

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.: 2:20-cv-07438-AB-GJS Date: April 22, 2021

Title: *Paul E. Arlton et al v. Aerovironment, Inc.*

Present: The Honorable **ANDRÉ BIROTTE JR., United States District Judge**

Carla Badirian
Deputy Clerk

N/A
Court Reporter

Attorneys Present for Plaintiffs:
None Appearing

Attorneys Present for Defendants:
None Appearing

Proceedings: [IN CHAMBERS] ORDER REGARDING DEFENDANT’S MOTION FOR SUMMARY JUDGMENT (DKT. NO. 35), AND PLAINTIFFS’ MOTION FOR LEAVE TO FILE FIRST AMENDED COMPLAINT AND JOIN LITE MACHINES CORPORATION AS A PLAINTIFF (DKT. NO. 46)

Defendant AeroVironment, Inc. (“AeroVironment” or “Defendant”) moved for summary judgement in its favor on its 28 U.S.C. § 1498 defense on February 16, 2021. (“Motion,” Dkt. No. 35.) On March 5, 2021, Plaintiffs Paul E. Arlton and David J. Arlton (collectively, “the Arltons” or “Plaintiffs”) filed an opposition. (“Opposition,” Dkt. No. 40.) On March 12, 2021, Defendant filed a reply. (“Reply,” Dkt. No. 41.) On March 22, 2021, Plaintiffs filed a sur-reply. (“Sur-reply,” Dkt. No. 47.)

The same day Plaintiffs filed their Sur-reply, Plaintiffs also moved for leave to file a first amended complaint and to join Lite Machines Corp. as a plaintiff. (Dkt. No. 46.) On April 2, 2021, Defendant filed an opposition. (Dkt. No. 56.) On April 9, 2021, Plaintiffs filed a reply. (Dkt. No. 57.)

On March 26, 2021, the Court held a hearing on Defendant’s Motion, and the Motion was taken under submission. (Dkt. 55.) Additionally, finding Plaintiffs’ motion suitable for resolution without oral argument, the Court **VACATES** the hearing set for April 23, 2021. (Fed. R. Civ. P. 78(b); C.D. Cal. L.R. 7-15.)

After considering the parties’ arguments, the Court **GRANTS** Defendant’s Motion and **DENIES** Plaintiffs’ motion for leave to file a first amended complaint and to join Lite Machines Corp. as a plaintiff.

I. BACKGROUND

A. Plaintiffs’ Background

Plaintiffs Paul E. Arlton and David J. Arlton are brothers and founded Lite Machines Corporation (“Lite”) together. (“Arlton Decl.,” Dkt No. 40-2 ¶ 2.) Paul Arlton has been President of Lite since 1991. (*Id.*) “The Arltons are inventors and co-owners of United States Patent No. 8,042,763 [(“the ’763 Patent”)], which issued on October 25, 2011.” (Plaintiffs’ Statement of Disputed Facts and Additional Material Facts (“SAF”), Dkt. No. 41-2 ¶ 6.) The ’763 Patent is titled “Rotary Wing Vehicle” and “relates to aerial vehicles and particularly to unmanned aerial vehicles (UAV).” ’763 Patent at 1:12–13. Plaintiffs purport to have licensed the ’763 Patent to Lite “to commercialize this technology as the Voyeur UAV and the Tiger Moth UAV.” (Dkt. No. 40-1 ¶ 7; Dkt. No. 40-2 ¶ 5.) Plaintiffs assert that “[b]oth the Voyeur UAV and Tiger Moth UAV include the features of at least claim 1 of the ’763 patent.” (*Id.*) Plaintiffs also provide photos of the Voyeur UAV and Tiger Moth UAV with their Opposition. (*See* “Arlton Decl., Ex. A,” Dkt. No. 40-3 at 2–4.)

