



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

Kusdan
30671

OFFICE OF GENERAL COUNSEL



B-217448

March 13, 1985

DO NOT MAKE AVAILABLE TO PUBLIC READING
FOR 30 DAYS

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This letter responds to a Committee request, conveyed in discussions with your staff, for our opinion whether exchange agreements between the Patent and Trademark Office (PTO) and private firms, to automate PTO's trademark search activities, are subject to 40 U.S.C. § 759, the Brooks Act, governing procurement of automatic data processing equipment, and its implementing regulations. Our response to this request is an outgrowth of other work the General Accounting Office is undertaking pursuant to your letter dated July 11, 1984 and includes discussion of some issues we have reviewed in connection with that letter.

On December 26, 1984 we requested the views of the General Counsels of the Department of Commerce and the General Services Administration (GSA), and the Solicitor of PTO on whether 40 U.S.C. § 759 and its implementing regulations apply to these exchange agreements. Only GSA's General Counsel has responded. In October 1984 we received an opinion from the Solicitor on other related questions. The enclosed memorandum sets out the facts with our legal analysis.

We have concluded that while PTO had statutory authority (35 U.S.C. § 6(a)) to enter into agreements with the firms to exchange products for products and services, the agreements are contracts for the procurement of commercial automated data processing (ADP) support services under 40 U.S.C. § 759--the so-called Brooks Act. The Brooks Act vests in GSA central authority for the procurement, maintenance, operation, and utilization of ADP equipment. The Act has been interpreted to cover not only ADP equipment, but related ADP resources, including commercially available software and ADP services and support services. PTO, as part of an executive agency--the

531455

Department of Commerce--is subject to the Brooks Act unless specifically exempted by statute. Neither section 6(a) of Title 35 nor any other provision of law exempts exchanges or exchange agreements from the coverage of the Act.

Under the exchange agreements, the firms are to furnish PTO with "commercial ADP support services," rather than "commercial ADP services," as these terms are defined in 41 C.F.R. Subpart 1-4.12. The firms essentially provide PTO with source data entry services, tasks associated with the transformation of paper files and other data into a computer medium, which fits the definition of "ADP support services." These services do not involve the "computation or manipulation of data by computers" that is envisioned in the definition of "ADP services." (Examples of ADP services would include scientific or statistical calculations, financial projections of administrative expenses, or growth projections for the U.S. economy.) GSA's Office of General Counsel agrees with the characterization of the services as commercial ADP support services. Under the regulations then in effect, 41 C.F.R. Subpart 1-4.12, et seq., a part of what was the Federal Procurement Regulation (FPR), agencies may procure commercial ADP support services without the approval of GSA.

The agreements fall within the FPR definition of procurement because PTO is to acquire nonpersonal services from non-federal sources by contracting. The exchange agreements are "contracts" under the FPR since they bind the companies to provide ADP support services and PTO to furnish certain data. Under the FPR the expenditure of appropriated funds is not an essential ingredient of the definition of "contract." Thus, the agreements are contracts for the procurement of commercial ADP support services.

PTO apparently did not realize that the Brooks Act and Subpart 1-4.12 were applicable to the agreements. We are undertaking to determine whether PTO's actions may nevertheless have substantially conformed to the requirements for the procurement of commercial ADP support services. We will also review on a selected basis the extent to which the exchange agreements are subject to other statutes and regulations generally applicable to government agency procurements. Our conclusions on these matters will be reflected in a forthcoming

B-217448

GAO report, requested by the Committee, about the automation of PTO's trademark activities.

Sincerely yours,

Harry R. Van Cleve
Harry R. Van Cleve
General Counsel

Enclosure

MEMORANDUM
Legality of Patent and Trademark
Office Exchange Agreements
Under 35 U.S.C. § 6(a)

This memorandum discusses whether exchange agreements between the Patent and Trademark Office (PTO) and private companies to automate PTO's trademark search files are authorized under 35 U.S.C. § 6(a) and are subject to Federal procurement requirements, including 40 U.S.C. § 759, the Brooks Act, governing procurements of automatic data processing equipment, and its implementing regulations.

