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## Patents-Procedure-Applicability of Invention Secrecy Act Where Government Use of Invention is Authorized

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PATENTS—PROCEDURE—APPLICABILITY OF INVENTION SECRECY ACT WHERE GOVERNMENT USE OF INVENTION IS AUTHORIZED—After extended negotiations, plaintiff entered into a contract with the United States for the development of a new model “hemisphere sight,” a mock-up of which plaintiff had previously revealed to the Air Force. Acting upon a request by the Air Force, the Commissioner of Patents issued a secrecy order on the gun sight pursuant to provisions of the Invention Secrecy Act,<sup>1</sup> thus preventing the issuance of a patent to the plaintiff. In order for the United States to have a second source of supply for the sights, the plaintiff revealed its engineering information to another manufacturer upon governmental request to do so. In 1955 plaintiff brought this action in the district court to recover compensation for gun sights which had been produced by the second manufacturer and sold to the Air Force. After protracted litigation<sup>2</sup> the

<sup>1</sup> 35 U.S.C. §§ 181-88 (1958).

<sup>2</sup> The litigation in the lower courts resulted in three opinions. There was a denial of the defendant's motion to dismiss for lack of jurisdiction and failure to state a claim, 133 F. Supp. 555 (S.D.N.Y. 1955), a separate trial on the issue of liability, 175 F. Supp. 230 (S.D.N.Y. 1959), and the determination of damages, from which this appeal was taken, 197 F. Supp. 756 (S.D.N.Y. 1961).

plaintiff obtained a judgment in excess of 650,000 dollars against the United States. On appeal, *held*, reversed for lack of jurisdiction, one judge dissenting. Since the Invention Secrecy Act is applicable only in cases involving unauthorized governmental use of inventions under a secrecy order, the proper forum for the plaintiff was the Court of Claims. *Farrand Optical Co. v. United States*, 135 U.S.P.Q. 165 (2d Cir. 1962).

There are three provisions in the United States Code under which an inventor may seek compensation from the United States for governmental use of his invention. If the plaintiff-inventor already has a patent covering an invention which the United States uses without authorization, his action will be in the Court of Claims under the special patent provision in the judicial code.<sup>3</sup> This section provides for suit in the Court of Claims for all damages resulting from the unauthorized governmental use.<sup>4</sup> Second, the inventor may be allowed, in certain cases, to proceed under the statute which defines the general jurisdiction of the Court of Claims over claims against the United States founded on contract, express or implied.<sup>5</sup> Finally, in cases where the invention is important to some aspect of national defense, there may be certain special procedures available to the plaintiff-inventor under the Invention Secrecy Act.<sup>6</sup> These remedies are available to the inventor only in those cases in which the invention has been placed under a secrecy order at the request of a defense agency.<sup>7</sup> Issuance of such an order can occur in one of two ways. Voluntary disclosure by the inventor to a defense agency may result in a request by that agency that a secrecy order be issued by the Commissioner of Patents;<sup>8</sup> or, where the inventor applies for a patent prior to disclosure, the Commissioner of Patents may initiate steps which will result in a secrecy order. The effect of the secrecy order is to prevent the issuance of a patent to the inventor for a period of one year or longer.<sup>9</sup>

The present Invention Secrecy Act, which is the third such statute enacted by Congress,<sup>10</sup> provides two routes whereby an inventor may, at

<sup>3</sup> 28 U.S.C. § 1498 (1958).

<sup>4</sup> This statute had no application in the principal case, as all use by the government was authorized by the plaintiff.

<sup>5</sup> 28 U.S.C. § 1491 (1958). The district courts have concurrent jurisdiction of claims not exceeding \$10,000. 28 U.S.C. § 1346 (1958). It was this provision which the court felt was applicable in the principal case.

<sup>6</sup> 35 U.S.C. § 183 (1958).

<sup>7</sup> 35 U.S.C. § 181 (1958). The act defines as defense agencies the Atomic Energy Commission, the Department of Defense, and any other agency so designated by the President.

<sup>8</sup> This procedure was followed in the principal case.

<sup>9</sup> An order is not ordinarily issued for more than one year. It is renewable for additional one-year terms upon notification to the Commissioner of Patents from the agency or department which caused its issuance. If the order issues during wartime, it remains in effect for the duration of hostilities plus one year. In the case of issuance during a national emergency declared by the President, the additional period is six months.

