that was taken out, that shouldn't have been done

sought to empower the head of an agency with the authority to force government contractors to factor the costs of a license (or of patent royalties) into the overall costs of a government contract.⁵⁰⁴ In response to the request for comments, four government agencies, as well as the American Bar Association's Section on Public Contract Law responded. The government agencies were unanimously in the negative,⁵⁰⁵ while the ABA reacted positively, albeit with major revisions.⁵⁰⁶

On September 29, 1992, WG5 also called for comments on the

away with." *Id.* at 3.

⁵⁰⁴ *Id.* In addition to the recommendation of the draft proposal regarding 10 U.S.C. § 2403(d), WG5 also stated the intention of reviewing the Technology Transfer Act, 35 U.S.C. §§ 3201 *et seq.* (1988). See Memorandum from Allan Burman, *supra* note 500, at 1 ("Working Group 5 is also presently reviewing the provisions for the transfer of technology established under 15 U.S.C. § 3701 *et seq.* Of particular interest is whether there are any procedural problems with the statute."). WG5 never returned to the Technology Transfer Act in subsequent recommendations.

⁵⁰⁵ See, e.g., Letter from Joseph R. Varady, Jr., Director for Procurement Policy, Office of the Assistant Secretary, Department of the Army, to Advisory Panel on Streamlining and Codifying Acquisition Law (July 27, 1992) ("I do not agree with the proposal to amend 10 U.S.C. § 2403(d)", in 1 WORKING GROUP FIVE, WORKING PAPERS § 11 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC); Letter from Anthony J. Perfilio, Principle Deputy Staff Judge Advocate, Headquarters Air Force Material Command, Wright-Patterson AFB OH, to Advisory Panel on Streamlining and Codifying Acquisition Law (July 24, 1992) (noting "[t]his office does not support the changes to 10 U.S.C. § 2304(a)", in 1 WORKING GROUP FIVE, WORKING PAPERS § 10 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC); Letter from Anthony T. Lane, Intellectual Property Counsel to the Army, Office of the Judge Advocate General, Department of the Army, to Advisory Panel on Streamlining and Codifying Acquisition Law (July 10, 1992) ("strongly objects to this [§ 2304(a)] proposal", in 1 WORKING GROUP FIVE, WORKING PAPERS § 12 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC); Letter from Gregory H. Petkoff, Office of the General Counsel, Department of the Air Force, to Advisory Panel on Streamlining and Codifying Acquisition Law (July 10, 1992) (describing proposed amendment as "not justified and not necessary", in 2 WORKING GROUP FIVE, WORKING PAPERS § 8 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC).

⁵⁰⁶ Letter from Karen Hastie Williams, Chair, Section of Public Contract Law, ABA, to Advisory Panel on Streamlining and Codifying Acquisition Law (Sept. 30, 1992) [hereinafter Public Contract Law Section Comments]. The ABA Response incorporated the comments of the Section of Public Contract Law as well as the Section of Patent, Trademark, and Copyright Law. *Id.* at 2. On the whole, these sections supported the proposed amendment of 10 U.S.C. § 2304 "subject to proposed changes". *Id.* Specifically, the response noted that the proposed amendment would have too broad of an application. In fact, the response noted that the memorandum encompassed both patents and copyrights but that patents and copyrights should receive different treatment. *Id.*

draft proposal to amend 28 U.S.C. § 1498 to allow regulatory rejection of the authorization and consent clause by the contracting officer.⁵⁰⁷ WG5 proposed the following addition to the second paragraph of 28 U.S.C. § 1498(a):

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States. *The Secretary of Defense is authorized to issue regulations prescribing when a contracting officer may withhold authorization and consent.*⁵⁰⁸

Although the proposed amendment only enabled the Secretary of Defense to promulgate regulations concerning when a contracting officer may withhold authorization and consent, it extended to situations when the Secretary could allow withholding of authorization and consent.⁵⁰⁹ Again limited to Department of Defense procurements, the WG5 recommendation also specified two circumstances for automatic rejection: (1) if the patentee claims patent infringement would result from the contract award and (2) if the subject matter of the procurement involves a commercial product.⁵¹⁰ If rejection occurred, the alleged infringer would become directly liable for the patent infringement and, according to WG5, would factor the costs of defending a patent infringement suit

⁵⁰⁷ Advisory Panel Memorandum (Sept.), *supra* note 498, at 1.

⁵⁰⁸ WORKING GROUP FIVE, DRAFT PROPOSAL 5 (Sept. 1992) (emphasis in original).

⁵⁰⁹ *Id.* The cover letter to the draft proposal recited the following recommendation: The attached draft proposal recommends that section 1498 be amended to provide the Secretary of Defense with the flexibility to vary this policy by issuing regulations prescribing when a contracting officer may withhold authorization or consent. The purpose of this recommendation is to ensure that the patent owner has the ability to effectively compete in the Government market.

Advisory Panel Memorandum (Sept.), *supra* note 498, at 1.

⁵¹⁰ *Id.* For a recitation of the final recommendation of the Advisory Panel on these two points of regulation, see *infra* notes 522-524 and accompanying text.

into the contract price.⁵¹¹ In addition to the recommendations in the draft proposal specifically regarding 28 U.S.C. § 1498, WG5 also recommended amending 35 U.S.C. § 283 to preclude issuance of an injunction against patent infringement in a government contract.⁵¹² WG5 considered this amendment an essential component of the changes to 28 U.S.C. § 1498, needed to restrict the patentee's ability to impede government procurement.⁵¹³ In response to the request for comments, eleven individuals representing both private and public interests replied.⁵¹⁴ One favored the recommendations,⁵¹⁵ another favored different changes,⁵¹⁶ eight opposed the recommendations,⁵¹⁷ and one expressed neither

⁵¹¹ *Id.*

⁵¹² DRAFT PROPOSAL, *supra* note 508, at 3. See 35 U.S.C. § 283 (1988) (defining standards for issuance of injunction).

⁵¹³ DRAFT PROPOSAL, *supra* note 508, at 3.

⁵¹⁴ Responses to the Recommendations of WG5, in 1 WORKING GROUP FIVE, WORKING PAPERS § 9 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC).

⁵¹⁵ The three sentence response of Data General Corporation was the only one to express unreserved support for the recommendations of WG5. Letter from Arthur S. Dandeneau, Contracts Manager, Data General Corp., to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 6, 1992), in 1 WORKING GROUP FIVE, WORKING PAPERS § H (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC). Even this brief notice of support, however, noted the contingent status of any proposed change to 28 U.S.C. § 1498 and the possibility of further commentary. *Id.* Accordingly, the affirmation provided no analytical support for the recommendation.

⁵¹⁶ Letter from Gregory B. Barthold, Director, Government Marketing, Alcoa, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 20, 1992), in 1-3 WORKING GROUP FIVE, WORKING PAPERS § C (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC). His response, however, objected to the specific recommendation of WG5. *Id.* at 1-2. Indeed, the Alcoa response noted that the WG5 recommendations created no unique authority for the contracting officer, as the contracting officer already had discretion to waive the authorization and consent clause under existing regulatory authority. *Id.* at 2. The Alcoa recommendation suggested "court-determined" royalties and other judicially-mandated remedies. *Id.* Further, this recommendation suggested that patentees should receive a distinct advantage in the provision of technology to the government. See *id.* at 3 ("In summary, we believe that the effort to amend 28 U.S.C. § 1498 to provide the patent owner with deserved advantage is appropriate.").

⁵¹⁷ The eight responses in opposition to the WG5 recommendations included three government responses, three attorney/trade association responses, and one corporate response. Memorandum from Anthony J. Perfilio, Principal Deputy Staff Judge Advocate, Headquarters Air Force Material Command, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 26, 1992) (rejecting recommendations on similar grounds but suggesting that any changes should occur through Part 27 of FAR), in 1 WORKING GROUP FIVE, WORKING PAPERS § J (1993) (on file with the Government Contracts Program, George

objection nor support.⁵¹⁸

Despite the opposition voiced in response to the WG5 recommendations, the Final Report of the Advisory Panel adopted WG5's recommendations regarding 28 U.S.C. § 1498.⁵¹⁹ As acknowledged by the eleven responses, the WG5 recommendations resulted

Washington University, Washington, DC); Memorandum from Anthony T. Lane, Intellectual Property Counsel of the Army, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 16, 1992) (objecting to recommendations on grounds of potential for delay, development of infringement issues after solicitation, and substantiality of time and resources required to conduct patent validity studies), in 1 WORKING GROUP FIVE, WORKING PAPERS § G (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC); Memorandum from Gregory H. Petkoff, Office of the General Counsel, Department of the Air Force, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 14, 1992) (stating WG5 recommendations provided unnecessary changes to 28 U.S.C. § 1498 in view of existing law and regulations), in 1 WORKING GROUP FIVE, WORKING PAPERS § I (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC).

