



1968

Patents, Technical Data and International Defense Agreements

Harry M. Saragovitz

James A. Dobkin

Follow this and additional works at: <https://digitalcommons.law.villanova.edu/vlr>



Part of the [Commercial Law Commons](#), [Conflict of Laws Commons](#), and the [Contracts Commons](#)

Recommended Citation

Harry M. Saragovitz & James A. Dobkin, *Patents, Technical Data and International Defense Agreements*, 13 Vill. L. Rev. 457 (1968).

Available at: <https://digitalcommons.law.villanova.edu/vlr/vol13/iss3/1>

This Article is brought to you for free and open access by Villanova University Charles Widger School of Law Digital Repository. It has been accepted for inclusion in Villanova Law Review by an authorized editor of Villanova University Charles Widger School of Law Digital Repository.

Villanova Law Review

VOLUME 13

SPRING 1968

NUMBER 3

PATENTS, TECHNICAL DATA AND INTERNATIONAL DEFENSE AGREEMENTS

HARRY M. SARAGOVITZ†

JAMES A. DOBKIN††

I. INTRODUCTION

THE HISTORY OF INTERNATIONAL COOPERATION in fields of intellectual endeavor closely parallels the evolution of mutual aid and assistance programs relating to more tangible forms of property.¹ Under the authority of the Lend-Lease program² during the Second World War, there was an active exchange of rights in patents and technical information among the Allies. Immediately following the war, the United States, through foreign aid programs such as the Marshall Plan,³ helped to put the nations of Western Europe back on their feet. During the following decade, however, it became increasingly apparent that such unilateral aid was no longer feasible or necessary. Nevertheless, it seemed clear that it was in the interest of the United States, as well as of our Allies that all the nations reach and maintain a high level of competence in many fields of science and technology, especially those pertaining to military preparedness. Toward that end, the United States established the Mutual Security⁴ and the Military Assistance Programs.⁵ The latter program

† Assistant General Counsel, Office of the General Counsel (Patents), Headquarters, United States Army Materiel Command. B.S. in M.E., Drexel Institute of Technology, 1933; LL.B., Washington College of Law (American University), 1940. Member of the District of Columbia Bar.

†† Captain, United States Army, Office of the General Counsel (Patents), Headquarters, United States Army Materiel Command. B.Ch.E. (Nuclear), Polytechnic Institute of Brooklyn, 1961; LL.B., New York University, 1964; LL.M., Georgetown University, 1968. Member of the New York Bar.

The opinions expressed in this Article are those of the authors and do not necessarily reflect the views of any other person or the Department of Defense.

1. For a thorough discussion of the historical aspects of this problem see STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, 85th Cong., 2d Sess., EXCHANGE OF PATENT RIGHTS AND TECHNICAL INFORMATION UNDER MUTUAL AID PROGRAMS (Comm. Print 1958).

2. An Act to Promote the Defense of the United States, ch. 11, §§ 2-10, 55 Stat. 31 (1941).

3. Economic Cooperation Act of 1948, ch. 169, 62 Stat. 137. See Surrey, *The Economic Cooperation Act of 1948*, 36 CALIF. L. REV. 509 (1948).

4. Foreign Assistance Act of 1961, 22 U.S.C. §§ 2151-407 (1964).

5. The Military Assistance Program is specifically authorized by 22 U.S.C. § 2311 (1964).

introduced the concept of standardization of equipment, so that implements of war would be interchangeable among the participating nations. Consequently, an untrammelled flow of patent rights, technical data and know-how relating to production processes and techniques, became vital. Therefore, pursuant to the authority granted under the Mutual Security Program, the United States entered into a number of international bilateral agreements providing for the interchange of patent rights under certain circumstances and for a division of responsibility for the unauthorized use or disclosure of privately owned technical information.⁶ While all of these bilateral agreements are intended for ostensibly the same purpose, the language used varies considerably. The purposes of this Article are to examine these agreements in detail and to define their legal and practical impact on the participating governments and on private individuals whose property may be affected by their provisions.

II. PATENT AND DATA INTERCHANGE AGREEMENTS

A. General Functions and Purposes

An "Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes" generally has three stated purposes — to implement a prior mutual defense agreement between the contracting nations, to assist in the production of equipment and materials for defense, and to recognize and protect the rights of private owners of patents and technical information.⁷ It is the last purpose which would seem to be the *raison d'être* of the interchange agreements, for the mutual defense agreement from which the interchange gains its authority, prescribes a subsequent arrangement, to be negotiated at the request of either party, to fix responsibility for private claims of patent infringement or misuse of technical information occur-

6. The bilateral agreements were patterned after an early agreement between the United States and Great Britain. See Interchange of Patent Rights, Information, Inventions, Designs or Processes, Aug. 24, 1942, 56 Stat. 1594 (1942), E.A.S. No. 268.

Usually, the interchange agreements implement a broader defense agreement between the two governments. See, e.g., Mutual Defense Assistance Agreement with France, Jan. 27, 1950, art. IV, [1950] 1 U.S.T. 34, T.I.A.S. No. 2012. These agreements provide, that upon the request of either contracting party, arrangements will be negotiated to fix responsibility for private claims of patent infringement or misuse of technical information occurring as a result of the agreement. It is further prescribed that in such negotiations consideration should be given to each government's assumption of responsibility for all such claims arising in its jurisdiction. See generally Pasley & TeSelle, *Patent Rights and Technical Information in the Military Assistance Program*, 29 LAW & CONTEMP. PROB. 566 (1964).

7. See, e.g., Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Greece, June 16, 1955, [1955] 6 U.S.T. 2173, T.I.A.S. No. 3286; with Norway, April 6, 1955, [1955] 6 U.S.T. 799, T.I.A.S. No. 3226; with Belgium, Oct. 12, 1954, [1954] 5 U.S.T. 2318, T.I.A.S. No. 3093. [Agreements once cited will hereinafter be referred to by country only].

ring as a result of the defense agreements.⁸ The more general mutual defense agreement usually presents a guideline for this negotiation: each government should assume responsibility for all such claims arising within its own jurisdiction. As will become apparent, the interchange agreements fulfill their primary purpose only with respect to technical information since there is no definition of responsibility for patent infringement in any of the agreements. On the other hand, the interchange agreements establish a flow only of patent rights, and not of technical information. This is one reason why the interchange agreement is sometimes supplemented by a formal data exchange agreement which sets out the mechanics necessary to effect the exchange of technical information, the appropriate security measures to be followed, and, by way of appendices, the technological areas in which data is to be exchanged.⁹

This apparent disparity between the stated purposes and the actual effect of the interchange agreement reflects the pragmatic differences between patents and technical data. A patent, by definition, discloses to the public the subject matter for which the inventor has been granted a monopoly.¹⁰ Therefore, the invention covered by the patent may be practiced by any member of the public who cares to pay for a copy of the instrument and is able to negotiate a licensing agreement with the patent holder. Since the patent documents themselves are accessible to the public, the terms for transferring this information to a foreign government can be easily incorporated into the basic interchange agreement. Technical information, however, is generally unknown to the public.¹¹ Therefore, the effectuation of the actual exchange of this information must be provided for in a more detailed manner. A formal data exchange agreement is utilized in order to accommodate the terms of exchange to the individual exigencies occasioned by the parties and the technology involved in the particular interchange.

The following analysis of interchange agreements will consider the pertinent provisions in the order that they appear in the agreements.

