

**No. 20-\_\_\_\_\_**

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IN THE  
**Supreme Court of the United States**

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CHRISTY, INC.,

*Petitioner,*

v.

UNITED STATES,

*Respondent.*

*On Petition For A Writ Of Certiorari To The United  
States Court Of Appeals For The Federal Circuit*

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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

Petitioner Christy, Inc. obtained a patent after following all the steps and rules and paying all of the fees demanded of it. Upon trying to assert its property rights embodied in the patent against an accused infringer, the Government invalidated the patent during *Inter Partes* Review (“IPR”) initiated by the accused infringer because it had allegedly been mistakenly issued. Christy, Inc. received no compensation for its property nor return of the fees it paid.

In that context, the Questions Presented are:

- 1) When a duly-issued patent is invalidated through a post-grant review process (such as an IPR), must compensation be paid under the Takings Clause?
- 2) When a duly-issued patent is invalidated through a post-grant review process (such as an IPR), should the issuance and maintenance fees that were demanded by the government by mistake be returned?

## **PARTIES TO THE PROCEEDING**

Petitioner Christy, Inc. (“Christy”) was the plaintiff and appellant below.

Respondent United States (“Government”) was the defendant and appellee below.

## **CORPORATE DISCLOSURE STATEMENT PURSUANT TO RULE 29.6**

Christy, Inc. has no corporate parents, affiliates and/or subsidiaries. Christy, Inc. is an Oklahoma corporation which is not publicly held. No publicly-held company owns ten percent or more of the stock of Christy, Inc.

## **RELATED PROCEEDINGS**

The following proceedings are directly related to this case within the meaning of Rule 14.1(b)(iii):

- *Christy, Inc., On Behalf Of Itself And All Others Similarly Situated v. United States*, Case No. 1:18-cv-00657-MMS (Fed. Cl.), judgment entered on January 29, 2019
- *Christy, Inc., On Behalf Of Itself And All Others Similarly Situated v. United States*, Appeal No. 2019-1738 (Fed. Cir.), judgment entered on August 24, 2020 and *errata* issued on August 25, 2020

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**PETITION FOR WRIT OF CERTIORARI**

Petitioner Christy, Inc. (hereinafter, “Christy” or “Petitioner”) respectfully petitions for a *writ of certiorari* to review the judgment of the United States Court of Appeals for the Federal Circuit in the case below which affirmed the Judgment of the Court of Federal Claims.

**JURISDICTION****Cases Below:**

The Opinion And Order of the United States Court of Federal Claims granting the United States’ motion to dismiss Christy’s Amended Class Action Complaint in the matter of *Christy, Inc. v. The United States* (Case No. 18-657C) was issued on January 29, 2019 (Dkt. No. 17) and is reported at 141 Fed. Cl. 641 (2019). The Final Judgment was issued on January 29, 2019 (Dkt. No. 18).

The Federal Circuit Court of Appeal’s Decision affirming the Court of Federal Claims Opinion And Order was issued on August 24, 2019 and is reported at 971 F.3d 1332.

**Jurisdiction To Hear Appeal:**

The Federal Circuit Court of Appeals issued its Decision on August 24, 2019. This Court has jurisdiction to review on a *writ of certiorari* of the judgment under 28 U.S.C. §1254(1).

On March 19, 2020, the Court extended the time to file a petition for a *writ of certiorari* to 150 days from the date of the lower-court judgment, order denying

discretionary review, or order denying a timely petition for rehearing. That order extended the deadline for filing this petition to January 21, 2021.

**APPLICABLE LAW****5th Amendment to the United States Constitution**

“[N]or shall private property be taken for public use, without just compensation.”

**INTRODUCTION**

Is a patent a “property right”? This may be an odd question to ask in light of the fact that patents are generally discussed as being a form of “intellectual property.” It is also odd because that question has been answered repeatedly by this Court in the affirmative. However, the Federal Circuit appears to disagree. By affirming the decision of the Court of Federal Claims below, the Federal Circuit has decided that an issued patent is not property subject to the Takings Clause of the U.S. Constitution and eschewed over 150 years of this Court’s rulings, including this Court’s recent *Oil States* decision.

**STATEMENT OF THE CASE**

Is a patent a property right or is it something less? And if a patent holder cannot depend on the United States Patent and Trademark Office (“USPTO”) to competently evaluate a patent application, should an applicant receive some of the money it paid when the USPTO makes a mistake? Here, Christy obtained a patent, then lost it during *Inter Partes* Review (“IPR”). Subsequently, it sought to receive compensation for the property that was taken by the USPTO. In the alternative, Christy sought return of the fees it paid in order to obtain its patent after it was notified that a patent would be granted. The Court of Federal



Claims dismissed Christy's Complaint, and the Federal Circuit affirmed.

## BACKGROUND

### **A. CHRISTY OBTAINS ITS PATENT.**

The property rights at issue in this litigation were titled and perfected as United States Patent No. 7,082,640 (the "640 Patent") which was issued from application number 10/623,356 that was filed on July 18, 2003. *See* Appx020. On March 2, 2006, the USPTO informed the applicant that application 10/623,356 had been "examined and is allowed for issuance as a patent." (hereinafter, "Notice of Allowance"). *See id.* Christy's Notice of Allowance indicated that an "issue fee" and a "publication fee" were due within three months, and that the application would be considered abandoned if the fees were not paid. *See id.* Christy's Notice of Allowance also indicated that "prosecution on the merits" of the application was complete and that 20 claims were allowed. *See id.* On May 31, 2006, Christy paid the fees. *See id.* The '640 Patent was issued on August 1, 2006. *See id.*

Christy paid all required maintenance fees, including Maintenance Fees of \$490 for the "3.5 Year Window," \$1800 for the "7.5 Year Window," and \$3700 for the "11.5 Year Window." *See* Appx020-021.

Based upon, and in reliance on, the issuance of the patent, Christy made substantial financial investments into the patented technologies. *See* Appx003, Appx031. The '640 Patent was duly issued by the USPTO after examination, is presumed valid, and Christy had reasonable and investment backed expectations in receiving compensation for its claims

covering its ambient air backflushed filter vacuum invention (*id.*), as supported by the policy of granting patents to encourage investment backed risks into technologies.<sup>1</sup> For these reasons, Christy had reasonable investment-backed expectations in receiving a market rate of return on the capital invested in its patented technologies and its payment of issuance and maintenance fees (such investment having been encouraged by Defendant and then put to the public's use). *See id.*

### **B. CHRISTY LOSES ITS PATENT.**

Christy and its licensee filed a complaint against Dewalt Industrial Tool Co. and Black & Decker Corp. alleging infringement of the '640 Patent in the United States District Court for the Northern District of Oklahoma (the "Oklahoma Action"). *See* Appx022. Black & Decker (U.S.), Inc. ("Black & Decker"), was added to the complaint as a defendant on September 12, 2014. *Id.* On December 19, 2014, Black & Decker filed two IPRs, and the case was subsequently stayed pending their outcome. *See* Appx022-023.

Petition Number 2015-00468 ("IPR 2015-00468") challenged claims 1-18 of the '640 Patent. *See* Appx022. On June 24, 2015, the PTAB instituted IPR 2015-00468 for all claims challenged. *See id.* On June 17, 2016, the PTAB issued its Final Written Decision for IPR 2015-00468, rendering all challenged claims of

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<sup>1</sup> *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599-600 (Fed. Cir. 1985) ("The encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude.")

the '640 Patent invalid.<sup>2</sup> See Appx023-025. Petition Number 2015-00472 (“IPR 2015-00472”) challenged claims 1, 4-10, and 13-18 of the '640 Patent, and was also instituted on June 24, 2015 for all claims challenged. See Appx023. On June 17, 2016, the PTAB issued its Final Written Decision for IPR 2015-00472, rendering all challenged claims of the '640 Patent invalid.<sup>3</sup> See Appx023-025.

Christy appealed both decisions to the Federal Circuit. See Appx025. The Federal Circuit affirmed the PTAB’s decision in IPR2015-00468. *Christy, Inc. v. Black & Decker (U.S.), Inc.*, 696 Fed. Appx. 1020 (Fed. Cir. 2017) (*per curiam*). The Federal Circuit also dismissed Christy’s appeal of IPR2015-00472 as moot. *Id.* (case 2017-2499). On August 14, 2018, the USPTO issued and published an *Inter Partes* Review Certificate officially cancelling claims 1-18 of the '640 patent. See Appx025.

The Government has not remitted “just compensation” to Christy for taking its property. To avoid doubt, it has not compensated Christy for the value of the '640 Patent itself, nor for any monies invested in the technologies underlying the invalidated claims with the expectation that those investments were protected by patents, including those invested in facilities, production means, or related costs. Nor has the USPTO refunded the issuance and maintenance fees paid by Christy.

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<sup>2</sup> Claims 1 and 10 were deemed anticipated and claims 1-18 were deemed obvious.

<sup>3</sup> Claims 1 and 10 were deemed anticipated and claims 1, 4-9, and 13-18 were deemed obvious.

PROCEEDINGS BELOW

On May 9, 2018, Christy filed its original Complaint against the Government in the United States Court of Federal Claims (“CFC”). *See* Appx026. After the Government moved to dismiss the Complaint pursuant to RCFC 12(b)(1) and 12(b)(6), Christy filed its First Amended Complaint On July 30, 2018. *See id.* In its First Amended Complaint, Christy alleged a class action suit against the USPTO. The causes of actions pled in that Complaint included, among others, Christy’s allegation that the invalidation of eighteen claims asserted in one of its patents effected a taking without just compensation in violation of the Takings Clause of the Fifth Amendment to the United States Constitution (“Takings Clause”). *See id.* In the alternative, Christy also alleged an illegal exaction of its patent issuance and maintenance fees by the Government. *See id.*

The Government moved to dismiss Christy’s Amended Complaint for lack of subject-matter jurisdiction and, alternatively, for failure to state a claim upon which that court could grant relief. *See* Appx026. The CFC held that patents, including the ’640 Patent, are not property for Takings Clause purposes. *See* Appx032-040. Further, it found that it did not have jurisdiction over Christy’s exaction claim, and even if it did, the USPTO did not illegally exact Christy’s funds. *See* Appx057-063.

The CFC issued its Opinion (Appx011-064) and entered judgment against Christy (Appx067-068) on January 29, 2019. Christy appealed that decision. The Federal Circuit affirmed and entered judgment on August 24, 2020. *See Christy, Inc. v. U.S.*, 971 F.3d 1332 (Fed. Cir. 2020) (Appx001-010, Appx065-068).

The Federal Circuit concluded that no taking of property rights in the '620 Patent had occurred and no exaction had occurred with respect to the issuance and maintenance fees. *See* Appx005-009.

## **REASONS FOR GRANTING THE PETITION**

The '640 Patent was obtained by following the USPTO's rules and paying the requested fees. Christy tried to enforce its patent against an infringer, who sought relief by requesting an IPR and convincing the USPTO that the claims of the '640 Patent were invalid. At issue is whether Christy should be compensated for the USPTO's admitted "mistake." Christy lost property duly granted to it and for which it had paid when the government invalidated the '640 Patent. In the alternative, Christy should have the fees it paid to the USPTO—fees the USPTO deemed mandatory—returned. In opposing these arguments, the Government advanced, and the Court of Federal Claims and the Federal Circuit accepted, the logically flawed—and circular—position that the USPTO erred in issuing the '640 Patent and therefore there was no Taking, because it never existed. And despite recognizing that the USPTO made a mistake, the CFC and the Federal Circuit concluded there is no good cause to return Christy's issuance fees.

### **I. CHRISTY'S PATENT WAS TAKEN**

A patent is a property right subject to the requirements of the Fifth Amendment—it is a type of "intangible property" characterized as a "franchise." *See* U.S. Const., art. I, § 8, cl. 8 ("The Congress shall have Power To ... To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their

respective Writings and Discoveries.”). This Court has defined a patent as a form of property in which “the PTO ‘take[s] from the public rights of immense value, and bestow[s] them upon the patentee.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 584 U.S. \_\_\_, 138 S.Ct. 1365, 1373, 200 L.Ed.2d 671, 680 (2018) (quoting *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 370 (1888); alterations original). The franchise “gives the patent owner ‘the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.” *Id.* (quoting 35 U.S.C. §154(a)(1)). “A patent owner is a tenant on a plot within the realm of public knowledge.” *Uniloc USA, Inc. v. Apple, Inc.*, No. C 18-00358 WHA, 2020 U.S. Dist. LEXIS 240994, \*11 (N.D. Cal. Dec. 22, 2020).

Despite this recent recognition by this Court that a patent is property, the Federal Circuit summarily disposed of Christy’s Takings Claim because “*Golden* held that ‘cancellation of patent claims in [an] inter partes review cannot be a taking under the Fifth Amendment.” *Christy, Inc.*, 971 Fed. Cir. at 1335-1336 (Appx006) (citing *Golden v. U.S.*, 955 F.3d 981, 989 fn 7 (Fed. Cir. 2020)). However, the *Golden* cases provides no analysis other than to cite to the *Celgene* case, which in turn cites to other cases for its rationale. It is here that the analysis falls down as the cases upon which *Celgene* based its decision were not Takings cases. Thus, reliance on these decisions is a rejection of this Court’s Takings jurisprudence.

**A. THE PRINCIPLES UNDERLYING THE FIFTH AMENDMENT AND PRIVATE PROPERTY SHOW A TAKING WAS EFFECTED.**

1. The Law On Takings And Patents As Property.

The Government is prohibited from taking “private property . . . for public use, without just compensation.” U.S. Const., amend. V. The just compensation to which an owner is entitled when his property is taken by eminent domain is regarded in law from the point of view of the owner of the right and not from that of the taker—“the question is what has the owner lost, and not what has the taker gained.” *United States v. Chandler-Dunbar Co.*, 229 U.S. 53, 76 (1913) (quotations omitted); *see also Monongahela Navigation Co. v. U.S.*, 148 U.S. 312, 344 (1893). A “classic taking [is one] in which the government directly appropriates private property for its own use.” *Tahoe-Sierra Preservation Council, Inc. v. Tahoe Regional Planning Agency*, 535 U.S. 302, 324 (2002) (internal quotation marks omitted). For real property, a government appropriation is a *per se* taking that mandates just compensation. *See Loretto v. Teleprompter Manhattan CATV Corp.*, 458 U.S. 419, 426-435 (1982).

But that is not the only type of private property governed by the Fifth Amendment—it protects any “private property.” “The colonists brought the principles of *Magna Carta* with them to the New World, including that charter’s protection against uncompensated takings of personal property.” *Horne v. Dep’t of Agric.*, 576 U.S. \_\_\_, 135 S.Ct. 2419, 2426, 192 L.Ed.2d 388, 397 (2015).

Nothing in this history suggests that personal property was any less protected against physical appropriation than real property. As this Court summed up in *James v. Campbell*, 104 U.S. 356, 358 (1882), a case concerning the alleged appropriation of a patent by the Government:

[A patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser.’

Prior to this Court’s decision in *Pennsylvania Coal Co. v. Mahon*, 260 U.S. 393, 43 S. Ct. 158, 67 L. Ed. 322 (1922), the Takings Clause was understood to provide protection only against a direct appropriation of property—personal or real. *Pennsylvania Coal* expanded the protection of the Takings Clause, holding that compensation was also required for a ‘regulatory taking’—a restriction on the use of property that went ‘too far.’ *Id.*, at 415, 43 S. Ct. 158, 67 L. Ed. 322. And in *Penn Central Transp. Co. v. New York City*, 438 U.S. 104, 124, 98 S. Ct. 2646, 57 L. Ed. 2d 631 (1978), the Court clarified that the test for how far was ‘too far’ required an ‘ad hoc’ factual inquiry. That inquiry required



considering factors such as the economic impact of the regulation, its interference with reasonable investment-backed expectations, and the character of the government action.

*Horne*, 135 S.Ct. at 2427, 192 L.Ed.2d at 397-398; *see also Adams v. U.S.*, 391 F.3d 1212, 1224 (Fed. Cir. 2004).

Under the Takings Clause, “property” is defined as a “legally-recognized property interest such as one in real estate, personal property, or intellectual property.” *Adams*, 391 F.3d at 1224; *see also Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U.S. 627, 642 (1999); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1003 (1984); *United States v. General Motors Corp.*, 323 U.S. 373, 377-378 (1945); *James v. Campbell*, 104 U.S. 356, 358 (1882). Other intangible interests are also property subject to the Takings Clause. *See Lynch v. U.S.*, 292 U.S. 571, 579 (1934) (valid contracts are property within meaning of the Taking Clause); *see also, e.g., Armstrong v. U.S.*, 364 U.S. 40, 44, 46 (1960) (materialman’s lien); *Louisville Joint Stock Land Bank v. Radford*, 295 U.S. 555, 596-602 (1935) (real estate lien). Clearly, “property” extends beyond land and tangible goods and includes the products of an individual’s “labour and invention.” 2 W. Blackstone, Commentaries \*405; *see generally* J. Locke, *The Second Treatise of Civil Government*, ch. 5 (J. Gough ed. 1947).

This Court has acknowledged that “[p]roperty interests . . . are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem

from an independent source such as state law.” *Webb’s Fabulous Pharmacies, Inc. v. Beckwith*, 449 U.S. 155, 161 (1980), quoting *Board of Regents v. Roth*, 408 U.S. 564, 577 (1972). By statute, a patent constitutes a personal property right. See 35 U.S.C. §261 (“Subject to the provisions of this title, patents shall have the attributes of personal property.”). Although the Constitution grants Congress the enumerated power “[t]o promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries[,]” (U.S. Const., art. I, § 8, cl. 8), that property right arises from an independent source—35 U.S.C. §100, *et. al.*

“A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.” *Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1877). Indeed, in *Florida Prepaid*, the Supreme Court held that patents are a species of private property. 527 U.S. at 642. Specifically, the Court held that “[p]atents . . . have long been considered a species of property. As such, they are surely included within the ‘property’ of which no person may be deprived by a State without due process of law.” *Id.*

The property rights of a patent include the “right to exclude others,” which is “one of the most essential sticks in the bundle of rights that are commonly characterized as property.” *Kaiser Aetna v. U.S.*, 444 U.S. 164, 176 (1979). The right to exclude is a central attribute of patents; without that right, “the express purpose of the Constitution and Congress, to promote the progress of the useful arts, would be seriously

undermined.” *Smith Int’l, Inc. v. Hughes Tool Co.*, 718 F.2d 1573, 1577-1578 (Fed. Cir. 1983).

