

Nos. 2014-1854, 2015-1006, -1007

**IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

ASTORNET TECHNOLOGIES, INC.,

Plaintiff-Appellant,

v.

BAE SYSTEMS, INC.,

Defendant-Appellee,

and

MORPHOTRUST USA, LLC,

Defendant-Appellee,

and

NCR GOVERNMENT SYSTEMS, LLC,

Defendant-Appellee.

Appeals from the United States District Court for the District of Maryland in Case Nos. 8:14-cv-00245-RWT, 8:14-cv-00543-RWT, 8:14-cv-00547-RWT, Judge Roger W. Titus

**BRIEF FOR THE UNITED STATES AS AMICUS CURIAE
IN SUPPORT OF DEFENDANTS-APPELLEES**

BENJAMIN C. MIZER

Acting Assistant Attorney General

MARK R. FREEMAN

MEGAN BARBERO

Attorneys, Appellate Staff

Civil Division, Room 7226

U.S. Department of Justice

950 Pennsylvania Ave., N.W.

Washington, D.C. 20530

(202) 532-4631

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION AND SUMMARY	1
INTEREST OF THE UNITED STATES	4
QUESTION PRESENTED.....	5
STATEMENT.....	5
A. Statutory Background.....	5
B. Factual and Procedural Background.....	8
1. The TSA Contracts.....	8
2. Prior Litigation.....	11
3. The Present Complaints	12
4. The District Court’s Decision	15
ARGUMENT.....	17
ASTORNET’S EXCLUSIVE REMEDY FOR THE ALLEGED PATENT INFRINGEMENT IS A SUIT AGAINST THE UNITED STATES IN THE COURT OF FEDERAL CLAIMS UNDER SECTION 1498(a).....	17
A. Astornet Alleges Unauthorized Use Of Its Patented Invention “By . . . The United States”	17
B. Defendants’ Alleged Patent Infringement Was “For The Government And With The Authorization Or Consent Of The Government”	20

CONCLUSION26

CERTIFICATE OF COMPLIANCE

CERTIFICATE OF SERVICE

TABLE OF AUTHORITIES

Cases:	<u>Page</u>
<i>Advanced Software Design Corp. v. Federal Reserve Bank of St. Louis</i> , 583 F.3d 1371 (Fed. Cir. 2009).....	5, 8, 25
<i>Auerbach v. Sverdrup Corp.</i> , 829 F.2d 175 (D.C. Cir. 1987).....	22
<i>Crozier v. Fried. Krupp Aktiengesellschaft</i> , 224 U.S. 290 (1912)	6
<i>Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank</i> , 527 U.S. 627 (1999)	18
<i>IPXL Holdings, LLC v. Amazon.com, Inc.</i> , 430 F.3d 1377 (Fed. Cir. 2005).....	23
<i>IRIS Corp. v. Japan Airlines Corp.</i> , 769 F.3d 1359 (Fed. Cir. 2014).....	25
<i>Richmond Screw Anchor Co. v. United States</i> , 275 U.S. 331 (1928)	2, 7, 8, 18
<i>Sevenson Envtl. Servs., Inc. v. Shaw Envtl., Inc.</i> , 477 F.3d 1361 (Fed. Cir. 2007).....	21
<i>TVI Energy Corp. v. Blane</i> , 806 F.2d 1057 (Fed. Cir. 1986).....	8, 22
<i>William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.</i> , 246 U.S. 28 (1918)	6
<i>Zoltek Corp. v. United States</i> , 672 F.3d 1309 (Fed. Cir. 2012).....	6, 7, 18

Statutes:

Act of July 1, 1918, ch. 114, 40 Stat. 704 6

Act of June 25, 1910, ch. 423, 36 Stat. 851..... 6, 17

Act of Oct. 31, 1942, ch. 634, 56 Stat. 1013..... 7

28 U.S.C. § 1498(a) *passim*

28 U.S.C. § 1500..... 12

Regulatory Materials:

48 C.F.R. § 52.227-1 10

48 C.F.R. § 52.227-1(a) 11, 14, 23

Rules:

