

## NEWSSTAND

### Court of Federal Claims Allows Patent Infringement Suit Directly Against Government Contract

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A recent ruling by the Court of Federal Claims has qualified a long enjoyed shelter by government contractors, which protected them against infringement suits for activities arising under government contracts. With this ruling, patentees may now sue government contractors directly, when relevant activities occur outside the United States.

The underlying facts and circumstances of the case date back to 1991, when the United States contracted with Lockheed Martin Corporation to design and build the F-22 advanced tactical fighter aircraft. Lockheed subcontracted for two types of silicide fiber products used in the body of the aircraft. The first product was a pre-impregnated material made from fibers partially carbonized and manufactured into sheets in Japan, which were then imported to the United States. The second product was a silicide fiber made from fibers manufactured exclusively in Japan, but processed into mats in the United States. (See *Zoltek Corporation v. United States*, 422 F.3d 1345, 1349 (CAFC 2006)).

Zoltek sued the U.S. government under 28 U.S.C. §1498(a), alleging Lockheed's use of both of the fiber products in the F-22 jet fighter infringed on Zoltek's U.S. Patent No. Re 34,162. The action originated in the U.S. Court of Federal Claims, where it was held that Zoltek could not bring an action against the United States under 28 U.S.C. §1498(a) because §1498(c) bars actions arising in foreign countries. The Court also held, however, that Zoltek could instead assert its claims in an action arising from a Fifth Amendment taking. *Zoltek Corp. v. United States*, 58 Fed. Cl. 688 (2003).

The United States appealed the decision to the U.S. Court of Appeals for the Federal Circuit and Zoltek cross-appealed against the ruling under 28 U.S.C. §1498. The Federal Circuit affirmed the ruling against Zoltek under 28 U.S.C. §1498 and reversed the determination that the Federal Claims Court could assert jurisdiction by treating the action as a Fifth Amendment taking. Later, the Federal Circuit refused to reconsider en banc and the U.S. Supreme Court refused to grant certiorari. On remand, the Court of Federal Claims decided to transfer the case to a district court once Zoltek amended its complaint to name Lockheed instead of the United States. *Zoltek Corporation v. United States*, 2009 U.S. Claims LEXIS 10.

The result is that the patentee, Zoltek, is now able to bring its patent infringement action directly against the government contractor, Lockheed, for activities arising under the government contract. This decision was based on 28 U.S.C. §1498, which governs patent infringement claims involving government contractors. 28 U.S.C. §1498(a) states, in relevant part, "[w]henever an invention described in and covered by a patent of the United States is used ... 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(c) further states, "[t]he provisions of this section shall not apply to any claim arising in a foreign country."

28 U.S.C. §1498(a) does two things. First, it waives the sovereign immunity defense of the United States in the case of patent infringement suits. Second, it shelters government contractors by requiring infringement actions arising from contractors' activities "for" the United States to be brought against the government itself. It was well established before Zoltek that §1498(c) barred actions against the United States (under §1498(a)) for claims arising in a foreign country. What is new with the latest Zoltek ruling is the notion that §1498(c) also removes the shelter for government contractors, allowing patentees to sue contractors directly, where relevant activities occur outside the United States.

The reasoning of the Court of Federal Claims appears to be that if the relevant activity occurred outside the United States, 28 U.S.C. §1498(c) renders §1498(a) inoperative, both with respect to the sovereign immunity waiver and with respect to immunity for government contractors. Therefore, although Zoltek may not sue the United States government in this instance, Zoltek can directly sue the government contractor, Lockheed. The ruling seems to be mindful that if §1498(c) were a bar to Zoltek's claim against the United States under §1498(a), and if Zoltek were not allowed to sue the contractor directly, Zoltek would be precluded from getting its day in court.

This outcome benefits patentees because under this rule the government and its contractors cannot avoid infringement claims under §1498(a) by simply using overseas subcontractors. Government contractors, however, may consider the outcome unfair, since contractors supplying products to the government may now be denied expected shelter from patent infringement liability simply because part of their contract was performed in a foreign country.