[P]atent property rights, necessarily including the right “to license and exploit patents,” fall squarely within both classical and judicial definitions of protectable property. . . . It is supposed that men will not labor diligently or invest freely unless they know they can depend on rules which assure them that they will indeed be permitted to enjoy a substantial share of the product as the price of their labor or their risk of savings.”

*Patlex Corp.*, 758 F.2d at 599 (citing J. Bentham, *Theory of Legislation* chs. 7-10 (6th ed. 1890), as discussed in Michelman, *Property, Utility, and Fairness: Comments on the Ethical Foundations of “Just Compensation” Law*, 80 *Harv. L. Rev.* 1165, 1211-12 (1967)) (“The encouragement of investment-based risk is the fundamental purpose of the patent grant, and is based directly on the right to exclude.”).

## 2. The *Quid Pro Quo* Of Patenting In Lieu Of Maintaining Secrecy.

“As a reward for inventions and to encourage their disclosure, the United States offers a . . . monopoly to an inventor ***who refrains from keeping his invention a trade secret.***” *Universal Oil Prods. Co. v. Globe Oil & Ref. Co.*, 322 U.S. 471, 484 (1944) (emphasis added). “Immediate disclosure” of the invention is “exacted from” the patentee, and in exchange, “the grant of a patent prevents full use by others of the inventor's knowledge.” *Eldred v. Ashcroft*, 537 U.S. 186, 192 (2003). The “*quid pro quo*

is disclosure of a process or device in sufficient detail to enable one skilled in the art to practice the invention once the period of the monopoly has expired; and the same precision of disclosure is likewise essential to warn the industry concerned of the precise scope of the monopoly asserted.” *Universal Oil Prods. Co.*, 322 U.S. at 484 (citing *Bene v. Jeantet*, 129 U.S. 683, 685-686 (1889) and *General Electric Co. v. Wabash Corp.*, 304 U.S. 364, 368 (1938); see also *Brenner v. Manson*, 383 U.S. 519, 534 (1966) (“The basic *quid pro quo* contemplated by the Constitution and the Congress for granting a patent monopoly is the benefit derived by the public from an invention with substantial utility.”).

This *quid pro quo*, although most often cited in cases where a patent is challenged as invalid for lack of written description or enablement, is salient to the question before this Court. It is important here because Christy made the decision to patent instead of maintaining its inventions as a trade secret. That decision had consequences—“immediate disclosure” of its technologies was “exacted” from it. *C.f.*, *Eldred*, 537 U.S. at 192. The inventions and all its details entered the public domain. Of course, Christy could have kept its inventions as a trade secret under the Oklahoma Uniform Trade Secrets Act. See 78 Okl. St. §§ 85 to 95. If it had, those trade secrets would unquestionably have been deemed property under the Takings Clause.

In 1984, the Supreme Court held that trade secrets are property subject to the Takings Clause. See *Ruckelshaus*, 467 U.S. at 1003-1004. In considering whether the disclosure was a “compensable taking,” this Court recognized that it should consider “the character of the governmental action, its economic

impact, and its interference with reasonable investment-backed expectations.” *Id.* at 1005. In fact, the Court focused its analysis on the “reasonable investment-backed expectations” factor, which was “so overwhelming” as to be dispositive to the question of whether a compensable taking occurred, finding that the expectation rose above “a ‘unilateral expectation or an abstract need.’” *Id.* at 1005-1006.

In finding that petitioner’s (Monsanto) reasonable investment-backed expectations rose above “a ‘unilateral expectation or an abstract need,’” the Court held that it was a compensable taking for the EPA to disclose certain data submitted by Monsanto during a time that the FIFRA’s statutory scheme disallowed that disclosure. *Id.* at 1006-1011. However, to the extent Monsanto disclosed data during a time when FIFRA’s statutory scheme permitted such disclosure, the Court found Monsanto had no reasonable investment-backed expectations that its data would not be taken in the manner it was. *Id.*

Just like Monsanto, Christy had reasonable investment-backed expectations that turned on the statutory scheme for patenting at the time it filed the ’640 Patent. After the Notice of Allowance was issued, Christy paid the fees demanded, and the patent was granted. The AIA became effective, in relevant part, on September 16, 2012. *See* Pub. L. No. 112-29. The AIA effectively amended “*inter partes* reexamination,” and replaced it with the IPR. *See Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. \_\_\_, 136 S.Ct. 2131, 2137-2138, 195 L.Ed.2d 423, 433-434 (2016). Concurrently, the USPTO promulgated a “broadest reasonable interpretation” (“BRI”) standard for construing claims and considering prior art in post-grant proceedings

created through the AIA (“PGPs”) like the IPR at issue here. *See* 37 C.F.R. §42.100 (since amended). “A claim in an unexpired patent that will not expire before a final written decision is issued shall be given its broadest reasonable construction in light of the specification of the patent in which it appears.” *Id.* These changes are relevant here because the statutory scheme was different when Christy made its choice to patent rather than maintain secrecy. Consequently, Christy’s reasonable investment-backed expectations that its patent would be granted and remain valid were formed on different footings. However, even if they were not, patents are presumed valid and Christy’s investment expectations were still valid as a driving force behind U.S. patent policy.

**B. CHRISTY’S PATENT IS PRIVATE PROPERTY UNDER THE TAKINGS CLAUSE.**

1. Christy’s Property Rights Were Recognized And Perfected By Issuance Of The Patent, And That Patent Was Later Taken For “Public Use.”

Christy was granted the ’640 Patent by the USPTO. *See* Appx002, Appx020. That right was vested and perfected in Christy. *See* Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 Boston Univ. L.R. 689, 702-703 (2007) and related footnotes (discussing *McClurg v. Kingsland*, 42 U.S. 202 (1843)). Professor Mossoff, *supra*, cites to his research confirming that patents are vested (and perfected) in the patent owner upon grant of the patent. *See id.*, at fns. 59-67; *see also, e.g., Gayler v. Wilder*, 51 U.S. 477, 493 (1850) (recognizing that an inventor is “vested by law with an inchoate right . . .

which he may perfect and make absolute” by obtaining a patent); *Evans v. Jordan*, 8 F. Cas. 872, 873-874 (C.C.D. Va. 1813) (No. 4,564) (Marshall, Circuit Justice) (explaining that an inventor has an “inchoate property which [is] vested by the discovery” and which is ultimately “perfected by the patent”). Once title to an invention is vested and perfected in a patent, even the “repeal [of a patent statute] can have no effect to impair the right of property then existing in a patentee, or his assignee, according to the well-established principles of th[e Supreme C]ourt.” *McClurg*, 42 U.S. at 206.<sup>4</sup>

Cast in this light, any claim that Christy’s patent should be treated as if it never existed is meritless. Such a finding would undermine the policy of encouraging investments in the patented technologies with the expectation that those investments are protected, at least for the patent term. If any patent can be invalidated without just compensation, that means patentees get no assurance that their risked investments are protected. In other words, the entire policy behind the Patent Act fails.<sup>5</sup> Moreover, the Government claims Christy’s patent claims were

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<sup>4</sup> See also *In re: Fultz*, 9 F. Cas. 998, 1001 (C.C.D.C. 1853) (No. 5,156) (the court had “every reason to infer that [the patent] was intended to be saved and secured to the fullest extent” despite a repeal of the patent act under which the patent issued).

<sup>5</sup> As a point of distinction, the invalidation of patents by the government is distinct from invalidation in an Article III Court, where it is a private person that claims invalidity or indefiniteness and is successful in invalidating it such that there is no constitutional taking. The Article III Court merely decides the controversy.

“canceled.” See e.g., Appx016. The natural consequence of this statement is that the property—Christy’s patent—once existed but was later taken away. See Appx040.

The taking by the Government was unquestionably for public use. “Where the exercise of the eminent domain power is rationally related to a conceivable public purpose, the Court has never held a compensated taking to be proscribed by the Public Use Clause.” *Hawaii Housing Auth. v. Midkiff*, 467 U.S. 229, 241 (1984). “The grant of a patent is a matter between ‘the public, who are the grantors, and . . . the patentee.’” *Oil States Energy Servs., LLC*, 138 S.Ct. at 1373, 200 L.Ed.2d at 680 (citations omitted). In other words, the public is taking back what the public granted in the first instance, and that invention disclosed in the patent is now in the public domain (as opposed to a trade secret).

2. Christy Indisputably Had A Property Right In Its Patent That Falls Within The Meaning Of The Takings Clause.

Despite this clear precedent, the Federal Circuit proceeds upon the assumption that no Court has found that patents are property rights subject to a claim of Just Compensation under the Fifth Amendment. But this Court in *Oil States* recently acknowledged that this “decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.” See 138 S.Ct. at 1379, 200 L.Ed.2d at 686. *Oil States* cited to precedent stating that patents are in fact private property rights under the Takings Clause, and did not overrule that precedent.



*Id.* (citing *Florida Prepaid*, 527 U.S. at 642; *James*, 104 U.S. at 358).

This statement was not made whimsically or as a mere recitation of the scope of the *Oil States* decision but as clarification that patents have been Fifth Amendment private property since the 1800s, and its holding was not to be construed to overrule those cases.

In the early case of *Brown v. Duchesne*, 60 U.S. 183, 193 (1857), this Court clearly held that “[b]y the laws of the United States, the rights of a party under a patent are his private property; and by the Constitution of the United States, *private property cannot be taken for public use without just compensation.*” *Id.* at 197 (emphasis added).

Twenty years later, this Court held “[a] patent for an invention is as much property as a patent for land. The right rests on the same foundation, and is surrounded and protected by the same sanctions.” *Consolidated Fruit-Jar Co.*, 94 U.S. at 96 (1877). *James v. Campbell*, which was decided five years later, is in accord, and explicitly states that patents are private property that cannot be taken without just compensation any more than land. 104 U.S. at 358. This Court affirmatively stated “we have no doubt” that the appropriation or use by the government of the patent property must be justly compensated. *Id.* at 357-358.

Indeed, “[i]t was authoritatively declared in *James v. Campbell*, 104 U.S. 356, that the right of the patentee, under letters patent for an invention granted by the United States, was exclusive of the government of the United States as well as of all

others, and stood on the footing of all other property, the right to which was secured, as against the government, by the constitutional guaranty which prohibits the taking of private property for public use without compensation . . . .” *Hollister v. Benedict & Burnham Mfg. Co.*, 113 U.S. 59, 67 (1885). The law of *Brown, Consolidated Fruit-Jar, James, and Hollister* has not been abrogated, and in fact, later cases fortify these holdings. See e.g., *Horne*, 135 S.Ct. at 2425-27, 192 L.Ed.2d at 395-396; *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (relying on “regulatory takings” standard by holding that patent rights constitute “the legitimate expectations of inventors in their property”).

In the end, “people . . . do not expect their property, real or personal, to be actually occupied or taken away.” *Horne*, 135 S.Ct. at 2427, 192 L.Ed.2d at 398. That is equally true for a patent.

### 3. Christy’s Issuance And Maintenance Fee Payments Were Also Taken.

Christy’s issuance and maintenance fees were also taken. “Money” can be considered “property” for takings purposes. See *Koontz v. St. Johns River Water Mgmt. Dist.*, 570 U.S. 595, 612 (2013); see also *Eastern Enterprises v. Apfel*, 524 U.S. 498, 529-537 (1998) (withholding of retirement funds a taking); *Webb’s Fabulous Pharmacies, Inc.*, 449 U.S. at 164-165 (interest earned on money held a taking). Christy’s situation has all the hallmarks of a taking: if the patent claims were issued in error and should be treated as if they never existed, Christy’s “property” (i.e. money paid as required for issuance and maintenance fees) was “taken” without receiving anything in return, and “Just compensation” is due.

C. THE FEDERAL CIRCUIT WRONGLY CONCLUDED THAT PATENTS ARE NOT SUBJECT TO THE TAKINGS CLAUSE.

1. Government Franchises Are Subject To The Takings Clause.

This Court’s labeling of patents as “public franchises” in *Oil States* is nothing new and does not change the fact that they are private property subject to the Takings Clause. That must be true because “[a]s early as 1853 the Court, speaking through Chief Justice Taney, defined the narrow and limited monopoly granted under the statutes as follows: “The *franchise* which the patent grants, consists altogether in the right to exclude everyone from making, using, or vending the thing patented, without the permission of the patentee.” *United States v. Line Material Co.*, 333 U.S. 287, 316 (1948) (citing *Bloomer v. McQuewan*, 55 U.S. 539, 549 (1853) (the patent “franchise is property”) (emphasis added).

*Oil States* emphasizes that “modern invention patents” are subject to this precedent. “Patents convey only a specific form of property right—a public franchise. And patents are ‘entitled to protection as any other property, consisting of a franchise.” 138 S.Ct. at 1375, 200 L.Ed.2d at 682 (citations omitted; emphasis original). This connection is not a symptom of imprecise language—it was intentional and founded in long-standing precedent. “It is laid down, also, by Justice Story, that ‘a grant of a franchise is not in point of principle distinguishable from a grant of any other property.’” *West River Bridge Co.*, 47 U.S. at 543 (citing *Trustees of Dartmouth Coll. v. Woodward*, 17 U.S. (4 Wheat.) 518, 684 (1819).

*Oil States* was crystal clear on one salient point: *Oil States* “do[es] not contradict” the many cases that “recognize patent rights as the ‘private property of the patentee” (138 S.Ct. at 1375, 200 L.Ed.2d at 682 (citation omitted)) which, of course, includes for the purposes of the Takings Clause. “[P]atents are ‘entitled to protection as any other property, consisting of a franchise.” *Id.* (citation omitted).

There is substantial precedent deeming public franchises as property for the Takings Clause. See *West River Bridge Co. v. Dix* 47 U.S. 507, 531-535 (1848); see also *Richmond v. Louisa R. Co.*, 54 U.S. 71, 83 (1852); *Louisville v. Cumberland Tel. & Tel. Co.*, 224 U.S. 649, 661 (1912); *Board of Mayor v. East Tenn. Tel. Co.*, 115 F. 304, 307 (6<sup>th</sup> Cir. 1902); *Proprietors of Charles River Bridge v. Proprietors of Warren Bridge*, 24 Mass. 344, 394 (Mass. 1829); *Boston Water Power Co. v. Boston & W. R. R. Corp.*, 40 Mass. 360, 395-396 (Mass. 1839).

For instance, in *Monongahela Navigation Co.*, the State of Pennsylvania gave a private company authority to build locks and dams on the Monongahela River. 148 U.S. at 324. The United States initiated condemnation proceedings against the company and a valuation was undertaken to determine the amount of just compensation to be paid for the locks and dams. This Court held that the taking of the franchise was also subject to the provisions of the Fifth Amendment demanding the payment of just compensation. *Id.* at 336-337. This Court stated, “[i]f a man’s house must be taken, that must be paid for; and, if the property is held and improved under a franchise from the State, with power to take tolls, that franchise must be paid for, because it is a substantial element in the value of

the property taken.” *Id.* at 337. Other cases are in accord. See *Tuckahoe Canal Co. v. Tuckahoe & J. R. R. Co.*, 38 Va. 42, 77-78 (1840) (just compensation given for taking of a railroad franchise); *West River Bridge Co.*, 47 U.S. at 543 (explaining “that the corporation as a franchise, and all its powers as franchises, both being property, may for these and like reasons, in proper cases, be taken for public use” and citing to a collection of cases where franchises were taken and just compensation given).

It has been said that “inventors are awarded a limited monopoly through a patent grant to incentivize their creative effort[.]” *Suppes v. Katti*, 710 Fed. Appx. 883, 888 (Fed. Cir. 2017). “[T]he term ‘monopoly’ properly applies only to governmental grants of privilege, direct and indirect.” Rothman, Murray N., *Power & Market: Government and The Economy* (4<sup>th</sup> Ed. 2006), p. 97. A “public franchise” is the grant of a monopoly or special privilege to private persons. See, e.g., *Elliott v. Eugene*, 294 P. 358, 360 (Ore. 1930) (the grant of franchises . . . in their nature cannot be of common right”). The power to grant franchises is vested in the legislative department of the government and can be derived indirectly from the state through the agency that has been duly designated for that purpose (here, the USPTO).

“[G]rants [for ferries, bridges, and turnpikes] are of **franchises of a public character** appertaining to the government.” *Slaughter-House Cases*, 83 U.S. 36, 88 (1872) (emphasis added). Likewise “[a] patent is a privilege . . . conditioned by a **public purpose**.” *Line Material Co.*, 333 U.S. at 317 (emphasis added). Government franchises are called “public franchises” for at least two reasons: (1) because a government,

which by nature of its power, is the “public,” issues them; and (2) to distinguish them from “private franchises,” such as “Starbucks” or “McDonalds,” which have an entire body of associated federal and state law<sup>6</sup> that should not be confused with government granted privileges. Just because the term “public franchise” employs the word “public” does not put it outside the realm of “private property.”

Finally, any claim that there is no taking of Christy’s patent because there is no title to pass demonstrates a misunderstanding of the law. See Appx038. The focus is not on where the “title” goes or that a “title” is passed, it is on the deprivation of property of the holder of the property. *Chandler-Dunbar Co.*, 229 U.S. at 76 (“the question is what has the owner lost, and not what has the taker gained.”) (quotation omitted). “[C]ourts have held that the deprivation of the former owner rather than the accretion of a right or interest to the sovereign constitutes the taking. Governmental action short of acquisition of title or occupancy has been held . . . to amount to a taking.” *Ruckelshaus*, 467 U.S. at 1004-1005 (quoting *General Motors Corp.*, 323 U.S. at 378. Moreover, an inventor is vested by law with an inchoate right . . . which he may perfect and make absolute” by obtaining a patent. *Gayler*, 51 U.S. at 493; Mossoff, *supra*. In other words, the subject claims of the ’640 Patent existed and title was

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<sup>6</sup> Such laws include the Federal Franchise Law (16 C.F.R. §§436 and 437) and state laws such as Virginia’s Retail Franchising Act (Code of Virginia, Ch. 13.1-557 thru 13.1-574).

perfected in Christy, regardless of whether they were later invalidated.

