

CLOSE ENCOUNTERS: GOVERNMENT CONTRACTS
LAW MEETS PATENT LAW AT THE FEDERAL CIRCUIT

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I. INTRODUCTION

The U.S. Court of Appeals for the Federal Circuit (Federal Circuit) is the successor to both the U.S. Court of Customs and Patent Appeals and the appellate branch of the Court of Claims.¹ Despite the court’s dual lineage,

1. See Federal Courts Improvement Act of 1982, Pub. L. No. 97-164, §§ 122, 124, 96 Stat. 25, 36; see also *Court Jurisdiction*, CT. OF APPEALS FOR THE FED. CIR., <http://www.cafc.uscourts.gov/the-court/court-jurisdiction.html> (last visited Aug. 15, 2012).

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however, the professional background of most Federal Circuit judges has been in patent law.² Relatively few active or senior Federal Circuit judges practiced government contracts law prior to their appointment to the bench.³ Even the former chief judge of the Federal Circuit has publicly noted the lack of government contracts experience on the part of his fellow judges and has called for the government contracts bar to push for appointment of one or more of their own to the Federal Circuit to remedy this disparity.⁴

Government contract professors and practitioners sometimes point to the Federal Circuit judges' relative lack of practical experience in government contracts to explain the court's government contract decisions.⁵ Some commentators have gone further and suggested that the Federal Circuit judges' patent infringement background and docket have influenced the manner in which they decide government contract cases. For example, Professor Ralph Nash noted in an article on the Federal Circuit's government contract decisions that the court appears to be moving away from the "decisional attitude" of its predecessor, the Court of Claims, in part because "it is no longer exclusively a court hearing claims against the [G]overnment," as evidenced by the fact that approximately one-third of the court's case load involves actions between private parties, i.e., patent infringement cases.⁶

Given the vast differences between patent law and government contracts law, it is difficult to perceive the influence, if any, that the Federal Circuit's patent docket or approach to deciding patent cases has had on its government contract decisions. One possible way to discern such an effect is to examine those (relatively few) Federal Circuit appeals that involve both patent law and government contracts. In these cases, the observer can compare and contrast the manner in which the Federal Circuit applies patent law and government contracts law in the same factual context. Three relatively recent Federal Circuit decisions—*Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc. (Roche Molecular Sys. III)*,⁷ *Mabus v. General Dynamics C4 Systems, Inc. (Mabus)*,⁸ and *Zoltek Corp. v. United States (Zoltek V)*⁹—involved the application of patent law to government contracts or in the context of government contracts. While these cases do not necessarily constitute a representative sample, they do provide a glimpse into

2. Paul R. Gugliuzza, *Rethinking Federal Circuit Jurisdiction*, 100 GEO. L.J. 1437, 1468–69 (2012).

3. Steven L. Schooner, *A Random Walk: The Federal Circuit's 2010 Government Contracts Decisions*, 60 AM. U. L. REV. 1067, 1070 (2011).

4. Robert K. Huffman, *Federal Circuit Decisions on Government Contracts: Insights from the Roundtable*, 24 NASH & CIBINIC REP. ¶ 7, at 26, 28 (Feb. 2010).

5. See, e.g., Ralph C. Nash Jr., *The Government Contract Decisions of the Federal Circuit*, 78 GEO. WASH. L. REV. 586, 613 (2010); Schooner, *supra* note 3, at 1069; Huffman, *supra* note 4, at 26.

6. Nash, *supra* note 5, at 588, 588 n.3.

7. 583 F.3d 832 (Fed. Cir. 2009).

8. 633 F.3d 1356 (Fed. Cir. 2011).

9. 672 F.3d 1309 (Fed. Cir. 2012) (en banc).

whether the Federal Circuit's approach to deciding patent cases differs from its approach to deciding government contract cases, and whether there is any truth to the notion that the court's approach to patent cases influences its approach to government contract cases.

This Article examines the Federal Circuit's analysis and application of patent law and government contracts law in the *Roche Molecular Sys. III*, *Mabus*, and *Zoltek V* decisions. It compares and contrasts the approaches taken by the court in these three cases.¹⁰ This analysis reveals that the Federal Circuit has adopted a variety of approaches to deciding cases involving both patents and government contracts.¹¹ These approaches vary from a formalistic application of patent law in the government contracts context to a pragmatic, policy-driven reinterpretation of patent statutes and precedents based upon the practical consequences of those statutes and precedents on government contractors.¹² This wide range of approaches appears to result not from the professional backgrounds of the judges, but rather from the presence or absence of amici and the differing views of the judges regarding the purposes of the statutes and doctrines that they were called upon to interpret, the practical circumstances out of which their decisions arose, and the appropriate amount of deference to be afforded to the fact-finding tribunals.

II. THE THREE DECISIONS

A. *Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc.*

*Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc. (Roche Molecular Sys. III)*¹³ concerned the ownership of three patents for monitoring the effectiveness of treatments for human immunodeficiency virus (HIV).¹⁴ The patented process was developed by research scientists at the Leland Stanford Junior University (Stanford) using federal funds.¹⁵ One of those scientists, Dr. Mark Holodniy, performed research both at Stanford and at Cetus Corporation (Cetus).¹⁶ When Dr. Holodniy joined Stanford as a researcher, he "signed a Copyright and Patent Agreement (CPA) stating that he 'agree[d] to assign' to Stanford his 'right, title and interest in' inventions resulting from his employment at the University."¹⁷ Thereafter, when Dr. Holodniy's supervisor at Stanford arranged

10. See discussion *infra* Part II.

11. See discussion *infra* Part III.

12. See *id.*

13. 583 F.3d 832 (Fed. Cir. 2009).

14. Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. IV*), 131 S. Ct. 2188, 2193 (2011).

15. *Id.* at 2189. Stanford received federal funding through the National Institutes of Health (NIH). *Id.*

16. See *id.*

17. *Id.* at 2192 (alteration in original).

for Dr. Holodniy to conduct research at Cetus, Dr. Holodniy also signed a Visitor's Confidentiality Agreement (VCA).¹⁸ The VCA provided that Dr. Holodniy "'will assign and do[es] hereby assign' to Cetus his 'right, title and interest in each of the ideas, inventions and improvements' made 'as a consequence of [his] access' to Cetus."¹⁹ Subsequently, a dispute arose between Stanford and Roche Molecular Systems, Inc. (Roche), which had purchased the relevant portion of Cetus's business, regarding the ownership of certain patents that resulted from Dr. Holodniy's (and other Stanford scientists') research.²⁰

1. Factual Background

In 1985, Cetus developed polymerase chain reaction (PCR) technology, a technique for making billions of copies of specific sequences of DNA from a small number of starting molecules.²¹ In 1988, Cetus and Stanford began to collaborate on the use of PCR in HIV/AIDS research to "test the efficacy of new AIDS drugs."²² Around that time, Dr. Holodniy joined Stanford as a research fellow and signed the CPA.²³ In relation to his work at Stanford, Dr. Holodniy began to make regular visits to Cetus to learn about PCR and to develop a PCR-based test for HIV.²⁴ As a condition of his access to Cetus, Dr. Holodniy signed the VCA.²⁵

Dr. Holodniy's research with Cetus resulted in a PCR-based procedure for measuring the amount of HIV in a patient's blood.²⁶ Dr. Holodniy then returned to Stanford and conducted clinical studies to test the HIV measurement technique.²⁷ Because "[s]ome of Stanford's research related to the HIV measurement technique was funded by the National Institutes of Health (NIH)," it was subject to the requirements of the Bayh-Dole Act.²⁸ As a result of the work of Dr. Holodniy and other Stanford employees, Stanford obtained three patents to the HIV measurement process.²⁹ In accordance with the Bayh-Dole Act, Stanford "disclosed the invention, con-

18. *Id.*

19. *Id.*

20. *Id.* at 2192–93.

21. *Id.* at 2192.

22. *Id.*

23. *Id.*

24. *See id.*

25. *Id.*

26. *Id.*

27. *Id.*

28. *Id.* at 2193. As Chief Justice Roberts described in his majority opinion:

Congress passed the Bayh-Dole Act to "promote the utilization of inventions arising from federally supported research," "promote collaboration between commercial concerns and nonprofit organizations," and "ensure that the Government obtains sufficient rights in federally supported inventions."

Id. at 2192–93 (quoting 35 U.S.C. § 200 (2006)); *see also* Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980).

29. *Roche Molecular Sys. IV*, 131 S. Ct. at 2192.

ferred on the Government a nonexclusive, nontransferable, paid-up license to use the patented procedure, and formally notified NIH that it elected to retain title to the invention.”³⁰

In 1991, Roche acquired all of Cetus’s assets related to PCR including “all rights Cetus had obtained through agreements like the VCA signed by [Dr.] Holodniy,”³¹ and “[a]fter conducting clinical trials on the HIV quantification method developed at Cetus,” Roche began selling HIV test kits to medical care providers.³²

In 2005, Stanford filed suit against Roche alleging that Roche was marketing HIV detection kits that infringed its patents.³³ Roche responded that, among other things, it possessed ownership interests in the patents because of Holodniy’s VCA with Cetus and that, as a result, Stanford lacked standing to sue Roche for patent infringement.³⁴

2. The District Court Litigation

The district court rejected Roche’s claim of ownership on several grounds.³⁵ As relevant to this Article, the court held that Dr. Holodniy’s assignment to Cetus was ineffective to convey an interest in the patents because, under the Bayh-Dole Act, he lacked any such interest to assign.³⁶ The district court reasoned that, “[w]hen the individual inventor is not a contracting party . . . the Bayh-Dole Act provides that the individual inventor may obtain title only after the [G]overnment and the contracting party have declined to do so.”³⁷ Because “Stanford exercised its right and obtained title in the patents” under the Bayh-Dole Act, “[Dr.] Holodniy had no interest to assign to Cetus.”³⁸

In a subsequent proceeding, the district court held that the patents were invalid for obviousness.³⁹ Stanford appealed the invalidity decision to the Federal Circuit, and Roche cross-appealed on the ownership issue.⁴⁰

3. The Federal Circuit Decision

The Federal Circuit concluded as a matter of law that Roche possessed an ownership interest in the patents that deprived Stanford of standing to sue

30. *Id.* at 2193.

