[redacted]

From: Borda, Gary G. (HQ-MC000)
Sent: Friday, January 23, 2009 11:44 AM
To: Rotella, Robert F. (HQ-MA000); McNutt, Jan (HQ-MC000)
Cc: Graham, Courtney B. (HQ-MA000)
Subject: 2000 GAO Report on NASA's Administrative Review of Patent Infringement Claims
Attachments: NASA's Administrative Review of Patent Infringement Claims_GAO Report_Aug 2000.pdf; DFAR 227_70 Patent Infringement Claims.pdf

FYI – found all this in a Google search. The attached 2000 GAO report on NASA's Administrative Review of Patent Infringement Claims wasn't widely disseminated here since I didn't known about it (guess they thought since I didn't work these claims I didn't need to know – not a very good policy decision from past IP leadership).

The GAO report mentions that "NASA's procedures for administratively reviewing a claim of patent infringement against the agency are set out in an attachment to a September 29, 1987, letter to all NASA installations by the Associate General Counsel for Intellectual Property." I have also never seen the referenced letter. We should find a copy and make sure we are following the procedures.

The GAO report goes on to state that the NASA procedures are modeled after the DOD procedures. I'm not sure what those procedures might be, but There are procedures for administrative claims for patent infringement in the DFAR (Subpart 227.70 – attached).

DOE also has regs on Claims for Patent and Copyright Infringement at 10 CFR Part 782
http://ecfr.gpoaccess.gov/cgi/t/text/text-idx?c=ecfr&sid=ae9d0477eeff326f1d13d73becade33d&rgn=div5&view=text&node=10:4.0.2.5.19&idno=10

Gary

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GAO
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United States General Accounting Office
Washington, DC 20548

Resources, Community, and
Economic Development Division

B-285211

August 8, 2000

The Honorable Robert F. Bennett
United States Senate

Subject: NASA's Administrative Review of a Patent Infringement Claim

Dear Senator Bennett:

On February 7, 2000, the National Aeronautics and Space Administration (NASA) responded to an inventor's complaint that the agency had used his patented technology without approval, compensation, or acknowledgment. NASA told the inventor that it had conducted an administrative review of the matter and concluded that there was no infringement. The inventor contacted you about this matter, and you asked us to review NASA's administrative action on his complaint.

As agreed with your office, this report addresses (1) whether NASA adhered to established procedures in conducting its administrative review of the inventor's infringement claim and (2) what criteria NASA used in reaching its decision. As also agreed, we take no position as to whether NASA infringed the inventor's patent.

Results in Brief

NASA reviewed the inventor's complaint in accordance with its procedures governing administrative reviews of patent infringement claims. Even though the inventor never filed an official claim, NASA treated his complaint as an infringement claim because it had no other mechanism for investigating allegations of infringement and wanted to remove any doubt that it had infringed the patent in question. Also, NASA and the inventor agree that the agency's decision to treat his allegation as an infringement claim probably will work to his advantage if he chooses to bring an infringement suit. The inventor was correct that NASA used the same attorney to conduct the administrative review that earlier had been involved in licensing negotiations on his patent. While this does not violate NASA's procedures, it is inconsistent with federal internal control standards, and NASA said it would separate the duties if such a case arose in the future.

NASA applied federal patent law to reach its decision. NASA interpreted the law as providing that only the patent "claims"—those specific elements set out in the patent

that make the invention novel—can be infringed. After surveying the operations of its field units, NASA concluded that none of its systems—including the Mars Pathfinder landing system and the TransHab Design Concept cited by the inventor—infringed the claims in the inventor's patent. NASA's decision completes its administrative review process. If the inventor wishes to pursue his complaint, his recourse is to file a claim with the U. S. Court of Federal Claims.

Background

A patent is a grant made by the government to an inventor, conveying and securing to him or her the exclusive right to an invention for a term of years. The Patent and Trademark Office (PTO) grants patents in the United States. By its terms, a patent gives an inventor the right to exclude others from making, using, or selling the invention for a specified period, in this instance 17 years. A person infringes another's patent when he or she makes, uses, or sells the subject invention without permission during the patent term.