Of all the responses submitted against the WG5 recommendations, the Corps of Engineers response provides the most thorough analysis and persuasive policy grounds for rejection. Memorandum from Lester Edelman, Chief Counsel, U.S. Army Corps of Engineers, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 21, 1992), in 1 WORKING GROUP FIVE, WORKING PAPERS § B (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC). The Edelman response focused primarily on the requirement that the government maintains access to intellectual property for the public welfare. *Id.* at 1. In addition, the response also questioned the need for further protection of patentees during the solicitation phase of the procurement process, especially in view of the current system recited at Part 27 of the FAR. *Id.* Furthermore, this response strictly rejected the proposition that WG5 recommendations would improve a system that currently provides compensation to patentees and ensures uninterrupted access for the operation of government contracts. *Id.*

⁵¹⁸ In view of two other responses from the Department of the Air Force, a third response presents an interesting question. Memorandum from Robert H. Shipman, Assistant Deputy Assistant Secretary (Contracting) & Assistant Secretary (Acquisition), Department of the Air Force, to Advisory Panel on Streamlining and Codifying Acquisition Law (Oct. 27, 1992), in 1 WORKING GROUP FIVE, WORKING PAPERS § K (1993) (on file with the Government Contracts Program, George Washington University, Washington DC). The Shipman-Air Force response expresses no objections to the WG5 recommendations. *See id.* at 1 ("[W]e have reviewed the package on Patent Infringement (28 U.S.C. § 1498) and believe the overall concept is reasonable."). In view of the contrary recommendations of the other Air Force responses, however, this two sentence response probably represents a statement of noncommittal rather than one of support or opposition.

⁵¹⁹ FINAL REPORT OF THE DEPARTMENT OF DEFENSE ADVISORY PANEL ON STREAMLINING AND CODIFYING ACQUISITION LAW § 5.4.1.6 [hereinafter FINAL REPORT]. *See generally* Yoav M. Grier et al., *Patent Protection Against Government Contractors Proposed*, 4 J. PROPRIETARY RTS., Dec. 1992, at 29 (discussing Advisory Panel's Final Report and reaction of small business).

from the desire to better protect the rights of patentees.⁵²⁰ By allowing direct suits against contractors for patent infringement, however, the majority of the opposition explained that diminished competition and delay would result from implementation of the recommendations.⁵²¹ In addition, some responses suggested that the recommendations would endanger participation by small business in government procurement. The following sections consider the conflicting interests that arise from such a change to the present statutory framework.

1. *Problem: Adequacy of Protection for the Patentee.* As the primary basis for the impetus to amend 28 U.S.C. § 1498, the Final Report of the Advisory Panel focuses almost entirely upon greater protection for intellectual property owners,⁵²² specifically patentees.⁵²³ In fact, the minutes of Working Group Five demonstrate a preference for patentees to the disadvantage of other interested parties in the procurement of patented inventions.⁵²⁴ The minutes also include criticism of the judicial process under 28 U.S.C. § 1498.

For the most part, the primary complaints with the current application of 28 U.S.C. § 1498 involved the lengthy judicial proceedings required to secure a patentee's compensation for the infringement of a patent,⁵²⁵ a disingenuous criticism by anyone

⁵²⁰ *Acquisition Policy, Section 800 Panel Report on Streamlining Defense Acquisition Laws Sent to Congress*, 59 Fed. Cont. Rep. (BNA) 2 (Jan. 18, 1993) [hereinafter *Panel Report Sent to Congress*].

⁵²¹ *Committee Report on Streamlining Defense Acquisition Sent to Congress*, 1993 Daily Rep. for Executives (BNA) 10 (Jan. 15, 1993).

⁵²² FINAL REPORT, *supra* note 519, § 5.4.1.4, at 5-95.

⁵²³ *Id.*

⁵²⁴ Minutes of Meeting (undated), in WORKING GROUP FIVE, WORKING PAPERS (on file with the Government Contracts program, George Washington University, Washington, DC). Indeed, the recommendations of WG5 explained this bias: "The infringer also has a competitive advantage over the patent owner or licensee because the infringer can offer a price which does not include recovery of the costs of making the invention." FINAL REPORT, *supra* note 519, § 5.4.1.3, at 5-99.

⁵²⁵ In the minutes of one WG5 meeting, Robert D. Wallick of Steptoe & Johnson commented: "Current suing of Government in Claims Court for patent violation and getting paid 10 years later is not a viable answer." Minutes of Meeting, *supra* note 524, at 4. What Mr. Wallick misses, as does WG5, is that any patent litigation takes years to complete—such is the nature of the American judicial system, a problem Congress never intended WG5 to address. See also Public Contract Law Section Comments, *supra* note 506, at 2 ("[T]he costs and time involved in litigation, as well as the potential damage to the patent owner's

who understands the method by which an agency pays claims.⁵²⁶ Yet, while the Advisory Panel recommends changes to 28 U.S.C. § 1498 to protect the patentee, others support the changes as a way to inhibit the loss of American technology and American technological know-how.⁵²⁷ Some government contractors even consider the present system a threat to national economic and military security.⁵²⁸

2. *Solution: Provision for Direct Suits for Patent Infringement.* On January 15, 1993, the Advisory Panel submitted the Advisory Panel Report, including the recommendations of WG5 regarding 28 U.S.C. § 1498, to the Secretary of Defense for final transmission to

protected business damage, impose an inappropriate burden on successful inventors.”).

⁵²⁶ The judicial system maintains only partial blame for the delay in suits before the Court of Federal Claims because the very nature of the system of suing the United States requires lengthy proceedings before an agency and in court. 4 REPORT OF THE COMMISSION ON GOVERNMENT PROCUREMENT 29-30 (1972), in WORKING GROUP FIVE, WORKING PAPERS § 16 (1993) (on file with the Government Contracts Program, George Washington University, Washington, DC). The Commission on Government Procurement explained the problem:

At present, payment on judgments of \$100,000 or less in the Court of Claims [now, the Court of Federal Claims] is made from funds provided for by the Permanent and Definite Appropriations Act on approval by the General Accounting Office. For judgments over \$100,000, the Department of Justice must report to the Department of Treasury which in turn must obtain the funds from Congress.

This practice has two drawbacks. First, there may be an incentive in certain cases on the part of the procuring agency to avoid settlements and prolong litigation in order to have the final judgment against the agency occur in court, thus avoiding payment out of agency funds. Second, the practice may tend to hide from Congress the true economic costs of some procurements by not requiring the agencies to seek additional appropriations to pay the judgment.

Id. at 29-30 (footnotes omitted). To solve this problem, the Commission recommended the payment of all judgments from the agency's appropriation. *Id.* at 30. Although Congress adopted many of the recommendations of the Commission on Government Procurement, Congress rejected the foregoing suggestion. See Elbaum, *supra* note 377 (noting that agency may deny valid patent infringement claim in favor of judicial resolution for benefit of payment by means other than agency appropriations).

⁵²⁷ See *White House Advisory Panel Issues Report on 22 Critical Technologies*, 55 Fed. Cont. Rep. (BNA) 559, 559 (Apr. 29, 1991) (discussing comparable recommendations of National Critical Technologies Panel).

⁵²⁸ See Stephen M. Elliott, *Patents Policy*, CONT. MGMT., May 1992, at 42, 62 (noting that many potential government contractors refuse to participate in collaborative arrangements because of “a real or perceived fear of losing, revealing or forsaking proprietary or patented technology”).

the Senate and House Armed Services Committees.⁵²⁹ The Advisory Panel submitted two specific recommendations for the statutory amendment of 28 U.S.C. § 1498.⁵³⁰ The WG5 recom-

⁵²⁹ *Panel Report Sent to Congress, supra* note 520, at 2.

⁵³⁰ FINAL REPORT, *supra* note 519, § 5.4.1.4, at 5-99:

Amend 28 U.S.C. § 1498 to provide the Secretary of Defense with the authority to issue regulations prescribing when a contracting officer may withhold authorization or consent.

Amend 35 U.S.C. § 283 to prohibit a claimant from obtaining injunctive relief where the infringement has occurred in the performance of a Government contract.

This proposal provides the Secretary of Defense with the flexibility to vary this [current] policy by issuing regulations prescribing when a contracting officer may withhold authorization or consent. The purpose of this recommendation is to ensure that the patent owner has the ability to effectively compete in the Government market. Two possible circumstances where withholding authorization and consent would be appropriate are: (1) where the patent owner comes forward claiming that award would infringe his patent; and (2) where the procurement is for a commercial product.