According to Plaintiffs, “[s]ince 2005, Lite has been awarded over \$30 million in Small Business Innovation Research (‘SBIR’) and Small Business Technology Transfer (‘STTR’) sole-source prime contracts under 15 U.S.C. § 638 (the ‘SBIR Statute’) to develop and demonstrate the Voyeur UAV and Tiger Moth UAV for the Navy, Air Force, Army and Special Operations Command.” (Dkt. No. 40-1 ¶ 8; Dkt. No. 40-2 ¶ 6.) Plaintiffs produce one such contract numbered FA8651-10-C-0337 and dated September 29, 2010 that Plaintiffs claim is “an SBIR Phase III sole-source prime contract[.]” (“Phase III Contract,” Dkt. No. 40-4; Dkt. No. 40-1 ¶ 9; Dkt. No. 40-2 ¶ 7.)¹ The Phase

¹ Although the Phase III Contract does not use the phrase “Phase III,” it does include a provision titled “SMALL BUSINESS INNOVATION RESEARCH (SBIR) PHASE I AND PHASE II CONTRACT REQUIREMENTS (DEC 2005) (TAILORED),” as well as several “FEDERAL ACQUISITION REGULATION CONTRACT CLAUSES” and at least one “DEFENSE FEDERAL ACQUISITION REGULATION SUPPLEMENT CONTRACT CLAUSE” directed to “small business concerns” and the SBIR. (*See* Dkt. No. 40-4 at 14 (*citing* 52.219-06, 52.219-08, 52.219-14, 52.219-28, and 252.227-7018).) Additionally, Exhibit E of the Arlton Decl., dated August 13, 2013, states, “In 2010, Lite Machines received Phase III funding of approximately \$1.3 million from the Air Force

III Contract states that the Air Force contracted with Lite to pay \$1,386,274 for “[f]ive (5) Tiger Moth V6.1 vehicles to support control system developments and flight testing to include software in an executable format on a CD or DVD and Installed on a Government control station or laptop computer.” (Dkt. No. 40-4 at 1–2.)²

“In May 2012, the Arltons presented a scientific research paper titled, ‘Control System Development and Flight Testing of the Tiger Moth UAV’ at the American Helicopter Society 68th Annual Forum.” (“Research Paper,” Dkt. No. 40-5; Dkt. No. 40-1 ¶ 13; Dkt.No. 40-2 ¶ 13.) The Research Paper was co-authored by members of the Aeroflightdynamics Directorate (ARMDEC) of the U.S. Army Research, Development, and Engineering Command. (*See id.*)³

Plaintiffs further claim that “[b]etween 2013 and 2015 the Air Force authorized payment of license fees to the Arltons for the ’763 Patent on multiple occasions.” (Dkt. No. 40-1 ¶ 15; Dkt. No. 40-2 ¶ 15.)⁴ Finally, Plaintiffs assert that on February 2, 2016, the Air Force informed Plaintiffs that there would be no more funding or “follow-on work.” (Dkt. No. 40-1 ¶ 17; Dkt. No. 40-2 ¶ 18.)⁵ According to Plaintiffs, the Arltons were then “forced to close Lite[.]” (*Id.*)

B. The SBIR and STTR Programs

The Small Business Administration describes the SBIR and STTR Programs as “highly competitive programs that encourage domestic small businesses to engage in Federal Research/Research and Development (R/R&D) with the potential for commercialization. Through a competitive awards-based program, SBIR and STTR enable small businesses to explore their technological potential and provide the incentive to profit from its commercialization.” *See* About – The SBIR and STTR Programs, SMALL BUS. ADMIN., <https://www.sbir.gov/about> (last visited March 22, 2021). The SBIR and STTR Programs are codified at § 9 of the Small Business Act, 15 U.S.C. § 638. The SBIR Statute defines the SBIR Program as “a program under which a portion of a Federal agency’s research or research and development effort is reserved for award to small business concerns through a uniform process having” three phases. § 638(e)(4).

for an air launched-off board sensing small UAV.” (Dkt. No. 40-7.)