Like any public franchise, Christy's patent is subject to the Takings Clause of the Fifth Amendment. In cases where franchises have been altered or revoked, courts have generally given just compensation in the form of a combination of one or more of the following: the value of the property itself, the value of the improvements made in reliance on the franchise, the value of the associated revenues or proceeds relatedly granted by the franchise. *See, e.g., West River Bridge Co.*, 47 U.S. at 531), *Monongahela Navigation Co.*, 148 U.S. at 336-340; *see also Chandler-Dunbar Co.*, 229 U.S. at 81 (citing cases). Christy had the power to collect royalties on the '640 Patent (*i.e.*, to collect tolls), *see* 35 U.S.C. §284, and took advantage of that. Christy also made substantial investments into the underlying technologies, including time, resources, and monies, and had reasonable investment backed expectations in receiving a market value of return on those investments, including the payment of its issuance and maintenance fees. *See* Appx003, Appx031. Accordingly, Christy is due Just Compensation for the Taking of its patent rights.

2. It Is Immaterial To The Takings Clause Analysis That Patents Are Qualified By The Government.

It is of no consequence to the Takings Clause analysis that "[p]atent claims are granted subject to the qualification that the PTO has 'the authority to reexamine—and perhaps cancel—a patent claim' in an inter partes review," *Oil States Energy Servs., LLC*, 138 S.Ct. at 1374, 200 L.Ed.2d at 681 (citations

omitted). In other words, it does not matter that there is only a “presumption of validity” (implying the possibility of invalidation) attached to the issued patent. After all, every form of property rights is granted with qualifications. The most obvious such qualification is that all private property is subject to eminent domain, *i.e.*, a taking by the Government. That fact is long established. *See, e.g., Horne*, 135 S.Ct. at 2426, 192 L.Ed.2d at 396-397; U.S. Const., Amend. 5; *see also Hawaii Housing Auth.*, 467 U.S. at 240; *West River Bridge Co.*, 47 U.S. at 532.

The *West River Bridge* Court explained that land patents, which are mere contracts between the government and the grantee, are always subject to conditions:

Now it is undeniable, that the investment of property in the citizen by the government, whether made for a pecuniary consideration or founded on conditions of civil or political duty, is a contract between the state, or the government acting as its agent, and the grantee; and both the parties thereto are bound in good faith to fulfil it. But into all contracts, whether made between states and individuals or between individuals only, ***there enter conditions which arise not out of the literal terms of the contract itself; they are superinduced by the preexisting and higher authority of the laws of nature, of nations, or of the community to which the parties belong; they are always presumed, and must be presumed, to be known and recognized***



***by all, are binding upon all, and need never, therefore, be carried into express stipulation***, for this could add nothing to their force. Every contract is made in subordination to them, and must yield to their control, as conditions inherent and paramount, wherever a necessity for their execution shall occur. Such a condition is the right of eminent domain.

*West River Bridge Co.*, 47 U.S. at 532-533 (emphasis added). Any “property,” including that which is conveyed though a “land patent,” is qualified and subject to the power of the state, including the Third Amendment, Fifth Amendment, taxes, and federal, state, local regulations, among a myriad of other regulations. But in the highest order, it is subject to the “duty of the government to advance and protect the general good.” *Id.* at 533-534; *see also Oil States Energy Servs., LLC*, 138 S.Ct. at 1375, 200 L.Ed.2d at 681 (“For example, Congress can grant a franchise that permits a company to erect a toll bridge, but qualify the grant by reserving its authority to revoke or amend the franchise.”) (citing *Louisville Bridge Co. v. U.S.*, 242 U.S. 409, 421 (1917) (collecting cases)). “Even after the bridge is built, the Government can exercise its reserved authority through legislation or an administrative proceeding.” *Id.*, at 1375, 200 L.Ed.2d at 682. Patents, as franchises subject to potential invalidity, are no different. *C.f., id.*

It has always been the case that “[i]t is for the government to determine [when a public franchise] shall be granted, and the conditions upon which it shall be enjoyed.” *Slaughter-House Cases*, 83 U.S. at 88. Franchises have always been subject to

revocation, but that does not mean that just compensation is not due.

If, in the judgment of the State, the public interests will be best subserved by an abandonment of the policy of granting exclusive privileges [a franchise] to corporations . . . in consideration of services to be performed by them for the public, the way is open for the accomplishment of that result . . . . The rights and franchises which have become vested upon the faith of such contracts can be taken by the public, upon just compensation to the company, under the State's power of eminent domain.

*New Orleans Gas Co. v. Louisiana Light Co.*, 115 U.S. 650, 673 (1885). Yet, franchises are still property for Takings Clause purposes.

**D. THE *GOLDEN* AND *CELGENE* DECISIONS DID NOT ADDRESS WHETHER THE INVALIDATION OF A PATENT CLAIM IS A TAKING.**

The Federal Circuit's affirmance of the CFC's dismissal on the merits relied on its decision in the *Golden* case. See Appx005-006. The *Golden* decision relied heavily on the decision in *Celgene*. See *Golden*, 955 F.3d at 989 fn 7. This reliance is a mistake. The *Celgene* case is not nearly so broad: it held only that:

the retroactive application of IPR proceedings to pre-AIA patents is not an unconstitutional taking under the Fifth Amendment. Patent owners have always had the expectation that the validity of patents could be challenged in district

court. For forty years, patent owners have also had the expectation that the PTO could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard. Although differences exist between IPRs and their reexamination predecessors, those differences do not outweigh the similarities of purpose and substance and, at least for that reason, do not effectuate a taking of Celgene's patents.

*Celgene Corp.*, 931 F.3d at 1362-1363. *Celgene* merely concluded that because the IPRs follow a similar process as previously-available USPTO post-grant examination proceedings, the change did not upset the expectations of the patent holder. A coarser summary of this rationale is that "the newer procedures are just like the old ones and no one complained before." But this does not answer the underlying question, namely whether a public franchise in the form of an issued patent that is invalidated results in a Taking that requires compensation. The Federal Circuit's explanation, that "no one has a vested right in any given mode of procedure," makes clear that the underlying question of whether a compensable taking had occurred was **not** addressed. *Celgene Corp.*, 931 F.3d at 1361).

Moreover, the *Celgene* case relies on the prior decisions in *Patlex Corp.* and *Joy Technologies*, but neither controls (or is even relevant) here. For instance, in the *Patlex Corp.* case, the question raised was whether retroactive application of a statute violated the **due process clause of the Fifth Amendment**, and this Court held that then existing

reexamination proceedings did not. *See Patlex Corp.*, 758 F.2d at 601-603. In *Joy Technologies*, the Federal Circuit held that reexaminations did not violate the Seventh Amendment. *See Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228-229 (Fed. Cir. 1992). Despite being raised by the appellant (*see id.* at 228), the *Joy Technologies* decision does not appear to address the issue of Takings at all.

In sum, Christy had a Fifth Amendment property right in its patent, and the PTAB's cancellation of its claims was a taking for which just compensation is due.

## II. CHRISTY'S FEES WERE EXACTED

The Government contends that the claims of the '640 Patent were issued by mistake. The Government also characterizes the patent as one that never existed—it claims rescission. The question raised here is whether the USPTO should recognize this mistake—and the implications of rescission—and return the issuance fees that Christy was required to pay to obtain and maintain the '640 Patent. The Federal Circuit's explanation for why the Government may refuse to return those fees is that the USPTO did not make a mistake. *See* Appx008-009. (“The PTO did not collect fees in excess of its statutory authority, and therefore did not illegally exact those fees.”). This conclusion is controverted by the fact that, by rescinding the '640 Patent in the IPR process, the USPTO admitted making a mistake. *See Celgene Corp.*, 931 F.3d at 1361 (IPRs “serve the purpose of correcting **prior agency error of issuing patents that should not have issued in the first place**”) (emphasis added); *Cuozzo Speed Techs., LLC*, 136 S.Ct. at 2137, 195 L.Ed.2d at 433-434, 441 (the

purpose of PGPs is “to reexamine an earlier agency decision”); *Joy Techs., Inc.*, 959 F.2d at 229; *Patlex Corp.*, 758 F.2d at 604; *Regents of the Univ. of Minn.*, 926 F.3d at 1332-1335 (the IPR process is designed to “weed out bad patents” that were issued “by mistake” or “granted in error”).

An “illegal exaction’ involves money that was ‘improperly paid, exacted, or taken from the claimant in contravention of the Constitution, a statute, or a regulation.’” *Norman v. U.S.*, 429 F.3d 1081, 1095 (Fed. Cir. 2005). The CFC’s predecessor “referred to these cases as those in which ‘the Government has the citizen’s money in its pocket’ and the claim is ‘to recover an illegal exaction made by officials of the Government, which exaction is based upon a power supposedly conferred by a statute.’” *Eastport S.S. Corp. v. U.S.*, 372 F.2d 1002, 1007-1008 (Ct. Cl. 1967) (quoting *Clapp v. U.S.*, 117 F. Supp. 576, 580 (Ct. Cl. 1954)).

In simple terms, Christy paid the issuance and maintenance fees as required to obtain the ’640 Patent (see Appx002) but was not refunded its payments after the Government determined that claims of the ’640 Patent were “mistakenly” granted.<sup>7</sup> These claims are now treated as if they were never issued, which if accepted, means Christy received nothing in return for the issuance fees it paid (over and above having paid for the review of the application). The Government’s retention of Christy’s fees was thus an illegal exaction “involv[ing] a deprivation of property

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<sup>7</sup> Christy paid for 20 claims, but the invalidation of claims 1-18 of the ’640 Patent left Christy’s two remaining claims gelded with a dark shadow of invalidity.

without due process of law, in violation of the *Due Process Clause of the Fifth Amendment to the Constitution.*” *Norman*, 429 F.3d at 1095 (*emphasis original*).

**A. THE FEDERAL CIRCUIT ERRED BY CONCLUDING THAT CHRISTY’S EXACTION CLAIM FAILED ON ITS MERITS.**

The USPTO required Christy to pay issuance and maintenance fees based on the premise that Christy would receive a patent in exchange. *See Figueroa v. U.S.*, 466 F.3d 1023, 1031 (Fed. Cir. 2006) (“Patent fees are a condition on the grant of a patent right; failure to pay the required fees results in denial of a patent.”); *see also* 35 U.S.C. §41, 35 U.S.C. §151. The USPTO subsequently revoked patent rights in the ’640 Patent. *See* Appx002-003. On these, facts, Christy adequately pled all “essential elements of an illegal exaction,” which are that: (1) money was paid to the government; (2) the government will not return it; and (3) the assessment was made based on the improper assertion of a federal statute or regulation. *Auto Club Ins. Ass’n v. U.S.*, 103 Fed. Cl. 268, 273 (2012) (*citing* 28 U.S.C. §1491(a)(1)).

1. Christy’s Illegal Exaction Claim Is Valid Because The USPTO Demanded Money To Which It Was Not Entitled.

To obtain a patent, payment of fees is mandatory. *See Figueroa*, 466 F.3d at 1031; *see also* 35 U.S.C. §41, 35 U.S.C. §151. The USPTO’s offer to issue the ’640 Patent was made explicitly contingent on payment of fees pursuant to 35 U.S.C. §151 and §154. *See* Appx020 (“Notice Of Allowance”).

The CFC and Federal Circuit advance the position that a patent subsequently invalidated by the USPTO is considered rescinded.<sup>8</sup> This view means that the fees were wrongly demanded under a false pretense—an illusory bargain. And even if the error was unknown at the time, that illegitimacy renders the collection and retention of those fees unlawful. *See Aerolineas Argentinas v. U.S.*, 77 F.3d 1564, 1572-1573 (Fed. Cir. 1996) (“Tucker Act claims may be made for recovery of monies that the government has required to be paid contrary to law. . . . [and] provides jurisdiction to recover an illegal exaction by government officials when the exaction is based on an asserted statutory power.”).

2. The USPTO Was Responsible for The Payment of Fees And Should Be Responsible for Their Return.

Christy is the victim of a defective patent system. In other contexts, monies incorrectly disbursed by the Government as a result of its “error” would be returned.<sup>9</sup> Certainly, that same principal should apply here when the Government mistakenly collected fees to which it was not entitled. It is manifestly unjust to allow the Government to benefit from its own “error,” and at the same time, get compensated by

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<sup>8</sup> *See* Appx040 (“patent owners have no property right to maintain patent claims that are found to be unpatentable, regardless of the timing of any such determination.”).

<sup>9</sup> *See e.g.*, 5 U.S.C. §8470 (authorizing the Executive Branch to recover overpayments of federal employee benefits); 38 U.S.C. §5302 (authorizing the Executive Branch to recover veterans’ benefits overpayments); 42 U.S.C. §404 (authorizing the Executive Branch to recover Social Security overpayments).

petitioners in PGP proceedings to correct those very “errors.” Accordingly, Christy’s compliance with the Government’s demand made upon the USPTO’s “mistake” should be remedied, and the fees returned.

**B. EVEN IF INVALIDITY WAS A POSSIBILITY, THAT DOES NOT MITIGATE THE EXACTION OF FEES.**

It is inconsequential that patentees are aware that, after issuance, can be invalidated. If it were true that there can be no exaction because every patent may have been erroneously issued, why would anyone obtain a patent? The USPTO should not be assumed to be incompetent to issue valid patents. Such an assumption would undercut the credibility of the U.S. Patent System.

When a patent is deemed invalid in a federal court, it is not cancelled or otherwise rescinded. That patent continues to exist, even if it is subject to issue preclusion defenses in other federal courts. *See Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 348-350 (1971). A claim cancelled by the USPTO, however, no longer exists. *See SHFL Entm’t, Inc. v. DigiDeal Corp.*, 729 Fed. Appx. 931, 934 (Fed. Cir. 2018) (“cancelled claims must be dismissed for lack of jurisdiction”).<sup>10</sup> Accordingly, the question of a federal court invalidating a claim (it still being in existence) is a completely separate matter from one where the USPTO cancels a claim.

With respect to claims cancelled at the USPTO in a PGP, even if there were existing procedures by which an issued patent could later be cancelled at the USPTO, that does not change the fact that they were

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<sup>10</sup> *See* footnote 8, *supra*.



cancelled, and the issuance of the patent in the first place was admittedly an “error.”

***There is no good explanation as to why an error made by the USPTO—the sole and direct cause of Christy paying fees—should result in the Government getting to keep those fees.*** Indeed, Christy cannot conceive of any public or private sector analogue where this result would stand. The fact that “pre-AIA procedures for administrative reconsideration” existed prior to PGPs is an irrelevant red-herring meant to sidestep the fact that the Government is keeping fees for patent claims it cancelled—and happily charging the PGP petitioner yet more fees to fix its error. This scheme by the Government, which allows it to charge fees for both making errors and fixing those very errors, is unjust and due to be corrected. Christy should have these exacted fees returned.

## CONCLUSION

For the foregoing reasons, this Court should grant Christy’s petition for a *writ of certiorari*.

Respectfully submitted,

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## APPENDIX

	<b>RANGE</b>		<b>DESCRIPTION</b>
1.	Appx001	Appx009	Federal Circuit's Opinion
2.	Appx010	Appx010	Errata to Federal Circuit's Opinion
3.	Appx011	Appx064	Court of Federal Claims' Opinion and Order [Dkt. No. 17]
4.	Appx065	Appx066	Federal Circuit's Judgment
5.	Appx067	Appx068	Court of Federal Claims' Judgment [Dkt. No. 18]

Case: 19-1738 Document: 66 Filed: 08/24/2020

**United States Court of Appeals  
for the Federal Circuit**

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**CHRISTY, INC., ON BEHALF OF  
ITSELF AND ALL OTHERS  
SIMILARLY SITUATED,**  
*Plaintiff-Appellant*

v.

**UNITED STATES,**  
*Defendant-Appellee*

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2019-1738

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Appeal from the United States Court of Federal  
Claims in No. 1:18-cv-00657-MMS, Chief Judge  
Margaret M. Sweeney.

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Decided: August 24, 2020

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JAMES F. MCDONOUGH, III, Heninger Garrison  
Davis, LLC, Atlanta, GA, for plaintiff-appellant. Also  
represented by JONATHAN ROBERT MILLER; TIMOTHY C.  
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SCOTT R. MCINTOSH, Appellate Staff, Civil Division,  
United States Department of Justice, Washington, DC,

Appx001

for defendant-appellee. Also represented by ETHAN P. DAVIS, GARY LEE HAUSKEN; SARAH E. CRAVEN, MICHAEL S. FORMAN, THOMAS W. KRAUSE, Office of the Solicitor, United States Patent and Trademark Office, Alexandria, VA.

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Before LOURIE, REYNA, and HUGHES, *Circuit Judges*.

HUGHES, *Circuit Judge*.

Christy, Inc. asserts that the United States owes it just compensation for the Patent Trial and Appeal Board’s cancellation of claims 1–18 of Christy’s patent, U.S. Patent No. 7,082,640, in two inter partes reviews. Because the cancellation of a patent in an inter partes review does not grant the patentee any compensable claim against the United States, we affirm the Court of Federal Claims’s dismissal of the case for failure to state a claim.

## I

Christy applied for a patent on its “ambient air back-flushed filter vacuum” invention in 2003. The ’640 patent, which claims that invention, issued in 2006. As required by law, Christy paid the \$1,000 issuance fee. Over the ensuing years, Christy paid the necessary \$490 3.5-year, \$1,800 7.5-year, and \$3,700 11.5-year maintenance fees for the patent—in October 2009, January 2014, and January 2018, respectively.