8. See note 6 *supra*.

9. The texts of data exchange agreements are classified, and therefore unavailable for purposes of this discussion.

10. See 35 U.S.C. § 112 (1964).

11. See generally R. ELLIS, *TRADE SECRETS* (1953).

B. General Provisions

1. Utilization of Commercial Relationships

Usually, the first substantive article of the interchange agreement relates to the role of the private sector.¹² It is this clause which is of greatest significance to domestic contractors, for it obligates the contracting governments to utilize existing commercial relationships or to encourage the creation of such relationships wherever possible in order to foster the flow of patent rights and information. In effect, the article negates any implication of a duty on the part of the contracting governments to expropriate private rights.¹³ Moreover, an area of private enterprise is encouraged, namely, the traffic in patent rights and information between domestic concerns and foreign governments or their chosen contractors. A significant side effect of this practice is to relieve the Department of Defense of a great administrative burden.¹⁴

A proviso to the first article subjects any arrangements involving private parties to the applicable laws of the participating governments. Presumably, the proviso is addressed to the antitrust laws as well as to the law of contracts and others. With regard to the former, however, it is interesting to note that while cartels, consortia, and other international business combinations have been held violative of the Sherman Act,¹⁵ such joint enterprises are condoned by our Government if they represent an efficient means of effectuating an international agreement. For example, an agreement between an American corporation and an organization representing several European corporations was the result of a recent cooperative production effort. Further, such arrangements might provide for division-of-markets, patent cross-licensing and pooling, and data exchange. Absent the foreign policy considerations, such practices would be, at best, of questionable legality.¹⁶

2. Data Provisions of the Interchange Agreements

a. *Transfer of Information for Evaluation* — The second article of the typical interchange agreement is addressed to the duties arising

12. See, e.g., Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Australia, Jan. 24, 1958, art. I, [1958] 9 U.S.T. 5, T.I.A.S. No. 3974.

13. For an example of an eminent domain statute in the intellectual property field see 28 U.S.C. § 1498 (1964).

14. It has been found that the private sector has taken the initiative in developing the necessary commercial relationships. In that respect at least, the interchange agreements have been successful. Westerman, *International Exchange of Patent Rights and Technical Information for Defense Purposes*, 21 FED. B.J. 152, 155 (1961).

15. 15 U.S.C. §§ 1-7 (1964).

16. See *United States v. National Lead Co.*, 63 F. Supp. 513 (S.D.N.Y. 1945).

when information is furnished by one government to the other for evaluation purposes only.¹⁷ In such cases, the recipient government is obligated to keep the information in confidence and to use its best efforts to insure that nothing will be done to prejudice the owner's right to obtain "patent or other like statutory protection therefor."¹⁸ However, the obligation attaches only if the information itself is appropriately marked with a restrictive legend¹⁹ at the time of transfer.

It is not clear from the language of the article whether the term "owner" is limited to private owners, or is intended to cover the contracting governments as well. A substantial argument can be made for the inclusion of the contracting governments within the scope of the term, since, at least in the case of the United States, the Government can obtain patents, and therefore it has a similar interest in the protection of information in which it has a proprietary claim. Moreover, nothing in the interchange agreements obligates the parties to forward to each other all pertinent data for full utilization and disclosure, nor is there created an automatic license in one government to use all such data controlled by the other government. Is it unreasonable to suppose a situation where one of the parties, in the course of negotiating a subsequent data exchange agreement in a specific field of technology, requests to see, for purposes of evaluation only, data pertaining to that field which is owned or controlled by the other government? Nevertheless, the more common application of this article would seem to be in those cases where the transferring government possesses the data with restrictions, or, in the parlance of the Armed Services Procurement Regulation (ASPR), with "limited rights."²⁰ An example of how this could arise is where a domestic contractor undertakes a research and development effort funded by the Government. The data subsequently provided under the contract might include information which relates to items developed at the contractor's private expense. This is commonly known as "background data" and absent contractual requirements to the contrary, would be given to the Government, appropriately marked, with limited rights. Such limited-rights data could be disclosed for evaluation

17. See, e.g., Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Great Britain, Jan. 19, 1953, art. II, [1953] 4 U.S.T. 150, T.I.A.S. No. 2773. The agreement with Australia does not require that the transfer be for evaluation only, but stipulates that all transfers shall be treated as such.

18. *Id.*

19. A restrictive legend will generally manifest the proprietary nature of the information on which it is applied, a prohibition against use or disclosure, and the intention to enforce the owner's rights under law against anyone who violates the prohibition. See Armed Services Procurements Regs., 32 C.F.R. § 9.202-3 (1967) [hereinafter cited as ASPR].

20. See ASPR, 32 C.F.R. § 9.201(b) (1967).

purposes to foreign governments; however, beyond that, very little use could be made of it.²¹

Nevertheless, even if information is exchanged on a limited-rights basis, the owner's ability to obtain patent protection for inventions embodied in the technical data can be endangered in several ways. Under the patent laws of the United States and many other countries, a publication describing the invention or the public use of the invention for a stipulated time prior to filing an application for a patent creates a statutory bar to issuance of the patent.²² Of course, if the inventor is aware of the publication or use, he may make application prior to the lapse of the statutory period. However, it might be difficult to discover an unauthorized publication or use in a foreign country in time to file without prejudice.

Article II imposes a duty on recipient governments not to do anything that will prejudice the owner's right to "patent or other like statutory protection." However, this is somewhat confusing. While there is statutory protection similar to patent protection available for rights in technical data in some foreign countries, United States law contains no such concept. Copyright protection, which is statutory in nature, is inappropriate in most cases for technical data. Generally, in the United States, such technical information is protected under common law principles applicable to trade secrets.²³ And, although disclosure could destroy the possibility of trade secret coverage, the language of the article seems to ignore this nonstatutory form of protection and the irreparable damage which occurs when a party is deprived of this protection by unauthorized disclosure. It would therefore seem wise to change the article to prohibit any acts by the recipient government which would prejudice the data owner's right to obtain "patent or other protection" for his property.

b. Responsibility for the Use or Disclosure of Information — Article IV is the next clause of relevance to the immediate discussion.²⁴ It is the principal data provision of the interchange agreement and defines the respective responsibilities of the parties for the use or

21. See *id.*; Hinrichs, *Proprietary Data and Trade Secrets Under Department of Defense Contracts*, 36 MILITARY L. REV. 61 (1967).

22. See 35 U.S.C. § 102(b) (1964).

23. See *Bickley v. Frutchey Bean Co.*, 173 F. Supp. 516 (E.D. Mich. 1959), *aff'd*, 279 F.2d 685 (6th Cir. 1960). See generally R. ELLIS, *supra* note 11.

24. Article III generally prescribes the mutual obligations of the contracting parties to preserve the secrecy of patent applications pending in either country. See, e.g., Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with the Netherlands, April 29, 1955, art. III, [1955] 6 U.S.T. 2187, T.I.A.S. No. 3287.

disclosure of privately owned technical information.²⁵ Thus the clause supplements Article II. Often divided into two parts, the first portion deals with information passed from the owner to his government and then to the other contracting government. Although few interchange agreements so state, the government-to-government transfer is, presumably, for evaluation or information purposes only. If the recipient government uses or discloses the information without the owner's consent, the article assumes that the owner will be compensated by his own government, but it also prescribes that such payment shall not prejudice any arrangement that the contracting governments might establish respecting liability for the unauthorized acts. It is interesting to note that the United States-France²⁶ agreement qualifies this provision by explicitly placing the responsibility for payment on the recipient government, while the United States-Great Britain agreement prescribes, rather than assumes, payment by the owner's government.

The second part of Article IV discusses the transfer of technical information by a national of one contracting government to the other government at the latter's request (the British agreement covers requests by either government). In this case, if there is disclosure or use of the information (the British and French agreements speak in terms of unauthorized disclosure or use), whether or not for defense purposes, the recipient government is obligated, in accordance with its applicable laws and upon the request of the owner, to provide the owner with prompt, just, and effective compensation (the British and French agreements also prescribe damages). Therefore, in most instances, a contractor's ability to recover must rest on the law of the nation to which he has transferred his information.

An interesting deviation from the standard Article IV is presented by the United States-Italy²⁷ agreement. There, an omnibus clause is utilized which specifies that the use or provision (giving the information to someone outside the government for his use), presumably without the consent of the owner, of privately owned technical information or patent rights in connection with defense production entitles the owner to prompt, just, and effective compensation and the opportunity to protect and preserve his rights. However, if the use or

25. See, e.g., Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Japan, March 22, 1956, art. IV, [1956] 7 U.S.T. 1021, T.I.A.S. No. 3585.

26. Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with France, March 12, 1957, art. IV, [1957] 8 U.S.T. 353, T.I.A.S. No. 3782.