31. *Id.* at 2192.

32. *Id.*

33. *Id.* at 2193.

34. *Id.*

35. See Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. I*), 487 F. Supp. 2d 1099, 1115–19 (N.D. Cal. 2007).

36. *Id.* at 1118–19.

37. *Id.* (citing TM Patents, LP v. Int’l Bus. Machs. Corp., 121 F. Supp. 2d 349, 369 (S.D.N.Y. 2000)).

38. *Id.* at 1119.

39. Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. II*), 563 F. Supp. 2d 1016, 1049 (N.D. Cal. 2008).

40. Board of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. III*), 583 F.3d 832, 839 (Fed. Cir. 2009).

for infringement.⁴¹ The court therefore vacated the district court's judgment of invalidity and remanded with instructions to dismiss Stanford's action.⁴²

The Federal Circuit's finding regarding Roche's ownership interest turned on its reading of Dr. Holodniy's CPA with Stanford and his subsequent VCA with Cetus.⁴³ In the CPA, Dr. Holodniy acknowledged that "Stanford enters into 'Contracts and Grants' with third parties, such as the Government, and that he may 'conceive or first actually reduce to practice' various inventions" subject to these contracts or grants.⁴⁴ However, Dr. Holodniy went on to state: "I agree to assign or confirm in writing to Stanford and/or Sponsors that right, title, and interest in . . . such inventions as required by Contracts or Grants."⁴⁵ The court regarded this "agree to assign" language as merely a promise by Dr. Holodniy to assign his rights to Stanford at an undetermined time.⁴⁶ Thus, "Stanford did not immediately gain title to [Dr.] Holodniy's inventions as a result of the CPA, nor at the time the inventions were created."⁴⁷

By contrast, the Federal Circuit viewed Dr. Holodniy's VCA with Cetus—in which Dr. Holodniy stated that he "will assign and do[es] hereby assign to [Cetus]" his interest in inventions conceived as a consequence of his access to Cetus facilities and information—as "effect[ing] a present assignment" to Cetus of his future inventions.⁴⁸ The court concluded that "Cetus's legal title vested first" and that Dr. Holodniy therefore had no rights to assign to Stanford with respect to the invention.⁴⁹

Stanford argued that Dr. Holodniy held only a contingent interest in any inventions resulting from government-funded work that vested only if Stanford elected not to retain title.⁵⁰ Thus, Stanford argued, by subsequently electing to retain title, Stanford voided whatever rights Dr. Holodniy had previously assigned to Cetus.⁵¹ The Federal Circuit found that Stanford "identifie[d] no authorities or reasons why its election of title under Bayh-Dole had the power to void any prior, otherwise valid assignments of patent rights."⁵² The court cited its prior holding in *Central Admixture Pharmacy Services, Inc. v. Advanced Cardiac Solutions, PC*⁵³ that while a contractor or grantee's violations of the Bayh-Dole Act may cause its title to be voidable, "it is not void: title remains with the named inventors or their assignees. Nothing in the statute, regulations, or our caselaw indicates that title is

41. *See id.* at 848.

42. *Id.* at 848–49.

43. *See id.* at 841–42.

44. *Id.* at 841.

45. *Id.* (alteration in original) (emphasis removed).

46. *Id.* (citing *IpVenture, Inc. v. Prostar Computer, Inc.*, 503 F.3d 1324, 1327 (Fed. Cir. 2007); *Arachnid, Inc. v. Merit Indus., Inc.*, 939 F.2d 1574, 1580–81 (Fed. Cir. 1991)).

47. *Id.* at 841–42.

48. *Id.* at 842.

49. *Id.*

50. *See id.* at 844.

51. *See id.*

52. *Id.*

53. 482 F.3d 1347 (Fed. Cir. 2007).

automatically forfeited.’”⁵⁴ The court observed that “[j]ust as we explained [in *Central Admixture*] that Bayh-Dole does not automatically void ab initio the inventors’ rights in government-funded inventions . . . we see no reason why the Act voids prior contractual transfers of rights.”⁵⁵ Therefore, the court concluded, “the Bayh-Dole statutory scheme did not automatically void the patent rights that Cetus received from [Dr.] Holodniy.”⁵⁶

Having found that the Bayh-Dole Act did not void or supersede Dr. Holodniy’s assignment of his patent rights to Cetus, the court concluded that Stanford lacked standing to pursue its infringement claim because it did not own Dr. Holodniy’s interest in the patents and that, under the court’s precedent, “‘all co-owners normally must join as plaintiffs in an infringement suit.’”⁵⁷ Based on that determination, the court vacated the district court’s judgment that the patents were invalid and remanded with instructions to dismiss Stanford’s action.⁵⁸ Stanford sought and was granted certiorari in the Supreme Court.⁵⁹

4. The Supreme Court Decision

Stanford, with the support of the United States as amicus curiae, argued in the Supreme Court that “the Bayh-Dole Act reorders the normal priority of rights in an invention when the invention is conceived or first reduced to practice with the support of federal funds.”⁶⁰ The Court summarized Stanford’s arguments as requiring the Bayh-Dole Act to “[move] inventors from the front of the line to the back by vesting title to federally funded inventions in the inventor’s employer—the federal contractor.”⁶¹

The Supreme Court rejected Stanford’s argument.⁶² Writing for the 7-2 majority, Chief Justice Roberts noted the general rule that “unless there is an agreement to the contrary, an employer does not have rights in an invention” that is “‘the original conception of the employee alone.’”⁶³ Although Congress has the power to alter the general rule of ownership and divest inventors of their rights to inventions, the Court found that whenever Congress had altered the priority of rights, it had done so expressly and unambiguously.⁶⁴ Because the Bayh-Dole Act does not contain any language divesting

54. *Id.* (quoting *Cent. Admixture Pharmacy Servs., Inc.*, 482 F.3d at 1352–53).

55. *Roche Molecular Sys. III*, 583 F.3d at 844.

56. *Id.* at 845.

57. *Id.* at 848 (quoting *Int’l Nutrition Co. v. Horphag Research Ltd.*, 257 F.3d 1324, 1331 (Fed. Cir. 2001)).

58. *Id.* at 848–49.

59. *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 131 S. Ct. 502 (2010), *cert. granted*.

60. *Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (Roche Molecular Sys. IV)*, 131 S. Ct. 2188, 2195 (2011).

61. *Id.*

62. *See id.* at 2196.

63. *Id.* at 2195 (quoting *United States v. Dubilier Condenser Corp.*, 298 U.S. 178, 189 (1933)).

64. *Id.* (citing 42 U.S.C. § 2182 (2006); 51 U.S.C. § 20135(b)(1) (2006); 42 U.S.C. § 5908 (2006)). For example, the Court noted that for certain contracts regarding nuclear material,

inventors of their ownership interest, the Court concluded that the Bayh-Dole Act does not reorder the normal priority of rights in an invention that is federally funded.⁶⁵

The Court further noted that, rather than expressly vesting title in contractors or divesting noncontractor inventors of title, the Bayh-Dole Act provides that contractors or grantees may “elect to retain title to a subject invention.”⁶⁶ Because the Act defined a “subject invention” as “any invention of the contractor conceived or first actually reduced to practice in the performance of work under a funding agreement,”⁶⁷ the contractor could elect to retain title only to an invention “of the contractor.”⁶⁸ The Court rejected Stanford’s argument that the phrase “of the contractor” should be read to include all inventions made by the contractor’s employees with the aid of federal funding.⁶⁹ Stanford’s reading “assumes that Congress subtly set aside two centuries of patent law in a statutory definition.”⁷⁰ Furthermore, reading “of a contractor” to mean “all inventions made by the contractor’s employees with the aid of federal funding” would render superfluous the language regarding federal funding that was already in the “subject invention” definition.⁷¹ Finally, the Court held that the statute’s use of the word “of” in the phrase “of the contractor” denotes ownership by the contractor.⁷²

The Court also found that the Bayh-Dole election “to retain title” to a subject invention could not vest title in the contractor unless the contractor already possessed such title.⁷³ Citing *Webster’s Third New International Dictionary*, the Court explained that “‘retain’ means to ‘hold or continue to hold in possession or use,’”⁷⁴ such that “[y]ou cannot retain something unless you already have it.”⁷⁵ Thus, the Bayh-Dole Act “does not confer title to federally funded inventions on contractors or authorize contractors to unilaterally take title to those inventions; it simply assures contractors that they may keep title to whatever it is they already have.”⁷⁶ This provision “makes sense in a statute specifying the respective rights and responsibilities of federal contractors and the Government.”⁷⁷ By contrast, had Congress

Congress provides unambiguously that “title to such inventions ‘shall be vested in, and be the property of, the [Atomic Energy] Commission.’” *Id.* at 2196 (alteration in original) (quoting 42 U.S.C. § 2182 (2006)).

65. *Id.* at 2197.

66. *Id.* at 2198 (quoting 35 U.S.C. § 202(d) (2006)).

67. 35 U.S.C. § 201(e).

68. *Roche Molecular Sys. IV*, 131 S. Ct. at 2197.

69. *Id.* at 2196 (quoting 35 U.S.C. § 202(a)).

70. *Id.*

71. *Id.*

72. *Id.*

73. *Id.* at 2197.