In 2014, Christy and its licensee, CDC Larue Industries, Inc., sued two competitors for patent infringement. *See CDC Larue Indus., Inc v. Black &*

*Decker (U.S.) Inc.*, No. 14-CV-0286-CVE-FHM (N.D. Okla.). One of those competitors then filed two petitions for inter partes review of the '640 patent. The Board's final written decisions across those inter partes reviews found claims 1–18 unpatentable; dependent claims 19–20 were not challenged in the proceedings and remained valid. *See Black & Decker (U.S.) Inc. v. Christy, Inc.*, No. IPR2015-00468, 2016 WL 3382465 (P.T.A.B. June 17, 2016); *Black & Decker (U.S.) Inc. v. Christy, Inc.*, No. IPR2015-00472, 2016 WL 3382466 (P.T.A.B. June 17, 2016). We summarily affirmed the Board's invalidity decision in IPR2015-00468 and dismissed Christy's appeal of the Board's decision in IPR2015-00472 as moot. *See Christy, Inc. v. Black & Decker (U.S.), Inc.*, No. 2016-2499, 696 F. App'x 1020 (Fed. Cir. Sept. 7, 2017) (mem.) (per curiam); *Christy, Inc. v. Black & Decker (U.S.), Inc.*, No. 2016-2498, 696 F. App'x 1020 (Fed. Cir. Sept. 7, 2017) (mem.) (per curiam).

Aggrieved by the cancellation of its first 18 claims of the '640 patent, Christy filed a class-action suit in the Court of Federal Claims. The suit raised six claims for compensation from the government: a Fifth Amendment takings claim, four claims based on contractual theories, and an illegal exaction claim raised in the alternative to the takings claim. Christy sought compensation amounting to the '640 patent's "issuance and maintenance fees, [Christy's] investments made in the patented technologies, the attorney fees [Christy] spent in defending the [inter partes review proceedings] that invalidated the claims, and the value of the patent claims themselves . . . includ[ing] expected royalties and other payments related to use of the patents[], in an amount to be

determined at trial.” J.A. 72–73 ¶ 107 (emphasis removed).

The government swiftly moved to dismiss all claims for both lack of subject matter jurisdiction and failure to state a claim. The court granted the government’s motion, with various grounds for dismissing each count.<sup>1</sup> *See generally Christy, Inc. v. United States*, 141 Fed. Cl. 641 (2019) (*Decision*). Over the government’s challenge, the court found that it had jurisdiction to consider the takings claim. *Decision* at 657. Yet the court found that Christy did not state a claim for relief on the merits. *Id.* at 660. The court reasoned that the cancellation of patent claims in an inter partes review did not amount to a compensable taking of Christy’s property interest. *Id.*

In contrast, the court held that it did not have jurisdiction to consider the illegal exaction claim. *Decision* at 668. It held that a statute granting authority to the U.S. Patent and Trademark Office to refund mistakenly excessive patent-related fees displaced Tucker Act jurisdiction over those fees. *Id.* at 667–68; *see* 35 U.S.C. § 42(d). The court addressed the merits of the illegal exaction claim in the alternative, however, finding that Christy’s issuance and maintenance fees paid for the ’640 patent “were owed at the time they were paid, and as such, were not fees paid by mistake.” *Decision* at 668 (quoting *In re Patent No. 7,061,177*, 2006 WL 4559506, at \*1 (Comm’r Pat. Oct. 17, 2006)). Because “the government did not require Christy to pay” any of the other alleged

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<sup>1</sup> The court found the contract-based claims non-meritorious; Christy does not argue that the court erred in that decision, so we address it no further.

damages “to a third party on the government’s behalf, or even to be paid at all,” the court found Christy’s theory that these damages were illegally exacted “devoid of merit.” *Decision* at 669.

Christy timely appealed; we have jurisdiction under 28 U.S.C. §1295(a)(3).

We review whether Tucker Act jurisdiction exists “without deference to the decision of the trial court.” *In re United States*, 463 F.3d 1328, 1334 (Fed. Cir. 2006). We similarly review de novo the trial court’s dismissal of takings claims and illegal exaction claims for failure to state a claim. *See, e.g., Pizsel v. United States*, 833 F.3d 1366, 1373 (Fed. Cir. 2016).

## II

Christy argues that the Court of Federal Claims erred in three ways: by (1) finding that Christy failed to state a compensable takings claim based on the cancellation of claims 1–18 of the ’640 patent; (2) finding that the court lacked subject matter jurisdiction over Christy’s illegal exaction claim; and (3) finding that Christy failed to state a plausible illegal exaction claim. The government concedes that the Court of Federal Claims erred in finding that it lacked subject matter jurisdiction over Christy’s illegal exaction claim but argues for the first time on appeal that the court lacked jurisdiction over Christy’s takings claim.

Shortly after this case’s oral argument, we issued *Golden v. United States*, 955 F.3d 981 (Fed. Cir. 2020), which straightforwardly resolves two of the three issues raised here.



First, *Golden* disposes of the government’s argument that the Court of Federal Claims lacked jurisdiction over Christy’s takings claim. *Golden* rejected the government’s indistinguishable argument that the Court of Federal Claims lacks jurisdiction over a takings claim arising from the cancellation of patent claims in an inter partes review. See 955 F.3d at 989 (“[W]e reject the government’s argument that the [America Invents Act, which enacted the inter partes review process] displaced Tucker Act jurisdiction over Golden’s IPR-based takings claims.”). As the government concedes in its Fed. R. App. P. 28(j) letter discussing *Golden*, that decision forecloses the government’s jurisdictional argument here. Appellee’s Citation of Suppl. Auth., *Christy, Inc. v. United States*, No. 2019-1738 (Fed. Cir. Apr. 17, 2020), ECF No. 62. As a result, the Court of Federal Claims correctly held that it had subject matter jurisdiction over Christy’s takings claim.

Second, *Golden* also confirms that Christy failed to state a plausible claim for a taking based on the cancellation of the ’640 patent. *Golden* held that “cancellation of patent claims in [an] inter partes review cannot be a taking under the Fifth Amendment.” *Golden*, 955 F.3d at 989 n.7. The Court of Federal Claims therefore correctly held that the cancellation of Christy’s patent claims in an inter partes review was not a Fifth Amendment taking.<sup>2</sup>

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<sup>2</sup> Because *Golden* indisputably and indistinguishably binds our conclusion that the cancellation of patent claims in an inter partes review does not engender a taking, we need not address Christy’s argument that *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019), *cert. denied*, No. 19-1074,

Since the government has conceded that the Court of Federal Claims properly exercised jurisdiction over Christy's illegal exaction claim, we last address whether the court erred in finding that Christy failed to state a plausible claim of an illegal exaction. An illegal exaction occurs when money is "improperly paid, exacted, or taken from the claimant in contravention of the Constitution, a statute, or a regulation." *Norman v. United States*, 429 F.3d 1081, 1095 (Fed. Cir. 2005) (quoting *Eastport S.S. Corp. v. United States*, 372 F.2d 1002, 1007 (Ct. Cl. 1967) (en banc)). Given that the Board did not violate Christy's Fifth Amendment rights by canceling its patent claims, Christy asserts no constitutional provision, statute, or regulation that the PTO violated by failing to refund Christy's issuance and maintenance fee payments for the '640 patent. Instead, Christy is left to contend that the PTO's requiring Christy to pay issuance and maintenance fees for the '640 patent was in error, and therefore the fees should be refunded. See Appellant's Reply Br. 12–15. According to Christy, the cancellation of patent claims in an inter partes review amounts to an admission that the PTO erred in allowing the issuance of the claims. See *id.* at 13–14 (citing *Celgene*, 931 F.3d at 1361). Christy maintains that this supposed error was the "the sole and direct cause of Christy paying [these] fees," *id.* at 14, and

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2020 WL 3405867 (U.S. June 22, 2020), does not control this case. Christy perplexingly relies on *Golden* to suggest that *Celgene* does not bind our decision "because the [t]akings issue was not properly before the *Celgene* Court in the first place." Appellant's Resp. to Appellee's Citation of Suppl. Auth. at 1, *Christy, Inc. v. United States*, No. 2019-1738 (Fed. Cir. Apr. 21, 2020), ECF No. 63. But *Golden* itself held that *Celgene* controlled its outcome. *Golden*, 955 F.3d at 989.

that allowing the government to “charge fees for . . . making errors” is “unjust.” *Id.* at 15.

Christy’s argument fails because the law requires payment of these issuance and maintenance fees without regard to any later result of post-issuance proceedings, *see, e.g.*, 35 U.S.C. §§ 41, 151. Christy identifies no statute, regulation, or constitutional provision compelling the fees’ refund if claims are later canceled in post-issuance proceedings. Without showing how the PTO’s actions “contravene[ed] . . . the Constitution, a statute, or a regulation,” Christy cannot state a claim for an illegal exaction. *Norman*, 429 F.3d at 1095. That Christy finds the legal scheme dictating patent issuance and maintenance fees “unjust” raises a policy question properly addressed to Congress or the PTO, for Congress has the authority to set the terms of the patent right, *see* U.S. Const. art. I, § 8, cl. 8,<sup>3</sup> and to delegate that authority to the PTO in appropriate circumstances, *see, e.g., Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1330 (Fed. Cir. 2017) (en banc) (“There are dozens of very specific grants of rulemaking authority by Congress to the [PTO].”). Christy’s payment of standard issuance and maintenance fees—and the PTO’s refusal to refund the fees after 18 of Christy’s 20 claims in the ’640 patent were canceled—did

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<sup>3</sup> *See Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018) (citing *Wheaton v. Peters*, 33 U.S. 591, 663–64 (1834), which holds that “[n]o one can deny that when the legislature are about to vest an exclusive right in an author or an inventor, they have the power to prescribe the conditions on which such right shall be enjoyed; and that no one can avail himself of such right who does not substantially comply with the requisitions of the law”).

not stem from any mistake or impropriety by the PTO, but followed the requirements of the law. The PTO did not collect fees in excess of its statutory authority, and therefore did not illegally exact those fees. We affirm the Court of Federal Claims's dismissal of Christy's illegal exaction claim.

### III

We have considered the parties' remaining arguments and find them unpersuasive. Because Christy did not state a plausible claim that the cancellation of its patent claims caused a taking or an illegal exaction, we affirm the judgment of the Court of Federal Claims dismissing its case.

**AFFIRMED**

Case: 19-1738 Document: 68 Filed: 08/25/2020

**United States Court of Appeals  
for the Federal Circuit**

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August 25, 2020

**ERRATA**

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Appeal No. 2019-1738

**CHRISTY, INC., ON BEHALF OF  
ITSELF AND ALL OTHERS  
SIMILARLY SITUATED,**  
*Plaintiff-Appellant*

**v.**

**UNITED STATES,**  
*Defendant-Appellee*

Decided: August 24, 2020  
Precedential Opinion

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Please make the following change:

On Page 5, line 10, change “oral argument” to --  
submission--.

Appx010

**In the United States Court of Federal Claims**

No. 18-657C

(Filed: January 29, 2019)

CHRISTY, INC.,  Plaintiff,  v.  THE UNITED STATES,  Defendant.	Patents; Inter Partes Review; Leahy-Smith America Invents Act; RCFC 12(b)(1); RCFC 12(b)(6); Takings Clause; Patents as Property; Public Franchise; Breach of Contract; Patents as Contracts; Illegal Exaction
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Timothy C. Davis, Birmingham, AL, for plaintiff.

Jenna Munnely, United States Department of Justice, Washington, DC, for defendant.

**OPINION AND ORDER**

**SWEENEY**, Chief Judge

In this case, plaintiff Christy, Inc. (“Christy”) contends that the invalidation of eighteen claims asserted in one of its patents effected a taking without just compensation in violation of the Takings Clause of the Fifth Amendment to the United States Constitution

(“Takings Clause”), a breach of contract, and an illegal exaction. The invalidation of those claims occurred when the Patent Trial and Appeal Board of the United States Patent and Trademark Office issued a final written decision at the conclusion of an inter partes review of Christy’s patent. Defendant moves to dismiss Christy’s complaint for lack of subject-matter jurisdiction pursuant to Rule 12(b)(1) of the Rules of the United States Court of Federal Claims (“RCFC”) and, alternatively, for failure to state a claim upon which this court can grant relief pursuant to RCFC 12(b)(6). As explained below, patents are neither contracts nor property for Takings Clause purposes. Further, the Patent and Trademark Office did not illegally exact Christy’s funds. Therefore, the court grants defendant’s motion and dismisses Christy’s amended complaint.

## **I. BACKGROUND**

### **A. Obtaining a Patent**

Article I, Section 8, Clause 8 of the United States Constitution provides that “Congress shall have Power . . . To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>1</sup> Congress exercises this authority through title thirty-five of the United States Code. See

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<sup>1</sup> The facts in this section—which are undisputed for the purpose of resolving defendant’s motion to dismiss—derive from the complaint, the parties’ submissions (including attached exhibits), and matters of which the court may take judicial notice pursuant to Rule 201 of the Federal Rules of Evidence. See Rocky Mountain Helium, LLC v. United States, 841 F.3d 1320, 1325-26 (Fed. Cir. 2016).

generally Pub. L. No. 593, ch. 950, 66 Stat. 792 (1952). Specifically, Congress has provided that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements” of title thirty-five. 35 U.S.C. § 101 (2012). The claimed invention must be novel; a person is not entitled to a patent if there is prior art regarding the claimed invention, i.e., if “the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public” prior to the filing of the patent application. Id. § 102. Further, the claimed invention must be nonobvious; even if a claimed invention is novel, a person is not entitled to a patent if “the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains.” Id. § 103.

Patent applications must be submitted to the Patent and Trademark Office in writing and include a specification, a drawing, an oath or declaration, and the required fees. Id. § 111(a); see also id. § 41(a) (listing general patent fees). The specification

shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains, or with which it is most nearly connected, to make and use the same, and shall set forth the best mode contemplated



by the inventor or joint inventor of carrying out the invention. . . . The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the inventor or a joint inventor regards as the invention.

Id. § 112(a)-(b). Patent applications are then examined, and the Director of the Patent and Trademark Office (the “Director”) “shall issue a patent” if, upon such examination, “it appears that the applicant is entitled to a patent.” Id. § 131. Rejected or deficient applications are reexamined upon request of the applicant. Id. § 132. The applicant may appeal adverse decisions to the Patent Trial and Appeal Board upon payment of the appeal fee. Id. § 134; see also id. § 41(a)(6) (listing appeal fees). Decisions of the Patent Trial and Appeal Board are subject to appellate review in the United States Court of Appeals for the Federal Circuit (“Federal Circuit”).<sup>2</sup> Id. § 141(a)-(b). Patents are generally valid for twenty years and “grant to the patentee, [and] his heirs or assigns, . . . the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States or importing the invention into the United States.”<sup>3</sup> Id. § 154(a)(1)-(2).

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<sup>2</sup> In lieu of appealing to the Federal Circuit, an applicant may file a civil action against the Director in the United States District Court for the Eastern District of Virginia to obtain a patent. 35 U.S.C. § 145.

<sup>3</sup> If the patented invention is a process, then a patent grants the patentee “the right to exclude others from using, offering for sale or selling throughout the

## B. Terminating a Patent

A patent owner's interest in a patent may be terminated in multiple ways.

First, a patent owner may terminate its interest in a patent by assignment. An interest in a patent (whether in the application stage or having already been granted) may be transferred via written instrument. Id. § 261.

Second, the Patent and Trademark Office may terminate a patent based on failure to pay fees. See id. § 41(b)(2), (c)(1). Once a patent is granted, its owner must periodically pay fees for the Patent and Trademark Office to “maintain[] in force” the underlying patent; these fees are known as maintenance fees. Id. § 41(b)(1).

Third, a patent owner may have a patent (or one or more of its claims) declared invalid in judicial proceedings. See id. § 282(c). A patent owner whose patent is infringed may seek available remedies by filing a civil action in federal district court.<sup>4</sup> Id. § 281; 28 U.S.C. § 1338 (2012); see also 35 U.S.C. § 271 (describing acts that constitute patent infringement). If the federal government is the alleged infringer, the patent owner must sue in the United States Court of Federal Claims (“Court of Federal Claims”). 28 U.S.C. § 1498(a). A defendant in a patent infringement action

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United States, or importing into the United States, products made by that process.” 35 U.S.C. § 154(a)(1).

<sup>4</sup> Similarly, judicial relief is available when the invention claimed in one patent is derived from an invention claimed in another patent. See 35 U.S.C. § 291.

may assert prior commercial use, noninfringement, absence of liability for infringement, unenforceability, or invalidity of the patent itself or one or more of its claims. 35 U.S.C. §§ 273(a), 282(b). A patent, and each claim thereof, is “presumed valid,” and a party asserting invalidity has the burden of establishing such invalidity by clear and convincing evidence. Microsoft Corp. v. i4i Ltd. P’ship, 564 U.S. 91, 95 (2011) (quoting 35 U.S.C. § 282(a)). Alternatively, rather than waiting to be sued for patent infringement, a party can file a civil action in federal district court for a declaratory judgment that a patent, or one or more of its claims, is “invalid, unenforceable, or not infringed.” Alice Corp. Pty. Ltd. v. CLS Bank Int’l, 573 U.S. 208, 214 (2014); see also 28 U.S.C. § 2201(a) (providing federal district courts with jurisdiction over certain types of declaratory judgment actions).

Finally, there are various types of administrative proceedings in which a patent (or one or more of its claims) may be cancelled. See Cuozzo Speed Techs., LLC v. Lee, 136 S. Ct. 2131, 2137 (2016) (“For several decades, the [Patent and Trademark Office] has also possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.”). These types of administrative proceedings include ex parte reexamination, post-grant review, and inter partes review. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284, 299-313 (2011) (codified as amended at 35 U.S.C. §§ 311-329) (providing for post-grant review and inter partes review).