Fed. R. App. P. 29(a)..... 2

Fed. R. Civ. P. 41 15

INTRODUCTION AND SUMMARY

The United States respectfully submits this brief pursuant to Rule 29(a) of the Federal Rules of Appellate Procedure. In the view of the United States, the district court correctly dismissed plaintiff Astornet Technologies, Inc.'s (Astornet) complaints as barred by 28 U.S.C. § 1498(a). Because Astornet alleges the unauthorized use of its patented invention "by or for the United States," its exclusive remedy is a suit under Section 1498(a) against the United States in the Court of Federal Claims for its "reasonable and entire compensation." The district court correctly rejected Astornet's attempt to circumvent Section 1498(a)'s exclusive scheme by the simple artifice of suing the government's contractors for inducing or contributing to the government's alleged infringement.

Defendants BAE Systems, Inc. (BAE), NCR Government Systems, LLC (NCR), and MorphoTrust USA, LLC (MorphoTrust) developed electronic boarding-pass scanning systems for use by the Transportation Security Administration (TSA) in airport security. Astornet alleges that these systems infringe Astornet's patent when used by TSA. Underscoring its contention that it is the government

that actually uses its invention, Astornet brings only inducement and contributory infringement claims against BAE, NCR, and MorphoTrust.

The plain language of Section 1498(a) precludes litigation of these claims in federal district court. The statute makes clear that when a patentee alleges use of its patented invention “by . . . the United States”—as Astornet does here—then the patentee’s “remedy *shall be* by action against the United States in the United States Court of Federal Claims for the recovery of [its] reasonable and *entire* compensation for such use.” 28 U.S.C. § 1498(a) (emphases added). As the Supreme Court has explained, the “[t]he word ‘entire’ emphasizes the exclusive and comprehensive character of the remedy provided,” which “relieve[s] the contractor entirely from liability of every kind for the infringement of patents in manufacturing anything for the government.” *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343 (1928). Because Astornet’s claims of induced and contributory infringement necessarily rest on an allegation of use “by . . . the United States,” these appeals can be resolved by a straightforward application of Section 1498(a) to the allegations in Astornet’s complaints.

Even aside from Astornet’s allegations of use *by* the United States, moreover, the defendants’ use or manufacture of the accused boarding-pass scanning systems was also “*for* the United States” within the meaning of Section 1498(a). Congress provided that a contractor’s use or manufacture of a patented invention is covered by Section 1498(a) when it is done “for the Government and with the authorization or consent of the Government.” 28 U.S.C. § 1498(a). There is no dispute that defendants’ conduct was “for the Government”—defendants provided boarding-pass scanning systems pursuant to contracts with TSA for the agency’s own use in airport security. And the United States has authorized and consented to defendants’ use or manufacture of the patented invention as alleged here. Astornet’s arguments to the contrary ignore both the allegations in its own complaints and the terms of TSA’s contracts with defendants. But if there were any doubt on that score, the United States hereby reaffirms that the conduct that Astornet alleges infringed its patent was done with the authorization and consent of the United States.

Section 1498(a) was intended to protect government contractors from precisely the type of lawsuits that Astornet has filed—district

court suits seeking damages and injunctive relief against contractors acting pursuant to their agreements with the United States. Astornet's complaints squarely allege patent infringement "by or for the United States" within the meaning of Section 1498(a). Astornet's exclusive remedy is thus an action against the United States in the Court of Federal Claims. The district court correctly dismissed Astornet's complaints against TSA's contractors.

INTEREST OF THE UNITED STATES

At issue in these consolidated appeals is whether a patentee may bring a patent infringement action in federal district court against TSA's contractors for supplying the agency with allegedly infringing systems for the agency's own use, or whether instead the patentee must proceed against the United States in the Court of Federal Claims pursuant to 28 U.S.C. § 1498(a).

The United States has a strong interest in the proper interpretation of Section 1498(a). That provision is intended to aid government procurement efforts by protecting government contractors from district court actions for patent infringement, and the concomitant threat of injunctions, when the alleged patent infringement is "by or for

the United States.” The United States urges this Court to affirm the district court’s dismissal of the complaints.

