

ARMED SERVICES BOARD OF CONTRACT APPEALS

Appeal of --)
)
Campbell Plastics Engineering & Mfg. Inc.) ASBCA No. 53319
)
Under Contract No. DAAA15-92-C-0082)

APPEARANCES FOR THE APPELLANT: Gary A. Clark, Esq.
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APPEARANCES FOR THE GOVERNMENT: COL Michael R. Neds, JA
Chief Trial Attorney
Craig S. Clarke, Esq.
Supervisory Trial Attorney

OPINION BY ADMINISTRATIVE JUDGE DICUS

This appeal is taken from a contracting officer's decision asserting that appellant, Campbell Plastics Engineering & Manufacturing, Inc. (Campbell), had forfeited title to a patent and informing Campbell that respondent, United States Army (Army), intended to record its title to the patent. The underlying contract is for development of an aircrew protective mask. The parties have waived a hearing under Board Rule 11. We deny the appeal.

FINDINGS OF FACT¹

1. On 25 September 1992, the Army Chemical Research Development Engineering Center² (Respondent or Government) entered into an 8(a) contract with the Small Business Administration and Venture Plastics, Inc. (Venture Plastics) now Campbell. Contract number DAAA15-92-C-0082 was a cost-plus-fixed-fee contract awarded with an estimated cost of \$1,147,187 and a fixed-fee of \$73,231 for a total of \$1,220,418. (Respondent's Proposed Findings of Fact (RPFF) 1; R4, tab 1)

2. The "Objective" of the contract was as follows:

C.1.2 Objective. The objective of this effort is to produce production grade tooling capable of production runs of 25,000 piece parts with a tool life of 100,000 piece parts and piece parts to be included in the production of 1500 ACPM's for use

in the Government conducted Technical Test and User Test (TT/UT).

(RPFF 1; R4, tab 1)

3. The contract involved certain itemized components of the mask as specified in the statement of work:

C.3.2.1 The 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.

(RPFF 2)

4. Paragraph H.11 provided as follows:

PATENT RIGHTS REPORTS

52.0000-4065

The interim and final invention reports required by patent clause in Section I shall be submitted on DD Form 882, Report of Invention and Subcontract.

(RPFF 2)

5. The contract incorporated FAR 52.227-11 PATENT RIGHTS - RETENTION BY THE CONTRACTOR (SHORT FORM) (JUN 1989) (Patent Rights clause), which states in pertinent part:

(a) *Definitions*

....

(6) "Subject invention" means any invention of the contractor conceived or first actually reduced to practice in the performance of work under this contract

....

(c) *Invention disclosure, election of title, and filing of patent application by contractor.*

(1) The Contractor will disclose each subject invention to the Federal agency within 2 months after the inventor discloses it in writing to Contractor personnel responsible for patent matters. The disclosure to the agency shall be in the form of a written report and shall identify the contract under which the invention was made and the inventor(s). It shall be sufficiently complete in technical detail to convey a clear understanding to the extent known at the time of the disclosure, of the nature, purpose, operation, and the physical, chemical, biological or electrical characteristics of the invention. . . .

(2) The Contractor will elect in writing whether or not to retain title to any such invention by notifying the Federal agency within 2 years of disclosure to the Federal agency. However, in any case where publication, on sale or public use has initiated the 1-year statutory period wherein valid patent protection can still be obtained in the United States, the period for election of title may be shortened by the agency to a date that is no more than 60 days prior to the end of the statutory period.

....

(d) *Conditions when the government may obtain title.* The Contractor will convey to the Federal agency, upon request, title to any subject invention —

(1) If the Contractor fails to disclose or elect title to the subject invention within the times specified in paragraph (c) of this clause, or elects not to retain title; provided, that the agency may only request title within 60 days after learning of the failure of the Contractor to disclose or elect within the specified times.

....

(e) *Minimum rights to Contractor and protection of the Contractor right to file.* (1) The Contractor will retain a

nonexclusive royalty-free license throughout the world in each subject invention to which the Government obtains title, except if the Contractor fails to disclose the invention within the times specified in paragraph (c) of this clause. . . .

. . . .