I. FACTUAL BACKGROUND

A. Automation Master Plan

Section 9 of Public Law No. 96-517, 94 Stat. 3015, 3028 (December 12, 1980), required the Commissioner of Patents and Trademarks, within two years, to report to Congress a plan to identify and, if necessary, develop computerized data and retrieval systems for all aspects of the PTO's operations. The plan was to give particular attention to the patent and trademark search files and the patent classification system.

The report, submitted to Congress in December 1982, presented a "master plan" for automating PTO operations.^{1/} The report pointed out that improvements in PTO operations would require that PTO move from paper filing systems to paperless data bases and electronic transmission of information. For example, systems used in the trademark program, which has historically relied on paper information to assist and manage its work process, would be fully automated, including the manual search files.

The report also set out the procurement methodology that the PTO would follow:

"The objective of the PTO acquisition approach as outlined in this plan is to strive for the maximum practical competition for those products and services needed to implement the PTO automation concept.

* * * * *

^{1/} "Automating the Patent and Trademark Office", 3 Vols., a report to the Congress by the Commissioner of Patents and Trademarks (December 1982) (PTO Report to Congress).

"All acquisition actions will conform to federal procurement regulations, with particular emphasis on procurement guidelines and regulations established by the U.S. Department of Commerce."^{2/}

B. Exchange Agreements

PTO, during January and May 1983, entered into three complementary agreements to exchange products and services, in order to computerize present and future trademark data, with N.V. Compu-Mark S.A. (Compu-Mark), Thompson & Thompson (T&T), and TCR Service, Inc. (TCR).^{3/} The Compu-Mark agreement will end in 1992. The T&T and TCR agreements would originally have ended in 1993. After T&T acquired the entire business and goodwill of TCR in April 1984, PTO and T&T signed a new agreement in June 1984, which consolidated and made changes to the two previous agreements, including extending the period of the agreement until 1998.

Under the Compu-Mark agreement, Compu-Mark will provide PTO, on a non-exclusive basis, with computer tapes of textual data and assignments concerning trademarks active at the time of the agreement. The information on active trademarks on these tapes is derived from data provided by PTO. In exchange for the tapes, PTO will give Compu-Mark, on a non-exclusive

^{2/} Vol. II, PTO Report to Congress, pp. 6-17, 18.

^{3/} The PTO obtained authority to "exchange items or services regarding * * * administration of the Patent and Trademark Office * * *" pursuant to section 13 of Public Law No. 97-247, 96 Stat. 317, 321 (August 27, 1982), 35 U.S.C. § 6(a). Although the Compu-Mark agreement was assigned to an associated Belgian Company, CM-Computer Engineering and Licensing, in December 1983, we will still refer to this agreement throughout this memorandum as the Compu-Mark agreement.

basis, information about future trademark applications, registrations, and assignments.^{4/}

The present T&T agreement obligates T&T to provide PTO, on a non-exclusive basis, with computer tapes which contain: digitized images of trademarks active at the time of the agreement and of future trademark applications and amendments; spelling corrections and design codes for active trademarks and pending trademark applications and future applications; data on assignments of active marks; and information on other PTO activities.^{5/} PTO will provide T&T, on a non-exclusive basis: certain present and future trademark information of value to T&T, which will also be utilized to make computer tapes for PTO; copies of past and future tapes for the Official Gazette; and data on the assignment of active trademarks and pending applications.

