Matthews PATENT-LAW consulting

ROBERT A. MATTHEWS JR.
COUNSELOR – PATENT LAW & LITIGATION
AUTHOR – ANNOTATED PATENT DIGEST
TELEPHONE 434.525.1141

April 2023

PATENT HAPPENINGS

A publication by **MATTHEWS PATENT-LAW CONSULTING** on
judicial, legislative, and administrative developments in U.S. patent law

"Past Infringement" Clause May Hurt Patent Suits Against Gov't[1]

By Robert A. Matthews, Jr.

Where patent infringement occurs over a period of years, U.S. law does not impose a statute of limitations to bar a claim against private infringers.[2] It does, however, limit the time period for recovering damages to infringement committed within six years of the filing of the suit.[3] As a plaintiff may only sue for infringement done during the time it held the patent, standing considerations can further limit the six-year period.[4] Where an asserted patent changes ownership during the damages period, and the new owner desires the ability to sue for infringement for the full damages period, the assignment agreement may include a provision that assigns to the new owner the right to sue for past infringement damages (RSPID). The assignment agreement must expressly set forthright that it conveys this right since U.S. law will not construe the basic assignment grant of "all right, title, and interest" in the patent as transferring RSPID.[5] As a well-accepted practice, licensing professionals often include an express provision assigning RSPID.

A recent case from the United States Federal Claims Court illustrates the need for licensing professionals to rethink how they draft a conveyance of RSPID if the parties contemplate bringing an infringement action against the federal government under 28 U.S.C. § 1498(a). The case shows that a customary inclusion of RSPID may have no legal effect in a § 1498 action. More importantly, the conveyance may even inadvertently "contract away" the ability to recover damages for the past infringement.

In *Power Density Solutions, LLC v. The United States*,[6] during the pre-suit damages period, the inventor assigned to the plaintiff his rights in the patent along with RSPID. Despite this complete

P.O. BOX 22, FOREST VA, 24551 ‖ (434) 525-1141 ‖ RAM@MATTHEWSPATENTLAW.COM ‖ WWW.MATTHEWSPATENTLAW.COM

assignment of all rights the inventor held in the patent, the plaintiff joined the inventor to the suit. The Federal Claims Court, unsurprisingly, terminated the inventor's participation in the suit for lack of standing; a decision that fully comports with Federal Circuit precedent.[7] Considering the validity of the assignment of RSPID, the court ruled that the assignment violated the Assignment of Claims Act (ACA), 31 U.S.C. § 3727. This statute prohibits the assignment of unliquidated claims against the federal government. By its terms, the ACA provides that "[a]n assignment may be made only after a claim is allowed, the amount of the claim is decided, and a warrant for payment of the claim has been issued." 31 U.S.C. § 3727(b). Applying the statute, the court held that the plaintiff "may only pursue patent infringement claims against the government arising after the patents were duly assigned and is thus barred from recovering pre-assignment damages..."[8] With the damages claim limited to the date of the assignment, the inventor excluded from the suit for lack of standing, the plaintiff lost approximately three years of possible damages for alleged infringing activity.

The result may seem harsh for patent holders while bestowing a windfall to the federal government. Yet, the parties should not expect sympathy from the courts. Case law shows instances where parties have contracted themselves out of standing to recover on a patent infringement claim.[9] Indeed, the Federal Circuit has instructed that "[w]hile parties are free to assign some or all patent rights as they see fit based on their interests and objectives, this does not mean that the chosen method of division will satisfy standing requirements."[10] Additionally, applying the ACA to render an assignment of RSPID ineffectual, while not often encountered, is not new law. Over a hundred years ago, in *Brothers v. United States*,[11] the Supreme Court limited a damage period to less than three months, giving no effect to an assignment of RSPID held by the plaintiff. The Court instructing that "there could be no assignment to him of any unliquidated claim against the government arising prior to the time he became the owner of the patent."[12]

In view of the foregoing, licensing professionals should consider whether to carve out from an assignment of RSPID any damages for claims pursued under 28 U.S.C. § 1498(a), thus limiting the scope of RSPID to actions pursued under 35 U.S.C. § 281. Should the parties choose to include in the agreement provisions addressing litigation cooperation and sharing of expenses and recoveries for any § 1498(a) actions, they should exercise care to ensure those provisions do not run afoul of the ACA.

