Exploring *Zoltek V*

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The court solves an important problem only after belated consideration of a superficially unrelated statutory provision.

Since 1996, Zoltek has sought to recover for government infringement of a patented process. Although products made under that process were allegedly used by Lockheed to buildi F-22 stealth fighter jets, they were made in Japan. Zoltek Corp. v. U.S., 2012 WL 833892 at *1 (*Zoltek V).*

The Court of Federal Claims initially found government liability under 28 U.S.C. § 1498 precluded by subsection (c): “The provisions of this section shall not apply to any claim arising in a foreign country.” It, however, allowed suit under the Tucker Act, codified at 28 U.S.C. § 1491. Before proceeding, the court certified those rulings for Federal Circuit review. *See* Zoltek Corp. v. U.S. 442 F.3d 1345, 1347 (Fed. Cir. 2006) (Zoltek III).

Finding 35 U.S.C. § 271(g) inapplicable, a per curiam opinion agrees that, “under § 1498, the United States is liable… only when it practices every step of the claimed method in the United States.” *Id*. But it disagreed that the trial court had jurisdiction under the Tucker Act. *Id*.

The latter conclusion is premised on Schillinger v. United States, 155 U.S. 163, 169 (1894), which turns on the Tucker Act’s exclusion of actions “sounding in tort.” *See* § 1491(a)(1). Thus a patentee could not sue the government for patent infringement as a Fifth Amendment taking. 442 F.3d 1350.

That might prompt some to wonder about liability under the Federal Tort Claims Act , 28 U.S.C. § 1346(b). But that Act requires that actionable torts be committed by "employees." Lockheed doesn't qualify. Moreover, 28 U.S.C. § 2671 precludes 1346(b) liability for acts of contractors. *See* Logue v. U.S., 412 U.S. 521, 525-27 (1973).

In *Zoltek III*, despite finding the government not liable, Judges Gajarsa's and Dyk's views differ. *Id*. at 1353 and 1367. Dissenting in a fourth opinion, Judge Plager faults rejection of § 271(g) as a basis for liability under § 1498, as well as their scant attention to § 1498(c). *Id*. at 1372-73. He further disputes that *Schillinger* is still good law. *Id*. at 1373. Thus, he concludes not only that Zoltek has a cause of action under § 1498 but also that the trial court has jurisdiction to consider its takings claim. *Id*. at 1385.

Zoltek then petitioned for rehearing and rehearing en banc. But both were refused in merged opinions. 464 F.3d 1335 (2006) (unnumbered in the *Zoltek* series).

The brief opinion that refuses rehearing also maintains that a claim against a private party would fail under the circumstances presented by this litigation. *Id*. at 1339. The latter proposition is perplexing and makes it difficult to understand why the dispute wasn't earlier and more cleanly resolved on that basis.

Only Judge Newman dissents from the refusal to rehear en banc. She believes "that my colleagues have strayed, for their holding that the issues raised by the asserted violation of patent rights are not within the jurisdiction of the Court of Federal Claims is contrary to clear statutory text and long-resolved application of constitutional remedy." *Id*. at 1336, 1338.

On remand, the Court of Claims dismissed the government as a party and concluded

that Zoltek should be able to proceed against Lockheed in the Northern District of Georgia. *Zoltek V*, at *1-3. It also certified for interlocutory appeal "whether 28 U.S.C. § 1498(c) must be construed to nullify any government contractor immunity provided in § 1498(a) when a patent infringement claim aris[es] in a foreign country." *Id*. at *3.

The appeal was accepted. Presumably because the appellate court was now focused on Lockheed, it "sua sponte voted to take Part I–B of this opinion en banc for the limited purpose of vacating the *Zoltek III* opinion." All but Judge Dyk agreed. *Id*. at *7 and *17.

Motivated and freed to consider the situation more broadly, Judge Gajarsa's opinion for the panel acknowledges that *Zoltek III* "creates the possibility that the United States' procurement of important military matériel could be interrupted via infringement actions against government contractors — the exact result § 1498 was meant to avoid." Also, that per curiam opinion is seen to run afoul of a scheme "meant to give relief to process patent holders when the resulting products of their patented process are used within the United States — regardless of where the process is practiced." *Id*. at *4

Although prior circuit opinions consider only Titles 28 and 35, *Zoltek V* brings portions of 19 U.S.C. § 1337 to bear. Under § 1337(a)(1)(B)(ii), Zoltek could ordinarily exclude products made by its patent process. Section 1337(l), however, bars exclusion of articles imported "by or for the United States;" most significantly, it also provides that patent owners "adversely affected shall be entitled to reasonable and entire compensation in an action [under 28 U.S.C. § 1498]." *Id*. at *11.

With § 1337(l) belatedly in focus, the court concludes, "§ 1498(a) creates an independent cause of action for direct infringement by the Government or its contractors that is not dependent on 35 U.S.C. § 271(a)…; § 1498(c) has no application to the facts

of this case…; [and] a contractor acting by and for the United States… is rendered immune from individual liability." Government liability otherwise established, the court did not need to, and did not, consider the Fifth Amendment as a separate basis. *Id*. at *16-17.

Dissenting, Judge Dyk protests governmental liability being reinstated "through the extraordinary approach of sua sponte en banc action where the issue was not argued by any of the parties, and where the government… participated only as amici curiae." Thus, he argues, "the en banc decision is beyond our jurisdiction and, in any event, is clearly incorrect on the merits." In that and other respects, *Zoltek V* opens and explores new territory. Yet, because named parties, as well as the government, are apt to be satisfied with the outcome if not all of the details, it's unlikely to be further explored in the Supreme Court.