² Exhibit E of the Arlton Decl., dated August 13, 2013, states that Lite also “received \$1.5 million in SBIR Phase II funding.” (Dkt. No. 40-7.) Plaintiffs otherwise do not produce any evidence that they received \$30 million in SBIR funding. Presumably, the remainder of the funding was awarded in STTR sole-source prime contracts.

³ Plaintiffs also state that the Research Paper was coauthored “by the lead helicopter expert and senior scientist at NASA Ames” that Plaintiffs purportedly awarded a subcontract to, but Plaintiffs did not produce such a subcontract and the Research Paper does not reference “NASA Ames.” (Dkt. No. 40-1 ¶¶ 10–13; Dkt. No. 40-2 ¶¶ 10–13.)

⁴ Plaintiffs provide no supporting documentation or testimony other than the Arlton Decl.

⁵ Again, Plaintiffs provide no supporting documentation or testimony other than the Arlton Decl.

Similarly the SBIR Statute defines the STTR Program as a program “under which a portion of a Federal agency’s extramural research or research and development effort is reserved for award to small business concerns for cooperative research and development through a uniform process having” three phases. § 638(e)(6).

The SBIR Statute states that the first phase of the SBIR program, referred to as Phase I, is used “for determining, insofar as possible, the scientific and technical merit and feasibility of ideas that appear to have commercial potential ... submitted pursuant to SBIR program solicitations.” § 638(e)(4)(A). The second phase of the SBIR Program, referred to as Phase II, is used to “further develop proposals which meet particular program needs, in which awards shall be made based on the scientific and technical merit and feasibility of the proposals, as evidenced by the first phase, considering, among other things, the proposal’s commercial potential[.]” § 638(e)(4)(B). According to the SBIR Statute, a “proposal’s commercial potential” is evidenced by:

- (i) small business concern’s record of successfully commercializing SBIR or other research;
- (ii) the existence of second phase funding commitments from private sector or non-SBIR funding sources;
- (iii) the existence of the third phase [of the SBIR Program, referred to as Phase III,] follow-on commitments for the subject of the research; and
- (iv) the presence of other indicators of the commercial potential of the idea[.]”

See id. The SBIR Statute defines Phase III as follows:

[W]here appropriate, a third phase for work that derives from, extends, or completes efforts made under prior funding agreements under the SBIR program—

- (i) in which commercial applications of SBIR-funded research or research and development are funded by non-Federal sources of capital or, for products or services intended for use by the Federal Government, by follow-on non-SBIR Federal funding awards; or
- (ii) for which awards from non-SBIR Federal funding sources are used for the continuation of research or research and development that has been competitively selected using peer review or merit-based selection procedures.

§ 638(e)(4)(c). The three phases of the STTR Program are similarly defined, with the exception that Phases I and II of the STTR Program do not require that the proposals have “commercial potential.” *See* § 638(e)(6).

Under the subsection titled “Phase III agreements, competitive procedures, and justification for awards,” the SBIR Statute states, “In the case of a small business concern

that is awarded a funding agreement for Phase II of an SBIR or STTR program, a Federal agency may enter into a Phase III agreement with that business concern for additional work to be performed during or after the Phase II period.” § 638(r)(1). The subsection also states, “[t]o the greatest extent practicable, Federal agencies and Federal prime contractors shall ... issue, without further justification, Phase III awards relating to technology, including sole source awards, to the SBIR and STTR award recipients that developed the technology.” § 638(r)(4).