Any party may request ex parte reexamination of a patent on the basis of prior art upon filing a written petition and paying a fee. 35 U.S.C. § 302. A patent

owner may also “request supplemental examination of a patent . . . to consider, reconsider, or correct information believed to be relevant to the patent.” Id. § 257(a). The Patent and Trademark Office must then determine, within three months after the filing of the reexamination petition, “whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request.” Id. § 303(a). If such a substantial new question is raised, the office institutes ex parte reexamination proceedings. Id. §§ 257(b), 304. The Patent and Trademark Office may also institute ex parte reexamination proceedings on its “own initiative” at “any time.” Id. § 303(a). Ex parte reexamination proceedings are “conducted according to the procedures established for initial examination.” Id. § 305. During ex parte reexamination, the patent owner may propose amendments or additional claims to the patent at issue “to distinguish the invention as claimed from the prior art cited . . . or in response to a decision adverse to the patentability of a claim” of the relevant patent. Id. A patent owner dissatisfied with the result of ex parte reexamination proceedings may appeal to the Patent Trial and Appeal Board, and then to the Federal Circuit. Id. §§ 134(b), 141(b). Upon the conclusion of ex parte reexamination proceedings, including appeals, the Patent and Trademark Office issues a certificate confirming any claims determined to be patentable, cancelling any claims determined to be unpatentable, and incorporating any amendments or new claims determined to be patentable into the patent. Id. § 307(a).

Post-grant review allows any party to request, within nine months of a patent being granted or reissued, that one or more claims in a patent be cancelled on the grounds of invalidity. Id. § 321. The

burden of establishing unpatentability in a post-grant review proceeding is preponderance of the evidence. *Id.* § 326(e). To institute post-grant review proceedings, the Patent and Trademark Office must “determine[] that the information presented in the petition [for post-grant review], if such information is not rebutted, would demonstrate that it is more likely than not that at least [one] of the claims challenged in the patent is unpatentable” or that “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.” *Id.* § 324(a)-(b). The Patent and Trademark Office has three months after receiving a preliminary response to the petition (or three months after the deadline for such a response, if no response is filed) to decide whether to institute post-grant review. *Id.* § 324(c). The Patent Trial and Appeal Board conducts post-grant review and must issue a final written decision upon the conclusion of proceedings (if not dismissed). *Id.* §§ 326(c), 328(a). Any party to the post-grant review proceedings may appeal the Patent Trial and Appeal Board’s decision to the Federal Circuit. *Id.* § 141(c). After the Patent Trial and Appeal Board issues its decision and appeals have terminated (or the time for appeals expires), the Patent and Trademark Office issues a certificate confirming any claims determined to be patentable and cancelling any claims determined to be unpatentable. *Id.* § 328(b).

Finally, inter partes review allows any party to request, after nine months following the grant of a patent or upon termination of post-grant review proceedings (if such proceedings are instituted), that one or more claims in a patent be cancelled for failing the novelty and nonobvious conditions for patentability under 35 U.S.C. §§ 102-103 and “only on the basis of prior art consisting of patents or printed publications.”

Id. § 311. The burden of establishing unpatentability in an inter partes review proceeding is preponderance of the evidence. Id. § 316(e). The United States Supreme Court (“Supreme Court”) describes inter partes review as a “second look at an earlier administrative grant of a patent,” and notes that Congress has described it as “an efficient system for challenging patents that should not have issued.” Cuozzo, 136 S. Ct. at 2144 (internal quotation marks omitted). To institute inter partes review proceedings, the Patent and Trademark Office must “determine[] that the information presented in the petition [for inter partes review] and any response . . . shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least [one] of the claims challenged in the petition.” 35 U.S.C. § 314(a). The Patent and Trademark Office has three months after receiving a preliminary response to the petition (or three months after the deadline for such a response, if no response is filed) to decide whether to institute inter partes review. Id. § 324(b). The Patent Trial and Appeal Board conducts inter partes review and must issue a final written decision upon the conclusion of proceedings (if not dismissed). Id. §§ 316(c), 318(a). Any party to the inter partes review proceedings may appeal the Patent Trial and Appeal Board’s decision to the Federal Circuit. Id. § 141(c). After the Patent Trial and Appeal Board issues its decision and appeals have terminated (or the time for appeals expires), the Patent and Trademark Office issues a certificate confirming any claims determined to be patentable and cancelling any claims determined to be unpatentable. Id. § 318(b). Issuance and publication of the certificate officially concludes the inter partes review proceeding. 37 C.F.R. § 1.997(a) (2014). The instant case concerns inter partes review.

### C. Christy Acquires Its Patent

On July 18, 2003, David L. McCutchen assigned ownership of his entire right, title, and interest in his ambient air backflushed filter vacuum invention to Christy. Am. Compl. Ex. F at 2. That same day, Christy applied for a patent for the ambient air backflushed filter vacuum. See Am. Compl. Ex. D at 1. On March 2, 2006, the Patent and Trademark Office issued a Notice of Allowance and Fee(s) Due. See generally Am. Compl. Ex. C. In that notice, the Patent and Trademark Office indicated that (1) patent prosecution on the merits of Christy's application was closed, (2) Christy's application was "allowed for issuance as a patent" but was "not a grant of patent rights," (3) issuance and publication fees totaling \$1000 were due within three months of the notice to avoid abandonment of Christy's application, and (4) twenty claims were allowed. Id. at 1, 4. Christy paid the fees on May 31, 2006. Am. Compl. Ex. E. The Patent and Trademark Office then issued Patent 7,082,640 (the "640 patent") on August 1, 2006 (the "patent grant date").<sup>5</sup> Am. Compl. Ex. D at 1.

Thereafter, Christy paid the maintenance fees required by 35 U.S.C. § 41(b)(1) to be paid 3.5 years, 7.5 years, and 11.5 years after the patent grant date. These due dates were February 1, 2010, February 1, 2014, and

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<sup>5</sup> The prosecution history of the '640 patent—which is not relevant to resolving defendant's motion to dismiss—is described in a federal district court claim construction decision concerning the '640 patent. See CDC Larue Indus., Inc. v. Black & Decker (U.S.) Inc., No. 14-CV-0286-CVE-FHM, 2015 WL 224935, at \*1 (N.D. Okla. Jan. 15, 2015).

February 1, 2018, respectively. The specific amounts paid by Christy are as follows:

- \$490 on October 29, 2009, Am. Compl. Ex. G; see also 37 C.F.R. § 1.20(e) (2009) (providing that the 3.5-year maintenance fees at the time of Christy’s payment were \$490 for “small” entities and \$980 for other entities<sup>6</sup>);
- \$1800 on January 24, 2014, Am. Compl. Ex. H; see also 37 C.F.R. § 1.20(f) (2013) (providing that the 7.5-year maintenance fees at the time of Christy’s payment were \$900 for “micro” entities, \$1800 for “small” entities, and \$3600 for other entities<sup>7</sup>); and
- \$3700 on January 4, 2018, Am. Compl. Ex. I; see also 37 C.F.R. § 1.20(g) (2017) (providing that the 11.5-year maintenance fees at the time of Christy’s payment were \$1850 for

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<sup>6</sup> A “small” entity is a “small business concern”—i.e., one with no more than 500 employees—that has not transferred its rights in the subject invention. 13 C.F.R. § 121.802 (2003); 37 C.F.R. § 1.27(a)(2) (2003). An entity “will be accorded small entity status by the [Patent and Trademark Office] in the particular application or patent in which entitlement to small entity status was asserted.” 37 C.F.R. § 1.27(b)(1).

<sup>7</sup> “Micro” entities are a subset of “small” entities. 35 U.S.C. § 123; 37 C.F.R. § 1.29 (2013). Micro entity status became available as of March 19, 2013, pursuant to the micro entity provision contained in the Leahy-Smith America Invents Act. Changes to Implement Micro Entity Status for Paying Patent Fees, 77 Fed. Reg. 75,019, 75,019-20 (Dec. 19, 2012).



“micro” entities, \$3700 for “small” entities, and \$7400 for other entities).

#### **D. Christy Instigates Litigation Involving the '640 Patent**

On June 2, 2014, Christy and its licensee, CDC Larue Industries, Inc., filed a complaint against Dewalt Industrial Tool Co. and Black & Decker Corp. in the United States District Court for the Northern District of Oklahoma alleging infringement of the '640 patent. The complaint was amended, on September 12, 2014, to name Black & Decker (U.S.), Inc. (“Black & Decker”), the parent company of the defendants named in the original complaint, as the defendant. After briefing and a hearing, the court issued its claim construction decision on January 15, 2015. See generally CDC Larue Indus., 2015 WL 224935. The case was subsequently stayed pending the outcome of inter partes review proceedings pertaining to the '640 patent.

#### **E. Inter Partes Review of the '640 Patent**

Before the claim construction decision in CDC Larue Industries was issued, Black & Decker petitioned the Patent and Trademark Office for inter partes review of the '640 patent. Specifically, Black & Decker filed two petitions on December 19, 2014. In its first petition, Black & Decker asserted that claims 1-18 of the '640 patent were invalid. Am. Compl. Ex. K at 6. After Christy filed a preliminary response, the Patent Trial and Appeal Board instituted inter partes review of claims 1-18 of the '640 patent on June 24, 2015, and assigned the matter case number IPR2015-00468. Am.

Compl. Ex. L at 1-2.<sup>8</sup> In its second petition, Black & Decker asserted that claims 1, 4-10, and 13-18 of the '640 patent were invalid. Am. Compl. Ex. N at 5. After Christy filed a preliminary response, the Patent Trial and Appeal Board instituted inter partes review of claims 1, 4-10, and 13-18 of the '640 patent on June 24, 2015, and assigned the matter case number IPR2015-00472. Am. Compl. Ex. O at 1-2.<sup>9</sup>

On June 17, 2016, the Patent Trial and Appeal Board issued its final written decision in both inter partes review matters. With respect to IPR2015-00468, the Patent Trial and Appeal Board determined that Black & Decker had “met its burden to prove by a preponderance of the evidence that claims 1-18 of the '640 patent are unpatentable.” Am. Compl. Ex. M at 3.<sup>10</sup> The Patent Trial and Appeal Board first explained its standard of review:

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<sup>8</sup> Exhibit L is a complete copy of the Patent Trial and Appeal Board’s decision to institute inter partes review in IPR2015-00468. See generally Black & Decker (U.S.) Inc. v. Christy, Inc., No. IPR2015-00468, 2015 WL 3920069 (P.T.A.B. June 24, 2015).

<sup>9</sup> Exhibit O is a complete copy of the Patent Trial and Appeal Board’s decision to institute inter partes review in IPR2015-00472. See generally Black & Decker (U.S.) Inc. v. Christy, Inc., No. IPR2015-00472, 2015 WL 3920070 (P.T.A.B. June 24, 2015).

<sup>10</sup> Exhibit M is a complete copy of the Patent Trial and Appeal Board’s final written decision in IPR2015-00468. See generally Black & Decker (U.S.) Inc. v. Christy, Inc., No. IPR2015-00468, 2016 WL 3382465 (P.T.A.B. June 17, 2016), aff’d per curiam, 696 F. App’x 1020 (Fed. Cir. Sep. 7, 2017) (mem.).

To prevail in its challenges to the patentability of claims, the Petitioner must establish facts supporting its challenges by a preponderance of the evidence. A claim is anticipated, and, thus, unpatentable, if a single prior art reference discloses each and every element of the claimed invention. A claim is obvious, and, thus, unpatentable, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art.

Id. at 14-15 (citations omitted). Thereafter, the Patent Trial and Appeal Board analyzed each of the challenged claims, finding that:

- claims 1 and 10 were “anticipated” pursuant to 35 U.S.C. § 102, id. at 15; and
- claims 1-18 “would have been obvious” pursuant to 35 U.S.C. § 103, id. at 25, 27.

With respect to IPR2015-00472, the Patent Trial and Appeal Board determined that Black & Decker had “met its burden to prove by a preponderance of the evidence that claims 1, 4-10, and 13-18 of the ‘640 patent are unpatentable.” Am. Compl. Ex. P at 3.<sup>11</sup> Specifically, the Patent Trial and Appeal Board found:

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<sup>11</sup> Exhibit P is a complete copy of the Patent Trial and Appeal Board’s final written decision in IPR2015-00472. See generally Black & Decker (U.S.) Inc. v. Christy, Inc., No. IPR2015-00472, 2016 WL 3382466

- claims 1 and 10 were “anticipated,” id. at 15; and
- claims 1, 4-9, and 13-18 “would have been obvious,” id. at 24, 26-27.

Christy timely appealed both decisions to the Federal Circuit. On September 7, 2017, the Federal Circuit affirmed the Patent Trial and Appeal Board’s decision in IPR2015-00468. Christy, Inc. v. Black & Decker (U.S.), Inc., 696 F. App’x 1020 (Fed. Cir. Sep. 7, 2017) (mem.) (per curiam) (case 2016-2498). That same day, the Federal Circuit dismissed Christy’s appeal of IPR2015-00472 as moot. Christy, Inc. v. Black & Decker (U.S.), Inc., 696 F. App’x 1020 (Fed. Cir. Sep. 7, 2017) (mem.) (per curiam) (case 2017-2499). On August 14, 2018, the Patent and Trademark Office issued and published an Inter Partes Review Certificate officially cancelling claims 1-18 of the ‘640 patent. U.S. Patent No. 7,082,640, at 13-14.

Meanwhile, on April 13, 2018, the patent infringement case in federal district court, which had been stayed pending the outcome of the inter partes review proceedings, was dismissed with prejudice. Jt. Stip., CDC Larue Indus., Inc. v. Black & Decker (U.S.) Inc., No. 4:14-cv-00286 (N.D. Okla. Apr. 13, 2018).

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(P.T.A.B. June 17, 2016), appeal dismissed as moot per curiam, 696 F. App’x 1020 (Fed. Cir. Sep. 7, 2017) (mem.).

## F. Procedural History

Christy filed suit in this court on May 9, 2018, and subsequently amended its complaint on July 30, 2018. In its amended complaint, Christy asserts six counts:

- Count I—Taking of Property Without Just Compensation, Am. Compl. ¶¶ 94-107;
- Count II—Breach of Contract, *id.* ¶¶ 108-24;
- Count III—Breach of Implied-in-Fact Contract (in the Alternative to Count II), *id.* ¶¶ 125-41;
- Count IV—Breach of Implied Duty of Good Faith and Fair Dealing, *id.* ¶¶ 142-52;
- Count V—Unjust Enrichment, *id.* ¶¶ 153-67; and
- Count VI—Exaction (in the Alternative to Count I), *id.* ¶¶ 168-76.

Christy requests class certification, a declaratory judgment that inter partes review effects a Fifth Amendment taking and a breach of contract, damages “including but not limited to expected royalties and other payments related to use of the patents,” attorneys’ fees, costs, and prejudgment and postjudgment interest. *Id.* ¶ 177. Defendant moves to dismiss for lack of subject-matter jurisdiction pursuant to RCFC 12(b)(1) and, alternatively, for failure to state a claim upon which this court can grant relief pursuant to RCFC 12(b)(6).

Defendant's motion is now fully briefed. The parties did not request oral argument, and the court deems it unnecessary. Defendant's motion is now ripe for adjudication.

## II. STANDARDS OF REVIEW

### A. RCFC 12(b)(1)

In determining whether subject-matter jurisdiction exists, the court “must accept as true all undisputed facts asserted in the plaintiff's complaint and draw all reasonable inferences in favor of the plaintiff.” Trusted Integration, Inc. v. United States, 659 F.3d 1159, 1163 (Fed. Cir. 2011). With respect to a motion to dismiss for lack of subject-matter jurisdiction pursuant to RCFC 12(b)(1), the plaintiff bears the burden of proving, by a preponderance of evidence, that the court possesses subject-matter jurisdiction. Id. If jurisdictional facts are challenged, the court is not limited to the pleadings in determining whether it possesses subject-matter jurisdiction to entertain a plaintiff's claims. Banks v. United States, 741 F.3d 1268, 1277 (Fed. Cir. 2014); Pucciariello v. United States, 116 Fed. Cl. 390, 400 (2014). If the court finds that it lacks subject-matter jurisdiction over a claim, RCFC 12(h)(3) requires the court to dismiss that claim.

### B. Subject-Matter Jurisdiction

Whether the court possesses subject-matter jurisdiction to decide the merits of a case is a threshold matter. See Steel Co. v. Citizens for a Better Env't, 523 U.S. 83, 94-95 (1998); see also Arbaugh v. Y&H Corp., 546 U.S. 500, 514 (2006) (explaining that subject-matter jurisdiction cannot be forfeited or waived because it “involves a court's power to hear a case”

(citing United States v. Cotton, 535 U.S. 625, 630 (2002)); Ruhrgas AG v. Marathon Oil Co., 526 U.S. 574, 583 (1999) (“[A] federal court [must] satisfy itself of its jurisdiction over the subject matter before it considers the merits of a case.”), quoted in Hymas v. United States, 810 F.3d 1312, 1316-17 (Fed. Cir. 2016); Matthews v. United States, 72 Fed. Cl. 274, 278 (2006) (stating that subject-matter jurisdiction is “an inflexible matter that must be considered before proceeding to evaluate the merits of a case”). “Without jurisdiction the court cannot proceed at all in any cause. Jurisdiction is power to declare the law, and when it ceases to exist, the only function remaining to the court is that of announcing the fact and dismissing the cause.” Ex parte McCardle, 74 U.S. (7 Wall) 506, 514 (1868). Either party, or the court sua sponte, may challenge the court’s subject-matter jurisdiction at any time. Arbaugh, 546 U.S. at 506.

The ability of the Court of Federal Claims to entertain suits against the United States is limited. “The United States, as sovereign, is immune from suit save as it consents to be sued.” United States v. Sherwood, 312 U.S. 584, 586 (1941). The waiver of immunity “cannot be implied but must be unequivocally expressed.” United States v. King, 395 U.S. 1, 4 (1969). The Tucker Act, the principal statute governing the jurisdiction of this court, waives sovereign immunity for claims against the United States, not sounding in tort, that are founded upon the Constitution, a federal statute or regulation, or an express or implied contract with the United States. 28 U.S.C. § 1491(a)(1). However, the Tucker Act is merely a jurisdictional statute and “does not create any substantive right enforceable against the United States for money damages.” United States v. Testan, 424 U.S.

