

ASTORNET TECHNOLOGIES INC. v. BAE SYSTEMS, INC., Appeal Nos. 2014-1854, 2015-1006, 2015-1007 (Fed. Cir. September 17, 2015). Before Prost, Newman, and Taranto. Appealed from D. Md. (Judge Titus).

Background:

Astornet filed three patent infringement actions in the District of Maryland, each naming a different defendant. The three complaints alleged indirect infringement of Astornet's patent by BAE, NCR Government Systems, and MorphoTrust, respectively.

Astornet's patent is directed to an "Airport vehicular gate entry access system." The defendants had contracts with the Transportation Safety Administration (TSA), an agency of the United States government, to supply the TSA with boarding-pass scanning (BPS) systems. Astornet's complaints stated that the manufacture, sale, and delivery of the BPS systems by the defendants did not result in direct infringement because the claims require processing steps to be performed by TSA personnel during passenger check-in. The complaints thus alleged that the three defendants' BPS systems induced the TSA to use the BPS systems in an infringing manner.

The defendants filed 12(b)(6) motions arguing that the suits were barred by 28 U.S.C. §1498, which limits a patent owner's remedy to an action against the United States in the Court of Federal Claims. The district court agreed and dismissed the suits. Astornet appealed.

Issues/Holdings:

Did the District Court err in dismissing the suits on the basis of §1498? No, affirmed.

Discussion:

Under §1498 a patent owner is provided with a cause of action against the United States (waiving sovereign immunity) to recover damages for the unauthorized use or manufacture of a patented invention "by or for the United States." Particularly, §1498 provides that "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...."

The Federal Circuit found that the statute's use of the definite article "*the* owner's remedy" and the statement that the remedy is for the patent owner's "entire compensation" makes the remedy under §1498 exclusive. The court also recognized Congress's intent in enacting §1498, which was to allow contractors to provide services to the government without the fear of becoming liable for infringement.

Astornet's complaints alleged that the defendants induced direct infringement by the TSA, with the direct infringement by the TSA being a prerequisite for the alleged indirect infringement by the defendants. The Federal Circuit determined that the alleged direct infringement by the TSA constituted use of the patented invention by the United States. The court held that Astornet's claim of use of the patented invention by the United States falls squarely under §1498. The Federal Circuit further held that §1498 is not limited to claims that are filed against the United States, because such an interpretation would expose government contractors to direct liability in contradiction of the plain meaning of the statute and established statutory policy.