On June 19, 1990, PTO granted U.S. Patent No. 4,934,631 to the inventor. The patent describes the invention as a "lighter-than-air type vehicle comprising a framework and a series of inflatable lift bags secured to said framework." The lift bags were designed to contain heating elements and a gas, such as hydrogen or helium, in contact with these heating elements.

Believing his technology could be adapted successfully for a broad range of military and civilian projects, the inventor had attempted since 1989 to market his invention to the government. He said that certain agencies, including NASA, expressed interest but declined his offers to license the invention or enter into a contract with him to develop and use his technology.

In 1997, the inventor saw drawings of the Mars Pathfinder landing system developed by NASA and noted that the system used inflatable bags that he believed were similar to those described in his patent. He concluded that NASA had adapted and was using his invention without approval, compensation, or acknowledgment. After further research, he concluded that NASA also was using bags similar to his own in its TransHab Design Concept, which features inflatable structures that can be used to house personnel and equipment in space.

On February 26, 1997, the inventor contacted the NASA Administrator and complained that NASA had used his invention without his approval. The complaint was referred to the Director of the Infringement Division in the Office of the Associate General Counsel for Intellectual Property. After obtaining the inventor's approval, NASA docketed the matter as a "license to proffer" on March 7, 1997, giving NASA permission to send the patent to its various units to determine whether they had an interest in obtaining a license to use the technology. On July 30, 1997, the Director of the Infringement Division sent a letter to the inventor informing him that the agency had no interest in obtaining a license.

On March 31, 1998, the inventor asked the NASA Inspector General to conduct an investigation into NASA's use of his patented technology. The Inspector General conducted a preliminary investigation and concluded the complaint constituted a claim of infringement. On October 14, 1999, the Inspector General referred the case to the Associate General Counsel for Intellectual Property, and on November 3, 1999, the Director of the Infringement Division notified the inventor that it was treating his complaint as a patent infringement claim and was initiating a formal administrative review.

On February 7, 2000, the Director of the Infringement Division notified the inventor by letter that he had completed the administrative review of the infringement claim and found no evidence of infringement by NASA. Accordingly, he said that NASA was denying the inventor's claim and that, if the inventor was not satisfied with this result, his recourse was to file a lawsuit for patent infringement. The Director also pointed out that the statute of limitations—which by law had been suspended, or "tolled," during the administrative review—again would begin to run.[1]

The inventor is not satisfied with NASA's response. From a procedural standpoint, he says he does not understand why NASA chose to treat his complaint as a request for a claim of patent infringement when he had not made a formal request for an administrative review. He also is concerned that the Director of the Infringement Division, who prepared NASA's response, was the same attorney to whom he had spoken over the years about NASA's possibly licensing his invention.

The inventor also disagrees with the criteria NASA used in reaching its decision. He believes that NASA is interpreting the case law on patent infringement too narrowly because, under NASA's interpretation, one could easily "invent around" almost any patent. He said that, in addition to considering the patent claims, NASA should consider such factors as the description and specifications set out in the patent. Moreover, the inventor disagrees with NASA's (1) characterizing his invention as a "dirigible" or a "blimp" and (2) comparing it with single-walled inflatable structures covered by earlier patents. He says NASA did not address his basic complaint that the agency developed an interest in using double-walled inflatable airbags—a primary feature of his invention—only after he brought the potential uses to the agency's attention.

NASA Followed Its Procedures in Conducting the Administrative Review of the Infringement Claim

NASA followed its established procedures in reviewing the inventor's complaint. While NASA was not required to treat the complaint as an infringement claim, it had the authority to do so, and its use of the formal administrative review process was

[1]In its response to the inventor, NASA also noted that the patent had expired. The patent expired on June 19, 1999, because the inventor did not pay the required maintenance fees. Subsequently, however, he filed a petition for reinstatement, paid the fees, and on May 22, 2000, was informed by PTO that his patent was reinstated.

reasonable under the circumstances. The inventor made a written request for an investigation, accusing NASA of infringing his patent and, according to NASA officials, the administrative review is NASA's only mechanism for handling such a complaint. Moreover, while NASA found no infringement on its part, the decision to conduct a formal review may be to the inventor's benefit, as it provides him with additional time and the agency's position on the record if he decides to pursue the matter in the courts.

