

Allowing Use of US Patents in International Cooperative Projects

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Under the authority of 22 USC §2767, the President may enter cooperative project agreements with NATO or members of NATO. A cooperative project under §2767 is defined to include, *inter alia*:

“a jointly managed arrangement...which is undertaken in order to further the objectives of standardization, rationalization and interoperability of the armed forces of North Atlantic Treaty Organization and which provides--

“(A) for one or more of the other participants to share with the United States the costs of research on and development, testing evaluation, or joint production (including follow-on support) of certain defense articles;

“(B) for concurrent production in the United States and in another member country of a defense article jointly developed in accordance with subparagraph (A); or

“(C) for the procurement by the United States of s defense article or defense service by another member country or for procurement by the United States of munitions from the North Atlantic Treaty Organization or a subsidiary of such organization .”

Further, under 10 USC §2350b, it is recognized that the authority to enter cooperative projects may be delegated to the Secretary of Defense. The Secretary can also agree that a non-US participant in the project may make contracts for requirements of the US, if the Secretary determines that so doing will significantly further standardization, rationalization and interoperability. In at least one case where a non-US participant has entered the contract formation process, a potential contractor has asked that it be given authorization and consent to use US patents. This has happened in the program for the Future SCOUT reconnaissance vehicle, a cooperative project between the US and the United Kingdom managed for the US by TACOM. In the context of the SCOUT Program, a request for authorization and consent to use US patents is not surprising in view of the fact that the potential contractors are international consortia whose US members are accustomed to having such authorization and consent.

The authorization and consent to which US business entities are accustomed stems ultimately from 28 USC 1498. That statute provides remedies against the US Government when “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. “ Also, use or manufacture of a patented invention by a Government contractor or subcontractor, with the authorization and consent of the US Government, is deemed to be use or manufacture by or for the US Government itself. A benefit to Government contractors and subcontractors is that the Government is the only party sued and the only party liable. The benefit to the Government is that the manufacture or use of the patented inventions can not be enjoined, so that patent infringement suits will not interrupt important Government programs or acquisitions. The Government compensates patent holders under eminent domain for infringement of their patents.

The question of whether patent infringement by a contractor working for a foreign Government falls within the scope of 28 USC §1498 can be broken down into three elements:

- Is there “manufacture or use” within the meaning of the statute?
- Is the manufacture or use “by or for” the United States?
- Has the US granted authorization and consent to such manufacture or use?

As to the first question, any manufacture or use must be within the United States or its territories. The reason is that US patents or any other country’s patents have no effect outside the borders of the country issuing the patent. Consequently, acts that would constitute infringement of a US patent if performed within the United States are not acts of infringement if they are performed outside the United States. Aside from the territorial limitation, the phrase “manufacture or use” has been broadly interpreted in deciding whether 28 USC §1498 applies. In one case, for example, the defendant made an experimental infringing instrument which was used only once, to demonstrate the instrument to the US Government. The defendant successfully asserted 28 USC §1498 as

a defense against itself, in that the Government was the sole party to be sued. See *Ling-Tempero-Vought, Inc. v. Kollsman Instrument Corporation*, 152 U.S.P.Q. 446, 372 F. 2d. 263 (U.S. App. 1967). A similar case is *TVI Energy Corporation v. Milton C. Blane and Blane Enterprises, Inc.* 1 U.S.P.Q. 2d. 1071, 806 F 2d. 1057 (C.A.F.C. 1986).

In cases where an infringing item is not made in the United States, relatively little is required to find the appropriate degree of “use” for the purpose of applying 28 USC §1498. For example, see *Ollson v. United States*, 37 USPQ 767, 25 F. Supp. 495 (Ct. Cl. 1938), *cert. denied*, 307 U.S. 621, 41 U.S.P.Q. 799. There the court found that the United States “used” imported howitzers that contained a patented invention even though the howitzers had never been fired and had been disassembled for storage. *Olsson* was followed in *Hughes Aircraft Co. v. U.S.*, 29 Fed Cl. 197, 29 U.S.P.Q. 2d. 1974 (Ct. Cl. 1993). In *Hughes*, the US Government tested and launched a British-made satellite without activating the satellite’s patented attitude control system while the satellite was in US territory or under US control. The US Government’s activities constituted “use” for the purpose of deciding to invoke 28 USC §1498.

