

# STEALING THUNDER<sup>1</sup> FROM GOVERNMENT CONTRACTORS: THWARTING THE INTENT OF THE BAYH-DOLE ACT IN *CAMPBELL PLASTICS V. BROWNLEE*

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One of the keys to economic diversification is ensuring that entrepreneurs have the incentives to create. The protection of intellectual property rights is central to a diversified economy.<sup>2</sup>

## I. INTRODUCTION

Government contractors: proceed with caution—if you make one wrong move, the Government may steal your invention. Now, the tough part is not coming up with the creative idea, it is making sure you immediately document it on an exact form, within the exact time frame, and with significant detail. The Bayh-Dole Act,<sup>3</sup> which seemed to be an opportunity for small business firms to commercialize their inventions created pursuant to government contracts,<sup>4</sup> has turned into an opportunity for the Government to take advantage of small business firms who require its support. The effect of the Bayh-Dole Act has become hazy by the recent

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<sup>1</sup> The title refers to the common expression: *stealing someone's thunder*, meaning to diminish the effect of someone's accomplishments by using them as one's own. This expression comes from an incident whereby John Dennis (1657-1734) invented a device for making thunder for his unsuccessful play, *Appius and Virginia* (1709) and later discovered that his thunder-making device was being used in another play. He is noted as saying: "That is *my* thunder, by God; the villains will play my thunder, but not my play." Wikipedia, *John Dennis*, [http://en.wikipedia.org/wiki/John\\_Dennis](http://en.wikipedia.org/wiki/John_Dennis) (last updated Feb. 7, 2006).

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<sup>2</sup> Hon. Carlos M. Gutierrez, Sec. of Com., U.S. Dept. of Com., Remarks, (American Chamber of Commerce in Russia, Tuesday, May 31, 2005) (copy with United States Dept. of Commerce) available at [http://www.commerce.gov/opa/speeches/Secretary\\_Gutierrez/2005/May/31\\_Am\\_Cham\\_Moscow.htm](http://www.commerce.gov/opa/speeches/Secretary_Gutierrez/2005/May/31_Am_Cham_Moscow.htm) (accessed Mar. 16, 2006).

<sup>3</sup> The Bayh-Dole Act is codified in 35 U.S.C.A. §§ 200-212 (West 2001 & Supp. 2005) and is implemented by 37 C.F.R. §§ 401.1-401.17 (2006). Specifically, see 37 C.F.R. § 401.1(a)(2)(b) (2006).

<sup>4</sup> See 35 U.S.C.A. § 202(c)(7)(D) (requiring, unless infeasible, "the licensing of subject inventions shall be given to small business firms"); 37 C.F.R. § 401.7(a) (stating "[c]ontractors are expected to use efforts that are reasonable under the circumstances to attract small business licensees" and they should give preference to small businesses over other applicants).

decision of *Campbell Plastics v. Brownlee*,<sup>5</sup> which has done little to guide future claims and has left government contractors with paperwork anxiety.

The core issue in *Campbell Plastics* is whether the Government can take title to an invention developed pursuant to a government contract when the contractor fails to timely disclose the invention on the prescribed form.<sup>6</sup> In a case of first impression, the U.S. Court of Appeals for the Federal Circuit held in *Campbell Plastics* that the Government may obtain title pursuant to 35 U.S.C. § 202(c)(1)<sup>7</sup> when the contractor fails to act in accordance with the disclosure requirements of the contract.<sup>8</sup>

The Constitution grants Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>9</sup> Under this power, the Government enacted the Bayh-Dole Act in response to a desire to aid the promotion and commercialization of innovation through federal funding.<sup>10</sup> Whereas the Bayh-Dole Act has greatly enhanced the quality and quantity of innovation, the court in *Campbell Plastics* fails to adequately consider its primary objectives. The court’s decision sets forth a clear implication that a societal interest in promoting the commercialization of small business innovations is insufficient compared to a mere procedural convenience. In addition, the opinion leaves important questions unanswered for analyzing future cases. By limiting the statutory construction, the court fails to look at the spirit of the law and also fails to provide proper guidelines for agency discretion to further the legislative intent. The court’s holding enables the Government to take title to any invention it funds based on any insignificant procedural failure and thus diminishes the chance of inventions being commercialized—the reason why the Bayh-Dole Act was enacted.

This Note will argue that the court in *Campbell Plastics* not only failed to adequately consider appropriate policy and statutory considerations in deciding this case, but also left holes of uncertainty for future cases. Section II outlines the factual and procedural background of the case and details the logic behind the court’s holding. Section II will also provide background information on the Bayh-Dole Act. Section III analyzes the court’s decision in *Campbell Plastics* and concludes that the correct application is to apply the congressional intent behind the Bayh-Dole Act over its literal interpretation. Section III also offers suggested guidelines

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<sup>5</sup> 389 F.3d 1243 (Fed. Cir. 2004).

<sup>6</sup> *Id.*

<sup>7</sup> 35 U.S.C.A. § 202(c)(1) states that “the Federal Government may receive title to any subject invention not disclosed to it within [reasonable] time.”

<sup>8</sup> 389 F.3d at 1250.

<sup>9</sup> U.S. Const. art. I, § 8, cl. 8.

<sup>10</sup> 35 U.S.C.A. § 200.

that the court could have proposed in order to guide future cases. Section IV concludes that the court's newly set precedent will have negative repercussions on the contractual relationship between the Government and its contractors while undermining the purposes behind the Bayh-Dole Act. Perhaps this decision can have a positive outcome by encouraging Congress to amend the Bayh-Dole Act to prevent another *Campbell Plastics* from occurring.

## II. BACKGROUND

An inventor who spends countless hours, months, and even years on the development of an invention could not possibly foresee that a mere procedural omission would result in the complete forfeiture of his or her intellectual property rights. This section will detail the facts of *Campbell Plastics v. Brownlee* and the procedural history that led to Campbell Plastics's appeal. The procedural history will include the opinion of the Armed Services Board of Contract Appeals followed by the reasoning and holding of the U.S. Court of Appeals for the Federal Circuit. The section will conclude with a brief summary of the Bayh-Dole Act.

### A. *The Facts of Campbell Plastics v. Brownlee*

In September of 1992, the Army Chemical Research Development Engineering Center<sup>11</sup> entered into a cost-plus-fixed-fee contract with the Small Business Administration<sup>12</sup> and Campbell Plastics Engineering & Manufacturing, Inc.<sup>13</sup> The contract, to develop particular components of an aircrew protective mask,<sup>14</sup> was made pursuant to section 8(a) of the Small Business Act,<sup>15</sup> which helps "small disadvantaged business concerns compete in the American economy through business development."<sup>16</sup> In October of 1992, Mr. Richard Campbell, the President of Campbell Plastics,

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<sup>11</sup> It is now the Soldier Biological Chemical Command. *Appeal of Campbell Plastics Engr. & Mfg. Inc.*, 2003 ASBCA LEXIS 29 at \*2 n. 2 (Mar. 2003).

<sup>12</sup> See 13 C.F.R. § 124.501 (2006). The Small Business Administration enters into contracts with federal agencies and then contracts with "qualified [p]articipants" to perform the contract. *Id.* at § 124.501(a).

<sup>13</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*2. Campbell Plastics's name was Venture Plastics, Inc. when it entered into the contract. *Id.* In 1995, it changed its name "to reflect its increase in engineering, research and development." Clare Goldsberry, *Gas Mask Contract from DOD may Double Campbell's Staff*, *Plastics News* 11 (Jan. 27, 1997).

<sup>14</sup> The statement of work provided that "[t]he contractor shall design and fabricate tooling and fabricate piece parts for the mask components. These components consist of the side port, side voicemitter retaining ring, side voicemitter assembly, front voicemitter housing, front voicemitter assembly, outlet valve housing, outlet valve, outlet valve cover, eyelens retaining system, lip light-microphone pass through, drink tube pass through, eyelenses and optical correction insert." *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*3.

<sup>15</sup> *Id.* at \*2.

<sup>16</sup> 13 C.F.R. § 124.1 (2006). Businesses are eligible for this program if they are "a small business which is unconditionally owned and controlled by one or more socially and economically disadvantaged individuals who are of good character and citizens of the United States, and which demonstrates potential for success." *Id.*

submitted a DD Form 882 stating “no inventions,” as required by the contract.<sup>17</sup> The DD Form 882 invention report, entitled “Interim Report of Inventions and Subcontracts,” requires a contractor to list the subject inventions created during the period and ensures the proper procedures for identifying and disclosing the inventions have been carried out.<sup>18</sup> The contract also incorporated FAR 52.227-11,<sup>19</sup> which states the requirements for disclosing an invention in order for a contractor to retain title to the invention. Shortly thereafter, an Army representative informed Mr. Campbell that the DD Form 882 was due at least once every twelve months from the date the contract was awarded.<sup>20</sup>

In December, Mr. Campbell faxed several handwritten drawings to Jeff Hofmann, an ACO<sup>21</sup> Representative. One of these drawings identified a place for a “sonic weld<sup>[22]</sup> or snap fit.”<sup>23</sup> In a faxed handwritten letter to Mr. Hofmann a few days later, Mr. Campbell asked to “reopen the question of sonic welding” and included an explanation of the concept and advantages.<sup>24</sup> In January of 1993, Mr. Campbell provided Mr. Hofmann with two protective masks that incorporated sonic-welded side ports, and he followed up in a monthly progress report that they were testing sonic welding.<sup>25</sup> Mr. Campbell faxed Mr. Hofmann a drawing of a side port having a sonic weld and then reported in the March progress report that “sonic welding ‘looks viable’” and that a prototype mold was being created to test its feasibility.<sup>26</sup> Further testing and more detailed diagrams that referenced the incorporation of sonic welding were faxed to Mr. Hofmann between March and August of 1993.<sup>27</sup>

In October, another ACO, Mr. Joseph J. Stehlik, wrote to Mr. Campbell reminding him that a DD Form 882 was to be submitted once

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<sup>17</sup> *Campbell Plastics*, 389 F.3d at 1244. The contract required that “interim and final invention reports . . . shall be submitted on DD Form 882, Report of Invention and Subcontract.” *Appeal of Campbell Plastics*, 2003 ABSCA LEXIS 29 at \*3. A copy of a DD Form 882 can be found at <http://www.dtic.mil/whs/directives/infomgt/forms/eforms/dd0882.pdf> (accessed Feb. 11, 2006).

<sup>18</sup> *Campbell Plastics*, 389 F.3d at 1245.