NASA's Administrative Review, While Not Required, Was Conducted in Accordance With Its Procedures

NASA's procedures for administratively reviewing a claim of patent infringement against the agency are set out in an attachment to a September 29, 1987, letter to all NASA installations by the Associate General Counsel for Intellectual Property. According to the Director of the Infringement Division, these requirements were modeled after those established by the Department of Defense (DOD). He said that, like the DOD regulations, NASA's procedures are intended to provide both the claimant and the agency with an alternative to litigation, although the administrative process is not a prerequisite for litigation. The procedures provide for no administrative appeal; if NASA finds no infringement, the claimant's recourse is to sue in federal court.

NASA's procedures set out specific elements for initiating an administrative review. There must be a claim in writing that makes an allegation of infringement, requests compensation, cites the patent that is believed to have been infringed, and designates the item or process that is alleged to have infringed. The claimant also is encouraged to provide information such as identification of procurements that involve the infringing items, detailed descriptions of the infringing items, a list of persons to whom notices of infringement have been sent, and a listing of all government contracts under which the claimant has performed work. When NASA has determined that it will review a claim, its procedures instruct the Office of the Associate General Counsel for Intellectual Property to docket the case and to inform the claimant of this action. The Associate General Counsel then contacts those NASA installations that are primarily concerned with the subject matter of the alleged infringement and instructs them to determine whether an infringement occurred. Ultimately, the Associate General Counsel responds to the claim in writing, setting out specific reasons if the claim is denied. NASA followed these procedures in this case.

The inventor said that, although he asked NASA for an investigation, he never presented an infringement claim to NASA that would have initiated a formal administrative review. Part of his reason for asking for the investigation was that he did not know or have access to much of the information necessary to determine whether an infringement had occurred. He noted, for example, that he had hoped to obtain details on the technology being used in the Mars Pathfinder and TransHab projects.

The Director of the Infringement Division agreed that, although NASA was not required to initiate a formal administrative review, its decision to do so was proper under the circumstances. He noted that the inventor had requested in writing that NASA conduct

an investigation of his complaint. He said that NASA had decided to treat the request for an investigation as an infringement claim because it had no other mechanism to investigate a complaint and wanted to be positive that it had not, even inadvertently, infringed the inventor's patent. The Director said that NASA wanted to give the inventor every benefit of the doubt and that treating the request for an investigation as an infringement claim ensured that the inventor's concerns received a complete review.

Director Had Authority to Conduct the Administrative Review

A related concern raised by the inventor was that the Director of the Infringement Division—who conducted the administrative review of the infringement claim—was the same attorney with whom the inventor had talked on earlier occasions about a possible contract or licensing arrangement with NASA. Thus, he questioned the Director's impartiality in conducting the administrative review.

The Director of the Infringement Division agreed that he had previous contact with the inventor about his patent. However, he said that this was the result of his having two roles within the division. One role is to act as an intermediary for persons who bring patents to NASA seeking licensing arrangements. The other is to conduct administrative reviews on claims brought by persons who believe NASA may have infringed their patents. He noted that the two roles are complementary and have the same objective—to ensure that NASA avoids even the appearance of infringing another's invention. The Director also noted that he is the only attorney assigned to the Infringement Division, which receives no more than two to three patent infringement claims per year.

In his role as intermediary for persons seeking licensing arrangements, the Director noted that he did not make the decision himself on whether to seek a license but rather sought assistance from the NASA units that might use or be interested in the particular technology. When these units expressed no such interest, the Director was the person who relayed this information to the inventor.

The Director said that in his second role, he conducted the administrative review on the inventor's claim. He said that it did not occur to him that someone might question his impartiality, since he is always the attorney who conducts the administrative reviews. He said that there is no special NASA policy or procedure covering a situation in which the Director had previous involvement with a claimant. The Director also noted that his supervisor, the Associate General Counsel for Intellectual Property, reviewed and approved his decision and the written response before it was sent to the inventor.

We pointed out to the Director of the Infringement Division that, even though he appears to have followed established procedures, his dual role involving the inventor's patent does not appear to be in accordance with the guidelines on the separation of duties set out in the *Comptroller General's Standards for Internal Control in the Federal Government*, which provides as follows:

> "Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all aspects of a transaction or event."