27. The subject provisions are found in Article I of the Italian agreement. Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Italy, Oct. 3, 1952, art. I, [1961] 12 U.S.T. 189, T.I.A.S.

provision is for other than defense purposes, the owner must receive "due compensation." It is not clear whether the "due compensation" for nondefense use is intended to exceed the normal compensation for defense use. Nor is mention made in the Italian article of a division or fixing of responsibility for use or provision of either type. The implication would seem to be that the using government is ultimately responsible.

It is difficult to understand the reason for the distinction in the Italian clause between defense and other uses of data. Disclosure or use of information without the owner's consent is detrimental to his interest regardless of the use to which the data is put. As far as the data owner is concerned, once the information is placed in the public domain it matters little what motivated the disclosure.²⁸ The only distinction between defense and other uses is that when data intended for defense purposes is used in some other way, there is a breach of the interchange agreement. Therefore, the other contracting government is the one damaged by such acts.

To clarify the language and intent of the standard Article IV, an exchange of letters generally takes place between representatives of the contracting governments. The letters recognize that either government might incur liability under its respective laws for the unauthorized acts of the other, and that, in such cases, there should be adequate provision under the laws of the two countries for the responsible one to assume ultimate liability.²⁹ Further, nothing in the agreement or letters is to be regarded as abandoning the principle of the second facet of the Article that it is the recipient government that accepts such liability for its own unauthorized use or disclosure of proprietary information.

c. Legal Remedies for Data Misuse — The Interchange Agreements only govern the relationships of the contracting parties and do not operate to create causes of action for third party contractors. Therefore, the domestic law of each country determines the rights of aggrieved contractors. Several situations may arise in which contractors will sue in American forums and be subject to our domestic

28. See *Reynolds Metals Co. v. Skinner*, 166 F.2d 66 (6th Cir. 1948); *Smoley v. New Jersey Zinc Co.*, 24 F. Supp. 294 (D.N.J. 1938), *aff'd*, 106 F.2d 314 (3d Cir. 1939).

29. See, e.g., Letter from Thomas C. Mann, Assistant Secretary of State, to Sir Percy Spender, Ambassador of Australia, Jan. 24, 1958, and Reply of same date.

For the DOD Directive on the interchange of proprietary rights see DOD Directive No. 2000.3, 32 C.F.R. § 264 (1961), *as amended*, §§ 264.3(a), (b) (2) (1967). See also Pasley & TeSelle, *supra* note 6, at 573-75. For a discussion of whether the United States meets its treaty obligations to provide a remedy see

law. Two possible classes of litigants may endeavor to sue the United States for the unauthorized use or disclosure of technical information pursuant to a mutual security program. Initially, if an American contractor's information has been disclosed by a foreign government after the United States has transferred it, the contractor will normally seek recourse against the United States. Also American contractors may press claims against the United States if a direct, unauthorized disclosure has been made by the United States to another contractor or government. The second class of litigants is comprised of those foreign contractors who, pursuant to a request by the United States, transfer information to the United States. If unauthorized disclosure occurs, the law of the United States is controlling under the second part of Article IV.

Section 606 of the Foreign Assistance Act of 1961³⁰ presently defines the extent of any private party's right to prosecute a claim for data misuse against the United States Government. There are four requirements which must be satisfied before a suit can be successful under section 606. First, the information allegedly misused must be "protected by law." Second, the information must be held by the United States Government "subject to restrictions imposed by the owner." Third, the information must be disclosed by the United States Government "in violation of such restrictions." Fourth, the disclosure must be "in connection with the furnishing of assistance" under the Foreign Assistance Act. If these requirements are fulfilled, the owner may seek an exclusive remedy against the Government for "reasonable and entire compensation." The inability to qualify under section 606, however, may leave the contractor remediless because of the doctrine of sovereign immunity.

The section affords only partial protection to the owner. It does not cover unauthorized use or disclosure by a foreign government after transfer to that government by the United States. As already indicated, Article IV assumes that the contractor's own government will compensate him in this situation. However, since section 606 is not applicable, the contractor will be unable to sue the United States, and, therefore, for practical purposes he must sue in the foreign forum. A foreign owner of data would also attempt to utilize section 606 to redress unauthorized disclosure by the United States of information directly transferred to the United States, or in an instance where the contractor's government transferred the information to the United States and the remedies available in the contractor's national forum

are inadequate. Two problems arise in this regard. First, does the receipt of information by the United States from a foreign government or contractor come within the wording "in connection with the furnishing of assistance" under the Act? It would seem that it should. Presumably the receipt of such data would be for consideration flowing to the foreign entity. And, if the agreement embodying that exchange of consideration finds its authorization in the Foreign Assistance Act, the receipt and disclosure of the data would be in connection with the furnishing of assistance. A second problem occurs when there is an unauthorized use of data by the United States Government without a concomitant disclosure to nongovernmental concerns. Whether the data owner is a United States or a foreign national, no remedy for such unauthorized use is provided by section 606. Additional questions under the section turn on what information is "protected by law," and under whose law it must so qualify; what type of, and how broad, a disclosure is necessary; and, as pointed out above, how broadly should the phrase "in connection with the furnishing of assistance" be construed.

Unfortunately, there have been no reported court decisions under section 606 and only one of any significance under section 506 of the Mutual Security Act of 1954³¹ — the predecessor to section 606. In that case, *Kaplan v. United States*,³² the Court of Claims was asked to decide whether the disclosure of privately owned information by the United States Government to its domestic contractor to facilitate the manufacture of articles to be furnished to a foreign government under a foreign assistance program gave rise to a cause of action under section 506. The manufactured articles were to be delivered to the United States Government for subsequent overseas shipment. Section 506 was essentially identical to section 606 with respect to the unauthorized disclosure of technical information.

Citing the legislative history of the 1954 Act and of its predecessor, the Mutual Security Act of 1951, the court limited the application of section 506 to those cases where the unauthorized disclosure was to a foreign government by the United States.³³ Moreover, the court stated that the plaintiff's rights were fully protected under section 1498 of the Judiciary Code.³⁴ It is difficult to understand how any rights in technical information can be protected under section 1498,

31. Mutual Security Act of 1954, ch. 937, § 506, 68 Stat. 852. The precursor of section 506 was section 517 of the Mutual Security Act of 1951, ch. 479, § 517, 65 Stat. 382.

32. 153 F. Supp. 787 (Ct. Cl. 1957).

33. *Id.* at 790.

34. 28 U.S.C. § 1498 (1964).

a statute addressed to patent and copyright infringement by or for the Government. The only explanation is that someone — either Kaplan or the court — was confused. According to the court's opinion, plaintiff alleged that the Government by "disclosure of the patented article . . . violated his rights in the patented article. . . ."³⁵ Whether the quoted language was actually the plaintiff's words, or a paraphrasing by the court, is not really important. In any case, there is neither a statutory nor common law cause of action for unauthorized "disclosure" of a patented item.³⁶ On the contrary, a patent is infringed by the unauthorized manufacture, use, or sale of the invention covered.³⁷

That it was the court, rather than plaintiff, that was befuddled is attested to by another statement in the opinion to the effect that section 506 would be violated by the disclosure of "patented information" to a foreign government by United States Government officials.³⁸ Moreover, plaintiff's petition apparently alleged three grounds for recovery. The first was for breach of an implied contract for services rendered; the second was for the unauthorized disclosure of "patented information;" the third was for patent infringement compensable under sections 1498 and 506. Therefore, the plaintiff correctly pleaded the separate offenses of unauthorized data disclosure and patent infringement. The court, however, merged the two together and dismissed both counts under section 506 on the ground that, since section 1498 provided a full remedy, there was no reason to extend the scope of section 506 beyond the apparent intent of Congress.³⁹

The court also erred from a more practical point of view. Even in the area of patent infringement, section 506 and section 1498 did not provide identical remedies. It is true that both sections permitted a suit for reasonable and entire compensation against the Government for patent infringement.⁴⁰ However, under section 1498 the plaintiff can sue only in the Court of Claims while under section 506 he could sue in either that court or in a United States district court. Further, section 506 provided for administrative settlement of claims brought

35. 153 F. Supp. at 788.