74. *Id.* (alteration removed) (quoting WEBSTER’S THIRD NEW INTERNATIONAL DICTIONARY 1565 (2002)).

75. *Id.* (citing *Alaska v. United States*, 545 U.S. 75, 104 (2005)).

76. *Id.*

77. *Id.*

intended to effect the “sea change” in intellectual property rights of “supplant[ing] one of the fundamental precepts of patent law and depriv[ing] inventors of rights in their own inventions,” it “would have said so clearly—not obliquely through an ambiguous definition of ‘subject invention’ and an idiosyncratic use of the word ‘retain.’”⁷⁸

The United States, as *amicus curiae*, argued that 35 U.S.C. § 210(a), which states that the Bayh-Dole Act “‘take[s] precedence over any other Act which would require a disposition of rights in subject inventions . . . that is inconsistent with’ the Act,”⁷⁹ displaces the traditional rule that an inventor owns the rights to his invention.⁸⁰ However, because the Bayh-Dole Act, including § 210(a), “applies only to ‘subject inventions’—‘inventions of the contractor’”—the Court concluded that the Act “does not displace an inventor’s antecedent title to his invention. Only when an invention belongs to the contractor does the Bayh-Dole Act come into play.”⁸¹ According to the Court, the “disposition of rights” provided by the Act—“like much of the rest of the Bayh-Dole Act—serves to clarify the order of priority of rights between the Federal Government and a federal contractor in a federally funded invention that already belongs to the contractor. Nothing more.”⁸² The Court also pointed to the common practice of contractors to obtain assignments from their employees and noted that such assignments would be unnecessary if the Act displaced an inventor’s antecedent title to his invention.⁸³

Justice Breyer, joined by Justice Ginsburg, dissented.⁸⁴ In Justice Breyer’s view, the term “invention of the contractor” “must refer to the work and ideas of [the contractor’s] employees.”⁸⁵ Thus, according to Justice Breyer, the Bayh-Dole Act created the following “three-tier” hierarchy of patent rights ownership applicable to “federally funded research conducted by nonprofit organizations . . . (1) the funded firm; (2) failing that, the United States Government; and (3) failing that, the employee who made the invention. . . .”⁸⁶

According to Justice Breyer, any other result would require the public to pay twice for the same invention—once to produce it and again when it is commercialized and marketed.⁸⁷ The Bayh-Dole Act’s provisions, according to Justice Breyer, reflect both an effort to protect the public from paying twice for an invention and “a related effort to assure that rights to inventions arising out of research for which the public has paid are distributed and used

78. *Id.* at 2198–99 (citing *Whitman v. Am. Trucking Ass’ns, Inc.*, 531 U.S. 457, 468 (2001)).

79. 35 U.S.C. § 210(a) (2006).

80. *Roche Molecular Sys. IV*, 131 S. Ct. at 2197.

81. *Id.*

82. *Id.*

83. *Id.* at 2199.

84. *Id.* at 2199–2205 (Breyer, J., dissenting).

85. *Id.* at 2200.

86. *Id.*

87. *Id.* at 2200–01.

in ways that further specific important public interests.”⁸⁸ In light of these objectives, Justice Breyer viewed the majority’s conclusion that individual inventors possess initial title to inventions paid for by the public as contrary to the purposes of the Act.⁸⁹

Justice Breyer suggested two alternative rulings that he viewed as more consistent with the objectives of the Act.⁹⁰ First, the Court could set aside the Federal Circuit’s licensing doctrine adopted in *FilmTec Corp. v. Allied-Signal, Inc.*⁹¹ and apply the rule that a present assignment of future inventions (as was the case with both the CPA and the VCA) conveys equitable title only.⁹² Under such a rule, the agreement that is first in time, such as Dr. Holodniy’s CPA with Stanford, controls who has the rights to the invention.⁹³ Second, the Court could interpret the Bayh-Dole Act as ordinarily requiring an “assignment of patent rights by the federally funded employee to the federally funded employer.”⁹⁴ Because neither of these issues was argued, Justice Breyer asserted that the Federal Circuit’s judgment must be vacated and remanded for analysis of these points.⁹⁵

B. *Mabus v. General Dynamics C4 Systems, Inc.*

Although the Federal Circuit did not deal directly with patent rights in *Mabus v. General Dynamics C4 Systems, Inc.*,⁹⁶ its decision in that case applied the equitable estoppel standard developed in patent cases to a government contract case for the first time, prompting a vigorous dissent that such an application ignored critical distinctions between patent infringement litigation and the administration of government contracts.⁹⁷

1. Factual Background

In 1998, the U.S. Navy entered into an indefinite-delivery/indefinite-quantity (ID/IQ) contract with Motorola, Inc. (Motorola) for the “development and delivery of” digital modular radios (Radios), associated software, repair parts, and manuals.⁹⁸ The contract had five option years, with decreas-

88. *Id.* at 2201.

89. *Id.*

90. *Id.* at 2202.

91. 939 F.2d 1568, 1572 (Fed. Cir. 1991).

92. See *Roche Molecular Sys. IV*, 131 S. Ct. at 2202–03 (Breyer, J., dissenting).

93. See *id.* at 2203.

94. *Id.*

95. *Id.* at 2204–05. Justice Sotomayor filed an opinion concurring in the majority’s affirmance but noted that she shared Justice Breyer’s concerns regarding the principles adopted by the Federal Circuit in *FilmTec Corp.* and the “application of those principles to agreements that implicate the Bayh-Dole Act.” *Id.* at 2199 (Sotomayor, J., concurring). Because Stanford did not challenge the decision below on that ground, however, Justice Sotomayor viewed affirmance as the proper result. *Id.*

96. 633 F.3d 1356 (Fed. Cir. 2011).

97. *Id.* at 1367–68 (Newman, J., dissenting).

98. See *id.* at 1358; Gen. Dynamics C4 Sys., ASBCA No. 54988, 09-2 BCA ¶ 34,150, at 168,808–09.

ing prices in each option year.⁹⁹ After exercising each option, the Navy was entitled to issue delivery orders (DOs) for Radios at the prices designated for that option year.¹⁰⁰

The contract required Motorola to provide the Government with Radios and associated software, which had yet to be developed or manufactured, on a firm-fixed-price basis.¹⁰¹ In the initial phase of the contract, Motorola and another awardee developed prototypes, and, prior to exercising Option 1, the Navy conducted a down-select.¹⁰² As part of the down-select, Motorola issued a revised proposal that reduced its original firm fixed pricing; as a result, the Navy chose Motorola.¹⁰³ In 2001, “General Dynamics assumed the contract from Motorola with knowledge that it was not profitable.”¹⁰⁴

Rather than exercising its out-year options, which would have been detrimental to General Dynamics C4 Systems, Inc. (General Dynamics), the Navy agreed to several bilateral modifications extending the Option 1 prices.¹⁰⁵ In 2002, the parties began negotiating another extension of Option 1 prices.¹⁰⁶ In January 2003, the Navy drafted a bilateral modification that extended Option 1 prices and deleted the high-frequency (HF) waveform requirement, which had not been developed and which General Dynamics expected would be extraordinarily expensive.¹⁰⁷ The Navy requested separate pricing on the HF waveform through a different contract vehicle.¹⁰⁸ However, upon learning of General Dynamics’ proposed HF price, the Navy exercised Option Year 5 twenty days before the ordering period expired.¹⁰⁹ In the final five days of the contract, the Navy issued eleven new DOs via e-mail for Radios at Option Year 5 prices.¹¹⁰

The contract did not allow DOs to be issued by e-mail.¹¹¹ The contract incorporated FAR 52.216-22, which states, “[d]elivery or performance shall be made only as authorized by orders issued in accordance with the Ordering clause.”¹¹² The contract’s Ordering Clause stated that “[i]f mailed, a delivery order or task order is considered ‘issued’ when the Government deposits the

99. *Mabus*, 633 F.3d at 1358.

100. *See id.*

101. *Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,806.

102. *Mabus*, 633 F.3d at 1358. Performing a “down-select” is the process through which multiple contractors and/or subcontractors are eliminated, leaving one remaining contractor to fulfill the order. Karen DaPonte Thornton, *Fine-Tuning Acquisition Reform’s Favorite Procurement Vehicle, the Indefinite Delivery Contract*, 31 PUB. CONT. L.J. 383, 407 n.117 (2002).

103. *Mabus*, 633 F.3d at 1358; *Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,809.

104. *Mabus*, 633 F.3d at 1358.

105. *See id.*; *Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,809.

106. *Mabus*, 633 F.3d at 1358.

107. *Id.* at 1358–59; *see Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,810.

108. *See Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,810.

109. *See Mabus*, 633 F.3d at 1359; *Gen. Dynamics C4 Sys.*, 09-2 BCA ¶ 34,150, at 168,811.

110. Brief for Appellee & Cross-Appellant at 13, *Mabus v. Gen. Dynamics C4 Sys., Inc.*, 633 F.3d 1356 (Fed. Cir. 2011) (Nos. 2009-1550, 2009-1560).

111. *Mabus*, 633 F.3d at 1359.