392, 298 (1976). Instead, the substantive right must appear in another source of law, such as a “money-mandating constitutional provision, statute or regulation that has been violated, or an express or implied contract with the United States.” Loveladies Harbor, Inc. v. United States, 27 F.3d 1545, 1554 (Fed. Cir. 1994) (en banc).

### **C. RCFC 12(b)(6)**

A claim that survives a jurisdictional challenge remains subject to dismissal under RCFC 12(b)(6) if the claim does not provide a basis for the court to grant relief. See Lindsay v. United States, 295 F.3d 1252, 1257 (Fed. Cir. 2002) (explaining that an RCFC 12(b)(6) motion to dismiss is “appropriate when the facts asserted by the claimant do not entitle him to a legal remedy”). To survive an RCFC 12(b)(6) motion to dismiss, a plaintiff must include in its complaint “enough facts to state a claim to relief that is plausible on its face” sufficient for the defendant to have “fair notice” of the claim and the “grounds upon which it rests.” Bell Atl. Corp. v. Twombly, 550 U.S. 544, 555, 570 (2007) (internal quotation marks omitted). In other words, a plaintiff must “plead[] factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” Ashcroft v. Iqbal, 556 U.S. 662, 678 (2009) (citing Twombly, 550 U.S. at 556). In ruling on such a motion, the court must “accept as true all of the factual allegations contained in the complaint” and any attachments thereto. Erickson v. Pardus, 551 U.S. 89, 94 (2007) (per curiam) (citing Twombly, 550 U.S. at 555-56); accord RCFC 10(c) (“A copy of a written instrument that is an exhibit to a pleading is part of the pleading for all purposes.”); Rocky Mountain, 841 F.3d



at 1325 (applying RCFC 10(c) and emphasizing that “a court ‘must consider the complaint in its entirety, . . . in particular, documents incorporated into the complaint by reference, and matters of which a court may take judicial notice” (quoting Tellabs, Inc. v. Makor Issues & Rights, Ltd., 551 U.S. 308, 322 (2007))).

The issue at this stage of litigation is not the sufficiency of any potential defenses or the likelihood of Christy’s eventual success on the merits of its allegations, but simply whether Christy has alleged specific facts describing a plausible claim for relief. See Chapman Law Firm Co. v. Greenleaf Constr. Co., 490 F.3d 934, 938 (Fed. Cir. 2007) (“The court must determine ‘whether the claimant is entitled to offer evidence to support the claims,’ not whether the claimant will ultimately prevail.” (quoting Scheuer v. Rhodes, 416 U.S. 232, 236 (1974))).

### **III. TAKINGS CLAUSE CLAIM**

The court first turns to Count I of Christy’s amended complaint, in which Christy asserts a cause of action pursuant to the Takings Clause.

#### **A. The Court of Federal Claims Has Jurisdiction to Consider Christy’s Takings Clause Claim**

The Fifth Amendment prohibits the federal government from taking private property for public use without paying just compensation. U.S. Const. amend. V. “It is undisputed that the Takings Clause of the Fifth Amendment is a money-mandating source [of law] for purposes of Tucker Act jurisdiction” in the Court of Federal Claims. Jan’s Helicopter Serv., Inc. v. FAA, 525 F.3d 1299, 1309 (Fed. Cir. 2008). However, a plaintiff must still allege a nonfrivolous Takings Clause claim to

invoke this court's Tucker Act jurisdiction. Moden v. United States, 404 F.3d 1335, 1341 (Fed. Cir. 2005). Christy asserts that it had a property right in its claimed invention, as well as "property rights in the issue fees and maintenance fees paid, investments in the underlying technologies to the invalidated claims, and to the monies spent in defending" its patent claims throughout the inter partes review process. Am. Compl. ¶ 97. According to Christy, "each of [its] property rights in the invalidated claims, along with the issuance and maintenance fees and the investments made in the patented technologies," were taken by the federal government for public use when claims 1-18 of the '640 patent were invalidated. Id. ¶ 100. In other words, Christy asserts that it had certain property rights that were taken by the federal government without just compensation. There is no indication (nor does defendant suggest) that such allegations are frivolous.<sup>12</sup> Accordingly, the court has jurisdiction to consider Count I of Christy's complaint. Whether Christy has stated a plausible claim upon which this court can grant relief is a separate issue.

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<sup>12</sup> In addition, "a claim alleging a Fifth Amendment taking accrues when the act that constitutes the taking occurs." Ingrum v. United States, 560 F.3d 1311, 1314 (Fed. Cir. 2009). Christy's Takings Clause claim accrued on June 17, 2016, the date on which the Patent Trial and Appeal Board issued its final written decision invalidating claims 1-18 of the '640 patent. Accordingly, Christy's complaint was filed well within the six-year statute of limitations set forth in 28 U.S.C. § 2501.

## **B. Christy Fails to State a Plausible Takings Clause Claim Upon Which This Court Can Grant Relief**

To prevail on a takings claim, a plaintiff must “identify[] a valid property interest” under the Fifth Amendment and show a “governmental action [that] amounted to a compensable taking of that property interest.” Air Pegasus of D.C., Inc. v. United States, 424 F.3d 1206, 1212-13 (Fed. Cir. 2005); accord Casitas Mun. Water Dist. v. United States, 708 F.3d 1340, 1348 (Fed. Cir. 2013); Hearts Bluff Game Ranch, Inc. v. United States, 669 F.3d 1326, 1329 (Fed. Cir. 2012). In addition, a plaintiff must concede the legitimacy of the government action that effected the taking. Hearts Bluff, 669 F.3d at 1332 (citing Tabb Lakes, Ltd. v. United States, 10 F.3d 796, 802 (Fed. Cir. 1993)).

Christy does not contend that inter partes review—the process by which Christy alleges its property rights were taken—is not legitimate government action. Indeed, Christy emphasizes that inter partes review was “created through” the Leahy-Smith America Invents Act, Am. Compl. ¶ 7, and does not argue that the Patent Trial and Appeal Board failed to follow established procedures throughout the inter partes review process pertaining to the '640 patent. Further, Christy relies heavily on the recent decision in Oil States Energy Services, LLC v. Greene’s Energy Group LLC (“Oil States”), in which the Supreme Court held that “inter partes review does not violate Article III or the Seventh Amendment” of the United States Constitution. 138 S. Ct. 1365, 1379 (2018). The court’s evaluation of defendant’s motion to dismiss Count I of Christy’s amended complaint therefore turns on whether Christy’s patent is a “valid property interest”

for Takings Clause purposes. See, e.g., Skip Kirchdorfer, Inc. v. United States, 6 F.3d 1573, 1580 (Fed. Cir. 1993) (“Not all losses generate a Fifth Amendment taking.”).

Whether patents constitute property for Takings Clause purposes is not an issue of first impression. In Schillinger v. United States, the Supreme Court held that a patentee could not cast his patent infringement suit against the federal government as a Takings Clause action. 155 U.S. 163, 169 (1894). The Supreme Court observed that a suit for patent infringement was essentially an action “sounding in tort,” the federal government had not waived its sovereign immunity with respect to such actions, and patentees had no remedy for patent infringement by the federal government absent some form of a contractual relationship. Id. at 168-71; accord United States v. Berdan Firearms Mfg. Co., 156 U.S. 552, 565-66 (1895) (“Even if there were findings sufficient to show that the government had in any manner infringed upon this patent, there is nothing disclosing a contract, express or implied; and a mere infringement, which is only a tort, creates no cause of action cognizable in the court of claims.”). This jurisdictional hurdle was resolved in 1910, when Congress enacted the predecessor to 28 U.S.C. § 1498 to provide the United States Court of Claims, a predecessor to this court, with jurisdiction to entertain patent infringement suits against the federal government. See generally Act of June 25, 1910, Pub. L. No. 61-305, 36 Stat. 851.

Nearly a century later, the Federal Circuit considered, among other issues, an appeal of a determination by the Court of Federal Claims “that it could assert jurisdiction over [the plaintiff’s] patent

infringement allegations by treating the action as a Fifth Amendment taking under the Tucker Act.” Zoltek Corp. v. United States, 442 F.3d 1345, 1348 (Fed. Cir. 2006), vacated on other grounds, 672 F.3d 1309, 1317-22 (Fed. Cir. 2012) (en banc portion). The Federal Circuit described the Schillinger decision as “the Supreme Court reject[ing] an argument that a patentee could sue the government for patent infringement as a Fifth Amendment taking under the Tucker Act,” disagreed with the trial court’s determination that the Supreme Court had “effectively overruled” Schillinger in subsequent decisions, and specified that “Schillinger remains the law.” Id. at 1350 (internal quotation marks omitted). Allowing patent owners to style patent infringement actions as Taking Clause claims would, the Federal Circuit explained, “read an entire statute, [28 U.S.C.] § 1498, out of existence.” Id. at 1352. The Federal Circuit further expounded on patent rights vis-à-vis the Takings Clause:

As the Supreme Court has clearly recognized when considering Fifth Amendment taking allegations, property interests are not created by the Constitution. Rather, they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law. Here, the patent rights are a creature of federal law. In response to Schillinger, Congress provided a specific sovereign immunity waiver for a patentee to recover for infringement by the government. Had 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.

Id. (emphasis added) (alteration, citation, and internal quotation marks omitted) (citing Ruckelshaus v. Monsanto Co., 467 U.S. 986, 1001 (1984)). In other words, Congress has not expressed any intent that patent rights may be the subject of Takings Clause claims. Since patent rights derive wholly from federal law, Congress is free to define those rights (and any attendant remedies for an intrusion on those rights) as it sees fit.

The Supreme Court's recent decision in Oil States does not disturb the principle that patents (including patent rights) are not property for Takings Clause purposes. As Christy emphasizes, the Supreme Court specified that its holding regarding the "constitutionality of inter partes review . . . should not misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause." Oil States, 138 S. Ct. at 1379. However, Christy's statement that the Oil States decision "acknowledged that there exist[s] precedent holding that patents are property subject to a Fifth Amendment taking," Pl.'s Resp. 7, misconstrues that decision. The decision does not suggest, as Christy champions, that patents are property for Takings Clause purposes. Indeed, the statement that Christy emphasizes merely defined the scope of the decision:

We emphasize the narrowness of our holding. We address the constitutionality of inter partes review only. We do not address whether other patent matters, such as infringement actions, can be heard in a non-Article III forum. And because the

Patent Act provides for judicial review by the Federal Circuit, we need not consider whether inter partes review would be constitutional without any sort of intervention by a court at any stage of the proceedings. Moreover, we address only the precise constitutional challenges that Oil States raised here. Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued. Nor has Oil States raised a due process challenge. Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.

Oil States, 138 S. Ct. at 1379 (citations and internal quotation marks omitted). In other words, the Supreme Court took no position in Oil States on the issue of whether patents were property for Takings Clause purposes because that matter was not before the court.

Although the Supreme Court did not analyze whether patents are property for Takings Clause purposes in Oil States, it discussed the nature of the property rights that patent owners have in their patents. That discussion was central to the Supreme Court’s analysis of the constitutionality of inter partes review and thus cannot be dismissed as dicta. The Supreme Court observed that its longstanding precedent teaches that “the decision to grant a patent is a matter involving public rights—specifically, the grant of a public franchise,” id. at 1373, and noted that the franchise “is a ‘creature of statute law,’” id. at 1374

(quoting *Crown Die & Tool Co. v. Nye Tool & Machine Works*, 261 U.S. 24, 40 (1923)). It emphasized that “[p]atent claims are granted subject to the qualification that the [Patent and Trademark Office] has ‘the authority to reexamine—and perhaps cancel—a patent claim’ in an inter partes review” and that “franchises can be qualified in this manner.” *Id.* at 1374-75 (quoting *Cuozzo*, 136 S. Ct. at 2137). Importantly, the Supreme Court remarked that the handful of prior decisions characterizing patents as “private property” did not contradict its conclusion in *Oil States* that patents are public franchises. *Id.* at 1375.

Because “[p]atents convey only a specific form of property right—a public franchise . . . , a patent can confer only the rights that the statute prescribes.” *Id.* Federal law provides that “patents shall have the attributes of personal property.” 35 U.S.C. § 261 (emphasis added). However, that rule is not absolute, nor does it reflect Congress’s intent for patents to be treated the same as any other particular form of personal property. A patent owner’s rights are qualified and specifically “[s]ubject to the provisions of [title thirty-five of the United States Code].” *Id.*; accord *Oil States*, 138 S. Ct. at 1377 (“Congress may set out conditions and tests for patentability.” (quoting *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 6 (1966))); *Boyden v. Comm’r of Patents*, 441 F.2d 1041, 1043 (D.C. Cir. 1971) (“No person has a vested right to a patent, but is privileged to seek the protected monopoly only upon compliance with the conditions which Congress has imposed.” (citation omitted)), *cert. denied*, 404 U.S. 842. As relevant here, the Patent and Trademark Office has “continuing authority to review and potentially cancel patents after they are issued.”



Oil States, 138 S. Ct. at 1376 n.3 (citing 35 U.S.C. §§ 261, 311-319).

Christy relies heavily on Horne v. Department of Agriculture to support the propositions that the Takings Clause (1) applies equally to personal property and real property and (2) includes protection against “a regulatory taking—a restriction on the use of property.” 135 S. Ct. 2419, 2427 (2015), quoted in Pl.’s Resp. 6-7. Christy correctly states the law, but misses the mark in its application to the cancellation of patent claims pursuant to inter partes review. As explained above, while patent rights are indeed a form of property rights, patents are public franchises. Therefore, patent rights are not equivalent to private rights. Moreover, the Horne decision involved the federal government’s appropriation of farmers’ tangible personal property—raisins—for public purposes via a process in which title to the raisins passed to the government. Id. at 2424. In other words, the property rights at issue in Horne were private rights, whereas the property rights at issue in this case concern public franchises. Further, in the instant case, claims 1-18 of the ‘640 patent were extinguished and thus, unlike in Horne where title to the raisins passed to the government, there is no title to pass. Accordingly, Horne is sufficiently distinguishable from the instant case to offer any support for Christy’s position.

In that same vein, Christy’s reliance on nineteenth-century Supreme Court decisions to equate patent rights to land rights for Takings Clause purposes is ill-considered. Any comparison of “invention patents” to “land patents” based on those decisions is unavailing:

[T]he analogy between the two [in prior Supreme Court decisions] depended on the

particulars of the Patent Act of 1870. Modern invention patents, by contrast, are meaningfully different from land patents. The land-patent cases . . . involved a transaction in which all authority or control over the lands has passed from the Executive Department. Their holdings do not apply when the Government continues to possess some measure of control over the right in question. And that is true of modern invention patents under the current Patent Act . . . .

Oil States, 138 S. Ct. at 1376 n.3. In other words, modern invention patents are distinguishable from land patents because the Patent and Trademark Office exercises continuing authority over invention patents, whereas the government generally cedes “all authority or control” over the land in question when it issues a land patent.

In short, patents are public franchises, not private property.<sup>13</sup> Because “[a] taking compensable under the

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<sup>13</sup> While patents are not equivalent to private property, patent holders are nevertheless entitled to procedural due process as recipients of a federal benefit. Cf. Bd. of Regents of State Colls. v. Roth, 408 U.S. 564, 576 (1972) (“[A] person receiving welfare benefits under statutory and administrative standards defining eligibility for them has an interest in continued receipt of those benefits that is safeguarded by procedural due process.”). However, Christy does not allege any violation of the Due Process Clause of the Fifth Amendment. Even if Christy had done so, it would be of no moment because

Fifth Amendment inherently requires the existence of ‘private property,’” Skip Kirchdofer, 6 F.3d at 1580, patent rights are not cognizable property interests for Takings Clause purposes. In any event, patent owners have no property right to maintain patent claims that are found to be unpatentable, regardless of the timing of any such determination. Therefore, Christy’s Takings Clause claim fails as a matter of law. The court must dismiss Count I of Christy’s amended complaint for failure to state a claim upon which this court can grant relief.

#### IV. CONTRACT CLAIMS

The court next turns to Counts II, III, and IV of Christy’s amended complaint. In Count II, Christy alleges a breach of an express contract. In Count III, Christy alleges (as an alternative to Count II) a breach of an implied-in-fact contract. In Count IV, Christy alleges a breach of the implied duty of good faith and fair dealing arising out of either an express or implied-in-fact contract.

##### **A. The Court of Federal Claims Has Jurisdiction to Consider Some of Christy’s Contract Claims**

In contract disputes, the “money-mandating requirement for Tucker Act jurisdiction normally is satisfied by the presumption that money damages are available for breach of contract.”<sup>14</sup> Holmes, 657 F.3d at

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the Court of Federal Claims lacks jurisdiction over Due Process Clause claims. See LeBlanc v. United States, 50 F.3d 1025, 1028 (Fed. Cir. 1995).

<sup>14</sup> The mere existence of a contract, however, does not automatically give rise to the court’s Tucker Act jurisdiction because not all contracts contemplate

1314. Therefore, a “non-frivolous allegation of a contract with the government” is generally sufficient to invoke the court’s Tucker Act jurisdiction. Engage Learning, Inc. v. Salazar, 660 F.3d 1346, 1353 (Fed. Cir. 2011) (emphasis added). The court’s contract jurisdiction extends to claims involving implied-in-fact contracts, but not to claims involving implied-in-law contracts. Hercules, Inc. v. United States, 516 U.S. 417, 423 (1996). An implied-in-law contract is a “fiction of law where a promise is imputed to perform a legal duty, as to repay money obtained by fraud or duress.” Id. at 424 (internal quotation marks omitted). In contrast, an implied-in-fact contract results from a “meeting of minds, which, although not embodied in an express contract, is inferred, as a fact, from conduct of the parties showing, in the light of the surrounding circumstances, their tacit understanding.” Id. (internal quotation marks omitted). The requirements for an implied-in-fact contract with the government “are the same as for an express contract”:

- (1) mutuality of intent,
- (2) consideration,
- (3) an unambiguous offer and acceptance, and
- (4) “actual authority” on the part of the government’s

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money damages. See Holmes v. United States, 657 F.3d 1303, 1314 (Fed. Cir. 2011) (describing contracts that do not fall within the reach of the Tucker Act).

representative to bind the  
government in contract.