<sup>10</sup> The first such statute was passed during World War I. Act of Oct. 6, 1917, ch. 95, 40 Stat. 394. In contrast to the present act, this statute applied only when the disclosure of the invention was voluntary. The only remedy provided under this act was a suit in the Court of Claims after the patent issued. The second statute virtually identical to

his option, obtain compensation from the government.<sup>11</sup> The inventor may apply to the agency head issuing the secrecy order for compensation for any resulting damages. If a satisfactory settlement of the claim cannot be reached, the head of the department or agency may award to the inventor an amount equal to seventy-five percent of what the agency head feels to be a just compensation figure. The inventor may then bring suit for any additional amount he feels is due him in either the Court of Claims or the district court of the district in which he resides.<sup>12</sup> In the alternative, the inventor may decline to negotiate with the department head, and then sue in the Court of Claims after the patent issues.<sup>13</sup>

Two major interpretative questions involving the Invention Secrecy Act had been litigated prior to the decision in the principal case. In *Robinson v. United States*<sup>14</sup> the Government contended that a plaintiff could not bring suit under the act if, upon application to a department head, his claim was denied *in toto*. The Second Circuit rejected this contention on the ground that such an interpretation would be wholly inconsistent with the policy of the statute, as it would discourage inventors from using the administrative remedy provided by the act.<sup>15</sup> The Second Circuit had occasion again to interpret the Invention Secrecy Act in *Halpern v. United States*,<sup>16</sup> wherein the Government maintained that no suit could be brought under the act until the secrecy order was rescinded. In reversing the lower court decision favoring the Government, the court of appeals met the Government's contention that such suits would endanger the national security by stating that these suits could be tried *in camera*.<sup>17</sup> By resorting to this uncommon procedure in *Halpern*, the Second Circuit seemed to indicate that it would follow a policy of liberal interpretation, favorable to plaintiff-inventors, when dealing with Invention Secrecy Act litigation.<sup>18</sup>

In contrast to the rather flexible attitude evidenced in the *Halpern* and *Robinson* decisions,<sup>19</sup> however, the court in the principal case adopted a

the first, was enacted just prior to entry of the United States into World War II. Act of July 1, 1940, ch. 501, 54 Stat. 710.

<sup>11</sup> For a general discussion of the history of the Invention Secrecy Act, see generally LeMieux, *Patent Jurisdiction of the Court of Claims*, 41 J. PAT. OFF. Soc'y 112 (1959).

<sup>12</sup> This latter procedure was followed in the principal case.

<sup>13</sup> This is essentially the remedy which had been available under the previous acts. See note 10 *supra*.

<sup>14</sup> 236 F.2d 24 (2d Cir. 1956).

<sup>15</sup> *Id.* at 28. The court felt that inventors would in all cases refuse to apply to the head of the agency if a complete denial of their claim would defeat any chance of recovery.

<sup>16</sup> 258 F.2d 36 (2d Cir. 1958).

<sup>17</sup> *Id.* at 43.

<sup>18</sup> It is not at all clear that *in camera* trials are permissible in United States courts, as all trials are to be conducted "in open court." FED. R. CIV. P. 77(b). See also Note, 59 COLUM. L. REV. 352, 354 (1959). Despite this problem the *Halpern* decision received generally favorable comment from the writers on policy grounds. See 28 FORDHAM L. REV. 168 (1959); 72 HARV. L. REV. 781 (1959).

<sup>19</sup> In *Halpern* the court frankly admitted that the statutory language did not require