QUESTION PRESENTED

Whether Section 1498(a) precludes a patentee from suing government contractors for patent infringement in district court where (1) the only alleged use of the patented invention is “by . . . the United States,” and (2) the United States has expressly authorized and consented to the alleged use or manufacture of the patented invention “for the United States.”¹

STATEMENT

A. Statutory Background

Section 1498(a) waives the government’s sovereign immunity and consents to liability for the unauthorized use or manufacture of a patented invention “by or for the United States.” 28 U.S.C. § 1498(a); *see Advanced Software Design Corp. v. Federal Reserve Bank of St. Louis*, 583 F.3d 1371, 1377-78 (Fed. Cir. 2009) (“[W]hen the requirements of § 1498(a) are met, it functions not only as a waiver of

¹ The United States does not address any other question presented in these cases, including the district court’s alternative grounds for dismissing the complaints against BAE and NCR.

sovereign immunity but also as consent to liability.”). The original version of this section was enacted in 1910 to provide patentees with a remedy for the unauthorized use of a patented invention “by the United States.” Act of June 25, 1910, ch. 423, 36 Stat. 851 (emphasis added); see *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 304 (1912) (explaining that the act was a response to cases holding that the United States could not be sued for unauthorized use of a patented invention absent an implied contract); see generally *Zoltek Corp. v. United States*, 672 F.3d 1309, 1315-17 (Fed. Cir. 2012) (describing history of Section 1498(a)).

In 1918, the Supreme Court held that the act did not shield a government contractor from a suit for patent infringement even where the contractor was manufacturing “torpedo boat destroyers” for the World War I naval effort. *William Cramp & Sons Ship & Engine Bldg. Co. v. International Curtis Marine Turbine Co.*, 246 U.S. 28, 35, 42-43 (1918). In response, Congress amended the act to extend the government’s assumption of liability to a contractor’s use or manufacture of a patented invention “for the United States.” Act of July 1, 1918, ch. 114, 40 Stat. 704, 705 (emphasis added); see *Zoltek*,

672 F.3d at 1315-16. As the Supreme Court has explained, the purpose of the 1918 amendment “was to relieve the contractor entirely from liability of every kind for the infringement of patents in manufacturing anything for the government, and to limit the [patentee] . . . to suit against the United States in the Court of Claims for the recovery of his reasonable and entire compensation for such use and manufacture.” *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343 (1928).

In its current form, the first paragraph of Section 1498(a) provides in relevant part:

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

28 U.S.C. § 1498(a). The second paragraph, which Congress added in 1942 to clarify the application of the act to government contractors, *see* Act of Oct. 31, 1942, ch. 634, § 6, 56 Stat. 1013, 1014, provides:

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any

person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

28 U.S.C. § 1498(a).

Section 1498(a) thus “remov[es] the threat of injunction,” while “provid[ing] for ‘reasonable and entire compensation’ for infringing use.” *Advanced Software Design Corp.*, 583 F.3d at 1375. This “stimulate[s] contractors” and allows them to fulfill their government contracts “without fear of becoming liable themselves for infringements.” *Richmond Screw Anchor Co.*, 275 U.S. at 345. As this Court has noted, “[t]he coverage of § 1498 should be broad so as not to limit the Government’s freedom in procurement by considerations of private patent infringement.” *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1060 (Fed. Cir. 1986).

B. Factual and Procedural Background

1. The TSA Contracts

This is a patent infringement litigation relating to TSA’s procurement of a computerized system for scanning and verifying passenger identifications and boarding passes. The patent-in-suit is U.S. Patent No. 7,639,844 (the ’844 patent), which was issued in

December 2009 to inventor Michael A. Haddad. A74.² Astornet alleges that it is the sole exclusive licensee of, and owner of all right, title and interest in the '844 patent. JA-II-13-1. The patent has only one independent claim, which recites “[a]n automated access control system for securing airport vehicular gates and airport sterile areas” comprising various elements. A86-A87 ('844 patent, col. 4:66-5:37).