Both the Director and the Associate General Counsel for Intellectual Property said that the separation of duties issue had not occurred to them at the time. They noted that this was the first case in their experience in which the Director had handled a potential licensing arrangement and an infringement claim on the same patent. The Associate General Counsel said that, if such a case occurs again, he will assume responsibility for the administrative review.

Administrative Review Appears to Benefit the Inventor

The Director of the Infringement Division said that NASA's decision to treat the request for an investigation as an infringement claim probably worked to the inventor's advantage. Under 35 U.S.C. 286, there is a 6-year statute of limitations on patent infringement by the federal government. However, the statute is suspended, or "tolled," during the administrative review of an infringement claim. Thus, the time taken by NASA to review the inventor's complaint allows him a longer period in which to file a lawsuit and for which to claim damages. Also, NASA's procedures require the agency to inform a claimant in writing of the basis for denying a claim. By issuing a formal response, NASA provided the inventor with its position, which he could then use in preparing a lawsuit.

We discussed with the inventor the Director's position on the need for and potential benefits of the administrative review. The inventor said that while he did not agree with the need for an administrative review, the way the review was conducted, or the review's finding, the process probably works to his advantage in that he has more time to file a lawsuit and has NASA's position on the record.

NASA Used Established Criteria in Reaching Its Decision

In deciding whether it infringed the inventor's patent, NASA applied federal patent law that only the "claims" in a patent can be infringed. After identifying the relevant elements in each of the inventor's two claims, NASA asked its various operating units to determine whether any of the agency's systems—including the Mars Pathfinder landing system and the TransHab—had used technology similar to that protected by the subject patent. On the basis of the feedback from these units, NASA determined that there was no infringement.

NASA Examined the Claims in the Inventor's Patent

Under the provisions of 35 U.S.C. section 112, a specification as part of the application for a patent "shall conclude with one or more claims particularly pointing out and

distinctly claiming the subject matter which the applicant regards as his invention." Thus, a patentee must "claim" his invention by stating his claims in his application.

Typically, each claim in a patent application consists of several elements. Those claims PTO approves become a part of the patent that is issued. In turn, infringement of a patent is established by showing that an accused, or allegedly infringing, device or process matches or infringes a claim. For this purpose, each element of a claim is deemed to be necessary to the patentee's statement of his or her claim, and each element or its equivalent must exist in the accused device or process for infringement to be proved.[2]

NASA applied these rules in conducting its administrative review. According to the Director of the Infringement Division, his first step in determining whether an infringement occurred was to identify the precise elements actually "claimed" in the patent. He noted that the inventor's patent included only two claims, the first of which is stated as follows:

> "An inflatable air bag for lighter-than-air type vehicles, having a flame resistant liner, said air bag being provided with an interior heating element and a lighter-than-air gas in intimate contact with said heating element, said air bag also including sealed tubular portions communicating with the exterior and passing through opposite ends of said air bag for receiving external structural mounting support thereat."

The inventor's second claim is for a "combination" and is stated as follows:

> "An elongate vehicle including, in combination: a framework provided a door and a forwardly facing window; a series of inflatable lift bags secured to and about said framework, said lift bags containing a lighter-than-air gas and being individually provided with respective interior heating element means for variably heating and thereby variably expanding said gas within each of said lift bags; means for heating said heating elements coupled thereto; propulsion structure coupled to and disposed outside of said framework; and means mounted to and within said framework for supplying power to said propulsion structure, and wherein said air bags are each provided with integral tubes communicating with the exterior at opposite ends of said air bags, said air bags being mounted to said framework by portions of said framework passing through said tubes."

The Director said that these two claims provide few exclusive rights to the inventor, as they give him rights only against inventions that include those specific combinations of elements identified in the claims. For example, the fact that the inventor identifies items such as inflatable air bags or flame-resistant liners – items covered by earlier patents or in the public domain – does not mean that his patent protects inflatable air bags or

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[2] *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U.S. 17 (1997).

flame-resistant liners. The patent only protects the completely described structures claimed, of which inflatable air bags with flame resistant liners are but components.

