DEPARTMENT OF THE TREASURY
WASHINGTON, D.C. 20220

Procurement
Instruction
Memorandum
No. 99-2
Jan. 14, 1999

MEMORANDUM FOR BUREAU CHIEF PROCUREMENT OFFICERS

FROM: Annelie M. Kuhn, Acting Director
Office of Procurement

SUBJECT: Procedures for Tracking Stun Belt Procurements

Purpose: This PIM informs bureau procurement offices of a settlement action in a case regarding *R.A.C.C. Industries, Inc. v. United States*, Court of Federal Claims No. 98-139C, and to establish a uniform procedure to comply with the settlement.

Effective Date: January 7, 1999

Expiration Date: This PIM will expire when canceled or superceded.

Discussion: A requirement of the settlement in the above cited case is that Treasury establish procedures for all procurement offices that have or may acquire stun belts.

The procedure is set forth as follows: Any bureau that procures one or more stun belt systems must track those procurements. Copies of each order, invoices and any corresponding shipping document evidencing receipt of and payment for each stun belt must be forwarded to the Departmental Office of Procurement.

At any time, if a report is required, OP will promptly notify bureaus to provide a complete listing, that will include:

-each instance of procurement
-vendor involved
-purchase order/contract number and date
-date of receipt of each stun belt system

OP will compile the data and forward to the Office of General Counsel (Enforcement).

Copies of the Judgment and Settlement are attached.

Note: Because the Judgment is dated October 2, 1998, bureaus should forward the above information on any orders dated October 2, 1998 to present to OP.

Questions should be directed to Angelie Jackson at (202) 622-0245.

Attachments

cc: Michael DuBose, Office of the Assistant General Counsel (Enforcement)

V.J. DiPietro

In the United States Court of Federal Claims J. Fargo

B. F. BUCHAN

FILED
OCT 2 1998
U.S. COURT OF FEDERAL CLAIMS

No. 98-139 C

R.A.C.C. INDUSTRIES, INC., CARL W. ROY, II, and BRIAN D. WILLOUGHBY,

JUDGMENT

v.

THE UNITED STATES

Pursuant to the parties' October 2, 1998 Stipulation for Entry of Judgment, and the court's Order of October 2, 1998,

IT IS ORDERED AND ADJUDGED this date, pursuant to Rule 58, that plaintiff recover of and from the United States the sum of $50,000.00. Each party shall bear its own costs and attorney's fees.

Margaret M. Earnest
Acting Clerk of Court

October 2, 1998 By: Lisa L. LaFrade

Deputy Clerk

Return to Commercial Litigation Branch
B. Frederick Buchan, Jr.

RECEIVED
OCT 2 1998
OFFICE OF THE CLERK
U.S. COURT OF FEDERAL CLAIMS

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

R.A.C.C. INDUSTRIES, INC., CARL W. ROY, II, and BRIAN D. WILLOUGHBY,	)	
Plaintiffs,	)	No. 98-139 C
v.	)	Judge Diane Gilbert Weinstein
THE UNITED STATES,	)	
Defendant.	)	

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STIPULATION FOR ENTRY OF JUDGMENT

For the purpose of settling and compromising the above action, plaintiffs and defendant stipulate to the following:

1. Plaintiffs are the sole owners of United States Patent No. 4,943,885 and have brought this action to recover reasonable and entire compensation for all infringement by or for the United States of all articles and apparatus covered by that patent.

2. As used herein, the term " '885 patent" means United States Patent No. 4,943,885, the application therefor, and any reissue, division, continuation, modification including any reexamination and/or extension thereof together with any corresponding foreign patent and/or foreign application for a patent.