Third-party funders of patent litigation should also take heed. The courts have shown a willingness to limit or deny damages when an agreement regarding patent rights violates the ACA.[13] The ACA broadly defines "assignment" to cover "a transfer or assignment of any part of a claim against the United States Government or of an interest in the claim." 31 U.S.C. § 3727(a)(1). It also defines "assignment" to include "the authorization to receive payment for any part of the claim." 31 U.S.C. § 3727(a)(2). The heart of most funding agreements has the funder advancing money to pay legal expenses in exchange for a share in the recovery of the patent infringement claim. Accordingly, depending on how the courts

P.O. BOX 22, FOREST VA, 24551 ‖ (434) 525-1141 ‖ RAM@MATTHEWSPATENTLAW.COM ‖ WWW.MATTHEWSPATENTLAW.COM

construe "authorization to receive payment" and "interest in the claim," an argument may exist that the ACA applies to third-party funding agreements of § 1498(a) claims. What remedy, if any, a court would apply if it finds that a funding agreement violates the ACA raises an interesting and perplexing question.

Robert A. Matthews, Jr. is the sole author of the ANNOTATED PATENT DIGEST. He provides consulting services on all aspects of U.S. patent law to other lawyers through MATTHEWS PATENT-LAW CONSULTING, and serves as the in-house patent-law consultant for LEVERAGE IP.

---

[1] This article was first published in Law360, Expert Analysis column, on April 12, 2023.

[2] In contrast, claims against the federal government seeking compensation under 28 U.S.C. § 1498(a) for the unauthorized use of patented technology must comply with the six-year statute of limitations provided by 28 U.S.C. § 2501, subject to the tolling provision of 35 U.S.C. § 286. *See generally*, Robert A. Matthews, Jr., ANNOTATED PATENT DIGEST [*hereinafter* APD] § 30:137 Tolling Provision for Actions Against the United States.

[3] 35 U.S.C. § 286 ("Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action"). *See* APD § 30:134 Temporal Limitations Imposed by 35 U.S.C. § 286.

[4] *See* APD § 9:46 Legal Title when Infringing Acts Occurred.

[5] *Minco, Inc. v. Combustion's Engineering, Inc.*, 95 F.3d 1109, 1117 (Fed. Cir. 1996) *See* APD § 9:47 Assignment of Right to Sue for Past Infringement.

[6] No. 21-911C, 2023 WL 2624386 at *4 (Fed. Cl. Mar. 24, 2023).

[7] *See* APD § 9:48 Assignor's Standing After Assigning.

[8] 2023 WL 2624386 at *4.

[9] *See* APD § 9:65.100 Patentee or Exclusive Licensee Contracts Itself Out of Standing.

[10] *Morrow v. Microsoft Corp.*, 499 F.3d 1332, 1341 n.8 (Fed. Cir. 2007).

[11] 250 U.S. 88, 89 (1919).

[12] *Id.*

[13] *See e.g., Foster v. United States*, 230 Ct. Cl. 938, 939-940 (Ct. Cl. May 4, 1982) (applying ACA to bar an individual's claim for 35 U.S.C. § 183 secrecy order compensation during the time that his employer had been assigned the patent applications and stating "case law clearly establishes the applicability of 31 U.S.C. § 203 [predecessor to the ACA] to prevent assignment of patent claims on patents issued subsequent to 1918"); *Standard Mfg. Co., Inc. v. United States*, 42 Fed. Cl. 748, 780-81 (Fed. Cl. 1999) (applying ACA to bar an assignee of patent rights from recovering for infringement done before the assignment of the patent, despite the assignor and assignee arguing they were equitably the same entity).

P.O. BOX 22, FOREST VA, 24551 ‖ (434) 525-1141 ‖ RAM@MATTHEWSPATENTLAW.COM ‖ WWW.MATTHEWSPATENTLAW.COM