

**GOVERNMENTAL INDIRECT PATENT INFRINGEMENT:  
THE NEED TO HOLD UNCLE SAM ACCOUNTABLE  
UNDER 28 U.S.C. § 1498**  
RICHARD J. MCNEELY\*

INTRODUCTION

The government bestows on a patent owner a bundle of rights to exclude others from practicing the patented invention.<sup>1</sup> A private individual “directly” infringes the patent owner’s right to exclude others by making, using, selling, or offering to sell the invention within the United States, or by importing the invention into the United States.<sup>2</sup> A private individual can be liable to the patent owner also for “indirectly” infringing the patent—in essence aiding and abetting someone else’s infringement.<sup>3</sup> Unlike the private individual, the United States government enjoys sovereign immunity except when it consents to be sued.<sup>4</sup>

Since 1910, the government has graciously consented to be sued for many acts that approximate the list of direct patent infringements,<sup>5</sup> but courts do not extend the government’s consent to claims of liability for indirect infringement.<sup>6</sup> The courts reason that the statute waiving sovereign immunity, 28 U.S.C. § 1498, equates direct infringement with an

---

Copyright © 2008, Richard J. McNeely.

\*Associate, Dinsmore & Shohl, L.L.P., Dayton, Ohio; J.D. 2008, Capital University Law School; Ph.D. chemistry 1999, Northwestern University; B.S. chemistry 1994, Indiana University. Views and opinions expressed in this Article are solely those of the author and do not represent the views or opinions of Dinsmore & Shohl, L.L.P., or its partners. Special thanks to Dennis Crouch, of the blog Patently-O (<http://www.patentlyo.com>), for inspiring this topic through his comment on April 3, 2006: “NOTE: There is lots more here for a law review article.”

<sup>1</sup> See 35 U.S.C. § 154(a) (2000).

<sup>2</sup> See 35 U.S.C. § 271(a) (2000).

<sup>3</sup> See *id.* 35 U.S.C. §§ 271(b), (c), (f) (2000).

<sup>4</sup> *United States v. Sherwood*, 312 U.S. 584, 586 (1941).

<sup>5</sup> *Decca Ltd. v. United States*, 640 F.2d 1156, 1169–70 (Ct. Cl. 1980). Federal Circuit Judge Giles Rich is responsible for describing the consent as “gracious.” See *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1283 (Fed. Cir. 1988).

<sup>6</sup> See LiLan Ren, Comment, *A Comparison of 28 U.S.C. § 1498(a) and Foreign Statutes and an Analysis of § 1498(a)’s Compliance with TRIPS*, 41 HOUS. L. REV. 1659, 1690 (2005).

eminent domain taking of a compulsory license.<sup>7</sup> Indirect infringement, however, sounds in tort.<sup>8</sup>

Even for the incomplete list of direct infringements that render the government liable, Congress explicitly limited the government's waiver of sovereign immunity by excluding liability for "claim[s] arising in a foreign country."<sup>9</sup> Effectively, the government can infringe a patent directly and openly, but as long as one small part of the infringement occurs in a foreign country, the patent owner loses in court.<sup>10</sup>

Because the governmental direct infringements are eminent domain-type takings, could the Fifth Amendment apply in the same manner as it does when the government condemns a person's house?<sup>11</sup> Can a patent owner call on the Fifth Amendment as an alternative theory to recourse when the government infringes a patent but escapes liability because a small part of the infringing acts occurred outside the United States? According to the Federal Circuit in *Zoltek v. United States*, no, the Fifth Amendment does not apply.<sup>12</sup>

This all begs another question. The operative rule that the government cannot be liable for indirect patent infringement involves distinguishing direct and indirect infringements as eminent domain takings and torts, respectively.<sup>13</sup> After *Zoltek*, however, direct patent infringement by the government no longer involves an eminent domain taking.<sup>14</sup> Does this mean that both direct patent infringement and indirect patent infringement by the government sound only in tort? If so, should courts and Congress now reconsider the scope of government liability for indirect patent infringement, with the taking/tort distinction removed? This Comment

---

<sup>7</sup> *Decca*, 640 F.2d at 1166.

<sup>8</sup> *Id.* at 1170 n.31.

<sup>9</sup> See 28 U.S.C. § 1498(c) (2000).

<sup>10</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1318 (Fed. Cir. 2005).

<sup>11</sup> See U.S. CONST. amend. V ("[N]or shall private property be taken for public use, without just compensation."). See Justin Torres, Note, *The Government Giveth, and the Government Taketh Away: Patents, Takings, and 28 U.S.C. § 1498*, 63 N.Y.U. ANN. SURV. AM. L. 315, 328 (2007) (quoting language from the original House reports to the predecessor act of § 1498 that seemed to indicate Congress thought patents and houses were equally deserving of Fifth Amendment protection).

<sup>12</sup> *Zoltek Corp. v. United States*, 442 F.3d 1345, 1353 (Fed. Cir. 2006) (per curiam), *reh'g and reh'g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007).

<sup>13</sup> See *Decca Ltd. v. United States*, 640 F.2d 1156, 1170, n.31 (Ct. Cl. 1980).

<sup>14</sup> See *infra* note 42 and accompanying text.

argues that, indeed, both types of infringement are torts and, yes, courts and Congress should reconsider how to address the government's liability.

This Comment examines and denounces the incongruity between patent infringement liability for acts by a private individual and liability for the same acts by the government.<sup>15</sup> The innocent victims of the incongruity—owners of United States patents—deserve stronger protection than they currently have, because injustice abounds.<sup>16</sup>

Part I supplies a statutory framework comprising a brief, historical overview of patents as property vis-à-vis the Takings Clause;<sup>17</sup> a primer of the types of patent infringement claims a patent owner can make against a private individual;<sup>18</sup> and a background of the scope of government liability under 28 U.S.C. § 1498.<sup>19</sup>

Part II exposes the loopholes in the statutory framework through examples of when a private individual or corporation would be liable to a patent owner but when the government, performing the same acts, would not be liable.

Part III illustrates how a line of cases, ending with *Zoltek*, has affected the view of patent property with respect to the Fifth Amendment and § 1498.

Part IV questions whether government liability for indirect patent infringement could be based on § 1498 alone, even without invoking the Fifth Amendment. First, a single error in interpretation, propagated over nearly thirty years, is explored as the primary cause of the plague of confusion over § 1498.<sup>20</sup> Second, the general history of indirect infringement liability is juxtaposed onto the legislative history of § 1498 to suggest strongly that Congress intended the government to be liable for indirect patent infringement.<sup>21</sup> Nevertheless, in the end, the requirement

---

<sup>15</sup> For example, active inducement of infringement under 35 U.S.C. § 271(b), contributory infringement under 35 U.S.C. § 271(c), or inducement to assemble a patented machine abroad from components of the machine made within the United States under 35 U.S.C. § 271(f).

<sup>16</sup> See, e.g., Ren, *supra* note 6, at 1690; Mark A. Lemley, *Inducing Patent Infringement*, 39 U.C. DAVIS L. REV. 225, 228 (2005) (“[I]nducement law can avoid injustice by holding liable those who contract infringing work out to someone who cannot pay a damages judgment.”).

<sup>17</sup> See *infra* Part I.A.

<sup>18</sup> See *infra* Part I.B.

<sup>19</sup> See *infra* Part I.C.

<sup>20</sup> See *infra* Part IV.A.

<sup>21</sup> See *infra* Part IV.A.2.

that courts strictly construe statutes waiving sovereign immunity is recognized both as a death knell for governmental indirect patent infringement liability<sup>22</sup> and as a call for Congress to change the law to eliminate the incongruity of liability.<sup>23</sup>

## I. EMINENT DOMAIN AND PATENT INFRINGEMENT—THE STATUTORY FRAMEWORK

### A. *Patents as Property Worthy of Takings Claims Under the Fifth Amendment*

#### 1. *What Patents Are*

The Founding Fathers thought the protection of intellectual property important enough to enumerate to Congress the ability “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.”<sup>24</sup> Aided by the pen of Thomas Jefferson, Congress’s early legislation enabling the constitutional mandate defined statutory patentable subject matter as “any new and useful art, machine, manufacture, or composition of matter, or any new and useful improvement [thereof].”<sup>25</sup> Congress has since modified only one word from Jefferson’s definition, substituting *process* for *art*.<sup>26</sup>

As the Constitution indicates, the inventor’s right with respect to a patented invention centers around the ability to exclude others.<sup>27</sup> Specifically, a holder of a United States patent can prevent others from “making, using, offering for sale, or selling the invention throughout the

---

<sup>22</sup> See *infra* Part IV.A.2.d.

<sup>23</sup> See *infra* Part IV.B.

<sup>24</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>25</sup> *Diamond v. Chakrabarty*, 447 U.S. 303, 308 (1980) (quoting section 1 of the Patent Act of 1793, 1 Stat. 319). To gain an understanding of Jefferson’s contributions into the original developments of patent law, see Adam Mossoff, *Who Cares What Thomas Jefferson Thought About Patents? Reevaluating the Patent “Privilege” in Historical Context*, 92 CORNELL L. REV. 953, 959–67 (2007).

<sup>26</sup> *Diamond*, 447 U.S. at 309. The substitution occurred when patent laws were recodified with the Patent Act of 1952, the committee reports to which expressed Congress’s intention that “anything under the sun that is made by man” be patentable. *Id.* See 35 U.S.C. § 101 (2000).

<sup>27</sup> U.S. CONST. art. I, § 8, cl. 8.

United States or importing the invention into the United States.”<sup>28</sup> The exclusionary rights are for a “limited time,” currently set by statute to last from the date the patent issues until twenty years have elapsed from the date the patent application was filed in the United States.<sup>29</sup> By applying for a patent, an inventor in essence contracts with the government to edify the public with a full disclosure of the invention in exchange for the rights to exclude others from practicing the invention.<sup>30</sup> The Supreme Court recently reinforced that the monopoly arising from the exclusionary rights as “a property right.”<sup>31</sup>

## 2. *Property and Intellectual Property*

Through the past century, commentators have struggled to define how intellectual property fits into the scheme of property as a whole.<sup>32</sup> Intellectual property is most readily distinguishable by the intangible nature of both the inventive ideas themselves and the rights to exclude others from reaping the financial benefits of the ideas.<sup>33</sup> Though both the product of an invention and the rights to license the invention to others can

---

<sup>28</sup> 35 U.S.C. § 154(a)(1) (2000). Similar exclusionary rights exist for products made by a patented process. *See id.*

<sup>29</sup> 35 U.S.C. § 154(a)(2).

<sup>30</sup> Shubha Ghosh, *Patents and the Regulatory State: Rethinking the Patent Bargain Metaphor After Eldred*, 19 BERKELEY TECH. L.J. 1315, 1315 (2004). Though patents commonly are regarded as a quid pro quo and a type of social contract, Ghosh argues that this is an outdated and shortsighted metaphor. *See id.* at 1319–53. The late Giles Rich described the philosophy of patents quite colorfully: “The patent law is an incentive system. The incentives needed to make normally slothful, normally selfish human beings produce inventions, disclose them to the public, and supply the necessary capital to perfect them and get them on the market must be powerful.” Giles S. Rich, *Infringement under Section 271 of the Patent Act of 1952*, 14 FED. CIR. B.J. 117, 118 (2004–2005). For a detailed analysis of the theories commonly used to explain the purpose of the patent system, see generally Nuño Pires de Carvalho, *The Primary Function of Patents*, 2001 U. ILL. L.J. TECH. & POL’Y 25.

<sup>31</sup> *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 730 (2002).

<sup>32</sup> *See generally* Michael A. Carrier, *Cabining Intellectual Property Through a Property Paradigm*, 54 DUKE L.J. 1 (2004). Resigning to the modern notion that intellectual property has transformed into an era of “propertization,” Professor Carrier surveys fifty doctrines of real property law and constructs a new paradigm for intellectual property, which he believes will offer “significant promise for the future of innovation and democracy.” *Id.* at 2.

<sup>33</sup> *See* Matthew S. Bethards, *Condemning a Patent: Taking Intellectual Property by Eminent Domain*, 32 AIPLA Q.J. 81, 99–105 (2004).

be possessed and given away, the idea that conceived the invention forever remains the untouchable and inalienable result of its creator's genius.<sup>34</sup> Real property, on the other hand, has attached to it a title that someone can trace back to a root—the sovereign entity that first conveyed the property to a citizen.<sup>35</sup> The patent law states that patents possess the attributes of *personal* property, not of real property.<sup>36</sup>

### 3. *Patents and the Fifth Amendment*<sup>37</sup>

The Takings Clause of the Fifth Amendment provides that “private property” shall not be “taken for public use, without just compensation.”<sup>38</sup> In certain circumstances, the federal government actually takes private property without having justly compensated the owner, a concept termed “inverse condemnation.”<sup>39</sup> When an inverse condemnation occurs, an injured party must sue the government under the Tucker Act.<sup>40</sup>

---

<sup>34</sup> *Id.* at 99–100.

<sup>35</sup> *Id.* at 100.

<sup>36</sup> See 35 U.S.C. § 261 (2000) (“Subject to the provisions of this title, patents shall have the attributes of personal property.”).

<sup>37</sup> This Section strives only to highlight the prevailing views on patents and the Fifth Amendment, not to revisit a topic analyzed exhaustively elsewhere. See generally Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents under the Takings Clause*, 87 BOSTON U. L. REV. 689 (2007); Davida H. Isaacs, *Not All Property Is Created Equal: Why Modern Courts Resist Applying the Takings Clause to Patents, and Why They Are Right to Do So*, 15 GEO. MASON L. REV. 1 (2007); J. Nicholas Bunch, Note, *Takings, Judicial Takings, and Patent Law*, 83 TEX. L. REV. 1747 (2005); Paul F. Kilmer, *Taken by the Fifth: The Fifth Amendment “Taking Clause” and Intellectual Property*, 22 NO. 1 INTELL. PROP. L. NEWSL. 8 (2003); Thomas F. Cotter, *Do Federal Uses of Intellectual Property Implicate the Fifth Amendment?*, 50 FLA. L. REV. 529 (1998).

One commentator has explored eminent domain for patents in light of both *Zoltek v. United States*, 442 F.3d 1345 (Fed. Cir. 2006), and *Kelo v. City of New London*, 545 U.S. 469 (2005). See generally Bradley M. Taub, Comment, *Why Bother Calling Patents Property? The Government's Path to License Any Patent and Maybe Pay for It*, 6 J. MARSHALL REV. INTELL. PROP. L. 151 (2006).

Also quite fascinating, but well beyond the scope of this Comment, patent infringement liability of *state* governments is a topic that implicates not only the Fifth Amendment, but also the Eleventh Amendment. See generally Robert T. Neufeld, *Closing Federalism's Loophole in Intellectual Property Rights*, 17 BERKELEY TECH. L.J. 1295 (2002).

<sup>38</sup> U.S. CONST. amend. V.

<sup>39</sup> More precisely, inverse condemnations are distinguished from normal condemnations in that, for inverse condemnations, the affected *property owner* institutes proceedings after the government has already exercised its eminent domain power; in normal condemnations,

(continued)

As for applying Takings Clause jurisprudence to patents, one commentator aptly notes profound confusion among the courts by characterizing the legal precedents as a “muddle.”<sup>41</sup> Though the Federal Circuit has recently relied on nineteenth century case law to hold that patents do not fall under the auspices of the Takings Clause,<sup>42</sup> at least one scholar suggests that such reliance is misplaced.<sup>43</sup>

#### *B. Infringement of a Patent by a Private Individual*

Patent law describes several types of acts that render an entity, such as an individual or corporation, liable to a patent holder for patent infringement.<sup>44</sup> Generic direct infringement is covered in subsection (a) of 35 U.S.C. § 271; indirect infringement is covered in subsections (b), (c), and (f); and direct infringement concerning products made by patented processes is covered in subsection (g).<sup>45</sup>

---

*the government* initiates condemnation proceedings before taking title to condemned property. See *San Diego Gas & Elec. Co. v. San Diego*, 450 U.S. 621, 638 n.2 (1981) (Brennan, J., dissenting).

<sup>40</sup> 28 U.S.C. §§ 1491–509 (2000 & Supp. II 2002). The Tucker Act permits the United States Court of Federal Claims to render judgment “upon any claim against the United States founded either upon the Constitution, or any Act of Congress . . . in cases not sounding in tort.” 28 U.S.C. § 1491(a)(1).

<sup>41</sup> See Cotter, *supra* note 37, at 529.

<sup>42</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1350–51 (Fed. Cir. 2006) (*per curiam*), *reh’g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007) (discussing how *Schillinger v. United States*, 155 U.S. 163 (1894), remains valid law on denying patent holders the right to sue the United States for patent infringement as a Fifth Amendment taking under the Tucker Act).

<sup>43</sup> See generally Mossoff, *supra* note 37 (analyzing exhaustively the nineteenth century jurisprudence regarding the Takings Clause as applied to patents and concluding that courts in those times understood patents to be protected under the Fifth Amendment).

<sup>44</sup> Patent owners may seek civil remedies against those who infringe their patents. 35 U.S.C. § 281 (2000). The Federal Circuit has affirmed that only the patent owner, and not a mere licensee, has standing to sue for infringements. See *Propat Int’l Corp. v. RPost, Inc.*, 473 F.3d 1187, 1194 (Fed. Cir. 2007).

<sup>45</sup> See 35 U.S.C. § 271 (2000).

### *I. Direct Infringement*

Patent law defines direct infringement at 35 U.S.C. § 271(a).<sup>46</sup> Additionally, direct infringement by one or more actors is a necessary condition for holding active inducers or contributors liable under § 271(b) or § 271(c), respectively.<sup>47</sup> The definition of direct infringement encompasses each of the five basic patent rights.<sup>48</sup> Under § 271(a), each of the infringing acts must have occurred within the United States;<sup>49</sup> extraterritorial application of United States patent laws is not favored.<sup>50</sup>

Enforcing patent rights by infringement suits first requires a judge to construe the text of a patent's claims in view of the patent's description.<sup>51</sup> An inventor then must prove to a finder of fact that the alleged infringer practiced every limitation of one or more claims in a patent either literally or in a substantially equivalent manner.<sup>52</sup> A favorable verdict entitles the patent owner to damages "adequate to compensate for the infringement but in no event less than a reasonable royalty for the use made of the invention by the infringer, together with interest and costs as fixed by the court."<sup>53</sup>

---

<sup>46</sup> Section 271(a) defines an infringer as "[w]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor." § 271(a). Offers to sell infringe a patent only when the offer involves an actual sale that would occur before the patent expires. § 271(i).

<sup>47</sup> Under § 271(c), all contributory acts must be directed toward "an infringement of such patent." § 271(c); *see* *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 483 (1964) ("[T]here can be no contributory infringement in the absence of a direct infringement."). Courts expand the idea from *Aro* into § 271(b), requiring that an active inducer is not liable for actively inducing until the party being induced directly infringes the patent. *See* *Crystal Semiconductor Corp. v. Tritech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001); *see also* Michael N. Rader, *Toward a Coherent Law of Inducement to Infringe: Why the Federal Circuit Should Adopt the Hewlett-Packard Standard of Intent Under § 271(b)*, 10 FED. CIR. B.J. 299, 308–11 (2000).

<sup>48</sup> Compare § 271(a) ("[W]hoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention . . . infringes the patent."), with 35 U.S.C. § 154(a)(1) ("Every patent shall contain . . . a grant to the patentee . . . of the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States . . .").

<sup>49</sup> *See* § 271(a).

<sup>50</sup> *See* *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 531 (1972).

<sup>51</sup> Rader, *supra* note 47, at 302.

<sup>52</sup> *Id.* at 302–03.

<sup>53</sup> 35 U.S.C. § 284 (2000).