3. In view of the desire of the parties to eliminate all uncertainties, claims or controversies relative to the alleged liability of the United States, plaintiffs have submitted a written offer to the defendant to settle this action by granting (1) a release by plaintiffs of all claims against the United States, (2) irrevocable, paid-up licenses throughout the world under the '885 patent for certain stun belt systems manufactured and delivered to or used by or for the United States on or before entry of judgment in this action, and for one-hundred (100) additional systems that may be manufactured for

or used by or for the United States after the date of such entry of judgment by sources other than plaintiffs or their authorized distributors, licensees, or agents, (3) certain covenants not to sue, and (4) options for the United States to procure future licenses in the '885 patent under certain conditions, all in return for payment of the total lump sum of Fifty Thousand Dollars ($50,000). The terms of the offer are set forth in more detail in a Settlement Agreement executed by the plaintiffs on September 27 and 28, 1998.

4. The United States, by its authorized representative of the Attorney General, has duly agreed to accept plaintiffs' offer to settle this action.

5. Plaintiffs hereby confirm the grant of a full release of the defendant, the United States, its employees, agents, suppliers, contractors, and subcontractors from any and all liability as of the date of entry of judgment in accord with this stipulation for any manufacture and/or use by or for the United States throughout the world of all apparatus heretofore delivered to or used by or for the United States that embodies or is operable in accord with any invention, method, process, article or apparatus that is described by, claimed in or covered by the '885 patent.

6. Plaintiffs hereby confirm the grant to the United States of an irrevocable, nonexclusive, worldwide paid-up license under the '885 patent for its full term to continue to practice or cause to be practiced by or for the United States throughout the world any and all of the inventions thereunder in any manufacture, use, maintenance, repair, refurbishment, or disposition in accordance with law of all apparatus to which the release of paragraph 5 above applies and that was first delivered to or used by or for the United States on or before the date of entry of judgment in this action.

7. Plaintiffs hereby confirm the grant to the United States of an irrevocable, nonexclusive, worldwide paid-up license under the '885 patent for its full term to practice or cause to be practiced by or for the United States throughout the world any and all of the inventions thereunder in the

manufacture, use, maintenance, repair, refurbishment, or disposition in accordance with law with respect to a first one hundred (100) additional stun belt systems (including any and all parts and components thereof), that, after the date of entry of judgment in this action, may be first manufactured for, delivered to, or used by or for the United States by a person or entity other than plaintiffs or their authorized distributors, licensees, or agents.

8. The releases, licenses, covenants, and options referred to in paragraphs 3 and 5 to 7 above will be effective only upon entry of the stipulated judgment as provided herein.

9. Plaintiffs and defendant have agreed to allow judgment in this action to be entered in favor of plaintiffs and against the defendant for the total lump sum of Fifty Thousand Dollars ($ 50,000).

10. In accordance with the terms of the settlement agreement and to secure the performance thereof, plaintiffs, by their attorney, and defendant, by its authorized representative of the Attorney General, hereby enter into this stipulation and agree that it is to be filed in the above action for the purpose of causing a final judgment to be entered against defendant in accordance with the terms set forth above. A draft order for this purpose is attached hereto.

11. Each party agrees to bear its own costs and attorney's fees.

12. In the event that the Court declines, in whole or part, to enter judgment in accordance with this stipulation, it shall be null, void and without prejudice to any party.

Respectfully submitted,

Dated: September 29, 1998

PATRICK T. HAND, ESQUIRE
CROWLEY, HOGE & FEIN, P.C.
Suite 100
1717 Massachusetts Avenue, N. W.
Washington, D.C. 20036
Phone: (202) 483-2900

Attorney for Plaintiffs

FRANK W. HUNGER
Assistant Attorney General

Dated: Sept 30, 1998

VITO J. DiPIETRO
(Authorized Representative
of the Attorney General)
Director

Dated: Sept. 30, 1998

B. FREDERICK BUCHAN, JR.
Attorney
Commercial Litigation Branch
Civil Division
Department of Justice
Washington, D.C. 20530
Phone: (202) 307-0335

