COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON 25

B-81922 MAR 24 MAR 24 1949

The Honorable,

The Secretary of the Army.

My dear Mr. Secretary:

Reference is made to letter of November 30, 1948, with enclosures, from the Assistant Secretary of the Army, presenting for consideration the proposed settlement by the Department of the Army of a claim in favor of Harry A. Knox for the infringement of certain patents owned by him relating to the construction of military tanks and assemblies therefor.

It appears that, prior to January 1, 1942, the United Kingdom entered into certain contracts with United States concerns for the construction of a number of military tanks and assemblies. In these contracts, the United Kingdom agreed to indemnify the manufacturers against any and all claims for patent infringements incident to such manufacture. The tanks and assemblies covered by the contracts were constructed for and delivered to the United Kingdom until the time when the contracts were taken over by the United States pursuant to "take-over" agreements entered into as a result of the determination, under land-lease arrangements, that the United States would administer all war construction in this country and that the United Kingdom would administer all war construction within its borders, the material produced to be pooled and utilized to the best advantage in the common war effort.

The claimant is a retired civilian employee of the United States Government. During the time of such employment he invented certain improvements, etc., to military tank construction. These inventions he patented, coincidentally giving to the United States licenses to manufacture or use the inventions for its own purposes.

It has been determined administratively that the manufacture of the tanks and assemblies for the United Kingdom infringed the valid patents owned by the claimant, who took steps to assert his claim against the manufacturers. Thus, by reason of its agreement to indemnify the manufacturers against such claims, the United Kingdom became liable to the claimant for all such manufacture which took place under the contracts prior to the time when the United States took over the contracts, after which time such manufacture was "by and for the United States" and within the license given the United States by the claimant. The United States and the United Kingdom entered into a Patent Interchange Agreement effective January 1, 1942 (Treaties and Other International Acts Series 1510, as amended March 27, 1946, 60 Stat. 1566). Article VIII of the Patent Interchange Agreement reads in pertinent part as follows:

"* * * For the purposes of this paragraph (a) claims asserted by nationals of the United States of America under any United States patents against United Kingdom Government contractors or subcontractors shall be construed to be claims subject to indemnification by the Government of the United States of America in cases where the Government of the United Kingdom has agreed and undertaken to indemnify and save harmless such contractors or subcontractors against any liability resulting from the use of any patented invention."

Article IX (b) of the same agreement reads:

"That, upon being so notified of any such claim, the Government of the United States of America will, so far as practicable, dispose of such claim through negotiations with the claimant."

Apparently, pursuant to these provisions, the United Kingdom called upon the United States to negotiate with the claimant with respect to the portion of his claim covering infringements by manufacture which took place after January 1, 1942, the effective date of the Patent Interchange Agreement. Funds appropriated to the President in the Second Deficiency Appropriation Act, 1948, under the heading "Defense Aid, Liquidation Lend-Lease Program" (62 Stat. 1030) "for payment of claims approved prior to June 30, 1949, under a patent interchange agreement executed pursuant to" the Lend-Lease Act (55 Stat. 31), have been made available to the Department of the Army. Negotiations between the claimant, the United Kingdom and the Department of the Army have resulted in (1) an agreement whereby the claimant accepted $24,000 from the United Kingdom for the infringements which took place prior to January 1, 1942, and (2) a proposed Patent Release Contract, submitted with your letter, whereby the United States would pay $35,000 to the claimant for infringements by manufacture between January 1, 1942, and the dates of the respective "take-over" agreements referred to above.

Article XVI of the Patent Interchange Agreement, supra, provides as follows:

"No patent rights, information, inventions, designs, or processes shall be requested by either Government under this Agreement

ner shall the indemnities set forth in Articles VI, VII, VIII, IX, and X of this Agreement apply in respect of any use or infringement occurring during the continuance in effect of a license agreement or other contractual obligation in existence on January 1, 1942 between a national of one Government on the one hand and a national of the other Government on the other hand covering such patent rights, information, inventions, designs, or processes; provided that if such license agreement or other contractual obligation be nonexclusive, such patent rights, information, inventions, designs, or processes may be requested by either Government under this Agreement in respect of their use or infringement by nationals of the requesting Government other than the national holding such license agreement or other contractual obligation and the indemnities aforesaid shall, if otherwise applicable in accordance with their terms, apply to the same extent."

If the phrase "other contractual obligation" in this Article be construed to embrace a contractual obligation to indemnify against claims for infringement, it would seem that payment to Mr. Knox under the proposed Patent Release Contract would be improper, since the United Kingdom's contracts to indemnify the manufacturers were in existence on January 1, 1942, and continued in existence thereafter. However, it is urged in support of Mr. Knox's claim that the phrase "other contractual obligation" was intended to refer only to other contractual obligations <u>in the nature of licenses</u>, such as could be entered into only between parties capable of giving and receiving rights similar to those transferred by license agreements. It is urged also that the language of Article VIII(a) of the Patent Interchange Agreement, quoted above, so clearly covers the instant case as to make it seem impossible that the drafters of the Agreement could have intended to counteract the effect of the language thereof by writing conflicting language into Article XVI. The final report

to the Secretary of State by the American Chairman of the Joint-British-American Patent Interchange Committee throws little light on what is meant by the phrase "other contractual obligation" in Article XVI, but it indicates that the primary purpose of that article was to avoid situations in which licenses requisitioned under the Patent Interchange Agreement would impair exclusive licenses, etc., given to others prior to January 1, 1942.

In a letter dated March 14, 1949, from the Under Secretary of State, with reference to the matter, it is stated:

"* * * representatives of this Department have also consulted with other persons more immediately familiar with the intention and operation of the Patent Interchange Agreement, including representatives of the British Government who have been concerned with these operations. All such persons have confirmed the understanding of this Department that the Agreement was intended to cover claims of the type involved in the Knox case, and that to interpret the words 'other contractual obligations' in Article XVI as referring to an obligation of the type represented by the indemnities given by the British Government to American manufacturing concerns would not be in conformity with their understanding of the intention of the Agreement. It is of the utmost importance in our foreign relations that agreements of this nature be carried out in accordance with the intentions of the signatory governments. To accomplish this end, interpretations placed upon the terms of the agreements by each government should be such as to further those intentions to the maximum possible extent."

In the circumstances, and since the interpretation placed on their own language by the drafters of an agreement must be given great weight, especially where the contracting parties are in agreement as to the true meaning, I perceive no basis for interposing any objection to the execution of the Patent Release Contract and

the payment of the consideration covered thereby.

The contract and voucher are returned herewith.

Respectfully,

(Signed) Lindsay C. Warren
Comptroller General
of the United States.

Enclosures.