COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

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B-178104

May 4, 1973

The Honorable Claude S. Brinegar
The Secretary of Transportation

Dear Mr. Secretary:

Reference is made to a letter dated February 27, 1973, from your General Counsel, requesting our decision as to the authority of the Department of Transportation (DOT) to enter into a nonexclusive patent license with International Telephone and Telegraph Corporation (ITT) under ITT U.S. Gloess Patent No. 2,807,016, issued September 17, 1957, and scheduled to expire on September 15, 1974, relating to plan-position indicator radar.

To summarize, the license would be effective as of the date on which ITT first lodged a claim for compensation with DOT. The license would be royalty-bearing based on past and future departmental procurements. The General Counsel considers it to be necessary and in the best interests of DOT to take the license to recognize a deserving patent and avoid the disruption incident to litigation in the Court of Claims.

It is pointed out that two agencies of DOT use the patent without license; that ITT has offered and apparently has the authority to grant the license proposed; that the patented invention has been used in DOT radar procurements; and that the Department of Defense (DOD) has been a licensee under the instant patent for its radar procurements. Reference is made to a 1961 DOD license agreement covering future royalties and providing for a lump-sum payment to ITT for a release of all Government agencies for past infringement prior to the effective date of the agreement. Also, all known domestic manufacturers of radar have accepted a license under the instant patent. The royalty rate proposed would be the same now paid by DOD.

The General Counsel presents several legal arguments to support the proposed execution of the license agreement with ITT--(1) the fact that other Government agencies as a matter of course either take patent licenses or allow royalty charges in the procurement of supplies; (2) the considered inherent

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authority of a Government agency having procurement responsibility to enter into such an agreement to provide compensation for procurements made after the date when license negotiations are commenced; (3) the opinions of legal commentators that patent infringement claims can be settled more amicably without resort to litigation in the Court of Claims under 28 U.S.C. 1498; and (4) the position of some authorities that a Government agency, other than the Department of Defense, does have the authority to settle a claim for past infringement of a patent. With respect to the latter argument, the General Counsel refers to the alleged viability of section 3 of the Royalty Adjustment Act of 1942, 56 Stat. 1013, 1014, 35 U.S.C. 89-96, 1946 Edition. In the alternative, your General Counsel states that, as here, procurements taking place during a period of discussion between a proposed licensor and a Government agency are not "past infringement."

28 U.S.C. 1498 provides that the remedy of a patent owner for unauthorized patent infringement occurring during the use or manufacture by or for the Government shall be by action against the Government in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture. We have often iterated the interpretation of that act by the courts to the effect that the remedy provided therein is exclusive and comprehensive in nature. The Congress has specifically authorized certain Government agencies to resort to additional methods for compensating patent holders such as the purchase of license agreements or the administrative settlement of patent infringement claims. But, with respect to your Department, your General Counsel has not cited, nor are we aware of, any such specific statutory authority which would permit the execution of the proposed license agreement by your Department. Moreover, in 37 Comp. Gen. 199, 201 (1957), cited by your General Counsel, we made the following comments which are directly pertinent to a portion of the rationale employed by your General Counsel to support the execution of the proposed license:

> With specific reference to the authority to acquire by contract a patent or a license to use it, the Attorney General advised the Secretary of the Navy in 19 Op. Atty. Gen. 407, dated October 4, 1889, that no such authority could be deduced from an annual appropriation providing for the furnishing or manufacturing of an article used in the naval service. And, with respect to the authority to acquire by contract a claim for the infringement of patent rights

by or for the Government without obtaining the consent of or a license from the owner, it was held in a decision of our Office to the Secretary of War dated August 4, 1931, 11 Comp. Gen. 44, that since this involved the settlement of a claim after the infringement had taken place such adjustment was not within the authority of the department, that the owner's remedy against the United States was restricted to a suit in the Court of Claims, and that any adjustment to avoid such a suit was for consideration of the contractor who had obligated itself to protect the Government against such claims under the provisions of the "hold harmless" clause of the supply contracts involved. Cf. 5 Comp. Gen. 713, 13 id. 173, and 22 id. 904.

In this regard, your attention is invited to page 124 of Volume 4, Part I, Chapter 2, of the Report of the Commission on Government Procurement (December 1972) wherein two recommendations for the consideration of Congress particularly pertinent to the instant request for decision are made to correct the recognized lack of uniformity in the area of patent infringement.

> Recommendation 6. Authorize all agencies to settle patent infringement claims out of available appropriations prior to the filing of suit.
>
> Recommendation 7. Grant all agencies express statutory authority to acquire patents, applications for patents, and licenses or other interests thereunder.

Another way to facilitate appropriate monetary relief for the use of patented inventions by or for the Government is to widen administrative authority to settle claims for such use. Only the Department of Defense has clear authority in this area. We have concluded that this should be rectified and that there is a need for authority in all agencies to settle claims that could be brought under 28 U.S.C. § 1498. The granting of such authority would be a significant measure in ensuring the equitable treatment of patent owners.

Agencies should also have clear authority to acquire patents or rights thereunder. This would allow agencies to follow procedures similar to W.C.'s "preprocurement licensing" approach rather than relying on after-the-fact suits or settlement.

In 37 Comp. Gen. supra., our Office noted, but did not resolve the question as to whether section 3 of the Royalty Adjustment Act of 1942 was viable. That section of the act authorized the head of any Government agency to settle claims of owners or licensors of inventions arising out of Government use thereof, and to enter into agreements for compensation for future Government use. However, the provisions of the act were completely deleted from the United States Code as a result of the 1952 revision, codification and enactment into law of title 35 (Patents) by P. L. 82-593, 66 Stat. 792. The table preceding the current title 35 shows the distribution of all sections of the former title 35. Sections 89 through 96 (Royalty Adjustment Act of 1942) are listed as "Expired." Also see, "Use of Patented Inventions by or for the Government," R. Peters; Patents and Technical Data, Government Contracts Monograph No. 10, The George Washington University (1967), where at page 77, footnote 37, it is stated:

> The Royalty Adjustment Act expired on April 1, 1953, and several months later section 609 of the Department of Defense Appropriation Act of 1954, 67 Stat. 350, was passed to provide express authority for making the [license] agreements previously authorized by section 3 of the Royalty Adjustment Act, and for making agreements covering past use of "infringement" alone.

Similarly, in 37 Comp. Gen., supra., at page 202, we observed that insofar as the 1954 appropriation act is concerned:

> * * * It seems abundantly clear from the legislative history and the provisions of this legislation that this section was enacted by Congress for the purpose of providing express authority for making the acquisitions previously authorized by section 3 of the Royalty Adjustment Act, supra. * * *

We are of the view that section 3 of Royalty Adjustment Act of 1942 has no present effect.

Therefore, we believe that no clear authority exists for your Department to enter into the proposed license agreement.

Sincerely yours,

Paul G. Dembling

For the Comptroller General
of the United States