Attorneys for Defendant

OF COUNSEL:
John Fargo
Assistant Branch Director

IN THE UNITED STATES COURT OF FEDERAL CLAIMS

R.A.C.C. INDUSTRIES, INC., CARL W. ROY, II, and BRIAN D. WILLOUGHBY,	)	
Plaintiffs,	)	No. 98-139 C
v.	)	Judge Diane Gilbert Weinstein
THE UNITED STATES,	)	
Defendant.	)	

ORDER

In accordance with a Stipulation for Entry of Judgment submitted by the parties in the above action, the Court directs the Clerk to enter final judgment in favor of plaintiffs in the total lump sum of Fifty Thousand Dollars ($ 50,000).

Each party is to bear its own costs and attorney's fees.

Dated: _____ __ , 1998

_____
Judge Diane Gilbert Weinstein
United States Court of Federal Claims

CERTIFICATE OF SERVICE

I hereby certify that a true copy of the foregoing "STIPULATION FOR ENTRY OF JUDGMENT" with attached draft of "ORDER" was sent by first-class mail, postage prepaid, this 1st day of October, 1998, to:

Patrick T. Hand, Esquire
CROWLEY, HOGE & FEIN, P.C.
Suite 100
1717 Massachusetts Avenue, N. W.
Washington, D.C. 20036

Attorney for Plaintiff

Yola D. Lyles

Yola D. Lyles
Telephone: (202) 616-0250

SETTLEMENT AGREEMENT

PREMISES

1. R.A.C.C. Industries, Inc., Carl W. Roy, II, and Brian D. Willoughby are plaintiffs in an action under 28 U.S.C. § 1498(a) in the United States Court of Federal Claims styled *R.A.C.C. Industries, Inc., Carl W. Roy, II, and Brian D. Willoughby v. United States*, Ct. Fed. Cl. No. 98-139 C, (the Action) to recover reasonable and entire compensation for alleged manufacture or use by or for the United States of subject matter covered by U.S. Patent No. 4,943,885 (the '885 patent).

2. Plaintiffs now represent that the only owners of the '885 patent since the application for it was filed on February 16, 1988, have been either Roy and Willoughby or R.A.C.C.

3. Plaintiffs represent that none of them owes any debt to the United States.

4. All parties desire to eliminate all uncertainties, claims or controversies relative to the alleged liability of the United States through grants of (1) a release by plaintiffs of all claims against the United States, (2) irrevocable, paid-up licenses throughout the world under the '885 patent for certain stun belt systems manufactured and delivered to or used by or for the United States on or before entry of judgment in the Action and for one-hundred (100) additional systems that may be manufactured for or used by or for the United States after the date of such entry of judgment by sources other than plaintiffs or their authorized licensees, (3) covenants not to sue, and (4) options for the United States to procure future licenses in the '885 patent under certain conditions.

5. This settlement agreement has been executed in view of and concurrently with execution of a stipulation for the entry of judgment in the Action. A copy of the stipulation is attached.

IN CONSIDERATION OF A TOTAL LUMP SUM OF $50,000 to be paid by the United States to plaintiffs pursuant to a final judgment entered by the United States Court of Federal Claims in the Action, the parties agree to the following:

ARTICLE I

DEFINITIONS

1. The term "PLAINTIFFS" refers to R.A.C.C. Industries, Inc. (R.A.C.C), Carl W. Roy, II (Roy), and Brian D. Willoughby (Willoughby).

2. The term "UNITED STATES" means the legislative, judicial and executive branches of the United States of America, and all departments, administrations, agencies, authorities, boards, bureaus, corporations, independent commissions, offices, services, and other instrumentalities wholly or partly controlled or owned by the United States.

3. The term " '885 PATENT" shall mean U.S. Patent No. 4,943, 885 entitled "Remotely Activated, Nonobvious Prisoner Control Apparatus" that issued to Roy and Willoughby on July 24, 1990, on Application Serial No. 155,736 filed February 16, 1988, and further includes every other patent issuing from any continuation, continuation-in-part, division, foreign-counterpart, reexamination, or reissue thereof.