The court has discretion to increase the award to up to three times the initial judgment amount.<sup>54</sup>

### 2. *Active Inducement of Infringement*

A party can be liable as an infringer merely from actively inducing someone else to infringe a patent.<sup>55</sup> For the active inducer to be liable, any parties the active inducer so induces must come together and directly infringe the patent.<sup>56</sup> Inducement of infringement and contributory infringement together are analogous to tortious “aiding and abetting” of direct patent infringement.<sup>57</sup> To what extent knowledge or intent play roles in direct inducement remains an issue of confusion.<sup>58</sup>

### 3. *Contributory Infringement*

Contributory infringement involves sales, offers for sale, and importations not of entire inventions, but of components that constitute material parts of inventions.<sup>59</sup> To be liable as a contributory infringer of a

<sup>54</sup> *Id.*

<sup>55</sup> 35 U.S.C. § 271(b) (2000). Examples of acts that courts have held to be active inducements to infringe include advertising of infringing uses for products, demonstrating to others or training others regarding infringing uses, writing articles or instructions concerning infringing uses, labeling products to describe infringing uses, exercising direct control over a third party’s direct infringement, and agreeing to indemnify a third party for its direct infringement. Charles W. Adams, *A Brief History of Indirect Liability for Patent Infringement*, 22 SANTA CLARA COMPUTER & HIGH TECH. L.J. 369, 389–90 (2006).

<sup>56</sup> *Crystal Semiconductor Corp. v. Tritech Microelectronics Int’l, Inc.*, 246 F.3d 1336, 1351 (Fed. Cir. 2001). Analysis becomes tricky when many actors are involved, especially when a product requires many steps to make. See Mark A. Lemley, David O’Brien, Ryan M. Kent, Ashok Ramani & Robert Van Nest, *Divided Infringement Claims*, 33 AIPLA Q.J. 255, 256–63 (2005). Consider, for example, a process that requires three steps, each of which a separate actor must perform. The first actor induces the second to perform its step, and the second actor induces the third to perform its step. Absent a fourth actor who coordinated the other three, no single actor actually directly infringed the patent. See *id.* at 257–58. Absent a direct infringement, no indirect infringement liability arises, and the patent owner is without recourse. See *id.*

<sup>57</sup> Rader, *supra* note 47, at 304. In the context of torts, “[f]or harm resulting to a third person from the tortious conduct of another, one is subject to liability if he . . . (b) knows that the other’s conduct constitutes a breach of duty and gives substantial assistance or encouragement to the other so to conduct himself.” RESTATEMENT (SECOND) OF TORTS § 876 (1979).

<sup>58</sup> See Lemley, *supra* note 16, at 235–41.

<sup>59</sup> 35 U.S.C. § 271(c) (2000).

patent, the one who sells, offers for sale, or imports the component must do so knowing the component was especially adapted for a use that would directly infringe the patent.<sup>60</sup> Additionally, the component must not be a “staple article or commodity of commerce suitable for substantial non-infringing use.”<sup>61</sup>

4. *Infringement by Supplying Components of Inventions to be Assembled Outside the United States*

In 1984 Congress enacted 35 U.S.C. § 271(f) to close some loopholes to the existing types of infringement liability.<sup>62</sup> Because direct infringement under § 271(a) requires an infringer to perform certain acts within the United States with respect to an entire invention,<sup>63</sup> companies could escape liability by acting with respect to only components of the invention.<sup>64</sup>

Section 271(f) consists of two subsections, the first addressing inducement to infringe, and the second addressing contributory infringement.<sup>65</sup> Under § 271(f)(1), one is liable for infringement by

---

<sup>60</sup> *Id.*

<sup>61</sup> *Id.* Similar to active inducement, contributory infringement produces difficulties when multiple actors are involved, owing partly to the intent requirement and partly to the staple article requirement. See Lemley et al., *supra* note 56, at 261–62 (noting that allowing many non-infringing acts to add up to an infringing act “unreasonably expand[s] liability for indirect infringement by conflating it with direct infringement”). Lemley provides a nice hypothetical example, wherein a telephone company and a computer manufacturer join together to unknowingly infringe a patent claiming a method of Internet data transmission. See *id.* at 262. Both companies contributed to one direct infringement, but no one company could be sued as a direct infringer. *Id.* Moreover, there was no intent, and telephone lines and computers are indeed staple articles. *Id.* Hence, no recourse comes to the patent owner under any infringement theory, direct or indirect. *Id.*

<sup>62</sup> See Jennifer Lane, NTP, Inc. v. Research in Motion, Ltd.: *Inventions Are Global, but Politics Are Still Local—An Examination of the Blackberry Case*, 21 BERKELEY TECH. L.J. 59, 61–62 (2006).

<sup>63</sup> 35 U.S.C. § 271(a) (2000).

<sup>64</sup> Jason R. Dinges, Note, *Extraterritorial Patent Infringement Liability After NTP, Inc. v. Research in Motion, Ltd.*, 32 IOWA J. CORP. L. 217, 220 (2006) (explaining how Congress passed § 271(f) in response to *Deepsouth v. Laitram*, 406 U.S. 518 (1972), the holding of which, by refusing to extend protection for United States patents beyond the borders of the United States, allowed a company to avoid liability too easily when it made all the components of a patented machine within the United States and then exported them for assembly abroad).

<sup>65</sup> 35 U.S.C. § 271(f) (2000).

supplying all or a substantial portion of the uncombined components of an invention, and then actively inducing their combination outside the United States in such a manner that the combination within the United States would have constituted infringement.<sup>66</sup> Under § 271(f)(2), infringement liability results when one supplies any uncombined component, which the infringer knows is especially adapted for use in an invention, and then intends that the component be combined outside the United States in such a manner that the same combination within the United States would constitute infringement.<sup>67</sup>

##### 5. *Direct Infringements of Products Made by a Patented Process*

Congress closed another loophole in infringement law by passing 35 U.S.C. § 271(g) to protect process patents.<sup>68</sup> In process patents, the process itself is claimed, but the products that result from the process are not necessarily protected when part of the process is performed outside the United States.<sup>69</sup> Before § 271(g), someone could use a patented process outside the United States and then import the product into the United States, escaping any infringement liability under § 271(a) because the product, not the process, was imported.<sup>70</sup>

Under § 271(g), one infringes a process patent by importing into the United States—or by using, selling, or offering to sell within the United States—a product that resulted from a patented process.<sup>71</sup> Liability under § 271(g) does not extend to noncommercial uses or retail sales of the product until the patent owner has exhausted all other existing remedies, such as direct infringement of the product itself.<sup>72</sup> Nor does liability apply

---

<sup>66</sup> *Id.* § 271(f)(1).

<sup>67</sup> *Id.* § 271(f)(2).

<sup>68</sup> Anne Elise Herold Li, *Is the Federal Circuit Affecting U.S. Treaties? The ITC, § 271(g), GATT/TRIPS & the Kinik Decision*, 16 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 601, 610 (2006).

<sup>69</sup> *Id.* at 604–05.

<sup>70</sup> *Id.* at 608. Additionally, use of the process in the foreign country does not trigger direct infringement liability under § 271(a), because § 271(a) applies to uses within the United States only. *See* § 271(a).

<sup>71</sup> 35 U.S.C. § 271(g) (2000). For an analysis of the full scope of liability provided under § 271(g), see Glenn Law, *Liability Under the Process Patent Amendments Act of 1988 for the Use of a Patented Process Outside the United States*, 60 *GEO. WASH. L. REV.* 245, 251–54 (1991).

<sup>72</sup> § 271(g).

when the product is “materially changed by subsequent processes”<sup>73</sup> or when the product “becomes a trivial and nonessential component of another product.”<sup>74</sup> The rationale behind the statutory limitations lies in the theory that, for infringement to result, the process itself should be the essential link between the product and the ability to derive profit from the product.<sup>75</sup> Additionally, § 271(g) does not provide for liability for *indirect* infringers of product-by-process patent claims,<sup>76</sup> which is of particular concern when the indirect infringer resides abroad.<sup>77</sup>

*C. Claims of Patent Infringement Against the United States Government Under 28 U.S.C. § 1498*

Generally, someone with a claim against the United States government can sue the government only when the government has consented to be sued.<sup>78</sup> The government’s immunity from patent infringement suits originally forced aggrieved inventors to seek private bills directly from Congress for relief.<sup>79</sup> Equitable remedies were also available, evidenced by a large number of inventors in the early twentieth century who sought injunctions against the federal government or its contractors from practicing patented technology without a license.<sup>80</sup> The conflicts and delays inherent with such injunctions became especially critical during World War One as the government commandeered patented inventions to support military objectives.<sup>81</sup> Considering the historical context, when Congress enacted in 1918 what has become modern 28 U.S.C. § 1498(a), it

---

<sup>73</sup> § 271(g)(1).

<sup>74</sup> § 271(g)(2).

<sup>75</sup> See Li, *supra* note 68, at 606–07.

<sup>76</sup> See Lemley et al., *supra* note 56, at 256–58.

<sup>77</sup> See *id.* at 264; see generally Anna M. Budde, *Liability of a Foreign Manufacturer Using a Patented Process for Indirect Infringement*, 42 WAYNE L. REV. 291 (1995).

<sup>78</sup> *United States v. Sherwood*, 312 U.S. 584, 586 (1941).

<sup>79</sup> See Lionel Marks Lavenue, *Patent Infringement Against the United States and Government Contractors Under 28 U.S.C. § 1498 in the United States Court of Federal Claims*, 2 J. INTELL. PROP. L. 389, 408–09 (1995); see also Torres, *supra* note 11, at 319–21.

<sup>80</sup> See Richard T. Ruzich, *Government Patent and Copyright Infringement Overseas under 28 U.S.C. § 1498 (In the Shadow of the RIM Decisions)*, 15 FED. CIR. B.J. 401, 404–05 (2006).

<sup>81</sup> *Id.* at 405–06.

did so as much in the interest of preventing delays to war efforts as in the interest of fairness to inventors.<sup>82</sup> Under § 1498(a),

[w]henever an invention described in and covered by a patent of the United States is used or manufactured 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.<sup>83</sup>

Analysis of the elements that compose § 1498(a) illuminates several confusing issues that modern courts confront.

1. *“An Invention Described in and Covered by a Patent”*

Patent specifications consist of two main parts: a written description and a set of claims.<sup>84</sup> Whereas the written description may broadly describe an invention and numerous working embodiments of the invention, the claims alone delineate the precise scope of legal protection the government grants to the inventor.<sup>85</sup> Patent applicants must support each claim with information in the description, but they need not claim everything they have included in the description.<sup>86</sup> Inventors may desire to add more information in the description than they intend to claim as their invention. When the extra information appears in the application that the Patent Office eventually publishes, under certain circumstances patent examiners may use the extra information as prior art to disallow other inventors from claiming the information themselves.<sup>87</sup> Similar to infringements by a private individual, under § 1498(a), the cause of action against the United States extends to only inventions that are described *and* claimed in patents.<sup>88</sup>

---

<sup>82</sup> See *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928).

<sup>83</sup> 28 U.S.C. § 1498(a) (2000).

<sup>84</sup> DONALD S. CHISUM ET AL., *PRINCIPLES OF PATENT LAW* 73 (3d ed. 2004).

<sup>85</sup> *Id.*

<sup>86</sup> 35 U.S.C. § 112 para. 2 (2000).

<sup>87</sup> In many situations, the contents of patent disclosures become prior art that examiners can use against subsequent applications to render the inventions in the subsequent applications unpatentable. See 35 U.S.C. § 102(a), (b), (e) (2000) (including as prior art information “described in” printed publications).

<sup>88</sup> 28 U.S.C. § 1498(a).

## 2. “Of the United States”

The United States government does not consent to being sued for acts infringing foreign patents.<sup>89</sup> The Federal Circuit recently reiterated that patent treaties currently in force “neither contemplate nor allow the extraterritorial jurisdiction of our courts to adjudicate patents of other sovereign nations.”<sup>90</sup>

## 3. “Used or Manufactured”

Section 1498 does not offer any assistance in defining precisely what constitutes use or manufacture.<sup>91</sup> Commonly, courts recognize the use or manufacture requirement in § 1498 to parallel the “make or use” aspect of direct infringement under § 271(a).<sup>92</sup> As will be discussed in more depth later,<sup>93</sup> under § 271(a), the making or using must occur in the United States.<sup>94</sup> Particularly with regard to manufacture under § 1498(a), a potentially infringing article is not considered “manufactured in the United States” unless the every step of the fabrication occurs in the United

---

<sup>89</sup> In *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), the Court made clear that “[o]ur patent system makes no claim to extraterritorial effect.” *Id.* at 531. Though passage of § 271(f) effectively invalidated this statement regarding protection for *United States* patents, see *supra* note 64, it did not invalidate the admonishment that

these acts of Congress do not, and were not intended to, operate beyond the limits of the United States, and we correspondingly reject the claims of others to such control over our markets. To the degree that the inventor needs protection in markets other than those of this country, the wording of 35 U.S.C. §§ 154 and 271 reveals a congressional intent to have him seek it abroad through patents secured in countries where his goods are being used.

*Id.* (internal citations omitted).

<sup>90</sup> *Voda v. Cordis*, 476 F.3d 887, 902 (Fed. Cir. 2007). Other countries have statutes similar to § 1498. See Blake Evan Reese, *Do As I Say, Not As I Do: An International and Comparative Study of Governments’ Rights to “Infringe” Patents in Light of the Federal Circuit’s Recent Interpretation of 28 U.S.C. § 1498 and a Call for Congress to Modernize the Statute*, 4 BUFF. INTELL. PROP. L.J. 84, 106–15 (analyzing the statutes analogous to § 1498(a) in Australia, Great Britain, and Israel).

<sup>91</sup> Lavenue, *supra* note 79, at 419.

<sup>92</sup> *Id.*

<sup>93</sup> See *infra* Part III.

<sup>94</sup> *Zoltek Corp. v. United States*, 442 F.3d 1345, 1350 (Fed. Cir. 2006) (per curiam), *reh’g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007).

States.<sup>95</sup> From among the patent owner's exclusive rights in 35 U.S.C. § 154(a)(1), Section 1498(a) conspicuously omits protection against governmental selling, offering to sell, or importing a patented invention.<sup>96</sup>

#### 4. "By or for the United States"

To be considered "by or for the United States," a use or manufacture may be by "a contractor, a subcontractor, or any person, firm, or corporation for the Government."<sup>97</sup> Such entities must additionally operate "with the authorization or consent of the Government."<sup>98</sup> Authorization or consent of the government is often established under the Federal Acquisition Regulations (FAR), contained in Title 48 of the Code of Federal Regulations, by insertion of "authorization or consent" clauses into certain types of government contracts.<sup>99</sup>

---

<sup>95</sup> *Id.*

<sup>96</sup> See 28 U.S.C. § 1498(a) (2000). Discussion of inequities that may arise out of this omission is beyond the scope of this Comment.

<sup>97</sup> § 1498(a). Within this phrase lies an important part of the history of § 1498. The first waiver of the government's sovereign immunity to patent infringement suits resulted from the Act of 1910. See Lavenue, *supra* note 79, at 411. Under this Act, one could sue the government only when a patented invention was "used by the Government." See Act of June 25, 1910, 36 Stat. 851. The problem was that patent holders could still call on obliging courts to enjoin contractors, who were not actually part of "the Government" and, therefore, did not fall under the government's license. See Lavenue, *supra* note 79, at 412. To the chagrin of the military, the incessant injunctions delayed the government from appropriating needed war supplies. See *id.* at 413. Through the Naval Appropriations Act of July 1, 1918, 40 Stat. 704 (1918), Congress amended the Act of 1910, allowing suit against the government (and precluding suit against the contractors) when inventions were used, sold, or otherwise disposed by—*or for*—the Government. See Lavenue, *supra* note 79, at 413. The 1918 act, then codified as 35 U.S.C. § 68, did not change until 1948, when Congress moved the provision to Title 28 as § 1498. *Id.* at 413–15. The 1948 version read in relevant part the same as modern § 1498(a), with broadened protection for uses, and additionally for manufacture, by or for the government. *Id.* at 415.

<sup>98</sup> 28 U.S.C. § 1498(a) (2000).

<sup>99</sup> For a detailed description of the policies and procedures behind the FAR, see Lavenue, *supra* note 79, at 437–44. An example of an authorization and consent clause from the FAR includes the following language:

The Government authorizes and consents to all use and manufacture, in performing this contract or any subcontract at any tier, of any invention described in and covered by a United States patent. . . . The entire liability to the Government for infringement of a patent of the United States shall be determined solely by the provisions of the indemnity

*(continued)*

5. “*Without License of the Owner Thereof or Lawful Right to Use or Manufacture the Same*”

A patent license is effectively permission from a patent holder allowing a licensee to infringe the patent and reap benefits from the infringement without fear of being sued.<sup>100</sup> A license need not be formal; any indication of consent by the patent owner waives the owner’s right to sue for the tort of infringement.<sup>101</sup> The ability of a patent holder to license a patent to third parties in return for monetary consideration is an especially valuable asset inherent to the patent grant.<sup>102</sup>

When the government infringes a patent, the government is viewed to have taken control not of the patent itself, but of a compulsory license to practice the patented invention.<sup>103</sup> Ultimately, to determine how to compensate a plaintiff, the court might place a monetary value on the compulsory license by assessing the market value of a non-compulsory license of the same type.<sup>104</sup> The government would have a “lawful right to use or manufacture” a patented invention—despite not owning any license—if the government had been assigned ownership or could otherwise claim equitable ownership of a patent.<sup>105</sup>

---

clause, if any, included in this contract or any subcontract hereunder (including any lower-tier subcontract), and the Government assumes liability for all other infringement to the extent of the authorization and consent hereinabove granted.

48 C.F.R. § 52.227-1 (2006).

<sup>100</sup> See *De Forest Radio Tel. & Tel. Co. v. United States*, 273 U.S. 236, 242 (1927) (“As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee.”)

<sup>101</sup> *Id.*

<sup>102</sup> Giles Rich notes amusingly, describing the incentive system of patent law: “Another word for motive is profit. It has been known for thousands of years that the holder of a monopoly of anything for which there is a demand stands to profit from it.” Rich, *supra* note 30, at 118.

<sup>103</sup> See *Motorola v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984). To understand the distinction between taking a compulsory license versus taking an entire patent, see *Bethards*, *supra* note 33, at 99–100.

<sup>104</sup> See *Decca v. United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980).

<sup>105</sup> See *Lavenue*, *supra* note 79, at 420.

6. *Remedy by Action Against the United States in the Court of Federal Claims*

Section 1498(a) waives governmental sovereign immunity to suits described previously and grants original jurisdiction to the Court of Federal Claims for hearing cases related to governmental use and manufacture of patented inventions.<sup>106</sup> Some aggrieved inventors first seek remedy through claims against administrative agencies, but administrative claims have notoriously high rates of denial.<sup>107</sup> Though § 1498(a) does not state the Court of Federal Claims has exclusive jurisdiction over such claims, most courts seem to recognize the jurisdiction as exclusive.<sup>108</sup> The Court of Appeals for the Federal Circuit hears appeals arising out of the Court of Federal Claims.<sup>109</sup>

7. *For Reasonable and Entire Compensation*

Remuneration due a patent holder under § 1498(a) for “reasonable and entire compensation” must be distinguished from the “just compensation” standard included in the Takings Clause.<sup>110</sup> Exactly how to distinguish the two standards in the absence of Supreme Court guidance has itself produced significant debate.<sup>111</sup>

Traditionally, courts apply one of three methods to place a value on a hypothetical license: “(1) determination of a reasonable royalty for the license; (2) awarding a percentage of governmental cost savings arising from governmental use of the patented invention; or (3) awarding lost profits.”<sup>112</sup> The reasonable royalty includes a component of “delay compensation” that accrues by a court-determined annual percentage from the date the government first used the invention until the day judgment is rendered on the infringing activity.<sup>113</sup> For independent inventors and certain nonprofit organizations or small entities, also among the available remedies that comprise reasonable and entire compensation are “the

---

<sup>106</sup> 28 U.S.C. § 1498(a) (2000).

<sup>107</sup> See Richard J. McGrath, *The Unauthorized Use of Patents by the United States Government or Its Contractors*, 18 AIPLA Q.J. 349, 355–57 (1991) (describing administrative and judicial processes involved with suing the government under § 1498).

<sup>108</sup> See Lavenue, *supra* note 79, at 421–22.

<sup>109</sup> 28 U.S.C. § 1295(a)(3) (2000).

<sup>110</sup> See David R. Lipson, *We’re Not Under Title 35 Anymore: Patent Litigation Against the United States Under 28 U.S.C. § 1498(A)*, 33 PUB. CONT. L.J. 243, 253–56 (2003).