112. *Id.* at 1364 (Newman, J., dissenting) (quoting FAR 52.216-18 (1995)).

order in the mail. Orders may be issued orally, by facsimile, or by electronic commerce methods only if authorized in the Schedule.”¹¹³ The Schedule did not authorize the issuance of DOs via e-mail.¹¹⁴ This provision was not changed in any of the bilateral modifications.¹¹⁵

The Navy issued 28 DOs over the course of the contract—the first three by “mail or unknown means” and the fourth through the twenty-eighth by e-mail.¹¹⁶ General Dynamics accepted and performed the first seventeen DOs, of which at least thirteen were issued by e-mail.¹¹⁷ Shortly after expiration of Option Year 5, General Dynamics rejected DOs eighteen through twenty and twenty-two through twenty-nine on the grounds that the contract did not permit the Navy to issue them by e-mail.¹¹⁸

The Navy asserted that the DOs were valid and demanded that General Dynamics perform them.¹¹⁹ General Dynamics construed the Navy’s demand as a constructive change and a direction to proceed under the Changes clause of the contract.¹²⁰ General Dynamics subsequently filed a claim with the Contracting Officer for the increased costs of performance resulting from the alleged constructive change.¹²¹ The Contracting Officer denied the claim and General Dynamics appealed the denial of its claim to the Armed Services Board of Contract Appeals (Board).¹²²

2. The Board Decision

The Navy argued at the Board that the contract did not require a particular manner of DO issuance when interpreted in light of the parties’ conduct prior to the dispute.¹²³ The Board rejected this argument on the grounds that the contract clearly did not authorize issuance of DOs by e-mail.¹²⁴ “When the contract is clear, there is no ambiguity, and it is not necessary to examine the course of performance.”¹²⁵

The Navy also argued that General Dynamics had waived any right to reject the DOs at issue by its acceptance of earlier e-mail-issued DOs.¹²⁶ Defining waiver as “an intentional relinquishment or abandonment of a known right or privilege,” the Board noted that “[a] party’s silence about an irregularity in a transaction does not waive its right to object to the same irreg-

113. *Id.* at 1358.

114. *Id.*

115. *See id.* at 1361.

116. *Id.*

117. *See id.*

118. *Id.* at 1359.

119. *Id.*

120. *Id.*

121. *Id.*

122. Gen. Dynamics C4 Sys., ASBCA No. 54988, 09-2 BCA ¶ 34,150.

123. *Id.* at 168,817.

124. *Id.* at 168,817–18.

125. *Id.* at 168,818 (citing Optic-Elec. Corp., ASBCA No. 24962, 84-3 BCA ¶ 17,565, at 87,532).

126. *Id.*

ularity in a subsequent transaction.”¹²⁷ The Board found that General Dynamics had accepted the prior DOs only after negotiations and that the DOs to which General Dynamics objected were issued after negotiations were unsuccessful, and that the “lack of negotiations prior to electronic ordering is material in distinguishing the DOs at issue from the DOs pointed to by the [G]overnment as evidence of the parties’ past conduct in this regard.”¹²⁸ Thus, the Board held, General Dynamics’ “failure to object earlier . . . to the issuance of DOs by e-mail alone did not manifest any intent to waive the contract’s DO delivery restrictions.”¹²⁹

The Board analyzed the Government’s estoppel claim under the four-part test articulated by the Court of Claims in *Rel-Reeves, Inc. v. United States*.¹³⁰ Under that test, the Navy would have to prove that “(1) [General Dynamics] knew the facts; (2) it intended that its conduct be acted upon or acted such that the Navy had a right to believe it was so intended; (3) the Navy was ignorant of the true facts; and (4) the Navy relied upon appellant’s conduct to its injury.”¹³¹ The Board found that

[t]he Navy cannot satisfy estoppel element No. 1. As set forth above, [General Dynamics] did not “know the facts.” It did not appreciate the contract’s restrictions against the issuance of DOs by e-mail until it had occasion to examine the matter when the DOs at issue were issued without prior negotiations. Moreover, with respect to element No. 3, the Navy was not ignorant of the “true facts.” CO Lopez is also charged with reading the contract. He issued DOs by e-mail under the contract regardless of its strictures against that method and he admitted that appellant had nothing to do with his or [the Navy’s] decisions to send DOs by e-mail (finding 60). Because of the Navy’s failure to satisfy these factors, we need not address the other requisite elements of estoppel.¹³²

The Board found for General Dynamics on the issue of entitlement and remanded the case to the parties for calculation of the amount due General Dynamics.¹³³ The Government appealed the Board’s decision on entitlement to the Federal Circuit.¹³⁴

3. The Federal Court Decision

On appeal, the Federal Circuit focused solely on the estoppel issue.¹³⁵ It found that the Board analyzed estoppel under the wrong standard and that the test set forth in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*¹³⁶ should be applied.¹³⁷ Under *Aukerman*, equitable estoppel requires the following:

127. *Id.*

128. *Id.* at 168,819.

129. *Id.*

130. *Id.* (citing *Rel-Reeves, Inc. v. United States*, 534 F.2d 274 (Ct. Cl. 1976)).

131. *Id.* (citing *Rel-Reeves, Inc.*, 534 F.2d at 296–97).

132. *Id.* at 168,819.

133. *Id.* at 168,806.

134. *See Mabus v. Gen. Dynamics C4 Sys., Inc.*, 633 F.3d 1356, 1357–58 (Fed. Cir. 2011).

135. *Id.* at 1359–64.

136. 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

137. *Mabus*, 633 F.3d at 1359–60.

(1) misleading conduct, which may include not only statements and actions but silence and inaction, leading another to reasonably infer that rights will not be asserted against it; (2) reliance upon this conduct; and (3) due to this reliance, material prejudice if the delayed assertion of such rights is permitted.¹³⁸

Having found that the Board had applied the wrong test for equitable estoppel, the Federal Circuit could have remanded the matter to the Board with instructions to apply the *Aukerman* test to the facts of the case; however, it did not.¹³⁹ Instead, the Federal Circuit decided to apply the *Aukerman* test itself to the “undisputed” facts found by the Board under a different standard.¹⁴⁰ Based on these “undisputed” facts, the Federal Circuit reversed the Board.¹⁴¹

Applying the first *Aukerman* factor, the Federal Circuit found that General Dynamics’ acceptance without objection of thirteen DOs issued by e-mail “was misleading in light of General Dynamics’ later change in course when it refused to accept the final disputed DOs.”¹⁴² The Federal Circuit found that the Board had “misapplied the law and therefore abused its discretion” in finding that the Navy could not establish that General Dynamics knew of the contract’s restrictions on e-mail when it accepted the early e-mail DOs.¹⁴³ “The knowledge at issue is not General Dynamics’ actual knowledge of the contract terms, but rather its knowledge that it was accepting emailed delivery orders.”¹⁴⁴ The Federal Circuit noted that “it is undisputed that in this case General Dynamics was aware that it accepted and fulfilled delivery orders which it received via email.”¹⁴⁵

The Federal Circuit also rejected General Dynamics’ argument that its acceptance of the early e-mailed DOs should be ignored because “the Navy refused to renegotiate the contract prior to exercising Option V.”¹⁴⁶ In so doing, the Federal Circuit essentially brushed aside the Board’s finding that the negotiations preceding the early e-mailed DOs materially distinguished those DOs from the later e-mailed DOs that were not preceded by negotiations.¹⁴⁷ The Federal Circuit found “no record evidence to support General Dynamics’ suggestion that it accepted DOs via email because of the negotiations or contract modifications.”¹⁴⁸ Furthermore, the Navy had no obligation to renegotiate the option prices or to offer to pay higher prices, and “[a]s the Board found, General Dynamics assumed this contract

138. *Id.* at 1359 (quoting *Lincoln Logs Ltd. v. Lincoln Pre-Cut Log Homes, Inc.*, 971 F.2d 732, 734 (Fed. Cir. 1992) (citing *Aukerman*, 960 F.2d at 1028)).

139. *See id.* at 1359, 1363–64.

140. *Id.* at 1361.

141. *Id.*

142. *Id.*

143. *Id.*

144. *Id.*

145. *Id.*

146. *Id.*

147. *See* Gen. Dynamics C4 Sys., ASBCA No. 54988, 09-2 BCA ¶ 34,150, at 168,819.

148. *Mabus*, 633 F.3d at 1361.

with the knowledge that it was not a profitable contract.”¹⁴⁹ Accordingly, “[t]he undisputed facts of record support only one possible inference—that the contractor accepted emailed DOs.”¹⁵⁰

Turning to the second *Aukerman* factor—reliance—the Federal Circuit found that “the Navy clearly relied on General Dynamics’ conduct.”¹⁵¹ The court noted that the Navy issued orders by e-mail throughout the life of the contract and that General Dynamics never rejected an e-mailed DO or “even mentioned the Ordering Clause mailing requirement” until the end of the contract.¹⁵² “Had the Navy known of General Dynamics’ intention to reject these final orders, it could have placed hardcopy orders in the mail. This would have satisfied the non-asserted Ordering Clause and avoided this dispute.”¹⁵³ The Federal Circuit dismissed as an “absurd assumption” General Dynamics’ argument (and the Board’s finding) that because e-mail ordering was the “Navy’s standard practice,” it would not have sent hard copies of the DOs even if General Dynamics had asserted the Ordering Clause earlier.¹⁵⁴ “[W]hile email ordering may be the Navy’s standard practice, there is nothing that prevents the Navy from issuing hard copy orders when the contract requires.”¹⁵⁵ The court further noted that “[a]ll of General Dynamics’ evidence goes to unrelated contracts where there is no evidence that the contractor objected,” and that General Dynamics thus “failed to produce any evidence to show that *in the circumstances of this contract*, the Navy did not rely on its consistent acceptance of emailed DOs.”¹⁵⁶

Apparently treating the Board’s finding that the Navy could not show that it was “ignorant of the email prohibition in the contract” as related to reliance, the Federal Circuit held that the Board erred as a matter of law and thus abused its discretion.¹⁵⁷ The Federal Circuit held that the Board had focused on the wrong issue: “[t]he issue is not whether the [G]overnment had knowledge that the contract, as written, had a prohibition against email, but rather whether the [G]overnment was aware that General Dynamics intended to refuse future delivery orders if they were sent via email.”¹⁵⁸ Given the evidence (and Board finding) that General Dynamics “did not decide to refuse to accept email delivery orders until after the expiration of the ordering period, there was no way in which the [G]overnment could have known that this was General Dynamics’ intent,” and thus the Government

149. *Id.* at 1362.