In the first instance, if a patent owner came forward asserting the patent, then the contracting officer could elect not to insert the "authorization and consent" clause in the solicitation. Since the infringer would no longer be protected from suit, the infringing offeror would have to factor the costs of an infringement suit into his offer. This price factor would bring the infringer's offer more in line with the patent owner's offer. Presently, an infringing offeror can sell an infringing product to the Government at a lower price than the inventor, thereby excluding the inventor from the Government market. Although a patent indemnification clause is often contained in a Government contract, this may not induce infringers to include a meaningful factor into their offer to compensate for the potential liability. Making infringing offerors quantify the risk of suit will assist the patent owner to effectively compete in the Government market. Small businesses expressed concern over this proposal stating that they would not be able to compete against large defense contractors or critical aircraft spare parts if this proposal were adopted. This issue will have to be addressed more fully addressed as will the possible unintentional consequences of the Panel's recommendations.

The second instance where a contracting officer may want to withhold authorization or consent is where the procurement is for a commercial product. Generally, contractors do not infringe on commercial products because of the protection provided in section 2-312 of the Uniform Commercial Code. Under this provision, the seller warrants that:

- (1) the title conveyed shall be good, and its transfer rightful; and

mendations originated primarily from a perception of unfairness to patentees. Other than generalized allegations of unfairness to the patentee, however, neither the Advisory Panel nor WG5 provided any specific reasons for the recommended changes.⁵³¹ Indeed, neither the Final Report of the Advisory Panel nor the digest of the Working Papers of WG5 contain a single specific reference to a particular example of unfairness to a patentee.⁵³²

Following the submission of the Final Report to the Secretary of Defense, the government procurement community expressed great reservations, describing the recommendations as dramatic and "sweeping."⁵³³ Although this author finds general favor with the goals of the Advisory Panel, he disagrees with the specific recommendations regarding the amendment of 28 U.S.C. § 1498.

This author disapproves of the recommendation to amend 28 U.S.C. § 1498 to provide authority for the Secretary of Defense to withhold authorization and consent because the present statutory framework already provides the "head of an agency" with adequate discretion in regard to allegations of patent infringement.⁵³⁴

(2) the goods shall be delivered free from any security interest or other lien or encumbrance of which the buyer at the time of the contracting has no knowledge.

Patent owners should be provided the same protection for commercial products sold to the Government as that given in section 2-312 of the Uniform Commercial Code. This proposal would improve the Government's commercial buying practices. Buying commercial products allows the Government to "take advantage of the broad based competition that occurs in the commercial market place." Some of the benefits in the commercial market include "lower costs resulting from price competition and scale economies, short lead-times provided by deliveries from existing production lines, and increased surge capacity available from a broadened industrial base." Only by assimilating commercial practices when buying commercial products can the Government take full advantage of the commercial marketplace.

⁵³¹ Petkoff Memorandum, *supra* note 517, at 3.

⁵³² *Id.* The Army-Lane responses noted that the "fundamental flaw" with the WG5 recommendation involved the complete absence of any positive evidence of a problem with the present system. Lane Memorandum, *supra* note 517, at 1. Even assuming arguendo such evidence, the Air Force-Petkoff response noted that a more appropriate remedy would appear in a regulatory, not a statutory, form. Petkoff Memorandum, *supra* note 517, at 2.

⁵³³ John F. Morton, *Panel Calls for Sweeping Changes in Defense-Acquisition Rules*, FED. TECH. REP., Mar. 18, 1993, at 6.

⁵³⁴ 10 U.S.C. § 2304(b)(1) (1988 & Supp. V 1994).

Indeed, 10 U.S.C. § 2304 presently empowers the head of an agency with broad discretion as to the types of contracts in which the Department of Defense may participate, including sole source contracts. In *Capital Industries, Inc.*,⁵³⁵ for example, the Comptroller General allowed a solicitation under 10 U.S.C. § 2304(a)(10) despite complications involving patent infringement. Although 10 U.S.C. § 2304 provides no authority to withhold authorization and consent, the statutory provision enables the head of an agency to make special provisions for contracts in which allegations of patent infringement may create unique contracting requirements.

Aside from the statutory recommendation, this author disagrees with the recommendations concerning the withholding of authorization and consent made by the Advisory Panel. Where a patentee asserts patent infringement, the Final Report contends that the patentee would always offer a higher price (to include the cost of the royalty) and thus lose the contract. This conclusion makes several questionable assumptions: (1) the solicitation requires the invention disclosed in the patentee's patent; (2) the patentee maintains a valid patent; and (3) the patentee fails to sue in the Court of Federal Claims for the recovery of reasonable and entire compensation for the alleged patent infringement. Where the contract calls for a commercial product, the Final Report also recommends the adoption of the requirements of UCC section 2-312. This recommendation wholly ignores the present regulatory framework, which specifically provides for situations where a patentee alleges patent infringement or for contracts involving "supplies or services normally sold on an open market."⁵³⁶ For these reasons, this author concludes that the recommendations of the Advisory Panel with regard to 28 U.S.C. § 1498 would burden procurement law, not only with regard to the government, but also with regard to the rights of patentees and government contractors in general.

3. *Problems Anew.* Except for the recommendation made in the conclusion of this Article, this author recommends maintaining the status quo with regard to 28 U.S.C. § 1498. The patent policy proposed by the Advisory Panel contemplates a system favoring the

⁵³⁵ 53 Comp. Gen. 270 (1973).

⁵³⁶ See *supra* notes 309-346 and accompanying text (depicting the flow diagram).

owners of patent rights, while the present system maintains a preference for competition. Neither the Advisory Panel nor WG5 have given sufficient evidence of unfairness to patentees to justify a change. Indeed, while the present system places a burden on the patentee, such as suit in the Court of Federal Claims, the adoption of the recommendations of the Advisory Panel would disproportionately affect the government. If Congress adopts the recommendation of the Advisory Panel with regard to 28 U.S.C. § 1498, some results seem inevitable: (1) a heightened level of unfairness to small business; (2) diminution of competition; (3) higher costs; (4) an increase in delay; and (5) loss of the best technology.

a. Fairness. Although the Final Report of the Advisory Panel suggests improvements for small business, adoption of the recommendations of the Advisory Panel would negatively impact small business contractors.⁵³⁷ While most small businesses have opposed the recommendations of the Advisory Panel based on the increase of the small business acquisition threshold from \$25,000 to \$100,000 as well as changes in technical data provisions, the recommendations of the Advisory Panel, and specifically those of WG5 regarding 28 U.S.C. § 1498, would disparately affect small business.⁵³⁸ Indeed, the Final Report of the Advisory Panel recognized the threat to small businesses posed by implementation of its recommendations.⁵³⁹

b. Competition. Adoption of the recommendations of the

⁵³⁷ *Acquisition Policy: Small Businesses Oppose Simplified Threshold, Other Section 800 Recommendations*, 59 Fed. Cont. Rep. (BNA) 25, 25 (June 28, 1993). Small businesses criticized the recommendations of the Advisory Panel as giving little consideration to the interests of small business: "The witnesses asserted that, although the report says the recommendations will benefit small businesses, they will in fact work to their detriment," and that "the Section 800 Panel apparently devoted little attention to factors that impede small businesses from participating in the government procurement process." *Id.*

⁵³⁸ *Id.* Small businesses have roundly criticized the fact that neither the Advisory Panel nor WG5 had a single representative of small business. *Id.* Further, even when WG5 and other working groups submitted draft recommendations for comment, small businesses noted that their interest groups received such information well toward the end of the drafting stages. *Id.*

⁵³⁹ See FINAL REPORT, *supra* note 519, § 5.4.1.4, at 5-100 ("Small businesses expressed concern over this proposal stating that they would not be able to compete against large defense contractors or critical aircraft spare parts if this proposal were adopted. This issue will have to be addressed more fully, as will the possible unintentional consequences of the Panel's recommendations.") (footnotes omitted).

Advisory Panel would diminish competition for government procurement.⁵⁴⁰ Currently, if a contract contemplates patent infringement, a small business may rely on the authorization and consent clause in a government contract, but if the agency withholds authorization and consent as proposed by the Advisory Panel, only large concerns or concerns with extensive patent holdings would take the risk of engaging in patent infringement during the course of a government contract.⁵⁴¹ Although some provision already exists for securing competition among nonprofit organizations and small businesses, such benefits only extend to a minority of agencies and departments.⁵⁴²

c. *Cost.* Adoption of the recommendations of the Advisory

⁵⁴⁰ Perfilio Memorandum, *supra* note 517, at 1.

⁵⁴¹ *Id.* at 2.

⁵⁴² The Patent and Trademark Amendments of 1980 allowed the retention of title of inventions discovered by nonprofit groups operating government-owned contractor operated (GOCO) laboratories. *cite. See also* Exec. Order No. 12,591, 3 C.F.R. 220 (1988) (authorizing agency heads to "waive rights to intellectual property developed by [government-owned, government operated] laborator[ies] under . . . cooperative research or development agreements"). For other efforts to protect the intellectual property of companies, both large and small, who contract with the United States, see Elliott, *supra* note 528, at 44 (referencing Federal Technology Transfer Act of 1986, Patents in Space Bill, and Patent Competitiveness and Technological Innovation Act of 1990).