(f) *Contractor action to protect the Government's interest.* (1) The Contractor agrees to execute or have executed and promptly deliver to the Federal agency all instruments necessary to (i) establish or confirm the rights the Government has throughout the world in those subject inventions to which the Contractor elects to retain title, and (ii) convey title to the Federal agency when requested under paragraph (d) of this clause and to enable the Government to obtain patent protection throughout the world in that subject invention.

(2) The Contractor agrees to require, by written agreement, its employees, other than clerical and nontechnical employees, to disclose promptly in writing to personnel identified as responsible for the administration of patent matters and in a format suggested by the Contractor each subject invention made under contract in order that the Contractor can comply with the disclosure provisions of paragraph (c) of the clause, and to execute all papers necessary to file patent applications on subject inventions and to establish the Government's rights in the subject inventions. . . .

(R4, tab 1)

6. On 11 October 1992, Mr. Richard G. Campbell, President, Venture Plastics, submitted a DD Form 882, Report of Inventions and Subcontracts. The report indicated "no inventions." (RPF 5)

7. A post-award conference was held on 17 November 1992. Mr. Campbell was one of several Venture Plastics employees present. During said meeting, Mr. Boster, Defense Contract Management Area Office (DCMAO), Ontario, California, provided Mr. Campbell with several Defense Federal Acquisition Regulation Supplement (DFARS) clauses and a DD Form 882. Mr. Campbell was told that DD Form 882 was due at least every 12 months from date of contract award. (R4, tab 3) In response to a Government interrogatory, appellant stated it "did not contest that Mr. Boster discussed the annual invention reporting requirement and gave Campbell a 'copy of the DFARS Clause and DD Form 882' , as

indicated in the Post-Award Conference Record (DD Form 1484, page 1, Block(d), R4-3).” (RPF 6)

8. On 14 December 1992, Mr. Campbell sent a fax to Mr. Jeff Hofmann, contracting officer’s representative (COR), comprising handwritten drawings/figures. One of the drawings has the note “sonic weld or snap fit” with a line indicating the location on the part. (RPF 7)

9. On 19 December 1992, Mr. Campbell faxed handwritten notes to Mr. Jeff Hofmann. The notes discussed advantages of sonic welding in manufacturing molded masks parts. (RPF 8)

10. On 20 January 1993, Mr. Campbell provided Mr. Jeff Hofmann two masks that employed sonic welding on the side ports. The 27 January 1993 monthly status report included the note, “We are also testing Sonic Welding the Kapton Film in a housing. This also has to be tested for leakage and tension.” On 11 February 1993, Mr. Campbell faxed a sketch of a side port having a sonic weld to Mr. Jeff Hofmann. In a 2 March 1993 status report, Venture Plastics reported that it was testing sonic welded Kapton film in a housing and fabricating a “prototype mold to prove out the feasibility of sonic welding the Kapton film and maintaining tension.” (RPF 9)

11. On 19 March 1993, Mr. Campbell faxed Mr. Jeff Hofmann a sketch of the side voice port. On 22 March 1993, Mr. Campbell faxed Mr. Jeff Hofmann a sketch of front and side port voicemitter housing and speaking unit that indicates the use of sonic welds, and the note, “Units 1 & 2 will be sonic welded together & integrity checked for leakage and film tension before assembling with the mask.” Also on 22 March 1993, Mr. Campbell sent sketches indicating a cross section of a lens retaining system with the annotation, “This was the one we ended up with - could be snap fit or sonic weld.” Mr. Campbell sent another set of sketches for the lens retaining system on 24 March 1993, indicating the snap fit and sonic weld configuration. (RPF 10)

12. The 29 April 1993 and 30 June 1993 monthly status reports included comments on the progress being made toward validating the use of sonic welding. On 8 July 1993, Mr. Campbell faxed illustrations of assembled eyelens retaining system to Mr. Jeff Hofmann using sonic welds. (R4, tab 18) On 21 July and 5 August 1993, Venture Plastic provided cost data to the Government that included the comment, “Sonic welding (concept nearly complete).” (RPF 11)

13. On 12 August 1993, Branson Plastic Joining, Inc. (Branson) wrote to Venture Plastics reporting the results of its analysis of the use of sonic welding to weld two retaining rings around the eye openings of the mask. The conclusion was, “The concerns listed above make this a poor candidate for linear welding. Other assembly methods would probably be better suited to this application.” (RPF 12)

14. Modification No. P00004, signed 25 August 1993, with an effective date of 28 February 1993, incorporated sonic welding, among other things, into the specifications (RPF 13).

