

**ALERT**

# Federal Circuit Reinforces Broad Reach of 28 U.S.C. § 1498

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September 21, 2015

On September 17, 2015, the Federal Circuit affirmed the dismissal under 28 U.S.C. § 1498(a) of a patentee's claims for indirect patent infringement against government contractors where the only alleged directed infringement was the Government's purported use of the patented invention. *Astornet Technologies Inc. v. BAE Systems, Inc.*, No. 14-1854 (Fed. Cir. Sept. 17, 2015). The decision is another in a line of recent Federal Circuit decisions reaffirming that government contractors enjoy broad immunity from traditional patent infringement liability under § 1498.

Astornet allegedly owns United States patent no. 7,639,844 (the '844 patent), which claims a system for securing airport sterile areas. In a series of actions filed in the District of Maryland, Astornet accused three government contractors of infringing the '844 patent under contracts with the Transportation Security Administration (TSA). Notably, Astornet admitted that the hardware provided by the contractors under these contracts was not itself infringing. Rather, Astornet's only claim was that the contractors induced the government to infringe the '844 patent by providing hardware that, when used by the TSA, would practice the claims of the '844 patent.

Two of the contractors moved to dismiss for failure to state a claim under Federal Rule of Civil Procedure 12(b)(6), arguing that Astornet's only remedy for the government's alleged use of the patented invention was an action against the government in the Court of Federal Claims under § 1498. The district court granted the motions on this basis, and *sua sponte* dismissed Astornet's action against the remaining contractor. The Federal Circuit affirmed all three dismissals.

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## Practice Areas

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Intellectual Property

Section 1498(a) provides a remedy for the use or manufacture of patented inventions “by or for the United States.” Specifically, patent owners are required to seek their “reasonable and entire compensation” for any such use or manufacture of their inventions in an action against the United States at the Court of Federal Claims. The use of the word “entire” demonstrates that the § 1498(a) remedy is intended to be exclusive.

Not infrequently, patentees accuse government contractors of acting “for the United States.” Section 1498(a) provides that a contractor is acting “for the United States” when it is acting “for the Government” and “with the authorization and consent of the Government.”

Astornet, however, took a different approach. Admitting that the contractors themselves were neither manufacturing nor using the ‘844 patent, Astornet instead argued that the contractors should be held liable for inducing the government to use the patented invention. That is, Astornet asserted that the contractors were causing Astornet’s patented invention to be used “by . . . the United States[.]” a claim that the Federal Circuit concluded falls “squarely within the statutory terms” of § 1498(a). As such, Astornet was foreclosed from seeking additional remedies, such as treble damages and injunctive relief, against the contractors in district court.

The Federal Circuit expressly noted that its conclusion “does not depend on any inquiry into government authorization or consent.” Instead, “the clear meaning of the text . . . ‘use by the United States’” required dismissal of Astornet’s claims, all of which were predicated on the government’s own use of the ‘844 patent.

The case continues a recent trend of Federal Circuit decisions, including *IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359 (Fed. Cir. 2014) and *Zoltek Corp. v. United States*, 672 F.3d 1309 (Fed. Cir. 2012), holding that § 1498 affords government contractors a wide scope of protection against liability for infringement. *Astornet* makes clear that, in addition to relieving contractors from a broad range of liability for acts of direct patent infringement, § 1498(a) also prevents government contractors from being held liable for inducing or contributing to the government’s infringement of a patent. In the words of the Federal Circuit, there is “no justification” for “expos[ing] a significant range of government contractors to direct liability (and possible injunctive remedies), namely, those accused of indirect infringement of claims directly infringed by the government.” Patentees aggrieved by the government’s use or manufacture of a patented invention, even if the government’s use or manufacture is allegedly facilitated by a contractor, must seek relief at the Court of Federal Claims.