To more fully understand the nature of the inventor's complaint, the Director also obtained PTO's examination, or "prosecution," history for the patent. He found that, originally, the patent application had included 14 claims. However, PTO questioned the patentability of all but two of these because they were not unique or would be obvious to someone skilled in the particular field of technology. The inventor then amended his application, leaving only the two claims that eventually were approved by PTO and appear in the issued patent.

NASA Found No Evidence of Infringement

After determining the specific elements covered by the claims in the inventor's patent, the Director of the Infringement Division, by memorandum dated November 3, 1999, contacted all NASA operating units that might be aware of any NASA technologies that were similar to the inventor's two claims. He asked them to conduct an investigation to determine "whether or not you believe that his alleged claim for patent infringement is valid...." He also asked them specifically to analyze whether any of the technologies so identified were involved in either the Mars Pathfinder landing system or the TransHab project. He advised them that the inventor had earlier submitted the patent to NASA and offered to license it to the agency.

The Director said that none of the NASA units identified any technologies or uses consistent with the claims in the inventor's patent. He concluded that, because there were no devices that matched the claims, there was no infringement. He discussed his reasoning in NASA's response to the inventor and, in addition, set out the specific differences between the claims in the inventor's patent and the technology used in the Mars Pathfinder landing system and the TransHab project. The Director said that his February 7, 2000, response to the inventor ended NASA's administrative review of the inventor's complaint. He said that if the inventor is still not satisfied, his only remaining avenue for relief is through the federal courts.

As stated, we do not take a position on whether NASA's conclusion is correct. Under 28 U.S.C. section 1498, the inventor's recourse is to file a claim with the U. S. Court of Federal Claims if he is not satisfied with the agency's decision.

Agency Comments

We provided a draft of this report to NASA for its review and comment. NASA concurred with the report's findings. NASA reiterated that, in the future, the Associate General Counsel for Intellectual Property would have responsibility for administrative reviews of patent infringement claims in those cases where the Director of the Infringement Division was involved in licensing discussions on the same patent. (See enc. I for NASA's comments.)

Scope and Methodology

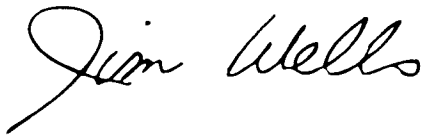
To meet our objectives, we met with and examined records provided by the inventor, the Director of NASA's Infringement Division, and NASA's Associate General Counsel for Intellectual Property. We also obtained data from PTO's patent records. In addition, we reviewed NASA's procedures and relevant federal statutes, regulations, and case law related to patent examination and patent infringement.

We conducted our work from April through July 2000 in accordance with generally accepted government auditing standards.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 7 days after the date of this letter. At that time, we will provide copies to the appropriate congressional committees; interested Members of Congress; the Honorable Daniel S. Goldin, Administrator, National Aeronautics and Space Administration; and the Honorable Jacob J. Lew, Director, Office of Management and Budget. We will also provide copies to others upon request.

If you have any questions about this report, please contact Derek Stewart, Acting Associate Director, or me at (202) 512-3841. Other key contributors to this report were Frankie Fulton, John Hunt, Bert Japikse, and Deborah Ortega.

Sincerely yours,



Jim Wells
Director, Energy, Resources,
and Science Issues

Enclosure

Enclosure

Comments From the National Aeronautics and Space Administration

National Aeronautics and
Space Administration
Office of the Administrator
Washington, DC 20546-0001

Mr. Derek B. Stewart
Acting Associate Director, Energy,
Resources, and Science Issues
Resources, Community, and
Economic Development Division
United States General Accounting Office
Washington, DC 20548

AUG 3 2000

Dear Mr. Stewart:

NASA appreciates the opportunity to comment on your draft report entitled "NASA's Administrative Review of a Patent Infringement Claim (GAO/RCED-00-240R)" that was prepared for Senator Robert F. Bennett.

NASA would like to thank the General Accounting Office for the professional manner in which this investigation was conducted by your staff. The only clarifying comment that NASA would like to make is that while the same attorney conducted evaluations of both the license proffer and the administrative claim, the administrative claim was reviewed by and concurred by the attorney's supervisor, the Associate General Counsel (Intellectual Property). While the supervisor did not sign the claim evaluation letter after his concurrence, his signature was not required by then current procedures. In the future, the Associate General Counsel (Intellectual Property) will assume responsibility and sign similar evaluation letters sent to claimants after his review and concurrence.