Astornet alleges that in June 2009, TSA sought bids for a boarding-pass scanning system and required that bidders provide five systems in kiosks in a demonstration facility. *See* JA-II-13-5. Astornet further claims that BAE, NCR, and MorphoTrust competed with Astornet for the TSA contracts, which were ultimately awarded to BAE, NCR, and MorphoTrust. JA-II-13-5 to JA-II-13-6; JA-III-1-5 to JA-III-1-6; JA-IV-1-5 to JA-IV-1-6.³ The contracts were for orders of up to \$79

² We use the addendum and joint appendix numbering conventions adopted by the parties. References to “A__” are to the addendum to Astornet’s opening brief and references to “JA-__-__-__” are to the parties’ Joint Appendix.

³ Astornet states that “MorphoTrust participated in the contracting process as a now defunct entity named Trans Digital Technologies LLC,” but MorphoTrust later “represented that MorphoTrust held the resulting contract.” JA-IV-1-6. For simplicity, this brief does not distinguish between these entities and refers to both as MorphoTrust.

million, with an initial order of ten systems for approximately \$2 million total. JA-II-13-5 to JA-II-13-6; *see also* JA-II-13-5-1 to JA-II-13-5-10.

Astornet alleges that TSA re-solicited proposals in January 2014 for a “slightly revised” boarding-pass scanning system. JA-II-13-6. Astornet claims that Astornet, NCR, and MorphoTrust submitted proposals for the revised system shortly before Astornet filed its complaints in these cases. JA-III-1-6; JA-IV-1-6. BAE did not submit a proposal for a revised boarding-pass scanning system. JA-II-13-6.

The TSA contracts incorporated the authorization and consent clause set forth in Federal Acquisitions Regulation (FAR) 52.227-1. *See* 48 C.F.R. § 52.227-1; JA-II-13-5-3, -7, -10. That clause provides that the government “authorizes and consents to” the use and manufacture of any patented invention “(1) [e]mbodied in the structure or composition of any article the delivery of which is accepted by the Government under this contract” or “(2) [u]sed in machinery, tools, or methods whose use necessarily results from compliance by the Contractor . . . with (i) specifications or written provisions forming a part of this contract or

(ii) specific written instructions given by the Contracting Officer directing the manner of performance.” 48 C.F.R. § 52.227-1(a).

2. Prior Litigation

In March 2012, inventor Michael A. Haddad filed a patent infringement suit against NCR, MorphoTrust, BAE Systems Information Solutions, BAE Systems Technology Solutions & Services Inc., TSA, and the United States Army in the United States District Court for the District of Maryland. JA-VI-1-1. Haddad alleged that the same boarding-pass scanning systems provided to TSA under the same contracts at issue here infringed the '844 patent. *See* JA-VI-1-4 to JA-VI-1-14.

Later on the same day, Haddad filed a complaint against the United States in the Court of Federal Claims likewise alleging that the same boarding-pass scanning systems provided to TSA under the same contracts at issue in these cases infringed the '844 patent. JA-V-1-1 to JA-V-1-5.⁴ On June 5, 2012, the Court of Federal Claims granted the

⁴ In both the district court case and the Court of Federal Claims case, Haddad also alleged patent infringement arising from the Army's contract with BAE for a system to automate controlled access to Army

Continued on next page.

government's motion to dismiss that complaint pursuant to 28 U.S.C. § 1500 because Haddad's earlier-filed district court complaint was based on the same operative facts. JA-V-17-1 to JA-V-17-2.

As relevant here, in its motion to dismiss Haddad's Court of Federal Claims complaint, the United States explained that Haddad's "sole remedy for any alleged infringement by BAE, [MorphoTrust] and NCR in supplying allegedly infringing systems to the government in performance of these contracts is by suit in the Court of Federal Claims under 28 U.S.C. § 1498." JA-V-13-7; *see also* JA-V-13-4 n.3 (noting that the government planned to move to dismiss Haddad's district court action under Section 1498(a)).