Originally, the agreements PTO signed with Compu-Mark, T&T, and TCR restricted the use of the computer tapes or data bases, which the companies provided to PTO. Members of the public could not use these data bases with certain kinds of software, owned by PTO, the use of which would make trademark searching more effective. In 1984, Compu-Mark and T&T agreed that the public could use the data bases with such software in the PTO trademark search room, at a price of \$70 an hour, including a \$30 an hour royalty to be collected for, and paid to, Compu-Mark and T&T by PTO. PTO also obtained the right to

^{4/} Our description of the Compu-Mark-PTO and the T&T-PTO exchanges is based on those items to which PTO and the company expressly assigned a dollar value. (See, Attachment C in the Compu-Mark agreement and Attachment G in the 1984 T&T agreement.) Under each agreement, the values which each party assigned to what it received are roughly comparable.

^{5/} Under the original T&T agreement, PTO was to have received computer tapes containing digitized images of trademarks. Under the original TCR agreement, TCR was to have provided PTO with computer tapes of textual data and assignments for future trademark applications.

purchase the data bases from the companies, which we understand it plans to do in the near future.^{6/}

PTO will shortly have received all the computer tapes from Compu-Mark and work has recently started under the T&T agreement. PTO will obtain tapes under the T&T agreement at regular intervals, in some cases until 1998.

C. PTO Efforts To Achieve Competition

In a public announcement of the anticipated Compu-Mark exchange agreement on January 27, 1983, PTO offered to enter into similar or identical agreements with other firms.^{7/} On May 5, 1983, shortly before it entered the T&T and TCR agreements, PTO published guidelines to be followed in the evaluation of proposals for, and the negotiation of, additional exchange agreements under the authority of section 6(a) of Title 35, United States Code, with public, private, and domestic and foreign agencies and companies, to facilitate the use and availability of patent and trademark information.^{8/} (Section 6(a) is discussed in detail below.) One of the purposes of such future agreements is to further the general goal of automating the patent and trademark examination process. To encourage others to enter into such agreements, the guidelines said, PTO may provide such incentives as copies of PTO documents, or computer-processable data obtained from patents, trademark applications, trademark registrations, and other data sources.

D. General Services Administration Did Not Delegate Specific Authority To PTO For Exchange Agreements

On March 30, 1983, the Department of Commerce, the parent agency of PTO, submitted to the General Services Administration (GSA) an Agency Procurement Request (KMA-3-211) for stage I of the PTO Automation Master Plan, covering automated data

^{6/} Commerce Business Daily, December 15, 1984, p. 41.

^{7/} Commerce Business Daily, January 27, 1983, p. 32.

^{8/} 48 Fed. Reg. 20267.

processing equipment, software, and services, for use in connection with PTO data bases, including apparently those being developed under the exchange agreements. On June 14, 1983, GSA granted PTO a Delegation of Procurement Authority (DPA) to acquire such items and services, subject to GSA's specific approval of each solicitation. The request and the resulting delegation did not cover the data bases as such or the exchange agreements by which they were being acquired, nor did PTO or Commerce request a delegation from GSA covering either.

E. Agency Views

In an October 26, 1984, letter to a member of GAO's staff, the PTO Solicitor indicated that PTO does not consider the exchange agreements to be procurements subject to Federal procurement statutes and regulations. On December 26, 1984, GAO asked the General Counsels of the Department of Commerce (Commerce) and GSA, and the Solicitor of the PTO whether 40 U.S.C. § 759 (the Brooks Act) and its implementing regulations apply to these exchange agreements. Only GSA's General Counsel responded. GSA's views are discussed below.

II. APPLICABLE LAW

A. Section 6(a)

PTO entered into the exchange agreements pursuant to section 6(a) of Title 35 of the United States Code, which provides, in relevant part--

"6. Duties of Commissioner

"(a) The Commissioner, under the direction of the Secretary of Commerce, * * * shall have the authority to carry on * * * exchanges of items or services regarding * * * the administration of the Patent and Trademark Office * * *."