<sup>19</sup> FAR stands for Federal Acquisition Regulation and is a code containing “uniform policies and procedures for acquisition by all executive agencies.” 48 C.F.R. § 1.101 (2006). FAR 52.227-11, entitled “Patent Rights—Retention by the Contractor,” requires that the contractor disclose the invention “in the form of a written report.” 48 C.F.R. § 52.227-11(c)(1) (2006).

<sup>20</sup> *Campbell Plastics*, 389 F.3d at 1244.

<sup>21</sup> ACO stands for Administrative Contracting Officer. ACO’s have the authority to administer contracts. 48 C.F.R. § 2.101 (2006).

<sup>22</sup> Also known as ultrasonic welding, the process “uses electrical energy that is converted to mechanical vibration, which softens or melts the plastic. When the energy source is shut off, the plastic parts are pressed together to form a permanent bond when cooled.” Engr. Sys. Research Ctr., U. of Cal. at Berkeley, *Design for Manufacturability: Ultrasonic Welding and Mechanical Snap Fits*, <http://bits.me.berkeley.edu/develop/mattel3/62DFMSW.htm> (last updated Oct. 26, 1998).

<sup>23</sup> *Campbell Plastics*, 389 F.3d at 1244-45.

<sup>24</sup> *Id.* at 1245.

<sup>25</sup> *Id.*

<sup>26</sup> *Id.*

<sup>27</sup> *Id.*

every twelve months from the contract date and requested that he submit such a report within ten days.<sup>28</sup> Mr. Campbell did submit the report in October and then again in September 1994, but he did not disclose any inventions.<sup>29</sup> Although no more DD Form 882s were submitted by Mr. Campbell and no more were requested of him by the Army, he continued to submit monthly progress reports in June, October, and November of 1994 that continued to report work done on the sonic welding process.<sup>30</sup> The Army published a report in September of 1995 entitled “Concept Development Studies for Respiratory Protection System 21,” which referenced “ultrasonic welding of mask components.”<sup>31</sup>

In February and November of 1995, Campbell faxed Mr. Hofmann more drawings of the incorporation of the sonic welding and the further changes that had been made.<sup>32</sup> In December 1996, Campbell requested permission from the Government to use government furnished equipment, which included a Branson Ultra Sonic Welder.<sup>33</sup> Then in June 1997, the Army published another report entitled “Design of the XM45 Chemical-Biological, Aircrew, Protective Mask,” which revealed Army research conducted from October 1991 to July 1995.<sup>34</sup> Yet again, this report referred to the sonic-welded components created by Campbell Plastics.<sup>35</sup>

Campbell Plastics’s filed a patent application entitled “Sonic Welded Gas Mask and Process” on October 9, 1997.<sup>36</sup> At the request of the U.S. Patent and Trademark Office, the Army reviewed the patent application in January of 1998 for the limited purpose of making a 35 U.S.C. § 181 secrecy recommendation.<sup>37</sup> The patent application issued on April 20, 1999 and reserved a paid-up license<sup>38</sup> and other limited rights for the Government

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<sup>28</sup> *Id.*

<sup>29</sup> *Id.*

<sup>30</sup> *Id.*

<sup>31</sup> *Appeal of Campbell Plastics*, 2003 ASCBA LEXIS 29 at \*11.

<sup>32</sup> *Campbell Plastics*, 389 F.3d at 1245.

<sup>33</sup> *Appeal of Campbell Plastics*, 2003 ASCBA LEXIS 29 at \*12.

<sup>34</sup> *Campbell Plastics*, 389 F.3d at 1245-46.

<sup>35</sup> *Id.*

<sup>36</sup> *Id.* at 1246.

<sup>37</sup> *Id.* The statute requires that

[w]henever publication or disclosure by the publication of an application or by the grant of a patent on an invention in which the Government has a property interest might, in the opinion of the head of the interested Government agency, be detrimental to the national security, the Commissioner of Patents upon being so notified shall order that the invention be kept secret and shall withhold the publication of the application or the grant of a patent therefor[e] under the conditions set forth hereinafter.

<sup>35</sup> U.S.C.A. § 181 (West 2001 & Supp. 2005).

<sup>38</sup> A paid-up license is irrevocable, nonexclusive and nontransferable and allows the agency to use the invention (or have the invention used on its behalf) throughout the world. 35 U.S.C.A. § 202(c)(4).

pursuant to Campbell Plastics's contract with the Army.<sup>39</sup> Less than ten days later, Campbell Plastics notified the Army of the patent<sup>40</sup> and the Army responded that Campbell Plastics had forfeited title to the patent due to its failure to comply with FAR 52.227-11.<sup>41</sup> In a letter to Campbell, the Government admitted that by at least June 1997, it had a written report in its possession providing a "completely enabling disclosure of the subject invention" and argued that the government employees who drafted this written report should be included as co-inventors.<sup>42</sup> The letter stated that Campbell Plastics could retain joint title if it added the names of the government employees to the patent, but Mr. Campbell responded in reassertion of his sole rights as the inventor.<sup>43</sup>

B. *Opinion of the Armed Services Board of Contract Appeals*

The contracting officer issued a final decision on December 15, 2000 stating that Campbell Plastics forfeited title to its invention to the Army due to its failure to disclose the invention as required under FAR 52.227-11.<sup>44</sup> Campbell Plastics appealed this decision on March 14, 2001 to the Armed Services Board of Contract Appeals ("Board").<sup>45</sup>

In its appeal, Campbell Plastics claimed that it did disclose the invention, although not in the exact form required by the contract, and the failure to disclose by way of a DD Form 882 was inadvertent.<sup>46</sup> In addition, it argued that a constructive disclosure was made through the Government's written report referencing sonic welding and through the U.S. Patent Office's request for a secrecy recommendation.<sup>47</sup> Campbell Plastics also contended that courts generally do not warrant a penalty of forfeiture.<sup>48</sup> Conversely, the Army argued that Campbell Plastics intentionally failed to

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<sup>39</sup> *Campbell Plastics*, 389 F.3d at 1246.

<sup>40</sup> 48 C.F.R. § 52.227-11(c)(2) requires that the contractor elect to take title in writing, within two years after the invention is disclosed to the Federal Agency.

<sup>41</sup> *Campbell Plastics*, 389 F.3d at 1246. See *supra* n. 19 for discussion of FAR 52.227-11. The ACO referred to FAR 52.227-11, which allows the Government to request a conveyance of title if the contractor does not disclose the invention "within a reasonable time after it becomes known to contractor personnel responsible for the administration of patent matters." 35 U.S.C.A. § 202(c)(1).

<sup>42</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*15.

<sup>43</sup> *Id.* at \*\*15-16. There are many reasons why Campbell would demand sole-ownership of his invention. First, each government employee co-inventor would have an undivided interest in the patent regardless of his or her contribution. *Ethicon Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456, 1465 (Fed. Cir. 1988). Also, where there is no contrary agreement between the co-inventors (or any agreement at all), "each of the joint owners of a patent may make, use, offer to sell, or sell the patented invention within the United States . . . without the consent of and without accounting to the other owners." 35 U.S.C.A. § 262 (West 2001). Basically, Campbell would lose a lot of control over the invention by sharing it with the government employees.

<sup>44</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*16. See *supra* n. 19 discussing FAR 52.227-11.

<sup>45</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*1.

<sup>46</sup> *Id.* at \*16.

<sup>47</sup> *Id.* at \*19.

<sup>48</sup> *Id.* at \*16. The court reasserted "[t]he law does not favor forfeitures." *Id.* at \*27.

comply with the disclosure requirements incorporated in its contract and therefore forfeited title to the patent.<sup>49</sup>

The ASBCA found that although there was no evidence that Campbell Plastics intentionally failed to disclose the invention,<sup>50</sup> it had been informed as to the use of the DD Form 882 and did use it on occasion without disclosing the invention.<sup>51</sup> The Board concurred with the Army, saying “there can be no disclosure unless Campbell advised the Army that the information being provided on sonic welding was with regard to something perceived by Campbell as an invention.”<sup>52</sup> Furthermore, in response to Campbell Plastics’s constructive disclosure argument, the Board maintained that both the Government’s report referencing the sonic welding and the information from the U.S. Patent Office regarding Campbell’s application did not come from Campbell Plastics.<sup>53</sup> The Board rejected Campbell Plastics’s argument that the forfeiture penalty “is draconian,” stating that the “application of that principle is usually in the context of favoring a construction that avoids forfeiture” and in this case, “the contract terms are clear and unambiguous.”<sup>54</sup> The Board also looked at the legislative intent of the Bayh-Dole Act in determining whether forfeiture was intended and determined that 35 U.S.C. § 202<sup>55</sup> was clear “regarding the requirement of disclosure and the consequences of failing to disclose.”<sup>56</sup> Finally, the Board addressed the use of the word *may* in the statute, regarding the agency’s discretion in deciding whether to take title.<sup>57</sup> It held that there was no abuse of discretion;<sup>58</sup> the decision was reasonable under

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<sup>49</sup> *Id.* at \*16.

<sup>50</sup> *Id.*

<sup>51</sup> *Id.* at \*\*17-18.

<sup>52</sup> *Id.* at \*18.

<sup>53</sup> *Id.* at \*19.

<sup>54</sup> *Id.* at \*\*20-21.

<sup>55</sup> The contract incorporated the Patent Rights Clause in FAR 52.227-11, which is based on 35 U.S.C. § 202, providing that the Government may take title to an invention if the contractor fails to disclose the invention. 35 U.S.C.A. § 202(c)(1).

<sup>56</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*\*27-28. The court administered a two-part test in determining whether the agency construction of the statute was proper. It first asked “whether Congress has directly spoken to the precise question at issue,” and if the answer is yes, the analysis is finished because “the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.” *Id.* at \*26. However, if the answer is no, the second question “is whether the agency’s answer is based on a permissible construction of the statute.” *Id.* at \*27.

<sup>57</sup> 35 U.S.C.A. § 202(c)(1) states “the Federal Government *may* receive title to any subject invention not disclosed to it within such time” (emphasis added).

<sup>58</sup> The court stated four factors in determining whether there is an agency abuse of discretion:

- 1) whether the government official acted with subjective bad faith; 2) whether the official had a reasonable, contract-related basis supporting the decision under review; 3) the amount of discretion vested in the official whose action is being reviewed; and 4) whether a proven violation of relevant statutes or regulations can render a decision arbitrary and capricious.

the circumstances and there was no subjective bad faith.<sup>59</sup> The Board denied Campbell Plastic's appeal and upheld the decision of the ACO.