15. On 6 October 1993, Mr. Stehlik, the administrative contracting officer (ACO), DCMC, Santa Ana, wrote Mr. Campbell to remind him of the requirement to submit inventions reports at least every 12 months. The ACO requested that an Interim Reports of Inventions and Subcontracts be delivered within 10 days from the date of the letter. Campbell submitted a DD Form 882 on 18 October 1993. (APFF 36; RPF 14)

16. The 6 June 1994 monthly status report included reference to sonic welding, including, "Eyelens Retaining System, Branson satisfied with Sonic Weld Concept - best under design restrictions" (RPF 15).

17. No inventions were reported by Campbell for the period 25 September 1992 through 15 September 1994. On 15 September 1994, Mr. Campbell marked "NONE" at paragraph 5 of DD Form 882, Report of Inventions and Subcontracts, entitled "' Subject inventions' required to be reported by contractor/subcontractor." (RPF 16) No further DD Forms 882 were submitted by Campbell during the entire contract period. Despite this, Campbell did not receive any further requests for DD Forms 882 from the Government during the remainder of the performance period under the contract. (APFF 36)

18. Modification No. P00011, dated 29 September 1994, added \$420,000 to the contract to provide funds for additional work and an "overrun" (RPF 17).

19. In its 7 October 1994 Monthly Status Report, Venture Plastics reported work on the sonic welding process (R4, tab 32). In its 8 November 1994 Monthly Status Report, Venture Plastics reported continued work on the sonic welding process. A Government team visited Venture Plastics and reviewed drawings and visited a subcontractor. (RPF 18)

20. On 20 January 1995, Venture Plastics wrote the contracting officer requesting a contract extension. Venture Plastics stated that it had encountered unexpected problems with, among other things, "unsatisfactory sonic bonding." (RPF 19)

21. On 7 February 1995, Mr. Campbell faxed Mr. Jeff Hofmann handwritten sketches identifying dimensional changes to the eyelens retaining system to include changes to facilitate sonic welding (R4, tab 35). On 28 February 1995, Venture Plastics requested a six month extension of the contract due to unexpected problems, including problems with "Sonic welding" (R4, tab 36). Mr. William Hofmann, contracting officer, reviewed the request and recommended approval (RPF 20).

22. In September 1995, the Army published a report entitled “Concept Development Studies for Respiratory Protection System 21” that discussed ultrasonic welding of mask components (R4, tab 51, attach. at 46).

23. Modification No. P00018 increased the estimated cost of the contract by \$1,278,239 to fund changes to the contract and increased the period of performance to 30 April 1996. On 6 October 1995, the Government changed the contract to reflect a name change from Venture Plastics to Campbell. (RPF 23)

24. On 29 November 1995, Mr. Campbell faxed Mr. Jeff Hofmann sketches of dimensional changes to the eyelens retaining system in part designed to facilitate sonic welding (RPF 24).

25. On 4 December 1996, Campbell requested permission to use certain Government furnished equipment (GFE), including a “Branson Ultra Sonic Welder,” for commercial work (RPF 26).

26. In June 1997, the Army published a report entitled “Design of the XM45 Chemical-Biological, Aircrew, Protective Mask” that disclosed Army research work during the period of October 1991 through July 1995. The publication included references to sonic welding of components in the mask. (R4, tab 51, attach. at 17, 23, 24, 26, 28, 33)

27. In August 1997, Mr. Campbell contacted Mr. Paul H. Ware, Esq., who thereafter drafted, filed and prosecuted Campbell’s patent (RPF 28). The Board finds that this was the event which began the 60-day disclosure period.

28. Campbell filed an application for a patent for a “Sonic Welded Gas Mask and Process” on 9 October 1997. The application, as filed, included the following disclaimer identifying the contract number and reserving a paid-up license to the Government:

The United States Government has a paid-up license in this invention and the right in limited circumstances to require the patent owner to license others on reasonable terms as provided for by the terms of Contract No. DAAA15-92-C-0082 awarded by The Army.