<sup>111</sup> See Lavenue, *supra* note 79, at 423.

<sup>112</sup> *Decca v. United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980) (footnotes omitted).

<sup>113</sup> *Id.* at 1168.

owner's reasonable costs, including reasonable fees for expert witnesses and attorneys, in pursuing the action" against the United States.<sup>114</sup>

*D. The Foreign Claim Exception of § 1498(c)*

In 1960, Congress explicitly limited the government's waiver of sovereign immunity under § 1498(a) by amending § 1498(c),<sup>115</sup> which reads, "[t]he provisions of this section shall not apply to any claim arising in a foreign country."<sup>116</sup> Section 1498(c) was added at the same time as § 1498(b)<sup>117</sup> on the advice of several executive committee members who feared any possibility of subjecting the United States to liability for acts occurring abroad.<sup>118</sup> Even if the government is liable under § 1498(a), for the government still to be liable after considering § 1498(c), the government's *entire use* of the invention, or *every step* of the government's making of the invention, must have occurred within the United States.<sup>119</sup>

---

<sup>114</sup> 28 U.S.C. § 1498(a) (2000).

<sup>115</sup> Act of Sept. 8, 1960, Pub. L. No. 86-726, 74 Stat. 855.

<sup>116</sup> 28 U.S.C. § 1498(c) (2000).

<sup>117</sup> Section 1498(b) is similar to § 1498(a) but concerns governmental *copyright* infringement. *See* 28 U.S.C. § 1498(b) (2000). For some of the distinctions between § 1498(a) and § 1498(b), see note 258, *infra*.

<sup>118</sup> *See* S. REP. NO. 86-1877, at 6–8 (1960), *as reprinted in* 1960 U.S.C.C.A.N. 3444, 3450. William B. Macomber, Jr., Assistant Secretary for the Secretary of State, at the time, saw a danger in opening the United States to liability abroad for copyright infringement, given the "numerous projects of the Government abroad in which infringements might inadvertently take place." *Id.* at 3449. Such liability could "give rise to further problems in related and similar fields." *Id.* As far as patents were concerned, adding § 1498(c) along with § 1498(b) would simply clear up the ambiguities in both patent and copyright infringements at the same time. *Id.* at 3450.

<sup>119</sup> *Zoltek v. United States*, 51 Fed. Cl. 829, 836 (Ct. Cl. 2002). Proof that a claim arises in a foreign country is an affirmative defense for the government, not an element of plaintiff's claim. *Id.* at 833. The court distinguishes between an infringement that "occur[s] in a foreign country" and a claim of infringement that "arise[s] in a foreign country". *See id.* at 834. To occur in a foreign country, *every part* of the infringement must take place outside of the United States; to arise in a foreign country, only *one step* of the infringement need occur outside the United States. *Id.* For a thorough analysis of how modern courts interpret the meaning of "arising in a foreign country" with respect to patent infringement claims, see generally Ruzich, *supra* note 80.

## II. GOVERNMENTAL LOOPHOLES—WHEN A PRIVATE INDIVIDUAL WOULD BE LIABLE BUT UNCLE SAM WOULD NOT

Examples abound, wherein the government indirectly infringes patents in a manner that would render it liable if it were a private individual subject to all of § 271.<sup>120</sup> With no Fifth Amendment protection of the exclusive patent rights and no recourse under § 1498(a), patentee victims of such governmental indirect infringements are left injured and without a remedy.<sup>121</sup> To examine the scope of what will remain a problem until either the courts construe § 1498(a) differently or Congress amends § 1498, the following Sections will discuss briefly some current situations that allow the government to harm patent holders.

### A. *The Loophole of Active Inducement to Infringe*

The government often actively induces infringement by requesting prospective contractors to make prototypes to compete for lucrative

---

<sup>120</sup> Government contractors are aware of the specter of liability that looms, as is evidenced by this calmly reassuring excerpt from a periodical intended for government contractors and discussing *Zoltek v. United States*:

Of potentially greater significance, as noted in Judge Gajarsa's concurring opinion, is the *NTP* court's linkage of § 1498 to direct infringement only under § 271(a), and the adherence to that position in the *Zoltek* per curiam opinion. Non-Government defendants face potential liability for several types of infringement under the various parts of § 271, *but so long as the courts retain the reasoning of the NTP decision and the per curiam Zoltek opinion on this issue*, the Federal Government will face unauthorized use liability only for the equivalent of infringement under § 271(a).

William R. Stoughton, *Zoltek v. U.S.—Divergent Judicial Views on Patent Suits Against the Government*, 48 GOV'T CONTRACTOR ¶ 148, April 26, 2006, at 3 (emphasis added), available at [http://www.jenner.com/files/tbl\\_s20Publications/RelatedDocumentsPDFs1252/1271/Government\\_Contractor\\_Feature\\_Comments\\_William\\_Stoughton.pdf](http://www.jenner.com/files/tbl_s20Publications/RelatedDocumentsPDFs1252/1271/Government_Contractor_Feature_Comments_William_Stoughton.pdf).

<sup>121</sup> See Daniel R. Cahoy, *Treating the Legal Side Effects of Cipro(R): A Reevaluation of Compensation Rules for Government Takings of Patent Rights*, 40 AM. BUS. L.J. 125, 161–62. Cahoy analogizes the patent recourse situation to a fear that arises in real-property law of eminent domain takings without just compensation. See *id.* at 170. The fear causes decreased investment in property, which to society results in a “demoralization cost.” *Id.* This cost acts as “the inverse of the innovation incentive on which the patent system was founded.” *Id.* Decreased incentive in areas concerning health or safety may dangerously decrease long-term intellectual investment in technology that would be critical during times of national emergencies. *Id.* at 170–71.

contract bids.<sup>122</sup> The government incurs no liability for these prototypes because the “authorization and consent” clauses of a sealed contract do not yet exist.<sup>123</sup> Nonetheless, the prospective contractors are immune from suit or injunction during the preparation period.<sup>124</sup> Should the government eventually award a contract and use the patented invention to become liable under § 1498(a), the patent holder is due just compensation as measured from only the time the government receives a finished product.<sup>125</sup>

In addition to inducing contractors to infringe patents, the government can actively induce patent infringement by passing laws, promulgating regulations, or acting during a national crisis “infringement induced by governmental fiat.”<sup>126</sup> For example, Congress could pass a law similar to one in California that required all cars to use a particular, patented fuel blend that pollutes less.<sup>127</sup> Any oil company that produced the patented fuel thereby would directly infringe the patent on the blend, having been actively induced by the California state government.<sup>128</sup> At least in this situation involving a state, the patent owner had recourse against the infringing oil companies.<sup>129</sup>

---

<sup>122</sup> See Lavenue, *supra* note 79, at 431–52 (discussing categories of statutory and regulatory infringement as governmental “inducement of patent infringement,” instead of as eminent domain-type compulsory licensing). To review, the indirect infringement analysis of construction of a prototype of a patented good would progress as follows: (1) the government solicits bids for contracts for large-scale manufacture of the patented product, thereby actively inducing prospective contractors to manufacture prototypes, § 271(b); (2) a prospective contractor completes a working prototype, thereby directly infringing the patent by having “made” the invention, § 271(a). A direct infringement is a prerequisite to a claim of indirect infringement. See *supra* note 56 and accompanying text.

<sup>123</sup> See *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 824 F.2d 1275, 1283 (Fed. Cir. 1988) (suggesting a § 1498 claim would not ripen until the government had followed through with a contract bid).

<sup>124</sup> See *id.* at 1282–83 (holding claim by a prospective governmental contractor that infringing activities were preparations to compete for a contract bid is an affirmative defense against patent owner’s attempt to enjoin infringement, because ultimate use by government would fall under § 1498). Meanwhile, one must not forget that the government is “gracious” to offer § 1498(a) at all. See *id.* at 1283.

<sup>125</sup> *Coakwell v. United States*, 372 F.2d 508, 511 (Ct. Cl. 1967).

<sup>126</sup> See Gordon Klancnik, Note, *A Proposal to Resolve Infringement Induced by Governmental Fiat*, 70 GEO. WASH. L. REV. 806, 808–11 (2002).

<sup>127</sup> See *id.* at 810.

<sup>128</sup> See *id.*

<sup>129</sup> *Id.*

At the federal level, the government is immune from indirect infringement liability, much to the dismay of the infringing companies who must make good on the whole verdict.<sup>130</sup> Recourse to the inventor hinges entirely on the inventor's ability to find federal courts having jurisdiction over every conceivable direct infringer.<sup>131</sup> Similar problems resulted from the federal government's regulatory mandate of inserting V-chips into televisions for blocking inappropriate programming from the view of impressionable youth.<sup>132</sup>

National crises such as the anthrax scare after September 11, 2001, have raised concerns that the government could actively induce patent infringement and not be liable.<sup>133</sup> During the anthrax scare, the federal government had stockpiled the antibiotic ciprofloxacin, a patented drug brand-named Cipro<sup>®</sup>.<sup>134</sup> Understanding the possibilities of massive anthrax outbreaks, members of Congress considered allowing foreign drug manufacturers other than Bayer, the patent owner, to produce and import massive quantities of a generic equivalent to patented Cipro<sup>®</sup>.<sup>135</sup>

Here, it is important to know that many drugs are patented as methods of physiological action or as methods of administration, not as chemical compounds.<sup>136</sup> The direct infringers, therefore, would not be the drug manufacturers, but rather numerous doctors and patients who would need to be sued individually.<sup>137</sup> The government would be liable to Bayer under § 1498(a) only if government agents or contractors physically injected the drugs.<sup>138</sup> Had Congress followed through with the Cipro<sup>®</sup> plan, the government would have been an active inducer of the resulting infringement.<sup>139</sup> Quite ironically, the manufacturer of headache medicines would have had no remedy to the headache of governmental indirect patent infringement.

---

<sup>130</sup> See Ren, *supra* note 6, at 1690.

<sup>131</sup> See *id.* If, for example, the direct infringer were a state or an instrumentality of a state, the infringer could claim state sovereign immunity, which the federal government has no ability to abrogate on its own. See *id.* at 1690 n.213.

<sup>132</sup> See Klancnik, *supra* note 126, at 808–09.

<sup>133</sup> See Cahoy, *supra* note 121, at 128.

<sup>134</sup> *Id.* at 126.

<sup>135</sup> *Id.* at 127.

<sup>136</sup> See *id.* at 162.

<sup>137</sup> See *id.*

<sup>138</sup> See *id.*

<sup>139</sup> See 28 U.S.C. § 1498(a) (2000) (extending liability to uses by the government and to contractors acting with authorization or consent of the government).

*B. The Loophole of Contributory Infringement*

Governmental contributory infringement occurs most often when the government acts as a supplier of a patented product, as opposed to acting as a direct user or manufacturer.<sup>140</sup> In the Cipro<sup>®</sup> example above, where *active inducement* begins when the government suggests the generic drug be manufactured, the path to *contributory* infringement begins when the government actually supplies the generic equivalent to a doctor (who then prescribes the drug to a patient, who then directly infringes the administration method or physiological effect claim by swallowing the pill).<sup>141</sup> Because the government would not be liable under § 1498(a) for the contributory infringement, Bayer would lose yet another alternative theory under which to find a remedy.<sup>142</sup>

Beyond hypotheticals, *Decca v. United States* provides an actual example of the government acting as a contributory infringer yet escaping liability.<sup>143</sup> Decca had patented a three-frequency radio navigation system, which the government intended to employ worldwide.<sup>144</sup> The government established several receiving and transmitting stations that would use system once the government officially declared it operational.<sup>145</sup> More than one year before the government announced the system was online, through official suppliers it sent transmitter circuitry to three stations that were to test the initial broadcasts.<sup>146</sup>

The trial court determined that the transmitters were useful for only infringing purposes, and that the testing before the government's announcement directly infringed the patent.<sup>147</sup> Nevertheless, the Court of Claims declared that the government could not be liable under § 1498(a) for its contributory infringement before it officially declared the system

---

<sup>140</sup> See Ren, *supra* note 6, at 1689.

<sup>141</sup> See *id.* Specifically, the government would have sold the drug, a material part of the invention comprising the method of administration or the physiological effect, knowing the drug was made for infringement of the patent and did not have other substantial, non-infringing uses. See 35 U.S.C. § 271(c) (2000). Of course, we assume also that the ciprofloxacin patents do not leave room for the existence of any substantial, non-infringing uses of the drug.

<sup>142</sup> See Cahoy, *supra* note 121, at 162.

<sup>143</sup> See *Decca, Ltd. v. United States*, 640 F.2d 1156, 1169–70 (Ct. Cl. 1980). I analyze this case in greater depth in Part IV.A.2, *infra*.

<sup>144</sup> See *id.* at 1162–63.

<sup>145</sup> See *id.* at 1163.

<sup>146</sup> *Id.* at 1169.

<sup>147</sup> *Id.*

online.<sup>148</sup> The testing phase was not a sufficient “use for the government” to imply the government should be liable as a direct infringer.<sup>149</sup>

In both the Cipro<sup>®</sup> hypothetical and the *Decca* real-life example, the government contributed to direct infringements but escaped liability that a private individual would have incurred in like circumstances. Such examples evidence a loophole that ultimately harms patent owners.

*C. The Loophole of Assembling Infringing Inventions Abroad from Components Made in the United States*

Indirect infringement under § 271(f) adds to § 271(b) and § 271(c) only one element—that the direct infringer assemble the components of a patented invention abroad.<sup>150</sup> The “sparse” case law addressing § 271(f) has considered not only patented mechanical devices, but also components of patented chemical compositions.<sup>151</sup> The Supreme Court recently held that § 271(f) does not protect computer software as a component of inventions a direct infringer might assemble abroad when the software leaves the United States as a master disk and the master disk is copied into infringing systems abroad.<sup>152</sup>

Currently there is no case law addressing a situation where the government would not be liable to a patent owner under § 1498 but would have been liable under § 271(f) if the government were a private individual. But hypothetically speaking, the United States Army could adopt a procurement plan, whereby it contracted with multiple U.S. companies, each of which would manufacture one component of a particular weapon. Then, the Army would ship the components on separate boats to a facility it occupied in Baghdad, where it would assemble the weapon for use in battle. As a whole, these acts would constitute § 271(f) infringement if a private individual performed them.<sup>153</sup>

In another hypothetical situation, the United States could send a highly effective, patented AIDS drug to an African country. Instead of paying top dollar to the world’s only manufacturer, a U.S. corporation, the government would contract with two other U.S. companies, neither of which had any prior investment in the drug’s development. Each company

---

<sup>148</sup> See *id.* at 1169–70.

<sup>149</sup> *Id.* at 1170.

<sup>150</sup> See 35 U.S.C. § 271(f) (2000).

<sup>151</sup> See Alan M. Fisch & Brent H. Allen, *The Application of Domestic Patent Law to Exported Software: 35 U.S.C. § 271(f)*, 25 U. PA. J. INT’L ECON. L. 557, 567–70 (2004).

<sup>152</sup> See *AT&T Corp. v. Microsoft Corp.*, 127 S. Ct. 1746, 1750–51, 1757 (2007).

<sup>153</sup> See 35 U.S.C. § 271(f).

would synthesize one of the two precursor chemicals to the drug. The government then would ship the precursors to a specially built laboratory in Africa, where a United Nations technician would mix the precursors to form the drug, and would distribute pills to patients. As a whole, this too would be § 271(f) infringement if a private individual did the same.<sup>154</sup>

In both the Army weapon and the AIDS hypothetical situations, the government likely would incur no liability under § 1498(a), because all the direct infringements would have occurred abroad.<sup>155</sup> Even if § 1498(a) liability were a possibility to the full reach of § 271(f), the government easily could have maneuvered out of liability by performing the entire infringement abroad, where U.S. patent law does not reach.<sup>156</sup> Regardless, the patent holders would have been harmed by losing profits they presumably would have merited if the manufacture had occurred on U.S. soil.<sup>157</sup>

#### *D. The Loophole of Product-by-Process Infringement*

Processes are one of the five types of statutory patent subject matter.<sup>158</sup> Process patents are useful tools for inventors to gain exclusive rights over an otherwise unpatentable product through ownership of the improved method for making the product.<sup>159</sup> Anyone who performs every step of a patented process *within the United States* directly infringes the patent

---

<sup>154</sup> *See id.*

<sup>155</sup> 28 U.S.C. § 1498(c) (2000) (“The provisions of this section shall not apply to any claim arising in a foreign country.”). *See also* Ruzich, *supra* note 80, at 423 n.160, and accompanying text.

<sup>156</sup> *See* Ruzich, *supra* note 80, at 424–25.

<sup>157</sup> *See* Fisch & Allen, *supra* note 151, at 563 (describing the congressional impetus behind enacting § 271(f)). Congress recently considered repealing § 271(f). *See* Patent Reform Act of 2006, S. 3818, 109th Cong. § 5 (2006). The Patent Reform Act of 2006 never became law. The Patent Reform Act of 2007, introduced in the subsequent Congress, did not address § 271(f). *See* Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007).

<sup>158</sup> *See* 35 U.S.C. § 101 (2000).

<sup>159</sup> *See* Budde, *supra* note 77, at 291 n.5, and accompanying text. As the Supreme Court describes, without protection of processes,

[o]thers could await the results of the testing and then jump on the profit bandwagon by demanding licenses to sell the unpatented, nonstaple chemical used in the newly developed process. . . . As a result, noninventors would be almost assured of an opportunity to share in the spoils, even though they had contributed nothing to the discovery.

under § 271(a) for “using” the process.<sup>160</sup> If “anyone” is the United States government, the same liability applies under § 1498(a).<sup>161</sup>

When any part of a patented process is performed *outside the United States*, however, § 271(a) does not impose liability on the infringer.<sup>162</sup> Congress enacted § 271(g) to seal this loophole,<sup>163</sup> but in practice the United States government still slips through.<sup>164</sup> The most recent example of this, in *Zoltek v. United States*, is discussed in detail in Part III.

*E. A Finger Holding the Loopholes Open—The Foreign Country Exception of § 1498(c)*

As courts currently construe § 1498(c), the broad exception for infringing activities that arise in foreign countries unacceptably violates rights of patent owners.<sup>165</sup> Because of § 1498(c), § 1498(a) does not apply when anything short of 100% of a direct patent infringement occurs outside the United States.<sup>166</sup>

Theoretically, even if § 1498(a) *could* be used to hold the government liable for active inducement to infringe or contributory infringement, any extraterritorial aspect of a particular claim would end the analysis.<sup>167</sup> Also,

---

<sup>160</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1317 (Fed. Cir. 2005), *cert. denied*, 546 U.S. 1157 (2006).

<sup>161</sup> *Zoltek Corp. v. United States*, 442 F.3d 1345, 1350 (Fed. Cir. 2006) (per curiam), *reh'g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007).

<sup>162</sup> See Law, *supra* note 71, at 246–47.

<sup>163</sup> *Id.* at 247–48. Before § 271(g), patenting a process included a risk that the full disclosure requirements of a patent would facilitate the ability of potential infringers to learn the new process and devise a method to carry out a portion abroad to escape liability. *Id.* at 248. Another common scenario under § 271(g) deserving attention, but beyond the scope of this Comment, involves so-called network inventions. See Dinges, *supra* note 64, at 224–25. If, for example, a process involves a computer network, a clever infringer can avoid liability by moving one server overseas so that the process is never performed in its entirety in a single jurisdiction. See *id.* at 224. If the product of the patented process itself were an international network, partial product-by-process infringement would occur in multiple countries, but never would the entire invention be in use in a single country that could enforce the infringement. See *id.* at 225–31 (analyzing *NTP, Inc. v. Research In Motion*, 418 F.3d 1282 (Fed. Cir. 2005)).

<sup>164</sup> See *Zoltek*, 442 F.3d at 1350 (disallowing a § 1498(a) claim on grounds that likely would have rendered a private individual liable under § 271(g)).

<sup>165</sup> *Id.* at 1382 (Plager, J., dissenting).

<sup>166</sup> See *id.* at 1350 (per curiam).

