



March 20, 2012

FEDERAL CIRCUIT CLARIFIES LAW ON U.S. GOVERNMENT CONTRACTOR IMMUNITY FOR PATENT INFRINGEMENT

Intellectual Property Client Alert

This Alert provides only general information and should not be relied upon as legal advice. This Alert may be considered attorney advertising under court and bar rules in certain jurisdictions.

For more information, contact your Patton Boggs LLP attorney or the authors listed below.

Matthew Laskoski
mlaskoski@pattonboggs.com

Richard Oparil
roparil@pattonboggs.com

Kevin Bell
kbell@pattonboggs.com

WWW.PATTONBOGGS.COM

The Federal Circuit, in *Zoltek Corp. v. United States*, No. 2009-5135 (Fed. Cir. Mar. 14, 2012), recently clarified the scope of immunity for government contractors from infringement suits arising from work they perform for the U.S. government. The Federal Circuit held that a government contractor is not individually liable when the government is subject to suit under the 28 U.S.C. § 1498(a). Furthermore, the U.S. government waives sovereign immunity under § 1498(a) for all direct infringement of a U.S. patent, including importation of a product made outside the U.S. using a process patented in the U.S.

Typically, a patent holder alleging infringement by a government contractor files suit against the U.S. government in the U.S. Court of Federal Claims. Under § 1498, the patent holder must sue the U.S. government if their patented invention is "used or manufactured" for the U.S. without a license or "lawful right." Section 1498(c) states "the provisions of this section shall not apply to any claim arising in a foreign country."

Zoltek filed suit alleging that a product made by its patented process was manufactured for the U.S. government by Lockheed Martin. Zoltek further alleged that at least a portion of the patented process was performed in Japan, prior to importing the product into the U.S.

In an *en banc* decision, the Federal Circuit held that when the U.S. is sued over a government contractor's alleged infringement of a patent, the contractor is by law immune from individual liability for the alleged infringement. Furthermore, the Court held that "under § 1498(a) the Government has waived its sovereign immunity for direct infringement" for any direct infringement by a government contractor acting with the authorization and consent of the U.S. government. In explaining the ruling, the Federal Circuit wrote that "[w]hen the product of a patented process is used in, or imported into, the United States by or for the United States, there is direct infringement for the purposes of a 1498 action," even if a portion of a process occurs outside the U.S.

Therefore, companies that operate as government contractors can now be more confident that they are immune from suit for patent infringement as long as they are operating with the authorization and consent of the U.S. government. Similarly, patent holders looking to file suit for a product or process used by a government contractor should file suit only against the U.S. government for claims arising under § 1498(a).

The *Zoltek* opinion may be found [here](#).

This Alert provides only general information and should not be relied upon as legal advice. This Alert may also be considered attorney advertising under court and bar rules in certain jurisdictions.