In 1980, Congress also enacted the Government Patent Policy Act of 1980 which permitted nonprofit and small business contractors to retain title to inventions developed during research and development contracts. Pub. L. No. 96-517, § 6(a), 94 Stat. 3015, 3020 (1980) (codified at 35 U.S.C. § 202 (1988 & Supp. V 1993)); *see also* H.R. REP. NO. 1307, 96th Cong., 2d Sess. 5 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6461 (characterizing Act as "establish[ing] presumption that ownership of all patent rights in government funded research will vest in any contractor who is a non-profit research institution or a small business"). Although implementation of the law remained within agency discretion, in 1983, President Reagan issued a "Presidential Memorandum on Government Patent Policy," which directed the heads of executive agencies and departments to adopt similar policies as Pub. L. No. 96-517. *Id. See also* Federal Acquisition Circular 84-1 (Mar. 26, 1984) (reiterating objectives of Presidential Memorandum on Government Patent Policy). By 1992, however, only the Department of Defense had adopted the recommendation. *See* FAR 27.302, 48 C.F.R. § 27.302 (1992) (setting forth recommendation as adopted); *see also* 55 Fed. Reg. § 25524-25 (1990) (codified at 48 C.F.R. § 27.302 (1992)) (noting final adoption). Despite other efforts to ensure protection for small business, no proposal or recommendation to date would offset the loss of business incumbent in the recommendation of the Advisory Panel. For the importance of small business to the American economy, see Lionel M. Lavenue, *The Corporation as a Criminal Defendant and Restitution as a Criminal Remedy: Application of the Victim and Witness Protection Act by the Federal Sentencing Guidelines for Corporations*, 18 J. CORP. L. 441, 514-19 (1993).

Panel would increase cost to the government.⁵⁴³ Less competition inevitably means greater costs.⁵⁴⁴ Furthermore, since the Advisory Panel favors the approval of sole source contracts for technology in which the patentee maintains the only patents, its recommendations entail substantially greater costs to the government.⁵⁴⁵

d. Delay. Adoption of the recommendations of the Advisory Panel would delay the procurement of goods and services by the United States.⁵⁴⁶ While alternative licensing procedures already empower some agency officials to secure licenses before patent infringement occurs under a government contract, time limitations frequently minimize the added delay inherent in securing a license for the use of a patent.⁵⁴⁷ Additionally, some agencies and departments make no provision for such licensing procedures, relying on the regulatory protections afforded by 28 U.S.C. § 1498.⁵⁴⁸

e. Best Technology for the Government. The recommendations of the Advisory Panel may also inhibit the submission of the best

⁵⁴³ Perfilio Memorandum, *supra* note 517, at 1.

⁵⁴⁴ *Id.*

⁵⁴⁵ *Id.*

⁵⁴⁶ Lane Memorandum, *supra* note 517, at 1.

⁵⁴⁷ See NASA 9.101-2(f)(2), 48 C.F.R. § 9.101-2 (1992). The concept of "preprocurement licensing" began at NASA, when the agency initiated a policy of securing licenses in lieu of patent infringement. See, e.g., *To the Administrator [NASA]*, 46 Comp. Gen. 205, 208 (1966) (describing NASA plan as "theoretically sound" and approving on "trial basis"); *To the Administrator [NASA]*, 49 Comp. Gen. 806, 808 (1970) (approving proposed revision that incorporated "reasonableness" standard for licensing costs). Such a preprocurement licensing program renders infringement costs ascertainable:

[There] seems to be the feeling that potential patent infringement liability is too speculative a matter to become a factor in evaluating bids or proposals. But where the Government is a licensee under the patent in question, obligated to pay a predetermined royalty for procurement from an unlicensed source, the cost of such procurements could be readily and precisely determined.

Gerald J. Mossinghoff & Robert F. Allnutt, *Patent Infringement in Government Procurement: A Remedy Without a Right?*, 42 NOTRE DAME L. REV. 5, 22 (1966).

⁵⁴⁸ In contrast to NASA, because of the delay incumbent in securing preprocurement licenses, the Department of Defense rejected the adoption of such an "instant licensing" policy. See S. Joseph Rotondi, Jr. & James A. Dobkin, *Government Competitive Procurement and Patent Infringement: Substance and Solution*, 27 FED. B.J. 325 (1967) (examining Department of Defense reliance on procurement regulations).

technology available for a particular government contract.⁵⁴⁹ Under the recommendations of the Advisory Panel, only the patentee could offer the "best technology" for a particular type of product; all other producers and providers could only offer that for which no patent infringement would occur.⁵⁵⁰ Under this system, if the patentee chooses not to offer the subject technology, then the government may not have access to the best technology within a certain field, a particularly undesirable situation in the aerospace and military arenas.⁵⁵¹

C. 28 U.S.C. § 1498: A PROSPECTIVE

As discussed in the preceding section, the recommendations of the Final Report of the Advisory Panel call for the amendment of 28 U.S.C. § 1498 to allow the government to withhold authorization and consent in order to allow patentees more latitude in suing for patent infringement arising during the course of government contracts. Although the Advisory Panel submitted these recommendations to Congress on January 15, 1993 (at least with regard to the recommendations regarding 28 U.S.C. § 1498), Congress has fortunately not attempted to adopt the recommendations.⁵⁵² Indeed, the most recent legislative proposal regarding federal procurement, introduced by Senator Glenn in the Federal Acquisition Streamlining Act of 1993, chose not to recommend amendment of 28 U.S.C. § 1498.⁵⁵³ In view of these legislative developments, and particularly in the absence of any mention of 28 U.S.C. § 1498 in the Gore Report,⁵⁵⁴ the law regarding 28 U.S.C. § 1498 remains unchanged. Although the proposed Federal Acquisition

⁵⁴⁹ Comments of Judge Frederick J. Lees (Ret.), NASA Board of Contract Appeals, now Professor of Law at George Washington University, on the Recommendations of WG5.

⁵⁵⁰ *Id.*

⁵⁵¹ *Id.*

⁵⁵² *Panel Report Sent to Congress, supra* note 520, at 2.

⁵⁵³ *Id.*

⁵⁵⁴ *Government Contracts: Draft of Gore Report Calls for Sweeping Changes Concerning Federal Procurement*, 1993 Daily Rep. for Executives (BNA) (Sept. 1, 1993). However, the Gore Report contains numerous recommendations for changing the way that government currently procures goods and services, with some recommendations regarding intellectual property rights. *Id.* Predominately, however, the recommendations involving intellectual property rights engage technical data rights. *Id.*

Streamlining Act of 1993 adopted the recommendations of the Advisory Panel,⁵⁵⁵ including the recommendations of WG5 regarding the amendment of 28 U.S.C. § 1498(a),⁵⁵⁶ the Federal Acquisition Streamlining Act of 1994, as enacted, made no change to 28 U.S.C. § 1498.⁵⁵⁷

Accordingly, as 28 U.S.C. § 1498 apparently will remain the law for at least a few years longer, this section attempts to provide some realistic assistance for the patentee or the government contractor facing an impending suit in the Court of Federal Claims under the statute. Reviewing the 279 reported cases resolved by the Court of Federal Claims or its predecessors, the following analysis enables a patentee, government contractor, or government agent to make certain conclusions with regard to the application of the statute.⁵⁵⁸

As described in Part I of this Article, the Court of Claims only gained statutory authority to adjudicate patent infringement claims against the United States in 1910 with the enactment of the 1910 Act, as later amended in 1918 and codified at 35 U.S.C. § 68. The following graph depicts the number of published claims resolved by the Court of Claims during this period:⁵⁵⁹

