

ARMED SERVICES BOARD OF CONTRACT APPEALS

Appeal of --)
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Wesleyan Company, Inc.) ASBCA No. 53896
)
Under Contract No. 000000-00-0-0000)

APPEARANCES FOR THE APPELLANT: Richard L. Moorhouse, Esq.
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OPINION BY ADMINISTRATIVE JUDGE FREEMAN
ON THE PARTIES' MOTIONS FOR SUMMARY JUDGMENT

Wesleyan Company, Inc. appeals the denial of its claim for alleged improper disclosure and use by the government of Wesleyan's proprietary data in three unsolicited proposals. Both Wesleyan and the government move for summary judgment. We deny Wesleyan's motion and grant the government's motion in part.

STATEMENT OF FACTS

1. On or about 11 March 1983, Wesleyan submitted to the government an unsolicited proposal to supply a nuclear, biological, chemical (NBC) protective mask drinking system for "Mission Oriented Protective Posture (MOPP)" personnel (app. supp. R4, tab M). The proposed system consisted of a hand-operated bulb siphon pump in line with tubing extending from a collapsible canteen to the drinking mouthpiece inside the mask (app. supp. R4, tab AL).

2. Wesleyan included with this proposal a government form, Memorandum of Understanding, signed by its president, Mr. Wesley C. Schneider. The Memorandum stated:

The undersigned on behalf of WESLEYAN COMPANY, INC. has made a disclosure of an inventive proposal to the Department of the Army relating to Wesleyan Company's

Fluid Intake Suction Tubing (FIST)? and Flex? Canteen for Mission Oriented Protective Posture (MOPP) personnel. It is understood that the Department of the Army has accepted the above proposal for the purpose of evaluating it and advising of any possible Army interest. It is further understood that such acceptance does not imply or create: a promise to pay; an obligation to give up any legal right or assume any duty; a recognition of novelty, originality, or priority; or any relationship, contractual or otherwise, such as would render the Government liable to pay for or to give up any legal right or assume any obligation for disclosure or use of any information in the proposal to which the Government would otherwise lawfully be entitled.

(App. supp. R4, tab M)

3. Wesleyan's FIST/FLEX proposal was referred to the Army's Natick laboratory for evaluation. The proposal included a proprietary data rights legend that did not comply with DAR 3-507.1(a). (App. supp. R4, tab P) The proprietary data rights legend required by DAR 3-507.1(a) for unsolicited proposals stated in relevant part:

This data . . . shall not be disclosed outside the Government and shall not be duplicated, used or disclosed in whole or in part for any purpose other than to evaluate the proposal. . . . This restriction does not limit the Government's right to use information contained in the data if it is obtained from another source without restriction. . . .

32 C.F.R., Parts 1-39, Vol. I at 413 (1 September 1982).

4. By letter dated 19 April 1983, Natick told Wesleyan that it could not evaluate the FIST/FLEX proposal without the DAR legend. Natick also enclosed with this letter a Memorandum of Understanding "which we require be signed before any proposal can be evaluated." (App. supp. R4, tab P)

5. On 26 April 1983, Wesleyan resubmitted the proposal with the required DAR legend and the required Memorandum of Understanding signed by its president, Mr. Schneider. The Memorandum of Understanding was in substantially the same terms as the Memorandum of Understanding signed by Mr. Schneider on 11 March 1983. (App. supp. R4, tabs R, S) See ¶¶ 1 and 2 above.

6. After an initial evaluation, the government determined in June 1983 that the FIST/FLEX system was technically feasible and had both advantages and disadvantages

when compared with the existing NBC protective mask drinking system. The government, however, also determined that the need and requirements for a new system would have to be established before the evaluation of Wesleyan's system could be completed. (App. supp. R4, tab U)

7. In November 1983, the government requested Wesleyan to loan a FIST/FLEX system to ILC Dover, a manufacturer of NBC protective masks and suits, for incorporation into a prototype suit. Wesleyan provided the system as requested. The bailment agreement did not include any express provisions on the safeguarding or use of proprietary data in the loaned item. (App. supp. R4, tabs Z, AB)

8. On 15 January 1985, Wesleyan's president signed a Policy Statement and Memorandum of Understanding required by Natick for continued evaluation of the FIST/FLEX system. This document stated in relevant part:

POLICY

....

