

IRIS CORPORATION v. JAPAN AIRLINES CORPORATION, Appeal No. 2010-1051 (Fed. Cir. October 21, 2014). Before Prost, Newman and Hughes. Appealed from E.D.N.Y. (Judge Amon).

Background:

IRIS owns a patent for making and using a secure identification document containing an embedded computer chip that stores biographical or biometric data. IRIS sued Japan Airlines Corporation ("JAL"), alleging that JAL infringed its patent under 35 U.S.C. §271(g) for using electronic passports in the processing of JAL passenger check-ins throughout the U.S. The district court dismissed IRIS's suit, holding that federal laws requiring the examination of passports conflict with and therefore exempt JAL from patent infringement liability. JAL argued that IRIS's exclusive remedy is an action against the U.S. under 28 U.S.C. §1498(a). The district court dismissed IRIS's suit for failure to state a claim under which relief can be granted because the passport examination laws conflict with patent infringement laws. IRIS appealed.

Issue/Holding:

Whether JAL's alleged infringement was performed for the United States under 28 U.S.C. §1498(a)? Yes, affirmed.

Discussion:

28 U.S.C. §1498(a) states that "[w]henever an invention . . . covered by a patent of the United States is *used or manufactured by or for the United States* . . . the owner's remedy shall be by action against the United States." The Federal Circuit held that an accused activity is "for the United States" if (1) the activity is conducted for the U.S. government; and (2) the activity is conducted with the authorization or consent of the U.S. government.

An activity is conducted for the U.S. government under 28 U.S.C. §1498(a) if the allegedly infringing activity is performed for the benefit of the United States. The Federal Circuit explained that incidental benefit to the government is insufficient, and that the U.S. government need not be the sole beneficiary. In this instance, the U.S. government directly benefited because JAL's examination of passports both improved detection of fraudulent passports and reduced demand on government resources. Additionally, the Federal Circuit indicated that JAL's allegedly infringing acts were necessarily for the benefit of the government because JAL performed in a quasi-governmental function by examining passports.

With respect to the second requirement of 28 U.S.C. §1498(a), both parties and the U.S. government agreed that JAL could not comply with its legal obligations without infringing the patent. The Federal Circuit held that the U.S. government expressly provided its authorization or consent to the allegedly infringing activities under such circumstances.

The U.S. government conceded that liability under §1498(a) is the exclusive remedy in this case. The Federal Circuit concluded that the U.S. waived sovereign immunity against IRIS, and that IRIS's exclusive remedy is suit for recovery against the U.S. under §1498(a), not against JAL. The Federal Circuit therefore affirmed the district court's decision to dismiss IRIS's suit.