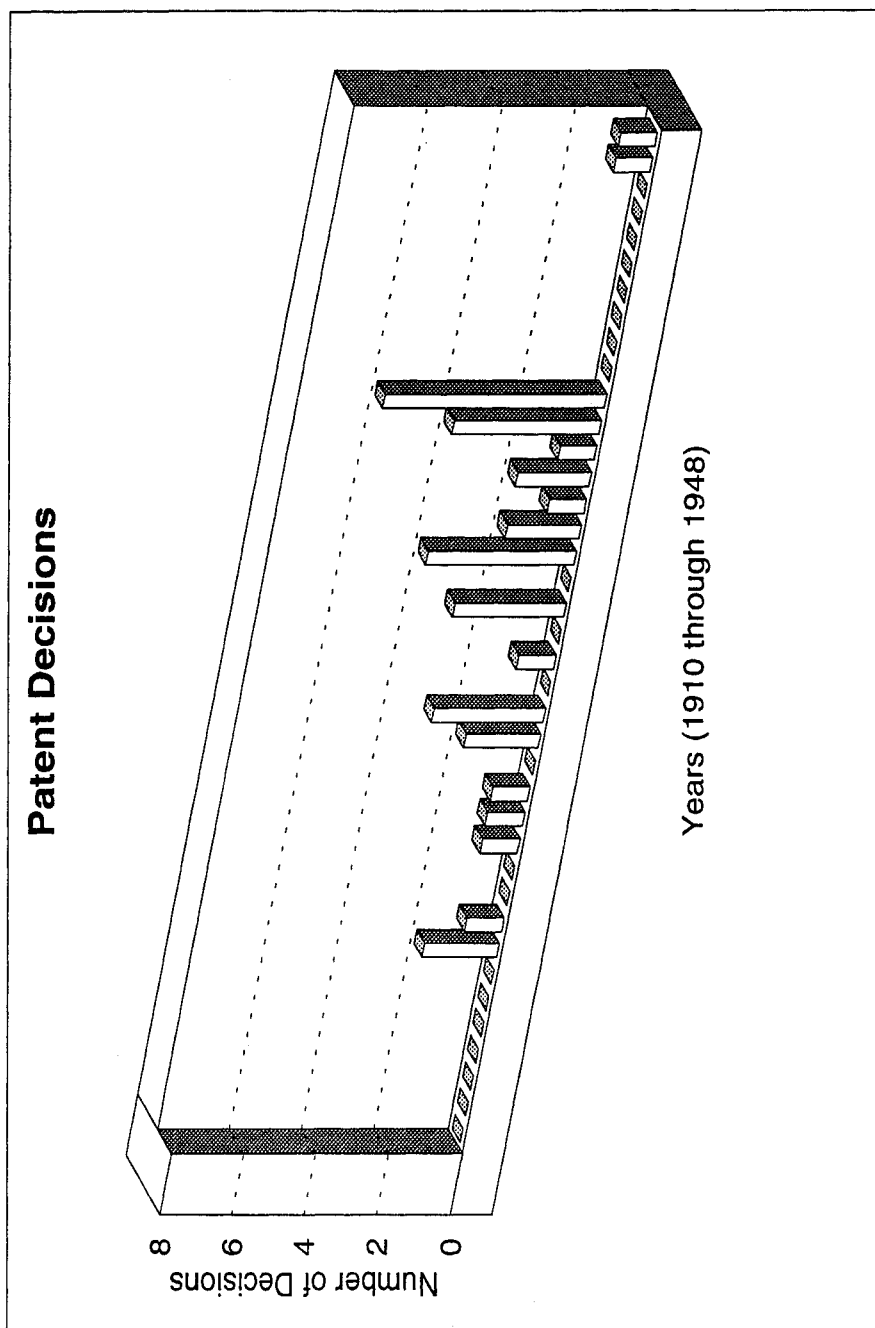
⁵⁵⁵ 39 CONG. REC. S14384 (daily ed. Oct. 26, 1993) (statement of Sen. Glenn introducing S. 1587). Section 5011 of S. 1587 recommended the amendment of 28 U.S.C. § 1498(a) in conformity with the recommendations of WG5 of the Advisory Panel. *Id.* at S14414.

⁵⁵⁶ See Ron R. Hutchinson, *A Practical Guide to the New Commercial Item Provisions Contained in S-1587, the Federal Acquisition Streamlining Act of 1994*, 62 Federal Cont. Rep. (BNA) 13, 13-14 (Oct. 10, 1994).

⁵⁵⁷ Exec. Order No. 12,931, 59 Fed. Reg. 52,387 (Oct. 13, 1994). On October 13, 1994, President Clinton signed the Federal Acquisition Streamlining Act of 1994.

⁵⁵⁸ Search of LEXIS, Genfed library, FED File (Apr. 1, 1994). In the following review, the reader should note that the figures represent only approximations of the actual figures for each year. While the number reflects the number of cases as contained within the LEXIS database, duplicity of issues as well as other factors may corrupt the exactness of any totals. For this reason, these computations should be considered only for general policy analysis and not an accurate accounting or for any other particularized purposes.

⁵⁵⁹ Graph 1 portrays the number of reported cases on the LEXIS database as appeared in the Court of Claims Reporter. Search of LEXIS, Genfed library, FED File (Apr. 1, 1994). The computation includes all dispositions with case references to the 1910 Act, the 1918 Act, or 35 U.S.C. § 68. *Id.*



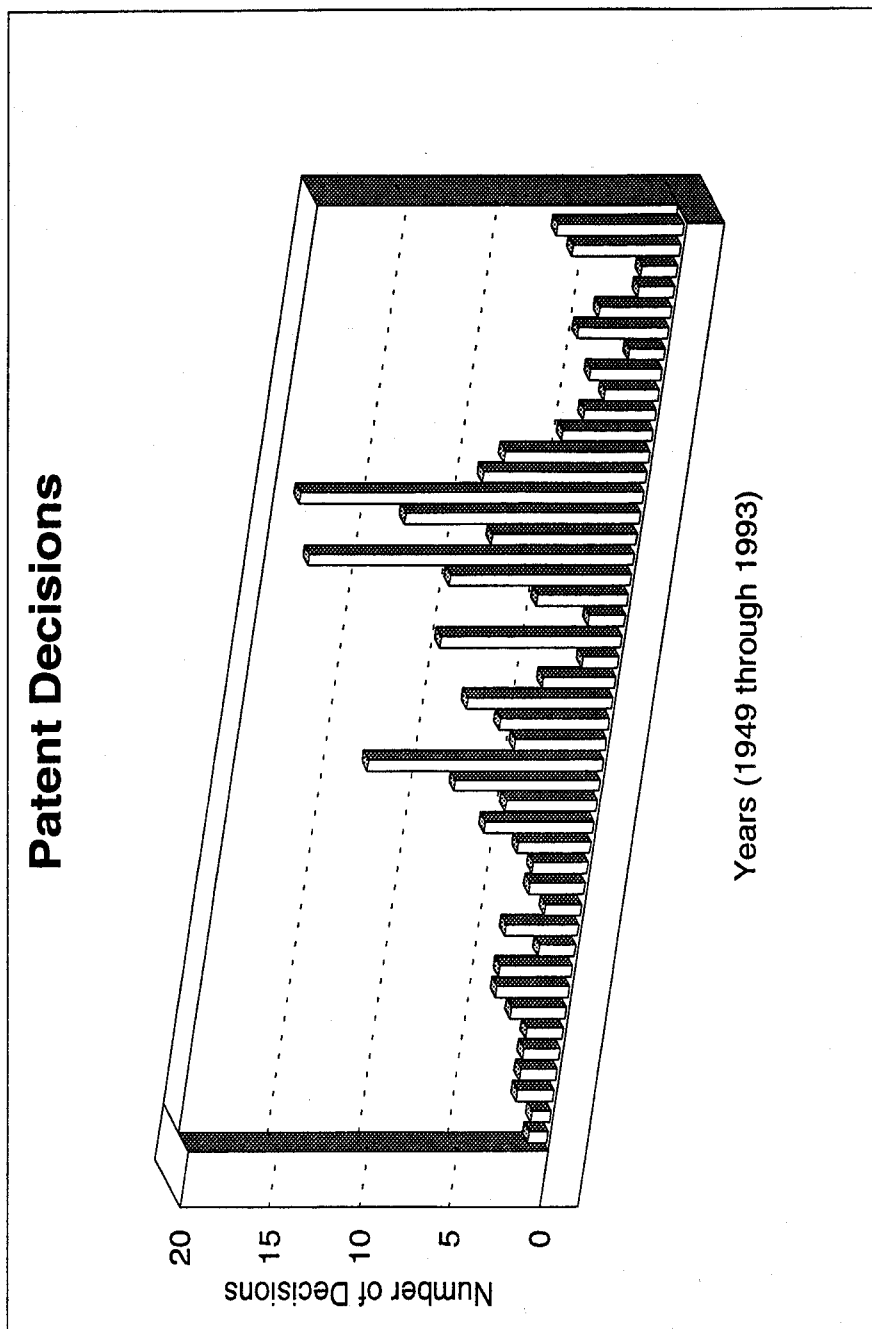
During the period from 1910 to 1948, the Court of Claims adjudicated World War I claims and the initial claims from World War II.⁵⁶⁰ As the graph illustrates, the majority of the claims occurred during the 1930's while relatively few claims arose during the early 1940's.⁵⁶¹ The graph may represent a somewhat imprecise portrayal of the total number of patent infringement claims during this period, as neither congressional reference cases nor implied-in-fact contract claims for patent infringement appear in the graph. Nevertheless, as for the number of claims initiated under the statutory authority to sue the United States for patent infringement, the Court of Claims Reporter contains only 37 such cases.

In contrast, after Congress replaced 35 U.S.C. § 68 with 28 U.S.C. § 1498 in 1948, the Court of Claims experienced a virtual explosion of the number of reported cases. The following graph depicts the published claims resolved by the Court of Claims, the Claims Court, and the Court of Federal Claims during this period.⁵⁶²

⁵⁶⁰ COWEN ET AL., *supra* note 40, at 54-57.