The phrases "exchanges of items or services" and "the administration of the Patent and Trademark Office" were added to section 6(a) by section 13 of Public Law No. 97-247, 96 Stat. 317, 321. They had originally been included in an

Administration bill to authorize appropriations for the PTO and for other purposes.^{9/}

The only legislative explanation of these additions to section 6(a) is found in a report of the House Committee on the Judiciary which repeats the explanation contained in the Section Analysis accompanying the Administration's bill.^{10/} It provides as follows:

"SECTION 13"

"This section clarifies the authority of the Commissioner in section 6(a) of title 35 to enter into a wide range of cooperative agreements concerning the patent and trademark laws or the administration of the Patent and Trademark Office. These agreements are in addition to the exchange of publications authorized in 35 U.S.C. 11(b) and 12. These cooperative agreements may take the form of studies, programs, exchanges, and other similar ventures. Thus, the Patent and Trademark Office could, for example, exchange patent copies, non-patent literature, tapes, or services in return for goods or services of value to the Patent and Trademark Office."

H.R. Rep. No. 97-542, 97 Cong., 2nd Session, May 17, 1982, 62 (emphasis added).

^{9/} See, the draft bill authorizing appropriations for the PTO enclosed with a letter, dated February 8, 1982, from Malcolm Baldrige, Secretary of Commerce, to the Honorable Thomas F. O'Neill, Jr., Speaker of the House of Representatives.

^{10/} See, section 13, "Section Analysis" enclosed with Secretary Baldrige's February 8, 1982, letter to Speaker O'Neill transmitting the proposed bill.

(Sections 11(b) and 12 of Title 35, United States Code, referred to in the Committee's report, provide respectively for exchanges of PTO publications for other publications and of copies of U.S. patents for those of foreign countries.)

The PTO Solicitor offers the following interpretation of section 6(a):

"The congressional intent clearly expressed in H.R. Report No. 97-542 * * * was to expand the Commissioner's exchange authority beyond the limits set by sections 11(b) and 12 * * *. While the report uses the expression 'cooperative agreement,' the expression manifestly was not intended to require the use of cooperative agreement procedures * * *. The section 11(b) purpose of exchanges 'for publications desirable for the use of the Patent and Trademark Office' is not consistent with the purpose recited in 31 U.S.C. 6305 for using cooperative agreements. * * * Contract procedures could not have been intended since 'contract,' as defined in the Federal Procurement Regulations, 41 C.F.R. § 1-1.208 (1983), is any commitment which 'obligate(s) the Government to an expenditure of funds.'" ^{11/}

B. The Brooks Act, 40 U.S.C. § 759

Section 759 of Title 40, United States Code, part of the Federal Property and Administrative Services Act (FPASA), as

^{11/} Section 6305 of Title 31, United States Code, defines the circumstances in which an executive agency shall use a contract, grant, or cooperative agreement. A cooperative agreement should be used when (1) a Federal executive agency transfers something of value to a state or local government or another recipient to carry out a public purpose and (2) the executive agency is expected to have substantial involvement in carrying out the activity being funded.

amended, the so-called Brooks Act, is intended to provide a comprehensive framework for acquisition and maintenance of automatic data processing (ADP) equipment by Federal agencies. The Act vests central authority in the GSA for the procurement, maintenance, operation and utilization of ADP equipment within the Government. Under the Act, the Administrator of General Services is to coordinate and provide for "the economic and efficient purchase, lease, and maintenance of automatic data processing equipment by Federal agencies." The Administrator is authorized to provide such equipment through purchase, lease, transfer from other Federal agencies, "or otherwise."

The Administrator may delegate authority to Federal agencies to acquire or maintain ADP equipment under conditions prescribed in the law. Agencies remain free to determine their ADP needs, and a procedure is set forth for resolution of disputes between GSA and the agencies by the Office of Management and Budget.

III. ANALYSIS

A. PTO's Exchanges of PTO-Produced Materials for Services and Products Provided By Contractors Are Authorized by Section 6(a)

The Compu-Mark agreement, the original T&T and TCR agreements, and the 1984 T&T agreement provide for exchanges of products and services, as authorized under section 6(a) of Title 35. Under the agreements, PTO is to receive on a non-exclusive basis computer tapes of existing and future trademark applications and of registration information, produced by the companies from materials, including paper files, tapes, and other records, furnished to them by PTO. In exchange, the companies receive PTO-produced materials. Such transactions clearly are "exchanges of items" under section 6(a).