4. The voluntary submissions will be handled in accordance with established Government procedures for safeguarding such articles or information against unauthorized disclosure. In addition, the data forming a part of or constituting the submission will not be disclosed outside the Government or be duplicated, used or disclosed in whole or in part by the Government, except for record purposes or to evaluate the proposal. . . . This restriction does not limit the Government's right to use information contained in such data if it is obtained from another source, or is in the public domain. . . .

....

MEMORANDUM OF UNDERSTANDING

The undersigned, who has read and understood the above policy, on behalf of Wesleyan Co., Inc. has made a disclosure of a proposal to the Department of the Army relating to FIST/FLEX Hydration System. It is understood that the Department of the Army has accepted the above proposal for the purpose of evaluating it and advising of any possible Army interest. It is further understood that such acceptance does not imply or create: a promise to pay; an obligation to give up any

legal right or to assume any duty; a recognition of novelty, originality or priority; or any relationship, contractual or otherwise, such as would render the Government liable to pay for or to give up any legal right or assume any obligation for disclosure or use of any information in the proposal to which the Government would otherwise lawfully be entitled.

(App. R4, tab AJ)

9. On 19 March 1985, Wesleyan's president was issued United States Patent No. 4,505,310 for the FIST/FLEX system (app. supp. R4, tab AL).

10. On 10 April 1985 Wesleyan submitted an unsolicited proposal for a revised version of its FIST/FLEX system. The revised version operated in the same manner as the original version, but changed four manufacturing details and added a suspender mount to correct deficiencies found by the government in testing the original version. (App. supp. R4, tab AQ)

11. For purposes of evaluation, the government purchased 8 FIST/FLEX systems in April 1985 from Wesleyan, another 12 in July 1985 from Wesleyan, and 33 in July 1988 from Mine Safety Appliances Company, a Wesleyan-licensed manufacturer. All of these sales occurred after the FIST/FLEX patent was issued. The purchase documents in the record for these sales do not contain any express provisions on the safeguarding or use of proprietary data in the purchased items. (App supp. R4, tabs AN, AO, AW; R4, tab K)

12. Beginning in November 1985 and continuing thereafter, the Natick laboratory and ILC Dover worked on a "dual hose" protective mask drinking system (app. supp. R4, tab BX). A patent for this system was issued and assigned to the government on 20 November 1990. Unlike Wesleyan's FIST/FLEX system, the dual hose system did not require hand pumping and was compatible with the standard issue rigid canteen. (App. supp. R4, tab CZ)

13. On 30 December 1985, Wesleyan submitted an unsolicited proposal for its "FIST Fountain" system for filling empty canteens in an NBC contaminated environment. The FIST Fountain proposal did not include the data rights legend required at that time for unsolicited proposals.¹ (App. supp. R4, tab BI) However, on 23 January 1986, Wesleyan's president signed a Policy Statement and Memorandum of

¹ The data rights legend required for unsolicited proposals at the time the FIST Fountain proposal was submitted was set forth in FAR 15.509(a). This legend was substantially the same as the legend required by DAR 3-507.1(a) for the FIST/FLEX proposal submitted in 1983. See ¶ 3 above.

Understanding for evaluation of the FIST Fountain proposal that contained substantially the same terms on data rights as the 15 January 1985 Policy Statement and Memorandum of Understanding for evaluation of the FIST/FLEX proposal. (App. supp. R4, tab BK)

14. On 15 December 1987, Mr. Schneider was issued United States Patent No. 4,712,594 for the FIST Fountain system (app. supp. R4, tab CI).

15. On 10 June 1992, the government completed evaluation of Wesleyan's FIST/FLEX system² and terminated all further consideration of that system (R4, tab AW at 66). On the basis of its extensive testing, the government concluded that the FIST/FLEX system was unsafe, unreliable, incapable of delivering a sufficient supply of water from the canteen to the mask, not durable, and not operationally suitable or effective in a contaminated environment (R4, tab AW at 8; app. supp. R4, tab DO).

16. Following its rejection of the FIST/FLEX system, the government continued working on development of a protective mask drinking system under the acronym "DRINCS" (app. supp. R4, tab DX). The government is currently procuring a commercial, non-NBC hardened, on-the-move drinking system as part of its MOLLE backpack system. This drinking system is produced by CamelBak Products, Inc. as a subcontractor to the MOLLE system prime contractor. The government is also "looking at" an NBC-hardened drinking system produced by CamelBak for use with the MOLLE system. (Answer, ¶ 58)

17. On 15 April 2002, Wesleyan submitted a certified claim in the amount of \$20,776,000 for the government's alleged improper disclosure of the concepts, processes and devices in its FIST/FLEX and FIST Fountain proposals to non-government third parties. The claimed damages are the royalties on the projected sales of the Camelbak NBC-hardened and non-NBC hardened drinking systems to the armed forces of the United States, United Kingdom, Canada and Australia for the years 2001 through 2015. (R4, tab BG at 1-3, 7, 172-74) By final decision dated 19 July 2002, the contracting officer denied the claim entirely (R4, tab BH at 1, 8). This appeal followed.