<sup>167</sup> Hypothetically, the government could contribute to an infringement by contracting with a foreign company to supply a component of an invention to an American  
(continued)

§ 1498(c) effectively precludes all government liability analogous to the private individual actor under § 271(f) and § 271(g), both of which include an element related to activity abroad.<sup>168</sup> Noting the ease with which the government could move parts of infringements abroad, Federal Circuit Judge Plager has described the current state of § 1498(c) above all as “an invitation to strategic conduct if there ever was one.”<sup>169</sup>

*F. The Bottom Line for Inventors Injured by Governmental Patent Infringement*

This Part has outlined many of the real-world areas where the government can and does escape liability for acts that would subject a private individual to liability. Before the next Part explores how recent developments have affected governmental liability for acts resembling patent infringement, a concise summary of the preceding statutory framework will clarify the critical issues.

The injured patent holder must seek a remedy from a government that must first consent to be sued.<sup>170</sup> For the benefit of patent holders, Congress provided the consent to be sued by enacting § 1498(a), but courts construe the statute with respect to only certain direct infringements that occur entirely within the United States.<sup>171</sup> One attempted but unsuccessful alternative theory of recovery by an aggrieved patent owner involved using the Tucker Act to invoke the Fifth Amendment Takings Clause.<sup>172</sup>

If the Fifth Amendment does not apply to governmental patent infringements, the only weapon against the government in the arsenal of patent holder is § 1498.<sup>173</sup> Thus, the fairness and adequacy of § 1498 become paramount. The remainder of this Comment will illustrate how § 1498 is neither fair nor adequate and will call on Congress to act to

---

manufacturer that is not operating under an “authorization or consent” clause. Government defense counsel would undoubtedly insist the contributory act arose in a foreign country, precluding government liability even though the American manufacturer creates an infringing product within the United States.

<sup>168</sup> See Law, *supra* note 71, at 247–49.

<sup>169</sup> *Zoltek*, 442 F.3d at 1382 (Plager, J., dissenting).

<sup>170</sup> *United States v. Sherwood*, 312 U.S. 584, 586 (1941).

<sup>171</sup> *Zoltek*, 442 F.3d at 1350 (per curiam).

<sup>172</sup> See *Zoltek Corp. v. United States*, 58 Fed. Cl. 688, 695 (2003), *overruled in part* 442 F.3d 1345 (Fed. Cir. 2006).

<sup>173</sup> *Zoltek*, 442 F.3d at 1353 (describing § 1498 as “the remedy that Congress fashioned specifically to compensate patentees for the use of their patents by the federal government”).

provide patent owners the necessary protection against the types of governmental infringement currently beyond the reach of § 1498.

### III. ENTER *ZOLTEK V. UNITED STATES*—THE FIFTH AMENDMENT DOES NOT APPLY TO PATENTS

In 2006 the Federal Circuit directly addressed both the Fifth Amendment takings issue and the § 1498 issue as what a dissenting judge called “both matters of first impression.”<sup>174</sup> This Part summarizes the most important holdings and arguments of the *Zoltek* case, all of which will be material to the analysis of the status of protections remaining for inventors against the United States in Part IV.

#### A. *Factual Background*

Zoltek Corporation was an assignee of a United States patent for carbon fiber sheets or mats with controllable surface resistivities.<sup>175</sup> The patent at issue included process claims involving forming carbon fibers and weaving them into a finished mat.<sup>176</sup> As part of a contract with the United States to build F-22 stealth fighter jets, Lockheed Martin Corporation subcontracted to two Japanese companies the manufacture of two types of fiber products covered in the patent.<sup>177</sup> The first company processed fiber mats totally in Japan and imported them into the United States.<sup>178</sup> The second company manufactured fibers in Japan and imported them into the United States, whereupon the fibers were woven into mats.<sup>179</sup> Zoltek sued the government under § 1498 in the Court of Federal Claims.<sup>180</sup>

#### B. *In the Court of Federal Claims the Takings Issue Arises*

In the Court of Federal Claims, the government moved for partial summary judgment by invoking the foreign claim exception in § 1498(c).<sup>181</sup> Previously, courts had held that the “arising in a foreign country” restriction was triggered when any single step of a process patent

---

<sup>174</sup> *Id.* at 1370 (Plager, J., dissenting). One commentator points out, however, that in fact an expansive jurisprudence from the nineteenth century on the takings issue eludes modern scholars and Judge Plager alike. See Mossoff, *supra* note 37, at 696.

<sup>175</sup> *Zoltek*, 442 F.3d at 1347 (per curiam).

<sup>176</sup> *Id.* at 1347–48.

<sup>177</sup> *Id.* at 1349.

<sup>178</sup> *Id.*

<sup>179</sup> *Id.*

<sup>180</sup> *Id.*

<sup>181</sup> *Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 831–32 (2002).

is performed outside the United States.<sup>182</sup> Hence, the government argued, the steps carried out in Japan would cause the Court of Claims to lack subject matter jurisdiction under § 1498.<sup>183</sup>

Zoltek moved the court to allow supplemental briefing on the Takings Clause implications of want of jurisdiction under § 1498, and ultimately the court refused to grant summary judgment.<sup>184</sup> Instead, Chief Judge Damich ordered Zoltek to amend its complaint to include a Fifth Amendment takings claim.<sup>185</sup> The Court of Appeals for the Federal Circuit accepted interlocutory appeals from both parties.<sup>186</sup>

### C. *In the Court of Appeals for the Federal Circuit the Takings Issue Falls*

#### 1. *Per Curiam Opinion*

In a per curiam opinion, a three-judge panel of the Federal Circuit agreed with the Court of Claims that § 1498(a) was unavailable to Zoltek.<sup>187</sup> But the Federal Circuit did not hold, as the Court of Claims had, that the foreign claim exception in § 1498(c) caused subject-matter jurisdiction to fail.<sup>188</sup> Instead, the Federal Circuit relied on *NTP, Inc. v. Research in Motion, Ltd.*,<sup>189</sup> which held that jurisdiction under § 1498(a) required that *every step* of a contested process (1) meet the requirements for direct infringement under § 271(a), and (2) be performed within the United States.<sup>190</sup>

In analyzing Zoltek's takings claim, the court held itself bound under the 1894 Supreme Court case *Schillinger v. United States*,<sup>191</sup> which, so the court explained, precluded use of the Tucker Act to sue the government for patent infringement as a Fifth Amendment taking.<sup>192</sup> Thus, with the Fifth Amendment claim knocked out, the Court of Claims lacked jurisdiction over Zoltek's infringement suit.<sup>193</sup> Each of the three panel judges filed a

---

<sup>182</sup> *Id.* at 836.

<sup>183</sup> *Id.*

<sup>184</sup> *Zoltek Corp. v. United States*, 58 Fed. Cl. 688, 695–706 (2003).

<sup>185</sup> *Id.* at 707.

<sup>186</sup> *Zoltek Corp. v. United States*, 442 F.3d 1345, 1349 (Fed. Cir. 2006) (per curiam), *reh'g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007).

<sup>187</sup> *Id.*

<sup>188</sup> *Cf. Zoltek*, 51 Fed. Cl. at 836.

<sup>189</sup> 418 F.3d 1282 (Fed. Cir. 2005).

<sup>190</sup> *Zoltek*, 442 F.3d at 1350.

<sup>191</sup> 155 U.S. 163 (1894).

<sup>192</sup> *Zoltek*, 442 F.3d at 1350.

<sup>193</sup> *Id.* at 1353.

separate opinion in addition to the per curiam opinion, with two judges concurring and one dissenting.<sup>194</sup>

## 2. Judge Gajarsa's Concurrence

Circuit Judge Gajarsa concurred but suggested that analysis under the foreign country exception of § 1498(c) alone could have sufficed for the court to conclude § 1498(a) barred Zoltek's claims.<sup>195</sup> Interestingly, Judge Gajarsa began by stating, "the *NTP* proposition is . . . the result of an unchecked propagation of error in our case law, and its viability may eventually be challenged."<sup>196</sup> The so-called propagation of error began with *Decca v. United States*,<sup>197</sup> in which the Federal Circuit held that the government could be liable for only direct infringements.<sup>198</sup> But the *Decca* opinion did not require that the requirements of § 271(a) be imported into § 1498(a).<sup>199</sup> In fact, *Decca* did not even mention § 271(a).<sup>200</sup>

The import of § 271(a) into § 1498(a) resulted from dicta in a footnote in a later case, *Motorola, Inc. v. United States*.<sup>201</sup> *Motorola* offered *Decca* as support for the proposition that "the Government can only be sued for any direct infringement of a patent (35 U.S.C. § 271(a)), and not for inducing infringement (section 271(b)) or for contributory infringement (section 271(c))."<sup>202</sup> Judge Gajarsa described the result to the jurisprudence as a careless extension of *Decca* that provided an unsound basis for *NTP*.<sup>203</sup> Hence, he felt obliged to offer his alternative analysis for *Zoltek*.<sup>204</sup> As to the Takings Clause issue, Judge Gajarsa dismissed § 1498(a) as a specific remedy provision under a limited waiver of

---

<sup>194</sup> Judge Gajarsa concurred, *id.* at 1353–67; Judge Dyk concurred, *id.* at 1367–70; and Judge Plager dissented, *id.* at 1370–85.

<sup>195</sup> *Id.* at 1366 (Gajarsa, J., concurring).

<sup>196</sup> *Id.* at 1353. The *NTP* proposition being that liability of the United States under § 1498(a) requires direct infringement under § 271(a), entirely within the United States. *Id.* at 1356.

<sup>197</sup> 640 F.2d 1156 (Ct. Cl. 1980).

<sup>198</sup> *Zoltek*, 442 F.3d at 1354 (Gajarsa, J., concurring).

<sup>199</sup> *Id.*

<sup>200</sup> *Id.*

<sup>201</sup> *Motorola v. United States*, 729 F.2d 765, 768 n.3 (Fed. Cir. 1984).

<sup>202</sup> *Zoltek*, 442 F.3d at 1354 (citing *Motorola*, 729 F.2d at 768 n.3).

<sup>203</sup> *Id.*

<sup>204</sup> *Id.* at 1353.

sovereign immunity, not as a statute requiring Fifth Amendment scrutiny.<sup>205</sup>

### 3. Judge Dyk's Concurrence

Circuit Judge Dyk accepted the *NTP* proposition<sup>206</sup> as valid and reasoned further that, regardless of the holding from *Schillinger* that precluded a Fifth Amendment claim, no taking from Zoltek occurred.<sup>207</sup> Based on *NTP*, he insisted that the maximum extent of governmental liability under § 1498(a) must be to the “same conduct [that] would render a private party liable for infringement under section 271(a).”<sup>208</sup> He reasoned that, because under § 271(a) a private party is liable for only those infringements that occur within the United States, limiting governmental liability similarly cannot effect a Fifth Amendment taking.<sup>209</sup>

### 4. Judge Plager's Dissent

Judge Plager's dissent in *Zoltek* sharply criticized the court's per curiam opinion, with respect both to the Fifth Amendment and § 1498. On the takings issue, Judge Plager distinguished *Schillinger* as an early example of the Supreme Court's construing the jurisdictional reach of the Tucker Act.<sup>210</sup> The plaintiff in *Schillinger* attempted to frame patent infringement as not merely a tort, but also as a breach of contract.<sup>211</sup> Because the Tucker Act reaches only claims not involving torts, the plaintiff in *Schillinger* theorized that adding a contract component to patent infringement would afford subject matter jurisdiction where it otherwise would have been lacking.<sup>212</sup>

According to Judge Plager, the *Schillinger* Court indeed rejected suing the government for patent infringement under the Tucker Act via a contract theory.<sup>213</sup> But at such an early stage in the judicial treatment of the Tucker Act, the Court did was *not* rejecting the use of the Tucker Act to state a Fifth Amendment claim of taken patent rights.<sup>214</sup> In fact, as the Supreme

---

<sup>205</sup> *Id.* at 1366–67.

<sup>206</sup> *See supra* note 196.

<sup>207</sup> *Zoltek*, 442 F.3d at 1370 (Dyk, J., concurring).

<sup>208</sup> *Id.* at 1368.

<sup>209</sup> *Id.* at 1370.

<sup>210</sup> *Id.* at 1375 (Plager, J., dissenting).

<sup>211</sup> *Id.*

<sup>212</sup> *Id.*

<sup>213</sup> *Id.*

<sup>214</sup> *Id.* at 1376.

Court recognized in the later case *Jacobs v. United States*,<sup>215</sup> Fifth Amendment takings claims in general do not require a separate statutory basis,<sup>216</sup> be it the Tucker Act or § 1498. To view § 1498 as somehow limiting a right to just compensation would be to say that Congress could “by the stroke of the legislative pen, . . . withhold the remedies and revoke the protections given to the citizenry by the Fifth Amendment.”<sup>217</sup> Therefore, he reasoned, the statutory rights and the constitutional rights must be considered separately.<sup>218</sup>

On the court’s reading of § 1498, Judge Plager objected to the idea that every step of a method patent must be performed within the United States if triggering the § 1498(c) exception to governmental waiver of immunity is to be avoided.<sup>219</sup> Essentially, if § 1498(a) imports this requirement from § 271(a), as a whole § 1498(c) would be rendered meaningless in violation of a primary rule of statutory construction.<sup>220</sup> Moreover, if a method comprises many steps, arranging for one or more steps to occur outside the United States would be well worth the trouble if doing so would automatically avoid all possibility of infringement liability.<sup>221</sup>

Judge Plager would require that § 1498(c) apply only when “*all* steps of the method are practiced abroad, thus causing the claim to be one ‘arising in a foreign country.’”<sup>222</sup> Thus, Zoltek could sue under § 1498 for damages related to the fibers made in Japan but assembled into mats in the United States and under the Takings Clause for just compensation due from the fiber mats wholly assembled outside the United States.<sup>223</sup>

---

<sup>215</sup> 290 U.S. 13 (1933).

<sup>216</sup> *Zoltek*, 442 F.3d at 1356 (Plager, J., dissenting) (describing takings a claim as “understood to be neither a tort claim nor a contract claim, but a separate cause arising out of the self-executing language of the Fifth Amendment.”).

<sup>217</sup> *Id.* at 1378.

<sup>218</sup> *Id.* (“[T]he existence of a proper takings claim is an issue wholly independent of whether under § 1498 there is a valid claim that triggers a remedy under that statute. . . . The mixing and merging of these two separate legal concepts . . . leads . . . to an erroneous conclusion.”).

<sup>219</sup> *Id.* at 1379.

<sup>220</sup> *Id.* at 1381.

<sup>221</sup> *Id.* at 1382.

<sup>222</sup> *Id.*

<sup>223</sup> *Id.* at 1385.

*D. Rehearing En Banc Denied, But Not Without a Fight*

Soon after the panel released its opinion, Zoltek petitioned for both a panel rehearing and a rehearing *en banc*.<sup>224</sup> Attached to the order denying both petitions were a dissent by Judge Newman and a concurrence by Judges Dyk and Gajarsa.<sup>225</sup>

Judge Newman's dissent expanded on Judge Plager's arguments from the panel opinion by extensively quoting legislative history.<sup>226</sup> It also introduced the argument that, under the panel holding and in light of other case law, patents would have narrower constitutional protection than trade secrets (a form of intellectual property) and other intangible interests such as materialman's liens, real estate liens, and valid contracts.<sup>227</sup> The Dyk and Gajarsa concurrence essentially repeated analysis from the concurrences attached to the panel opinion.<sup>228</sup>

*E. Petition for Certiorari Denied—§ 1498 Is All There Is Left*

Zoltek raised two questions in a petition to the Supreme Court for a writ of certiorari:

1. Whether conduct by the government through its authorized contractors that would otherwise constitute patent infringement under § 271(g) or § 271(a) is a taking of property subject to the Fifth Amendment? [and]

2. Whether a patent-holder can seek comeption in the Court of Federal Claims for such otherwise infringing conduct either: (A) under § 1498, notwithstanding that some or all steps of the process were performed outside the United States; or, if not, (B) as a claim for just compensation under the Fifth Amendment cognizable pursuant to the Tucker Act, 28 U.S.C. § 1491(a)?<sup>229</sup>

---

<sup>224</sup> Zoltek Corp. v. United States, 464 F.3d 1335 (Fed. Cir. 2006).

<sup>225</sup> *Id.* at 1335–36.

<sup>226</sup> *Id.* at 1337–38 (Newman, J., dissenting).

<sup>227</sup> *Id.* at 1338. The Supreme Court held in *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986 (1984), that trade secrets are constitutionally protected property. *Id.*

<sup>228</sup> *See id.* at 1339 (Dyk, J., concurring).

<sup>229</sup> Petition for Writ of Certiorari at i, Zoltek Corp. v. United States, 127 S. Ct. 2936 (2007) (No. 06-1155), 2007 WL 550329.

Zoltek described the Federal Circuit's holding as having "tremendous national importance" and predicted "a devastating national effect."<sup>230</sup> The effects would extend from the defense industry<sup>231</sup> into pharmaceuticals.<sup>232</sup>

Three groups submitted briefs amici curiae in favor of the Court's granting Zoltek's certiorari petition. The first was signed by twenty-eight law professors, including Professor Mossoff of Michigan State University College of Law and Professor Epstein of the University of Chicago Law School.<sup>233</sup> The professors were "united in their professional opinion that [the Supreme] Court and lower federal courts have historically secured patents under the Takings Clause as constitutional private property."<sup>234</sup> The second brief, from the Nanobusiness Alliance, argued in part that § 1498(a) extends on a plain reading across the full scope of actions for which a private individual would be liable under § 271.<sup>235</sup> The third brief came from the Federal Circuit's own bar association and strongly advocated that the Supreme Court consider what the Association believed the Federal Circuit had decided wrongly.<sup>236</sup>

In response, the United States doubted that Zoltek's case was one of exceptional importance and that "the proper body to address [the] concerns is Congress, not [the Supreme Court]."<sup>237</sup> For reasons known only to the Justices, the Supreme Court denied Zoltek's petition for certiorari.<sup>238</sup> Thus, with the Court of last resort effectively removing the Fifth Amendment from discussion, patent owners were left to rely on solely the inadequate and woefully outdated protection of § 1498(a).

---

<sup>230</sup> *Id.* at 14.

<sup>231</sup> *Id.* at 15.

<sup>232</sup> *Id.* at 16.

<sup>233</sup> Brief of Twenty-Eight Law Professors as Amici Curiae in Support of Petitioner, *Zoltek*, 127 S. Ct. 2936 (No. 06-1155), 2007 WL 1453848.

<sup>234</sup> *Id.* at 1.

<sup>235</sup> Nanobusiness Alliance Brief Amicus Curiae in Support of Petitioner, *Zoltek Corp.* at 16–20, *Zoltek*, 127 S. Ct. 2936 (No. 06-1155), 2007 WL 1434957.

<sup>236</sup> *See generally* Brief of Amicus Curiae Federal Circuit Bar Association in Support of Petitioner, *Zoltek*, 127 S. Ct. 2936 (No. 06-1155), 2007 WL 1410671.

<sup>237</sup> *See* Brief for the United States in Opposition at 20, *Zoltek*, 127 S. Ct. 2936 (No. 06-1155), 2007 WL 1420557.

<sup>238</sup> *Zoltek Corp. v. United States*, 127 S. Ct. 2936 (2007).

#### IV. HOW FAR CAN WE STRETCH § 1498 TO PROTECT THE INVENTORS ADEQUATELY?

Perhaps one day the Supreme Court will accept a different case and rule clearly on the question of applying the Fifth Amendment to patent infringements by the United States. In the meantime, § 1498(a) is all the patent owners have left against the government. Without attempting to advocate either side of the takings debate, the remainder of this Comment simply accepts this outcome.<sup>239</sup> This final Part analyzes how, by not permitting Fifth Amendment just compensation, the very entity that grants patent rights remains free to invade and steal the same rights from unprotected inventors and patent owners.

As discussed above, if governmental liability under § 1498 is limited to acts of direct patent infringement as defined by § 271(a) only, then many loopholes remain that permit the government to diminish the values of patents.<sup>240</sup> This Part focuses on active inducement to infringe and contributory infringement by the government to argue that *Zoltek* may have already opened the doors for courts to consider holding the government liable. As discussed in Part II.E, governmental acts that implicate either § 271(f) and § 271(g) would be difficult to argue as incurring liability under § 1498(a) until Congress changes § 1498(c).<sup>241</sup> For this reason, discussion over these types of acts is left for another day.