The companies provide PTO⁴ with services, as well as tapes. They do so by transforming PTO's paper files and other materials into a computer-readable medium, i.e., the computer tapes. Under the agreements, the companies spend their own money to produce the tapes. The companies apparently own the tapes and permit PTO to use them on a non-exclusive basis.

While the tapes are the tangible embodiment of the companies' work, the real benefits PTO obtains under the

exchange agreements are the services the companies perform, i.e., the transformation of PTO's paper files and other information into paperless data bases. This transformation is a significant part of the master plan for automating PTO's operations, prepared by PTO for Congress pursuant to Public Law No. 96-517.

B. The Brooks Act Applies To PTO Exchange Agreements Generally

PTO, as part of an executive agency, is subject to the Brooks Act unless specifically exempt by statute. Cf., In the matter of the Federal Judicial Center, 58 Comp. Gen. 350 (1979), 79-1 CPD 206, 40 U.S.C. §§ 474 and 759(e). Neither section 6(a) of Title 35, nor any other provision of law concerning the PTO or the Department of Commerce, exempts exchanges or exchange agreements from coverage of the Brooks Act. The list of agencies which are exempt from FPASA requirements--including the Brooks Act--has not been amended to include PTO. 40 U.S.C. § 474. Federal Judicial Center, supra, at 356.

Exemption from the Brooks Act cannot be inferred from the nature of the authority granted to PTO, i.e., to exchange items or services. The word "exchange" does not have a meaning antithetical to "procurement." (As will be discussed below, the applicable definition of "procurement" encompasses exchange agreements.) We found nothing in the legislative history of section 6(a) to suggest that Congress intended to give "exchange" such a meaning. GSA agrees that exchange agreements under section 6(a), if they are ADP procurements, are subject to the Brooks Act.

Thus, future agreements concerning the automation of PTO's activities will also be subject to the Act, if they involve the acquisition of ADP equipment or related resources. (See discussion in Paragraph C below.)

C. The Brooks Act Covers Not Only Acquisition of ADP Equipment But Also ADP-Related Resources

Although "commercially available software," "related supplies" (e.g., computer tapes, ribbons, and tabulating paper), and "commercially available * * * [ADP] services and support services" are not mentioned in the Brooks Act, the Act

is cited as authority for GSA regulations governing the procurement of these ADP-related resources, as well as of ADP equipment and maintenance services. 41 C.F.R. §§ 201-4.1100-2, 201-4.1200-2.

GAO has taken a position similar to GSA's on these matters. In a letter to the Chairman, House Committee on Government Operations, concerning the legality of a Department of Transportation contract, we concluded that (1) the legislative history indicates that "mass-produced commercially available, general purpose" software is covered by the Act; and (2) the Act applies to a contract for ADP services, other than those services incident to the purchase of equipment, because "the Government is in effect leasing an ADP system for specific purposes and periods," and such a lease is "functionally identical to the Government's leasing of equipment as congressionally contemplated by the Brooks Act." B-115364, May 31, 1978, p.12.^{12/}

D. The Exchange Agreements Involve "Commercial ADP Support Services"

Either of two subparts of the Brooks Act regulations may apply to procurement of ADP resources depending on the nature of the resources. 41 C.F.R. Subpart 201-4.11, et seq. applies to the procurement of ADP equipment, maintenance services, commercially available software, and related

^{12/} We do not agree with GSA's view, contained in its January 15, 1985, opinion, that the Brooks Act authorizes the GSA Administrator to provide for all the ADP needs of Federal agencies. While we have supported GSA efforts to carry out the Act's objectives, we have never taken the position that the Brooks Act authorizes GSA to provide for all agencies' ADP needs. For example, in our May 31, 1978, letter we concluded that neither an agency's contract for services to operate its own ADP equipment nor its contract for the development of non-commercially available software are covered by the Brooks Act.

