Keywords: **28 U.S.C. § 1498; Fifth Amendment; Takings Clause; Tucker Act; Sovereign Immunity**

General: **Use of plantiff's method patent by United States does not give rise to Tucker Act claim for taking of private property for public use under Fifth Amendment, since U.S. Supreme Court has ruled that patentee cannot sue federal government for patent infringement as Fifth Amendment taking under Tucker Act, and court's holding has not been overruled, since, in response to that ruling, U.S. Congress provided specific sovereign immunity waiver, under 28 U.S.C. § 1498, allowing patentee to recover for infringement by federal government, and since government's "taking" of license to use patent, unlike regulatory takings and inverse condemnation of real property, therefore creates cause of action under Section 1498, rather than Tucker Act claim, even if it is assume that patent is type of property that comes within protection of Fifth Amendment takings clause.**

Zoltek Corp. v. United States
78 U.S.P.Q.2d 1481 (Fed. Cir. 2006)
Decided March 31, 2006

I. Facts

The relevant facts of the present case are undisputed. Zoltek Corporation is the assignee of the '162 reissue application which is directed to methods of manufacturing carbon fiber sheets. The United States contracted with Lockheed Martin to design and build F-22 fighters. Lockheed subcontracted the production of silicide fiber products for use in the F-22 fighters.

Zoltek brought suit in the Court of Federal Claims under 28 U.S.C. § 1498(a), alleging that the United States and Lockheed used the methods claimed in the '162 patent when Lockheed's subcontractors made the silicide fiber products used in the F-22 . Zoltek alleges that the mats and sheets were made, for the United States, using the claimed methods. The government moved for partial summery judgment that Zoltek's § 1498(a) claims were barred by § 1498(c) because they arose in Japan. The trail court denied the motion. Although the court agreed that § 1498(c) barred Zoltek's claims under § 1498(a), the court directed Zoltek to amend its complaint to allege a taking under the Fifth Amendment. The trial court concluded that Zoltek could assert the infringement claims under 28 U.S.C. § 1491(a)(1) as a taking in violation of the Fifth Amendment. Both parties appealed.

II. Issues

A. Does 28 U.S.C. § 1498(a) bar Zoltek's claims?

B. Was the trial court's conclusion that Zoltek could bring its action against the government under the Tucker Act, by alleging that the infringement was a taking of public property for public use under the Fifth Amendment proper?

III. Discussion

A. Yes. In general, the federal government is immune from any legal action by its sovereign immunity. Any waiver of this immunity can be prescribed by Congress. A patentee's traditional recourse against the federal government, or its contractors, for patent infringement, is set forth and limited by the terms 28 U.S.C. § 1498. Section 1498(a) provides, in relevant part:

> Whenever an invention described in and covered by a patent in the United States is used…by or for the United States without license of the owner thereof lawful right to use or manufacture the same, the owners remedy shall be by action against the

> United States in the United States Courts of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.

The court previously held (*NTP, Inc. v. Research in Motion, Ltd.)* that direct infringement under 35 U.S.C. § 271(a) is a necessary predicate for government liability under 28 U.S.C. § 1498. 35 U.S.C. § 271(a) provides:

> Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports in the United States any patented invention during the term of the patent therefore, infringes the patent.

The Federal Circuit has also previously held that "a process cannot be 'within' the U.S. as required by section 271(a) unless each of the steps is performed within this country." Consequently the Federal Circuit upheld the trial courts conclusion that § 1498(a) bars Zoltek's claims because not all steps of the patented process were performed in the U.S., and therefore government liability does not exist pursuant to § 1498(a).

B. No. The trial court held that Zoltek could bring its action against the government under the Tucker Act, by alleging that the infringement was a taking of public property for public use under the Fifth Amendment. The Federal Circuit reversed citing, *Shillinger v. United States* (1894), wherein the Supreme Court rejected an argument that a patentee could sue the government for patent infringement as a Fifth Amendment taking under the Tucker Act.

The trial court apparently came to the conclusion that the Supreme Court effectively overruled *Schillinger* in a subsequent ruling. In *Crozier v. Fried. Krupp Aktiengesellschaft* (1912), the trial court dismissed the case for lack of jurisdiction, based on the fact that the U.S. was the real party in interest. However, the Court of Appeals reversed. Before the Supreme Court heard arguments in *Crozier*, Congress enacted the Patent Act of 1910, later codified as amended at § 1498. When the Supreme Court eventually heard the *Crozier* case, it was reversed and remanded with instructions to dismiss so that the company could refile and proceed in the court of claims under the 1910 Act.

The Federal Circuit asserted that the contention that *Crozier* overruled *Schillinger* and recognized patent infringement as a Fifth Amendment taking, is flawed. The only question before the Supreme Court in *Crozier* was whether the trial court had jurisdiction to enjoin the government from alleged patent infringement. Because Congress, in adopting the 1910 Act precluded injunctive relief against the government for patent infringement, the *Crozier* court concluded that the trial court lacked the power to grant the plaintiff the injunctive relief it was seeking.

In rejecting the trial court's proposition, the Federal Circuit concluded that neither the wording nor the rational, of the 1910 act, nor the Supreme Court decision or discussion of the act in *Crozier*, affected the ruling of *Schillinger*. In summary, the Federal Circuit concluded that the trial court's conclusion that *Crozier* affectively overruled *Schillinger*, has no merit. The Federal Circuit further noted that to affirm the conclusion of the trial court, it would have to read an entire statue (§ 1498) out of existence. As the Supreme Court has clearly recognized when considering taking Fifth Amendment taking allegations, "property interests…were not created by the Constitution. Rather they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law." Here, the patent rights are provided by federal law. The Federal Circuit found that in response to *Schillinger*, Congress provided a specific sovereign immunity waiver for a patentee to recover from an infringement by the government. Had Congress intended to clarify the dimensions of the patent rights as a property interest under the Fifth Amendment, there would have been no need for the new and limited sovereign immunity waiver. Accordingly, the Federal Circuit held that the trial court erred in holding that Zoltek could allege patent infringement as a Fifth Amendment taking under the Tucker act, and therefore reversed this holding.