36. See 35 U.S.C. §§ 271-93 (1964).

37. 35 U.S.C. § 271 (1964).

38. 153 F. Supp. at 790.

39. *Id.*

40. Section 1498 requires that the infringement be by or for the Government, as well as with the authorization or consent of the Government. See TeSelle, *Authorization or Consent to Infringe Patents in Production for the Government*, 26 GEO. WASH. L. REV. 583 (1958). Section 506 was far broader in its language, requiring only unauthorized use of a patented invention in connection with the furnishing of assistance under the Act.

pursuant to the section⁴¹ and for a tolling of the statute of limitations⁴² during the pendency of such claims before the head of the department concerned.⁴³ Section 1498 provides no such general settlement authorization, and specific legislative power to settle section 1498 claims has been granted to only a few agencies.⁴⁴

With regard to the misuse of data, the *Kaplan* court emasculated the only truly effective remedy available under the law. By holding, in effect, that a charge of data misuse would be proper only where the Government disclosed the data to a foreign government, the court left the plaintiff to the mercy of the Tucker Act.⁴⁵ Under that statute, a data owner can recover if he can prove a contract, express or implied in fact, between himself and the Government covering the data and establishing an obligation not to disclose the data, and a subsequent breach of that contract. There is no better case than *Kaplan* itself for proving the futility of attempting to establish an implied contract against the Government. There, plaintiff's first count for breach of an implied contract was dismissed.⁴⁶ In fact, there has been only one case where an implied contract relating to technical data has been proven.⁴⁷ Of course, if the Government possesses data with limited rights as a result of a research and development contract and the protected data is clearly defined by the terms of that contract, the plaintiff-contractor would have an easier time of proving the existence of a contract sufficient to satisfy the Tucker Act.

Thus under *Kaplan* there is no effective remedy if the Government, under a mutual security program and pursuant to the request of a foreign government, gives proprietary data to a domestic contractor for the production of articles for the foreign government. Also, a foreign litigant whose information has been transferred to the United States and subsequently disclosed to an American contractor would have no remedy under section 606 or the Tucker Act. This result is especially anomalous in view of the fact that the great bulk of data possessed by the Government with restrictions can, never-

41. The foreign assistance statutes authorized settlement by the head of any department concerned.

42. The statute of limitations for patent infringement is six years. 35 U.S.C. § 286 (1964).

43. Section 286 provides for a tolling of the statute of limitations for a maximum of six years during the pendency of a claim before an agency authorized to settle it. See generally Rotondi & Dobkin, *Government Competitive Procurement and Patent Infringement: Substance and Solution*, 27 FED. B.J. 325 (1967); Saragovitz, *Administrative Claims for Patent Infringement*, 25 FED. B.J. 113 (1965).

44. See, e.g., 10 U.S.C. § 2386 (1964). See also Saragovitz, *supra* note 43, at 114.

45. 28 U.S.C. § 1491 (1964). See *United States v. Minnesota Mut. Inv. Co.*, 271 U.S. 212 (1926); *Department of Water & Power v. United States*, 62 F. Supp. 938, 949 (Ct. Cl. 1945).

46. 153 F. Supp. at 788.

47. *United States v. United States*, 137 U.S.P.Q. 224 (Ct. Cl. 1963).

theless, be legally provided to foreign governments for the purpose of evaluation.⁴⁸ Also, since the interchange agreements generally place liability on a contractor's government for the unauthorized use or disclosure of data lawfully transferred,⁴⁹ the case where section 506 or section 606, as interpreted by *Kaplan*, would be of help to the data owner can hardly be found. Perhaps the greatest damage done by *Kaplan* is in the area of administrative claims, for, as the only decision on the books, it is controlling and, therefore, results in the denial of claims which otherwise might be justly settled.

Even if *Kaplan* is overruled or remedial legislation is passed, there will still exist difficult questions of statutory interpretation. For example, what status must data occupy under the law to qualify for protection under section 606? At common law only data amounting to a "trade secret" is so privileged.⁵⁰ Broadly defined, a trade secret is information which is not available to the general public, is treated as secret by its owner, and is inherently valuable. The secret treatment desired by the owner must manifest itself clearly, at least by a legend placed conspicuously upon the data informing the recipient of the nature of the property right claimed and the intention of the owner to preserve that right.⁵¹ Value is measured by the size of the investment in time and effort necessary to generate the data and the facility with which others can acquire the same information.

Coexisting with the "trade secret" principle are two other concepts: the definition of technical information in the interchange agreements — information originated by or peculiarly within the knowledge of the owner and not available to the public,⁵² and the concept of "proprietary" data contained in diverse federal regulations, in particular the ASPR provision concerning "data [pertaining to items which private parties] have developed at their own expense."⁵³ In the case of the interchange agreements, it is possible that information disclosed pursuant to a data exchange with a foreign country may not qualify as information "protected by law" if that phrase encompasses only trade secrets. However, section 606, unlike its predecessor, expressly pro-

48. ASPR, 32 C.F.R. § 9.201(b)(2) (1967).

49. See pp. 462-64 *supra*.

50. *Bickley v. Frutchey Bean Co.*, 173 F. Supp. 516 (E.D. Mich. 1959), *aff'd*, 279 F.2d 685 (6th Cir. 1960). See generally *Kostos, Unauthorized Use of Technical Data in Government Contracts: Remedies of the Data Owner*, 6 B.C. IND. & COM. L. REV. 753 (1965); Comment, 38 N.Y.U.L. REV. 324 (1963).

51. See note 19 *supra*.

52. See, e.g., Agreement with Australia, art. VIII.

53. ASPR, 32 C.F.R. § 9.202 (1967).

vides the notice element of a trade secret which is lacking in the interchange-agreement definition by making recovery contingent upon the imposition of an express restriction on the data. Moreover, the section would seem to assume "value" by providing for the recovery of damages by the owner. Therefore, it seems that "protected by law" as used in section 606 was intended to mean only that the data be unavailable to the public.

Another problem under section 606 is the amount of damages that may be recovered by the owner. There are two kinds of value that a trade secret can possess. First there is the value of the monopoly afforded the owner when he has data which cannot be duplicated at any cost. Hence the damages suffered by the loss of that data would comprise, in part, the loss of profits that would have resulted from the fact that this was the sole source of the product. Second is the value intrinsic to that data which is capable of generation by others, as by reverse engineering,⁵⁴ but only at great expense. In such a case, the damages might be the amount that the owner might reasonably have extracted for the sale of the data, the amount that another would have had to spend to create the data himself, or the cost of the data's creation to the owner.

In terms of "accessibility," it would seem, strictly speaking, that only data having the first value, monopoly value, would truly be unavailable to the public, and, therefore, only this data would qualify for protection under the common law and section 606, or for treatment under the provisions of the interchange agreements. Notwithstanding this conclusion, in light of the purpose of the interchange agreements, their mandate to encourage the participation of the private sector wherever possible, and the frequent purchases by the Department of Defense of data with limited rights because it pertains to items developed at private expense rather than because it is "proprietary," there seems to be no question but that data with the second kind of value is covered by the interchange agreements. Thus, it would seem that "available" should mean reasonably economically available. The argument can also be adduced that ASPR's limited rights data is "protected by law," other than the law of trade secrets. ASPR, by its terms, prohibits the disclosure of limited rights data, except in narrowly defined situations, such as the evaluation by a foreign government.⁵⁵

54. Reverse engineering generally entails the examination of a product purchased on the open market and a derivation, through precise measurement, of specifications of all its essential parts. Although considered immoral in some circles, there is nothing legally wrong with reverse engineering an article which is not the subject of a patent.

55. ASPR, 32 C.F.R. § 9.201(b) (1967).

Therefore, if that proscription is considered "law," the information is protected. On at least one occasion, ASPR has been held to rise to the dignity of a statute.⁵⁶ There seems little reason not to regard it as such in the present circumstances. However, it is easier to establish the point by combining the ASPR pronouncement with another "real" law. Section 1905 of the Criminal Code makes it a criminal offense for a government employee to make an unauthorized disclosure of information which "concerns or relates to the trade secrets, processes, operations, style of work, or apparatus . . . of any person" Thus, section 1905 protects from disclosure data encompassed within the ASPR definition.