supplies, and 41 C.F.R. Subpart 201-4.12, et seq. to commercial ADP services and support services.^{13/}

Under all the exchange agreements--Compu-Mark, the original T&T and TCR, and the 1984 T&T--PTO is to receive "commercial ADP support services," rather than "commercial ADP services," as these terms are defined in 41 C.F.R. § 1-4.1202-3. The distinction is significant primarily because ADP support services can be procured by an agency, if certain conditions are met, without specific GSA approval, which is required for procurement of ADP services.

Subpart 1-4.11 does not apply. The agreements provide that PTO will receive computer tapes containing trademark registration and application information which the companies produce from data supplied by PTO. The tapes are not "ADP equipment," "maintenance services," or "related supplies" as defined in Subpart 1-4.11.^{14/} See 41 C.F.R. § 1-4.1102. The tapes are "computer data bases," which under the regulations are considered to be software. Section 1-4.1102.2(d). (The term "computer data base" means "a stored collection of data in a form capable of being processed and operated on or by a computer.") However, the regulations only cover "commercially available software," defined as software available "through lease or purchase in the commercial market from a concern representing itself to have ownership and/or marketing rights in the software." Section 1-4.1102-2(b). The data bases are

^{13/} These provisions are part of the Federal Information Resources Management Regulation (FIRMR), which has been in effect since May 17, 1984. They replaced identical provisions in the Federal Procurement Regulation (FPR), respectively, 41 C.F.R. Subparts 1-4.11 et seq. and 1-4.12 et seq. The Federal Acquisition Regulation (FAR) replaced the FPR in April 1984. Effective April 1, 1985, new FIRMR provisions will take the place of 41 C.F.R. Subparts 201-4.11 et seq. and 201-4.12 et seq.. 50 Fed. Reg. 4332.

^{14/} Since all the exchange agreements, except the 1984 T&T agreement, were signed before the FIRMR came into effect, the citations for regulations will refer to the FPR, unless otherwise noted.

not "commercially available" within the meaning of the regulations since the purpose of the exchange agreements is to develop the data bases.

Subpart 1-4.12 concerns commercial ADP services and support services. We have reviewed the services to be performed under these exchange agreements and have concluded that the companies are to perform "ADP support services" for PTO as that term is defined in § 1-4.1202-2. The companies provide PTO essentially with source data entry services, tasks associated with the transformation of paper files and other data into a computer readable medium. These services do not involve the "computation or manipulation of data by computers" that is envisioned in the definition of "ADP services." Section 1-4.1202-1. Examples of ADP services would include scientific or statistical calculations, financial projections of administrative expenses, or growth projections for the U.S. economy.

GSA agrees with this classification. GSA, admittedly based on the limited information then available to it, originally concluded that the companies are furnishing "ADP services" to PTO. In subsequent discussions with GSA technical staff, we learned that they had classified the exchange agreements as ADP services because they thought the companies provided the use of equipment to access the data bases. We pointed out that the companies were neither required under the agreements to provide nor did they in fact provide the use of equipment to PTO.

Based on this explanation, GSA technical staff stated that if the companies were not required to provide the use of computer equipment, then the agreements should be classified as ADP support services. Further, we have been advised by GSA's Office of General Counsel that their January 15, 1985, legal opinion has been revised because of the change in the position of GSA's technical staff to reflect that GSA now believes the agreements were primarily for the provision of ADP support services, rather than ADP services.

"Commercial ADP support services" refers "to the performance of ADP support services on a nonpersonal basis." Section 1-4.1203-3(b). Services provided "on a nonpersonal basis," in

turn, means services which can properly be performed by non-governmental personnel without detailed government control or supervision. American Federation of Government Employees Local No. 3347, AFL-CIO, B-183484, 77-1 CPD 329 (1977). The services which PTO receives can properly be performed by the companies' personnel and the agreements do not provide for PTO's supervision or control of the companies' work, although PTO may have to provide assistance to the companies when necessary.

