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December 10, 2009

BY ECF

Hon. Eric N. Vitaliano, U.S.D.J.
United States District Court
Eastern District of New York
225 Cadman Plaza East
Brooklyn, NY 11201

Re: **Tropp v. Conair Corp. et al.**
Civil Action No. 1:08-cv-04446

Dear Judge Vitaliano:

We are counsel for plaintiff. We write in response to the request by defendants for a promotion conference based on a proposed summary judgment motion based on 28 U.S.C. § 1498. Plaintiff opposes this request, which appears to be another attempt to impose delay and cost on plaintiff. As demonstrated below, the purported basis of the proposed motion is utterly meritless.

Defendants rely on a single, unreported case in another District in urging their interpretation of Section 1498 and, unfortunately, mischaracterize both how fact-specific that holding was and the actual legal rule of the case. Defendants cite *Advanced Software Design Corp. v. Federal Reserve Bank of St. Louis*, 2007 WL 3352365 (E.D. Mo. 2007) for the proposition that “if a patented invention is used or manufactured by or for the United States without license of the owner thereof, the owner’s remedy is solely by an action against the United States.” This formulation is more than vague; it is completely misleading.

The discussion in *Advanced Software* centered mainly on what constitutes use by or manufacture “for the government.” The court found that a use “by the government” did not, as the patentee urged, require that there be a direct contract between the government and the alleged infringer, as long as “there was a clear government directive with some specific benefit accruing to the government.” *Id.* at *5. The court found a clear directive and specific benefit there, where “the Federal Reserve Bank contracted with Fiserv for a technology that was used **to verify U.S. Treasury checks**. . . . Where, as in this case, a Federal Reserve Bank enters into a contract for a mechanism designed to catch **fraudulent government checks**, the logical conclusion is that it does so ‘for the government.’” *Id.* at *6 (emphasis added). In other words, the defendant in



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Advanced Software was not merely furthering a government policy, e.g., the enhancement of security in commercial air travel, as is the case here. Rather it was, albeit through indirect instrumentalities, directly benefitting the government by protecting it from fraud involving its own commercial paper:

The benefit to the government was not remote or ancillary, as in cases where § 1498 has been held inapplicable. When the Federal Reserve Bank adopted a program for verifying government checks, it did so with the government in mind. . . . The benefit of the contract (i.e., the verified authenticity of U.S. government checks) was direct and was “for” the United States. Moreover, by undertaking this verification project, the bank was actually performing a function that had previously been done by the government. . . .

[T]he checks at issue are government checks, drawn on government accounts at Federal Reserve Banks. Whether the U.S. Treasury would incur an actual monetary loss in every case of fraud is irrelevant. The government's concern as to the authenticity of its own checks is a sufficient interest to cause the Federal Reserve Bank (together with Fiserv) to act “for” government.

Id. That level of direct government involvement is simply not present here, where the government is acting to protect private air travel security.

Furthermore, Section 1498 requires that the allegedly infringing action, if done by a private party, be done “with the authorization or consent of the Government” before resort to the Court of Claims is required. As the same court noted, “the authorization or consent prong of § 1498 requires ‘explicit acts or extrinsic evidence sufficient to prove the government's intention to accept liability for a specific act of infringement,’” *citing, Larson v. United States*, 26 Cl. Ct. 365, 369-70 (Cl.Ct. 1992). *Id.* at *7. Strangely enough, however, the *Advanced Software* court went on to find such an “intention to accept liability for a specific act of infringement” in the case before it in part merely because the government encouraged the development of the program at issue, without reference to the government’s acceptance of liability for infringement of a patent. In doing so the Eastern District of Missouri seemed to ignore the following contrary language and result from *Larson v. United States*, the case it cited for the very proposition:

Even assuming that Medicare providers' activities were “for” the government, liability would not attach unless the infringing activity occurred with the government's authorization or consent. **Statutory waivers of governmental immunity, such as are embodied in § 1498(a), must be narrowly construed.** Therefore, authorization or consent requires explicit acts or extrinsic evidence sufficient to prove the government's **intention to accept liability for a specific act of infringement.**

Having conceded that there was no express authorization or consent by the government to infringe on the patents, plaintiffs based their argument on an



implied authorization by necessity theory. An implied authorization to infringe may be found under the following conditions: (1) the government expressly contracted for work to meet certain specifications; (2) the specifications cannot be met without infringing on a patent; and (3) the government had some knowledge **of the infringement.**

26 Cl. Ct. at 370 (emphasis added). For these reasons, the *Larson* court found that Section 1498 did not apply, noting that—as here—the choice of the particular infringing technology utilized by the contractor was not essential to the arrangement between it and the government. *Compare, Severson Environmental Services, Inc. v. Shaw Environmental, Inc.*, 477 F.3d 1361, 1367 (Fed. Cir. 2007) (language in contract with government “explicitly encompasses ‘specifications’ that are a part of the contract”).