150. *Id.*

151. *Id.*

152. *Id.*

153. *Id.*

154. *Id.*

155. *Id.*

156. *Id.* (emphasis in original).

157. *Id.*

158. *Id.*

could not have known the “true facts.”¹⁵⁹ Therefore, “[b]ased upon the undisputed facts, the [G]overnment’s reliance on General Dynamics’ consistent course of conduct—acceptance of emailed delivery orders—is established.”¹⁶⁰

Regarding the third and final *Aukerman* factor, the court stated that it was clear that the Navy suffered “material prejudice” on account of General Dynamics’ delay in asserting its rights under the Ordering Clause.¹⁶¹ “This prejudice is the Navy’s inability to obtain radios under its contractually negotiated pricing.”¹⁶² The court found that General Dynamics’ complaints about the Navy’s “aggressive” conduct to be beside the point; “all of the alleged ‘aggressive’ conduct was allowed under the contract terms that General Dynamics accepted when it assumed the contract with knowledge that it was not profitable.”¹⁶³

The Federal Circuit summarized its findings in words that underscored the importance it ascribed to the fact that General Dynamics knew that the contract as negotiated would be unprofitable:

We hold that the Board abused its discretion in determining that General Dynamics was not equitably estopped from rejecting the disputed DOs based on the Ordering Clause. The Navy simply exercised its rights under the ID/IQ contract to order under Option V. While we understand that these terms were not advantageous to General Dynamics, they were the terms of the contract voluntarily assumed by General Dynamics. *We refuse to allow General Dynamics out of this bargain based on the Ordering Clause that General Dynamics consistently ignored.*¹⁶⁴

Finally, the court rejected General Dynamics’ alternative argument that “the doctrine of equitable estoppel should not apply to ID/IQ contracts where the [Government] failed to make orders in exact accordance with the language of the contract.”¹⁶⁵ “While General Dynamics is generally correct regarding the law of option contracts, this does not preclude the application of this equitable doctrine.”¹⁶⁶ The court found that although General Dynamics perhaps could have rejected the first e-mailed DO based on the Navy’s noncompliance with the Ordering Clause, it chose to perform that DO (and twelve more).¹⁶⁷ The court held that “this course of conduct estopped General Dynamics in the context of this ID/IQ contract.”¹⁶⁸

Judge Pauline Newman filed a characteristic—and stinging—dissent. Judge Newman accused her fellow judges on the panel of “redesignat[ing]”

159. *Id.*

160. *Id.*

161. *Id.* at 1362–63.

162. *Id.* at 1363.

163. *Id.*

164. *Id.* (emphasis added).

165. *Id.*

166. *Id.*

167. *Id.*

168. *Id.*

critical Board findings of fact as rulings of law that could be reviewed de novo.¹⁶⁹ As examples, Judge Newman stated that “the court now holds that the factual elements of knowledge and reliance do not require that General Dynamics knew the facts, and holds that the Navy is entitled to estoppel as long as it was not ‘aware that General Dynamics intended to refuse future delivery orders if they were sent via email.’”¹⁷⁰ Specifically, Judge Newman criticized the majority for holding that, as a matter of law, “the contractor cannot rely on the contract Delivery Order provision unless it had informed the [G]overnment, in advance, that it will rely on this provision.”¹⁷¹ These “irregular holdings,” Judge Newman stated, “do not impart stability to government contracting.”¹⁷²

In addition to this departure from the standards of appellate review, Judge Newman criticized her colleagues for departing from government contract precedents.¹⁷³ Chief among these precedents was “the general rule of contract law that contracting parties must be held to their agreements.”¹⁷⁴ Judge Newman noted that, consistent with this rule, the Board and the courts had “generally declined to provide equitable relief from explicit contract provisions” and had “reject[ed] contractor pleas for mitigation or other departures from the contract terms.”¹⁷⁵

Judge Newman noted another precedent that the majority had disregarded: the Court of Claims’ decision in *Rel-Reeves* analyzing equitable estoppel under a four-part standard rather than *Aukerman*’s three-part standard.¹⁷⁶ Judge Newman pointed out that precedent, including Federal Circuit precedent, “illustrates the acceptance of this four-part analysis” in government contract cases.¹⁷⁷ Nevertheless, Judge Newman noted that the majority ignored precedent related to government contracts and instead held that “patent infringement law and precedent apply.”¹⁷⁸

In conclusion, Judge Newman stated that “the Board’s findings [were] fully in accord with precedent and [were] not fraudulent, arbitrary or capricious or grossly erroneous or unsupported by substantial evidence.”¹⁷⁹ As such, Judge Newman wrote, they were within the Board’s discretionary authority and should have been affirmed.¹⁸⁰

169. *Id.* at 1365 (Newman, J., dissenting).

170. *Id.* at 1368 (quoting the majority opinion at 1362).

171. *Id.*

172. *Id.*

173. *Id.*

174. *Id.* at 1366 (citations omitted).

175. *Id.* (citing *Madigan v. Hobin Lumber Co.*, 986 F.2d 1401, 1403, 1404 (Fed. Cir. 1993)).

176. *Id.* at 1368.

177. *Id.* at 1367.

178. *Id.*

179. *Id.* at 1369.

180. *Id.*

C. *Zoltek Corp. v. United States*

*Zoltek Corporation v. United States (Zoltek V)*¹⁸¹ is a landmark in the intersection of patent law and government contracts. The *Zoltek* litigation spanned fifteen years before it was finally decided by the Federal Circuit's March 12, 2012, en banc decision vacating its earlier panel decision.¹⁸²

1. Procedural Background

Zoltek Corporation (*Zoltek*) owned U.S. Reissue Patent Re. 34,162 (the '162 patent), which included a set of method claims describing a two-step process for manufacturing a carbon fiber product.¹⁸³ *Zoltek* filed a complaint in 1996 alleging that Lockheed Martin Corporation (*Lockheed*) used infringing products in manufacturing F-22 fighter planes under its contract with the United States to design and build the F-22 fighter.¹⁸⁴ It was undisputed that *Lockheed* contracted with other companies to provide two types of fiber sheet products for use in the F-22's construction.¹⁸⁵ These two types of fiber sheet products were made from carbon fibers manufactured in Japan and imported into the United States.¹⁸⁶ One sheet product was partially carbonized and manufactured in Japan, while the other product was completely processed into sheets in the United States.¹⁸⁷

Zoltek initially filed suit for patent infringement against the United States in the Court of Federal Claims (*Zoltek I*), pursuant to 28 U.S.C. § 1498(a) (2000).¹⁸⁸ The United States moved for partial summary judgment on the grounds that § 1498(c) barred *Zoltek* from receiving compensation for the use of the methods in the '162 patent because the claim arose in a foreign country.¹⁸⁹

2. *Zoltek I*

In *Zoltek I*, the Court of Federal Claims concluded that § 1498(c) was intended to "exempt the Federal Government from liability when any part of the invention was practiced outside of the United States."¹⁹⁰ The court further found that § 1498(a) does not extend to all forms of direct infringement regarding private parties.¹⁹¹ The court stayed the Government's motion for partial summary judgment pending further briefing as to whether the alleged infringement constituted a taking and, if so, whether the court's interpreta-

181. 672 F.3d 1309 (Fed. Cir. 2012) (en banc).

182. *Id.* at 1312, *vacating* 442 F.3d 1345 (Fed. Cir. 2006).

183. *Id.*

184. *Id.* at 1312, 1313; *Zoltek Corp. v. United States (Zoltek III)*, 442 F.3d 1345, 1349 (Fed. Cir. 2006) (per curiam).

185. *See Zoltek III*, 442 F.3d at 1349.

186. *See id.*

187. *Id.*

188. *Zoltek Corp v. United States (Zoltek I)*, 51 Fed. Cl. 829, 831 (2000).

189. *See id.* at 830-32.

190. *Id.* at 836.

191. *Id.* at 837.

tion of § 1498(c) resulted in a compensable taking of Zoltek's patent rights under the Takings Clause of the Fifth Amendment.¹⁹²

3. *Zoltek II*

After the ordered briefing, the Court of Federal Claims addressed its outstanding concerns in *Zoltek II*.¹⁹³ The court denied the Government's motion for partial summary judgment.¹⁹⁴ The court concluded that Zoltek could assert a cause of action outside of § 1498 for a taking of its patent rights under the Fifth Amendment by virtue of the Tucker Act.¹⁹⁵ The court described the distinction between a § 1498 claim and a takings claim as follows:

[A]lthough the Court does not have jurisdiction over the Plaintiff's cause of action against the U.S. for infringement of its patented process, this Court would have jurisdiction over infringement of the Plaintiff's exclusive right over use in the U.S. or importation of products made abroad by the patented process, since these rights are not found in § 1498 but are found as rights in § 154 of the Patent Act, enforced through § 271(g) of the Act.¹⁹⁶

The court granted leave to Zoltek to amend its complaint in light of the ruling.¹⁹⁷

4. *Zoltek III*

Upon appeal by the Government of the court's decision on the takings issue and the cross-appeal of Zoltek as to § 1498, the Federal Circuit issued a per curiam opinion (*Zoltek III*).¹⁹⁸ First, the Federal Circuit affirmed the Court of Federal Claims' ruling that § 1498(a) barred Zoltek's claims, holding that "the United States is liable for the use of a method patent only when it practices every step of the claimed method in the United States."¹⁹⁹ Relying upon *NTP, Inc. v. Research in Motion, Ltd.*,²⁰⁰ the Federal Circuit reiterated that direct infringement under § 271(a) is the "predicate for [the] Government[s] liability under [§] 1498" and that § 271(a) requires that each step of a process must be performed *within* the country.²⁰¹ Second, the Federal Circuit reversed the lower court's determination that it had jurisdiction under the Tucker Act based upon a Fifth Amendment takings theory.²⁰² The court concluded that the trial court erred in failing to consider Supreme

192. *Id.* at 839.