E. The Exchange Agreements are Contracts for the Procurement of Commercial ADP Support Services under the FPR

All of the exchange agreements are contracts for the procurement of commercial ADP support services pursuant to Subpart 1-4.12 of the FPR.^{15/} Although this Subpart does not define the terms "procurement" and "contract," the definitions elsewhere in the FPR are applicable. See, §§ 1-1.201, and 1-4.1204(d).

Subpart 1-4.12 of the FPR governs the procurement of commercial ADP support services. 41 C.F.R. § 1-4.1201(a). "Procurement" is defined in the FPR as "the acquisition * * * from non-Federal sources, of personal property and nonpersonal services * * * by such means as purchasing, renting, leasing * * * contracting, or bartering * * *." Section 1-1.209.^{16/}

^{15/} The discussion in this section will be confined to the FPR. The Compu-Mark and 1983 T&T agreements were entered into when the regulations applicable to the procurement of commercial ADP support services were part of the FPR. Although the 1984 agreement was signed after this regulation had become part of the FIRMR, the 1984 agreement is a consolidation of the earlier agreements--entered into primarily because T&T acquired TCR's assets--and is not a new procurement.

^{16/} This definition is similar to that which serves to prescribe when a procurement contract is the appropriate instrument for a Federal agency to use, as opposed to a grant or cooperative agreement. 31 U.S.C. § 6303.

"Contract" means "a binding legal relation basically obligating the seller to furnish personal property or nonpersonal services * * * and the buyer to pay therefor." Section 1-1.208. The definition of "contract" is not limited to arrangements involving the use of government funds, although it does include all types of written commitments which require the Federal government to expend funds.

Thus, the expenditure of government funds is not an essential ingredient of the definition of "contract." This conclusion is consistent with both the general procurement provisions of FPASA and the Brooks Act, neither of which is limited to transactions in which the government uses appropriated funds.

The Compu-Mark agreement and the original T&T and TCR agreements fall within the FPR definition of "procurement." Under the exchange agreements, PTO acquires nonpersonal services from non-federal sources by contracting. The exchange agreements are contracts. They bind the companies to provide ADP support services and PTO to furnish certain data. PTO is in the position of a buyer and pays for the services acquired with data and materials rather than money.^{17/}

^{17/} The exchange agreements may also be regarded as contracts for the procurement of commercial ADP support services for another reason: PTO is acquiring nonpersonal services through barter because "'exchange' is barter." Postal Telegraph Cable Co. v. Tonopah Railroad, 248 U.S. 471, 474 (1918). The exchange agreements are contracts in which the parties bind themselves to barter goods for services. "Procurement" is defined in the FPR to include acquisition by "bartering." 41 C.F.R. § 1-1.209.

F. Further Inquiries to Determine Whether
PTO Complied With Statutory and Regulatory
Requirements

GAO evaluators found that PTO apparently did not realize that the regulations, 41 C.F.R. Subpart 1-12, were applicable.^{18/} We are undertaking to determine whether PTO's actions may nevertheless have substantially conformed to the requirements for the procurement of commercial ADP support services. We will also review on a selected basis whether the exchange agreements are subject to other statutes or regulations generally applicable to government agency procurements. Our conclusions on these matters will be reflected in a forthcoming GAO report, requested by the Committee, about the automation of PTO's trademark activities.

^{18/} Nevertheless in the PTO Report to Congress, in December 1982, PTO stated that acquisitions would "strive for the maximum practical competition" and "conform to federal procurement regulations."

RELEASE OF GAO LEGAL DECISION OR OPINION

531455 / 126692

DATE: April 12, 1985
NO. 85-25

SUBJECT: Concerns exchange agreements between the Patent & Trademark Office (PTO) and private firms to automate PTO's trade mark search activities

B-NUMBER: B-217448

DATE: March 13, 1985

ADDRESSEE: Chrmn. Jack Brooks
H. Committee on Government Operations

The above legal decision or opinion has been released as follows:

To anyone requesting a copy.