NASA has no other issues with the report. Thank you for your assistance in bringing this matter to our attention.

Sincerely,

Daniel R. Mulville

Daniel R. Mulville
Associate Deputy Administrator

(141436)

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SUBPART 227.70–INFRINGEMENT CLAIMS, LICENSES, AND ASSIGNMENTS

(Revised September 21, 1999)

227.7000 Scope.
This subpart prescribes policy, procedures, and instructions for use of clauses with respect to processing licenses, assignments, and infringement claims.

227.7001 Policy.
Whenever a claim of infringement of privately owned rights in patented inventions or copyrighted works is asserted against any Department or Agency of the Department of Defense, all necessary steps shall be taken to investigate, and to settle administratively, deny, or otherwise dispose of such claim prior to suit against the United States. This subpart 227.70 does not apply to licenses or assignments acquired by the Department of Defense under the Patent Rights clauses.

227.7002 Statutes pertaining to administrative claims of infringement.
Statutes pertaining to administrative claims of infringement in the Department of Defense include the following: the Foreign Assistance Act of 1961, 22 U.S.C. 2356 (formerly the Mutual Security Acts of 1951 and 1954); the Invention Secrecy Act, 35 U.S.C. 181-188; 10 U.S.C. 2386; 28 U.S.C. 1498; and 35 U.S.C. 286.

227.7003 Claims for copyright infringement.
The procedures set forth herein will be followed, where applicable, in copyright infringement claims.

227.7004 Requirements for filing an administrative claim for patent infringement.

(a) A patent infringement claim for compensation, asserted against the United States under any of the applicable statutes cited in 227.7002, must be actually communicated to and received by a Department, agency, organization, office, or field establishment within the Department of Defense. Claims must be in writing and should include the following:

(1) An allegation of infringement;

(2) A request for compensation, either expressed or implied;

(3) A citation of the patent or patents alleged to be infringed;

(4) A sufficient designation of the alleged infringing item or process to permit identification, giving the military or commercial designation, if known, to the claimant;

(5) A designation of at least one claim of each patent alleged to be infringed; or

(6) As an alternative to (a)(4) and (5) of this section, a declaration that the claimant has made a bona fide attempt to determine the item or process which is

alleged to infringe, but was unable to do so, giving reasons, and stating a reasonable basis for his belief that his patent or patents are being infringed.

(b) In addition to the information listed in (a) above, the following material and information is generally necessary in the course of processing a claim of patent infringement. Claimants are encouraged to furnish this information at the time of filing a claim to permit the most expeditious processing and settlement of the claim.

(1) A copy of the asserted patent(s) and identification of all claims of the patent alleged to be infringed.

(2) Identification of all procurements known to claimant which involve the alleged infringing item or process, including the identity of the vendor or contractor and the Government procuring activity.

(3) A detailed identification of the accused article or process, particularly where the article or process relates to a component or subcomponent of the item procured, an element by element comparison of the representative claims with the accused article or process. If available, this identification should include documentation and drawings to illustrate the accused article or process in suitable detail to enable verification of the infringement comparison.

(4) Names and addresses of all past and present licenses under the patent(s), and copies of all license agreements and releases involving the patent(s).

(5) A brief description of all litigation in which the patent(s) has been or is now involved, and the present status thereof.

(6) A list of all persons to whom notices of infringement have been sent, including all departments and agencies of the Government, and a statement of the ultimate disposition of each.

(7) A description of Government employment or military service, if any, by the inventor and/or patent owner.

(8) A list of all Government contracts under which the inventor, patent owner, or anyone in privity with him performed work relating to the patented subject matter.

(9) Evidence of title to the patent(s) alleged to be infringed or other right to make the claim.

(10) A copy of the Patent Office file of each patent if available to claimant.

(11) Pertinent prior art known to claimant, not contained in the Patent Office file, particularly publications and foreign art.

In addition in the foregoing, if claimant can provide a statement that the investigation may be limited to the specifically identified accused articles or processes, or to a specific procurement, it may materially expedite determination of the claim.