Hanlin v. United States, 316 F.3d 1325, 1328 (Fed. Cir. 2003). The only difference between express contracts and implied-in-fact contracts is the nature of the evidence required to establish their existence. Id.

Even when a plaintiff properly alleges a contract with the government, the Court of Federal Claims cannot exercise its jurisdiction unless the plaintiff also satisfies the pleading requirements set forth in RCFC 9(k). See, e.g., Baha v. United States, 123 Fed. Cl. 1, 5 n.4 (2015) (“Satisfaction of RCFC 9(k) is a jurisdictional requirement.”); see also Huntington Promotional & Supply, LLC v. United States, 114 Fed. Cl. 760, 766 (2014) (“If a plaintiff fails to comply with RCFC 9(k) and to allege sufficient facts to show that it had a contract with the United States, the court cannot exercise jurisdiction over the claim.”); Kissi v. United States, 102 Fed. Cl. 31, 35 (2011) (finding no jurisdiction based on the plaintiff’s failure to show an existing contract and failure to “adequately plead a contract claim under RCFC 9(k)”), aff’d per curiam, 493 F. App’x 57 (Fed. Cir. 2012). RCFC 9(k) requires a party, “[i]n pleading a claim founded on a contract,” to “identify the substantive provisions of the contract . . . on which the party relies.” A plaintiff that attaches a copy of the alleged contract to the complaint and “identif[ies] the provisions and terms of the contract that have been breached” satisfies its burden under RCFC 9(k) because doing so allows the court to “render a decision . . . know[ing] the relevant terms of the contract.” Garreaux v. United States, 77 Fed. Cl. 726, 730 (2007), quoted in Gonzalez-McCaulley Inv. Grp., Inc. v. United States, 93 Fed. Cl. 710, 715 (2010).

## 1. Express Contract

In Count II of its amended complaint, Christy alleges that the “Patent Certificate memorializes the terms of contract” between itself and the Patent and Trademark Office. Am. Compl. ¶ 111. Christy also describes the patent certificate, which was signed by the Director pursuant to his alleged authority to contract, *id.* ¶¶ 113, as “constitut[ing] a valid, existing contract with all the necessary terms,” *id.* ¶ 115. In other words, Christy alleges the existence of an express contract. Further, the parties appear to agree, and therefore the court assumes (without deciding) as such, that Christy’s allegations regarding the existence of an express contract are not frivolous.

In addition to alleging the existence of an express contract, Christy satisfied the RCFC 9(k) pleading requirements. Christy attached both the Notice of Allowance and Fee(s) Due and the patent certificate for the '640 patent as exhibits to its amended complaint. Christy also identified the “relevant terms of the [alleged] contract” by describing the duties that the alleged contract purportedly imposed on both parties and highlighting those duties that Christy contends the Patent and Trademark Office breached. In other words, Christy’s references to the alleged contract, which was attached to its amended complaint, are sufficient to apprise the court of the relevant provisions.

In short, Christy has (1) made a nonfrivolous allegation regarding the existence of an express contract with the Patent and Trademark Office and (2) satisfied the RCFC 9(k) pleading requirements. Therefore, the court has jurisdiction to consider Count II of Christy’s amended complaint.

## 2. Implied-in-Fact Contract

In Count III of its amended complaint, Christy alleges that, in the alternative to the existence of an express contract, (1) the Notice of Allowance and Fee(s) Due reflected “a mutual intent to contract” between itself and the Patent and Trademark Office; (2) the required fees constituted consideration; (3) “[n]o ambiguity existed as to the terms of the implied contract,” which were “memorialize[d]” in the patent certificate; and (4) the Director “had actual authority to contractually bind the government” or, at a minimum, implied actual authority. *Id.* ¶¶ 128-30. In other words, Christy alleges the existence of an implied-in-fact contract. As with Christy’s allegations regarding the existence of an express contract, there is no indication that Christy’s allegations regarding the existence of an implied-in-fact contract are frivolous, and defendant does not contend as such. Further, Christy satisfied the RCFC 9(k) pleading requirements for the reasons discussed above.

Christy contends that under its alleged implied-in-fact contract with the Patent and Trademark Office, the Patent and Trademark Office had a duty “to keep the patent claims in force as long as [Christy] paid [its] issue and maintenance fees.” *Id.* ¶ 129. Christy relies on two statutes for the source of those duties—35 U.S.C. § 41 (discussing issuance and maintenance fees) and 35 U.S.C. § 154 (discussing patent terms). *Id.* ¶¶ 131, 133; see also *id.* ¶¶ 136-37 (asserting that the Patent and Trademark Office “materially breached the terms of the implied-in-fact contract” by invalidating claims 1-18 of the ‘640 patent prior to the end of the statutory term). In other words, “[a] plain reading of the amended complaint makes clear” that Christy

relies on these statutes “to establish the existence of [its] alleged contract[] with the government.” eVideo Owners v. United States, 126 Fed. Cl. 95, 103 (2016), aff’d per curiam, 680 F. App’x 1004 (Fed. Cir. 2017).

Such reliance deprives the Court of Federal Claims of jurisdiction over Christy’s claims based on an implied-in-fact contract. In Lion Raisins, Inc. v. United States, the plaintiff alleged that after it had paid for certain inspection services mandated by statute and applicable regulations, the United States Department of Agriculture breached an implied-in-fact contract to perform those inspections by failing to perform inspections in the required manner or at all. 54 Fed. Cl. 427, 429 (2002). The court determined that “the requirement for inspections and the payment of fees were pursuant to law and not the result of (1) an offer, (2) acceptance, (3) consideration, and (4) an agreement with a Government agent authorized to bind the Government.” Id. at 431 (internal quotation marks omitted). Because any such obligations “would be implied in law, not implied-in-fact” as the plaintiff had argued, the Court of Federal Claims concluded that it lacked subject-matter jurisdiction to hear claims for the breach of those obligations. Id. at 432. In eVideo Owners, the plaintiff also alleged the existence of an implied-in-fact contract to establish subject-matter jurisdiction. 126 Fed. Cl. at 103. The court found that the plaintiffs “point[ed] to a duty that arises by operation of law to establish the alleged contracts with the United States” and that “[s]uch a duty cannot create an implied-in-fact contract that would fall within the [Court of Federal Claims’] jurisdiction.” Id. at 104 (citing Lion Raisins, 54 Fed. Cl. at 432).



Similar to the plaintiffs in Lion Raisins and eVideo Owners, Christy, in an attempt to establish the existence of an implied-in-fact contract, relies on statutory provisions to define its purported contracting partner's obligations. Therefore, as in Lion Raisins and eVideo Owners, Christy actually alleges that it has entered into an implied-in-law contract, rather than an implied-in-fact contract. As such, the court lacks jurisdiction to consider Count III of Christy's amended complaint, and it must be dismissed.

### **3. Implied Duty of Good Faith and Fair Dealing**

In addition to alleging a breach of contract in Counts II and III of its amended complaint, Christy asserts, in Count IV, that the Patent and Trademark Office breached its implied duty of good faith and fair dealing arising from an express (or alternatively, implied-in-fact) contract.

A cause of action based on the implied duty of good faith and fair dealing is simply a specific breach-of-contract claim. See Centex Corp. v. United States, 395 F.3d 1283, 1304 (Fed. Cir. 2005) ("The covenant of good faith and fair dealing is an implied duty that each party to a contract owes to its contracting partner." (emphasis added)). The duty of good faith and fair dealing is applicable in both private and government contracts, id., and its existence "depends on the existence of an underlying contractual relationship," Scott Timber Co. v. United States, 692 F.3d 1365, 1372 (Fed. Cir. 2012) (internal quotation marks omitted). Therefore, when the court has subject-matter jurisdiction over a breach-of-contract claim, it has subject-matter jurisdiction over a claim for breach of the implied duty of good faith and fair dealing pertaining to the same alleged contract

(whether the alleged contract is express or implied-in-fact).

As discussed above, the court has subject-matter jurisdiction to consider Christy's claim for breach of an express contract with the Patent and Trademark Office. Accordingly, the court has jurisdiction to consider Count IV of Christy's amended complaint to the extent that it relies on the existence of an express contract. However, also as discussed above, the court lacks subject-matter jurisdiction to consider Christy's claim for breach of an implied-in-fact contract. The court therefore lacks jurisdiction to consider, and accordingly must dismiss, Count IV of Christy's amended complaint to the extent that it relies on the existence of an implied-in-fact contract.

#### **B. Christy Fails to State a Plausible Contract Claim Upon Which This Court Can Grant Relief**

The court must now consider whether Christy's surviving breach-of-contract claims are plausible claims upon which this court can grant relief. To prove a breach of contract, a plaintiff must establish "(1) a valid contract between the parties; (2) an obligation or duty arising from that contract; (3) a breach of that duty; and (4) damages caused by the breach." Century Expl. New Orleans, LLC v. United States, 110 Fed. Cl. 148, 163 (2013) (citing San Carlos Irr. & Drainage Dist. v. United States, 877 F.2d 957, 959 (Fed. Cir. 1989)), aff'd, 745 F.3d 1168 (Fed. Cir. 2014). Once a breach of contract is established, the burden shifts to the defendant to plead and prove affirmative defenses that excuse the breach. Shell Oil Co. v. United States, 751 F.3d 1282, 1297 (Fed. Cir. 2014) (citing Stockton E. Water Dist. v. United States, 583 F.3d 1344, 1360 (Fed. Cir. 2009)). Christy's contract claims fail as a matter of

law because Christy cannot demonstrate that it had a valid contract with the Patent and Trademark Office.

Federal Circuit precedent is unequivocal: “[a] patent is not a contract.” In re Yardley, 493 F.2d 1389, 1395 (C.C.P.A. 1974). The United States Court of Customs and Patent Appeals (“Court of Customs and Patent Appeals”), a predecessor to the Federal Circuit, described the notion “that a patent is a contract” as a “popular myth.” Krantz v. Olin, 356 F.2d 1016, 1020 (C.C.P.A. 1966). The court further explained that

an application for a patent . . . is not negotiating a contract with the Government. Rather, [the plaintiff] is applying for a grant in accordance with a statute under which the right to a patent depends on compliance with the statutory terms and conditions. The prosecution of an application is not bargaining but a process of demonstration and persuasion that the statute has been complied with.

Id.

The Federal Circuit has reiterated the principle that patents are not contracts in multiple decisions since Krantz and Yardley. In Constant v. United States (“Constant I”), the Federal Circuit emphasized that the United States Claims Court (“Claims Court”), the predecessor to the Court of Federal Claims, “followed the precedents of [the Federal Circuit] by holding that the issuance of a patent by the [Patent and Trademark Office] does not create a contractual relationship.”<sup>15</sup> No.

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<sup>15</sup> The plaintiff had sought “reimbursement for the costs of litigating and defending [his] two patents, on

88-1426, 1988 WL 94630, at \*1 (Fed. Cir. Sept. 13, 1988) (unpublished per curiam table decision) (emphases added). Approximately two years later, the plaintiff in Constant I unsuccessfully sought to vacate the trial court's judgment. Constant II, 929 F.2d at 655. In affirming the trial court's refusal to vacate its earlier judgment, the Federal Circuit observed that the plaintiff's "'patent grant' contract claim was untenable as a matter of law, and no additional proceedings could have enabled [him] to prove any set of facts entitling him to prevail on his claim for relief." Id. at 657.

Nearly seven years after its first Constant decision, the Federal Circuit acknowledged, in Markman v. Westview Instruments, Inc., that "[t]he analogy of a patent to a contract may appear to some extent to be an appropriate way of describing the circumstances surrounding the issuance of a patent." 52 F.3d 967, 984-85 (Fed. Cir. 1995) (en banc), aff'd, 517 U.S. 370 (1996). However, the Federal Circuit then described ways in which patent applications were "unlike contracts," and indicated that "[t]he more appropriate analogy for interpreting patent claims is the statutory interpretation analogy" rather than contract interpretation. Id. at 986-87. Additionally, the Federal

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the theory that the government had breached 'patent grant contracts' by issuing to him two patents containing defects for which they were later held invalid." Constant v. United States ("Constant II"), 929 F.2d 654, 656 (Fed. Cir. 1991) (discussing prior case). The trial court held "as a matter of law that the issuance of a patent by the Patent and Trademark Office does not create a contractual relationship between that office and the patentee." Id. (internal quotation marks omitted).

Circuit specified that “[t]he analogy of a patent to a contract is not useful . . . in the context of a patent infringement suit” because “[p]atents are not contracts per se.” Id. at 985; accord id. (“[P]atent infringement actions have never been viewed as breach of contract actions. Patent infringement has often been described as a tort.”).

A decade later, in Highway Equipment Co. v. FECO, Ltd., the Federal Circuit further distinguished contracts from patents when it observed that certain facts described by the plaintiff “involved not a contract, but a patent.” 469 F.3d 1027, 1038 (Fed. Cir. 2006).

Christy attempts to paint these Federal Circuit decisions as “ineffective.” Pl.’s Resp. 28. Specifically, Christy avers that those decisions are “inapplicable” to the instant case because they were issued before the Supreme Court’s Oil States decision and the relevant language is merely dicta. Id. at 27-28. Christy also avers that Krantz and Yardley do not “bear on this dispute” because they are decisions of the Court of Customs and Patent Appeals. Id. at 27-28 & n.16. Similarly, Christy proclaims that the relevant language in Markman and Highway Equipment is “also dicta” because, although they are Federal Circuit decisions, they were appeals of district court rulings. Id. at 28. Finally, Christy argues that Constant I is simply a “one-word . . . affirmance” and “does not cite or appear to have any relationship to Yardley.” Id. at 28 & n.17. Christy is incorrect.

First, the Oil States decision did not overrule Krantz, Yardley, Constant I, Constant II, Markman, or Highway Equipment either explicitly or implicitly. In particular, the Supreme Court’s characterization, in Oil States, of patents as public franchises referred to

“the right to exclude others from making, using, offering for sale, or selling the [patented] invention throughout the United States,” 138 S. Ct. at 1373 (quoting 35 U.S.C. § 154(a)(1))—not contracts.<sup>16</sup>

Second, the statements referenced above in Krantz, Yardley, Constant I, Constant II, Markman, and Highway Equipment were not dicta because those statements were “essential to the result reached” and therefore “part of the court’s holding.” Arcam Pharm. Corp. v. Faria, 513 F.3d 1, 2 (1st Cir. 2007) (internal quotation marks omitted); accord id. (“Dictum constitutes neither the law of the case nor the stuff of binding precedent; rather, it comprises observations in a judicial opinion or order that are not essential to the

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<sup>16</sup> To the extent that the “public franchise” references in Oil States pertained to a contract with the government, the contract was with the government acting in its sovereign capacity, not in a commercial or proprietary capacity. See Oil States, 138 S. Ct. at 1373 (“[T]he grant of a patent involves a matter . . . between the public, who are the grantors, and the patentee.” (internal quotation marks and alterations omitted)). The Court of Federal Claims “has jurisdiction over most proprietary contracts, but generally does not have jurisdiction over contracts the government makes in its sovereign capacity.” Awad v. United States, 61 Fed. Cl. 281, 284 (2004). When the government enters into a contract in its sovereign capacity, the Court of Federal Claims “will only have jurisdiction if . . . the contract’s language provides for the payment of monetary damages in case of a breach by the government.” Id. at 285. There is no such language in Christy’s alleged contract with the Patent and Trademark Office.

determination of the legal questions then before the court.” (citations and internal quotation marks omitted)). Christy’s characterization of those statements as dicta misconstrues their importance:

- In Krantz, the Court of Customs and Patent Appeals debunked the “popular myth that a patent is a contract” in rejecting a theory of the case suggested by the appellant. 356 F.2d at 1020.
- In Yardley, the Court of Customs and Patent Appeals similarly emphasized that “[a] patent is not a contract” to reject an argument raised by a party. 493 F.2d at 1395.
- In Constant I, the Federal Circuit’s observation that the Claims Court had followed Federal Circuit precedent teaching that “the issuance of a patent . . . does not create a contractual relationship” was a rejection of one of two theories advanced by the plaintiff (the other being a constitutional argument). 1988 WL 94630, at \*1.
- In Constant II, the Federal Circuit rejected all three contentions that the plaintiff raised on appeal. 929 F.2d at 657. In rejecting the plaintiff’s contention that the dismissal of his case denied him due process, the Federal Circuit explained that (1) there was no due

process violation because his “patent grant’ contract claim was untenable as a matter of law, and no additional proceedings could have enabled [him] to prove any set of facts entitling him to prevail on his claim” and (2) therefore the trial court’s judgment was valid even if the opinion supporting the judgment may have been lacking. Id.

- The dispute in Markman concerned “the interpretation and construction of patent claims.” 52 F.3d at 970. Because the central issue was the proper paradigm through which to view claim construction, the Federal Circuit’s determination that “[p]atents are not contracts,” id. at 985, was a necessary step in its analysis.
- In Highway Equipment, the Federal Circuit considered, among other issues, an appeal of the trial court’s exercise of supplemental jurisdiction over a state-law counterclaim in a patent infringement action. 469 F.3d at 1037-38. The Federal Circuit observed that the counterclaim involved a contract, whereas the “federal counts involved not a contract, but a patent,” and concluded that there was no supplemental jurisdiction over the counterclaim because “the respective



instrumentalities [were] different, the products at issue [were] different, the alleged acts [were] different, and the governing laws [were] different.” *Id.* at 1038-39. In other words, the Federal Circuit’s delineation between contracts and patents was crucial to its holding.