To the individuals listed below only (This is not a blanket release).

Authorization for Release: OCR

cc:

Index-Digest Section
Index & Files Section
OIRM (2)

Patricia C. Sands
Research Assistant
Office of Congressional Relations

OFFICE OF THE GENERAL COUNSEL
DECISION DISTRIBUTION FORM

SECTION I: DISTRIBUTION AND PROCESSING INSTRUCTIONS

1. Number: 17448	2. Attorney Assigned: Kasdan/Goldberg	3. Distribution Class: <input type="checkbox"/> - Unrestricted <input checked="" type="checkbox"/> - Delayed Distribution * *(See Item #6) <input type="checkbox"/> - Limited Distribution <input type="checkbox"/> - Restricted
4. Publication Recommended? (check one) YES: <u> xx </u> Approval: _____ NO: _____ No Recommendation: _____		6. If <u>Delayed</u> , This Document Will Be Available For General Distribution: (Check one) <input checked="" type="checkbox"/> <u> 30 </u> Days after issuance. <input type="checkbox"/> When notified by OGC or OCR.
5. Special Instructions:		
<input type="checkbox"/> CHECK IF NO DIGEST INCLUDED		<input type="checkbox"/> OGC OR OCR APPROVAL:

SECTION II: INITIAL DISTRIBUTION

1. (Addressee)

Honorable Jack Brooks
 Chairman, Committee on
 Government Operations
 House of Representatives

arren Reed, Director
 IMTEC
 Rm. 6915

Thomas Giammo
 Associate Director
 IMTEC
 Rm. 6061

Mr. Shaw, IMTEC
 6731

Mr. Heatwole, IMTEC
 6252

Mr. Winter, IMTEC
 Rm. 6061

Mr. Van Cleve, OGC
 Rm. 7031

Mr. Pierson, OGC
 Rm. 7749

Mr. Goldberg, OGC
 Rm. 7743

Mr. Kasdan, OGC
 Rm. 7850

Mr. Carter, OGC
 Rm. 7083

Mr. Efros, OGC
 Rm. 7486

Ms. Smith, OCR-7014



UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

OFFICE OF GENERAL COUNSEL

B-217448

March 13, 1985

The Honorable Jack Brooks
Chairman, Committee on Government Operations
House of Representatives

Dear Mr. Chairman:

This letter responds to a Committee request, conveyed in discussions with your staff, for our opinion whether exchange agreements between the Patent and Trademark Office (PTO) and private firms, to automate PTO's trademark search activities, are subject to 40 U.S.C. § 759, the Brooks Act, governing procurement of automatic data processing equipment, and its implementing regulations. Our response to this request is an outgrowth of other work the General Accounting Office is undertaking pursuant to your letter dated July 11, 1984 and includes discussion of some issues we have reviewed in connection with that letter.

On December 26, 1984 we requested the views of the General Counsels of the Department of Commerce and the General Services Administration (GSA), and the Solicitor of PTO on whether 40 U.S.C. § 759 and its implementing regulations apply to these exchange agreements. Only GSA's General Counsel has responded. In October 1984 we received an opinion from the Solicitor on other related questions. The enclosed memorandum sets out the facts with our legal analysis.

We have concluded that while PTO had statutory authority (35 U.S.C. § 6(a)) to enter into agreements with the firms to exchange products for products and services, the agreements are contracts for the procurement of commercial automated data processing (ADP) support services under 40 U.S.C. § 759--the so-called Brooks Act. The Brooks Act vests in GSA central authority for the procurement, maintenance, operation, and utilization of ADP equipment. The Act has been interpreted to cover not only ADP equipment, but related ADP resources, including commercially available software and ADP services and support services. PTO, as part of an executive agency--the