4. The term "STUN BELT SYSTEM" shall mean any apparatus covered by any claim of the '885 PATENT and includes systems having at least one remotely actuatable receiver, at least one stun package, and at least one belt carrier. This term shall further include every Stun Belt System accused in this action such as the "Minimum Security Belt" (MSB) and the "High Security Transport Belt" (HSTB) sold to the UNITED STATES and/or others under the name "R-E-A-C-T Belt System" by Stun Tech, Inc., of Cleveland, Ohio. Those accused systems were sometimes further designated by Stun Tech as "System 1" (consisting of an HSTB transport belt, an MSB minimal security belt, and an electronics package generally having a transmitter, a receiver, a stun package, a battery charger, a rechargeable battery, an alkaline battery for the transmitter, and a transmitter pouch), "System 2" or "System 2S" or "HSTB Model" (consisting of an HSTB transport belt or modification

thereof and an electronics package as described for System 1 above), and "System 3" or "MSB Model" (consisting of an MSB minimal security belt or modification thereof and an electronics package as described for System 1 above).

6. The term "PART" shall mean any structure that is an element of a STUN BELT SYSTEM and that is itself covered by one or more claims of the '885 PATENT.

7. The term "COMPONENT" shall mean any structure that is an element of a STUN BELT SYSTEM or a PART as defined above in paragraphs 5 and 6.

ARTICLE II

WARRANTIES

1. PLAINTIFFS represent and warrant that each of them has owned or now owns, whether solely or jointly, the entire right, title and interest in the '885 PATENT since the application for it was filed on February 16, 1988.

2. PLAINTIFFS represent and warrant that they, collectively or individually, have the sole rights to grant the releases and licenses set forth in ARTICLE III and the options set forth in ARTICLE V.

3. PLAINTIFFS represent and warrant that none of them owes any debt to the UNITED STATES.

ARTICLE III

RELEASE, LICENSES, AND COVENANTS

1. PLAINTIFFS fully release the UNITED STATES and its employees, agents, suppliers, contractors, and subcontractors, from any and all liability as of the date of entry of judgment in the Action for any manufacture and/or use by or for the UNITED STATES of all apparatus (including STUN BELT SYSTEMS, PARTS and COMPONENTS) delivered to or used by or for the UNITED

STATES that embodies or is operable in accord with any invention, method, process, article or apparatus that is described by, claimed in, or covered by the '885 PATENT.

2. PLAINTIFFS hereby grant the UNITED STATES an irrevocable, nonexclusive, worldwide paid-up license under the '885 PATENT for its full term to continue to practice or cause to be practiced by or for the UNITED STATES throughout the world any and all of the inventions thereunder in any manufacture, use, maintenance, repair, refurbishment, or disposition in accordance with law of each STUN BELT SYSTEM (including any and all PARTS and COMPONENTS thereof), that was first delivered to or used by or for the UNITED STATES as of the date of entry of judgment in this Action.

3. PLAINTIFFS hereby grant the UNITED STATES an irrevocable, nonexclusive, worldwide paid-up license under the '885 PATENT for its full term to practice or cause to be practiced by or for the UNITED STATES throughout the world any and all of the inventions thereunder in any manufacture, use, maintenance, repair, refurbishment, or disposition in accordance with law with respect to a first one hundred (100) additional STUN BELT SYSTEMS (including any and all PARTS and COMPONENTS thereof), that may be first manufactured for, delivered to, or used by or for the UNITED STATES after the date of entry of judgment in this Action by a person or entity other than PLAINTIFFS or their authorized distributors, licensees, or agents.