##### A. *The Propriety of Reading Section 271(a) Requirements into Section 1498(a)*

Because Congress left many of the elements of § 1498(a) undefined, courts have filled in the legislative gaps by interpreting the limits of the government's § 1498(a) liability as equivalent to—or more appropriately stated, as parallel to those of—a private individual who directly infringes a patent under § 271(a).<sup>242</sup> The line of cases that brings modern courts to

---

<sup>239</sup> See *Zoltek v. United States*, 442 F.3d 1345, 1353 (2006).

<sup>240</sup> See Part II, *supra*.

<sup>241</sup> See Part II.E, *supra*.

<sup>242</sup> *Motorola, Inc. v. United States*, 729 F.2d 765, 768 (Fed. Cir. 1984) (citing the court of *Calhoun v. United States*, 453 F.2d 1385, 1391 (Ct. Cl 1972), which recognized that 28 U.S.C. § 1498 actions were parallel but not identical to actions under Title 35). Particularly, eminent domain-type § 1498 actions differ from tort-type Title 35 actions in that certain punitive damages, attorney fees, and injunctive relief available under Title 35 would, if awarded, cause a plaintiff to be compensated beyond the value of what the government had actually taken. See *id.* at 768 n.3.

this interpretation ends at a *Zoltek* court<sup>243</sup> that relied on the *NTP* court,<sup>244</sup> which had relied on the *Motorola* court<sup>245</sup> that had relied on the *Decca* court.<sup>246</sup> For this reason, the reasoning of the *Decca* court, the root of the problem, deserves further scrutiny.

In *Decca*, the Court of Claims overturned part of the trial judge's holding that damages under § 1498(a) were due the plaintiff, Decca, for instances when the United States had actively induced infringement and contributed to the infringement of Decca's patent.<sup>247</sup> The court reasoned that "[s]ection 1498 expressly waives the Government's sovereign immunity only with respect to governmental direct infringement," noting that "[n]owhere in the section is active inducement of infringement or contributory infringement mentioned, either directly or by cross-reference to 35 U.S.C. §§ 271(b) and (c)."<sup>248</sup>

The court followed this argument with a footnote that described § 1498 as an authorization for "eminent domain taking of a patent license."<sup>249</sup> "Active inducement of infringement and contributory infringement," the court noted further, "sound in tort," and "are descriptive terms for conduct which does not involve the Government's making or using a patented invention and thereby exercising its eminent domain power to take a patent license."<sup>250</sup>

Two issues immediately become obvious from the *Decca* footnote: (1) Does the "direct infringement" to which the government has ostensibly waived its sovereign immunity mean "infringement under 35 U.S.C. § 271(a)"; and (2) Was the *Decca* court correct in holding that active inducement of infringement and contributory infringement are not acts to which the government has waived its sovereign immunity, and even if so, should the holding still apply post-*Zoltek*?

---

<sup>243</sup> *Zoltek*, 442 F.3d at 1350.

<sup>244</sup> *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282, 1316 (Fed. Cir. 2005).

<sup>245</sup> *Motorola*, 729 F.3d at 768 n.3.

<sup>246</sup> *Decca, Ltd. v. United States*, 640 F.2d 1156, 1170 (Ct. Cl. 1980).

<sup>247</sup> *Id.*

<sup>248</sup> *Id.*

<sup>249</sup> *Id.* at 1170 n.31 (citing *Leesona Corp. v. United States*, 599 F.2d 958, 966 (Ct. Cl. 1979)).

<sup>250</sup> *Id.*

*I. Section 271 Infringement Does Not Equal Section 1498 Liability*

Judge Gajarsa discussed the first issue in depth in his concurring opinion to *Zoltek*.<sup>251</sup> Recall that the *Motorola* court, according to Gajarsa, had “carelessly extended the *Decca* holding” by declaring in dictum citing *Decca* that “the Government can only be sued for any direct infringement of a patent (35 U.S.C. § 271(a)).”<sup>252</sup> The *NTP* court had cited the *Motorola* footnote in its holding, making it binding precedent in *Zoltek*.<sup>253</sup> Though a § 1498 analysis would in part parallel a § 271(a) analysis, notably in requiring a claim construction and a determination of whether construed claims read on an allegedly infringing device,<sup>254</sup> both statutes inhere different rights and remedies.<sup>255</sup> As such, Judge Gajarsa concludes, § 271(a) cannot be argued as the basis for liability under § 1498(a).<sup>256</sup> That is to say, the *Decca* court’s “direct infringement” with regard to § 1498(a) is not the same as a full § 271(a) claim.<sup>257</sup>

*a. Historical Underpinnings of Decca*

A contributing factor to the confusion of connecting § 271 and § 1498, propagated through years of interpreting § 1498, no doubt concerns the absence of the word “infringement” from within § 1498(a).<sup>258</sup> Certainly

---

<sup>251</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1353–58 (Fed. Cir. 2006) (Gajarsa, J., concurring).

<sup>252</sup> *Id.* at 1354.

<sup>253</sup> See *id.* at 1358.

<sup>254</sup> *Id.* at 1356 n.1.

<sup>255</sup> *Id.* at 1356. Most notably, according to the statute itself, infringing actions under § 271(a) must occur within the United States. 35 U.S.C. § 271(a) (2000). Importing § 271(a) into § 1498(a), which does not list such a requirement, would render superfluous § 1498(c), the foreign claim exception. *Zoltek*, 442 F.3d at 1366 (Gajarsa, J., concurring).

<sup>256</sup> *Zoltek*, 442 F.3d at 1356 (Gajarsa, J., concurring).

<sup>257</sup> *Id.*

<sup>258</sup> See Lipson, *supra* note 110, at 244 (introducing how courts result to analogizing the Title 35 requirements for infringement suits when handling cases under the Title 28 cause of action under § 1498). Interestingly, § 1498(b), the sister provision of § 1498(a) regarding governmental copyright infringement, *does* include the word infringement. See 28 U.S.C. § 1498(b) (2000). Unlike in patent law, however, there is currently no statutory distinction between direct and indirect copyright infringement, the latter of which is a product of the common law. See *Online Pol’y Group v. Diebold, Inc.*, 337 F. Supp. 2d 1195, 1199–1200 (N.D. Cal. 2004) (“There is no statutory rule of liability for contributory [copyright] infringement. However, courts recognize such liability when the defendant

(continued)

one could argue that, because “[w]henver an invention described in and covered by a patent of the United States is used or manufactured by or for the United States”<sup>259</sup> substantially overlaps “whoever without authority makes [or] uses . . . any patented invention . . . infringes the patent,”<sup>260</sup> at least some wisdom from courts interpreting the latter could be useful to courts interpreting the former. But where, truly, are the limits to which courts may fill in legislative blanks in the interest of making their analyses more convenient?<sup>261</sup> Especially concerning is the evolution of the term “direct infringement” by the federal government as synonymous with the notion of the government’s “taking” a compulsory license by eminent domain.<sup>262</sup> The history extends back at least 120 years.<sup>263</sup>

---

‘with the knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another.’).

Moreover, statutory copyright infringement is defined much more broadly than patent infringement, in a way that arguably requires less of a logical leap to give rise to a doctrine of contributory infringement. See 17 U.S.C. § 501(a) (2000) (“*Anyone who violates* any of the exclusive rights of the copyright owner as provided by sections 106 through 122 or of the author as provided in section 106A(a) . . . is an infringer of the copyright or right of the author, as the case may be.”) (emphasis added). Yet, the legislative history of § 1498(b) casts some doubt on congressional intent to include common law rights, even when they are recognized but not explicitly stated within statutes. See H.R. REP. NO. 86-624, at 9 (1959) (“It appears, however, that the proposed legislation does not cover infringements of common law property rights in unpublished works. Such rights are recognized in section 2 of title 17 of the United States Code. They are not expressly protected by the copyright laws.”).

In possibly the only Federal Circuit case addressing contributory copyright infringement by the government, even under such a broad definition, the rule of nonliability under § 1498(b) for anything less than direct copyright infringement was the same as for patents under § 1498(a). See *Boyle v. United States*, 200 F.3d 1369, 1373 (Fed. Cir. 2000).

<sup>259</sup> 28 U.S.C. § 1498(a) (2000).

<sup>260</sup> 35 U.S.C. § 271(a).

<sup>261</sup> Sometimes disclaiming that the standards of § 1498 actions are parallel but “not identical to the standards of infringement under 35 U.S.C. § 271,” courts offer in their analyses the premise that “‘infringement’ as a familiar term *accurately* describing the central and relevant requirements of § 1498.” See *Messerschmidt v. United States*, 29 Fed. Cl. 1, 44 (1993) (emphasis added).

<sup>262</sup> This was the premise solidified in *Decca*. See *Decca v. United States*, 640 F.2d 1156, 1170 (Ct. Cl. 1980).

<sup>263</sup> The figure of 120 years results from using *James v. Campbell*, 104 U.S. 356 (1881), as the point from which modern courts’ idea of the taking of a compulsory license began to evolve, not from the first instances when cases considered whether patents were

(continued)

In 1881, the Supreme Court heard *James v. Campbell*, in which Campbell sued James, the Postmaster General, for infringing his patent on an improved machine for cancelling stamps.<sup>264</sup> The Court began its opinion intimating that the grant of a patent confers an exclusive property right that “cannot be appropriated or used by the government itself, without just compensation.”<sup>265</sup> Some argue the previous statement is a dictum,<sup>266</sup> however, because the Court eventually ruled against Campbell on the invalidity of his patent, not on the issue of right to compensation for the alleged taking.<sup>267</sup>

A few years later, Schillinger sued the government in the Court of Claims, after the government had wrongfully used his patented method for concrete stone paving to improve landscaping around the United States Capitol.<sup>268</sup> To avail himself of the newly passed Tucker Act,<sup>269</sup> Schillinger argued that the government’s unauthorized appropriation of a license to his granted patent formed an implied contract obligating the government to pay him.<sup>270</sup> In other words, patent infringement by the government without remuneration for the appropriated license constituted breach of the implied contract.<sup>271</sup> The Supreme Court, affirming the lower court’s dismissal, steadfastly held that “not only does the petition count upon a tort, but also the findings show a tort.”<sup>272</sup>

In dissent, Justice Harlan looked to *James* to assert that the government’s infringement fell within the jurisdiction of Tucker Act—not

---

constitutionally protected property—an idea that one can trace back even earlier. See Mossoff, *supra* note 43, at 702 (“In *McClurg v. Kingsland* [42 U.S. (1 How.) 202 (1843)], the Supreme Court began laying groundwork for applying the Takings Clause to the property rights secured in patents . . .”).

<sup>264</sup> *James*, 104 U.S. at 359.

<sup>265</sup> *Id.* at 358.

<sup>266</sup> Mossoff, *supra* note 37, at 708; Cotter, *supra* note 37, at 543.

<sup>267</sup> See *James*, 104 U.S. at 383.

<sup>268</sup> *Schillinger v. United States*, 155 U.S. 163, 164–65 (1894).

<sup>269</sup> Act of March 3, 1887, 24 Stat. 505 (codified as amended at 28 U.S.C. § 1491 (2000)). The Tucker Act grants jurisdiction on claims founded upon “any express or implied contract with the United States, or for liquidated or unliquidated damages in cases not sounding in tort.” 28 U.S.C. § 1491(a)(1). At the time of *Schillinger*, the predecessor act to modern § 1498(a) had not yet been passed. See *Zoltek v. United States*, 442 F.3d 1345, 1351 (Fed. Cir. 2006) (noting that the Patent Act of 1910 was the predecessor to modern § 1498).

<sup>270</sup> *Schillinger*, 155 U.S. at 167.

<sup>271</sup> See *id.*

<sup>272</sup> *Id.* at 170.

under an implied contract theory as Schillinger had suggested—but rather, under the *Constitution* viewed as a “covenant between the government and every citizen whose property is appropriated by it for public use.”<sup>273</sup> Alternatively, Harlan suggested the claim for just compensation arose simply under the Constitution, and he described what appeared to be a Fifth Amendment claim.<sup>274</sup>

Actions under present-day § 1498 acquired their disputed sounding in eminent domain soon after the Act of 1910 that eventually became § 1498(a).<sup>275</sup> In *Crozier v. Krupp*, the Supreme Court considered whether, under the 1910 Act, a maker of patented guns could sue a United States Army officer for infringement in the Court of Claims instead of seeking an injunction in a district court.<sup>276</sup> In ruling the district court’s dismissal as proper and instructing the plaintiff to file a complaint in the Court of Claims, the Supreme Court was deciding a question of jurisdiction with respect to claims under the 1910 Act against officers of the United States.<sup>277</sup> Outside of the jurisdictional holding, however, the Court connected the governmental infringement at bar with eminent domain, explaining:

In substance, therefore, in this case, in view of the public nature of the subjects with which the patents in question are concerned and the undoubted authority of the United States as to such subjects to exert the power of eminent domain, the statute, looking at the substance of things, provides for the appropriation of a license to use the inventions, the appropriation thus made being sanctioned by the means of compensation for which the statute provides.<sup>278</sup>

---

<sup>273</sup> *Id.* at 177 (Harlan, J., dissenting).

<sup>274</sup> *Id.* at 179. This is relevant because the Tucker Act grants jurisdiction to render judgment also on any claim founded “upon the Constitution.” 28 U.S.C. 1491(a)(1).

<sup>275</sup> See Cotter, *supra* note 37, at 542.

<sup>276</sup> *Crozier v. Fried. Krupp Aktiengesellschaft*, 224 U.S. 290, 301 (1912).

<sup>277</sup> See *id.* at 305 (“[I]t remains only to determine whether its [the Act of 1910’s] provisions are adequate to sustain and justify giving effect to its plain and beneficent purpose to furnish additional protection to owners of patents when their rights are infringed by the officers of the government in the discharge of their public duties.”).

<sup>278</sup> *Id.*

*b. Decca Had It Wrong from the Beginning*

More than a century later, to represent § 1498 as sounding in eminent domain, the *Decca* court relied heavily on an explanation of the *Crozier* dicta—which the Court of Claims had recently offered in *Leesona v. United States*.<sup>279</sup> *Leesona* advanced eminent domain as a means by which ordinarily wrongful acts by the government become rightful.<sup>280</sup> As such, though a party aggrieved by a taking may seek appropriate compensation for what was taken, the damages incident to the wrongful, tortious act are no longer available once the eminent domain power makes the act rightful in the eyes of the law.<sup>281</sup> Nothing with this proposition truly offends any of the prior holdings on the view of governmental patent infringement.<sup>282</sup> But the *Decca* court made some astounding leaps from where *Leesona* left off. Suddenly, and without added authority,

---

<sup>279</sup> See *Decca, Ltd. v. United States*, 640 F.2d 1156, 1170 n.31 (Ct. Cl. 1980).

<sup>280</sup> *Leesona Corp. v. United States*, 599 F.2d 958, 967 (Ct. Cl. 1979). The plaintiff in *Leesona* sought compensation not only for a taken license under § 1498(a), but also for punitive damages against the government's bad faith infringement of Leesona Corporation's patent. See *id.* at 964–66. Applying ideas from *Crozier*, the court held that § 1498 damages must be determined under an eminent domain theory, as opposed to a tort theory. *Id.* at 966–67. Eminent domain compensation is limited to the value of what the government has taken (“reasonable and entire compensation”), whereas tort compensation could include additional damages. See *id.* at 967.

<sup>281</sup> See *id.* at 968.

<sup>282</sup> In *De Graffenried v. United States*, the late Judge Andewelt of the Court of Federal Claims construed actions under § 1498(a) as not being “eminent domain proceedings” under the Equal Access to Justice Act (28 U.S.C. § 2412(d)(2)(H) (2000)). *De Graffenried v. United States*, 29 Fed. Cl. 384, 386–87 (1993). Andewelt's takings analysis supporting the holding found a few sharp critics. See, e.g., *Zoltek Corp. v. United States*, 58 Fed. Cl. 688, 698–700 (2003); Lavenue, *supra* note 79, at 471–72. No intent is present to advocate either position here. But interestingly, one of Andewelt's observations preceding his takings analysis is especially relevant. Regarding the quote from *Leesona* (see *supra* text accompanying notes 249 and 250), Andewelt declared, “[t]hese statements . . . are not controlling in the instant action because they constitute *dicta* . . . . [T]he *Leesona* court indicated that Section 1498 was founded upon ‘an eminent domain *theory*’ . . . and was ‘*essentially* an Act to authorize the eminent domain taking of a patent license’ . . . .” *De Graffenried*, 29 Fed. Cl. at 386–87. Calling the *Leesona* quotes “*dicta*” was likely incorrect. See *Zoltek*, 58 Fed. Cl. at 698 n.16. But in a sense, the words he emphasized (especially *theory*) seem to indicate a workable solution to this puzzle: though § 1498(a) involves eminent domain, eminent domain cannot completely describe § 1498(a).

[b]ecause section 1498 is an eminent domain action, the Government has consented thereunder only to be sued for its taking of a patent license. Expressed differently, section 1498 is a waiver of sovereign immunity *only* with respect to a direct governmental infringement of a patent. Activities of the Government which fall short of direct infringement do not give rise to governmental liability because the Government has not waived its sovereign immunity with respect to such activities.<sup>283</sup>

This *ipse dixit* suffers a fatal pattern of circular reasoning. For the sake of argument, say that the government is liable under § 1498(a) when, but only when, it has “taken” a patent license. A patent license was defined previously as permission (granted by or “taken” from its owner) to perform infringing acts without fear of being sued.<sup>284</sup> The *Decca* court suspiciously redefines issues on both sides of the logical equation to set a precedent.

That is to say, to conclude no § 1498(a) liability for indirect infringement, the court *must assume a priori* that indirect infringement is not the type of “manufacture or use by or for the Government” for which the government is liable under § 1498(a). Otherwise, the government would need a license to indirectly infringe a patent, and when it indirectly infringed the patent it would “take” such license, subjecting it to § 1498(a) liability. What better way to avoid this logical trap than to simply redefine “license” in terms of only direct infringement!

If a license to indirectly infringe cannot exist, no taking, and hence no § 1498(a) liability, can ever result. The only valid way to address this argument is to assess directly, through legislative history or by other means, the government’s consent to be sued.<sup>285</sup>

*c. Decca Is Even More Wrong After Zoltek*

*Zoltek* was the first case to address *directly* a Fifth Amendment cause of action against the government for patent infringement.<sup>286</sup> Given that patents are not Fifth Amendment compensable property interests, consider

---

<sup>283</sup> *Decca*, 640 F.2d at 1167 (emphasis added).

<sup>284</sup> See *supra* note 100 and accompanying text.

<sup>285</sup> See *Crandon v. United States*, 494 U.S. 152, 158 (1990) (noting that proper statutory interpretation technique requires a court to look “not only to the particular statutory language, but to the design of the statute as a whole and to its object and policy”).

<sup>286</sup> *Zoltek v. United States*, 442 F.3d 1345, 1371 (Fed. Cir. 2006) (Plager, J., dissenting) (“Until this case, this issue has never been addressed directly by this or any other court.”).

the following summary of the eminent domain takings argument with respect to government patent infringement: First, governmental patent infringement is inherently a tort.<sup>287</sup> Second, as § 1498(a) operates, the government is relieved of tort-type *liability* for its patent infringement (not removing, that is, the tortious *nature* of the act) as it “takes” a compulsory license by “eminent domain,” owing then only “reasonable and entire” compensation to the patent owner.<sup>288</sup> Third, *Zoltek* teaches that whatever past courts meant by “eminent domain” is not the same as what is commonly understood as a Fifth Amendment taking.<sup>289</sup> Thus, any arguments requiring a solely Fifth Amendment-type takings analysis as a necessary condition under § 1498(a) must fail. Because the *Decca* proposition includes such a condition, governmental liability under § 1498(a) should be defined as direct governmental patent infringement under § 271(a) no longer.