3. The Present Complaints

In January 2014, Astornet filed a new complaint against BAE, NCR, and MorphoTrust in the district court alleging that the defendants' boarding-pass scanning systems infringed claim 1 of the '844 patent. *See* JA-II-1-9; JA-II-1-13 to JA-II-1-15. Astornet then amended the complaint against BAE to allege only *indirect*

facilities. *See* JA-VI-1-15 to JA-VI-1-17; JA-V-1-7 to JA-V-1-8. That system is not at issue in these appeals.

infringement and filed new, separate complaints alleging only *indirect* infringement against NCR and MorphoTrust. JA-II-13-6 to JA-II-13-11; JA-III-1-6 to JA-III-1-11; JA-IV-1-6 to JA-IV-1-11. Specifically, Astornet alleged that the defendants actively induced TSA to infringe the '844 patent. And Astornet made clear that the only alleged *direct* infringement at issue was infringement *by TSA*, not by defendants:

BAE's manufacture, sale, and delivery of full and prototype [boarding-pass scanning] systems to the TSA alone, however, did not result in infringement of Astornet's '844 patent. The sole independent claim of the '844 patent, requires, *inter alia*, "one or more of the following processing" steps to be performed, which processing steps are not performed when BAE's [boarding-pass scanning] system is simply being manufactured, sold, or delivered to the TSA. Instead, *these steps are performed when the . . . system is being used for its intended purpose to maintain security in sterile areas by, inter alia, checking boarding passes against passenger photo identifications and detecting fraudulent identifications.* Accordingly, BAE infringed the '844 patent at least by inducing the TSA to use the BAE [boarding-pass scanning] system for these purposes by providing the TSA both with . . . prototypes and 10 full . . . systems, and instructing the TSA regarding the use of these systems in a manner which infringes the '844 patent as explained in detail below.

JA-II-13-6 to JA-II-13-7 (emphasis added); *see also* JA-III-1-6; JA-IV-1-

6.

BAE and NCR moved to dismiss the complaints on various grounds, including that they were immune from suit under Section

1498(a). NCR argued that TSA expressly authorized and consented to any infringement through the contractual authorization and consent clause and by accepting the accused systems for delivery. JA-III-15-1-15 to JA-III-15-1-16. BAE further argued that Astornet could not state a claim for induced or contributory infringement where the only alleged direct infringement was by the government. JA-II-22-1-9.

In response, Astornet conceded that it had only pled induced infringement (JA-II-26-26), but it argued that BAE and NCR had admitted direct infringement in their motions to dismiss by stating that they participated in a demonstration of the accused systems (*id.*). Astornet further argued that Section 1498(a) did not apply because defendants had failed to satisfy the conditions for authorization and consent under the TSA contracts. *See* FAR 52.227-1(a). Astornet argued that TSA's acceptance of delivery did not constitute authorization and consent because the claimed invention was not embodied in any device delivered to TSA, since the "system alone does not infringe the patent." JA-II-26-19. And Astornet contended that the government had not otherwise authorized and consented to the alleged

patent infringement because it was merely profitable—not “necessary”—to performance of the contract. JA-II-26-20 to JA-II-26-22.

4. The District Court’s Decision

Ruling from the bench, the district court granted BAE’s and NCR’s motions to dismiss and *sua sponte* ordered dismissal of Astornet’s complaint against MorphoTrust. A1-A2, A72. The district court concluded that the complaint against BAE should be dismissed because Astornet had sued the wrong corporate entity and that the complaint against NCR should be dismissed because Astornet had already twice dismissed its action against NCR, barring the complaint under Fed. R. Civ. P. 41. A60-A63. But the court also reached the merits of the Section 1498(a) defense. The district court had “little difficulty” concluding that Section 1498(a) barred Astornet’s suit against defendants and that “the sole remedy if any of the plaintiff is to pursue these cases in the Court of Federal Claims.” A71.