4. PLAINTIFFS covenant not to sue or seek further compensation from the UNITED STATES or any of its employees, agents, suppliers, contractors, subcontractors, transferees, buyers or lessees as to any STUN BELT SYSTEM (including PARTS and COMPONENTS thereof) for which a release or license has been granted under paragraphs 1 to 3 above of this ARTICLE III.

ARTICLE IV

REPORTS

1. Within thirty days after each annual anniversary (through the year 2008) of the date of entry of judgment in this Action, PLAINTIFFS at their option and through their counsel may request a report from the UNITED STATES as to whether any of the Federal Bureau of Prisons, the Immigration and Naturalization Service, and the United States Marshals Service (all of the United States Department of Justice), the Forest Service (of the United States Department of Agriculture), and each other federal agency specified by plaintiffs in their current request have purchased additional STUN BELT SYSTEMS within the period since entry of judgment or last report under this ARTICLE from sources other than PLAINTIFFS or their authorized distributors, licensees, or agents and, if so, a statement of the quantities and identification of each supplier of each such additional system procured by those particular bureaus and services. The request shall (a) be in writing, (b) identify each distributor, licensee, and agent who has been authorized to sell, use, or offer for sale STUN BELT SYSTEMS on behalf of PLAINTIFFS, and (c) warrant that the '885 PATENT has not expired by reason of failure to timely pay any maintenance fees that are due.

2. The request for a report made under paragraph 1 of this ARTICLE shall be addressed to:

Director, Intellectual Property Section
Commercial Litigation Branch
Civil Division
Department of Justice
Washington, D.C. 20530

3. The UNITED STATES will within ninety (90) days of receipt of the request made under paragraph 1 of this ARTICLE forward to counsel for PLAINTIFFS a written report as to the quantities, if any, of additional STUN BELT SYSTEMS procured from sources other than PLAINTIFFS or their authorized distributors, licensees, and agents by each of the Federal Bureau

of Prisons, the Immigration and Naturalization Service, and the United States Marshals Service (all of the United States Department of Justice), the Forest Service (of the United States Department of Agriculture), and each other federal agency specified by plaintiffs in their current request since the later of the day after the date of entry of judgment in this Action or the date of the last report made under this paragraph. The report so made will also identify the suppliers of any such additional systems.

4. The UNITED STATES will act in good faith and take such precautions as are reasonable and prudent to assure that the report is accurate and timely made. For good and sufficient reasons, the UNITED STATES may request counsel for PLAINTIFFS to grant an enlargement of time for making or supplementing the report.

ARTICLE V

OPTIONS

1. PLAINTIFFS hereby grant to the UNITED STATES an option to obtain a nonexclusive, royalty-bearing license under the '885 PATENT consistent with paragraphs 3 and 4 below for additional STUN BELT SYSTEMS from sources other than PLAINTIFFS and its authorized distributors, licensees, and agents after the date of entry of judgment in this Action in excess of the one-hundred (100) STUN BELT SYSTEMS licensed under paragraph 3 of ARTICLE III above.

2. The UNITED STATES may exercise such an option at any time by giving notice to counsel for PLAINTIFFS.

3. Upon exercise by the UNITED STATES of an option under paragraphs 1 and 2 above, PLAINTIFFS shall be deemed to have granted the UNITED STATES an irrevocable, nonexclusive, worldwide, royalty-bearing license under the '885 PATENT to practice or cause to be practiced for the UNITED STATES throughout the world any and all of the inventions thereunder in the

manufacture, use, maintenance, repair, refurbishment, or disposition in accordance with law with respect to all additional STUN BELT SYSTEMS (including any and all PARTS and COMPONENTS thereof) that were not licensed under paragraphs 2 or 3 of ARTICLE III, that have been manufactured by or for the UNITED STATES by a person or entity other than PLAINTIFFS or their authorized distributors, licensees, or agents. PLAINTIFFS and the UNITED STATES contemplate that they will agree upon and execute a formal license incorporating license provisions, reporting provisions, royalty computation clauses, and covenants that conform to the corresponding provisions of this SETTLEMENT AGREEMENT and incorporating appropriate contract clauses consistent with or required by the Federal Acquisition Regulations.