⁵⁶¹ Search of LEXIS, Genfed library, FED File (Apr. 1, 1994).

⁵⁶² Graph 2 portrays the number of reported cases on the LEXIS database as appeared in the Court of Claims Reporter, the Claims Court Reporter, and the Court of Federal Claims Reporter. Search of LEXIS, Genfed library, FED File (Apr. 1, 1994). The computation includes all dispositions with case references to 28 U.S.C. § 1498. *Id.*



Since the enactment of 28 U.S.C. § 1498, the Court of Federal Claims and its predecessor courts have decided an average of five and one-half cases a year.⁵⁶³ In contrast to the period prior to 28 U.S.C. § 1498, which included years without a single patent infringement case, the present statutory framework has induced *at least* one patent infringement suit against the United States every year since the enactment of the statute, with the largest number of reported cases (nineteen) occurring in 1980.

In the last ten years, the Court of Appeals for the Federal Circuit has looked increasingly favorably on the disposition of patent infringement claims by summary judgment. Because of this trend, some claimants believe that the presence of such decisions on the record provides less than an ample encouragement for a claim of patent infringement.⁵⁶⁴ Accordingly, claimants frequently prefer to attain disposition by trial in lieu of summary judgement.⁵⁶⁵ In the Court of Federal Claims, however, the United States submits a motion for summary judgment in essentially every claim proffered for resolution, whether for patent infringement or not.⁵⁶⁶ In claims under 28 U.S.C. § 1498 this practice is more pronounced, with the United States seeking not only a favorable decision by summary judgment, but also a declaration of invalidity as well.⁵⁶⁷ To illustrate this trend, the following graph depicts the published cases from the inception of 28 U.S.C. § 1498 to present, differentiating between resolutions by summary judgment and by trial:⁵⁶⁸

⁵⁶³ *Id.* Thus, of the 240 reported cases since 1949, the Court of Claims, Claims Court, and Court of Federal Claims have resolved an average of 5.45 cases a year. *Id.*

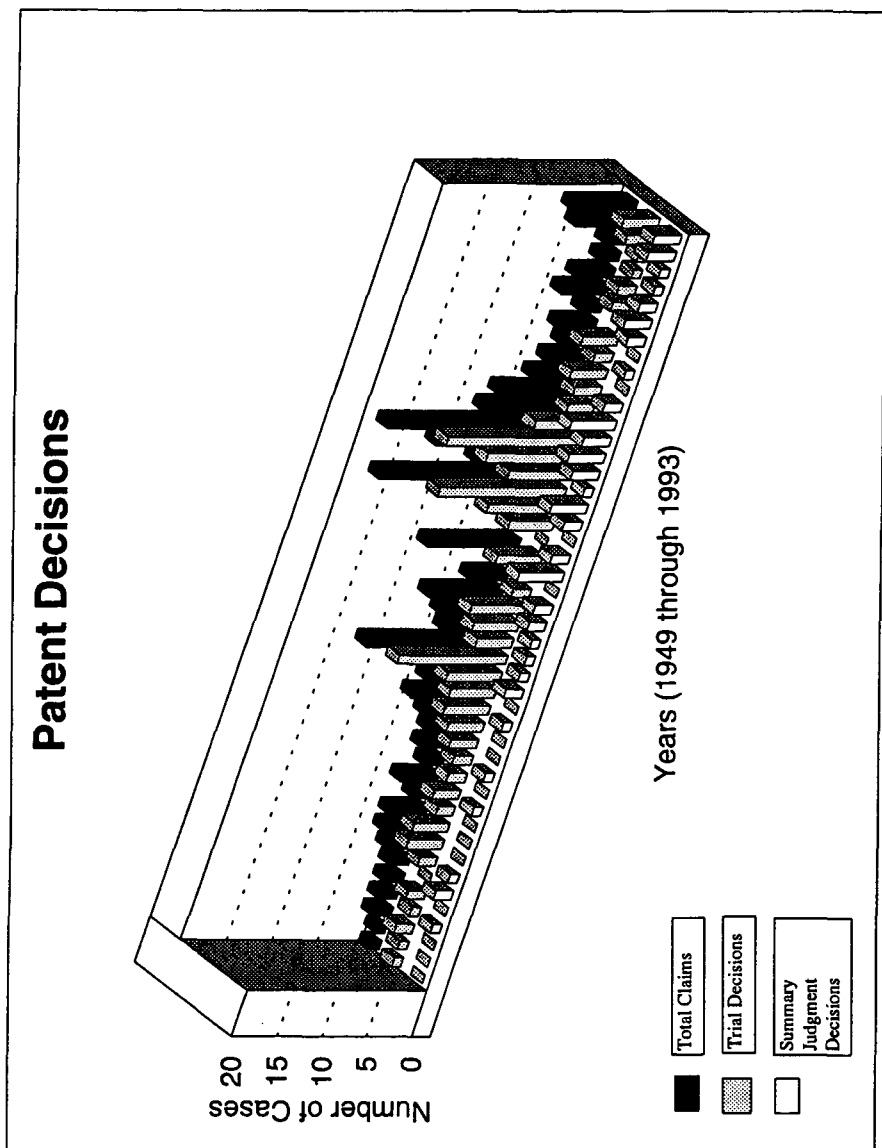
⁵⁶⁴ Bruce Wieder, *Significant Patent Decisions from the Court of Appeals for the Federal Circuit - 1988*, 38 AM. U.L. REV. 1303, 1309 (1989).

⁵⁶⁵ *Id.*

⁵⁶⁶ *Id.*

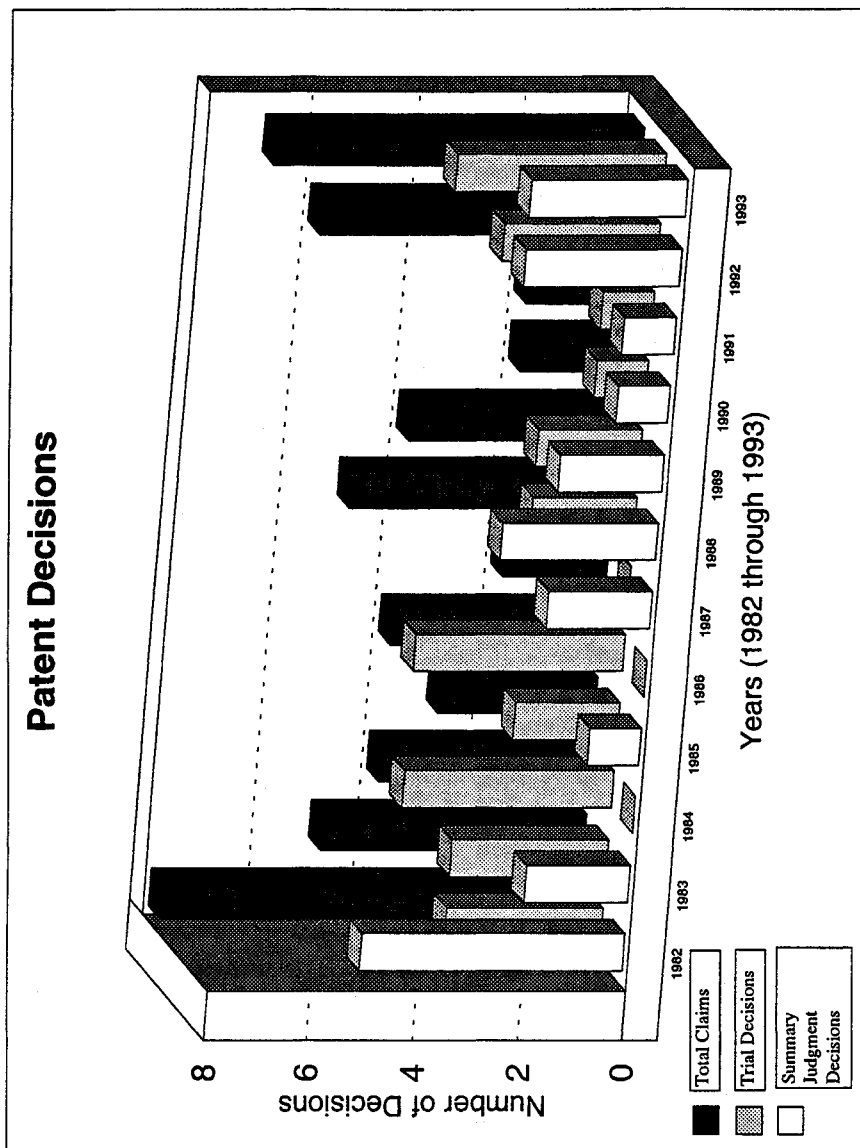
⁵⁶⁷ *Id.*

⁵⁶⁸ Graph 3 portrays the number of reported cases on the LEXIS database as appeared in the Court of Claims Reporter, the Claims Court Reporter, and the Court of Federal Claims Reporter. Search of LEXIS, Genfed library, FED File (Apr. 1, 1994). It also includes separate declaration of these cases, whether by summary judgment or by trial. *Id.*



As the graph shows, despite the prevalence of summary judgment motions, the Court of Federal Claims and its predecessors have historically rendered patent infringement decisions more often by trial than by summary judgment. Indeed, even after the rulings by the Federal Circuit allowing a more expansive application of summary judgement dispositions, the Court of Federal Claims has nevertheless continued to resolve patent infringement claims more often by trial. For example, the following graph refines the preceding graph encompassing the years 1982-1993.⁵⁶⁹

⁵⁶⁹ Graph 4 portrays the number of reported cases on the LEXIS database as appeared in the Claims Court Reporter and the Court of Federal Claims Reporter. Search of LEXIS, Genfed library, FED File (Apr. 1, 1994).