Here defendants do not even get as far as the ones in *Larson*, who at least made an attempt at arguing the existence of government consent. In their letter defendants barely attempt to assert either that the record at this point could possibly prove, to the level required under Fed. R. Civ. P. 56, either explicit government assent to infringement or even “some knowledge of the infringement” at all times relevant to Mr. Tropp’s infringement claim. Defendants’ letter ignores this point altogether, relying, to give them every benefit of the doubt, on the arguably desultory disposition of the consent issue in *Advanced Software*. Even then that court could be forgiven for its arguably undeveloped finding of consent, because in that case there was an alternative, and compelling, basis to find consent:

Finally, even if the Treasury FMS's actions before this suit was filed did not constitute § 1498 consent, the government has now consented post hoc by seeking to intervene on defendants' behalf. . . . The seeking of intervention itself . . . unambiguously demonstrates that the government authorizes and consents post hoc to any infringement that may have occurred on the government's behalf.”

2007 WL 3352365 at *7. No such facts are present here; defendants do not have even a colorable basis to claim that Section 1498’s requirement that the subject infringement itself be undertaken with the “authorization or consent of the Government.”

Defendants apparently allude to an imputation of “knowledge” to the Government when they say, “the TSA has continued to engage in a process of inspected checked luggage that are locked with Travel Sentry marked locks . . . even after it was on notice of Tropp’s infringement claims.” Putting aside the issue of the admissibility of this assertion in this litigation—defendants base it on “the undisputed record in the Travel Sentry litigation”—these actions would, even if found to meet the legal standard required to find implied consent, still have no bearing on infringement that took place before the government came to be “on notice,” itself a fact question utterly inappropriate for summary disposition.

Alternatively, defendants suggest that because TSA has itself engaged in certain actions, and, as they say, performs “at least one step of each claim” of the patents in suit, the



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infringement is not only “for” the government, as they claim (unsuccessfully), but “by” the government. They cite no authority for the proposition, however, that performance of “at least one step of each claim” in patents such as the patents in suit either constitutes infringement or is sufficient to cloak the entire infringement in the private-party protective mantle of Section 1498.

In fact neither of these assertions, cited with reference to precedent, appears correct. “As this court has stated many times, for infringement of a process invention, all of the steps of the process must be performed, either as claimed or by an equivalent step.” *Monsanto Co. v. Syngenta Seeds, Inc.*, 503 F.3d 1352, 1360 (Fed. Cir. 2007) (internal quotations omitted). Furthermore, *Zoltek Corp. v. U.S.*, 442 F.3d 1345 (Fed. Cir. 2006) seems to rule out the application of Section 1498 to such a situation. That court ruled as follows on the related question of whether Section 1498 applies to cases where fewer than all the steps of a patented process have been performed within the United States:

This court has held that “direct infringement under section 271(a) is a necessary predicate for government liability under section 1498.” *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005) (citing *Motorola, Inc. v. United States*, 729 F.2d 765, 768 n. 3 (Fed. Cir. 1984)). We have further held that “a process cannot be used ‘within’ the United States as required by section 271(a) unless each of the steps is performed within this country.” *Id.* at 1318. Consequently, where, as here, not all steps of a patented process have been performed in the United States, government liability does not exist pursuant to section 1498(a). We affirm the trial court's conclusion that § 1498(a) bars Zoltek's claims.

Id. at 1350. In light of the well-recognized rule that, as quoted in the excerpt from *Larson* above, “statutory waivers of governmental immunity, such as are embodied in § 1498(a), must be narrowly construed,” 26 Cl. Ct. at 370, defendants’ elaborate attempt to raise this statute as a ground for dismissal here must be rejected presumptively at this stage. Indeed, the fact that this ground for dismissal not asserted by a motion to dismiss in the Travel Sentry case, despite the identical applicability of the factual premise of the argument and the identity of the law firm that would be making it and the law firm making it here, is at least as telling as the lack of legal authority cited to justify the requested motion.

Finally, besides its substantive deficiency, one more issue bars the door to the procedural approach suggested by defendants’ proposed motion. Again it is something plainly stated in the one case they cite in support of their application to make a motion, but neglected by defendants in that application:

Courts have disagreed as to whether § 1498 is a jurisdictional statute or an affirmative defense. Compare *O'Rourke v. Smithsonian Institution Press*, 399 F.3d 113, 123 (2d Cir. 2005) (jurisdictional) with *Toxgon Corp. v. BNFL, Inc.*, 312 F.3d 1379, 1381 (Fed. Cir. 2002) (affirmative defense). If § 1498 is jurisdictional, defendants should properly style their motion as one to dismiss for



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lack of subject matter jurisdiction under Rule 12(b)(1). If however § 1498 is an affirmative defense, defendants should seek dismissal under Rule 12(b)(6) or summary judgment.

Advanced Software 2007 WL 3352365 at *3. Relying as they are on that Federal Circuit opinion, it would not be surprising that they are following the settled rule in that Circuit that Section 1498 is an affirmative defense, except for the fact that the contrary approach cited by example in that very case is the one that controls in this Circuit. Indeed, *O'Rourke v. Smithsonian Institution Press* remains the law in this Circuit and the proper approach here would, in fact, be a motion to dismiss for lack of subject matter jurisdiction under Rule 12(b)(1).

For these reasons defendants should not be permitted to oppress plaintiff once again, and to yet more burden this Court, with a meritless, time-and-money-chewing motion.

Respectfully submitted,

Ronald D. Coleman

cc: All Counsel of Record