C. *Opinion of the U.S. Court of Appeals for the Federal Circuit*

Campbell Plastics appealed to the United States Court of Appeals for the Federal Circuit.<sup>60</sup> The court reviewed the Board's decision based on the standard of review defined in the Contract Disputes Act,<sup>61</sup> which upholds the Board's findings of fact unless there is an abuse of discretion or lack of substantial evidence and reviews questions of law de novo.<sup>62</sup> The court agreed with the Board that the plain meaning of the contract was "clear and unambiguous."<sup>63</sup> The court acknowledged, however, that the DD Form 882's requirements were vague and lacking appropriate direction and that the contract itself did not support this form of disclosure.<sup>64</sup> The court also found that Congress intended to permit forfeiture of title because it listed the protection of government rights as a policy objective in 35 U.S.C. § 200.<sup>65</sup> While the court acknowledged that the invention had been disclosed to the Government, it found that "Campbell Plastics's [sic] piecemeal submissions do not adequately disclose the subject invention under the parties' contract."<sup>66</sup> Campbell Plastics advanced its abuse of discretion argument by claiming the Government suffered no harm.<sup>67</sup> The court affirmed the Board's conclusions, however, holding that harm to the Government was not a requirement for the ACO to claim forfeiture and that the Board had applied the proper test.<sup>68</sup> The court ultimately affirmed the

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*Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*29.

<sup>59</sup> *Id.* at \*\*30-31. "Army officials are presumed to have acted in good faith . . . the contracting officer is vested with authority and discretion by the Patent Rights clause." *Id.*

<sup>60</sup> *Campbell Plastics*, 389 F.3d at 1244.

<sup>61</sup> 41 U.S.C.A. § 609(b) (West 1987).

<sup>62</sup> *Campbell Plastics*, 389 F.3d at 1246.

<sup>63</sup> *Id.* at 1248.

<sup>64</sup> *Id.* The court states:

How a contractor would disclose on a DD Form 882 the technical aspects of an invention in the detail required by FAR 52.227-11(c)(1) is not clear. The questions on the form are not directed towards eliciting a disclosure of technical information, and the form itself certainly provides no extra space for such a disclosure. In its brief, the Army states that "[a] written report describing the technical features of the invention must also be provided with the DD 882." Though we find no support in the contract itself for the particular manner of disclosure proposed by the Army, we need not concern ourselves with the question.

*Id.* at n. 1.

<sup>65</sup> *Id.* The policy objective of 35 U.S.C. § 200 is "to ensure that the Government obtains sufficient rights in federally supported inventions to meet the needs of the Government and protect the public against nonuse or unreasonable use of inventions." 35 U.S.C.A. § 200.

<sup>66</sup> *Campbell Plastics*, 389 F.3d at 1249.

<sup>67</sup> *Id.* at 1250. The Army argued that it *had* suffered harm because Campbell Plastics put "the patent rights of the United States in foreign countries in jeopardy." *Id.*

<sup>68</sup> *Id.*

Board's denial of Campbell Plastic s' appeal.<sup>69</sup>

D. *The Bayh-Dole Act*

The Bayh-Dole Act, named after its Senate sponsors,<sup>70</sup> was enacted in 1980 and “gave universities and small businesses the right to own their inventions made with federal funds . . . [while giving] the Government certain minimum rights.”<sup>71</sup> Prior to enactment of the Bayh-Dole Act, “[t]he government would not relinquish ownership of federally funded inventions to the inventing organization except in rare cases after petitions had moved through a lengthy and difficult waiver process.”<sup>72</sup> In the 1960s and 1970s, only a very small amount of U.S. funded research and development was being commercialized.<sup>73</sup> Companies were hesitant to expend the money and resources to develop new inventions if competitors could easily obtain a license from the Government and sell the same products.<sup>74</sup> The Bayh-Dole Act relieved these concerns while unifying agency procedures for determining who took title.

President Ronald Regan later extended the Act in 1983 when he issued a patent policy statement to executive agencies requiring their compliance with the Bayh-Dole Act and then in 1987 when he issued an executive order “[f]acilitating access to science and technology.”<sup>75</sup> Executive Order 12591 required all government agencies to promote commercialization by granting all contractors “title to patents made in whole or in part with Federal funds.”<sup>76</sup> Previously, only small businesses and nonprofit organizations could benefit under the Bayh-Dole Act, but President Reagan’s order extended the reach to large businesses as well.<sup>77</sup>

The rewards realized through the Bayh-Dole Act extended past the benefits to individual businesses and industries to stimulate the American economy. In the late 1970s, the U.S. had lost its number one competitive position in automobile and steel production and was not even second in many other industries. Additionally, productivity was developing slower

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<sup>69</sup> *Id.*

<sup>70</sup> The Act was named after Birch Bayh (D-Indiana) and Robert Dole (R-Kansas).

<sup>71</sup> John H. Raubitschek, *Responsibilities Under the Bayh-Dole Act*, 87 J. Pat. & Trademark Off. Socy. 311 (Apr. 2005). *Certain minimum rights* refers to the march-in rights and the paid-up license afforded the Government under the contract.

<sup>72</sup> Council on Govtl. Rel., *The Bayh-Dole Act: A Guide to the Law and Implementing Regulations* 2 (Oct. 1999), [http://cogr.edu/docs/bayh\\_dole.pdf](http://cogr.edu/docs/bayh_dole.pdf).

<sup>73</sup> *Id.* at 1-2.

<sup>74</sup> *Id.* at 2.

<sup>75</sup> Exec. Or. 12591, 52 Fed. Reg. 13414 (Apr. 10, 1987).

<sup>76</sup> Exec. Or. 12591, 52 Fed. Reg. 13414, § 1(b)(1)(B)(4) (Apr. 10, 1987).

<sup>77</sup> Rebecca S. Eisenberg, *Symposium on Regulating Medical Innovation: Pub. Research and Priv. Dev.: Patents and Tech. Transfer in Government-Sponsored Research*, 82 Va. L. Rev. 1663, 1665 (1996).

“than that of our free world competitors.”<sup>78</sup> After years of breaking down the barriers, a 1998 study by The Economist assessed that the Bayh-Dole Act “created 2000 new companies, 260,000 new jobs, and . . . contribute[d] \$40 billion annually to the U.S. economy.”<sup>79</sup>

### III. ANALYSIS

This Note argues that the court in *Campbell Plastics* regrettably concluded that the Government can take title to a contractor’s invention merely because the contractor fails to comply procedurally with the contract provisions. First, the court’s judgment was contrary to the spirit of the Bayh-Dole Act and failed to apply the objectives of the Act. Furthermore, the decision of the court will result in dire economic consequences that will inevitably impact commercialization and the future of government-funded contracting. Moreover, the court also failed to provide guidance for future cases. The court’s decision not to establish factors for distinguishing when title should be forfeited will result in an increase in agency abuse of discretion and more hesitancy from companies in entering into contracts with the Government.

#### A. *The Court in Campbell Plastics Should Have Looked to the Spirit of the Law*

The court concluded in *Campbell Plastics* that “the contract unambiguously provides . . . the government may obtain title to the subject invention.”<sup>80</sup> However, courts do not always stop at the plain meaning of the text. In fact, a number of cases have concluded that the spirit of the law would be the more appropriate construction. The opinion in *Church of the Holy Trinity v. U.S.*,<sup>81</sup> “that a thing may be within the letter of the statute and yet not within the statute, because not within its spirit, nor within the intention of its makers,”<sup>82</sup> is still quoted today by courts.<sup>83</sup> The test

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<sup>78</sup> Sen. Birch Bayh, Speech, *State. of Sen. Birch Bayh to the Natl. Insts. of Health* 1 (May 25, 2004), available at <http://www.unh.edu/oipm/Bayhstatement.pdf> (accessed Feb. 24, 2006).

<sup>79</sup> *Id.* at 2.

<sup>80</sup> 389 F.3d at 1250.

<sup>81</sup> 143 U.S. 457 (1892).

<sup>82</sup> *Id.* at 459.

<sup>83</sup> See e.g. *Atanus v. MSPB*, 2006 U.S. App. LEXIS 260 at \*\*14-15 (Fed. Cir. 2006) (dissenting opinion); *Koyo Corp. of U.S.A. v. U.S.*, 2005 Ct. Intl. Trade LEXIS 162 at \*12; *U.S. v. Gasanova*, 332 F.3d 297, 300 (5th Cir. 2003); *Stocker v. Warden*, 2004 U.S. Dist. LEXIS 5395 at \*17 (E.D. Pa. 2004); *U.S. v. Gordon*, 291 F.3d 181, 199 (2d Cir. 2002) (concurring opinion); *Raso v. Wall*, 2005 R.I. LEXIS 162 at \*12 (D.R.I. 2005); *Dodd v. U.S.*, 125 S. Ct. 2478, 2488 (2005) (dissenting opinion); *Chavez-Rivas v. Olson*, 207 F. Supp. 2d 326, 336 (D.N.J. 2002); *Spectrum Health Continuing Care Group v. Anna Marie Bowling Irrevocable Trust*, 410 F.3d 304, 323 (6th Cir. 2005) (dissenting opinion); *Ziegler v. Fisher-Price, Inc.*, 2003 U.S. Dist. LEXIS 6356 at \*13 (N.D. Iowa 2003); *Robbins v. Chronister*, 2002 U.S. Dist. LEXIS 3835 at \*14 (D. Kan. 2002); *In re Busetta-Silvia*, 314 B.R. 218, 224 (10th Cir. 2004); *Schwab v. Sears, Roebuck & Co. (In re Derienzo)*, 282 B.R. 586, 590 (Bankr. M.D. Pa. 2002); *U.S. v. Marek*, 238 F.3d 310, 321 (5th Cir. 2001); *Gomez Candelaria v. Rivera-Rodriguez*, 218 F. Supp. 2d 66, 79 (D.P.R. 2002); *Parker v. Time Warner Ent. Co., L.P.*, 331 F.3d 13, 27 (2d Cir. 2003) (concurring opinion).