The district court declined to attach any significance to whether the infringement was direct or indirect, and instead simply analyzed the authorization and consent question under Section 1498(a). A64. The court noted that Section 1498(a) provides broad protection for

government contractors. A64-A66. The court found it was “fairly obvious” that TSA had given the contractors its authorization and consent, since the contractors “submitted bids at the TSA’s request.” A66. The court rejected Astornet’s argument that Section 1498(a) did not apply because the relevant contract provision limits the government’s “authorization and consent” to infringement that “necessarily result[s]” from the specifications or written instructions in the contract. A68. The district court further observed that “whether there’s a specific need for consent or not, . . . when Astornet or Haddad was in the Court of Federal Claims, in comes the government and gives notice that it takes the position that these are matters covered by 1498.” A70. The court concluded that allowing the district court action to proceed would “thwart entirely the purpose and intent of Section 1498.” *Id.*

ARGUMENT

ASTORNET’S EXCLUSIVE REMEDY FOR THE ALLEGED PATENT INFRINGEMENT IS A SUIT AGAINST THE UNITED STATES IN THE COURT OF FEDERAL CLAIMS UNDER SECTION 1498(a)

A. Astornet Alleges Unauthorized Use Of Its Patented Invention “By . . . The United States”

The plain language of Section 1498(a) precludes litigation of Astornet’s allegations in federal district court. Astornet alleges that TSA uses its patented invention. JA-II-13-6 to JA-II-13-7; JA-III-1-6; JA-IV-1-6 to JA-IV-1-7. Section 1498(a) provides that when a patented invention “is used or manufactured *by or for the United States* without license . . . or lawful right . . . , the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.” 28 U.S.C. § 1498(a) (emphases added). Thus, Astornet’s exclusive remedy is a suit against the United States in the Court of Federal Claims.

Indeed, the purpose of the 1910 act—which first authorized suits against the government for unauthorized use of a patented invention “by the United States,” Act of June 25, 1910, ch. 423, 36 Stat. 851—was to waive sovereign immunity and provide a remedy to patentees whose

inventions were used by the government. *See Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 664 (1999) (recognizing that, since 1910, the United States has waived its sovereign immunity and “provided that owners of patents infringed by the United States may recover reasonable compensation” (internal quotation marks omitted)); *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 344 (1928) (“Under the act of 1910, the remedy of the owner of a patent, where the United States had used the invention without his license or lawful right to use it, was to sue for reasonable compensation in the Court of Claims . . .”). And the remedy provided by the statute—an action against the United States for reasonable compensation in the Court of Federal Claims—is “exclusive and comprehensive,” as “[t]he word ‘entire’ emphasizes.” *Richmond Screw Anchor Co.*, 275 U.S. at 343; *see also Zoltek Corp. v. United States*, 672 F.3d 1309, 1316 (Fed. Cir. 2012) (explaining that the 1918 amendment, which assumed liability for most contractor infringement, “when applicable . . . made the specified remedy exclusive”).

Section 1498(a) applies here because the necessary premise of Astornet’s allegations of indirect infringement against defendants is

that TSA uses the accused system. That is unquestionably use “by . . . the United States.” Indeed, Astornet specifically disclaims any direct patent infringement by defendants and alleges that *the only* unauthorized use of its patented invention occurs when TSA uses defendants’ boarding-pass scanning systems. JA-II-13-6 (alleging that defendants’ “manufacture, sale, and delivery of full and prototype [boarding-pass scanning] systems to the TSA alone, however, did not result in infringement of Astornet’s ’844 patent”); *see also* JA-III-1-6 (same); JA-IV-1-6 (same). Astornet thus brings only inducement and contributory infringement claims against defendants. *See* JA-II-13-7 to JA-II-13-11; JA-III-1-6; JA-IV-1-6 to JA-IV-1-7.⁵

⁵ In its opposition to defendants’ motions to dismiss, Astornet argued—contrary to the allegations in its complaints—that defendants “are both direct infringers and indirect infringers.” JA-II-26-8. Astornet should not be allowed to walk away from the allegations in its own complaints and avoid the exclusive remedy provided by Section 1498(a) by conjuring a new theory of liability in opposition to a motion to dismiss. Regardless, Astornet does not disavow its allegations that TSA uses the patented invention. Because Astornet has alleged use “by . . . the United States,” Section 1498(a) unequivocally provides that Astornet’s exclusive remedy shall be an action against the United States. Whether there was also use by the contractors “for the United States” does not change that analysis. Finally, even if there were only use or manufacture by TSA’s contractors, Section 1498(a) would still apply for the reasons discussed *infra* in Part B of the Argument.