## 2. *Can Indirect Infringement Have a Place in Section 1498?*

Rightly or wrongly, the *Decca* court clearly stated that indirect patent infringement by the government does not merit a remedy under § 1498 because—unlike direct infringement that sounds in eminent domain—indirect infringement sounds in tort.<sup>290</sup> Rightly or wrongly, the *Zoltek* court clearly stated that governmental patent infringement in general does not fall under the auspices of the Fifth Amendment.<sup>291</sup> Therefore, governmental direct and indirect infringements must now fall into the same

---

<sup>287</sup> *Schillinger v. United States*, 155 U.S. 163, 169 (1894) (“That this action [for patent infringement by the government] is one sounding in tort is clear.”). In *Zoltek*, the court firmly rejected any notion that *Schillinger* had been overruled *sub silentio* by *Crozier v. Krupp*, the potentially binding authority that would have led to the holding that patents are worthy of Fifth Amendment protection beyond that of § 1498. *Zoltek*, 442 F.3d at 1350 (“*Schillinger* remains the law. . . . The Court of Federal Claims, like this court, is bound by *Schillinger*. . . .”). The court seemingly left thereby only two options: affirm all the eminent domain jurisprudence by declaring patents Fifth Amendment-worthy, or revert to the tort definition from *Schillinger*. The court chose the latter. *See id.* at 1353.

<sup>288</sup> *Leesona Corp. v. United States*, 599 F.2d 958, 967 (Ct. Cl. 1979).

<sup>289</sup> *See Zoltek*, 442 F.3d at 1353 (holding that “taking” of a patent license creates a cause of action under § 1498 and that the availability of a Fifth Amendment claim in addition would vitiate § 1498).

<sup>290</sup> *Decca v. United States*, 640 F.2d 1156, 1170 n.31 (Ct. Cl. 1980).

<sup>291</sup> *Zoltek*, 442 F.3d at 1353 (“[T]he trial court erred in finding that *Zoltek* could allege patent infringement as a Fifth Amendment taking under the Tucker Act . . .”).

category as mere torts,<sup>292</sup> with the damages defined by “reasonable and entire compensation,” and with solely by the words of § 1498(a) to define the elements of the offense and demarcate the limits of the government’s waiver of sovereign immunity.<sup>293</sup>

Courts must construe sovereign immunity waivers strictly and narrowly, so as never to regard the immunity as waived by implication.<sup>294</sup> Even so, the *Zoltek* contribution to the patent law Fifth Amendment jurisprudence now permits reanalysis of prior cases that rejected § 1498(a) indirect infringement liability to the government under a pretense that government infringements were exercises of eminent domain. Did

---

<sup>292</sup> See Cahoy, *supra* note 121, at 164 (discussing the differences between damages available under § 1498 and those available against a private individual under § 271).

In order to distinguish typical patent damages from the compensation required by § 1498, much has been made of the fact that private infringement is a tort, a wholly different animal than eminent domain and the Fifth Amendment. That is certainly true with regard to the doctrinal origins of the two branches of law, but as to actual damages, distinguishing the two makes sense only with regard to the punitive and injunctive aspects of tort relief, neither of which are permitted as compensation for takings.

*Id.* See also Daniel R. Cahoy, *Patent Fences and Constitutional Fence Posts: Property Barriers to Pharmaceutical Importation*, 15 *FORDHAM INTELL. PROP. MEDIA & ENT. L.J.* 623, 694–96 (2005) (distinguishing the eminent domain nature of governmental patent infringement from the tortious nature).

<sup>293</sup> Circuit Judge Taft, who later became Chief Justice of the United States, expressed the ramifications of this quite eloquently:

An infringement of a patent is a tort analogous to trespass or trespass on the case. From the earliest times, all who take part in a trespass, either by actual participation therein or by aiding and abetting it, have been held to be jointly and severally liable for the injury inflicted. . . . If this healthful rule is not to apply to trespass upon patent property, then, indeed, the protection which is promised by the constitution and laws of the United States to inventors is a poor sham.

*Thomson-Houston Electric Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897).

<sup>294</sup> *Decca*, 640 F.2d at 1170. In the *Decca* court’s defense, when it presented its argument on licenses and direct infringements, it was countering a less meritorious presumption of the trial court judge that §§ 271(b) and (c) were incorporated “by implication” into § 1498(a) because private persons are liable for active inducement of infringement and contributory infringement. See *id.* at 1169.

Congress have indirect infringements in mind when it passed § 1498(a) to make the government liable when inventions are “used or manufactured by or for the United States . . . . [W]ith the authorization or consent of the government”?<sup>295</sup> The next Sections consider this question—freed from the Fifth Amendment, which *Zoltek* teaches us does not apply—against the backdrop of the history of secondary liability for patent infringement by a private individual and conclude that the probability is high that Congress did have liability for governmental infringement in mind when it passed § 1498.

*a. Decca Appeals to History*

Indirect patent infringement as a cause of action frequently appeared in the common law over eighty years before Congress codified it as part of the Patent Act of 1952.<sup>296</sup> In part, Congress added the statutory provision for contributory infringement liability into § 271(c) to settle ongoing judicial debates over the existence of such liability, all in the interest of protecting inventors.<sup>297</sup> On the one hand was an early view, which considered as well-settled that “where one makes and sells one element of a combination covered by a patent with the intention and for the purpose of bringing about its use in such a combination he is guilty of contributory infringement.”<sup>298</sup> On the other hand, a later view from the Supreme Court seems to have eliminated contributory infringement,<sup>299</sup> at least temporarily until Congress passed the Patent Act of 1952.<sup>300</sup>

---

<sup>295</sup> See *Hughes Aircraft Co. v. United States*, 29 Fed. Cl. 197, 217 (1993) (“The words ‘manufacture’ and ‘use’ in § 1498 (as well as the words ‘make,’ ‘use’ and ‘sell’ in Title 35) have never been defined by Congress and have become a matter of judicial interpretation.”).

<sup>296</sup> See *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 377 U.S. 476, 486 n.6 (1964). Congress also chose to mirror the common law by retaining the bifurcation of active inducement to infringe and contributory infringement. See Rader, *supra* note 47, at 305.

<sup>297</sup> See Rader, *supra* note 47, at 305.

<sup>298</sup> *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897), *accord* *Union Tool Work Co. v. Wilson*, 259 U.S. 107, 114 (1922) (holding that unlicensed use and supply of unpatented spare parts to a patented machine clearly constitute an infringement when the spare parts are used to repair infringing machines).

<sup>299</sup> See *Mercoid Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680, 684 (1944) (“[A] patent on a combination is a patent on the assembled or functioning whole, not on the separate parts.”).

<sup>300</sup> See Tom Arnold & Louis Riley, *Contributory Infringement and Patent Misuse: The Enactment of § 271 and Its Subsequent Amendments*, 76 J. PAT. & TRADEMARK OFF. SOC’Y 357, 359 (1994). For an enlightening commentary on the history of contributory  
(continued)

*Decca* remains a formidable roadblock to modern courts that would consider indirect infringement liability on the government under § 1498(a). In *Decca*, the Court of Claims rejected a ruling by the trial judge that § 1498(a) damages against the United States included recoveries for active inducement of infringement and for contributory infringement.<sup>301</sup> Before placing an infringing radio navigation system online, the government had supplied private parties, who were to test the system, electronic circuit boards capable of receiving transmitted signals.<sup>302</sup> After the government had constructed transmitting stations, the private parties could use receivers incorporating the circuit boards to take advantage of the signals broadcasted using Decca's invention.<sup>303</sup> The trial court had calculated Decca's damages to include the active inducement of infringement and the contributory infringement that resulted from the private parties "who had in their possession and control receivers capable of processing the transmitted signals according to the Omega format."<sup>304</sup> Though the neither the trial court nor the Court of Claims exhaustively itemized the damages they awarded, the magnitude of the damages illustrates that eliminating

---

infringement as a common law doctrine up to its codification, recounted by one of the strongest advocates of the 1952 act, see generally Giles S. Rich, *Contributory Infringement*, 14 FED. CIR. B.J. 99 (2004). For further insight into the continuation of the story, including the development of the patent misuse doctrine and the passage of amendments to § 271 in the 1980s, see Adams, *supra* note 55, at 379–84.

<sup>301</sup> *Decca, Ltd. v. United States*, 640 F.2d 1156, 1169 (Ct. Cl. 1980). Decca owned a patent for the Omega three-frequency radio transmitter that the government was implementing as part of a worldwide navigation system. *Id.* at 1163. The court held that the government's liability for direct infringement began when the government ordered four transmitting stations online on October 24, 1967. *Id.*

<sup>302</sup> *Decca, Ltd. v. United States*, No. 299-70, 1979 WL 16460, at \*7 (Ct. Cl. Trial Div. Mar. 29, 1979). The trial court also considered the issue of authorization. *Id.* To determine ultimately that allegedly infringing acts before October 24, 1967, did not subject the government to liability, the court noted, "[p]lanning and procurement of materiel for legitimate Government purposes normally does not entail acquisition of patent rights prior to either planning or procurement." *Id.*

<sup>303</sup> *Id.*

<sup>304</sup> *Id.* at \*8. Specifically, active inducement of infringement occurred because the government "not only told the world how to infringe the patented system, but also provided the essential means by which such infringement could be accomplished." *Id.* Contributory infringement occurred through the government's suppliers by their "manufacturing and supplying to defendant [the United States government] station electronics and receivers, neither of which were staple articles of commerce, or suitable for substantial noninfringing uses, thereby enabling defendant and others to use the infringing system." *Id.*

active inducement and contributory infringement from the liability may have cost Decca a significant amount.<sup>305</sup>

When the indirect infringement issue arose on appeal from the trial court, Decca supported its claim for indirect infringement damages by citing *Coakwell v. United States*.<sup>306</sup> *Coakwell* had cited *Richmond Screw Anchor v. United States*,<sup>307</sup> a 1928 Supreme Court case that construed the predecessor statute to § 1498(a).<sup>308</sup> Following *Richmond Screw Anchor*, the Court of Claims in *Coakwell* reasoned that § 1498(a) “was not intended to change the basic incidents to which liability would attach for the purposes of seeking comprehensive compensation for the unlicensed use of a patented invention.”<sup>309</sup> The *Decca* court rightly denied that *Coakwell* controlled,<sup>310</sup> because *Coakwell* did not speak to governmental indirect infringement.<sup>311</sup> But Decca overlooked stronger support, which it could have found by going directly to *Richmond Screw Anchor*.

---

<sup>305</sup> The trial court had awarded Decca \$24.8 million, exclusive of delay compensation. *Id.* at \*15. The Court of Claims awarded Decca slightly over \$2 million, exclusive of delay compensation. *Decca*, 640 F.2d at 1181. Granted, the difference resulted from more than just the indirect infringement issue; the point is that much money was at stake.

<sup>306</sup> *Decca*, 640 F.2d at 1170. (citing *Coakwell v. United States*, 372 F.2d 508, 511 (Ct. Cl. 1967)).

<sup>307</sup> 275 U.S. 331 (1928).

<sup>308</sup> See *Coakwell*, 372 F.2d at 511.

<sup>309</sup> *Id.*

<sup>310</sup> *Decca*, 640 F.2d at 1170.

<sup>311</sup> See *Coakwell*, 372 F.2d at 511. *Coakwell* involved some recoveries under § 1498 that would be affected by the six-year statute of limitations that applies, per 28 U.S.C. § 2501, to all claims against the government. See *id.* Through the Navy, the government had purchased some anti-blackout equipment, for which *Coakwell*'s patent was still pending on the date of purchase. *Id.* *Coakwell* sued after the patent was granted. *Id.* at 510. Operating under the rule that the “basic [incident] to which liability would attach” is availability for use (as of delivery), the court considered whether the statute of limitations began from the delivery of the equipment or from the grant of the patent. See *id.* at 511. The court ruled for the latter, because an inventor would have no exclusive right anyone could infringe before the patent was granted. *Id.*

More accurately, *Coakwell* addressed not indirect infringement, but infringement of *provisional rights* (nonexistent then, but available to patent applicants since 2002), a topic beyond the scope of this Comment. See 35 U.S.C. § 154 (2000 & Supp. III 2003). Thus, *Coakwell* teaches that the “basic incident to which liability would attach” is the use of an invention *once it is actually patented*. See *Coakwell*, 372 F.2d at 511. Nevertheless, the *Decca* court seized an opportunity to highlight the purchase-versus-use distinction as support for its dubious proposition that direct infringement was the standard for § 1498

(continued)

Chief Justice Taft in *Richmond Screw Anchor* noted that Congress intended the 1918 Act (from which § 1498(a) resulted) in part “to relieve the contractor entirely from liability of *every kind* for the infringement of patents in manufacturing anything for the Government.”<sup>312</sup> In fact, he chided the government defendant not for merely declaring immunity for its torts, but also for attempting “to take away from a private citizen his lawful claim for damage to his property by another private person, which *but for this act he would have against the private wrongdoer.*”<sup>313</sup> He then concluded, “[w]e must presume that Congress in the passage of the act of 1918 intended to secure to the owner of the patent the *exact equivalent* of what it was taking away from him.”<sup>314</sup>

---

liability. *See Decca*, 640 F.2d at 1170 n.34 (stating that the basic incidents are the elements of direct infringement and are not a purchase alone).

<sup>312</sup> *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343 (1928) (emphasis added).

<sup>313</sup> *Id.* at 345 (emphasis added).

<sup>314</sup> *Id.* (emphasis added). This quote appeared in Judge Dyk’s *Zoltek* concurrence also, attached to the proposition that “exact equivalent” under § 1498(a) means an exact equivalent to infringement *under § 271(a)*. *See Zoltek v. United States*, 442 F.3d 1345, 1369–70 (Fed. Cir. 2006) (Dyk, J., concurring). Judge Dyk reasoned that, because § 271(a) requires infringing acts to occur within the United States, also any “use or manufacture” under § 1498(a) must occur within the United States for the government to be liable. *Id.* at 1370.

Judge Gajarsa responded to Judge Dyk by cleverly distinguishing *Richmond Screw Anchor* as narrowly relating to how the Act of 1918 removed a patent owner’s statutory ability to assign rights of action against infringing government contractors. *See id.* at 1357–58 (Gajarsa, J., concurring). The earlier Act of 1910 permitted separate suits against both the government and the contractors. *Id.* at 1357. In changing the scope of liability for governmental infringement from acts “by the government” to acts “by *or for* the government” (for history of the changing scope see *supra* note 97), the Act of 1918 eliminated the cause of action against the contractors, as well as the potentially lucrative right of assigning the claim to damages. *See id.* Gajarsa proposed that the Court in *Richmond Screw* addressed the taking of only *this* right, thereby declining an opportunity to articulate the scope of the Act of 1918 in view of § 271(a). *See Zoltek*, 442 F.3d at 1357–58. Indeed, the Court’s silence in *Richmond Screw* comports well with Gajarsa’s argument that § 1498(c), not territorial limitations from § 271(a), was relevant to relieving the government of liability in *Zoltek*. *See id.* at 1366. Nevertheless, the “exact equivalent” idea should not be overlooked as persuasive authority regarding the congressional intent for § 1498(a)—that it be a means to protect patent owners in areas where protection had been lacking. *See William Cramp & Sons Ship & Engine Bldg. Co. v. Int’l Curtis Marine*  
(*continued*)

So the question remains—through the passage of the Act of 1918, did the government take away from the owners of patents certain rights they *would* have had against private wrongdoers but for the Act? In view of the history of indirect infringement and the current state of § 1498(a), the answer is an emphatic yes.

*b. History Overrules—Contributory Infringement Liability  
Juxtaposed to the Development of § 1498*

The Supreme Court decided a case of contributory infringement as early as 1882.<sup>315</sup> Circuit courts up to 1910 (when the predecessor to § 1498 was passed), regularly recognized contributory infringement by private individuals as a cause of action.<sup>316</sup> By 1912, contributory infringement had entered its “wild oat stage and prime of life”<sup>317</sup> with clear

---

Turbine Co., 246 U.S. 28, 37 (1918) (“Avowedly on the very face of the act [of 1910] its purpose was not to weaken the rights of patentees, but to further secure them.”).

<sup>315</sup> See *American Cotton-Tie Co. v. Simmons*, 106 U.S. 89 (1882). American Cotton-Tie Company sold cotton-ties that consisted of a specially designed buckle and a band. *Id.* at 91. When farmers delivered cotton bales, they cut the ties and held them aside; whereupon Simmons would buy the buckles as scrap metal, attach his own band, and resell the combination. *Id.* Though the Court did not use the precise term, the infringement here was contributory because defendants sold the buckle component, without which the invention could not function, and intended it for an infringing use when combined with their bands. See *id.* at 95. *American Cotton-Tie* was the first Supreme Court case on contributory infringement, but scholars generally trace the root of the doctrine to *Wallace v. Holmes*, 29 F. Cas. 74 (C.C.D. Conn. 1871) (No. 17,100). See Adams, *supra* note 55, at 371.

One of the earliest fact patterns of active inducement of infringement appeared in *Thomson-Houston Electric Co. v. Kelsey Electric Railway Specialty Co.*, 75 F. 1005 (2d Cir. 1896). See Rader, *supra* note 47, at 304-05. Until 1952, the two doctrines we know today as active inducement to infringe and contributory infringement developed together under the blanket terminology “contributory infringement.” See Lemley, *supra* note 16, at 227. The case law for each doctrine is usually distinguishable on the issue of the infringer’s intent. See *id.* Therefore, references hereinafter to “contributory” or “indirect” infringement before 1952 encompass both the modern ideas of both active inducement to infringe and contributory infringement.

<sup>316</sup> See Rich, *supra* note 30, at 121–22 (summarizing the early history of the contributory infringement doctrine noting, “[a]s the law and the practice aged and began to lose the flexibility of youth, overly smart people thought they saw a way to steal inventions and avoid infringement, but the courts were more than a match for them”)

<sup>317</sup> See Rich, *supra* note 30, at 103–04 (“That was when we really had ‘contributory infringement.’”).

recognition from the Supreme Court.<sup>318</sup> During this time, patent owners regularly relied on the availability of remedies for indirect infringements of their inventions.<sup>319</sup>

---

<sup>318</sup> See *id.* The Court availed itself of an opportunity to “expound the law as it [was] written,” and produced an extremely broad contributory infringement doctrine. See *Sidney Henry v. A.B. Dick*, 224 U.S. 1, 35 (1912), *overruled by* *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). Perhaps it is not especially difficult to understand protecting A’s patented hammer against a situation where B gives C only a head, so that C can attach C’s own handle to make and use the whole tool. C infringed directly for using the hammer without a license. See 35 U.S.C. § 271(a) (2000). B contributed to C’s infringement, because the hammerhead was a material part of the invention, not suitable for substantial noninfringing uses. See *id.* § 271(c). *Henry v. A.B. Dick* concerns a kind of contributory infringement closer to a tying arrangement—something now considered patent misuse. See Adams, *supra* note 55, at 376–79. Dick sold Miss Skou a mimeograph machine, with a license requiring her to use only Dick’s ink. *Henry*, 224 U.S. at 11. Henry sold Miss Skou some of his own ink, which she used in the machine and thereby violated the license. *Id.* Then, Dick sued Henry for contributory patent infringement and won. *Id.* at 49. Dick effectively expanded the scope of its monopoly from only the patented machine to both the machine and the unpatented ink. See *id.* at 12 (“The ink sold to Miss Skou was not covered by the claims of said patent.”).

<sup>319</sup> See, e.g., *Commercial Acetylene Co. v. Autolux Co.*, 181 F. 387, 389 (E.D. Wis. 1910) (“[W]hoever advises, aids, or abets in such a tort [as a direct patent infringement] is a joint tort-feasor.”); *Crown Cork & Seal Co. v. Standard Brewery*, 174 F. 252, 259 (N.D. Ill. 1909) (“[A]nd the record shows his liability . . . because he knowingly contributes to infringement of a patent by aiding a use beyond the limits of the license made by the patentee.”). Recall that one impetus driving Congress to pass the Act of 1918 included ending the delays that frequent injunctions against contractors caused. See *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928). Courts could and did enjoin acts that constituted only contributory infringement. See, e.g., *Rupp & Wittgenfeld Co. v. Elliott*, 131 F. 730, 733–34 (6th Cir. 1904) (“The selling and offering for sale with the intent and purpose to bring about an infringement are enough to entitle complainant to an injunction to prevent the threatened injury.”); *United States v. Standard Sanitary Mfg. Co.*, 191 F. 172, 193 (enjoining a contributory infringement, at the government’s request, which caused the defendant to violate the Sherman Antitrust Act).