employed by courts applying *Holy Trinity* is to look at the circumstances surrounding the passage of the act,<sup>84</sup> including the evils the act was intended to prevent, to see if there is a contrary conclusion;<sup>85</sup> “[i]f a literal construction of the words of a statute be absurd, the act must be so construed as to avoid the absurdity.”<sup>86</sup> In accord with the principles of *Holy Trinity*, courts have held, for example, that two federal criminal statutes that when read literally denied the court jurisdiction to impose a sentence for violating a local statute were inconsistent with the intention of the legislature and therefore did not apply in certain cases;<sup>87</sup> the legislature did not intend that an invalid indictment would be treated as a valid indictment for the purpose of barring a claim for attorney’s fees;<sup>88</sup> a statute prohibiting a Chinese woman married to an American from entering the country did not further the desired result of preventing the presence of a large number of aliens;<sup>89</sup> and a statute that denied a debtor-lessor the opportunity to accept a lease if the court did not hear the motion before the conclusion of the sixty day period was contrary to the intention of the legislature to balance “creditor protection and debtor relief.”<sup>90</sup> Many courts strike down or narrow the substance of the laws “even when the plain meaning [does] not produce absurd results but merely an unreasonable one ‘plainly at variance with the policy of the legislation as a whole.’”<sup>91</sup> In these cases the court will adhere to the purpose behind the legislation “rather than the literal words.”<sup>92</sup>

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<sup>84</sup> “The circumstances of the enactment of particular legislation . . . may persuade a court that Congress did not intend words of common meaning to have their literal effect.” *Public Citizen v. U.S. Dept. of Justice*, 491 U.S. 440, 454 (1989) (quoting *Watt v. Alaska*, 451 U.S. 259, 266 (1981)). See also *In re Fields*, 127 B.R. 150, 152 (Bankr. W.D. Tex. 1991) (looking at the circumstances behind the passage of the Bankruptcy Code to distinguish the term *necessary* in Chapter 11 bankruptcy proceedings); *Robbins v. Chronister*, 402 F.3d 1047, 1051-55 (10th Cir. 2005) (looking at the circumstances surrounding the enactment of the Prison Litigation Reform Act to determine whether the legislature intended to apply the statute to civil rights claims that occurred prior to incarceration).

<sup>85</sup> “[T]he intent of the legislature . . . [is] collected sometimes by considering the cause and necessity of making the act.” *Holy Trinity*, 143 U.S. at 459; see also *Gasanova*, 332 F.3d at 299 (court acknowledged that the Immigration Reform and Control Act was intended to prevent illegal immigration and so by interpreting the term “official authorization” to include “a document the defendant knows to be mistakenly-issued or fraudulently-obtained would thwart this objective”); *Carolene Products Co. v. Mahoney*, 294 F. 902, 903 (D. Mass 1923) (court acknowledged that the Massachusetts legislature was trying to prevent the sale and production of filled milk because of the potential for fraud and its injurious health effects and so it was not intended that the statute apply to “wholesome and desirable food product[s]”).

<sup>86</sup> *Holy Trinity*, 143 U.S. at 460.

<sup>87</sup> *Govt. of the Virgin Islands v. Santiago*, 798 F. Supp. 274, 279-82 (D.V.I. 1992).

<sup>88</sup> *In re Nofziger*, 925 F.2d 428, 434 (D.D.C. Cir. 1991).

<sup>89</sup> *Ex parte Chiu Shee*, 1 F.2d 798, 798 (D.C. Mass. 1924).

<sup>90</sup> *In re Southwest Aircraft Servs., Inc.*, 831 F.2d 848, 852-53 (9th Cir. 1987).

<sup>91</sup> *U.S. v. Am. Trucking Assns.*, 310 U.S. 534, 543 (1940) (quoting *Ozawa v. U.S.*, 260 U.S. 178, 194 (1922)).

<sup>92</sup> *Id.*; see also *In re Unit Portions of Del., Inc.*, 53 B.R. 83, 85 (Bankr. D.N.Y. 1985) (holding a statute “absurd” when it required that a time extension for accepting or rejecting a lease be granted before 60 days because the literal reading resulted in denying an estate the interest in the lease if the motion for extension was not granted before the time period. The court held that this was contrary to the intent of the

Like the cases cited above, the plain purpose of the Bayh-Dole Act will be defeated by strictly adhering to the text of FAR 52.227-11.<sup>93</sup> In fact, *Campbell Plastics* was not the first time the U.S. Court of Appeals for the Federal Circuit announced a holding contrary to the intent of the Bayh-Dole Act. In *OddzOn Products, Inc. v. Just Toys, Inc.*,<sup>94</sup> the court held “that subject matter derived from another<sup>95</sup> not only is itself unpatentable to the party who derived it under § 102(f), but, when combined with other prior art,<sup>96</sup> may make a resulting obvious<sup>97</sup> invention unpatentable to that party under a combination of [35 U.S.C.] §§ 102(f)<sup>98</sup> and 103.”<sup>99</sup> This ruling was detrimental primarily to universities under the Bayh-Dole Act because it affected the collaborative partnerships between researchers and the private sector.<sup>100</sup> Senator Leahy reported to the Senate regarding the court’s decision in *OddzOn Products*. He stated:

“[P]rior art” [is] a standard which generally prevents an inventor from obtaining a patent. Thus some collaborative teams that the Bayh-Dole Act was intended to encourage have been unable to obtain patents for their efforts. The

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legislature, which was “to assure that the trustee submit his request to the court within this period, and to preclude the court from extending the time for assumption upon an untimely application by the trustee”); *Nixon v. Mo. Mun. League*, 541 U.S. 125, 131-33 (2004) (holding the phrase “‘any’ entity” in a state statute did not prevent state political subdivisions from providing telecommunications service because although *any entity* would refer to both private and public entities, the legislature intended to limit it to only private entities).

<sup>93</sup> See *supra* n. 19 for description of FAR 52.227-11.

<sup>94</sup> 122 F.3d 1396 (Fed. Cir. 1997).

<sup>95</sup> In *OddzOn Products*, OddzOn received “two confidential ball designs . . . which ‘inspired’ the inventor.” *Id.* at 1401. No further information on who proffered these designs was provided in the case.

<sup>96</sup> Prior art is “[k]nowledge that is publicly known, used by others, or available on the date of invention to a person of ordinary skill in an art, including what would be obvious from that knowledge.” *Black’s Law Dictionary* 119 (Bryan A. Garner ed., 8th ed., West 2004). Both the courts and the U.S. Patent and Trademark Office consider prior art before they determine the patentability of a similar invention. *Id.*

<sup>97</sup> As a prerequisite for obtaining a patent, the design must meet the conditions of “ornamentality, novelty, and nonobviousness” which “resides in the ornamental shape or configuration of the article in which the design is embodied or the surface ornamentation which is applied to or embodied in the design.” U.S. Patent and Trademark Office, *Manual of Patent Examining Procedure* § 1504 (Aug. 2001), available at [http://www.uspto.gov/web/offices/pac/mpep/mpep\\_e8\\_1500.pdf](http://www.uspto.gov/web/offices/pac/mpep/mpep_e8_1500.pdf) [hereinafter MPEP].

<sup>98</sup> 35 U.S.C.A. § 102(f) (West 2001) refers to an exception of patentability: when the person patenting the invention “did not himself invent the subject matter sought to be patented.”

<sup>99</sup> MPEP, *supra* n. 97, at 1403-04. The relevant section of 35 U.S.C. § 103 as it was amended in 1984 and prior to the CREATE Act, states:

Subject matter developed by another person, which qualifies as prior art only under subsection (f) . . . of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the invention was made, owned by the same person or subject to an obligation of assignment to the same person.

*Id.* at 1403.

<sup>100</sup> Jed Hayward Hansen, *What Does CREATE Create? An Examination of the Cooperative Research and Technology Enhancement Act and Its Impact on the Obviousness Requirement in Patent Law*, 2005 Utah L. Rev. 939, 960. See generally 108 H.R. Rpt. 425 (Feb 24, 2004) (for an in-depth look into the *OddzOn Products* case and the CREATE Act). This decision did not solitarily affect universities, but generally posed “significant potential threat[s] to inventors who engage[d] in collaborative research and development projects.” *Id.*

result is a disincentive to form this type of partnership, which could have a negative impact on the U.S. economy and hamper the development of new creations.<sup>101</sup>

This ruling prompted Congress to enact the Cooperative Research and Technology Enhancement Act (“CREATE Act”)<sup>102</sup> to advance the Bayh-Dole Act’s original legislative intent.<sup>103</sup> The CREATE Act ensures “that non-public information is not considered ‘prior art’ when the information is used in a collaborative partnership under the Bayh-Dole Act.”<sup>104</sup> It “also includes strict evidentiary burdens to ensure that the legislation is tailored narrowly in order to solely fulfill the intent of the Bayh-Dole Act.”<sup>105</sup> The House of Representatives did note that the court’s interpretation of the law in *OddzOn Products* was “accurate” but that its holding conflicted with the objectives of the Bayh-Dole Act.<sup>106</sup>

#### 1. The Circumstances Surrounding the Passage of the Bayh Dole Act

The Bayh-Dole Act has encouraged a momentum of innovation, which “has contributed billions of dollars annually to the United States economy and has produced hundreds of thousands of jobs.”<sup>107</sup> First and foremost, it reversed the presumption of title in federally funded inventions.<sup>108</sup> Prior to enactment, title remained with the Government and non-exclusive licenses were available to anyone who wanted to use the invention.<sup>109</sup> In fact, prior to World War II, almost all research and

<sup>101</sup> 150 Cong. Rec. S9938 (daily ed. Sept. 29, 2004) (statement of Sen. Patrick Leahy).

<sup>102</sup> The CREATE Act, in effect, creates “a joint research agreement between interested parties before an invention is made . . . [so that] confidential communications between research teams may not be used as prior art to invalidate a patent for reasons of obviousness.” Hansen, *supra* n. 100, at 939.

<sup>103</sup> Ironically, the court in *OddzOn Products* was interpreting the 1984 amendments to the statute, which were drafted for the purpose of encouraging this type of collaborative relationship. H.R. Subcomm. on Cts., the Internet, and Intell. Prop. of the Jud. Comm., *Patent Law and Non-profit Research Collaboration Hearing*, 107th Cong. 43 (Mar. 14, 2002).

<sup>104</sup> 150 Cong. Rec. S9952 (daily ed. Sept. 29, 2004) (statement of Sen. Patrick Leahy).

<sup>105</sup> *Id.*; see 35 U.S.C.A. §§ 103(c)(2)(A)-(C), 103(c)(3) (West 2001 & Supp. 2005). Leahy is probably referring to the fact that the statute requires that such collaborative communications be made pursuant to a “joint research agreement.” The statute defines “joint research agreement” as “a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.” *Id.* at § 103(c)(3).