highly restrictive approach to the procedural provisions of the Invention Secrecy Act. The court rejected the plaintiff's contention that the act applies in all cases where damages are sought for governmental use of an invention upon which a secrecy order had been imposed,<sup>20</sup> and instead held that the act is applicable only to cases involving unauthorized governmental use that is prior to the issuance of the patent and which is made possible through disclosure of the invention under section 181 of the act. The court relied on three different arguments to justify its decision. The opinion noted that, prior to the passage of the Invention Secrecy Act, any inventor who had a contract with the government for the use of his invention had a legal remedy,<sup>21</sup> as did the inventor who was damaged by unauthorized use of an already patented invention.<sup>22</sup> From this the court concluded that the sole purpose of the Invention Secrecy Act was to give a remedy to the inventor who had no contract with the government and, in addition, was prevented from getting a patent by a secrecy order.<sup>23</sup> However, it would seem that the act could validly be interpreted as doing more than merely filling this procedural gap, since it outlined a much more detailed procedure for compensation in secrecy order cases than the single Court of Claims remedy provided in sections 1491 and 1498 of Title 28. The detailed provisions of the Invention Secrecy Act suggest that Congress intended all cases involving secrecy orders to be handled under this more comprehensive scheme. Further, the court was impressed with the language in the act which provides that all defenses available to the United States under section 1498 are available under the Invention Secrecy Act.<sup>24</sup> Since an express or implied contract has been held by the Supreme Court to be a complete defense to a claim under section 1498,<sup>25</sup> the court reasoned that the existence of a contract would be a complete defense under the Invention Secrecy Act. However, section 1498, unlike the Invention Secrecy Act, states that it is designed only for cases involving unauthorized use. It was because of this specific language that the Supreme Court reasoned that an express or implied contract was a complete defense to a section 1498 action. Further, the holding in the principal case creates a situation wherein the jurisdiction of the court, as well as application of the act, will depend upon the meritorious question of whether there is an express or implied contract

the liberal interpretation given the act, but felt that the decision was nevertheless consistent with the congressional policy of encouraging inventors to disclose their inventions to the United States. *Halpern v. United States*, 258 F.2d 36, 42 (2d. Cir. 1958).

<sup>20</sup> *But see* *Robinson v. United States*, 236 F.2d 24, 27 (2d Cir. 1956): "Section 183 apparently sets out a comprehensive scheme for providing compensation in *all cases where secrecy orders are issued.*" (Emphasis added.)

<sup>21</sup> 28 U.S.C. § 1491 (1958).

<sup>22</sup> 28 U.S.C. § 1498 (1958).

<sup>23</sup> Principal case at 171.

<sup>24</sup> *Ibid.* The lower court took the view that this provision referred only to defenses going to the merits of the case, and not claims to defeat the jurisdiction of the district court. *Farrand Optical Co. v. United States*, 175 F. Supp. 230, 248 (S.D.N.Y. 1959).

<sup>25</sup> *DeForest Co. v. United States*, 273 U.S. 236 (1927).

between the plaintiff and the government. Such a view leaves the plaintiff in a quandary as to which forum to choose if his case involves a close question as to the existence of such a contract. In addition, this view forces the courts to pass on certain questions going to the merits before deciding the question of jurisdiction. Finally, the court justified its holding on the ground that a contrary result would mean that an inventor's right to compensation under the act for defense inventions voluntarily disclosed would depend upon whether or not a secrecy order had issued.<sup>26</sup> However, this would not seem to be a legitimate concern, as the inventor can protect himself from possible harm on this account by the simple expedient of filing for a patent at the same time he discloses the invention to the government, thus forcing the government to protect him with either a patent or a secrecy order.

Under the holding of the principal case, any inventor who voluntarily discloses his invention to the government, or otherwise authorizes government use of it, is deprived of the special remedies under the Invention Secrecy Act. If the holding of the court is to be taken literally, it appears that the inventor who in any way authorizes government use of his invention, in addition to being deprived of a local district court forum, will also be denied the administrative remedy provided by the act, due to the fact that he loses all of the special remedies provided under the act when the government use is authorized.<sup>27</sup> This will mean that his only remedy will be the often undesirable procedure of suing in the Court of Claims on an express or implied contract.<sup>28</sup> There can be little doubt that this development will, to some extent, discourage the disclosure to the government of inventions with military value.<sup>29</sup> Thus the decision seems to be contrary to the announced purpose of the act, which was to encourage the disclosure of

<sup>26</sup> Although the dissent in the principal case designated this as a mere make-weight argument, it appears to be a significant problem. See *Gearon v. United States*, 126 Ct. Cl. 548, 115 F. Supp. 910 (1953), wherein the plaintiff-inventor was denied relief for unauthorized use by the government of an unpatented pontoon bridge design which had not been placed under a secrecy order.

<sup>27</sup> If the holding of the principal decision is extended this far, it would be a great inconvenience to inventors. There is much to be said for the advantages of settling patent claims against the United States by administrative action as opposed to costly litigation. See generally Saragovitz, *Administrative Claims for Patent Infringement Against Agencies of the United States Government*, 42 J. PAT. OFF. SOC'Y 111 (1960).