Could Congress possibly have intended for courts simultaneously to (1) uphold the doctrine of contributory infringement; (2) deny injunctions against contributory infringements, citing the purposes of one of the predecessors to § 1498; and (3) still leave a patent owner without any recourse by refusing to compensate? It is possible Judge Rich would think so. See *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 842 F.2d 1275, 1282–83 (Fed. Cir. 1988) (holding that the uncompensated plaintiff should simply wait for the government’s acknowledged indirect infringement to become a direct infringement so that a

(continued)

Contributory infringement appeared even in the context of the predecessors to § 1498 in *Marconi v. Simon*, which the Supreme Court decided in 1918 under the Act of 1910.<sup>320</sup> In *Marconi*, the Navy had solicited proposals from potential contractors, who were required to submit a working sample of a transmitting set before the Navy would consider bids for a contract.<sup>321</sup> Simon supplied a wireless communication set to the government according to Navy specifications.<sup>322</sup>

For Simon, the contract ultimately would involve the supply of the *parts* for the transmitters, not the supply of completed devices.<sup>323</sup> Marconi alleged that regardless whether Simon or the Navy completed the communication sets, *someone* would have infringed the patent.<sup>324</sup> So Marconi sought to enjoin Simon from further making or delivering the infringing apparatus or its essential components.<sup>325</sup>

Remanding the case back to district court to determine the nature of the alleged infringements, the Supreme Court instructed that, if Simon were found to have directly infringed Marconi's patent, he should be enjoined from further doing so.<sup>326</sup> If Simon were found only to have

---

cause of action would finally arise under § 1498(a), assuming the direct infringement ever occurred).

<sup>320</sup> *Marconi Wireless Tel. Co. of Am. v. Simon*, 246 U.S. 46, 56 (1918).

<sup>321</sup> *Id.* at 53.

<sup>322</sup> *Id.*

<sup>323</sup> *Id.* at 54.

<sup>324</sup> *Id.*

<sup>325</sup> *Id.* at 53. The district court grappled with a question of fact as to whether Simon directly infringed Marconi's patent by completing an entire device for the government, or whether he merely contributed to the government's infringement by supplying essential components to the government. See *Marconi Wireless Tel. Co. of Am. v. Simon*, 227 F. 906, 910–11 (S.D.N.Y. 1915). The district court denied Marconi's request for an injunction, reasoning that both types of infringement would ultimately further a government objective within the scope of the Act of 1910. *Id.* at 910. As such, the government becomes a licensee incapable of *unlawfully* infringing Marconi's patent. *Id.* Simon then cannot be liable himself for furthering governmental acts that the license made lawful, regardless whether he infringed directly or contributed to the government's infringement. *Id.* at 911.

<sup>326</sup> *Marconi*, 246 U.S. at 56. The Act of 1910 did not immunize government suppliers from personal liability for infringements. See *supra* note 97. Only after the Act of 1918 did the government assume liability for acts by *or for* the government. See *id.*

*contributed* to the government's infringement, no injunction should issue.<sup>327</sup>

Notably, in *Marconi* the Court considered an issue of contributory infringement without dismissing it outright, even in view of the turbulent shift in contributory infringement jurisprudence that had begun a year before.<sup>328</sup> But a more subtle yet highly relevant aspect of *Marconi* is that Simon's direct infringement—which the Court ruled should be enjoined if proved—was conversely an indirect infringement by the government.<sup>329</sup> Simon's alleged contributory infringement, which the Court ruled should *not* be enjoined if proved, would have aided and abetted the government's direct infringement.<sup>330</sup> But for the vulnerability of contractors to infringement liability under the Act of 1910,<sup>331</sup> *Marconi* would illustrate an early Supreme Court decision to enjoin the type of governmental indirect infringement for which modern courts offer no remedy under § 1498(a).<sup>332</sup>

Approximately one year before Congress enacted the Act of 1918, and a few months before the Supreme Court decided *Marconi*, the Court decided *Motion Picture Patents v. Universal Film*.<sup>333</sup> Some point to *Motion Picture Patents* as having eviscerated the doctrine of contributory infringement and having given rise to the era of the patent misuse

---

<sup>327</sup> *Marconi*, 246 U.S. at 56–57. The Court agreed that the government would use the complete apparatus under a license effected under the Act of 1910, and therefore Simon would not have aided or abetted anything illegal. *Id.*

<sup>328</sup> See Rich, *supra* note 300, at 105.

<sup>329</sup> *Cf.* 35 U.S.C. § 271(b) (2000). By actively soliciting for proposals, the submission of which would require direct infringements by the submitters, the government was actively inducing infringement.

<sup>330</sup> *Marconi*, 246 U.S. at 57 (“[T]he use by the United States would [have] infringe[d] the patents.”).

<sup>331</sup> See *supra* note 97.

<sup>332</sup> Under modern § 1498(a), courts likely would not have enjoined even Simon's direct infringement, because it would have occurred under circumstances similar to those of *W.L. Gore v. Garlock*, with Simon in the position of a potential government contractor. See *supra* note 319.

<sup>333</sup> *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917). Motion Picture Patents Company (MPPC) sold patented film projectors with a license allowing the purchaser to show only MPPC films. *Id.* at 506–07. Universal Film sold its own films to the projector owners. *Id.* at 508. For the first time in a patent case, the Supreme Court expressly overruled itself, invalidating the broad holding of *Henry v. Dick*. *Id.* at 518; Rich, *supra* note 300, at 105. Thus, MPPC could not expand its patent monopoly for the projector onto the films. *Motion Picture Patents*, 243 U.S. at 519.

defense.<sup>334</sup> Despite claims to the contrary, contributory infringement doctrine at that time was not truly gone.<sup>335</sup> Through the 1920s, several courts distinguished the holding of *Motion Picture Patents* as prohibiting contributory infringement suits against only alleged infringers who violated restrictive license notices.<sup>336</sup> This demonstrates that the doctrine of contributory infringement remained viable from before the Act of 1910 until well after the Act of 1918.

---

<sup>334</sup> See Arnold & Riley, *supra* note 300, at 361. The patent misuse doctrine addresses inequitable actions on the parts of patent owners who attempt to expand the scope of their monopoly power. See *id.* Patent misuse became a defense to indirect infringement claims, and nearly subsumed the doctrine of contributory infringement by the 1930s. See *id.* at 361–65. To curb abuse of the patent misuse defense against indirect infringement claims, Congress added subsection (d) to 35 U.S.C. § 271 in 1952. See Rich, *supra* note 30, at 127 (“If the misuse doctrine is left untouched, one can, theoretically at least, enact any kind of section about contributory infringement and it will be just as dead as before.”) Section 271(d) disallows certain acts of a patent owner from being employed as a misuse defense, among which acts is suing someone for contributory infringement. See 35 U.S.C. § 271(d)(3) (2000). For a thorough background on the patent misuse doctrine, see generally Joe Potenza, Phillip Bennett & Christopher Roth, *Patent Misuse – The Critical Balance, a Patent Lawyer’s View*, 15 FED. CIR. B.J. 69 (2005).

<sup>335</sup> See Rich, *supra* note 300, at 105 (“Thus the song was ended, but the melody lingered on.”).

<sup>336</sup> See, e.g., *United States v. United Shoe Mach. Co. of N.J.*, 247 U.S. 32, 58 (1918) (distinguishing leased patented goods from sold patented goods and permitting the lessor to restrictively license the lessee’s use); *Individual Drinking Cup Co. v. Errett*, 297 F. 733, 739 (2d Cir. 1924) (distinguishing *Motion Picture Patents* as related to restrictive licenses only, noting that “it is plain that the [C]ourt meant to assure the free sale and use of unpatented articles of trade and commerce, unless there was some other act than the mere sale or use which contributed to the tort of infringement”); *General Elec. Co. v. De Forest Radio Co.*, 28 F.2d 641, 648 (3d Cir. 1928) (holding a wire manufacturer liable as contributory infringer for supplying a customer, the direct infringer, with infringing wire), *cert. denied*, 278 U.S. 656 (1929); *Union Elec. Welding Co. v. Curry*, 279 F. 465, 468–69 (6th Cir. 1922) (declaring *Motion Picture Patents* irrelevant to an analysis holding a dealer liable as contributory infringer for selling replacement parts to an infringing machine, and also directly liable for having originally made and sold the machine), *cert. denied*, 260 U.S. 727 (1922); *Wilson v. Union Tool Co.*, 265 F. 669, 672 (9th Cir. 1920) (holding a supplier of replacement parts to an infringing machine liable as contributory infringer), *aff’d on other grounds*, 259 U.S. 107 (1922); *Westinghouse Elec. & Mfg. Co. v. Diamond State Fibre Co.*, 268 F. 121, 126 (D. Del. 1920) (distinguishing *Motion Picture Patents* and holding contributory infringer liable for violating a license to make gears that reserved to the licensor the right to manufacture the materials for the gears).

In 1944, four years before Congress enacted § 1498 as an amended version of the Act of 1918, contributory patent infringement became an essentially toothless doctrine amidst the rise of the conflicting patent misuse doctrine.<sup>337</sup> But it was never expressly overruled.<sup>338</sup> Recognizing contributory infringement claims as the only means to enforce certain patents,<sup>339</sup> the patent bar and Congress acted decisively in 1952 to supersede by statute any judicial attempt to inflict the final deathblow to contributory infringement.<sup>340</sup>

To summarize, courts from the late nineteenth century until 1952 recognized contributory infringement as a valid cause of action against private individuals.<sup>341</sup> This period overlapped the enactments of governmental immunity waivers in the Act of 1910, the Act of 1918, and § 1498.<sup>342</sup> Thus, during the entire existence of the immunity waivers,

---

<sup>337</sup> See Arnold & Riley, *supra* note 300, at 363–65; Adams, *supra* note 55, at 382–84. The Supreme Court in 1944 decided two companion cases (the *Mercoïd* cases) that nearly ended the possibility of suing successfully for contributory patent infringement. Arnold & Riley, *supra* note 300, at 363. In *Mercoïd Corp. v. Mid-Continent Investment Co.*, 320 U.S. 661 (1944), the Court officially sanctioned the patent use defense as means to prevent patent owners from expanding their monopolies beyond their patents' claims. Adams, *supra* note 55, at 382. Moreover, to force common law to defer to the patent statutes, the Court declared that the monopoly over a patent including many components protected only the completed combination of the components. *See id.* at 383. Then, in *Mercoïd Corp. v. Minneapolis-Honeywell Regulator Co.*, 320 U.S. 680 (1944), the Court ruled out the “staple-nonstaple” distinction. Arnold & Riley, *supra* note 300, at 363. That is—even if one component of a multi-component invention were a nonpatented but integral part of the invention, and not capable of non-infringing uses—attempts to expand a monopoly to the integral part by a contributory infringement suit constituted misuse. Adams, *supra* note 55, at 383. Though the Court never explicitly said, “there is no longer contributory infringement,” plaintiffs could seldom claim contributory infringement without facing a successful counterclaim of patent misuse. *See id.* at 383–84.

<sup>338</sup> Adams, *supra* note 55, at 382; Rich, *supra* note 30, at 126 (“[C]ontributory infringement, as a doctrine, was left untouched by the misuse cases. But its applicability was rendered progressively more difficult by the things the Supreme Court said in the line of misuse cases . . .”).

<sup>339</sup> See Adams, *supra* note 55, at 384 (“The effect of the *Mercoïd* decisions was to render combination patents, which comprise nearly all patents, unenforceable whenever it was impractical to ring individual actions against infringers who were widely dispersed.”).

<sup>340</sup> See Arnold & Riley, *supra* note 300, at 369.

<sup>341</sup> *See id.* at 358–59.

<sup>342</sup> Congress enacted § 1498 in 1948. Act of June 25, 1948, ch. 646, § 1, 62 Stat. 941–42.

when a court prohibited a patent owner from suing the government for contributory infringement under the operative waiver, the court denied the patent owner a claim which “*but for this [a]ct* he would have [had] against the private wrongdoer.”<sup>343</sup> Ironically, years later the *Decca* court would confirm this: “[T]he Government is not liable for its inducing infringement by others, for its conduct contributory to infringement of others, or for what, *but for section 1498*, would be contributory (rather than direct) infringement of its suppliers.”<sup>344</sup>

Before 1952, contributory infringement claims arose under a Title 35 (Patents) statutory scheme that did not specifically mention contributory infringement.<sup>345</sup> After Congress moved § 1498 from Title 35 to Title 28 (Judiciary and Judicial Procedure), “make” and “use” in 35 U.S.C. § 271 eventually became the *de facto* standard for interpreting “use or manufacture” in 28 U.S.C. § 1498(a).<sup>346</sup> Pre-1952, a directly infringing making or using caused indirect infringers to be liable under common-law vicarious liability; post-1952, a directly infringing making or using caused indirect infringers to be liable under a statute.<sup>347</sup> It should follow, then, that the mere shift in the *source* of liability did not affect the *existence* of liability that a court could recognize and remedy. If § 1498(a) used the patent law interpretations of “make” and “use” to define “use or manufacture,” then why could the understanding that contributory infringers are liable under patent law not also be inherent in § 1498(a)?<sup>348</sup>

---

<sup>343</sup> *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928) (emphasis added).

<sup>344</sup> *Decca, Ltd. v. United States*, 640 F.2d 1156, 1167 (Ct. Cl. 1980) (emphasis added).

<sup>345</sup> Speaking in 1949, Giles Rich noted, “[t]here is, strictly speaking, no statutory basis for contributory infringement. The law—and I guess you can call it that, however confusing it may be—has been entirely judge-made.” See Rich, *supra* note 300, at 100. Federal courts sometimes operate on the theory that “when the importation of common law doctrines will advance the goals of the statute, courts may utilize the doctrines.” *Am. Tel. & Tel. Co. v. Winback & Conserve Program, Inc.*, 42 F.3d 1421, 1429 (3d Cir. 1994).

<sup>346</sup> See *Decca*, 640 F.2d at 1167 n.15.

<sup>347</sup> See Lemley, *supra* note 16, at 226.

<sup>348</sup> To complicate the matter, consider that § 1498(a) concerns uses and manufacture not only *by* the government, but also *for* the government, as long as the act is with the government’s authorization and consent. See 28 U.S.C. § 1498(a) (2000); *Madey v. Duke Univ.*, 413 F. Supp. 2d 601, 607 (M.D.N.C. 2006) (“A use is ‘for the Government’ if it is ‘in furtherance and fulfillment of a stated Government policy’ which serves the Government’s best interests and which is ‘for the Government’s benefit.’”). How easy should it be for an infringer to say, “The government authorized me to test this infringing machinery.”? See *id.* (“A use is with the ‘authorization and consent of the Government’

(continued)

*c. The Tension in a Waiver of Sovereign Immunity Lacking  
Unambiguous Congressional Intent*

The *Decca* court found no merit in the argument that § 1498(a) directly imported the causes of action under § 271(b) and § 271(c).<sup>349</sup> But perhaps importing § 271(b) and § 271(c) into § 1498(a) was never even necessary. After all, the means for indirect infringement remedies was already part of *any* patent infringement throughout the history of § 1498. Testing such an argument requires attention to rules of statutory construction.

On the one hand, § 1498 is a statute that waives sovereign immunity.<sup>350</sup> Courts must construe such statutes narrowly, never allowing waiver of immunity by implication, and resolving all ambiguities regarding congressional intent in favor of governmental immunity.<sup>351</sup> The modern controlling opinions on indirect infringement under § 1498 end their analyses with this rule and hold firmly for immunity, primarily because § 1498(a) does not expressly mention indirect infringement and because at a minimum some doubt exists.<sup>352</sup>

On the other hand, Congress intended the predecessor acts to § 1498(a) to “secure to the owner of the patent the exact equivalent of what it was taking away from him.”<sup>353</sup> Among what the acts took away clearly included a remedy for indirect infringements by or for the government that (1) resulted in direct infringements by *private individuals*; but (2) never triggered governmental liability under § 1498(a) because the government’s involvement had not reached the courts’ standard for direct infringement.<sup>354</sup>

---

where the Government either expressly or impliedly consents to the infringement.”). Courts must construe implied consent narrowly, of course. *Id.* at 609.

So is a solicitation for infringing prototypes “implied authorization”? Does the government’s supplying material device components, otherwise unsuitable for noninfringing uses, constitute some kind of “implied consent”? If we assume that both scenarios (the first of active inducement and the second of contributory infringement) fulfill the authorization and consent requirement and further a stated policy, *for* whom—other than the government—*would* the infringers be acting? I save these questions for another commentator on another day.

<sup>349</sup> *Decca*, 640 F.2d at 1170.

<sup>350</sup> See Ruzich, *supra* note 80, at 402–03.

<sup>351</sup> Lane v. Pena, 518 U.S. 187, 192 (1996).

<sup>352</sup> See *Decca*, 640 F.2d at 1169–70.

<sup>353</sup> Richmond Screw Anchor Co. v. United States, 275 U.S. 331, 345 (1928).

<sup>354</sup> See *Decca*, 640 F.2d at 1167.

Courts historically had been reading into the definition of *infringement* the maxim that one who indirectly infringes should be as liable as the one who directly infringes.<sup>355</sup> Then § 1498(a) comes along, describing what looks much like infringement, and suddenly the Title 35 maxim does not apply in Title 28.<sup>356</sup> Especially now after *Zoltek*, when the government indirectly infringes a patent not protected by the Fifth Amendment, the harmed patent owner shivers “out in the cold.”<sup>357</sup>

The courts of the United States are empowered to interpret the law,<sup>358</sup> but legislative history frequently must guide the courts to adopt meanings consistent with congressional intent.<sup>359</sup> When statutes are amended, “Congress is presumed [by the courts] to be aware of an administrative or judicial interpretation of a statute and to adopt that interpretation when it re-enacts a statute without change.”<sup>360</sup> Moreover, “[t]he normal rule of statutory construction is that if Congress intends for legislation to change the interpretation of a judicially related concept, it makes that intent specific.”<sup>361</sup>

---

<sup>355</sup> See *Thomson-Houston Elec. Co. v. Ohio Brass Co.*, 80 F. 712, 721 (6th Cir. 1897).

<sup>356</sup> See Lipson, *supra* note 110, at 250–51.

<sup>357</sup> See Bunch, *supra* note 37, at 1795–96 (advocating a “judicial takings doctrine,” whereby a property owner would receive just compensation when certain developments in the common law harm the owner’s property rights, analogous to regulatory takings that occur when Congress passes a law that effectively diminishes property value).

<sup>358</sup> *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177 (1803) (“It is emphatically the province . . . of the judicial department to say what the law is.”).

<sup>359</sup> Oliver Wendell Holmes once explained,

[a] statute may indicate or require as its justification a change in the policy of the law, although it expresses that change only in the specific cases most likely to occur to the mind. The Legislature has the power to decide what the policy of the law shall be, and if it has intimated its will, however indirectly, that will should be recognized and obeyed. The major premise of the conclusion expressed in a statute, the change of policy that induces the enactment, may not be set out in terms, but it is not an adequate discharge of duty for courts to say: We see what you are driving at, but you have not said it, and therefore we shall go on as before.

*Keifer & Keifer v. Reconstruction Fin. Corp.*, 306 U.S. 381, 391 n.4 (1939) (quoting *Johnson v. United States*, 163 F. 30, 32 (1st Cir. 1908)).

<sup>360</sup> *Lorillard v. Pons*, 434 U.S. 575, 580 (1978).

<sup>361</sup> *United States v. Noland*, 517 U.S. 535, 539 (1996).