<sup>106</sup> H.R. Subcomm. on Cts., the Internet, and Intell. Prop. of the Jud. Comm., *Patent Law and Non-profit Research Collaboration Hearing*, 107th Cong. 43 (Mar. 14, 2002) (statement of Janet E. Reed). The court in *OddzOn Products* acknowledged that its decision was probably contrary to the intent of the legislation but that the language of the statute controlled; it also invited Congress to amend the statute. 122 F.3d at 1403.

<sup>107</sup> 150 Cong. Rec. S9952 (daily ed. Sept. 29, 2004) (statement of Sen. Patrick Leahy).

<sup>108</sup> Ted Sabety, *Nanotechnology Innovation and the Patent Thicket: Which IP Policies Promote Growth?* 15 Alb. L.J. Sci. & Tech. 477, 484 (2005).

<sup>109</sup> Howard M. Bremer, Speech, *The First Two Decades of the Bayh-Dole Act as Pub. Policy*, NASULGC: Natl. Assn. of St. U. and Land Grant Colleges (Nov. 11, 2001), located at [http://www.nasulgc.org/COTT/Bayh-Dohl/Bremer\\_speech.htm](http://www.nasulgc.org/COTT/Bayh-Dohl/Bremer_speech.htm) (accessed Feb. 21, 2006).

development financed by the Government was performed in federal labs by government employees.<sup>110</sup> However, during and after the War, the demands for more technologically sophisticated military equipment brought about the realization that there were insufficient government resources to support the necessary projects.<sup>111</sup> This resulted in an increase in government funded research contracts,<sup>112</sup> compelling the question whether the Government should always take title to the patentable inventions or whether title should be passed to the contractor in order to promote its use in the public sector.<sup>113</sup>

As one commentator noted, Congress enacted the Bayh-Dole Act upon realizing that:

[I]magination and creativity are truly a national resource; (2) that the patent system is the vehicle which permits the delivery of that resource to the public; (3) that placing the stewardship of the results of basic research in the hands of universities and small business is in the public interest; and, significantly, (4) that the existing federal patent policy was placing the nation in peril during a time when intellectual property rights and innovation were becoming the preferred currency in foreign affairs.<sup>114</sup>

The Act created a uniform patent policy for federally funded inventions<sup>115</sup> and allowed universities and small businesses to elect to take title to inventions created pursuant to a government project.<sup>116</sup> Some stated objectives of the Act include:

[T]o promote the utilization of inventions arising from federally supported research or development; to encourage maximum participation of small business firms in federally supported research and development efforts; to promote collaboration between commercial concerns and nonprofit organizations . . . to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise . . . to promote the commercialization and public availability of inventions made in the United States by United States industry and labor; [and to] protect the public against

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<sup>110</sup> *Id.*

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Id.*

<sup>115</sup> H.R. Subcomm. on Cts., the Internet, and Intell. Prop. of the Jud. Comm., *Patent Law and Non-profit Research Collaboration Hearing*, 107th Cong. 100 (Mar. 14, 2002).

<sup>116</sup> *Campbell Plastics*, 389 F.3d at 1247.

nonuse or unreasonable use of inventions . . .<sup>117</sup>

## 2. The Evils the Act Was Intended to Prevent

The 1960s and 1970s brought about an increasing concern that very little government funded research and development were being commercialized.<sup>118</sup> By 1978, the Government had around 78,000 patents in its portfolio, of which only five percent had been licensed to industry<sup>119</sup> and even a smaller percentage of that was manifested in commercial products or processes.<sup>120</sup> Hence, “the intended benefits which were to flow to the public in the form of new products and processes as a result of federal support of research . . . were left unrealized.”<sup>121</sup> Congress resolved this hindrance by determining that there needed to be an incentive to invest in commercialization and thus, “private (not government) ownership of inventions, motivated by the prospect of financial gain would lead to more efficient commercialization and distribution of federally funded technology.”<sup>122</sup> The issues that surrounded the enactment of the Bayh-Dole Act were recognized well before it actually became law. In fact, during his revised Statement of Government Patent Policy, President Nixon stated “that a flexible, government-wide policy best serves the public interest.”<sup>123</sup> However, there were still conflicting policies among the government agencies. It appeared that the more restrictive an agency’s policy, the more often the agency tended to take title to inventions it funded and the less likely the technology would be transferred to the public sector.<sup>124</sup> The Bayh-Dole Act was drafted to resolve these problems and establish a uniform patent policy that would stimulate the commercialization of inventions to benefit the public.

### B. The *Campbell Plastics* Holding is Contrary to the Objectives of the Bayh-Dole Act

Thomas Edison once said, “The value of an idea lies in the using of it.”<sup>125</sup> It was under this same philosophy that the Government enacted the Bayh-Dole Act. When the Government held the patent rights to inventions created through federal assistance, society did not benefit because the ideas were not being used. As one commentator noted, “support of research is not enough. That support must be coupled with a creative technology transfer

<sup>117</sup> 35 U.S.C.A. § 200.

<sup>118</sup> Council on Govtl. Rel., *supra* n. 72, at 2.

<sup>119</sup> Sen. Jud. Comm., *The Bayh-Dole Act, A Rev. of Patent Issues in Federally Funded Research: Hrgs. on Pub. L. 96-517*, 103rd Cong. 10 (Apr. 19, 1994).

<sup>120</sup> Bremer, *supra* n. 109.

<sup>121</sup> *Id.*

<sup>122</sup> *Id.*

<sup>123</sup> *Id.*

<sup>124</sup> *Id.*

<sup>125</sup> *Id.*

capability because inventions are of little value to society unless and until they are utilized by society.”<sup>126</sup> However, the decision by the court in *Campbell Plastics* undermines this philosophy by choosing the Government’s interests over that of the contractor-inventor. The abolishment of the presumption prior to the Bayh-Dole Act—that the Government would take title to these inventions—is ample evidence that the legislation overwhelmingly weighs in favor of the contractors’ rights.

The court in *Campbell Plastics* made its first mistake when it gave more weight to the Government’s interests when the Bayh-Dole Act clearly intended the interests of the contractor to be preferential. The court states that the Act “provided the government with certain aforementioned rights” but can only support this statement by generalizing that one of the policy objectives of the Act relates to the protection of the Government’s rights.<sup>127</sup> In fact, there are many ways the Act balances the rights of both the Government and the contractor that does not result in a complete loss to the contractor. For example, even when a contractor successfully takes title to his or her invention, the Government still has the right to “a nonexclusive, nontransferable, irrevocable, paid-up license to practice or have practiced for or on behalf of the United States any subject invention throughout the world.”<sup>128</sup> A paid-up license is effective because it prevents the Government from being liable for patent infringement on a government-funded invention.<sup>129</sup> In the event that a contractor fails to employ the patent process before a certain date, the Government has rights to the invention in the U.S. and any other country where the contractor has not filed a patent application.<sup>130</sup> Even after receiving title, if a contractor does not use the invention as the Bayh-Dole Act intended,<sup>131</sup> the Government has march-in rights,<sup>132</sup> allowing it to license the invention to a “responsible applicant.”<sup>133</sup> It should be noted that the Government has never chosen to exercise its march-in rights, although there have been at least three occasions by which

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<sup>126</sup> *Id.*

<sup>127</sup> *Campbell Plastics*, 389 F.3d at 1248. The court is referring to a policy objective stated in 35 U.S.C. § 200. There is only one objective pertaining to the Government. See *supra* n. 65 for specific text.

<sup>128</sup> 35 U.S.C.A. § 202(c)(4).

<sup>129</sup> Raubitschek, *supra* n. 71, at 312.

<sup>130</sup> 35 U.S.C.A. § 202(c)(3) (stating that “a contractor . . . agrees to . . . file corresponding patent applications in other countries in which it wishes to retain title within reasonable times, and that the Federal Government may receive title to any subject inventions in the United States or other countries in which the contractor has not filed patent applications on the subject invention within such times”).

<sup>131</sup> Such circumstances include: if the contractor is not using the invention (or expected to use it) as it was meant to be used in its field, the contractor is not complying with necessary health and safety requirements or federal regulations dealing with public use, or if the contractor or its licensee is not abiding by its 35 U.S.C. § 204 contractual requirement to substantially manufacture the invention and/or its representative parts in the U.S. 35 U.S.C.A. § 203(a)(1)-(4).

<sup>132</sup> 35 U.S.C.A. § 203.

<sup>133</sup> *Id.* The statute does not define “responsible applicant” but does state that this person or people will obtain from the contractor “a nonexclusive, partially exclusive, or exclusive license in any field of use . . . upon terms that are reasonable under the circumstances.” *Id.* at § 203(a).

these rights could have been exercised.<sup>134</sup> Daryl Chamblee, Acting Deputy Director for Science, Policy, and Technology Transfer for the National Institutes of Health (“NIH”) testified to the Senate that “[h]aving in your back pocket march-in rights is enough. . . . The notion is that they would be used extremely sparingly. I think we would have to look very cautiously at a situation that would justify that.”<sup>135</sup> The Government’s rights are abundant and it is doubtful that these rights are being threatened by a slight procedural mishap. The Government should advance cautiously when deciding to take title away from a contractor before he or she is able to utilize the invention to the public’s benefit.

The only alleged danger to the Government’s rights comes from a concern of “putting the patent rights of the United States in foreign countries in jeopardy,”<sup>136</sup> a rather unusual threat for a mere welding process.<sup>137</sup> The Government, however, fails to further rationalize this assertion. One of the objectives listed in the Government’s patent policy prior to the Bayh-Dole Act was that “the use and practice of these inventions and discoveries should stimulate inventors, meet the needs of the government, recognize the equities of the contractor, and serve the public interest.”<sup>138</sup> This seems to require a balancing test so that all parties are able to benefit from the ideals of the Act; however, the court in *Campbell Plastics* weighed the scale in favor of the Government on all issues.<sup>139</sup>

Another objective listed in the Government’s prior patent policy was that “[t]he policy must recognize the need for flexibility to accommodate special situations.”<sup>140</sup> However, the court is anything but

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<sup>134</sup> The NIH received three requests by third parties in the past several years. One of these complaints was in 1997 by CellPro, Inc., who wanted a license from John Hopkins University. It was determined that the university was adequately commercializing the invention. Another was in 2004, when Essential Inventions, Inc. requested that the NIH exercise its march-in rights against Abbott Laboratories and Columbia University because it felt “the prices being charged for the two patented drugs were not reasonable in view of the public funding of the research.” Raubitschek, *supra* n. 71, at 312.

<sup>135</sup> Sen. Jud. Comm., *The Bayh-Dole Act, A Review of Patent Issues in Federally Funded Research: Hearings on Public Law 96-517*, 103rd Cong. 30 (Apr. 19, 1994).