18. In response to government interrogatories, Wesleyan has identified six allegedly "proprietary concepts" in its FIST/FLEX proposal that it alleges were not disclosed in either the FIST/FLEX or FIST Fountain patents (gov't mot., attach. 4 at 2-3). It has further answered that all seven of its alleged proprietary concepts in its FIST Fountain proposal to the government were "present, in some form" in the FIST Fountain patent (gov't mot., attach. 4 at 3).

² Designated by the government at that time as the "mask drinking system-interim" or MDS-I.

DECISION

The government moves for summary judgment on the ground that the government's contractual obligations with respect to Wesleyan's proprietary data ceased when the patents on the FIST/FLEX and FIST Fountain systems were issued. Wesleyan opposes the government's motion and moves for summary judgment on the grounds that the contractual obligations continued independent of the patents, and that there is no genuine issue of material fact that the government made unauthorized disclosures of and used its proprietary data for purposes other than evaluating the proposals.

Wesleyan's submission of its three unsolicited proposals, and the government's acceptance of those proposals for evaluation with the required DAR legend on the first proposal and with the memoranda of understanding for all three, created an implied-in-fact contract licensing government use of the proprietary data in those proposals in accordance with the DAR legend and memoranda of understanding. *See E.M. Scott & Associates, Inc.*, ASBCA No. 45869, 94-1 BCA ¶ 26,258 at 130,603. *See* Statement of Facts ¶¶ 5, 10, 13.

The DAR legend and the memoranda of understanding limited government disclosure and use of the proprietary information in the proposals to internal government evaluation of the proposals. However, the last sentence of each of the four memoranda of understanding signed by Wesleyan's president, as a prerequisite for government evaluation of the proposals, expressly stated that the government did not "assume any obligation for disclosure or use of any information in the proposal to which the Government would otherwise lawfully be entitled." *See* Statement of Facts, ¶¶ 2, 3, 4, 5, 8, 13.

To the extent proprietary data in Wesleyan's proposals was disclosed in the two patents, the government was lawfully entitled to disclose that data after the patents were issued. Only the unauthorized use, making, offering to sell or selling of a patented invention are unlawful. Disclosing patented data is not unlawful. *See* 35 U.S.C. § 271(a). Accordingly, we grant the government summary judgment to the extent of appellant's claim for disclosure, after the patents were issued, of the proprietary data in its proposals that was also published in the patents. Such disclosure was specifically excepted in the last sentence of the memoranda of understanding from the contractual non-disclosure obligation.

With respect to the remainder of appellant's claim, there are genuine issues of material fact as to whether there was (i) unauthorized disclosure or use, before the patents were issued, of proprietary proposal data; (ii) unauthorized disclosure or use, after the patents were issued, of proprietary proposal data that was not published in the patents; and (iii) unauthorized use, after the patents were issued, of the proprietary proposal data that was published in the patents. We do not reach the question of whether, if there was

unauthorized use as described in (iii), appellant's sole remedy was to sue for infringement under its patent. *See* 28 U.S.C. § 1498.

Accordingly, the government's motion for summary judgment is granted in part as indicated above. The government's motion in all other respects, and appellant's motion are denied. There are genuine issues of material fact as to the surviving elements of appellant's claim.

Dated: 7 May 2004

MONROE E. FREEMAN, JR.
Administrative Judge
Armed Services Board
of Contract Appeals

I concur

I concur

MARK N. STEMLER
Administrative Judge
Acting Chairman
Armed Services Board
of Contract Appeals

EUNICE W. THOMAS
Administrative Judge
Vice Chairman
Armed Services Board
of Contract Appeals

I certify that the foregoing is a true copy of the Opinion and Decision of the Armed Services Board of Contract Appeals in ASBCA No. 53896, Appeal of Wesleyan Company, Inc., rendered in conformance with the Board's Charter.

Dated:

DAVID V. HOUBE
Acting Recorder, Armed Services
Board of Contract Appeals