(APFF 37; RPF 29)

29. The patent application was reviewed by the Army at least by 30 January 1998, pursuant to 35 U.S.C. § 181, for purposes of making a secrecy recommendation (APFF 39). The request for a secrecy recommendation was from the U.S. Patent Office and required the agency reviewer to promise “not to divulge any information from this application for

any purpose other than administration of 35 USC 181” (app.supp. R4, tab 15; 35 U.S.C. § 181).

30. The patent application issued as U.S. Patent No. 5,895,537 on 20 April 1999. The issued patent contains the same disclaimer identifying the contract number and reserving a paid-up license to the Government as the application. (APFF 40) On 28 April 1999, Campbell provided written notification of the patent to the Army. In the letter, Campbell stated that the Government had a paid-up license thereby affirming that the patent was a “subject invention.” (RPF 29) The Board finds this was the first disclosure by Campbell of the invention that met the requirements of the Patent Rights clause.

31. On 15 June 1999, the ACO responded to Campbell’s 28 April 1999 letter (finding 30). The ACO referred to FAR 52.227-11 that allows the Government to request that title be conveyed to it in the event that a contractor fails to disclose a subject invention within the time periods stated in FAR 52.227-11(c). FAR 52.227-11(d) limits the Government’s right to demand title by imposing a 60 day time period from the date the agency learns of the contractor’s failure to disclose the invention. The ACO wrote, “I further exercise the Agency’s rights under paragraph (d)(1) of FAR Clause 52.227-11 and request that title be conveyed to the Government.” (RPF 30)

32. In response to Government interrogatory No. 11, Campbell answered that it did not “fully compl[y] with FAR 52.227-11 (Short Form) (Jun 1989) disclosure requirements.” (Response to Interrogatory No. 11, Gov’ t mot., attach. 1 at 13). We find that Campbell did not timely disclose the invention in the manner required by the Patent Rights clause.

33. Campbell responded to the ACO’s letter on 16 July 1999. Mr. Campbell asserted that Campbell had elected to retain title to the invention with a lease to the Government (R4, tab 49).

34. In a letter dated 24 April 2000, Campbell requested evidence to support the Government’s assertion of joint inventorship of the subject invention. In a letter dated 20 July 2000, intellectual property counsel for the procuring agency provided documents purporting to support the allegation of joint inventorship. (APFF 42)

35. The Government admitted in a 6 July 2000 letter that by at least June 1997 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. The statement is in a paragraph which argues that Government employees should be included as co-inventors. The letter affords Campbell the opportunity to retain joint title by adding Government inventors to the patent. (APFF 43; R4, tab 51)

36. Mr. Campbell reviewed the provided documents and responded to the Government's assertion of joint inventorship of the subject invention, reasserting that Mr. Campbell was the sole inventor thereof (APFF 44).

37. On 15 December 2000, the contracting officer issued a final decision concluding that Campbell had "forfeited title to the subject invention, now U.S. Pat. No. 5,895,537, to the U.S. Army for failure to comply with FAR clause 52.227-11." (R4, tab 58) Campbell appealed the final decision on 14 March 2001 (RPF 34).

DECISION

The Army argues that Campbell forfeited its right to the patent by failing to comply with the disclosure requirement in FAR 52.227-11 (the Patent Rights clause) (finding 32).³ While the Army also argues the failure to disclose was intentional, we have not so found. Campbell argues first that it disclosed the invention, while conceding the form of its disclosure was not as required by the contract. Campbell characterizes the failure to submit a DD Form 882 disclosing the invention as inadvertent. It also argues that forfeiture is a draconian penalty not warranted here.

The Patent Rights clause required Campbell to disclose the invention within two months of disclosing it to its own patent personnel (finding 5). The contractually prescribed means of doing this was by submission on a DD Form 882 (finding 4). The invention was not disclosed in the contractually prescribed manner (findings 29, 32). In this regard, Campbell argues that it made the required disclosure, but erred in the form of the disclosure. It also argues that the Patent Rights clause "does not import the form requirements" (emphasis in original) (app. cross mot. at 11). As to the latter argument, the correct form, DD Form 882, is spelled out elsewhere in a contract provision referencing the Patent Rights clause (finding 4). It is undisputed that Campbell was informed as to the use of the form and did, in fact, use it, without, however, disclosing the invention (findings 6, 7, 15, 17). More importantly, and without regard to the particular form, Campbell did not provide the substance of the required information during the time prescribed by the Patent Rights clause.