The district court correctly rejected Astornet’s attempt to circumvent Section 1498(a)’s exclusive scheme by suing TSA’s contractors for inducing or contributing to TSA’s alleged infringement. Allowing Astornet to pursue separate remedies—including injunctions—against TSA’s contractors in federal district court through that simple artifice would both defy the plain language and frustrate the purpose of Section 1498(a). Astornet’s sole and entire remedy is an action for compensation in the Court of Federal Claims.

B. Defendants’ Alleged Patent Infringement Was “For The Government And With The Authorization Or Consent Of The Government”

Astornet has alleged “use” of the invention “by . . . the United States,” and the dismissal of its complaints may be upheld on that basis alone. *See* 28 U.S.C. § 1498(a). It is therefore unnecessary for the Court to determine whether any use or manufacture of the invention by defendants also constituted use “for the United States” under Section 1498(a).⁶ In the event the Court reaches that question, however, the

⁶ Similarly, this Court need not resolve appellees’ argument that because the United States does not “infringe” when it uses a patented invention without authorization, no party can be liable for inducing or contributing to that use. *Resp. Br.* 55-60. As already explained, the plain language of Section 1498(a) encompasses use of a patented

Continued on next page.

United States wishes to make clear that the acts alleged to constitute infringement in this case were done for and with the authorization and consent of the government.

When a patent owner alleges infringement by a government contractor (rather than by the United States itself), Section 1498(a) applies if the contractor’s allegedly infringing conduct was done “for the Government and with the authorization or consent of the Government.” 28 U.S.C. § 1498(a). In cases where—as here—the allegedly infringing conduct has been performed by a contractor pursuant to a government contract and for the benefit of the government, “the inquiry has reduced to the ‘very simple question’ of whether the plaintiffs ‘establish that the government authorized or consented to the . . . infringement . . . , if such infringement in fact occurred.’” *Sevenson Envtl. Servs., Inc. v. Shaw Envtl., Inc.*, 477 F.3d 1361, 1366 (Fed. Cir. 2007) (omissions in original)

invention by the United States. Where a patent owner alleges such use, either directly or indirectly, Section 1498(a) applies by its express terms. There is, consequently, no need for the Court to decide whether the unauthorized use of a patented invention by the United States constitutes “direct infringement” in the sense that would be necessary to support liability for induced or contributory infringement in the absence of Section 1498(a).

(quoting *Auerbach v. Sverdrup Corp.*, 829 F.2d 175, 180-81 (D.C. Cir. 1987)).

The answer to that “very simple question” is clear in these cases: the United States has authorized and consented to the conduct that Astornet alleges constitutes patent infringement. As part of its infringement claims, for example, Astornet alleges that TSA sought “bids from government contractors for improved security systems” and “required” selected bidders “to provide 5 systems in kiosks at a demonstration facility.” JA-II-13-5; *see also* JA-III-1-5 (same); JA-IV-1-5 (same). This Court has expressly recognized that “a private party which infringes another’s patent during Government bidding activities” may be immune from suit under Section 1498(a) for participating in a “test demonstration.” *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1059 (Fed. Cir. 1986). Specifically, in *TVI Energy*, this Court found that implied authorization had been “expressed by the specific requirement that [the defendant] demonstrate, under the guidelines of the bidding procedure, the allegedly infringing [device].” *Id.* at 1060. Astornet makes the same allegation here, and the same result should obtain.