C. Defendant’s Background

Between 2013 and 2019, Defendant entered into at least three subcontracts with the Jet Propulsion Laboratory (“JPL”) “to build a UAV helicopter for use in the planet Mars (hereinafter the ‘Mars Helicopter’[.]” (Defendant’s Statement of Uncontroverted Facts (“SUF”), Dkt. No. 35-1 ¶ 3; “Complaint,” Dkt. No. 1 ¶ 8; “2013 Subcontract,” Dkt. No. 36-1; “2014 Subcontract,” Dkt. No. 36-2; “2019 Subcontract,” Dkt. No. 36-3 (collectively, “the Subcontracts”).) “JPL is a federally funded research and development center (‘FFRDC’) managed by the California Institute of Technology (‘Caltech’) under a prime contract with [the National Aeronautics and Space Administration (‘NASA’)]” (Dkt. No. 35 at 3 (*citing* “Beckham Decl.,” Dkt. No. 36 ¶ 8; “Prime Contract,” Dkt. No. 36-4 at AV-00000007).) “The subcontracts between JPL and [Defendant] fall ‘UNDER JPL’s NASA PRIME CONTRACT.’” (Dkt. No. 35-1 ¶ 4 (*citing* Dkt. No. 36 ¶ 7; Dkt. No. 36-1 at AV-00000511; Dkt. No. 36-2 at AV-00000526; Dkt. No. 36-3 at AV-00000764; Dkt. No. 36-4 at AV-00000001).)

“JPL’s prime contract with NASA includes [a Federal Acquisition Regulation (‘FAR’) authorization and consent clause, Alternate I (FAR 52.227-1, Alt. I).” (Dkt. No. 35-1 ¶ 5 (*citing* Dkt. No. 36 ¶ 10; Dkt. No. 36-4 at AV-00000152).) Each of the Subcontracts includes FAR clause 52.227-1, Alt. I as well. (Dkt. No. 35-1 ¶ 6 (*citing* Dkt. No. 36 ¶¶ 11–12; Dkt. No. 36-1 at AV-00000512; Dkt. No. 36-2 at AV-00000527; Dkt. No. 36-3 at AV-00000765; Dkt. No. 36-5 at AV-00000876–77 (JPL General Provisions incorporated into 2013 Subcontract); Dkt. No. 36-6 at AV-00000820 (JPL General Provisions incorporated into 2014 Subcontract); Dkt. No. 36-7 at AV-00000948 (JPL General Provisions incorporated into 2019 Subcontract)).)

D. Litigation History

On August 17, 2020, Plaintiffs filed a Complaint in this Court accusing Defendant of infringing at least claim 1 of the ’763 Patent by “at least by making, using, offering to sell, and selling [the Mars Helicopter] in the United States [(collectively, “the Accused Activities”).” (Dkt. No. 1 ¶¶ 25–26.) On September 10, 2020, Defendant filed an Answer, which asserts throughout that “Plaintiffs have no remedy against AeroVironment due to the applicability of 28 U.S.C. § 1498[.]” (Dkt. No. 19 ¶ 1.)

The parties participated in a Rule 26(f) conference on November 17, 2020. (Dkt. No. 41-1, Ex. A.) On November 19, 2020, Plaintiffs served their First Set of Requests for Production of Documents. (Dkt. No. 40-8 ¶ 2; Dkt. No. 40-9.) On November 24, 2020, Defendant’s counsel emailed Plaintiffs’ counsel to inform them that Defendant intended “to move for early summary judgment on its defense under 28 U.S.C. § 1498” and requested that Plaintiffs identify any discovery they believed was necessary to evaluate its § 1498 defense. (*Id.*) On November 27, 2020, the parties filed a joint 26(f) report. (Dkt. No. 29.) In the report, Defendant stated that it sought “leave to file an early motion for summary judgment on its Section 1498 defense.” (*Id.* at 9.) Plaintiffs’ statement in the report responded to Defendant’s arguments, but did not mention the SBIR program. (*Id.* at 11–12.)

On December 12, 2020, the Court issued its Order Re: Jury/Court Trial requesting that the parties “meet and confer on Defendant’s anticipated Section 1498 motion, and insofar as discovery may be necessary, they should seek to agree to conduct the relevant discovery first.” (Dkt. No. 33 at 2.) The Court also stated, “If the parties cannot agree, Defendant may file an early motion for summary judgment on the Section 1498 defense only, and if Plaintiffs think they need discovery, they can seek a continuance pursuant to Fed. R. Civ. P. 56(d).” (*Id.*) The Court also set the deadline for the last date to hear a motion to amend the pleadings and add parties as February 12, 2021. (*Id.* at 3.)