4. Any royalties that become due under the license contemplated by paragraph 3 above shall be computed as set forth below in paragraphs 5 or 6 of this ARTICLE for all STUN BELT SYSTEMS not previously licensed under ARTICLE III or under this ARTICLE V.

5. Each per unit royalty for each STUN BELT SYSTEM payable under this ARTICLE in the years 1998 and 1999 shall be at the rate of $125.00. The per unit royalty rate for years subsequent to 1999 shall be adjusted by the "Consumer Price Index for All Urban Consumers" (CPI-U) for "All Items" as follows: The CPI-U Index for "All Items" as published by the Bureau of Labor Statistics for June of the previous year shall be divided by 163.0, the CPI-U Index for June in the base year 1998. The per unit royalty rate of $125.00 shall be multiplied by the resulting quotient to produce the rate applicable for the current year.

> As an example in the year 2000, suppose that the CPI-U Index for All Items for the previous June, *i.e.* in 1999, is 167.4. The per unit royalty rate for the year 2000 would be $125.00 x 167.4/163.0 = $128.37.

6. Notwithstanding paragraph 5 above, the UNITED STATES shall be entitled to the benefit of any more favorable, nonexclusive royalty rate granted by PLAINTIFFS to any other licensee. The royalties due under paragraphs 3 and 4 above shall be computed in accord with the more favorable rate.

7. PLAINTIFFS covenant not to sue or seek further compensation from the UNITED STATES or any of its employees, agents, suppliers, contractors, subcontractors, transferees, buyers or lessees as to any STUN BELT SYSTEM (including PARTS and COMPONENTS thereof) for which a royalty-bearing license has been granted under this ARTICLE V.

8. If the UNITED STATES does not make a good faith effort to provide a timely annual report as required by paragraphs 3 and 4 of ARTICLE IV above, PLAINTIFFS may terminate the right of the UNITED STATES to exercise its option to procure a royalty-bearing license by sending a notice and explanation of the reason(s) for termination to the UNITED STATES addressed as in paragraph 2, ARTICLE IV.

ARTICLE VI

CONDITIONS

1. This Agreement is conditioned upon the subsequent entry in the United States Court of Federal Claims of a final judgment in the Action in favor of PLAINTIFFS and against the UNITED STATES in the total lump sum of Fifty Thousand Dollars ($50,000) in accordance with the accompanying Stipulation for the Entry of Judgment.

2. This AGREEMENT shall bind each successor in interest, assignee, and licensee of PLAINTIFFS as to any interest or right in the '885 PATENT that hereafter may be conveyed, granted or transferred.

The foregoing agreement is hereby executed on behalf of the parties by plaintiffs and by the authorized representative of the Attorney General as indicated below:

FOR PLAINTIFFS

Dated: 9/27, 1998

R.A.C.C. INDUSTRIES, INC.
9311 Old Marlboro Pike, Room 100
Upper Marlboro, Maryland 20772
by Carl William Roy, II, President
Telephone: (301) ___-____

CORPORATE SEAL OF
R.A.C.C. INDUSTRIES, INC.

Dated: SEPT 28, 1998

V.P.
R.A.C.C. INDUSTRIES, INC.
by Brian Dexter Willoughby, Vice President
Telephone: (301) 599-7777

Dated: 9/27, 1998

CARL W. ROY, II

Dated: SEPT 28, 1998

BRIAN D. WILLOUGHBY

FOR THE UNITED STATES

FRANK W. HUNGER
Assistant Attorney General

Dated: Sept 30, 1998

VITO J. DiPIETRO
(Authorized Representative
of the Attorney General)
Director, Intellectual Property Section
Commercial Litigation Branch
Civil Division
Department of Justice
Washington, D.C. 20530
Phone: (202) 514-7223