193. *Zoltek Corp. v. United States (Zoltek II)*, 58 Fed. Cl. 688 (2003).

194. *Id.* at 689.

195. *Id.*

196. *Id.* at 703.

197. *Id.* at 707.

198. *Zoltek v. United States (Zoltek III)*, 442 F.3d 1345 (Fed. Cir. 2006) (per curiam). The opinion consists of the per curiam opinion, separate concurring opinions by Judges Gajarsa and Dyk, and a dissenting opinion by Judge Plager. *Id.* at 1347.

199. *Id.* at 1347.

200. 418 F.3d 1282 (Fed. Cir. 2006).

201. *Id.* at 1350 (citing *NTP, Inc.*, 418 F.3d at 1316).

202. *Id.* (citing *Schillinger v. United States*, 155 U.S. 163 (1894)).

Court precedent rejecting the argument that “a patentee could sue the [G]overnment for patent infringement as a Fifth Amendment taking.”²⁰³ The court interpreted § 1498 as the exclusive remedy for a patentee to recover for infringement by the Government, reasoning that “[h]ad Congress intended to clarify the dimensions of the patent rights as property interests under the Fifth Amendment, there would have been no need for the new and limited sovereign immunity waiver” of § 1498.²⁰⁴ Thus, affirming in part and reversing in part, the Federal Circuit remanded the case for further proceedings consistent with its opinion.²⁰⁵

5. *Zoltek IV*

Upon remand, Zoltek moved the Court of Federal Claims for leave to transfer the F-22 portion of its case to the Northern District of Georgia and to amend its complaint to assert a claim against the contractor, Lockheed.²⁰⁶ The Government opposed the transfer, arguing that the complaint did not allege a claim “over which the Northern District of Georgia would have jurisdiction” and “that no court has jurisdiction over Zoltek’s F-22 claim” based upon *Zoltek III*.²⁰⁷ In essence, the Government took the position that “§ 1498(c) bars jurisdiction in [the Court of Federal Claims] and § 1498(a) bars jurisdiction in all other courts” such that no court could hear a claim regarding the allegedly infringing F-22 carbon fiber sheet products.²⁰⁸ The Court of Federal Claims disagreed, finding no limiting terminology in either subsection (a) or (c) of § 1498 that would indicate that “subsection (c) operates to nullify only selective parts of subsection (a)”; rather, the court concluded, subsection (c) renders all of § 1498 inapplicable when claims arise in a foreign country.²⁰⁹ The court summarized its position as follows:

To summarize, when an infringement claim arises in a foreign country, § 1498(c) must be construed to nullify the contractor immunity provision of § 1498(a). According to its language and purpose, § 1498(a) only insulates government contractors from suit when the Government can be found liable. Because § 1498(c) must be read to nullify all provisions of § 1498(a), there is no basis remaining for limiting a patentee’s “entire” recovery to suit against the Government.²¹⁰

The court concluded that § 1498(a) was not a jurisdictional bar to suit of Lockheed in Georgia and granted Zoltek leave to amend its complaint so as to assert a claim against Lockheed under § 271.²¹¹ Once the court was sat-

203. *Id.*

204. *Id.* at 1352.

205. *Id.* at 1353.

206. *Zoltek v. United States (Zoltek IV)*, 85 Fed. Cl. 409, 410 (2009).

207. *Id.*

208. *Id.* at 414.

209. *Id.* at 415.

210. *Id.* at 418.

211. *Id.* at 419, 422.

ified that the F-22 claim was “properly framed,” the court would grant Zoltek’s motion to transfer.²¹²

On February 18, 2009, the Court of Federal Claims granted Zoltek’s motion to transfer the matter and certified the order for interlocutory appeal.²¹³ The Federal Circuit granted Lockheed’s petition for an interlocutory appeal.²¹⁴

6. *Zoltek V*: The Federal Circuit’s Sua Sponte En Banc Decision

The panel considering the interlocutory appeal apparently determined its current analysis was inconsistent with *Zoltek III* and sua sponte voted to take part of the *Zoltek V* opinion en banc in order to vacate the *Zoltek III* opinion.

The Federal Circuit issued its decision, with an en banc section, on March 14, 2012 (*Zoltek V*).²¹⁵ The court described the issue on appeal as “whether the Court of Federal Claims properly allowed Zoltek to amend its complaint and transfer its claim for infringement under 35 U.S.C. § 271(g) against Lockheed” to the Georgia district court.²¹⁶ The court held that the Court of Federal Claims erred in permitting the amendment and transfer.²¹⁷ Finding that the Court of Federal Claims’ error “was precipitated in part” by *Zoltek III*, the court reexamined and vacated that decision en banc, with Judge Dyk dissenting.²¹⁸

The panel concluded that, based upon the plain language of § 1498(a), *Zoltek III* incorrectly limited the statute as to the protection that it provides to government contractors.²¹⁹ The panel found that *Zoltek III* creates the possibility of interruptions to military procurement via infringement actions against government contractors and characterizes such a scenario as “the exact result § 1498 was meant to avoid.”²²⁰ Additionally, the panel held *Zoltek III* vitiates the congressional scheme to “give relief to process patent holders.”²²¹

The *Zoltek V* opinion walks through the 1918 amendment of the precursor of § 1498 and the Supreme Court precedent,²²² concluding that the amendment was made the exclusive remedy for claims predicated on government contractors’ patent infringement.²²³ Then, the en banc portion of the opinion takes up *Zoltek III*’s holding that liability under 35 U.S.C. § 271(a)

212. *Id.* at 422.

213. *Zoltek Corp. v. United States*, Misc. No. 903, 2009 WL 3169301, at *1 (Fed. Cir. Sept. 30, 2009).

214. *Id.* at *2.

215. *Zoltek Corp. v. United States (Zoltek V)*, 672 F.3d 1309 (Fed. Cir. 2012) (en banc).

216. *Id.* at 1311.

217. *Id.*

218. *Id.* at 1311–12, 1317.

219. *Id.* at 1314–15.

220. *Id.* at 1315.

221. *Id.*

222. *Id.* at 1315–16.

223. *Id.* at 1316 (citing *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343 (1928)).

was required for government liability under § 1498.²²⁴ The en banc majority discussed four bases for correcting *Zoltek III*.²²⁵ First, because § 1498 “makes no reference to direct infringement” as defined in § 271(a), the en banc court found it to be error to interpret § 1498(a) in light of the other statute.²²⁶ Rather, the court concluded that

[section] 1498(a) waives the Government’s sovereign immunity from suit when (1) an invention claimed in a United States patent; (2) is “used or manufactured by or for the United States,” meaning each limitation is present in the accused product or process; and (3) the United States has no license or would be liable for direct infringement of the patent right for such use or manufacture if the United States was a private party.²²⁷

Having examined the statutory language, the en banc opinion then stated that the *Zoltek III* panel improperly relied upon dicta within *NTP, Inc. v. Research in Motion, Ltd.* instead of the plain language of § 1498(a).²²⁸

The en banc majority next pointed to a third basis for error by the *Zoltek III* panel: the earlier interpretation of § 1498(a) rendered subsection (c) “superfluous.”²²⁹ The majority again denied any interrelatedness with § 271 and concluded that “§ 1498(a) creates its own independent cause of action.”²³⁰ The en banc court’s fourth basis for vacating *Zoltek III* was that the earlier panel failed to implement Congress’s intent “to protect products resulting from a patented process, wherever practiced.”²³¹

Having vacated *Zoltek III* by an en banc decision, the *Zoltek V* panel then addressed whether § 271(g) infringement is a permissible basis for § 1498(a) liability.²³² The panel determined, as a matter of law, that Lockheed’s actions resulted in liability for the United States pursuant to § 1498(a) because

based on clear [c]ongressional intent to protect contractors from infringement so that the Government’s important business may not be disturbed, it would be absurd to find that the importation or use of a product created through the use of a patented process as prohibited by 35 U.S.C. §§ 154(a)(1) and 271(g) fails to be the equivalent of use of the invention without lawful right to do so.²³³

The panel emphasized that it was the importation of the resulting products that constituted Lockheed’s use without license or lawful right.²³⁴ As a result, Lockheed was immune from suit and the Government was potentially liable for infringement as to the F-22.²³⁵ Finally, the panel concluded that

224. *Id.* at 1317.

225. *See id.*

226. *Id.* at 1319.

227. *Id.*

228. *Id.* at 1319–20.

229. *Id.* at 1321.

230. *Id.*

231. *Id.*

232. *See id.* at 1322–23.

233. *Id.* at 1325.

234. *See id.* at 1325, 1326.

235. *Id.* at 1327.