Campbell's argument that it disclosed the invention is unpersuasive. Its arguments are premised upon reports that it made as to the possible use of sonic welding and its effectiveness. We are not convinced the actions taken by Campbell (findings 8-14, 19-21, 24, 25), and relied on here as disclosures, are sufficient to meet the contract's requirements. More persuasive is the Army's argument that the actions taken by Campbell were of limited utility *vis-a-vis* patent rights since Campbell failed to identify the sonic welding technique as an invention. Indeed, as the Army argues (resp. at 10), 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. Campbell has not cited to a single report or event within 60 days of contacting attorney Paul Ware, which

initiated the disclosure period (finding 27), in which Campbell informed the Army that it considered sonic welding to be an invention.

Campbell also argues that disclosure was made through a written report “completely enabling disclosure of the subject invention.” There are two serious flaws in this argument. First, the report was written by Government employees, not Campbell. Secondly, we are unable to discern, without the report being identified specifically,⁴ what is meant by “completely enabling disclosure of the subject invention.” The term is used in a 6 July 2000 letter from an Army Intellectual Property attorney, and its context is as part of an argument that Government employees should be included on the patent (finding 35). As to Campbell’s argument that the Army obtained information that an invention was involved through the request for a secrecy recommendation, the information came from the U. S. Patent Office, not from Campbell. Additionally, a confidentiality requirement was imposed on Army personnel receiving the request. (Finding 29) Thus, we cannot find there was some kind of constructive disclosure of the invention by Campbell.

Campbell also argues that the penalty here is draconian, and that it should not forfeit the patent when information about the invention, even if not from Campbell, was in the Army’s hands. Although, as stated above, the specifics of the report are not identified in the record, the Army has admitted that it had a written report from Government employees “completely enabling disclosure of the subject invention” by June 1997 (finding 35). Campbell argues, in effect, that this report and the Patent Office inquiry on secrecy gave the Army information that sonic welding was patentable, and thus neutralize the Army’s argument that it did not know it was dealing with an invention. As the law disfavors a forfeiture, Campbell asserts that we should excuse its failure to timely disclose. At the outset, we hold that the Patent Office request for a secrecy recommendation, which effectively placed a “gag” order on the recipient, is without effect here.

Appellant correctly states that forfeiture provisions are not favored in the law. However, application of that principle is usually in the context of favoring a construction that avoids forfeiture. *Idaho v. Hodel*, 814 F.2d 1288, 1292-96 (9th Cir. 1987), *cert. denied*, 484 U.S. 854 (1987) (condition relied on to invoke forfeiture construed with great strictness); *Bell Helicopter Textron*, ASBCA No. 21192, 85-3 BCA ¶ 18,415 at 92,430 (law does not favor forfeiture and requirements will be strictly enforced against the Government before a contractor will be held to forfeit a claim). Thus, as we understand the principle espoused in the foregoing precedents, if there is some means to avoid forfeiture by construing contract terms, we should do so. Campbell’s problem here is that the contract terms are clear and unambiguous, and the material facts are undisputed. The contract unmistakably required disclosure by Campbell within 60 days of making the invention known to its patent personnel and, upon a failure to disclose and written Government request, required conveyance of the title to the invention to the Government. We have said that without disclosing that Campbell perceived sonic welding as an invention, we are not persuaded there was a disclosure. Thus, notwithstanding the admonition that the

law disfavors forfeiture, it would be counterfeit for us to construe the contract as not permitting the Government to require conveyance of the title. It would be similarly inappropriate for us to treat the record as supporting a finding that Campbell, constructively or otherwise, made the contractually required disclosure. Indeed, we have found that Campbell did not disclose the invention during the 60 day period set out in the Patent Rights clause (findings 30, 32). We have also found the Army made a written request as required by the contract for the title to be conveyed from Campbell to the Government (finding 31). Thus, the only reasonable interpretation we can make results in title to the invention passing to the Government.

Appellant also cites to section 229 of the RESTATEMENT (SECOND) OF CONTRACTS, which provides:

§ 229. Excuse of a Condition to Avoid Forfeiture

To the extent that the non-occurrence of a condition would cause disproportionate forfeiture, a court may excuse the non-occurrence of that condition unless its occurrence was a material part of the agreed exchange.