Except for 1988, the Claims Court and the Court of Federal Claims have rendered patent infringement decisions more often by trial than by summary judgment.⁵⁷⁰ Thus, patentees receive more favorable outcomes in the Court of Federal Claims than in District Court because of the number of cases which the former decides by trial (as opposed to summary judgement).⁵⁷¹ Of the 1,248 patent infringement cases filed in the district courts in 1989, for example, only eight percent found resolution by trial.⁵⁷² In the Court of Federal Claims, however, fifty-six percent of all patent infringement cases found resolution by trial as opposed to summary judgement since 1982.⁵⁷³

Regardless of the number of cases or the form of decision, however, if a patentee cannot succeed in a suit under 28 U.S.C. § 1498 against the United States, then the statute provides no benefit. The following graph depicts the published decisions since 1982.⁵⁷⁴

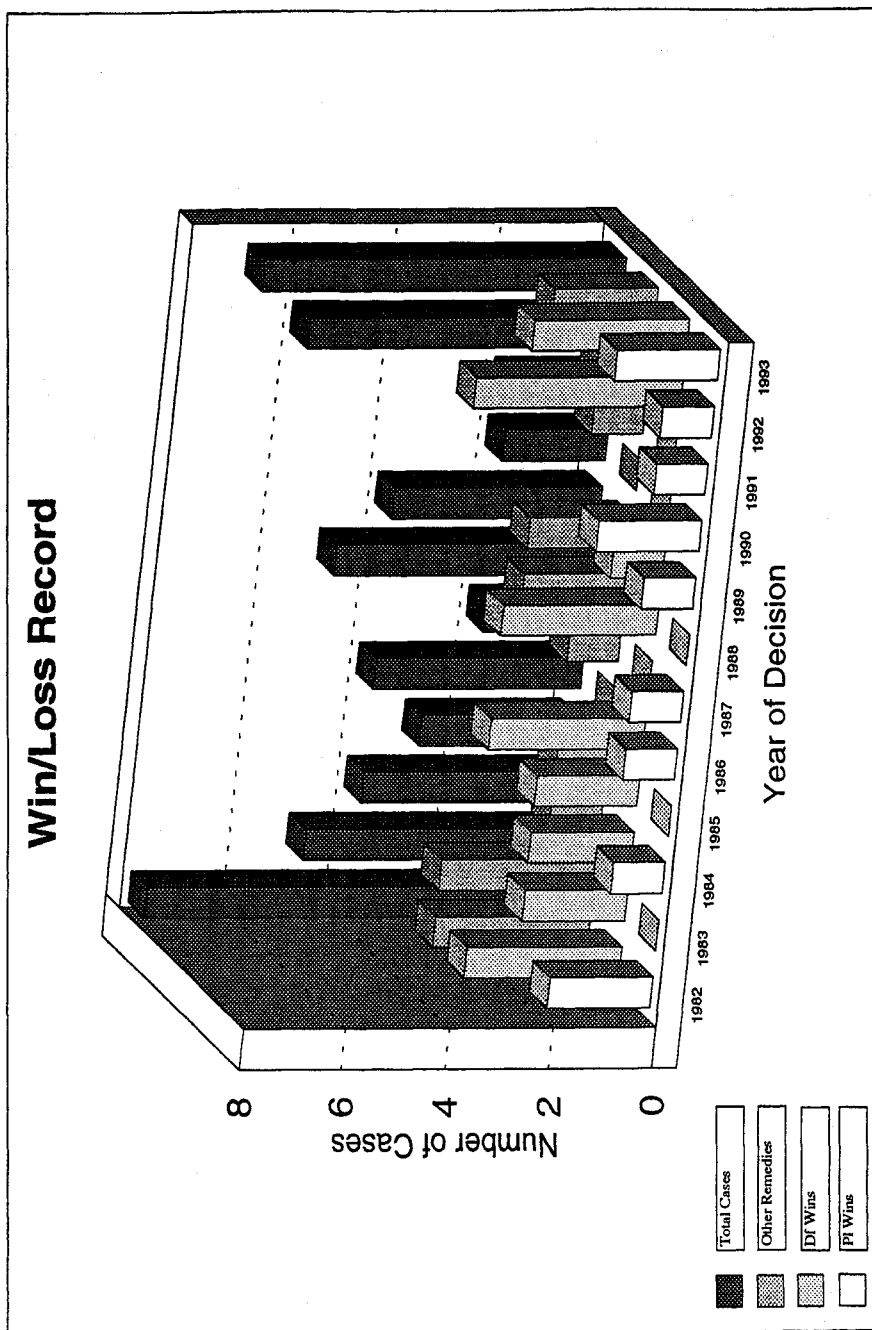
⁵⁷⁰ *Id.*

⁵⁷¹ Anne L. Spangler, Note, *Intellectual Property Protection and Import Trade: Making Section 337 Consistent with the General Agreement on Tariffs and Trade*, 43 HASTINGS L.J. 217, 260 n.286 (1991).

⁵⁷² See *id.* (comparing number of cases in district courts from June 1988 to June 1989) (citation omitted).

⁵⁷³ Search of LEXIS, Genfed library, FED File (Apr. 1, 1994). Of the fifty-two cases decided since 1982, twenty-nine were resolved at trial and twenty-three were disposed of by summary judgment. *Id.*

⁵⁷⁴ Graph 5 portrays the number of reported cases on the LEXIS database as appeared in the Claims Court Reporter and the Court of Federal Claims Reporter. Search of LEXIS, Genfed library, FED File (Apr. 1, 1994).



As this win/loss record demonstrates, excluding dispositions other than a win or loss, a plaintiff/patentee maintains a little better than one-third chance of success in a suit under 28 U.S.C. § 1498.⁵⁷⁵ However, if the computation includes other dispositions (such as nonjusticiability), then the win ratio becomes even more disheartening for the potential patentee-plaintiff. In these cases, the plaintiff-patentee maintains less than a one-fourth chance of success.⁵⁷⁶

CONCLUSION

The task of law is to maintain an ever-readjusted balance between the needful restraint on the powers of government and the needful exercise of the powers of government.⁵⁷⁷

As required by Article I, Section 8, Clause 8 of the Constitution, the patent system encourages invention by rewarding the inventor with a bundle of exclusionary rights for a finite term. This same system also requires the disclosure of the invention to enable public access to the technology. This dichotomy becomes even more pronounced when the government intervenes, especially through the infringement of a patent, because patent infringement by the United States involves yet another competing interest. While a patentee seeks the broadest possible protection for intellectual property rights, the government considers only the level and cost of the available technology and maintains little concern for the rights of patentees. To resolve these competing interests, 28 U.S.C. § 1498 provides the means to achieve such competition by providing authorization and consent for patent infringement while allowing the patentee to secure the benefits of inventorship.

⁵⁷⁵ *Id.* During the period from 1982 to 1993, the Claims Court and the Court of Federal Claims have reported dispositions in fifty-two cases. *Id.* Of these fifty-two, seventeen case dispositions occurred by remedies other than a merit adjudication in favor of or against the plaintiff. *Id.* Thus, of the remaining thirty-five cases, the plaintiff prevailed in twelve, or 34%, of the cases. *Id.*

⁵⁷⁶ *Id.* Of the fifty-two cases, the plaintiff prevailed in twelve, or 23%, of the cases. *Id.*

⁵⁷⁷ THE QUOTABLE LAWYER § 61.44, at 124-25 (David S. Shrager & Elizabeth Frost eds. 1986) (quoting Leon Jaworski).