§ 1498(c) “does not exempt the United States from liability because the infringing acts—use or importation of the products resulting from the process—occurred in the United States,” thus determining the subsection to be inapplicable because the claim did not arise in a foreign country.²³⁶ Contrary to *Zoltek III*, this later Federal Circuit decision concludes that the Government is liable despite the fact that a step of the patented process occurred in Japan.²³⁷

Zoltek V did not reach the issue of the Government’s potential liability for a Fifth Amendment taking due to the holding concerning the Government’s potential liability under § 1498(a).²³⁸ Furthermore, the court expressly declined to address whether other forms of § 271 infringement, such as indirect infringement, may be a basis for § 1498(a) liability.²³⁹

Judge Dyk, who concurred in *Zoltek III*,²⁴⁰ dissented regarding the en banc portion of the opinion in *Zoltek V* largely based upon the court’s authority to address and reverse the earlier decision.²⁴¹ Specifically, Judge Dyk argued that “the certified order [did] not confer appellate jurisdiction over the earlier dismissal of the claims against the [Government].”²⁴² As to the merits, Judge Dyk also disagreed with the majority view of § 1498(a) and suggested that “used or manufactured by or for the United States” must be interpreted in light of the general presumption against extraterritoriality.²⁴³ Arguing that the presumption applies to § 1498(a), Judge Dyk concluded that this interpretation excludes infringement that depends upon importation of a product that had a patented process performed on it abroad.²⁴⁴ Finally, Judge Dyk also disagreed that the Government’s liability under § 1498(a) “is otherwise coextensive with potential government contractor liability” and contemplates that a government contractor could be liable for patent infringement while the Government is protected from suit by sovereign immunity.²⁴⁵

III. COMPARATIVE ANALYSIS OF THE THREE DECISIONS

What do the three decisions discussed above have in common? What, if anything, do these decisions tell us about how the Federal Circuit decides patent cases and/or government contract cases?

236. *Id.* at 1326.

237. *See id.* at 1327.

238. *Id.*

239. *Id.*

240. *Zoltek v. United States (Zoltek III)*, 442 F.3d 1345, 1367 (Fed. Cir. 2006) (Dyk, J., concurring).

241. *See Zoltek V*, 672 F.3d at 1327 (Dyk, J., dissenting) (“The overturning of this earlier *Zoltek III* decision here is accomplished through the extraordinary approach of sua sponte en banc action where the issue was not argued by any of the parties, and where the [G]overnment itself was not a party to the appeal but participated only as *amici curiae*.”).

242. *Id.* at 1328.

243. *Id.* at 1330 (emphasis removed) (citing 28 U.S.C. § 1498(a) (2006)).

244. *Id.*

245. *Id.* at 1334.

The Federal Circuit in *Roche Molecular Sys. III* relied on its earlier holding that the Bayh-Dole Act did not void title to an invention even if its provisions were violated.²⁴⁶ If the Act did not void title under such circumstances, the court reasoned, surely it could not be read to void an inventor's preexisting rights in an invention merely because a contractor or grantee elected to retain title to the invention.²⁴⁷ The Federal Circuit found this result to be consistent with the "primary purpose of the Bayh-Dole Act," which, according to the court, "is to regulate relationships of small business and non-profit grantees with the Government, not between grantees and the inventors who work for them."²⁴⁸

The Supreme Court, while reaching the same result, engaged in a much more detailed analysis of the Bayh-Dole Act's purposes and language than did the Federal Circuit.²⁴⁹ The Supreme Court noted that the Bayh-Dole Act's purposes include "ensur[ing] that the Government obtains sufficient rights in federally supported inventions."²⁵⁰ The Court also acknowledged that the Act "take[s] precedence over any other Act which would require a disposition of rights in subject inventions . . . that is inconsistent with' the Act."²⁵¹ Finally, the Court noted that Congress could divest—and had divested—"inventors of their rights in inventions . . . created pursuant to . . . federal contracts . . ."²⁵² However, it noted that such divestiture had been accomplished "by providing unambiguously that inventions created pursuant to specified federal contracts became the property of the United States," language that is "notably absent from the Bayh-Dole Act."²⁵³

Although it labeled such discussion "unnecessary to [the] conclusion," the Supreme Court, unlike the Federal Circuit, squarely addressed the implications of its ruling on the Government and its contractors.²⁵⁴ The Court noted that "[c]ontractors generally institute policies to obtain assignments from their employees" and that "[a]gencies that grant funds to federal contractors typically expect those contractors to obtain assignments" from their employees.²⁵⁵ The Court also noted that the agency that had granted the federal funds to Stanford—the National Institutes of Health—had issued guidance making clear that "[b]y law, an inventor has initial ownership of an invention" and that contractors should therefore "have in place employee agreements requiring an inventor to 'assign' or give owner-

246. Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. III*), 583 F.3d 832, 844 (Fed. Cir. 2009) (citing Cent. Pharmacy Servs., Inc. v. Advanced Cardiac Solutions, P.C., 482 F.3d 1347, 1352–53 (Fed. Cir. 2007)).

247. See *id.*

248. *Id.* at 845 (quoting *Fenn v. Yale Univ.*, 393 F. Supp. 2d 133, 141–42 (D. Conn. 2004)).

249. See Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. IV*), 131 S. Ct. 2188 (2011).

250. *Id.* at 2193 (quoting 35 U.S.C. § 200 (2006)).

251. *Id.* at 2197 (alterations in original) (quoting 35 U.S.C. § 210(a) (2006)).

252. *Id.* at 2195.

253. *Id.* at 2195–96.

254. See *id.* at 2199.

255. *Id.*

ship of an invention to the organization upon acceptance of Federal funds.”²⁵⁶ The Court stated that “such guidance would be unnecessary if Stanford’s reading of the statute were correct.”²⁵⁷

The Court’s assumption that most contractors had obtained assignments from their employees allowed the Court to reject Stanford’s contention that “reading the Bayh-Dole Act as not vesting title to federally funded inventions in federal contractors ‘fundamentally undermined[es]’ the Act’s framework and severely threatens its continued ‘successful application.’”²⁵⁸ The Court reasoned that “universities typically enter into agreements with their employees requiring the assignment to the universities of rights in inventions.”²⁵⁹ The Court further noted that, “[w]ith an effective assignment, those inventions—if federally funded—become ‘subject inventions’ under the Act, and the statute as a practical matter works pretty much the way Stanford says it should.”²⁶⁰ The Court found that, ultimately, the only significant difference between Stanford’s position and the position that the Court adopted is that the Court’s position “does so without violence to the basic principle of patent law that inventors own their inventions.”²⁶¹

The Supreme Court’s detailed analysis of the Bayh-Dole Act’s language and the practical effects of its decision on contractors stand in sharp contrast to the approach taken by the Federal Circuit. The Federal Circuit’s analysis essentially begins and ends with the principle that violations of the Bayh-Dole Act do not automatically result in voiding the contractor’s rights in inventions.²⁶² The Federal Circuit did not analyze Bayh-Dole’s “elect to retain title”²⁶³ language or the “of the contractor” language of the Act’s “subject invention” definition.²⁶⁴ Nor did it consider the Act’s express purpose of “ensur[ing] that the Government obtains sufficient rights in federally supported inventions”²⁶⁵ or the practical effects of its holding on the Government’s interests or on contractors.²⁶⁶

In summary, the Federal Circuit’s decision in *Roche Molecular Sys. III* appears, when compared to the Supreme Court’s decision, to be a relatively narrow, formalistic application of patent law in the government contracts setting. However, the Federal Circuit’s apparent lack of concern for the Government or contractor interests protected by the Bayh-Dole Act may

256. *Id.* (quoting NAT’L INST. OF HEALTH, NIH POLICIES, PROCEDURES, AND FORMS, A “20-20” VIEW OF INVENTION REPORTING TO THE NATIONAL INSTITUTES OF HEALTH (1995)).

257. *Id.*

258. *Id.* (alteration in original) (quoting Brief for Petitioner at 45, Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc., 131 S. Ct. 2188 (2011) (No. 09-1159)).

259. *Id.*

260. *Id.*

261. *Id.*

262. See Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. III*), 583 F.3d 832, 844 (Fed. Cir. 2009).

263. 35 U.S.C. § 202(d) (2006).

264. *Id.* § 201(e); see *Roche Molecular Sys. III*, 583 F.3d 832.

265. 35 U.S.C. § 200.

266. See *Roche Molecular Sys. III*, 583 F.3d 832.

stem from the fact that the United States filed an amicus brief in the Supreme Court, but not in the Federal Circuit.²⁶⁷ The Government's amicus brief asserted that the Federal Circuit's decision that Stanford had no ownership rights in the subject inventions "undermines the uniformity and certainty of title that is necessary for effective commercialization," "frustrates the [G]overnment's ability to protect the taxpayers' multi-billion dollar investments in research and development by allowing an inventor to transfer ownership of an invention to a third party that is not subject to the [G]overnment's licensing and march-in rights," and "allows an inventor to nullify the provisions of the Act that require royalties to be dedicated to further research and development and products using the invention to be made in the United States."²⁶⁸ It may have been these arguments—which were not raised before the Federal Circuit—that prompted the Supreme Court to address the impact of its decision on the policies and purposes of the Act in far greater detail than did the Federal Circuit.

Like its decision in *Roche Molecular Sys. III*, the Federal Circuit's decision in *Mabus* reflects a reflexive application of patent law in the government contract context. In *Mabus*, the Federal Circuit applied the three-part equitable estoppel test articulated in a patent infringement case (*Aukerman*) rather than the four-part *Rel-Reeves* test that the Board and the court itself had previously applied in government contract cases.²⁶⁹ The only justification cited by the court for applying the *Aukerman* test in the government contract context was that "General Dynamics does not dispute that the estoppel standard from *Aukerman* applies."²⁷⁰ That is hardly a reasoned basis for declining to follow government contract precedents.

Judge Newman criticized the majority for applying the *Aukerman* estoppel standard in a government contract case.²⁷¹ *Aukerman*, she noted, was a patent infringement suit between private parties, where the court considered which factual issues are relevant to whether a patentee is estopped from filing suit after threatening infringement and then remaining silent.²⁷² The *Aukerman* court "was not concerned with contract law or any contract provision, but with threats of litigation."²⁷³ Judge Newman noted that "[t]here are differences between estoppel arising from written contract terms" and "estoppel arising from threats of patent infringement."²⁷⁴ Furthermore, *Aukerman* itself acknowledged that the estoppel doctrine "is not limited to a particu-

267. See Brief for the United States of America as Amicus Curiae Supporting Petitioner, Bd. of Trs. of the Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc. (*Roche Molecular Sys. IV*), 131 S. Ct. 2188 (2011) (No. 09-1159).