(c) Any Department receiving an allegation of patent infringement which meets the requirements of this paragraph shall acknowledge the same and supply the other Departments which may have an interest therein with a copy of such communication and the acknowledgement thereof.

(1) For the Department of the Army--Chief, Patents, Copyrights, and Trademarks Division, U.S. Army Legal Services Agency;

(2) For the Department of the Navy--The Patent Counsel for Navy, Office of Naval Research;

(3) For the Department of the Air Force--Chief, Patents Division, Office of The Judge Advocate General;

(4) For the Defense Logistics Agency--The Office of Counsel; for the National Security Agency, the General Counsel;

(5) For the Defense Information Systems Agency--The Counsel;

(6) For the Defense Threat Reduction Agency--The General Counsel; and

(7) For the National Imagery and Mapping Agency--The Counsel.

(d) If a communication alleging patent infringement is received which does not meet the requirements set forth in paragraph (c) of this section, the sender shall be advised in writing—

(1) That his claim for infringement has not been satisfactorily presented, and

(2) Of the elements considered necessary to establish a claim.

(e) A communication making a proffer of a license in which no infringement is alleged shall not be considered as a claim for infringement.

227.7005 Indirect notice of patent infringement claims.

(a) A communication by a patent owner to a Department of Defense contractor alleging that the contractor has committed acts of infringement in performance of a Government contract shall not be considered a claim within the meaning of 227.7004 until it meets the requirements specified therein.

(b) Any Department receiving an allegation of patent infringement which meets the requirements of 227.7004 shall acknowledge the same and supply the other Departments (see 227.7004(c)) which may have an interest therein with a copy of such communication and the acknowledgement thereof.

(c) If a communication covering an infringement claim or notice which does not meet the requirements of 227.7004(a) is received from a contractor, the patent owner shall be advised in writing as covered by the instructions of 227.7004(d).

227.7006 Investigation and administrative disposition of claims.

An investigation and administrative determination (denial or settlement) of each claim shall be made in accordance with instructions and procedures established by each Department, subject to the following:

(a) When the procurement responsibility for the alleged infringing item or process is assigned to a single Department or only one Department is the purchaser of the alleged infringing item or process, and the funds of that Department only are to be charged in the settlement of the claim, that Department shall have the sole responsibility for the investigation and administrative determination of the claim and for the execution of any agreement in settlement of the claim. Where, however, funds of another Department are to be charged, in whole or in part, the approval of such Department shall be obtained as required by 208.7002. Any agreement in settlement of the claim, approved pursuant to 208.7002 shall be executed by each of the Departments concerned.

(b) When two or more Departments are the respective purchasers of alleged infringing items or processes and the funds of those Departments are to be charged in the settlement of the claim, the investigation and administrative determination shall be the responsibility of the Department having the predominant financial interest in the claim or of the Department or Departments as jointly agreed upon by the Departments concerned. The Department responsible for negotiation shall, throughout the negotiation, coordinate with the other Departments concerned and keep them advised of the status of the negotiation. Any agreement in the settlement of the claim shall be executed by each Department concerned.

227.7007 Notification and disclosure to claimants.
When a claim is denied, the Department responsible for the administrative determination of the claim shall so notify the claimant or his authorized representative and provide the claimant a reasonable rationale of the basis for denying the claim. Disclosure of information or the rationale referred to above shall be subject to applicable statutes, regulations, and directives pertaining to security, access to official records, and the rights of others.

227.7008 Settlement of indemnified claims.
Settlement of claims involving payment for past infringement shall not be made without the consent of, and equitable contribution by, each indemnifying contractor involved, unless such settlement is determined to be in the best interests of the Government and is coordinated with the Department of Justice with a view to preserving any rights of the Government against the contractors involved. If consent of and equitable contribution by the contractors are obtained, the settlement need not be coordinated with the Department of Justice.

227.7009 Patent releases, license agreements, and assignments.
This section contains clauses for use in patent release and settlement agreements, license agreements, and assignments, executed by the Government, under which the Government acquires rights. Minor modifications of language (e.g., pluralization of "Secretary" or "Contracting Officer") in multidepartmental agreements may be made if necessary.

227.7009-1 Required clauses.

(a) Covenant Against Contingent Fees. Insert the clause at FAR 52.203-5.