Defendants' contracts with TSA also contain authorization and consent clauses that further support a finding of authorization and consent here. JA-II-13-5-3, -7, -10 (incorporating by reference FAR 52.227-1). Under the relevant contract clause, the government authorizes and consents to the use or manufacture of a patented invention that is (1) "[e]mbodied in the structure or composition of any article" that the government accepts for delivery or (2) "[u]sed in machinery, tools, or methods whose use necessarily results from compliance" with the contract's specifications or written instructions. 48 C.F.R. § 52.227-1(a)(1)-(2).

Because Astornet's patent claims are drawn to a system, TSA authorized and consented to any use of the patented invention under FAR 52.227-1(a)(1) by accepting delivery of defendants' boarding-pass scanning systems. To the extent the Astornet's system claims include method steps, as Astornet now alleges (and setting aside any resulting question of invalidity, *see IPXL Holdings, LLC v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005)), FAR 52.227-1(a)(2) also supports the district court's finding of authorization and consent. As discussed above, the complaints allege that TSA *itself* uses the patented

invention. But even if defendants used the patented invention, that use was made in compliance with TSA's specific bidding requirements and through defendants' participation in the required demonstration of the boarding-pass scanning system. Whether TSA authorized and consented to the alleged infringement by accepting systems that infringe or, as the complaints allege, by using the patented system itself or directing its contractors to do so, the agency's contractors should not be vulnerable to private infringement remedies in district court.

In an abundance of caution, however, the United States has filed this brief to make clear that defendants' allegedly infringing conduct was done "for the United States." When the inventor, Haddad, filed his earlier suit against the government in the Court of Federal Claims over the same conduct at issue in these cases, the United States represented to the court that the government had authorized and consented to the allegedly infringing conduct. *See* JA-V-13-3; JA-V-13-4 n.3; JA-V-13-7. The United States hereby reaffirms that the conduct that Astornet alleges infringed its patent was done with the authorization and consent of the United States.

This Court has accepted similar statements by the United States as confirmation of authorization and consent under Section 1498(a). *See IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359, 1363 (Fed. Cir. 2014); *Advanced Software Design Corp. v. Federal Reserve Bank of St. Louis*, 583 F.3d 1371, 1377-78 (Fed. Cir. 2009). Likewise here, the government’s affirmation of authorization and consent should remove any doubt that Section 1498(a) precludes litigation of Astornet’s claims in district court. *See IRIS Corp.*, 769 F.3d at 1363 (explaining that the government’s concurrence that Section 1498(a) applies “reinforces our conclusion that the United States has waived sovereign immunity in this case and, therefore, that IRIS’s exclusive remedy is suit for recovery against the United States under § 1498(a)”); *Advanced Software Design Corp.*, 583 F.3d at 1377 (noting that government’s “representations as *amicus curiae* are fully in accord” with a finding of authorization and consent).

CONCLUSION

For the foregoing reasons, this Court should affirm the district court's dismissal of the complaints pursuant to Section 1498(a).

Respectfully submitted,

BENJAMIN C. MIZER
*Acting Assistant Attorney
General*

MARK R. FREEMAN
s/ Megan Barbero

MEGAN BARBERO
*Attorneys, Appellate Staff
Civil Division, Room 7226
U.S. Department of Justice
950 Pennsylvania Ave., N.W.
Washington, D.C. 20530
(202) 532-4631*

MARCH 2015

CERTIFICATE OF COMPLIANCE

I hereby certify that the foregoing amicus brief complies with the requirements of Fed. R. App. P. 32(a)(5) because it has been prepared in 14-point Century Schoolbook, a proportionally spaced font.

I further certify that this brief complies with the type-volume limitations of Fed. R. App. P. 32(a)(7)(B) and 29(d) because it contains 4,811, excluding the parts of the brief exempted under Rule 32(a)(7)(B)(iii), according to the count of Microsoft Word.

s/ Megan Barbero
MEGAN BARBERO

CERTIFICATE OF SERVICE

I hereby certify that on March 9, 2015, I electronically filed the foregoing amicus brief with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system.

The participants in the case are registered CM/ECF users and service will be accomplished by the appellate CM/ECF system.

s/ Megan Barbero
MEGAN BARBERO