Finally, the question is raised by the foregoing analysis of whether section 606 and its predecessors fulfill the obligation of the United States under the interchange agreements to provide a means of recovery for data owners suffering unauthorized disclosure. It is submitted that literally the statutes achieve that purpose. However, if the *Kaplan* case represents the applicable law, the restrictions placed on the section are such that the good faith of the United States in meeting its treaty obligations can be seriously questioned. Therefore, it is urged that *Kaplan*, because of its apparent shortcomings, be disregarded in favor of the clear wording and intent of section 606.

3. *Rights in Inventions*

Article V of the common interchange agreement provides that an invention owned or controlled by one party to the agreement may be used by the other party without cost, so long as such use results in no cost to the first party.⁵⁷ Several agreements have the additional provision that where either government has the right to grant a license under an invention without incurring liability, such a license shall be granted to the other government.⁵⁸ As a substitute for this provision, still other agreements state that where a government-owned or controlled entity has the power to grant licenses to use an invention, the other government is entitled to a license on terms at least as favorable

56. In *G. L. Christian & Associates v. United States*, 312 F.2d 418, 422 (Ct. Cl.), *cert. denied*, 375 U.S. 954 (1963), the Court of Claims held that regulations promulgated pursuant to statutory authority have the force of law and that a clause made mandatory by ASPR but willfully or negligently omitted will be judicially interpolated.

57. *See, e.g.*, Agreement to Facilitate the Interchange of Patent Rights and Technical Information for Defense Purposes with Turkey, May 18, 1956, art. V, [1957] 8 U.S.T. 597, T.I.A.S. No. 3809.

58. *See, e.g.*, Agreement with Australia.

as those which would be granted to the first government or other entities of that government.⁵⁹

One agreement of particular interest is the United States-Japan agreement. The provision in this treaty is the ownership-control type. However, the article also applies to rights in technical data. In other words, in addition to inventions, if either government owns or controls data, the other government may use such data without cost. While all of the other agreements assume an exchange of technical information, the articles addressed to data speak only in terms of data with restrictions and the division of responsibility for its unauthorized disclosure or use. Only the Japanese agreement requires that government-owned or controlled data be disclosed to the other contracting party. Technically speaking, it would seem that the Japanese agreement would be the only one that authorizes a subsequent data exchange agreement calling for an exchange without cost to the recipient government in those cases where the data is not privately owned or controlled.⁶⁰

In any case, underlying any Article V provision for the conveyance of invention rights is the assumption that the inventions are covered by patents or by applications for patents. The existence of an invention, in and of itself, gives no right to the owner to exclude others from practicing the invention.⁶¹ Rights in inventions are frequently the subject of an agreement, but only where patent coverage is imminent or where the rights accrue by virtue of the participation by the party receiving the rights in the creation of the invention. The only way to prevent others from practicing an invention, absent patent protection, is to keep the invention a secret. In that case, the invention would amount to technical information.

Because of the different provisions included in the agreements, questions arise as to the nature of the obligation imposed by Article V. One thing does seem clear. All of the instruments operate to make

59. See, e.g., Agreement with Belgium. The agreement with Great Britain is unusual in that it contains the basic Article V clause, the first additional clause, and a clause prescribing that:

Inventions made in United Kingdom Government establishments or departments and owned by the National Research Development Corporation or Power Jets (Research and Development) Limited or like agencies primarily established for the purposes of holding and exploiting patents, shall, for the purpose of this Article, be treated as though they were Government-owned.

60. The agreement with Japan also states that: "The two Governments shall cooperate to ensure that, prior to . . . use, the using Government is informed of any . . . established interests in the invention or technical information." The provision is peculiar to this agreement.

61. The legal attributes of patentable subject matter are set forth at 35 U.S.C. §§ 100-01 (1964). "The inventor of a new and useful improvement certainly has no exclusive right to it, until he obtains a patent. This right is created by the patent, and no suit can be maintained by the inventor against any one for using it before the patent is issued." *Gaylor v. Wilder*, 51 U.S. (10 How.) 477, 493 (1850).

the use of an invention controlled by one party free of cost to the other party. No document or other instrument is necessary to accomplish that end, nor are any acts by the controlling government a prerequisite to the right of use. There is, however, a problem in determining the breadth of the right conferred. The article speaks of the "use" of the invention for defense purposes. As mentioned above, Article V is constructed on the premise that the inventions are covered by patents. In most countries, a patent bestows upon its owner the right to exclude others from "practicing" his invention. The "practice" of a patented invention normally has three incidents: use, sale, and manufacture.⁶² Thus, the article literally addresses itself to only one of the three rights — use. Does this mean that the other government is not entitled to manufacture or sell the invention as part of a defense program?

The question is further complicated by an indication of congressional intent which could very well be controlling. Section 506 of the Mutual Security Act of 1954 imposes liability upon the United States Government for the unauthorized "use" of an invention in connection with the furnishing of assistance under the Act.⁶³ When that section was carried forward into the Foreign Assistance Act of 1961 as section 606, the wording was changed to "practice."⁶⁴ This would seem to indicate an awareness of the distinction between the terms. Nonetheless, the change was probably made simply to clarify the section. For if "use" were intended by Congress in the 1954 Act in its patent parlance sense, the liability for infringement of patents covering articles, as opposed to processes, would be virtually eliminated. In almost all cases, the use of an item would take place overseas, beyond the jurisdiction of section 506. Only in those cases where a patented article was used in the manufacture of another product, or where the process of manufacture was itself patented, could section 506 be applied.

Moreover, in the interchange agreements "use" is generally defined to include manufacture by or for the government.⁶⁵ By so including manufacture it would seem that sale is excluded. Thus, a participating government receives the right to make and use patented articles at no cost but, cannot sell them without incurring liability after they become

62. See ASPR, 32 C.F.R. § 9.107-2(c) (v) (1966).

63. 68 Stat. 852 (1954).

64. 22 U.S.C. § 2356 (1964). It is interesting to note that section 1498 only permits recovery for the manufacture or use of a patented invention by or for the Government. Thus, if *Kaplan* is carried over to apply to section 606, another inequity is introduced: section 1498, in preempting section 606, not only short changes the plaintiff as already discussed, but also removes his right to sue the Government for an infringing sale of the patented article.

obsolete and of no further value to that government. In those agreements where "use" is not defined to include manufacture⁶⁶ it should be assumed that it is impliedly included. If it is not so assumed, the anomalous situation arises that the government has free use of a patented item, but must either pay the patent owner for the right to make it, or contract with him or his licensee to make it.⁶⁷ If the patent owner is a United States resident, this would undoubtedly aid the United States economy, but would hardly help to establish a production base abroad — the *sine qua non* of the interchange agreement.

The additional clauses in Article V of some agreements require an overt act — licensing by one government of the other government: Presumably, the obligation to execute a license attaches only if the clause appears in the agreement and if one of two situations exists. Either title to an invention and the patent thereon is in one of the contracting governments, or one of the parties has received the right to sublicense along with its own license under the invention and patent. Article V will be operative in many instances since a government generally will acquire such rights under an invention primarily as a defensive measure to meet future allegations of infringement brought by the owner of the patent.⁶⁸

The additional clause calling for licensing by an entity of one of the governments on terms at least as reasonable as those which would be given to the entity's government appears to be a variation on the theme of the first additional clause. It is interesting to note that both additional clauses never appear in the same agreement. Apparently it was felt that in those cases where the second clause was used, the basic provision was sufficient to cover the instances where a government owns or controls an invention and that an actual license was unnecessary. But, where the title or control is in an entity of the government, a document should be executed.

One would suspect that the alternative use of first one and then the other additional version manifests a refinement of thought and that a discernible chronology in their utilization could be found. However, this is not true, thus causing one to wonder what was in the minds of the draftsmen when a particular clause was chosen. No clue is offered by the identity of the parties; the various combinations of provisions appear in agreements with both highly developed and lesser

66. See, e.g., Agreement with Great Britain.

67. Although not defined as such in any of the agreements, it would seem that "use" should include the use of an invention for, as well as by, a contracting government. Certainly, it was never intended that the interchange facilitate in-house production exclusively.