Comment:

a. *Relation to other rules.* . . . But if the term that requires the occurrence of the event as a condition is expressed in unmistakable language, the possibility of forfeiture will not affect the interpretation of that language. See Comment *b* to § 227. Nevertheless, forfeiture may sometimes still be avoided by application of the rules on excuse of conditions. See Comment *b* to § 225. Under the present Section a court may, in appropriate circumstances, excuse the non-occurrence of a condition solely on the basis of the forfeiture that would otherwise result. . . . [T]his section is concerned with forfeiture that would actually result if the condition were not excused. It is intended to deal with a term that does not appear to be unconscionable at the time the contract is made but that would, because of ensuing events, cause forfeiture.^[5]

RESTATEMENT (SECOND) OF CONTRACTS § 229 (1981) (italics in original). We do not, however, consider this an appropriate case to excuse Campbell's failure to disclose "solely on the basis of the forfeiture that would otherwise result," as explained below.

Acquisition patent policy is contained in Subpart 27.3 of the FAR, which implements Chapter 18 of title 35, U.S.C. See FAR 27.302(a). FAR 27.303 (a)(1)(i) and (ii) direct the

contracting officer to use the Patent Rights clause under the circumstances here present and FAR 27.302(1)(d)(i) provides for the Government's right to receive title to an invention if the contractor does not disclose the invention within the time set out in the Patent Rights clause. The cited portion of the regulation and the clause implement part of 35 U.S.C. § 202, which provides at (c)(1) that all funding agreements⁶ shall contain provisions requiring

. . . That the contractor disclose each subject invention to the Federal agency within a reasonable time after it becomes known to contractor personnel responsible for the administration of patent matters, and that the Federal Government may receive title to any subject invention not disclosed to it within such time.

That section of Chapter 18 also establishes that disclosure shall precede the contractor's election to retain title to the invention. 35 U.S.C. § 202(c)(2).

Because the provision in the Patent Rights clause providing that the Government may take title to an invention as a result of nondisclosure or untimely disclosure is based on 35 U.S.C. § 202, we must consider the Congressional intent expressed therein. As a result, we consider it inappropriate to apply the RESTATEMENT view that the possibility of forfeiture alone may excuse the failure to abide by even clear contract provisions and look to standards applicable to statutory interpretation.

In implementing a statute, an agency must give effect to the statute through publication of regulatory prescriptions permissible under the statute being implemented.⁷ We must determine if it did so here.

When a court reviews an agency's construction of the statute which it administers, it is confronted with two questions. First, always, is the question whether Congress has directly spoken to the precise question at issue. If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress. If, however, the court determines Congress has not directly addressed the precise question at issue, the court does not simply impose its own construction on the statute, as would be necessary in the absence of an administrative interpretation. Rather, if the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute.

Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837, 842-43 (1984) (footnote omitted).

The law does not favor forfeitures in construing statutes: “Forfeitures are not favored; they should be enforced only when within both letter and spirit of the law.” *United States v. One 1936 Model Ford V-8 De Luxe Coach*, 307 U.S. 219, 226 (1939). However, where Congress has spoken unmistakably, the Board and the agency implementing the statute through regulation must give effect to that unmistakable intent. *Chevron, supra*. The Congressional intent that Government contracts should contain a provision allowing the Government to take title if there is no disclosure in a reasonable time is clear and “that is the end of the matter.” *Id.* Moreover, even if we view 35 U.S.C. § 202 as a limitation on the power and discretion of adjudicative forums to excuse the failure to timely disclose, which would require a clear and unambiguous command, *Johnson v. Matthews*, 539 F.2d 1111, 1125 (8th Cir. 1976), the relevant language of 35 U.S.C. § 202(c)(1) is clear and unambiguous. Similarly, if viewed as a statute in derogation of common law, there must be doubt as to the meaning and intent of the statute before we could give the statute an effect which, at common law, might excuse Campbell’s failure to disclose. NORMAN J. SINGER, *STATUTES AND STATUTORY CONSTRUCTION* § 61.1 (6th Ed. 2001). There is no doubt as to the meaning of 35 U.S.C. § 202 regarding the requirement for disclosure and the consequences of failing to disclose.