Third, that Krantz and Yardley are decisions of the Court of Customs and Patent Appeals is of no moment. In its first published opinion, the Federal Circuit declared that “the holdings of our predecessor courts, [including] the United States Court of Customs and Patent Appeals . . . shall be binding as precedent in [the Federal Circuit].” S. Corp. v. United States, 690 F.2d 1368, 1369 (Fed. Cir. 1982) (en banc).

Fourth, that Markman and Highway Equipment originated in federal district courts is also of no moment. As defendant observes, the Federal Circuit applies Federal Circuit law “to substantive and procedural issues unique to and intimately involved in federal patent law,” and applies “regional circuit law to other substantive and procedural issues.” Verinata Health, Inc. v. Ariosa Diagnostics, Inc., 830 F.3d 1335, 1338 (Fed. Cir. 2017). The issues addressed in the statements from Markman and Highway Equipment referenced above dealt specifically with patent law, and thus those statements constitute Federal Circuit law, which is binding here. Similarly, the above statements from Krantz, Yardley, Constant I, and Constant II squarely address patent-law issues, and thus constitute Federal Circuit law that is binding on this court.

Finally, Christy’s criticism of the Constant I decision is disingenuous. Constant I is indeed a one-word affirmance that appears in the Federal Reporter’s “Table of Decisions Without Reported Opinions.” See 861 F.2d 728 (Fed. Cir. 1988). However, the full opinion is available from multiple sources (including Westlaw and Lexis) to which Christy cited. See Pl.’s Resp. 28 n.17. As noted above, the Constant I decision specifically invoked “the precedents of [the Federal Circuit].” 1988 WL 94630, at \*1. The Federal Circuit cited both Yardley and Krantz in doing so. Id. Christy’s attempts to discredit Constant I, and Constant II by implication, can only be explained by the fact that the Constant I and Constant II decisions are directly on point. See supra note 15.

In short, Christy has failed to state a plausible contract claim upon which this court can grant relief because patents (including the individual claims contained therein) are not contracts, and the patenting process is not a contracting process. Pursuant to RCFC 12(b)(6), the court must dismiss Counts II, III, and IV of Christy’s amended complaint to the extent that it has subject-matter jurisdiction over the claims contained therein.<sup>17</sup>

## V. UNJUST ENRICHMENT CLAIM

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<sup>17</sup> Christy’s allegations regarding a purported implied-in-fact contract did not survive the court’s jurisdictional inquiry. However, to the extent that the court has subject-matter jurisdiction over any of Christy’s claims grounded in contract, all such claims fail—regardless of the type of contract relied upon—because patents are not contracts.

The court now turns to Count V of the amended complaint, in which Christy pleads, in the alternative to its breach-of-contract claims (i.e., Counts II, III, and IV), unjust enrichment based on the Patent and Trademark Office having retained the patent fees that Christy paid despite the invalidation of Christy's patent claims. See Am. Compl. ¶ 167 (“Defendant was enriched without justification . . . .”). Defendant correctly asserts that unjust enrichment, as an equitable cause of action, is beyond the jurisdiction of this court. See 8x8, Inc. v. United States, 854 F.3d 1376, 1383 n.7 (Fed. Cir. 2017). Defendant also correctly asserts that even if the court possessed jurisdiction over Christy's unjust enrichment claim, it fails to state a claim upon which this court can grant relief because “[t]he core allegations of Count V are that an implied-in-fact contract, created through patenting, was breached by patent invalidation—precisely as alleged in Count III—and that, as a result of that breach, the government was enriched without justification.” Def.'s Mot. 18 (alterations and internal quotation marks omitted). Christy indicates that it “does not oppose the Government's request that Count V be dismissed and hereby stipulates to dismissal of Count V of the First Amended Complaint.” Pl.'s Resp. 38. The court therefore must dismiss Count V of Christy's amended complaint for lack of subject-matter jurisdiction. To the extent that the court has jurisdiction over Count V, the court must dismiss it for failure to state a claim upon which this court can grant relief.

## **VI. ILLEGAL EXACTION CLAIM**

Finally, the court turns to Count VI of Christy's amended complaint, in which Christy asserts (in the alternative to its Takings Clause claim in Count I) that

the Patent Trial and Appeal Board's invalidation of claims 1-18 of the '640 patent constitutes an illegal exaction. Specifically, Christy alleges that the Patent Trial and Appeal Board illegally exacted the issuance and maintenance fees that Christy paid, the investments that Christy made in the ambient air backflushed filter vacuum invention, the total value of Christy's patent claims, the value of Christy's right to exclude, and the attorney fees that Christy spent in defending its claims during inter partes review. Am. Compl. ¶ 175.

[A]n illegal exaction claim may be maintained when the plaintiff has paid money over to the Government, directly or in effect, and seeks return of all or part of that sum that was improperly paid, exacted, or taken from the claimant in contravention of the Constitution, a statute, or a regulation.

Aerolineas Argentinas v. United States, 77 F.3d 1564, 1572-73 (Fed. Cir. 1996) (internal quotation marks omitted); accord id. at 1573 (“[A]n illegal exaction has occurred when ‘the Government has the citizen’s money in its pocket.’” (quoting Clapp v. United States, 127 Ct. Cl. 505, 512 (1954))).

#### **A. The Court of Federal Claims Lacks Jurisdiction to Consider Christy's Illegal Exaction Claim**

The Tucker Act provides jurisdiction for the Court of Federal Claims to entertain illegal exaction claims “when the exaction is based upon an asserted statutory power,” id., provided that the “statute or provision causing the exaction itself provides, either expressly or

by necessary implication, that the remedy for its violation entails a return of money unlawfully exacted,” Norman v. United States, 429 F.3d 1081, 1095 (Fed. Cir. 2005) (internal quotation marks omitted). A plaintiff asserting an illegal exaction must also allege a direct relationship between the statute, regulation, or constitutional provision at issue and the alleged exaction in order to invoke this court’s jurisdiction. Id. at 1095-96. However, the court’s Tucker Act jurisdiction is displaced when a “specific remedial scheme establishes the exclusive framework for the liability Congress created under the statute.” United States v. Bormes, 568 U.S. 6, 12 (2012).

According to Christy, it should not have been required to pay fees for a patent containing unpatentable claims. Christy asserts “that the Government’s demand for fees under what amounts to false pretenses and not returning the fees paid after Christy’s patent was rescinded constitutes an illegal exaction.” Pl.’s Resp. 32. Defendant contends that the Court of Federal Claims lacks subject-matter jurisdiction to consider Christy’s illegal exaction claim because, among other reasons, the Tucker Act is displaced by a specific statutory and regulatory scheme regarding fee refunds.

Defendant is correct. As Christy observes, the Patent and Trademark Office “may refund any fee paid by mistake or any amount paid in excess of that required.” 35 U.S.C. § 42(d). Patent fee refunds are governed by the terms of 37 C.F.R. § 1.26. See, e.g., Panos v. Dir. of USPTO, No. 3:14cv698, 2015 WL 5786826, at \*1 (E.D. Va. Sept. 30, 2015). The Patent and Trademark Office has “inherent authority to govern procedure” before it. In re Bogese, 303 F.3d

1362, 1368 (Fed. Cir. 2003). To that end, and pursuant to the authority granted by 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26, the Patent and Trademark Office’s Manual of Patent Examining Procedure (“MPEP”) provides that “[a]ll questions pertaining to the return of fees are referred to the Refunds Section of the Receipts Division of the Office of Finance” and that issues regarding fee refunds may, “to the extent appropriate,” be addressed “in decisions on petition.”<sup>18</sup> MPEP § 607.02 (9th ed. Rev. 3, Jan. 2018); see also 37 C.F.R. §§ 1.181-182 (discussing petitions); Petitions, USPTO, <https://www.uspto.gov/patents-application-process/petitions> (last visited Jan. 29, 2019) [<http://web.archive.org/web/20190129150949/https://www.uspto.gov/patents-application-process/petitions>] (same). A denial of a petition constitutes a “final agency decision.” MPEP § 1002.02. Because the Administrative Procedure Act “affords a right of judicial review of agency action,” Panos, 2015 WL 5786826, at \*8 (citing 5 U.S.C. § 702), judicial review regarding the return of fees paid to the Patent and Trademark Office is subject to the provisions of the Administrative Procedure Act. Cf. Fleming v. Coward, 534 F. App’x 947, 950 (Fed. Cir. 2013) (unpublished decision) (“To the extent that these statutory provisions are inadequate, an action against the [Patent and

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<sup>18</sup> “The MPEP [is] commonly relied upon as a guide to patent attorneys and patent examiners on procedural matters. While the MPEP does not have the force of law, it is entitled to judicial notice as an official interpretation of statutes or regulations as long as it is not in conflict therewith.” Molins PLC v. Textron, Inc., 48 F.3d 1172, 1180 n.10 (Fed. Cir. 1995) (alteration in original) (citation and internal quotation marks omitted).

Trademark Office] may be brought under the Administrative Procedure Act if the patent applicant demonstrates receipt of a ‘final agency action’ under 5 U.S.C. § 704.”).

In Count VI of its amended complaint, Christy advances an illegal exaction claim under the Tucker Act, not a claim for judicial review of a final agency action under the Administrative Procedure Act. Because “statutory schemes with their own remedial framework exclude alternative relief under the general terms of the Tucker Act,” Bormes, 568 U.S. at 13, this court cannot exercise subject-matter jurisdiction over Christy’s illegal exaction claim. In any event, the Court of Federal Claims lacks jurisdiction to entertain claims arising under the Administrative Procedure Act. Roberts v. United States, 745 F.3d 1158, 1167 (Fed. Cir. 2014). The court therefore must dismiss Count VI of Christy’s amended complaint for lack of subject-matter jurisdiction.

**B. Christy Fails to State a Plausible Illegal Exaction Claim Upon Which This Court Can Grant Relief**

To the extent that the court has subject-matter jurisdiction to consider Christy’s illegal exaction claim, the claim fails on its merits.

[T]o assert a valid illegal exaction claim, plaintiffs must show that: (1) they [have] paid money over to the government, directly or in effect; (2) the exaction was directly caused by the misapplication of a provision of the Constitution, a statute[,] or a regulation; and (3) the violated law

provides for a return of [the] money unlawfully exacted.

eVideo Owners, 126 Fed. Cl. at 102 (second and fourth alterations in original) (internal quotation marks omitted). A “direct” exaction takes place “when money is paid directly to the government as a result of the application of a statute or a regulation.” Id. An “in effect” exaction takes place “when the government requires a plaintiff to make a payment on [the government’s] behalf to a third-party or when the government exacts property which it later sells and for which it receives money.” Id.

As previously noted, with respect to the patent issuance and maintenance fees paid by Christy for the ‘640 patent, the statute governing fees paid to the Patent and Trademark Office allows the Director to “refund any fee paid by mistake or any amount paid in excess of that required.” 35 U.S.C. § 42(d). As explained in section 607.02 of the MPEP,

When an applicant or patentee takes an action “by mistake” (e.g., files an application or maintains a patent in force “by mistake”), the submission of fees required to take that action (e.g., a filing fee submitted with such application or a maintenance fee submitted for such patent) is not a “fee paid by mistake” within the meaning of 35 U.S.C. § 42(d).

In other words, Christy’s fees “were owed at the time they were paid, and as such, were not fees paid by mistake.” In re Patent No. 7,061,177, 2006 WL 4559506, at \*1 (Comm’r Pat. Oct. 17, 2006). Christy “obtained the results for which [it] admittedly paid the



fees,” *id.*, because it paid those fees to maintain claims 1-18 of the '640 patent, which were not cancelled until August 14, 2018, and also to maintain claims 19-20 of the '640 patent, which were not within the scope of the inter partes review proceedings and remain in force.

Since Christy obtained the result for which it purposefully and knowingly paid the issuance and maintenance fees, those fees cannot be said to have been illegally exacted. Christy cannot now seek a return of those fees under 35 U.S.C. § 42(d) and 37 C.F.R. § 1.26(a) (to the extent that the two-year refund application deadline set forth in 37 C.F.R. § 1.26(b) was not applicable). At most, the purpose for which Christy paid those fees has changed from maintaining claims 1-20 of the '640 patent to maintaining claims 19-20 of the '640 patent. “To now request a refund of those rightfully paid fees is a change in purpose after the fact, which precludes a refund.” *Id.* at \*1. Because “[a] change of purpose after the payment of a fee, such as when a party desires to withdraw a patent filing for which the fee was paid . . . will not entitle a party to a refund of such fee,” 37 C.F.R. 1.26(a), Christy is not entitled to a refund of its issuance and maintenance fees. Thus, the laws upon which Christy relies to support its illegal exaction claim were neither misapplied nor do they, under the circumstances of the instant case, provide for a return of those fees.

Besides seeking a return of its issuance and maintenance fees, Christy avers that it is entitled, under a theory of illegal exaction, to a return of its investments in the ambient air backflushed filter vacuum invention, the total value of its patent claims, the value of its right to exclude, and the attorney fees spent to defend its claims during inter partes review.

Christy's illegal exaction claim for these expenditures is devoid of merit. Christy does not argue, nor could it, that these funds were exacted directly because they were not paid to any government entity. Instead, Christy contends that the invalidation of claims 1-18 of the '640 patent had a "direct and substantial impact" on Christy and thus those funds were "effectively exacted." Am. Compl. ¶ 175. However, because the government did not require Christy to pay those funds to a third party on the government's behalf, or even to be paid at all, those funds cannot be said to have been paid to the government "in effect." Additionally, no statutes, regulations, or constitutional provisions were misapplied or otherwise violated because Christy did not expend those funds at the government's direction.

In short, Christy has failed to state a plausible illegal exaction claim upon which this court can grant relief. Therefore, to the extent that the court has subject-matter jurisdiction to consider Count VI of Christy's amended complaint, the court must dismiss it on its merits.

## VII. CONCLUSION

The court has considered all of the parties' arguments. To the extent not discussed herein, they are unpersuasive, meritless, or unnecessary for resolving the matters currently before the court.

The Court of Federal Claims has subject-matter jurisdiction to consider Christy's Takings Clause claim. The court also has subject-matter jurisdiction to consider Christy's contract claims to the extent that they are founded upon an alleged express contract. However, patents are not property for Takings Clause purposes, and patents are not contracts. In addition,

the parties agree that Christy's unjust enrichment claim is beyond the subject-matter jurisdiction of this court. Finally, although the Tucker Act provides the court with subject-matter jurisdiction over illegal exaction claims, a specific statutory and regulatory scheme governs the return of the fees that Christy alleges to have been exacted and thus displaces the Tucker Act for purposes of that claim. To the extent that the court has subject-matter jurisdiction over Christy's illegal exaction claim, it fails on its merits.

Accordingly, the court **GRANTS** defendant's motion to dismiss. Counts I and II of the amended complaint are **DISMISSED WITH PREJUDICE** pursuant to RCFC 12(b)(6) for failure to state a claim upon which this court can grant relief. Counts III, V, and VI are **DISMISSED WITHOUT PREJUDICE** pursuant to RCFC 12(b)(1) for lack of subject-matter jurisdiction. Count IV is **DISMISSED WITH PREJUDICE** pursuant to RCFC 12(b)(6) to the extent that it relies on the existence of an express contract and **DISMISSED WITHOUT PREJUDICE** pursuant to RCFC 12(b)(1) to the extent that it relies on the existence of an implied-in-fact contract. To the extent that the court has subject-matter jurisdiction over Counts III, IV, V, and VI, they are **DISMISSED WITH PREJUDICE** pursuant to RCFC 12(b)(6). No costs. The clerk is directed to enter judgment accordingly and close the case.

**IT IS SO ORDERED.**

s/ Margaret M. Sweeney  
MARGARET M. SWEENEY  
Chief Judge

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Case: 19-1738 Document: 67 Filed: 08/24/2020

**United States Court of Appeals  
for the Federal Circuit**

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**CHRISTY, INC., ON BEHALF OF  
ITSELF AND ALL OTHERS  
SIMILARLY SITUATED,**  
*Plaintiff-Appellant*

v.

**UNITED STATES,**  
*Defendant-Appellee*

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2019-1738

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Appeal from the United States Court of Federal  
Claims in No. 1:18-cv-00657-MMS, Chief Judge  
Margaret M. Sweeney.

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**JUDGMENT**

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THIS CAUSE having been considered, it is

ORDERED AND ADJUDGED:

**AFFIRMED**

ENTERED BY ORDER OF THE COURT

Appx065

August 24, 2020

/s/ Peter R. Marksteiner  
Peter R. Marksteiner  
Clerk of Court

Appx066

Case 1:18-cv-00657-MMS Document 18 Filed 01/29/1

**In the United States Court of Federal Claims**

No. 18-657 C

(Filed: January 29, 2019)

CHRISTY, INC.,

Plaintiff,

v.

JUDGMENT

THE UNITED STATES,

Defendant.

Pursuant to the court's Opinion And Order, filed January 29, 2019, granting defendant's motion to dismiss,

IT IS ORDERED AND ADJUDGED this date, pursuant to Rule 58, that Counts I and II of the amended complaint are dismissed with prejudice pursuant to RCFC 12(b)(6) for failure to state a claim upon which this court can grant relief; Counts III, V, and VI are dismissed without prejudice pursuant to RCFC 12(b)(1) for lack of subject-matter jurisdiction; Count IV is dismissed with prejudice pursuant to RCFC 12(b)(6) to the extent that it relies on the existence of an express contract and dismissed without prejudice pursuant to RCFC 12(b)(1) to the extent that it relies on the existence of an implied-in-fact contract, and to the extent that the court has subject-matter jurisdiction over Counts III, IV, V, and VI, they are

Appx067

dismissed with prejudice pursuant to RCFC 12(b)(6).  
No costs.

Lisa L. Reyes  
Clerk of Court

s/ Anthony Curry  
Deputy Clerk

NOTE: As to appeal to the United States Court of Appeals for the Federal Circuit, 60 days from this date, see RCFC 58.1, re number of copies and listing of all plaintiffs. Filing fee is \$505.00.

Appx068