68. See Rotondi & Dobkin, *supra* note 43, at 331n.34.

developed countries, with European as well as Asian nations. The necessary conclusions are that notwithstanding the literal differences, the provisions were all intended to accomplish the same purpose, an exchange of patent rights with neither party incurring liability, and that the particular clause used was simply the result of an arbitrary choice by its author.

Assuming *arguendo* that each agreement, regardless of the form that Article V might take, gives to one government the right to practice any invention owned or controlled by the other government, what is the practical effect of this provision? There is little if any problem with inventions actually owned by a government. But, under what conditions does a government obtain rights less than title in an invention, and when do those rights include the right to sublicense others so that it can truly be said that the government "controls" the invention? Generally, when a government participates, either by funding or by providing personnel, facilities or equipment, it will receive some interest in any inventions created pursuant to the endeavor. The nature of that interest varies not only from government to government, but from agency to agency within each government, and often depends on the nature of the research program and the degree of government participation.⁶⁹ In any case, where a government receives merely a license with no right to sublicense, the other government gets no rights in the invention. For that reason, the United States Department of Defense — the principal agency of interest in this area — until quite recently, inserted a clause in its research and development contracts with private contractors calling for the right to sublicense others in all those cases where the Government was entitled to a license in an invention made in the course of the contract.⁷⁰ In October, 1966, however, a revision to ASPR deleted the sublicense provision.⁷¹

This revision was probably in response to a growing realization that the interchange agreements were a one-way street with the great bulk of information and patent rights flowing away from the United States.⁷² The fault for this apparent failure of consideration does not lie entirely with the foreign governments. Many of them are to a great extent hamstrung by traditional domestic legislation restricting the interests that they can take in inventions made by private government

69. See generally Dobkin, *Patent Policy in Government Research and Development Contracts*, 53 VA. L. REV. 564 (1967); Finnegan & Pogue, *Federal Employee Invention Rights — Time to Legislate*, 55 MICH. L. REV. 903 (1957).

70. ASPR, 32 C.F.R. § 9.107-5(b) (1966).

71. ASPR, 32 C.F.R. § 9.107-5(b) (1966), as amended, Rev. 19, Oct. 1, 1966.

72. See, e.g., 22 U.S.C. § 2370 (m) (1964) (Church Amendment to the Foreign Assistance Act of 1961); S. REP. NO. 588, 88th CONG., 1st Sess. (1963). See also Dobkin, *Patent Policy in Government Research and Development Contracts*, 53 VA. L. REV. 564 (1967).

contractors or by government employees. To illustrate the complexity and difficulty in this area the domestic laws of one of the European countries with whom the United States has entered into an interchange agreement will be examined.⁷³

The law of the Federal Republic of Germany governing the rights which employed inventors have to their inventions is protectionistic. It is strange, indeed, that it was spawned by the Third Reich. While the Second World War was yet in its initial stages, it became apparent that the victor would be the side with the higher level of technology. Germany was trailing the Allies in many scientific areas, including the development of comprehensive radar systems. Therefore, an earlier decision that proposed legislation defining patent-right provisions of employment contracts be held in abeyance was reversed, and in 1942 a decree prescribing the treatment of employee inventions was promulgated and implementing regulations were subsequently issued.⁷⁴

Among other things, this early German law, which applied to government as well as private employees, provided that every invention made by an employee must be reported; that an employer could take title to an invention made pursuant to the assigned duties of the employee; that in any case where title to an invention was so taken, the employer had to compensate the employee;⁷⁵ that the employer had to apply for patent protection;⁷⁶ and perhaps most important, that the law could not be affected by termination of employment and could not be modified in any manner detrimental to the employee by an employment or other kind of contract.⁷⁷ This law persisted until 1957 when the present statute, based on the same principles, was enacted.⁷⁸

It seems quite clear that any agreement, such as that between the United States and Germany, permitting the free use of an invention

73. For a comprehensive treatment of this area see STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, 87th Cong., 2d Sess., *THE LAW OF EMPLOYED INVENTORS IN EUROPE* (Comm. Print 1963). See also Holman, *Patent Policies of Other Governments*, 8 PATENT, TRADEMARK & COPYRIGHT J. OF RESEARCH & EDUCATION 94 (1964).

74. STAFF OF SUBCOMM. ON PATENTS, TRADEMARKS, AND COPYRIGHTS OF THE SENATE COMM. ON THE JUDICIARY, 87th Cong., 2d Sess., *THE LAW OF EMPLOYED INVENTORS IN EUROPE* 36-37 (Comm. Print 1963).

75. Compensation to the employee was based upon the utility of the invention, the inventive effort expended, and the normal salary and duties of the employee.

76. If publication of the invention was inimicable to the employer's interests, he could affirm the employee's rights in the invention and would not have to file an application.

77. Lassagne, *The Legal Rights of Employed Inventors*, 51 A.B.A.J. 835, 836 (1965).

78. Law of Oct. 1, 1957, [1957] BGBI 756. Under the 1957 law, the employer is not forced to choose between taking title to an invention or freeing it. He may take a nonexclusive license and award less compensation to the inventor. Lassagne, *supra* note 77, at 836. Further, the 1957 law, prescribes different criteria for compensating the employee inventor: The problem presented to the employee which resulted in the invention; the inventor's approach to the problem and method of solution; the duties and wages of the inventor; and the nature of the invention.

by one country only if the other country owns or has the right to license that invention without incurring liability in either case, is not going to inure very much to the benefit of the United States. Under the German law, the only time that the United States would be entitled to use a German invention without cost would be where the German government has taken title *and* has paid a lump sum to the inventor. Moreover, it would seem to be in the interest of the German government and its contractor not to pay for the invention in a single payment but to provide for royalty payments which under the interchange agreement would be paid by the United States in the event it used the invention. However, there is even some question whether the wording of the interchange agreement — use of the invention without cost, “except to the extent that there may be liability to a private owner” — means that the using government must satisfy that liability or that there is no right to use at all if such liability will arise. While the former interpretation appears more reasonable, the consensus at the Department of Defense seems to endorse the latter. Thus, under current thought, the United States would get no rights in inventions owned by Germany if royalties were chosen as the mode of payment for title.

III. INTERNATIONAL COOPERATIVE AGREEMENTS

While the interchange agreements are designed to encourage and facilitate the flow of technical information and patent rights between the governments involved, such agreements are too broad to cover situations in which two or more governments desire to enter into specific cooperative defense programs involving research, development, and production. For those purposes, an executive agreement, the “Memorandum of Understanding” (MOU), is used to formalize the specific terms of each cooperative program.⁷⁹ Although the State Department sometimes sends observers to the negotiation of an MOU and also gives advice as to the political and economic effects of the agreement, the Department of Defense normally conducts the active negotiations.

MOU's are sometimes the outgrowth of a data exchange agreement⁸⁰ where a higher degree of cooperation is desired than the mere exchange of data or technical information for evaluation purposes. For example, the contracting parties may wish to enter into a cooperative

79. The MOU's are executive agreements inasmuch as they are negotiated and signed by personnel of the executive branches of the participating governments. They are not, in the case of the United States, ratified with the advice and consent of the Senate, and therefore do not rise to the dignity of a treaty.

research program with certain defined goals and a division of effort. As a technology expands and becomes more complex, it becomes increasingly more expensive to advance the state of the art and to devise new hardware; however, if the cost can be shared between two or more governments, it is possible to achieve results for a fraction of the cost to each government, with the added benefit of keeping the level of technical competence of the participating governments on a fairly equal level. Another type of cooperative agreement provides for the development and production of a device or piece of equipment that is not in being. This is exemplified by the present agreement between the United Kingdom and France to research, develop, and produce the Concorde supersonic aircraft. A third type of agreement provides merely for the coproduction of an already developed article or system. Of primary consideration here will be those agreements which prescribe a research phase in the cooperative program. It is in these agreements that the more difficult data and patent problems arise. However, regardless of its nature, the MOU should be sufficiently clear and complete to obviate, as much as possible, any disagreements in construing the meaning of its provisions. Therefore, the negotiating teams should include legal counsel well versed in the fields of procurement, patents, and technical data in order to avoid the inclusion of any provisions which would be impossible of fulfillment due to national laws, regulations, or business policies and practices.⁸¹

A. Contents of an MOU⁸²

In each MOU, an article on "Scope of Work To Be Performed" sets forth the metes and bounds of the area or field which is to be investigated and may describe the actual tasks to be performed by the respective participating governments.⁸³ Rather than burden the MOU with too much detail, the listing of specific tasks and their allocation may be set forth in one or more appendices to the MOU. Provision is usually made for the modification of the appendices by way of deletion, addition or change, so long as such modifications fall within the scope of work set forth in the MOU. Additionally, an

81. See p. 482 *infra*.

82. Only the MOU provisions pertinent to patents and data will be discussed in the text. Other articles of the MOU, some of which will be presented in footnotes, include: "Introduction," "Finance and Duration," "Reports," "Access to Establishments," "Security," "Effective Date and Official Language."