<sup>136</sup> *Campbell Plastics*, 389 F.3d at 1250. This is the Government’s response to Campbell Plastics’s argument that the agency abuses its discretion when the Government suffers no harm.

<sup>137</sup> This is not to say that welding is not an important part of our national security. In actuality, “[w]elding is critical to all aspects of national security. Virtually all systems used in the defense of our country are welded.” Hal Graboske, *Fundamental Science Supports Natl. Needs*, Sci. & Tech. Rev. (Nov. 2001), available at <http://www.llnl.gov/str/November01/ComNov01.html> (accessed Feb. 12, 2006).

<sup>138</sup> Bremer, *supra* n. 109.

<sup>139</sup> The court struck down Campbell Plastics’s argument that it had constructively disclosed the invention through its progress reports and drawings to the Army throughout the contractual period and through Army reports and the Patent and Trademark Office’s secrecy determination. 389 F.3d at 1249. The court also did not find Campbell Plastics’s argument that “‘forfeiture’ is disfavored,” persuasive. *Id.* The court did not find that the agency abused its discretion and also did not find that the Government should suffer some harm before it can take title. *Id.* at 1250.

<sup>140</sup> Bremer, *supra* n. 109.

flexible in *Campbell Plastics*. The court failed to adequately review the policy considerations that exist beyond the explicit terms in the contract. Since Campbell Plastics was awarded the contract due to its status as a small business,<sup>141</sup> the court should have taken into consideration the fact that promoting small business concerns was an objective under the Bayh-Dole Act.<sup>142</sup> In fact, the NIH acknowledged in a Senate hearing that “[t]hrough this Act, the Congress has . . . given preference in such activities to small business firms.”<sup>143</sup> Congress believes that “[w]e are on the cusp of a technological renaissance,” partly because of “the acceleration of product design and realization into the hands of entrepreneurs and small businesses.”<sup>144</sup> However, due to the dependence on government contracts for the funds needed to support these ventures, Congress’s belief can be easily diminished by the holding in *Campbell Plastics*.

The Bayh-Dole Act recognized that small businesses are an important part of our economy’s growth and therefore should be given more opportunities to further develop their enterprise for the advancement of society. Studies indicate that small businesses launch approximately two and a half times as many technological advances per employee as do large businesses.<sup>145</sup> An exceptionally large portion of the “‘breakthrough’ innovations forming the foundation of U.S. military and economic strength” are attributable to small businesses.<sup>146</sup> In fact, small businesses embody “99.7 percent of all employers” and “represent 97 percent of all U.S. exporters.”<sup>147</sup> However, small businesses are much more vulnerable when it comes to protecting intellectual property rights. For example, the U.S. Patent and Trademark Office administered a study concluding that eighty-five percent of small businesses that conduct business abroad do not know that a U.S. patent or trademark affords protection only in the U.S.<sup>148</sup> Further, because small businesses tend to “lack the knowledge and expertise

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<sup>141</sup> See also *supra* n. 4 (explaining the Government’s preference for small businesses); *supra* n. 12 (explaining how small businesses are awarded government contracts); *supra* n. 16 (explaining eligibility for small businesses under the Small Business Administration program).

<sup>142</sup> 35 U.S.C.A. § 200 (the applicable objectives state: “to encourage maximum participation of small business firms in federally supported research and development efforts . . . to ensure that inventions made by nonprofit organizations and small business firms are used in a manner to promote free competition and enterprise”). *Id.*

<sup>143</sup> Sen. Jud. Comm., *The Bayh-Dole Act, A Rev. of Patent Issues in Federally Funded Research: Hearings on Public Law 96-517*, 103rd Cong. 22 (Apr. 19, 1994).

<sup>144</sup> H.R. Govt. Reform Comm., *Promoting U.S. Competitiveness*, Fed. Doc. Clearing H. Cong. Test. (Feb. 9, 2006) (testimony of Deborah Wince-Smith, President, Council on Competitiveness).

<sup>145</sup> H.R. Comm. on Sci., *Fed. Research and Small Business: A Rev. of the Small Bus. Innovation Research Program: Hearing Serial No. 106-26*, 106th Cong. 21 (June 17, 1999) (statement of Tim Foreman, Deputy Director, Office of Small and Disadvantaged Business Utilization, U.S. Dept. of Defense).

<sup>146</sup> *Id.*

<sup>147</sup> U.S. Small Bus. Administration, *Small Bus. Statistics*, <http://www.sba.gov/aboutsba/sbastats.html> (accessed Feb. 12, 2006).

<sup>148</sup> U.S. Patent and Trademark Office, *Small Bus. and Intell. Prop.*, <http://www.uspto.gov/smallbusiness/index.html> (accessed Feb. 12, 2006).

[and] . . . typically do not have personnel or maintain large operations in other countries,” they are particularly susceptible to overseas intellectual property theft, “even if they do not export”.<sup>149</sup> Whereas larger companies have the resources to continuously file patent applications to ensure their claim to the invention at every development phase, this process would be costly and unduly burdensome to a small business, which “might be less able to flesh out such filings and update them with enough detail to make them stick.”<sup>150</sup> Government contracts pursuant to the Small Business Administration Act are in place to aid small businesses because of their vulnerability in the economy. Small businesses are an asset to government projects and future innovations, but the unnecessarily harsh holding in *Campbell Plastics* will likely deter small businesses from entering into these types of contracts for fear of forfeiture.

The Bayh-Dole Act was enacted not only to promote the commercialization of inventions created pursuant to government contracts but also to promote the success of the contractors in the patent process. The Court in *Campbell Plastics* ultimately fails to take the policy objectives into consideration when making its decision and its holding is therefore contrary to the spirit of the Bayh-Dole Act.

### C. *The Consequences of the Court’s Decision in Campbell Plastics*

The Government’s inflexibility, which is demonstrated by the court’s opinion in *Campbell Plastics*, will prevent small businesses from entering into contracts with the Government, resulting in the drastic deficiency of ideas being commercialized. In fact, “three-fourths of the country’s top 75 information technology companies will not do research with the Government, citing the difficulty in contracting with the Government and treatment of intellectual property in R&D contracts.”<sup>151</sup> Indeed, among the many reasons cited for disinclination was fear that the Government would somehow take rights to their intellectual property.<sup>152</sup> This is a valid concern, not only for the contractors, but also for the Government, considering “[c]ertainty of title to inventions made under federal funding is perhaps the most important incentive for

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<sup>149</sup> U.S. Gov. Urges Tex. Businesses to Protect their Intell. Prop. from Theft Overseas; Small Businesses Particularly Vulnerable, Says U.S. Patent & Trademark Office, States News Serv. (Sept. 12, 2005) (released by the Dept. of Com.).

<sup>150</sup> Michael T. Burr, *Reinventing the Patent Act; A Compromise is Brewing on Capital Hill That Would Recast the U.S. Patent System. Will it Make Any Difference for Better or Worse?* Corp. Leg. Times 38 (Oct. 2005).

<sup>151</sup> H.R. Comm. on Govt. Reform, *Toward Greater Public-Private Collaboration in Research and Dev.: How the Treatment of Intell. Prop. Rights is Minimizing Innovation in the Fed. Gov.: Hearing Serial No. 107-90*, 107th Cong. 2 (July 17, 2001).

<sup>152</sup> *Id.* at 45.

commercialization.”<sup>153</sup> The reality is that both the Government and the public benefit through federally funded programs and many of the participants would not be able to participate in similar opportunities without such programs in place.<sup>154</sup> Both parties will be disadvantaged by the outcome of the court’s decision because of the probable decline in the number of advanced technology brought to the market. Billions of dollars are being invested in R&D each year by commercial firms that refuse to do business with the Government, so when the Government is no longer motivating technological advancement by small businesses, the result is a serious concern for the welfare of the U.S.<sup>155</sup> In response to the court’s opinion in *Campbell Plastics*, one commentator has said, “[t]his decision epitomizes why many contractors involved in research and development enter into contracts with the federal government cautiously.”<sup>156</sup>

In addition, the holding in *Campbell Plastics* has opened the door for stricter government policies and unlimited agency discretion. If the Government was able to obtain such a significant victory over *Campbell Plastics* because of a mere procedural mishap, it is uncertain to what boundaries agencies will go to abuse their discretion. Also, it is uncertain what the future holds for the Bayh-Dole Act—perhaps a return to the old presumption of government-owned patents. The *Campbell Plastics* decision has moved this unfortunate prediction one step closer. Further evidence comes from the fact that the Government tried to strike a deal with *Campbell* and it appeared that the *discretion* afforded to the Government could be bought with promises.<sup>157</sup> The Government wanted its employees to be listed as co-inventors for the “Sonic Welded Gas Mask and Process,”<sup>158</sup> and even though *Campbell* was the sole inventor, they advised *Campbell* that he could retain joint title if he added these names to the patent.<sup>159</sup> It was his refusal that resulted in his relinquishment of title.<sup>160</sup> It could therefore be

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<sup>153</sup> Council on Govtl. Rel., *supra* n. 72 at 9.

<sup>154</sup> *Campbell Plastics*, and other companies contracting with the Government because of their status as a *small business concern* with the Small Business Administration, are both socially disadvantaged (“subjected to racial or ethnic prejudice or cultural bias within American society because of their identities as members of groups and without regard to their individual qualities . . . stem[ming] from circumstances beyond their control”) and economically disadvantaged (those “whose ability to compete in the free enterprise system has been impaired due to diminished capital and credit opportunities as compared to others in the same or similar line of business who are not socially disadvantaged”). 13 C.F.R. §§ 124.103, 124.104(a) (2006).

<sup>155</sup> H.R. Comm. on Govt. Reform, *Toward Greater Public-Private Collaboration in Research and Dev.: How the Treatment of Intell. Prop. Rights is Minimizing Innovation in the Fed. Gov.: Hearing Serial No. 107-90*, 107th Cong. 2 (July 17, 2001).

<sup>156</sup> Major Gregg Sharp, *Contract and Fiscal Law Dev. of 2003—The Year in Rev.: Special Topics: Intell. Prop.*, 2004 Army Law. 146 (Jan. 2004).

<sup>157</sup> See *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*\*15-16.

<sup>158</sup> *Id.* at \*13.

<sup>159</sup> *Id.* at \*\*15-16.