<sup>28</sup> There can be no doubt that inventors who are situated far from Washington, D.C., are at a disadvantage when they must sue in the Court of Claims. Such a suit entails large travel expenditures and retention of Washington counsel, as well as the loss of many other possible advantages of bringing suit in one's own locale.

<sup>29</sup> Studies of the problems of defense inventors indicate that the greatest deterrents to voluntary disclosure of inventions to the government are the inadequate remuneration given by the government and the procedural difficulties in obtaining it. See generally Mosel, *Attitudes of American Inventors Toward Defense Invention*, 2 PATENT, TRADEMARK & COPYRIGHT J. OF RESEARCH & EDUCATION 198 (Supp. 1958); Mosel, *Incentives and Deterrents to Inventing for National Defense*, 1 PATENT, TRADEMARK & COPYRIGHT J. OF RESEARCH & EDUCATION 185 (1957).

defense inventions.<sup>30</sup> It is unlikely Congress intended that the inventor who voluntarily discloses his invention to, and authorizes its use by, the United States should be deprived of the benefits of a statute specifically designed to encourage such disclosure and authorization. There can be no doubt that the language of the Invention Secrecy Act does not necessitate the holding in the principal case. By drawing a distinction between cases where secrecy orders are issued, and cases where they are not, the court could have upheld the lower court's decision.<sup>31</sup> The fact that the court rejected this perhaps more logical distinction, and instead made the applicability of the Invention Secrecy Act turn on the question of whether the government use was authorized, gives rise to inquiry as to what other factors may have influenced the court's decision.

Perhaps the majority of the court chose to follow the narrow, if legally defensible, view taken in order to reduce the number of cases under the act in which the plaintiff-inventor would have the opportunity to indulge in "forum-shopping." Many excellent arguments can be made against the practice of giving a plaintiff a choice of two federal forums in which to bring his suit, especially where the case law binding on one forum is not binding on the other.<sup>32</sup> While this decision will effectively reduce the number of instances in which the plaintiff will have two forums available to him under the Invention Secrecy Act, the fact that it may lead to the deprivation of the administrative remedy provided by the act will serve only to add a greater load to already crowded court dockets.<sup>33</sup> Thus the decision in the principal case may have alleviated one procedural problem, if forum-shopping is to be considered as such, at the expense of compounding another. The courts should be hesitant to deny the use of a forum which Congress specifically chose for the purpose of lessening the burdens inherent in any lawsuit.<sup>34</sup> If Congress is truly interested in encouraging the country's inventors to disclose their inventions to the government, corrective legislation would seem to be in order as a result of this decision. Congress should

<sup>30</sup> See H.R. REP. NO. 1028, 82d Cong., 1st Sess. (1951); S. REP. NO. 1001, 82d Cong., 1st Sess. (1951). See also *Halpern v. United States*, 258 F.2d 36, 39 (2d Cir. 1958).

<sup>31</sup> The dissenting judge in the principal case felt that the statute did not even "hint at the distinction" drawn by the court. Principal case at 173. See also note 21 *supra*. There can be no doubt that the *Robinson* case gave the court sufficient authority to draw the distinction between secrecy order and non-secrecy order cases if it so desired.

<sup>32</sup> This problem has received much attention in the area of tax litigation appeals. See, e.g., Eisenstein, *Some Iconoclastic Reflections on Tax Administration*, 58 HARV. L. REV. 477 (1945); Griswold, *The Need for a Court of Tax Appeals*, 57 HARV. L. REV. 1153 (1944).

<sup>33</sup> Loss of the administrative remedy will in all probability result in an increase in the caseload of the district courts, as it is the case involving an amount of less than \$10,000 which would be most likely to be settled in the administrative process. See note 5 *supra*.

<sup>34</sup> The amendment to the Invention Secrecy Act allowing suit in the district court was added by Senator McCarren without debate. Senator McCarren justified this change by saying that this amendment would allow plaintiff-inventors to sue for compensation without having to come to Washington to press their claims. 97 CONG. REC. 13670 (1951).

clearly indicate its desires as to the applicability of the statute, especially as to the forums available to a plaintiff under it. This must be done to preclude a recurrence of the result in the principal case, whereby seven years of litigation was wasted because of an improper choice of forum.

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