83. The "Introduction" article usually sets forth the law or previous treaties or agreements which provide the basis for collaboration.

A "Finance and Duration" article spells out the amount of money (expressed in a single currency, if feasible) to be spent on the project, by the year or task, or for the complete research phase. The duration of the entire program and each of its phases, as well as the mode of financial accounting, is also described in this clause.

article, "Project Organization and Management," is especially tailored for each project. If the project is complex, and the financial or other contributions by the participating governments are not equal, then provision must be made for a decision-making procedure — whether decisions will be based on weighted votes, unanimous agreements, or other arrangements of those having voting power in the management structure provided for in the MOU. In this regard, it should be noted that it is desirable that the management structure be given the authority to decide all questions arising within the scope of the MOU in order to minimize situations where decisions have to be made by higher authorities.

An "Exchange of Technical Information and User Rights" article is generally the most important and complex of any in the MOU. This article usually includes definitions of terms used in the MOU such as "technical information," "foreground information," "background information," and "patents." For example, foreground information is that information generated in the course of, or under, the cooperative program and includes any invention or discovery, whether or not patentable, conceived or first actually reduced to practice in the course of or under the program. Background information is that technical information necessary or useful to the program but generated outside of the program either in government establishments or by contractors employed to work on the program to the extent that such information pertains to the specific tasks undertaken by such contractors under the program. Usually, an exchange of both foreground and background data is provided for by the MOU.

At present, most MOU's are written in such broad terms that manufacturing data for commercial off-the-shelf items is included in background technical information. This type of technical information is almost never required in national contracts. It is unreasonable in the opinion of the authors to require such availability to other participating governments or their contractors when such items can be purchased off-the-shelf in those countries from the data owner or his licensees. There is no reason why a national contractor should be required to give up extremely valuable property to create competition. Naturally, if the MOU covers development and production as well as research, the problem becomes even more acute because the contractor who supplied the data may lose the production contract to someone using the data he supplied. Because the MOU does not generally state the period of time within which background rights are to be transferred from one participating government to another, the com-

mercial firms to whom national contracts are awarded are often apprehensive that they will be required to transfer such rights for an inordinate amount of time after the completion of their contracts.

Foreground rights in technical information and patents cause even more difficulty, due to the different approaches to the problem employed by various governments. It is the policy of the United States to take unlimited rights in all technical information relating to items generated under a government contract, as well as at least a license in all inventions made pursuant to the contract.⁸⁴ Most foreign nations take only a license for defense purposes in such data and inventions. Thus, the United States may, without additional cost, license a foreign government to use any or all foreground information developed in carrying out a government contract, while similar reciprocal rights are not ordinarily available without additional cost. Moreover, at least one foreign government makes no distinction between foreground and background rights, and pays for both even for its own defense purposes.⁸⁵

The article "Contract Provisions" sets forth with varying degrees of specificity those types of clauses which must be included in contracts let by each participating government in carrying out the cooperative program. This article may also contain a requirement that none of the contractors doing work under the cooperative program will enter into commercial agreements which will restrict their ability in any way to provide any of the rights called for by the MOU. A statement may be included to the effect that all contracting will be done where possible in accordance with the laws, regulations, and procedures in effect in the country in which the contract is to be carried out. The MOU also prescribes the conditions under which information and materiel may be transferred to nonparticipating governments. It is usually provided that the country in which information was generated in carrying out the program must consent before any recipient participating government may transfer such information to a nonparticipating government.

It is sometimes advantageous to include additional governments in the cooperative program at various stages. The actual addition of parties is generally accomplished by a supplemental agreement to the MOU which eliminates the necessity of modifying the MOU to any great extent. On the other hand, although each government entering into an MOU of this type has every intention of carrying out the entire cooperative program, there may be a compelling reason why a party to the MOU desires to withdraw from the program. A "Termi-

84. See Dobkin, *supra* note 69, at 621-30.

85. See, e.g., *supra* note 69, at 476-77, 477-78 for discussion of the German statute.

nation" article sets forth in detail the conditions under which a participating government may withdraw from the program by unilateral action. Provision is made for notice by the withdrawing government, after which the termination becomes effective upon the passage of a specified period of time. Rights in information which have accrued to the withdrawing government up to the date of termination usually remain with it. Conversely, the withdrawing government usually relinquishes any rights in information generated under the program after the effective date of its withdrawal. If the MOU covers a program having production as one of its phases, a penalty may be included to cover the increased cost of producing the item elsewhere due to the terminating government's withdrawal from the program.

The MOU usually contains an article to cover situations in which one or more of the participating governments desires to manufacture the item in whole or part for sale to a nonparticipating government. Before the sale can be made, there must be mutual agreement by the participating governments that such sales are desirable. It is also provided that there will be a recoupment of research and development costs in the form of a levy placed upon such sales.

B. Impact of MOU on National Contracting Policies and Procedures

After the MOU has been executed, it sometimes becomes necessary to change or implement the usual national contracting procedures and policies so that the rights and the obligations agreed to may be effected. Since participation in the national program encompassed by the MOU sometimes represents a serious variance from established contracting policies and regulations, it is the usual practice to convene prospective contractors in order that they may be briefed about the international program and advised of the unusual aspects and special contract clauses which will be necessary to accommodate the national contracts to the international program. As mentioned earlier, commercial firms considering participation in the program are seriously concerned about such things as the period of time during which they will be required to provide technical assistance, background rights, and data. Instances in the past where such questions have been left open by the MOU have led to serious objections by prospective contractors. Therefore, as more experience is gained, the international agreements do tend to become more specific in order to avoid problems in national contracting. While it is desirable to keep the MOU broad in order to encompass as many different situations as possible, it is important that certain portions of the MOU be made specific to avoid objections from national

contractors arising because of required deviations from normal policies and regulations in the contracting field.

C. *Typical Clauses for United States Contracts*

As stated above, the fulfillment of a cooperative research program generally requires that each participating government obtain from its own contractors substantially more rights and obligations than it would receive under normal domestic research and development contracts. Provisions in the MOU might require certain rights in technical information, data, and patents to be transferred from one participating government's contractor to another participating government and its contractors. These obligations must, therefore, be mirrored in the national contracts of each government. In such contracts between the United States and its contractors, it is permissible to deviate from ASPR's provisions, provided the deviation does not violate any law passed subsequent to the MOU.⁸⁶ For example, the ASPR contract clause which grants to the Government a license in inventions generated under a research and development contract does not give the Government the right to grant sublicenses to foreign governments or international organizations.⁸⁷ Therefore, the clause must be revised to fulfill an obligation of the MOU.⁸⁸ The following discussion will focus on suggested drafts of the patent and data clauses which are necessary in order to tailor a national contract to the purposes and obligations of a particular MOU.