<sup>160</sup> *Id.* at \*16. It was after *Campbell* refused the Government’s proposal that the contracting officer concluded that *Campbell*’s failure to comply with the disclosure provision in the contract constituted a

argued that the Government only pursued title to Campbell's invention in vengeance because Campbell refused to include the government employees as co-inventors on the patent.<sup>161</sup> Although the court should have ventured into this bargaining for a possible abuse of discretion, it chose to sidestep the discussion in favor of the Board's analysis that "Army officials are presumed to have acted in good faith."<sup>162</sup> Hereafter, it will be easy for government agencies to abuse their discretion and bargain away the contractor's full rights the moment a contractor makes a mistake that could result in forfeiture.

Richard W. Carroll, Chairman of the Small Business Technology Coalition, testified to the House of Representatives that the experiences in his organization led him to the conclusion that:

Some Government personnel assume that it is in the Government's interest to take every last right that can be obtained in every circumstance from contractors, and to do less would fail to protect the Government's interest. Others seek to pressure contractors to release their proprietary rights or property rights as a condition of getting a major contract.<sup>163</sup>

However, this approach does not necessarily benefit the Government. First, the paid-up license provides the Government with every right in the patent it could possibly foresee needing and any additional benefit derived from obtaining ownership reverts back to why the Bayh-Dole Act reversed the presumption of government-owned patents—a need for commercialization.<sup>164</sup> As one commentator stated, "[o]ne would hope that

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forfeiture of his rights to the invention. The record does not evidence any other communication or action between the parties during that time period.

<sup>161</sup> See Sharp, *supra* n. 156, at 148; David W. Burgett, *Feature Comment: ASBCA Issues Wake-Up Call About the Dire Consequences of Failing to Report Subject Inventions*, 45 No. 14 Govt. Contractor P 149 (Apr. 9, 2003) (acknowledging that there was no reason for the Army to take title since it does not acquire any "additional benefit" that it does not already receive under the contract); Ralph C. Nash & John Cibinic, *Forfeiture of Title to Patent: A Clear Abuse of Discretion*, 17 Nash & Cibinic Rpt. 5 P 25 (May, 2003) (recognizing that "[t]he forfeiture was declared by the [A]CO only after Campbell had rejected the claim of joint inventorship. It doesn't stretch the imagination to see a causal connection between these two occurrences").

<sup>162</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*30; see also *Campbell Plastics*, 389 F.3d at 1250 (affirming the Board's application of the test for abuse of discretion).

<sup>163</sup> H.R. Comm. on Govt. Reform, *Toward Greater Public-Private Collaboration in Research and Dev.: How the Treatment of Intell. Prop. Rights is Minimizing Innovation in the Fed. Gov.: Hearing Serial No. 107-90*, 107th Cong. 41 (July 17, 2001).

<sup>164</sup> The Government obtains a "worldwide royalty-free right to practice the patent," which permits third parties to use the patent on behalf of the Government, and since the license is not limited to a particular agency or government department, other agencies can utilize it. Burgett, *supra* n. 161.

The only real practical difference between ownership and license, then, would arise with respect to non-U.S. Government sales. As patent owner, the Government could potentially derive some royalty income from third parties wishing to license the patented technology. But is this really a business in which

[A]COs would not view the patent forfeiture provision as a right to be exercised automatically, but rather only if there are concrete benefits that can be identified and articulated.”<sup>165</sup> By taking title away from Campbell Plastics, the Army did not gain anything; it only harmed the interest it was supposed to further—small, disadvantaged businesses.

A similar contractual requirement that has resulted in some courtroom controversy<sup>166</sup> is the obligation of inventors to formally acknowledge the Government’s financial support, and thus its rights, when applying for a patent.<sup>167</sup> Philip R. Lee, who oversees the NIH, said that pursuing these improperly filed patents would “result in an enormous burden that we believe would show little gain in compliance.”<sup>168</sup> The DD Form 882 requirement will pose similar problems. The court even acknowledged that the form’s requirements were unclear but dismissed further discussion on it.<sup>169</sup> One commentator recognized that although the Board applied the plain language of the statute, “many companies are not adequately aware of the reporting requirements and their consequences, and give insufficient attention to monitoring and reporting procedures.”<sup>170</sup> However, the lack of awareness is not solely the result of the ambiguous DD Form 882. Another commentator explained:

Of all the controversial subjects which have been addressed by members of Congress and discussed by newspaper editors and columnists over the years none appears to be less understood than the allocation and disposition of rights to inventions arising from government-funded research and development . . . “no institution has done so much for so

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DOD wishes to involve itself, or which DOD is equipped to exploit effectively? A private patent owner has the ability and profit motive to develop commercial applications and/or to find business partner/licensees to do so. Commercial exploitation may be slowed or halted by placing ownership in government hands, with little or nothing in the way of countervailing benefit.

*Id.*

<sup>165</sup> *Id.*

<sup>166</sup> See e.g. *Trinity Industries, Inc. v. Road Systems, Inc.*, 235 F. Supp. 2d 536 (E.D. Tex. 2002) (holding that although plaintiff-contractor failed to disclose the government funding it received on its patent application, defendants did not present sufficient evidence that the information was material to the decision to issue the patent or that the plaintiffs intended to deceive the Patent and Trademark Office in order to prove unenforceability of the patent due to inequitable conduct); *TM Patents, L.P. v. IBM*, 121 F. Supp. 2d 349, 369 n. 13 (S.D.N.Y. 2000) (acknowledging that plaintiff did not own the invention because of the inventor’s failure, among many other things, to not include the necessary notice on the patent application of the Government’s rights to the invention).

<sup>167</sup> 35 U.S.C.A. § 202(c)(6) requires that an inventor specify on the patent application that the invention was created with government funding and that the Government holds certain rights in the patent.

<sup>168</sup> Teresa Riordan, *Patents Keeping Track of Federally Aided Technology Is the Subject of a Congressional Hearing Today*, N.Y. Times D2 (July 11, 1994). Mr. Lee was responding to a report conducted by the Inspector General suggesting that the NIH was not monitoring whether recipients of its funding were acknowledging government financing on their patent applications, therefore abandoning “the Government’s rights to valuable medical inventions.” *Id.*

<sup>169</sup> *Campbell Plastics*, 389 F.3d at 1248, n. 1.

<sup>170</sup> Burgett, *supra* n. 161.

many with so little public and judicial understanding as has the American patent system.” That dichotomy on disposition of rights to inventions and the lack of understanding of the operation and contribution of the patent system to the benefit of the public persists today.<sup>171</sup>

In fact, the court also failed to realize that contractors do not pursue a contract with the Government expecting that a new invention will result.<sup>172</sup> Because inventions will arise subsequent to contractual responsibilities, the agency’s enforcement of the rules should not be so stringent and instead, should encourage the new possibilities that could surface.

#### D. *The Court Provides No Guidance for Future Cases*

The court in *Campbell Plastics* chose not to set guide lines for future cases involving patent wars between contractors and government agencies. The court held that proving harm to the Government is not conclusive of an abuse of discretion<sup>173</sup> but does not say whether or not it could be used as evidence. The court also downplays the importance and underlying purpose of the Bayh-Dole Act in aiding small businesses in obtaining title to their inventions. Instead, the court focuses solely on the importance of government protection without providing any insight into how the contractor’s interests will play a role in these decisions. The opportunities for legal action are endless because there are no guidelines to distinguish between cases. Although it was made clear that a complete and timely disclosure is essential, the Board stopped short of considering whether other forms of disclosure besides a DD Form 882 would be valid. The Board’s decision suggests that a disclosure would have been made as long as Campbell would have “advised the Army that the information being provided on sonic welding was with regard to something perceived by Campbell as an invention” and that it was “the substance of the required information” that Campbell did not provide.<sup>174</sup> Therefore, it will be uncertain whether a contractor, who even uses the proper DD Form 882, will be providing the required *substance*.

#### E. *An Appropriate Solution*

March-in rights are believed to be a “privilege [that] serves as a big stick to prevent price gouging by pharmaceutical companies and others,”<sup>175</sup>

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<sup>171</sup> Bremer, *supra* n. 109 (internal citations omitted).

<sup>172</sup> *Id.*

<sup>173</sup> *Campbell Plastics*, 389 F.3d at 1250.

<sup>174</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*18.

<sup>175</sup> Riordan, *supra* n. 168.

and a “safeguard [that] is largely cosmetic . . . result[ing] in much additional paperwork but would probably be used no more than in the past.”<sup>176</sup> Compared to the other avenues by which the Government can obtain rights to the patent, it appears that the all-or-nothing disclosure requirement was included as another *big stick* privilege for the Government. After all, the Government obtains no benefit by taking title; “[a]ll that has been accomplished is to deprive the contractor of the right to keep its competitors from using the invention in the commercial marketplace.”<sup>177</sup> Therefore, the *discretion* afforded the Government should only be used in situations that offer no other plausible alternative.

There are many possible reasons for Congress’s inclusion of the forfeiture provision. An example would be inventors who act with the intent to conceal the invention from the Government. An inventor who takes affirmative steps to conceal the invention should be subject to complete forfeiture because the contract’s terms, which require disclosure, have been breached. The record shows that Campbell did not intentionally fail to disclose the invention to the Army.<sup>178</sup> In fact, he was regularly disclosing the invention to the Government in the form of faxed drawings and monthly progress reports identifying the sonic welding process.<sup>179</sup>

Another possible scenario is when the contractor completely forgets to disclose the invention to the Government, regardless if he was not intentionally withholding it.<sup>180</sup> By not disclosing the invention to the Government, there is the possibility that the invention may never be commercialized. In *Campbell Plastics*, Campbell constructively disclosed the invention through his various submissions to Army personnel. The Government had adequate notice, which is demonstrated by its contact with the Patent and Trademark Office and both reports written by government employees referencing sonic welding.

A third example is when the Government suffers extreme harm as a result of the failure to disclose or when there is the potential for extreme harm—Campbell’s suggestion to the Board should be given some consideration. After all, the Bayh-Dole Act protects the Government in making sure it “obtains sufficient rights in federally supported inventions to meet [its] needs.”<sup>181</sup> So if the Government’s needs are not being met, forfeiture should be invoked, but “[e]ven though the contractor’s failure to disclose the invention could have [] negative repercussions on the

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<sup>176</sup> Sen. Jud. Comm., *Hrgs. on the U. and Small Bus. Patent Procedures Act*, 96th Cong. 160 (1979) (statement of Admiral Rickover).

<sup>177</sup> Nash, *supra* n. 161.

<sup>178</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*16.

<sup>179</sup> *See id.* at \*\*7-13 (delineating the different forms of disclosure proffered by Campbell to the Army).

<sup>180</sup> *See supra* n. 166.