Not surprisingly, the resolution of these conflicting interests places a heavy burden upon a patentee when seeking to enforce patent rights in the Court of Federal Claims. As with most matters regarding patent enforcement, the issues all revolve around cost. In 1991, a typical patent infringement suit cost \$396,000, while in 1993, the same suit cost \$518,000.⁵⁷⁸ A patentee cannot always expect to recoup these costs. For example, Hughes Aircraft recently obtained a \$114 million judgment against the United States for patent infringement after twenty-eight years of litigation, but had sought more than \$1.5 billion in royalties.⁵⁷⁹ In 1993, the Advisory Commission on Patent Law Reform (ACPLR) addressed the cost of patent enforcement:

Thus, there is an essential relationship between the value of patent rights, and the cost of patent litigation. Where the market value of a patented invention is less than the cost of its enforcement, the patent has essentially no economic value to its holder. If the patent owner does not have a strong financial posture, threatened litigation can be used as a bargaining tool to decrease or even eliminate the potential value of a patented invention to the patent owner. Even where parties are equally situated, excessive "transaction" costs in enforcing patent rights serve only to lessen the value of patents to their holders, and thus, weaken the incentive they are designed to provide.⁵⁸⁰

In response to the "excessive" cost of patent enforcement, the Report noted that public comments had produced a variety of recommendations ranging from the practical, such as the appoint-

⁵⁷⁸ AMERICAN INTELLECTUAL PROPERTY LAW ASS'N (1993); AMERICAN INTELLECTUAL PROPERTY LAW ASS'N (1991). Note that 1991 figures include the median cost of litigating only "utility" patents, whereas the 1993 figures indicate the median cost for the litigation of all patent infringement suits in general.

⁵⁷⁹ Bruce Rubenstein, *\$114 Million Not Enough: Hughes Aircraft Appeals Latest Judgment in 28-year-long Saga*, CORP. LEGAL TIMES, Oct. 1994, at 1.

⁵⁸⁰ ADVISORY COMM'N ON PATENT LAW REFORM, REPORT TO THE SECRETARY OF COMMERCE 76 (1992) (on file with author).

ment of special expert magistrates to assist in patent trials, to the radical, such as the creation of specialized patent trial courts and the creation of special "small" claims proceedings for patent infringement claims.⁵⁸¹ The Report, however, made no recommendations regarding patent infringement pursuant to 28 U.S.C. § 1498.

Indeed, the only recommendations involving 28 U.S.C. § 1498 involve those of the Department of Defense Advisory Panel on Streamlining and Codifying Acquisition Law (Advisory Panel). The Report of the Advisory Panel proposed a solution to the problem of patent enforcement costs by seeking the statutory amendment of 28 U.S.C. § 1498. The recommended amendment would allow broad authority for a contracting officer to require competitors to compute the costs of patent infringement within the government procurement. Such a recommendation thus seeks a statutory reversal of *Herbert Cooper*, the Comptroller General case which first recognized that the government may engage in government contracts without consideration of possible patent infringement. If this result seemed the sole answer, not only to the question of patent enforcement costs, but also to the issue of fairness to the patentee, then transferring these costs from the patentee to the government would seem justified. However, as the fundamental basis of inequity to the patentee lies in the exclusivity of the remedy of suit in the Court of Federal Claims, and not merely in the requirement of suit *per se*, this author finds an alternative remedy more compelling.

In *De Graffenried v. United States*,⁵⁸² the Court of Federal Claims rejected the status of a suit under 28 U.S.C. § 1498 as an eminent domain proceeding and found the claimant qualified for the recovery of attorneys' fees and expenses pursuant to the EAJA. The claimant had sought the recoupment of attorneys' fees and expenses for a successful suit under 28 U.S.C. § 1498.⁵⁸³ In takings suits under a theory of eminent domain, authority exists for the recoupment of attorneys' fees and expenses independent of the EAJA, but the claimant did not meet the statutory require-

⁵⁸¹ *Id.* at 81-84.

⁵⁸² 29 Fed. Cl. 384, 388 (1993).

⁵⁸³ *Id.* at 387-88.

ments.⁵⁸⁴ However, the Court of Federal Claims concluded that an action under 28 U.S.C. § 1498 was not a suit in eminent domain.⁵⁸⁵ The court explained:

As a general legal matter, absent some statutory prohibition, an individual who lawfully becomes aware of another individual's invention is free to produce and use that invention. Therefore, the metes and bounds of an inventor's property interest in an invention is defined by the statutory framework that restricts other individuals from using the invention. Herein, plaintiff's patent was granted in 1965, and at that time, the existing statutory framework included not only 35 U.S.C. § 154, which generally grants a patent owner the right to exclude, but also Section 1498(a), which grants the government the absolute right, whether or not licensed, to use any patented invention. In view of Section 1498(a), a patent owner can have no expectation of excluding the government from using his or her invention, and the sole remedy available for the government's unlicensed use of the patent is the right to secure "reasonable and entire compensation."

Because a patent owner's property rights under the applicable statutory scheme do not include the right to exclude the government from using his or her patented invention, when the government uses a patented invention, it does not "take" any property interest that belongs to the patent owner. Stated in another way, the government does not have to resort to exercising its sovereign power of eminent domain to utilize a patent owner's patented invention because the statutory framework that defines a patent owner's property rights gives the government the

⁵⁸⁴ *Id.* Although the Court of Federal Claims found the claimant qualified for attorneys' fees and expenses under the EAJA, the court found that the claimant had not satisfied either requirement for recovery under 28 U.S.C. § 2412(b) or 28 U.S.C. § 2412(d). *Id.* at 392.

⁵⁸⁵ *Id.*

authority to use all patented inventions. Thus, the government cannot “take” what it already possesses.⁵⁸⁶

Thus, the Court of Federal Claims ruled that a patentee maintains no patent rights as against the United States for patent infringement. In a historical and jurisprudential context, this cannot be the law.

Article I, Section 8, Clause 8 of the Constitution secures discernable rights to inventors for their discoveries. This mandate contains no exceptions for the federal government. Thus, while 28 U.S.C. § 1498 exempts the actions of the United States from liability, the exemption only applies *provided the United States compensate the patentee with “reasonable and entire compensation.”* As discussed in the preceding section, such action constitutes a taking. The Constitution establishes the right to a patent, 28 U.S.C. § 1498 carves out the statutory remedy for the use by the United States, and the Fifth Amendment requires compensation. After this conclusion, however, the problem remains how to compensate a patentee for attorneys’ fees and expenses when the patentee prevails in a patent infringement suit against the United States. The solution, implied in *De Graffenried*, is the statutory amendment to 28 U.S.C. § 1498 providing for the recoupment of attorneys’ fees and expenses.

A statutory right for the recovery of attorneys’ fees and expenses constitutes a more appropriate remedy than restructuring the present system as suggested by the Advisory Panel. The recommendations of the Advisory Panel would result in less fairness and competition, more delay, the loss of best technology, and greater costs to the government. Conversely, a statutory amendment to allow the recovery of attorneys’ fees and expenses would only subject the United States to greater liability. If correctly implemented, the allowance of attorneys’ fees and expenses would benefit both the patentee and the government—the patentee would stand to gain full compensation for an infringed patent and the government would incur additional liability only if patent infringement actually occurred.

⁵⁸⁶ *Id.* at 387-88.

Like the EAJA, the statute should mandate recovery by the prevailing party, the successful patentee. However, authorization of fees and expenses should not depend upon the financial condition of the patentee, the number of employees engaged by the patentee, or the net worth of the patentee, as under the EAJA. Most importantly, the authorization should *absolutely not* make recovery dependent upon disproving substantial justification (or a similar standard) or proving special circumstances. In short, the authorization should expressly preempt the "American Rule" if a patentee prevails in a patent infringement suit against the United States in the Court of Federal Claims.

Upon the adoption of a statutory amendment for the recoupment of attorneys' fees and expenses, the United States may continue to seek the best overall price by full and open competition and the patentee may expect reasonable and entire compensation for any patent rights utilized by the United States in a government contract. In light of the costs of patent enforcement, this recommendation ensures the only fair result for all the parties in government contracting. The Fifth Amendment requires reasonable *and entire* compensation for property taken for government use; without the provision of attorneys' fees and expenses in patent infringement suits, a patentee could never achieve full compensation under 28 U.S.C. § 1498.⁵⁸⁷

⁵⁸⁷ As of the publication of this Article, the 103d Congress had allocated funds for the consideration of this recommendation during its second session:

Attorneys Fees in Cases Involving the Infringement of a Patent by Government Contractors. The Subcommittee [on Administrative Law and Governmental Relations] may consider legislation to permit owners of patents which are infringed by Government contractors to recover their reasonable litigation costs, including attorneys' fees, as part of their compensation under 28 U.S.C. § 1498, which provides specific authority for the award of damages in such cases through suit against the Government.

H.R. REP. No. 433, 103d Cong., 2d Sess. 284 (1994). Upon convening the 104th Congress in 1995, this author wishes this Subcommittee the best of luck in arriving at a bill that will ensure that the government allows patentees the same rights as private parties, as required by the Fifth Amendment of the Constitution.