268. *Id.* at 14.

269. *Mabus* v. Gen. Dynamics C4 Sys., Inc., 633 F.3d 1356, 1368 (Newman, J., dissenting).

270. *Id.* at 1360 (majority opinion).

271. *Id.* at 1367–68 (Newman, J., dissenting).

272. *Id.* at 1367 (citing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc)).

273. *Id.* at 1367–68.

274. *Id.* at 1368.

lar factual situation nor subject to resolution by simple or hard and fast rules.”²⁷⁵ Nevertheless, the court in *Mabus* “announce[d] that *Aukerman* provides the ‘proper test for equitable estoppel’ in procurement law.”²⁷⁶

Judge Newman’s criticism of the majority for imposing the *Aukerman* three-part test is tempered somewhat by her acknowledgment that “commentary has noted only a semantic difference between the [*Aukerman*] three-part and [*Rel-Reeves*] four-part standards for equitable estoppel.”²⁷⁷ The principal semantic difference between the two standards concerns the parties’ respective knowledge of the “true facts.”²⁷⁸ This feature is explicit in the *Rel-Reeves* four-part test, and only implicit at best in the three facets of the *Aukerman* test.²⁷⁹ However, in Judge Newman’s view, it was the majority’s holding that the Board had applied the wrong standard that allowed it to recast the Board’s factual findings regarding the parties’ knowledge as legal errors and abuse of discretion.²⁸⁰ If that analysis is correct, the majority’s imposition of the *Aukerman* standard did have a material impact on the outcome of its decision.

Of far greater importance to the result in *Mabus*, however, was the majority’s decision to apply the *Aukerman* equitable estoppel standard to the facts rather than remanding the case to the Board.²⁸¹ This decision required the majority to undertake a detailed analysis of the facts of the case.²⁸² Regardless of whether one accepts Judge Newman’s charge that the majority recast the Board’s factual findings as legal rulings, the majority’s willingness to undertake this analysis shows little deference to the fact-finding tribunal. Some observers of the Federal Circuit’s patent infringement decisions have noted a pattern of this same lack of deference to the fact-finding tribunal.²⁸³

Zoltek V is strikingly different from the Federal Circuit’s decisions in *Roche Molecular Sys. III* and *Mabus*. Unlike the panels in *Roche Molecular Sys. III* and *Mabus*, the court in *Zoltek V* appears to have been driven by its concerns regarding the impact of its decision on government contractors and the government procurement system.²⁸⁴ In fact, the court began its analysis by noting the consequences of its decision for government contracts and the procurement system:

275. *Id.* (citing *Aukerman*, 960 F.2d at 1041).

276. *Id.* (quoting the majority opinion at 1361).

277. *Id.* (citing DAN B. DOBBS, LAW OF REMEDIES 85, 85 n.6 (2d ed. 1993)).

278. *Id.* (citing DOBBS, *supra* note 276, at 85, 85 n.6).

279. *See id.* at 1367–68 (citing DOBBS, *supra* note 277, at 85, 85 n.6). In a parenthetical, Judge Newman notes that the “lack of knowledge of the true facts” by the party claiming estoppel is implicitly covered by the reliance prong of the three-part test. *Id.*

280. *Id.* at 1368.

281. *See id.* at 1361 (majority opinion).

282. *See id.* at 1361–63.

283. *See, e.g.*, Thomas H. Case & Scott R. Miller, Note, *An Appraisal of the Court of Appeals for the Federal Circuit*, 57 S. CAL. L. REV. 301, 311 (1984).

284. *See Zoltek Corp. v. United States (Zoltek V)*, 672 F.3d 1309, 1314 (Fed. Cir. 2012) (en banc) (reexamining its earlier decision in *Zoltek III* in light of the relationship between the Government and government contractors).

In confronting the question of whether a contractor acting under [g]overnment authority could be held liable for patent infringement, in a situation in which we had previously held the Government not liable for the allegedly infringing actions of its contractor, we realized that one of two consequences would result. Either we had to conclude that a patentee's well-pleaded complaint of infringement in the United States of a United States patent in these circumstances fails to state a cause of action against both the Government and the Government's contractor, or we would have to override the longstanding understanding of the statutory framework that a contractor working for the Government is immune from individual liability for patent infringement occurring in the course of conducting the Government's contract.²⁸⁵

The court then explained that it was overruling the earlier panel decision in *Zoltek III* because that decision "significantly limits the protection that § 1498(a) provides to government contractors" and "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."²⁸⁶ The critical role that the purposes of the governing statutes and the consequences for government contractors played in the court's decision could not have been clearer.

Furthermore, after it had corrected the "error" of the panel decision in *Zoltek III*, the court still had to determine whether conduct that would infringe Zoltek's process patent under § 271(g) if performed by a private party could subject the Government to liability under § 1498(a).²⁸⁷ In answering this question in the affirmative, the court focused on § 1498(a)'s imposition of liability for "use" of the invention "without lawful right."²⁸⁸ Acknowledging that this language does not use the exact same terms as § 271(g), the court resorted to Judge Learned Hand's maxim that "[c]ourts have not stood helpless in such situations; the decisions are legion in which they have refused to be bound by the letter, when it frustrates the patent purpose of the whole statute."²⁸⁹ Noting that the Supreme Court had cited this maxim with approval, the Federal Circuit found:

the legislative purpose behind § 1498 is clear. The Supreme Court has stated that § 1498(a) was meant to "relieve the contractor entirely from liability of every kind for the infringement of patents in manufacturing anything for the [G]overnment" in order "to stimulate contractors to furnish what was needed for the war, without fear of becoming liable themselves for infringements. . . ."²⁹⁰

Therefore the court concluded:

based on clear [c]ongressional intent to protect contractors from infringement so that the Government's important business may not be disturbed, it would

285. *Id.*

286. *Id.* at 1315.

287. *Id.* at 1322–23 (citing 37 U.S.C. § 271(g) (2006); 28 U.S.C. § 1498(a) (2006)).

288. *Id.* at 1323 (citing 28 U.S.C. § 1498(a)).

289. *Id.* (quoting *Cabell v. Markham*, 148 F.2d 737, 739 (2d Cir. 1945)).

290. *Id.* at 1324 (quoting *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 343–45 (1928)).

be absurd to find that the importation or use of a product created through the use of a patented process as prohibited by 35 U.S.C. §§ 154(a)(1) and 271(g) fails to be the equivalent of use of the invention without lawful right to do so.²⁹¹

The Federal Circuit's attention to the concerns of contractors with the problems created by the earlier *Zoltek* decisions was likely prompted by the amicus briefs filed in the case by the Aerospace Industries Association of America and the Federal Circuit Bar Association.²⁹² These briefs specified the difficulties and uncertainties that would befall contractors if the Court of Federal Claims' decision transferring plaintiff's suit to federal district court were allowed to stand.²⁹³ Both briefs urged the Federal Circuit to overrule en banc its prior decision in *Zoltek III* on the grounds of the adverse effects of that decision on contractors and the Government.²⁹⁴ The Federal Circuit's sua sponte decision to review *Zoltek III* en banc, and the grounding of its decision to overrule *Zoltek III* on the consequences of that decision on government contractors, demonstrates the effect of these amici briefs and vindicates the repeated calls by former Chief Judge Paul Michel and current Chief Judge Randall Rader for greater participation by the government contracting community at the court through the filing of amici briefs.²⁹⁵

IV. CONCLUSION

Three decisions are too small a sample upon which to construct a model of how the Federal Circuit approaches or decides cases involving patent law in the context of government contracts. However, the three cases examined in this Article show that the Federal Circuit has not developed a uniform approach to such cases. If the three decisions examined above have anything in common, it is the willingness of the Federal Circuit to conduct a de novo review of the facts and the law, including the law established by its own

291. *Id.* at 1325.

292. See generally Brief for Aerospace Indus. Ass'n of Am., Inc. as Amicus Curiae Supporting Appellant, *Zoltek Corp. v. United States (Zoltek V)*, 672 F.3d 1309 (Fed. Cir. 2012) (en banc) (No. 2009-5135) [hereinafter Aerospace Industries Amicus Brief]; Corrected Brief for Fed. Circuit Bar Ass'n as Amicus Curiae Supporting Appellant, *Zoltek Corp. v. United States (Zoltek V)*, 672 F.3d 1309 (Fed. Cir. 2012) (en banc) (No. 2009-5135) [hereinafter Federal Circuit Bar Ass'n Amicus Brief].

293. See Aerospace Industries Amicus Brief, *supra* note 292, at 30; Federal Circuit Bar Ass'n Amicus Brief, *supra* note 292, at 23.

294. See Aerospace Industries Amicus Brief, *supra* note 292, at 32; Federal Circuit Bar Ass'n Amicus Brief, *supra* note 292, at 23-24.

295. See Huffman, *supra* note 4, at 26; Randall R. Rader, Chief Judge, U.S. Court of Appeals for the Federal Circuit, Speech at the Board of Contract Appeals Bar Association Annual Program (Oct. 7, 2010); Randall R. Rader, Chief Judge, U.S. Court of Appeals for the Federal Circuit, Speech at the United States Court of Federal Claims Western Conference of the Bench & Bar (Oct. 18, 2011).

prior decisions. Sweeping de novo review may not be to government contractors' liking, as was the case in *Mabus*, or it may benefit such contractors, as was the case in *Zoltek V*. However, whatever the views of the government contracts community, expansive de novo review is likely to be a feature of Federal Circuit jurisprudence for years to come.