<sup>181</sup> 35 U.S.C.A. § 200.

government, it does not seem fair to punish [the contractor] by demanding forfeiture [if] that potential never actually play[s] out.”<sup>182</sup> There are little to no negative implications from Campbell’s failure to procedurally disclose his invention since the Government already had notice of the invention,<sup>183</sup> and Campbell’s patent application acknowledged the Government’s paid-up license.<sup>184</sup>

Rather than strictly adhering to the factors set forth for *abuse of discretion*, the court should have set forth factors for determining *when* it is appropriate for an agency to *use the discretion* afforded them.<sup>185</sup> Currently, agency discretion is exceedingly broad and could eventually diminish the benefits of entering into a contract with the Government due to the high risks associated with the disclosure requirements. The Government should “retain only those intellectual property rights necessary for administration of the subject contract,”<sup>186</sup> and the agencies should not be able to over-regulate “on the grounds that Federal funds support the enterprise.”<sup>187</sup>

As one commentator said, “Perhaps Congress ought to revise the underlying statute to provide more guidance on when the government should exercise its discretion to obtain title.”<sup>188</sup> Courts often supplement black letter law with court-established factors for enforcing and interpreting legislation.<sup>189</sup> Although the court in *Campbell Plastics* did not attempt to

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<sup>182</sup> Sharp, *supra* n. 156, at 148.

<sup>183</sup> In a letter to Campbell, the Government admitted “it had in its possession a written report providing a ‘completely enabling disclosure of the subject invention’ that was drafted by Government employees and described work performed under the contract.” *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*15; *see also* Nash, *supra* n. 161 (commenting that the facts of the case show “the Government had full knowledge of the technical work that had been accomplished—indeed, it appears that Government engineers participated in the development process”).

<sup>184</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*\*13-14. Campbell Plastics “made no effort to deprive the Government of its license rights but was fully open in placing a notice on the patent application and the patent.” Nash, *supra* n. 161.

<sup>185</sup> This discussion concerns the use of the word *may* in 35 U.S.C. 202(c)(1)-(3). The Board acknowledged, “[T]he statute uses the word ‘may’ with regard to title passing to the Government and thus vests some discretion in Government officials administering contracts.” *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*29. However, even if abuse of discretion should be analyzed, “we cannot apply it in a vacuum.” *U.S. v. Frazier*, 387 F.3d 1244, 1301 (11th Cir. 2004).

<sup>186</sup> H H.R. Comm. on Govt. Reform, *Toward Greater Public-Private Collaboration in Research and Dev.: How the Treatment of Intell. Prop. Rights is Minimizing Innovation in the Fed. Gov.: Hearing Serial No. 107-90*, 107th Cong. 53 (July 17, 2001).

<sup>187</sup> Sen. Jud. Comm., *The Bayh-Dole Act, A Rev. of Patent Issues in Federally Funded Research: Hrgs. on Pub. L. 96-517*, 103rd Cong. 7 (Apr. 19, 1994).

<sup>188</sup> Sharp, *supra* n. 156.

<sup>189</sup> *See generally* Antonin Scalia, *Essay: The Rule of Law as a Law of Rules*, 56 U. Chi. L. Rev. 1175 (Fall 1989) (for a general discussion on how the “general rule of law” and the “personal discretion to do justice” fit within the context of court-made law); *see e.g.* Peter J. Lahny IV, *Article: Asset Securitization: A Discussion of the Traditional Bankr. Attacks and an Analysis of the Next Potential Attack, Substantive Consolidation*, 9 Am. Bankr. Inst. L. Rev. 815, 860 (recognizing that the Bankruptcy court’s power to *substantively consolidate*, which is not mentioned anywhere in the Bankruptcy Code, is “entirely a creature of court-made law”); Marissa J. Holob, *Note: Respecting Commitment: A Proposal To Prevent Leg. Barriers From Obstructing The Effectuation Of Intestate Goals*, 85 Comell L. Rev.

provide such insight for future cases, the following are suggested factors for determining what is a *reasonable contract-related basis*,<sup>190</sup> and thus, whether a mere procedural slip-up should result in complete loss of title: (1) has the contractor substantially performed the contract's obligations?<sup>191</sup> (2) has the Government suffered harm from the failure to disclose or is there a possibility it will suffer harm as a result of failing to disclose? (3) weighing the interests of both the Government and the contractor under the circumstances, what is the most reasonable decision that would uphold the objectives of the Bayh-Dole Act?

The discretion afforded the government agency should ensure that the contract is carried out for the purposes of the Bayh-Dole Act in promoting performance of the contract. By forfeiting title, the agency is not administering the contract to effectuate these goals and if the use of discretion is inconsistent and they *let one get away with it*—must you let them all? Where is the line drawn?

A thorough application of the above factors would allow the courts to adequately determine whether or not it was appropriate for the Government to use its discretion in administering the forfeiture. Applying these factors to *Campbell Plastics*, the court would not have forfeited Campbell Plastics's right to title of its invention.<sup>192</sup>

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1492, 1508 (July, 2000) (recognizing that the absence of domestic partners's rights in statutes mandate court-made law to govern the enforcement of these rights).

<sup>190</sup> *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*29. See *supra* n. 58 (stating the factors the court used in determining whether there was an abuse of discretion). The court does not attempt to define what is a *reasonable, contract-related basis*, but rather concludes that the plain language of the statute renders the decision *reasonable*. *Appeal of Campbell Plastics*, 2003 ASBCA LEXIS 29 at \*31. However, as this Note argues, forfeiture of title under these circumstances is not reasonable.

<sup>191</sup> Whether a party substantially performed is a question of fact.

In each case the answer will depend in large measure upon the character and extent of the partial failure—upon its relative importance to the party affected by it. In all alike we need to know whether the failure is 'substantial' or minor and whether the part that has not failed is 'substantial' or unsubstantial. This ratio between the part that is not performed and the full performance promised varies with the case.

8-36 Corbin on Contracts § 36.1 (2005).

<sup>192</sup> With regard to the first factor, *Campbell Plastics* did substantially perform the disclosure requirements imposed by the contract. One court held, "[d]uring performance of a contract, the Government has a vital interest in the contract's completion and, as such, its contracting officer is vested with broad discretion in administering the contract for purposes of promoting performance." *Reliance Ins. Co. v. U.S.*, 27 Fed. Cl. 815, 826 (Ct. Cl. 1993) (quoting *U.S. Fidelity & Guaranty Co. v. U.S.*, 676 F.2d 622, 628 (Ct. Cl. 1982)). However, contract completion was not at issue in *Campbell Plastics* because *Campbell* had in fact substantially performed. The Army obtained notice of the invention through faxes and monthly reports sent to the Army by *Campbell*, the Army itself disclosed the invention through two of its reports, and the Patent and Trademark Office disclosed the invention to the Government for a secrecy recommendation. As for the second factor, the Army claimed that it had been harmed by *Campbell*'s failure to disclose, but in applying this factor, the Army would be required to provide solid evidence that the Government did suffer harm. The third factor requires a balancing test analyzing the extent the Government's rights would truly be jeopardized versus the effects of taking away the contractor's rights to hold title to his or her invention and the public benefit of commercialization. The importance of the third factor is to ensure that the *punishment fits the crime*. In the case of *Campbell*

In a similar case decided almost twenty years before *Campbell Plastics*, *Thoen v. U.S.*,<sup>193</sup> a contract with the Government was terminated for default because the contractor failed to submit a final report required under the contract.<sup>194</sup> The court held that if all the information and data required by the report had been provided to the Government and therefore, the contractor could show it had substantially performed its contractual duties notwithstanding the final technical report, the default termination would be reversed.<sup>195</sup> Requiring a showing of substantial performance would therefore be appropriate in a case such as *Campbell Plastics*, where various disclosures have been made throughout the contractual period, notwithstanding a DD Form 882 submission. These reporting procedures have been scrutinized due to their inflexibility and uncertainty. Some commentators have noted that the time period for filing and disclosure are “too short and they conflict with a company’s internal commercial practices” and that the forfeiture provision is of much concern for companies.<sup>196</sup> In fact, many of the concerns arising from government contracting that are addressed to Congress deal with the reporting procedures and request simplification so the prerequisites for compliance are more straightforward.<sup>197</sup> Daryl Chamblee of the NIH issued a statement to the Senate stating that “[a]gency representatives seemed to prefer improved dissemination of information and education of the research community as to their obligations under the Bayh-Dole Act rather than the imposition of stringent rules.”<sup>198</sup>

By balancing the interests of the Government and the contractor under the circumstances of the particular situation, the agencies will be better armed with the necessary knowledge to make a forfeiture determination.

#### IV. CONCLUSION

The court’s holding in *Campbell Plastics* is the beginning of many frivolous lawsuits because the Government can now take title away from contractors for any small procedural error. This decision is not in line with the legislative intent behind the enactment of the Bayh-Dole Act, which

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*Plastics*, Campbell’s failure to disclose his invention on a particular form during a particular time frame is a slight procedural inconvenience for the Government compared to the competitive injury it causes Campbell Plastics.

<sup>193</sup> 765 F.2d 1110 (Fed. Cir. 1985).

<sup>194</sup> *Id.* at 1112. In this case, the contract required monthly progress reports and a final technical report. The failure to submit a final technical report was the reason for the default termination. *Id.*

<sup>195</sup> *Id.* at 1116.

<sup>196</sup> H.R. Comm. on Govt. Reform, *Toward Greater Public-Private Collaboration in Research and Dev.: How the Treatment of Intell. Prop. Rights is Minimizing Innovation in the Fed. Gov.: Hearing Serial No. 107-90*, 107th Cong. 72 (July 17, 2001).

<sup>197</sup> *Id.* at 97.

<sup>198</sup> Sen. Jud. Comm., *The Bayh-Dole Act, A Rev. of Patent Issues in Federally Funded Research: Hrgs. on Pub. L. 96-517*, 103rd Cong. 25 (Apr. 19, 1994).

further the interests of the contractor and the public in giving presumption of title to the contractor in federally funded projects. This decision will not only prevent contractors from entering into contracts with the Government, it will suppress the economic advancement that the Bayh-Dole Act has realized in its years since enactment. As one commentator concluded, "The importance of this case cannot be overstated for government contractors: if you have any doubt as to whether you have a patentable invention that was conceived or reduced to practice under a government contract, play it safe and disclose the item to the contracting officer."<sup>199</sup> The only upside to this unfortunate judgment is the possibility that some good can result in the form of amended legislation in order to prevent similar decisions from occurring in the future.

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<sup>199</sup> Sharp, *supra* n. 156, at 147-48.