Identification of Background Rights. — One of the first things to be determined by each participating government in implementing the program is what background rights, if any, its contractors own or control which relate to the tasks or items for which they have contracted. A typical clause for this purpose is, "Contractor shall identify upon request any established background rights he may have regarding the item or items contracted for under Project"

Notice of Restrictive Agreements. — It is equally important to determine whether or not a contractor is prevented from supplying information or transferring rights because of prior restrictive commercial agreements. The following clause not only requires notification of any such restrictions, but also requires the contractor to agree not to enter into any further restrictive agreements subsequent to his

86. ASPR, 32 C.F.R. § 1.109-4 (1966).

87. See ASPR, 32 C.F.R. § 9.107-5(b) (1966).

88. The type of patent rights clause to be inserted in United States contracts is dependent upon certain criteria, a discussion of which is beyond the ambit of this article. See generally, Dobkin, *supra* note 69.

acceptance of a contract to further the international cooperative program.

Contractor agrees to notify the United States Government immediately if contractor is subject to any license or other agreement which will operate to restrict the freedom of any government participating in the program to disclose information to other participating governments of Project _____, or to permit its use by or for such governments. Contractor will use all reasonable efforts, if requested, to secure the relaxation of such restrictions. Contractor also agrees not to enter into any agreement or arrangement which will result in restrictions such as are described earlier in this clause.

Use of Background Rights for Research and Development. — Generally speaking, it has been the recent practice to require the contractor to secure to each participating government and its contractors the right to use the contractor's background information and patents for research purposes only under the cooperative program without any additional charges. The following clause is illustrative of one that might be used to achieve this result:

Contractor agrees to secure to each government and its contractors participating in Project _____ the right to use without subsequent additional payment only for research and development purposes under the cooperative program, background information owned or controlled by contractor, together with any necessary license under patents owned or controlled by contractor.

It is the view of the authors that this might be done on a best-efforts basis rather than on a guaranteed basis. Prospective contractors in some programs object strongly to granting rights to use their background technical information and patents, even for research purposes only, without additional compensation. They argue that releasing such technical information, even for such limited purposes, to a foreign government or contractor entails a great risk of losing control of the information. Even though there may be recourse open to him in the Court of Claims if the United States Government misuses the information,⁸⁹ the contractor feels that any recourse he may have against the foreign government or its contractor is extremely complicated and impractical.

Licensing of Background Rights for Defense Purposes and Defense Sales. — In most situations, the MOU will require that each participating government obtain from its contractors engaged to work

on the program the contractor's agreement to secure to each of the participating governments in the project the right to obtain, on fair and reasonable terms, the licensing of background information and patents owned or controlled by the contractor for defense purposes⁹⁰ and defense sales.⁹¹ Clauses to achieve these purposes are as follows:

Contractor agrees to secure to each participating government in the program the right to obtain on fair and reasonable terms for its defense purposes the licensing of background information owned or controlled by contractor, together with any necessary license under patents owned or controlled by contractor.

Contractor agrees to secure to each of the participating governments in Project _____ the right to obtain for each government and its contractors on request, and on fair and reasonable terms, the licensing of background information and patents owned and controlled by contractor for the purpose of defense sales of any product developed in the course of work performed under the cooperative program.

It is in this area of licensing background patents and information to foreign governments and their contractors that prospective United States contractors offer resistance. It must be remembered that in most cases it is background information in the nature of trade secrets and technical data, as well as patents, that give companies distinct advantages over competitors. Thus to require an American contractor to license his technical know-how, data, and patents to a foreign company that will then become a competitor in the world market is asking the domestic firm to deliberately create competition where none has existed.

Many questions have arisen over what is meant by licensing at "fair and reasonable terms." Although no definition of the phrase has appeared in any existing MOU of this type, a workable definition would seem to be:

Fair and reasonable terms shall mean under terms and at a cost mutually agreeable to the licensor and the prospective licensee. In the event that mutually agreeable terms and cost cannot be reached between the licensor and the prospective licensee, fair and reasonable terms shall mean at a cost and on terms to the prospective licensee no less favorable than any existing license involving the same technical information or patents. In the event

90. "Defense purposes" generally means manufacture and use throughout the world by or for the armed forces of a government. In the case of a participating government that includes the furnishing of assistance by it on a grant basis to non-participating governments and international organizations for mutual defense purposes.

91. "Defense sales" means sales by a government or its contractors to non-participating governments for their defense purposes.

no license is already in existence concerning the same technical information or patents, fair and reasonable terms shall mean under terms and at a cost of a similar license in a similar field or area.

A definition of this type should be included in MOU's wherever applicable.⁹²

Levy on Defense Sales. — If the cooperative research program is enlarged by modification of the MOU, or by a subsequent MOU, to include development and production, it may be desirable to provide for recoupment of research and development costs in sales of the developed equipment to nonparticipating governments.⁹³ A clause similar to the following may be utilized in those situations:

In all defense sales by contractor, including sales to nonparticipating government contractors, of any component, portion, subsystem, or complete system developed under the program, the United States Government will advise contractor of what levy, if any, is to be applied by contractor to such sales. Any levies so collected by contractor will be turned over to the United States Government. The foregoing shall also apply to the sale by the contractor by way of assignment or license of any patents and technical information generated under the program. Defense sales are defined as sales by the Government or its contractors to nonparticipating governments for their defense purposes.

Technical Assistance. — It is a well-recognized fact that supplying the technical information and the rights pertaining thereto is sometimes insufficient to enable a licensed firm to design and set up a manufacturing facility to engage in economical manufacture of the item in question without some technical assistance from the firm which originated such item and has manufactured it. Thus, there is included in the MOU a requirement that each government and its contractors agree to make available upon request to each of the participating governments and their contractors engaged in the international cooperative program, technical assistance on fair and reasonable terms. The following clause is illustrative:

Contractor agrees to make available to each of the participating governments and their contractors engaged in Project _____, on fair and reasonable terms, such technical assistance (know-

92. Although disputes often arise over the interpretation of the MOU, no method has yet been devised for their settlement. Binding arbitration has always been considered improper where the Government is involved. Nevertheless, advisory arbitration, such as that used by the Civil Aeronautics Board in its international bilateral agreements, seems worthy of consideration by DOD. See Agreement with Great Britain, Feb. 11, 1946, art. XIII, 60 Stat. 1499 (1946), T.I.A.S. No. 1507.

93. For the DOD policy on recoupment of nonrecurring costs see ASPR, 32 C.F.R. § 11403.42 (1966).
Published by Villanova University Charles Widger School of Law Digital Repository, 1968

how, trained personnel, jigs, dies, fixtures, other manufacturing aids, etc.) as such government may desire to enable the results of work performed under the cooperative program to be effectively applied in their countries for the purpose permitted under the program.

In addition to the provision of technical assistance, it is highly desirable in most cases that technical personnel of the participating governments and their contractors be permitted access to the establishments of other participating governments, such as laboratories and proving grounds, and to certain installations of the contractors to further enhance whatever technical information and assistance is supplied under the cooperative program.⁹⁴

IV. CONCLUSION

It is hoped that this Article has shed some light on a little known area of international intercourse. Although the patent interchange agreements and the Memorandums of Understanding are governmental transactions, it should be apparent that they present fertile ground for private enterprise. On the other hand, these international programs present still another opportunity for the abridgement of private proprietary rights. Domestic legislation has attempted to mitigate some of the abuses, but, as has been seen, it has not been entirely successful.

Unquestionably, part of the problem in this area lies in the conceptual haze which clings to the entire field of intellectual property. Perhaps as the growing significance of proprietary rights emerges, more attention will be paid to them by lawyers and jurists in fields other than patents. This is especially important with respect to the law of technical data. This body of law has only recently developed to the point where it can be recognized. Yet, it is conceivable in this age of exploding technology that it will not be long before activities turning on the sale and acquisition of technical data will eclipse similar endeavors addressed to all other forms of property. Hopefully, as the investments of time, interest and money grow, the law will solidify to the extent that those involved in the activities discussed herein will be better able to ascertain their rights and liabilities. Until such time, however, lawyer and layman alike will have to play it by ear; especially where intergovernmental relations force the law to be more a question of diplomacy than of precedent.

94. The MOU generally contains an article relating to such access which provides for the terms and conditions under which nationals of one participating government may visit the premises of the other governments or their chosen contractors. Provision is also made for the protection of proprietary information which may be