*d. Ultimately Congress Is Liable for Contributory Denial of  
Remedy for Governmental Indirect Patent Infringement*

Between the Act of 1910 and the codification of modern § 1498(a) in 1948, a period notably containing the Court's words from *Richmond Screw Anchor*,<sup>362</sup> Congress declined to specifically exclude through legislation the possibility of governmental liability for indirect patent infringement.<sup>363</sup> Moreover, Congress did not merely retain within § 1498(a) the incidents to governmental liability from the Act of 1918—use by or for the government—rather, Congress *expanded* the incidents to not only use, but also *manufacture* by or for the government.<sup>364</sup> As such, modern courts unreasonably introduce doubt into a statute Congress clearly intended to secure *all* rights of patent owners, including remedies for both direct and indirect infringements. Modern courts hold as though governmental indirect infringement did not fit into legislation “permitting a property owner to bring suit against the Federal Government *when he believes that just compensation has not been made* [for governmental appropriation of private property], for example, in the field of patents (28 U.S.C. 1498).”<sup>365</sup>

But are the courts the only blameworthy parties? Even if the courts were convinced that indirect infringement is an intended part of the plain text “used or manufactured by or for the United States”,<sup>366</sup> waivers of sovereign immunity require an extraordinarily high burden of proof before the government can be held accountable.<sup>367</sup> One would argue in vain that the rules for statutory construction shift the burden of proof to *Congress* to require Congress to exclude causes of actions the courts have equitably read into prior legislation.<sup>368</sup> Any court entirely sympathetic to patent

---

<sup>362</sup> *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928) (stating that Congress “intended to secure to the owner of the patent the exact equivalent of what it was taking away from him”).

<sup>363</sup> Between 1918 and 1948, Congress did not amend the Act of 1918 in such a manner. Congress did not recognize contributory infringement by statute until 1952. *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 203–04 (1980).

<sup>364</sup> *See Lavenue*, *supra* note 79, at 415.

<sup>365</sup> H.R. REP. NO. 86-624, at 2 (1959) (emphasis added).

<sup>366</sup> 28 U.S.C. § 1498(a) (2000). This is not to be confused, of course, with directly importing § 271(b) into § 1498(a), even though the result would be the same.

<sup>367</sup> *See Lane v. Pena*, 518 U.S. 187, 192 (1996).

<sup>368</sup> Moreover, even “legislative history has no bearing on the ambiguity point. . . . [T]he ‘unequivocal expression’ of elimination of sovereign immunity that we insist upon is an expression in statutory text. If clarity does not exist there, it cannot be supplied by a committee report.” *United States v. Nordic Village, Inc.*, 503 U.S. 30, 37 (1992).

owners—and properly willing to believe Congress fully intended § 1498 and its predecessor acts to remedy governmental indirect patent infringement—must inevitably reach the insurmountable barrier posed by the command to construe waivers of sovereign immunity narrowly in favor of the government.<sup>369</sup>

Vicarious liability, even when classifying government liability under § 1498(a) as tortious and not sounding in eminent domain, must be regarded as only a common-law presumption.<sup>370</sup> Such presumptions do not pass muster when courts properly interpret waivers of sovereign immunity.<sup>371</sup> Regardless whether the *Decca* court reasoned correctly, the responsibility for restoring patent protection to its rightful level against government infringements currently belongs to Congress alone.<sup>372</sup>

### B. Closing the Loopholes

The government first waived its sovereign immunity for certain acts of patent infringement nearly one hundred years ago through the Act of

---

<sup>369</sup> Arguments must be far better than merely plausible. *See id.* (“The foregoing are assuredly not the only readings of subsection (c) [unrelated bankruptcy statute], but they are plausible ones—which is enough to establish that a reading imposing monetary liability on the Government is not ‘unambiguous’ and therefore should not be adopted.”).

<sup>370</sup> *See Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417, 435 (1984) (“For vicarious liability is imposed in virtually all areas of the law, and the concept of contributory infringement is merely a species of the broader problem of identifying the circumstances in which it is just to hold one individual accountable for the actions of another.”).

<sup>371</sup> *See Lane*, 518 U.S. at 192 (“A waiver of the Federal Government’s sovereign immunity must be unequivocally expressed in *statutory text* . . .”) (emphasis added). When strictly interpreting sovereign immunity waivers, the issue for courts is “not whether imposing private civil liability on aiders and abettors is good policy but whether aiding and abetting is covered by the statute.” *Cent. Bank of Denver v. First Interstate Bank of Denver*, 511 U.S. 164, 177 (1994) (discussing imposing secondary liability in the context of securities law). Federal law contains no blanket means for automatically imposing tort liability on those who aid or abet. *Id.* at 165. Courts consider each statute separately. *Id.*

<sup>372</sup> *See Zoltek Corp. v. United States*, 51 Fed. Cl. 829, 838 (2002) (“Congress may very well have intended section 1498 to apply to the additional infringing acts added since 1988 to 35 U.S.C. § 271, but it did not legislate accordingly. . . . ‘This Court is empowered to rewrite neither statutes nor regulations, however unwise . . .’”) (quoting *Newport News Shipbuilding & Dry Dock Co. v. Garrett*, 6 F.3d 1547, 1558 (Fed. Cir. 1993)). Courts presume Congress is cognizant of its choices when it amends one statute, does not amend a related statute, and creates thereby legislative gaps. *Id.*

1910.<sup>373</sup> Though Congress was in part sympathetic to patent owners at the time, the overriding purpose of the original immunity waiver involved protecting the government from delays in procuring war materiel.<sup>374</sup> Aggrieved patent owners sought personal bills from Congress or injunctions from courts, both of which methods evidently caused more trouble for the war machine than did a simple right to a cause of action in the Court of Claims.<sup>375</sup>

However, compared to 1910, and even 1948, patent law today offers a much more robust protection to patent owners, having been developed over a century of industrialization and the accompanying explosion of new technology.<sup>376</sup> Because the sovereign immunity waiver in § 1498(a) did not automatically develop along with the expanding protections that resulted from amendments to § 271, the existing statute must be viewed as anachronistic at best.

Recently, Congress addressed governmental infringement of intellectual property in the area of trademarks.<sup>377</sup> The Trademark Act of 1999 added § 40 to the Lanham Act,<sup>378</sup> and fully waived sovereign immunity to claims of governmental trademark infringement.<sup>379</sup> In contrast with § 1498(a), under the Lanham Act the federal government waives immunity to liability for more than just a few poorly defined acts

---

<sup>373</sup> Lavenue, *supra* note 79, at 411.

<sup>374</sup> *Id.* at 412, 412 n.120, 413.

<sup>375</sup> *See id.* at 413.

<sup>376</sup> *See Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 202–03 (1980). Referring to the 1952 Patent Act, the Court insisted Congress intended the new developments in the law not merely to clarify existing law but, rather, “both to change the law and expand significantly the ability of patentees to protect their rights against contributory infringement.” *Id.* at 203–04.

<sup>377</sup> *See Trademark Amendments Act of 1999*, Pub. L. No. 106-43, 113 Stat. 218 (codified as amended in scattered sections of 15 U.S.C.).

<sup>378</sup> The Lanham Act, also known as The Trademark Act of 1946, is codified as amended at 15 U.S.C. §§ 1051–1129 (2000 & Supp. III 2003). The Lanham Act is to trademarks as 35 U.S.C. is to patents and 17 U.S.C. is to copyrights.

<sup>379</sup> *See* 15 U.S.C. § 1122(a). Here, the term “governmental” is left intentionally broad, because under § 1122(b) Congress attempted also to waive the sovereign immunity of the states for their violations of the trademark laws. *See* § 1122(b). The Supreme Court declared § 1122(b) unconstitutional on Eleventh Amendment grounds for inappropriately abrogating the states’ sovereign immunity without their consent. *See Coll. Sav. Bank v. Fla. Prepaid Postsecondary Educ. Expense Bd.*, 527 U.S. 666, 691 (1999).

that appear vaguely familiar to words in a different code title.<sup>380</sup> For trademark infringement, the government is subject to liability under the provisions of the Lanham Act “in the same manner and to the same extent as any nongovernmental entity.”<sup>381</sup> Interestingly, the present status of indirect trademark infringement<sup>382</sup>—as a common law concept “incorporated” into the Lanham Act—seems strikingly similar to the pre-1952 view of contributory patent infringement.<sup>383</sup> If trademarks deserve such sweeping protection, why should patents not also?<sup>384</sup>

To protect the full scope of patent owners’ rights against indirect infringements, Congress should amend § 1498(a) first to include the word *infringement*. Second, Congress should unambiguously waive sovereign immunity from liability, making the government subject to liability to the same extent as a nongovernmental entity would be liable as an infringer

---

<sup>380</sup> See 15 U.S.C. § 1122(c) (providing remedies to the same extent as are available against any other person). Under § 1498(a), recall, the government assumes liability for “use or manufacture,” which the statute does not define. See 28 U.S.C. § 1498(a) (2000). Their familiar counterparts come from “make” or “use” in the patent laws. See 35 U.S.C. § 271(a)(2000).

<sup>381</sup> 15 U.S.C. § 1114(1) (2000).

<sup>382</sup> The Supreme Court has held that

if a manufacturer or distributor intentionally induces another to infringe a trademark, or if it continues to supply its product to one whom it knows or has reason to know is engaging in trademark infringement, the manufacturer or distributor is contributorially [sic] responsible for any harm done as a result of the deceit.

*Inwood Laboratories, Inc. v. Ives Laboratories, Inc.*, 456 U.S. 844, 853–54 (1982).

<sup>383</sup> See John T. Cross, *Contributory Infringement and Related Theories of Secondary Liability for Trademark Infringement*, 80 IOWA L. REV. 101, 111 (1994) (noting an evolution from the common law of torts). Though the Lanham Act does not explicitly mention indirect or contributory trademark infringement, see *id.* at 110 n.33, courts consider the concepts as under congressional intent. See *id.* at 113. The federal government’s immunity waiver for trademark infringements of all kinds appears to be untested. Should a future test involve indirect trademark infringement, courts must consider how the broad immunity waiver “to the same extent as a private individual” comports with an action that does not “arise under” the Lanham Act. See *id.* at 111.

<sup>384</sup> Possibly Congress foresaw fewer attempts by the military to appropriate rights to develop classes of “Shwoosher” tanks emblazoned with the trademarked logo of the famous shoe manufacturer than it did for the same tanks to incorporate patented weaponry.

under 35 U.S.C. § 271.<sup>385</sup> Congress would remain free, of course, to restrict punitive damages to mirror the idea of the just compensation due a property owner after a Fifth Amendment taking.<sup>386</sup>

By statutorily covering all incidents of infringement liability that attach to private individuals, such a level of governmental liability effectively would quash further debate over whether exclusive patent rights deserve Fifth Amendment considerations. But even if Congress granted only nominal damages against governmental indirect infringement, at least a cursory admission that the government has done something wrong would lessen the adverse effects to the incentive system sustained by patents.<sup>387</sup>

The government may fear, however, that exposing itself to greater liability includes a danger that inventors will attempt undeservedly to broaden the scope of their exclusive rights against a wealthy defendant. This fear may be allayed on two counts: (1) that the patent owner's exclusive remedy would remain in a suit in the Court of Claims, which is bound by precedent, not from district courts under all the judicial circuits, but from only the Court of Appeals of the Federal Circuit and the United States Supreme Court;<sup>388</sup> and (2) that after more than fifty years of statutory recognition of indirect patent infringement, jurisprudence has evolved to the point that courts now more effectively distinguish cases of harmful indirect infringement from cases of mere patent misuse.<sup>389</sup> To

---

<sup>385</sup> Congress already attempted to make *state* entities liable to the same extent as a private individual. See 35 U.S.C. §§ 271(h), 296 (2000) (allowing together liability to the states for all infringing acts under § 271 and even permitting many types of punitive damages). The Supreme Court declared both § 271(h) and § 296 unconstitutional as not falling under any enumerated power of Congress and as violating the Eleventh Amendment by abrogating state sovereign immunity without the states' consent. See *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 646–48 (1999). So if such broad liability is appropriate for the states in the eyes of Congress, why is it not for Uncle Sam as well?

<sup>386</sup> See *Lane v. Pena*, 518 U.S. 187, 196 (1996) (“Congress is free to waive the Federal Government’s sovereign immunity against liability without waiving its immunity from monetary damages awards.”). To distinguish damages and just compensation, see *supra* note 242. One commentator insists that remedies under § 1498, even under an eminent domain paradigm, should include at least lost profits. See Cahoy, *supra* note 121, at 163–67.

<sup>387</sup> See *supra* note 121, (describing one commentators view of the “demoralization cost” of lessening the value of exclusive rights).

<sup>388</sup> See 28 U.S.C. §§ 1295(a)(3), 1498(a) (2000).

<sup>389</sup> See Rich, *supra* note 30, at 127 (“Only appropriate exceptions have been made to it [the misuse doctrine], not to revive every type of ‘contributory infringement’ . . . but only  
(continued)

deter frivolous claims against the government, Congress could impose harsh penalties on claimants found guilty of patent misuse under a clear and convincing burden of persuasion.

Congress could prevent excessive governmental liability also by clearly defining the scope of “authorization and consent” in § 1498(a). For example, governmental entities soliciting potential contractors, who prepare patented prototypes for contract bidding, could be presumed potentially liable for resulting indirect infringement unless the solicitation explicitly disclaimed such liability.<sup>390</sup> Fairly warned by such a disclaimer, potential contractors would knowingly remain vulnerable to injunctions and infringement suits unless and until the government intervened and accepted liability. As such, the patent owner’s rights remain intact, and the law forces the government to respect the rights, no longer indirectly infringing patents haphazardly until it decides a given technology is worthy for it to infringe directly.

To implement the proposed changes to § 1498(a), Congress would be required to amend also § 1498(c), the foreign claim exception. Originally, Congress added § 1498(c) to prevent governmental liability arising from copyright infringements in foreign countries.<sup>391</sup> Regarding the possibility

---

those types which it felt are in accord with the fundamental idea of protecting patentees in what they have actually invented . . .”).

<sup>390</sup> Phrased differently, the solicitation would be *prima facie* evidence of intent. Courts still struggle to define the types of intent necessary to trigger liability under both § 271(b) and § 271(c). See Lemley, *supra* note 16, at 241–46; Adams, *supra* note 55, at 388–94. When amending § 1498(a), Congress must determine carefully a fair but not overly lenient standard for the government intent that triggers liability for indirect infringements. Along with waiving sovereign immunity always comes a fear that the floodgates of litigation will open to an influx of extremely remote claims. See *Gray v. Bell*, 712 F.2d 490, 511 (D.C. Cir. 1983) (“[I]n the interest of preserving public revenues and property, courts should be wary of creating huge and unpredictable governmental liabilities by exposing the sovereign to damage claims for broad policy decisions that necessarily impact large numbers of people.”). A substantial and well-defined intent requirement under § 1498(a) likely would quell such a fear.

<sup>391</sup> See H.R. REP. NO. 86-624, at 1 (1959). The Chairman of the Senate Judiciary Committee offered the following example to support why permitting governmental liability for claims arising in foreign countries would be detrimental:

[I]t might be interpreted as subjecting the U.S. Government to suit if it committed an act, for example, in France infringing upon a work of a French national which, in addition to having other copyrights, happened to be protected under the U.S. copyright laws as well. The occurrence

(continued)

that such liability could result from § 1498(b), the Department of State at the time “pointed out that the same interpretation might apply with respect to the present section 1498 which relates to actions against the United States for infringement of patents.”<sup>392</sup>

Perhaps the contributors to the § 1498(c) legislative history offered very important reasons for not subjecting the United States to liability for *copyright* infringements arising in a foreign country. But conveniently subjecting patents to the same exception seems to ignore the subtle difference between photocopying a French novella and building a \$50 million jet composed of hundreds of patented parts.<sup>393</sup> If the jet incorporates carbon fibers manufactured by a patented process, the government currently escapes liability by performing *one step* of the manufacturing process in Japan, even knowing fully that the product will

---

of such an act is not unlikely in view of the numerous projects of this Government abroad in which infringements might inadvertently take place. In addition, there is an increasing number of foreign works entitled to protection under U.S. law pursuant to the provisions of the Universal Copyright Convention of which the United States is a member.

*Id.* at 6. Some of these concerns would be unfounded in the realm of indirect patent infringements. Firstly, wholly “inadvertent” indirect infringement does not give rise to liability, because courts require a showing of the infringer’s intent. *See* Rader, *supra* note 47, at 311–12. Secondly, even if foreign patents were entitled to protection in the United States under a convention similar to the Universal Copyright Convention, the language in § 1498(a), “covered by a patent *of the United States*” would preclude all infringement claims against the government. *See* 28 U.S.C. § 1498(a) (emphasis added).

<sup>392</sup> H.R. REP. NO. 86-624, at 5 (1959).

<sup>393</sup> As Richard Ruzich analogizes fittingly, “[t]he focused and clean laser beam light that is indicative of a tort action such as copyright infringement is dispersed into many colors once it collides with the prism of patent law.” Ruzich, *supra* note 80, at 442. Anyone tempted to dismiss Ruzich’s analogy because laser light is nearly monochromatic (and, therefore, *impossible* to disperse into “many” colors) may take interest in recent breakthroughs in supercontinuum laser technology. *See generally* Robert R. Alfano, *The Ultimate White Light*, SCI. AM., Dec. 2006, at 86 (describing a method for broadening the bandwidth of a laser beam, thereby rendering it capable of being “dispersed into many colors”). Perhaps one day supercontinuum laser technology will be patented. Then, the government can contribute to a telephone company’s infringement of the patent by mandating its use for communication lines and supplying the cable through which to shine the laser. But I digress.

be imported into the United States and used there.<sup>394</sup> The government undoubtedly would *not* escape liability under § 1498(b) for printing a copyrighted work abroad and selling the printed copies in the United States.<sup>395</sup> Given the added complexities required in enforcing patent rights, Congress would serve patent owners best by considering patents and copyrights separately when deciding the scope of a sovereign immunity waiver for the government's infringing acts. It could do so by limiting the reach of § 1498(c) to only § 1498(b) and then allowing judicial interpretations of § 271 to delineate the extraterritorial reach of § 1498(a).

### CONCLUSION

A holder of a United States patent expects a tight bundle of exclusive rights in exchange for donating the products of and inventor's hard work and ingenuity to the public base of knowledge.<sup>396</sup> The expectation of the exclusive rights extends against all others and becomes devalued when an exception must be made for the federal government. Though the Founding Fathers provided the Takings Clause of the Fifth Amendment to protect the rights of property owners against encroachment by the federal government, modern courts have resolved that the rights of patent owners do not deserve the same level of protection.<sup>397</sup> The remaining remedies to an injured patent holder apply to but a cross-section of the entire universe of patent infringements, and even the cross-section is full of loopholes that are far too easy for the government to slip through.

Extended philosophical arguments over the nature of intellectual property and whether patents do or do not deserve constitutional protection will always have two sides that address only one among many provocative questions of constitutional law. Meanwhile, demoralized inventors produce less, because the philosophical arguments do not timely address the deleterious effects to innovation when exclusive rights are devalued. As such, Congress should clarify to the courts the extent to which the government consents to be sued when it appropriates patented technologies for its own use and benefit. To be adequate and fair, the consent to suit

---

<sup>394</sup> See *Zoltek Corp. v. United States*, 442 F.3d 1345, 1350 (Fed. Cir. 2006) (per curiam), *reh'g en banc denied*, 464 F.3d 1335 (Fed. Cir. 2006), *cert. denied*, 127 S. Ct. 2936 (2007).

<sup>395</sup> The printing and the selling would be two separate acts of copyright infringement. See 17 U.S.C. §§ 501(a); 106(1), (3) (2000). The government would be liable under § 1498(b) for the selling only, but at least it would be liable for something.

<sup>396</sup> See 35 U.S.C. § 154(a)(1) (2000).

<sup>397</sup> See *Zoltek*, 442 F.3d at 1353.

should extend to all types of infringement for which a private individual would be liable. Even if the government exempted itself from various punitive damages, at least patent owners would be compensated to the value of what they had lost.

Perhaps inventors and patent owners are not the only ones affected by inadequate protections against governmental indirect infringement. Had Zoltek Corporation opted to keep its carbon fiber technology secret<sup>398</sup> instead of patenting it, would the citizens of the United States still have benefited from improved stealth fighters in an era when the availability of military technology relates directly to lives saved from aggressive, hostile enemies? We hope never to find out the hard way.

---

<sup>398</sup> Notwithstanding the diminished value to the public knowledge base, provided the government still could appropriate the technology, such an act would nonetheless afford Zoltek Corporation a Fifth Amendment right to just compensation. *See Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003–04 (1984) (“We therefore hold that to the extent that Monsanto has an interest in its health, safety, and environmental data cognizable as a trade-secret property right under Missouri law, that property right is protected by the Taking Clause of the Fifth Amendment.”).