(b) Gratuities. Insert the clause at FAR 52.203-3.

(c) Assignment of Claims. Insert the clause at FAR 52.232-23.

(d) Disputes. Pursuant to FAR Subpart 33.2, insert the clause at FAR 52.233-1.

(e) Non-Estoppel. Insert the clause at 252.227-7000.

227.7009-2 Clauses to be used when applicable.

(a) *Release of past infringement.* The clause at 252.227-7001, Release of Past Infringement, is an example which may be modified or omitted as appropriate for particular circumstances, but only upon the advice of cognizant patent or legal counsel. (See footnotes at end of clause.)

(b) *Readjustment of payments.* The clause at 252.227-7002, Readjustment of Payments, shall be inserted in contracts providing for payment of a running royalty.

(c) *Termination.* The clause at 252.227-7003, Termination, is an example for use in contracts providing for the payment of a running royalty. This clause may be modified or omitted as appropriate for particular circumstances, but only upon the advice of cognizant patent or legal counsel (see 227.7004(c)).

227.7009-3 Additional clauses—contracts except running royalty contracts.
The following clauses are examples for use in patent release and settlement agreements, and license agreements not providing for payment by the Government of a running royalty.

(a) License Grant. Insert the clause at 252.227-7004.

(b) License Term. Insert one of the clauses at 252.227-7005 Alternate I or Alternate II, as appropriate.

227.7009-4 Additional clauses—contracts providing for payment of a running royalty.
The clauses set forth below are examples which may be used in patent release and settlement agreements, and license agreements, when it is desired to cover the subject matter thereof and the contract provides for payment of a running royalty.

(a) *License grant--running royalty.* No Department shall be obligated to pay royalties unless the contract is signed on behalf of such Department. Accordingly, the License Grant clause at 252.227-7006 should be limited to the practice of the invention by or for the signatory Department or Departments.

(b) *License term—running royalty.* The clause at 252.227-7007 is a sample form for expressing the license term.

(c) *Computation of royalties.* The clause at 252.227-7008 providing for the computation of royalties, may be of varying scope depending upon the nature of the royalty bearing article, the volume of procurement, and the type of contract pursuant to which the procurement is to be accomplished.

(d) *Reporting and payment of royalties.*

(1) The contract should contain a provision specifying the office designated within the specific Department involved to make any necessary reports to the contractor of the extent of use of the licensed subject matter by the entire Department, and such office shall be charged with the responsibility of obtaining from all procuring offices of that Department the information necessary to make the required reports and corresponding vouchers necessary to make the required payments. The clause at 252.227-7009 is a sample for expressing reporting and payment of royalties requirements.

(2) Where more than one Department or Government Agency is licensed and there is a ceiling on the royalties payable in any reporting period, the licensing Departments or Agencies shall coordinate with respect to the pro rata share of royalties to be paid by each.

(e) *License to other government agencies.* When it is intended that a license on the same terms and conditions be available to other departments and agencies of the Government, the clause at 252.227-7010 is an example which may be used.

227.7010 Assignments.

(a) The clause at 252.227-7011 is an example which may be used in contracts of assignment of patent rights to the Government.

(b) To facilitate proof of contracts of assignments, the acknowledgement of the contractor should be executed before a notary public or other officer authorized to administer oaths (35 U.S.C. 261).

227.7011 Procurement of rights in inventions, patents, and copyrights.
Even though no infringement has occurred or been alleged, it is the policy of the Department of Defense to procure rights under patents, patent applications, and copyrights whenever it is in the Government's interest to do so and the desired rights can be obtained at a fair price. The required and suggested clauses at 252.227-7004 and 252.227-7010 shall be required and suggested clauses, respectively, for license agreements and assignments made under this paragraph. The instructions at 227.7009-3 and 227.7010 concerning the applicability and use of those clauses shall be followed insofar as they are pertinent.

227.7012 Contract format.
The format at 252.227-7012 appropriately modified where necessary, may be used for contracts of release, license, or assignment.

227.7013 Recordation.
Executive Order No. 9424 of 18 February 1944 requires all executive Departments and agencies of the Government to forward through appropriate channels to the Commissioner of Patents and Trademarks, for recording, all Government interests in patents or applications for patents.