Campbell has not argued that the 60 day period in the Patent Rights clause is not a reasonable time for disclosure. We note that the Congress has not spoken directly to the question of precisely when disclosure must be made. Before we could find the 60 day provision unreasonable, we need facts and argument supporting that result. Campbell is silent on this point. Having no basis on this record to reach a contrary conclusion, we hold that the 60-day period is reasonable.

Finally, we recognize that the statute uses the word “may” with regard to title passing to the Government and thus vests some discretion in Government officials administering contracts. Although not argued by the parties, we feel compelled to address whether that discretion was abused. In reviewing a discretionary action, we may not substitute our judgment. We may review only to ascertain if the action amounts to an abuse of discretion or is otherwise arbitrary and capricious. Four separate factors are to be considered: 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. *McDonnell Douglas Corp. v. United States*, 182 F.3d 1319, 1326 (Fed. Cir. 1999); *United States Fidelity & Guaranty Co. v. United States*, 676 F.2d 622, 628-30 (Ct. Cl. 1982); *Keco Industries, Inc. v. United States*, 492 F.2d 1200, 1203-04 (Ct. Cl.

1974). The burden of proof to show abuse of discretion is “very high.” *United States Fidelity & Guaranty Co. v. United States*, 676 F.2d at 631.

As to the first element, Army officials are presumed to have acted in good faith. The burden of proof on Campbell to show otherwise is a high one, and it must show with convincing clarity a high probability that Army personnel acted from personal animus with specific intent to injure Campbell:

[I]t logically follows that showing a government official acted in bad faith is intended to be very difficult, and that something stronger than a “preponderance of evidence” is necessary to overcome the presumption that he acted in good faith, *i.e.*, properly.

Am-Pro Protective Agency, Inc. v. United States, 281 F.3d 1234, 1240 (Fed. Cir. 2002).

There is no evidentiary basis to find subjective bad faith. Moreover, we equate this test with the “reasonable basis” test, *Burroughs Corp. v. United States*, 617 F.2d 590, 597 (Ct. Cl. 1980), and we hold below there was a reasonable basis for the Army’s actions.

Regarding element 2, we have found Campbell failed to meet the 60 day provision of the Patent Rights clause. We have interpreted that clause and the underlying regulations as a permissible construction of 35 U.S.C. § 202. Thus, the contracting officer had a reasonable basis for directing the conveyance of title to the Army.

As to elements 3 and 4, the contracting officer is vested with authority and discretion by the Patent Rights clause, and we have addressed at length why we think the pertinent statutory and regulatory requirements were properly followed. The appeal is denied.

Dated: 18 March 2003

CARROLL C. DICUS, 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

NOTES

¹ The parties had originally filed cross motions for summary judgment. As a result, some of our findings are based on undisputed facts that emerged from their motions and responses. We cite to appellant's proposed findings (APFF) and respondent's proposed findings (RPF), as appropriate, where the opposing party's response or cross motion is in agreement.

² The Chemical Research Development Engineering Center is now the Soldier Biological Chemical Command.

³ The patent was issued in the name of appellant's owner, Richard Campbell. The parties agree this is a matter of no significance. *See* the Army's letter of 31 January 2003 and appellant's letter of 10 February 2003.

⁴ The report referred to in finding 26 is dated June 1997 and disclosed **Army** research work.

⁵ Insofar as § 229 deals with unconscionability, we find facts to support unconscionability to be lacking here. Indeed, the sonic welding invention was developed during performance of an Army contract and thus presumably at Army expense. Under the circumstances the Patent Rights clause is substantively reasonable and thus enforceable. *Rockwell International Corp.*, ASBCA No. 41095, 97-1 BCA ¶ 28,726.

⁶ Title 35, U.S.C. § 201 includes contracts within the definition of funding agreements.

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We recognize that deference to an agency's interpretation of a regulation incorporated by a clause may be inappropriate where, as here, the agency is party to the contract. *Southern California Edison Co. v. United States*, 226 F.3d 1349, 1357 (Fed. Cir. 2000). We do not address the question of deference because the Congressional intent is, in our view, beyond debate.

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. 53319, Appeal of Campbell Plastics Engineering & Mfg. Inc., rendered in conformance with the Board's Charter.

Dated:

EDWARD S. ADAMKEWICZ
Recorder, Armed Services
Board of Contract Appeals