If the relatively easy “use or manufacture” test is passed, then one may proceed to the second question, which is whether such use or manufacture is “by or for” the United States.” In considering the “by or for” question, the *Hughes* court *supra* stated that “United States involvement in a joint international space program will be sufficient to make any use of the spacecraft a use “by” or “for” the government within the meaning of §1498 if the project is a cooperative one with the potential of substantial benefit to the United States.” In reaching this conclusion, the court drew upon two earlier cases. Both cases also involved the Hughes Aircraft Company and both also involved international spacecraft programs. These were *Hughes Aircraft Co. v. United States*, 209 Ct. Cl. 446, 534 F. 2d. 889, 192 U.S.P.Q. 296 (Ct. Cl. 1976) and *Hughes Aircraft Co. v. Messerschmitt-Boelkow-Blohm GmbH* 625 F. 2d. 580, 208 U.S.P.Q. 23 (5th Cir. 1980) *cert. denied* 449 U.S. 1082 (1981). Though the *Hughes* series of cases all relate factually to spacecraft in a cooperative space project, it is clear that the principle of these cases

also applies to international cooperative projects where the US gains, or potentially gains, appreciable benefits. Thus the SCOUT/LANCER Program for a land reconnaissance vehicle, or a program to develop munitions or other military supplies would be considered as “by or for” the United States for purposes of §1498.

Assuming that the appropriate “use or manufacture” has been found and has been determined to be “by or for” the United States, the third of the three elements noted above needs to be considered. That is, one must determine whether the United States has authorized and consented to the infringing of a United States patent. In this vein, the 1976 *Hughes* case *supra* is quite instructive. There the Department of Defense had issued a letter to the government of the United Kingdom specifically authorizing the use of US patents by contractors or subcontractors. The court held that this letter was a valid authorization and consent under 28 USC §1498. The court also stated that the Department of Defense had the authority to issue the letter since the Department was responsible for coordinating the US’s activities under the Skynet II international cooperative program. See *Hughes* at 192 USPQ 304 and 305. It can be seen that the 1976 *Hughes* case is an example of how the US can grant authorization and consent in future cooperative projects. Namely, the US agency coordinating the US side of the project would issue a letter similar to that in the 1976 *Hughes* case.

The 1976 *Hughes* court made two further instructive statements regarding authorization and consent. First, the court noted that the United States need not be a direct party to the contract at issue where, as in the Skynet II program, the circumstances indicate that the United States is a principle beneficiary of the contract. Second the court noted that authorization and consent can be given in a variety of ways besides direct wording on the face of a contract or in a letter. These ways include contracting officer instructions, specifications or drawings which impliedly sanction or necessitate infringement, or *post hoc* US Government intervention in litigation against an individual contractor.

If the United State has the ability to grant authorization and consent under 28 USC § 1498 in a given instance, then one may ask whether, as a matter of policy or discretion, the United States *wants* to do so. There is some broad guidance bearing on this question. The first item of guidance is the purpose underlying 28 USC § 1498, which is to enable the US Government to purchase goods or services for the performance of its function without threat of having its supplier enjoined from selling patented goods. See, for example, *Coakwell v. US*, 372 F. 2d 508, 178 Ct.Cl. 654, 153 U.S.P.Q. 307 (Ct. Cl 1967) or *US v. McCool*, 751 F. 2d 1112 (C.A. 9 (Cal. 1985)). Presumably, goods or services ordered by a non-US participant in a joint project will be used by the US Government in the performance of its function. Presumably too, in the appropriate cases, the US Government would desire to avoid an injunction disrupting the supply of these goods and services. Hence the policy behind 28 USC § 1498 suggests that it would normally be desired for the US to grant authorization and consent in cases where a non-US participant makes the contract.

A second item of guidance is the US Government procedure when contracting under the Federal Acquisition Regulations (FAR). Under FAR 27.201-2, in all research and development contracts, and in all engineering contracts or construction contracts, the Government grants authorization and consent to use US patents. This is done by including contract clause FAR 52.227-1 or an alternate thereof in the contract. However, for goods which are sold by the contractor on the commercial open market, or such goods having only minor modifications, authorization and consent is not granted. By the terms of 22 USC §2767, goods or services acquired under a cooperative project will either be research and development or goods not commercially available on the open market. Hence, US contracting policy under the FAR would suggest that authorization and consent would normally be desired in cases where a non-US participant makes the contract in a cooperative project.

Another factor in deciding whether the US would desire to grant authorization and consent is the position of the non-US participant regarding authorization. In a given

cooperative program one or more non-US participants may not, as a matter of their law, policy or discretion, want to authorize or consent the use of their patents. As a result, the US may desire to reciprocate by withholding authorization and consent to utilize United States patents. Too, the participants may decide that a given patent, whether it is from the US or from another participant country, represents an unwarranted technical risk. That is, the participants may decide that the patent requires an avenue of research or development whose chance of success does not justify the time and money needed to pursue that avenue. Finally, since participants generally share costs of claims in international cooperative agreements, the participants may agree to forego usage of a given patent due to anticipated costs of successful claims.

Obviously, other policy considerations will arise in the context of specific cooperative projects. However, it is clear that the United States has the ability to exercise its discretion in favor of authorizing use of United States patents where a non-US participant is the contracting entity.