Keywords: **U.S. Constitution; Patent Clause; Direct Tax Clause; Takings Clause**

General: **Plaintiff challenging imposition of patent fees adequately stated claim that Congress exceeded its authority, under patent clause of Constitution, "[t]o promote the Progress of…useful Arts," since quoted language is substantive limitation on Congress' power, and Congress' actions can be reviewed for compatibility with mandate to achieve constitutional objectives of patent clause.**

Figueroa v. United States
68 U.S.P.Q.2d 1555 (U.S. Ct. Cl. 2003)
Decided August 15, 2003

I. Facts

Pursuant to the Omnibus Budget Reconciliation Act of 1990 (OBRA 1990), Congress legislated increased surcharges to the fees charged by the PTO to patent applicants and holders. The surcharges remained in affect until the conclusion of fiscal year 1998. In the United States Patent and Trademark Office Reauthorization Act of 1999, Congress discontinued the surcharges, but enacted increased patent fees approximately equivalent to the previous patent fees plus the surcharge. As a result of the patent fee increases, the PTO generated an annual surplus of funds. The Plaintiff filed this action against the United States challenging the increases and alleging that the fees had been diverted and rescinded in violation of the Patent Clause of the United States Constitution, U.S. CONST. art. I, § 8, cl. 8, the Direct Tax Clause, U.S. CONST. art. I, § 9, cl. 4, and under the Takings Clause of the Fifth Amendment. The defendant filed a motion to dismiss under Rule 12(b)(1) for lack of subject matter jurisdiction and a motion to dismiss under Rule 12 (b)(6) for failure to state a claim upon which relief can be granted.

II. Issues

1. Whether the Court of Federal Claims has subject matter jurisdiction of this action.

2. Whether the plaintiff has stated a claim upon which relief can be granted:

   A. Under the Patent Clause of the United States Constitution;

   B. Under the Direct Tax Clause of the United States Constitution; or

   C. Under the Takings Clause of the Fifth Amendment of the United States Constitution.

III. Discussion

1. Yes. The Court of Federal Claims has subject matter jurisdiction of the action. The Tucker Act provides that the "Court of Federal Claims shall have jurisdiction to render judgment upon any claim against the United States founded upon the Constitution or any Act of Congress…" 28 U.S.C. § 1491(a)(1). The Court noted that when a plaintiff seeks the return of money paid over to the government, "[a] claim [need only] assert that the value sued for was improperly paid, exacted, or taken from the claimant in contravention of the Constitution, a statue, or a regulation." *See Eastport*, 178 Ct. Cl. 599, 607 (1967). The plaintiff argued that subject matter jurisdiction was proper based on the claims under the Patent Clause, the Direct Tax Clause,

and the Takings Clause. The court agreed. The court relied on the argument that subject matter jurisdiction was proper because the claims alleged an "illegal exaction" by the U.S. The defendant did not dispute the court's jurisdiction over illegal exactions, but asserted that the Patent Clause "does not in any way confer a substantive right on any individual," *Tape Indus. Ass'n of Am. v. Younger*, 316 F. Supp. 340, 346 (C.D. Cal.1970), and does not mandate the payment of money. The court disagreed with the defendant. The court stated that in the context of an illegal exaction, the court has jurisdiction regardless of whether the provision relied upon can be reasonably construed to contain money-mandating language. The court relied on the same "illegal exaction" argument in deciding that the Direct Tax claim and the Takings Clause claim also conferred subject matter jurisdiction to the court.

2.A. Yes. The defendant's Rule 12(b)(6) motion to dismiss the plaintiffs' Patent Clause claim was denied. The plaintiff had asserted that the "increases, diversions, and rescissions" of patent fees exceeded Congress' authority "[t]o promote the Progress of…useful Arts." The defendant asserted that the Federal Circuit has unequivocally established that it is for Congress, not the courts, to determine "the level at which the fee was to be set, and why, and where the excess over cost should go…" *Longshore v. United States*, 77 F.3d 440, 443 (Fed. Cir.), cert. denied, 519 U.S. 808 (1996). However, the court distinguished *Longshore* from the present action because the plaintiff had not alleged a constitutional violation in *Longshore*. Here, the plaintiff had alleged that Congress had exceeded the limitations set forth in the Constitution and therefore Congress' actions were not immune from judicial review. The defendant next argued that "the Supreme Court…has made it absolutely clear that the [Patent Clause] merely empowers Congress to enact legislation and does not in any way confer a substitutive right on any individual." *Tape Indus.* 316 F. Supp. at 346. Again, the court distinguished the present Patent Clause claim from the facts of *Tape Industries*. Here, the plaintiff did not allege that the Patent Clause conferred a substantive right upon him. Rather, the plaintiff asserted that Congress had exceeded its constitutional authority under the Patent Clause.

The court then looked to the text of the Patent Clause. The defendant argued that the preamble to the Patent Clause is not a substantive limit on Congress' legislative power. The court disagreed and cited Chief Justice Marshall in *Marbury v. Madison*; "it can not be presumed that a clause in the Constitution is intended to be without effect…" *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 174 (1803). The court also noted the Supreme Court has on numerous occasions commented about the proper scope and interpretation of the Patent Clause. The court concluded that if the introductory language lacked any substantive limitation, the Supreme Court would not have engaged in what would have been deemed extraneous and unnecessary analysis. The court concluded that the defendant had not convincingly explained how the increase in patent fees and the diversion or rescission of patent fees did not fall within a system that must "promote the Progress of…useful Art." Plaintiff, therefore, had stated a claim upon which relief could be granted.

2.B. No. The plaintiff had argued that maintenance fees were a Direct Tax. The court disagreed. The court accepted the defendant's assertion that the maintenance fees were a condition for satisfying the privilege of the patent. Thus, the court determined that the plaintiff's Direct Tax Clause claim had failed to state a claim upon which relief could be granted.

2.C. No. For similar reasons, the court also concluded that the plaintiff's Takings Claim had failed to state a claim upon relief could be granted.

IV. Conclusion

The motion to dismiss for lack of subject matter jurisdiction was denied. The motion to dismiss the Patent Clause claim under Rule 12 (b) 96) was denied. The motions to dismiss the claims under the Direct Tax Clause and the Takings Clause were granted.