On December 21, 2020, Defendant responded to Plaintiffs’ First Set of Requests for Production of Documents. (Dkt. No. 40-8 ¶ 3; Dkt. No. 40-10.) Defendant declined to produce documents in response to many of the requests, stating, “Any discovery on the merits should proceed, if at all, only after the Court resolves AeroVironment’s motion for summary judgment on its Section 1498 defense, consistent with Congress’s intent ‘to relieve private Government contractors from expensive litigation with patentees.’” (*Id.*)

On January 8, 2021, the parties met and conferred regarding what discovery needed to be conducted before Defendant brought its motion. (Dkt. No. 35-2 ¶ 8; Dkt. No. 40-8 ¶ 4.) “Plaintiffs agreed to outline in greater detail the reasons that discovery was necessary to respond to an anticipated summary judgment motion by Defendant” and provided its response on January 14, 2021. (Dkt. No. 40-8 ¶¶ 4–5.)

On February 3, 2021, Defendant responded to Plaintiffs’ January 14, 2021 letter, stating that it planned to file its Motion on February 12, 2021 if Plaintiffs did not offer to settle the case. (Dkt. No. 41-1 ¶ 5; *id.*, Ex. C.) On February 16, 2021, Defendant filed its Motion. (Dkt. No. 35.) On February 17, 2021, NASA filed a “Statement of Interest of the United States” stating that the United States granted its authorization and consent for Defendant’s alleged use and manufacture of patented inventions claimed in the ’763 Patent. (“Statement of Interest,” Dkt. No. 37.)

II. LEGAL STANDARD

A. Summary Judgment

“Summary judgment is appropriate in a patent case, as in other cases, when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law.” *Nike Inc. v. Wolverine World Wide, Inc.*, 43 F.3d 644, 646 (Fed. Cir. 1994); Fed. R. Civ. P. 56(c) (motion for summary judgment must be granted when “the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.”); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). The moving party bears the initial burden of identifying the elements of the claim or defense and evidence that it believes demonstrates the absence of an issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986).

“Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no ‘genuine issue for trial.’” *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). The Court must draw all reasonable inferences in the nonmoving party’s favor. *In re Oracle Corp. Sec. Litig.*, 627 F.3d 376, 387 (9th Cir. 2010) (citing *Anderson*, 477 U.S. at 255). Nevertheless, inferences are not drawn out of thin air, and it is the nonmoving party’s obligation to produce a factual predicate from which the inference may be drawn. *Richards v. Nielsen Freight Lines*, 602 F. Supp. 1224, 1244-45 (E.D. Cal. 1985), *aff’d*, 810 F.2d 898 (9th Cir. 1987). “[M]ere disagreement or the bald assertion that a genuine issue of material fact exists” does not preclude summary judgment. *Harper v. Wallingford*, 877 F.2d 728, 731 (9th Cir. 1989).

B. 28 U.S.C. § 1498

Section 1498 is an affirmative defense, not a jurisdictional bar. *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990). Section 1498 “relieves a third party from patent infringement liability, and it acts as a waiver of sovereign immunity and consent to liability by the United States.” *Madey v. Duke Univ.*, 307 F.3d 1351, 1359 (Fed. Cir. 2002). A § 1498 affirmative defense is a highly factual determination, whereby a defendant must establish that “(1) the [infringing] use is ‘for the Government’; and (2) the [infringing] use is ‘with the authorization and consent of the Government.’” *Sevenson Env’l. Servs., Inc. v. Shaw Env’tl., Inc.*, 477 F.3d 1361, 1365 (Fed. Cir. 2007). “The burden is initially upon the movant to establish the absence of any genuine issue of material fact and entitlement to judgment as a matter of law.” *Crater Corp. v. Lucent Techs.*, 255 F.3d 1361, 1366 (Fed. Cir. 2001) (citing *Celotex*, 477 U.S. at 323–34).

C. Leave to Amend

To determine whether a proposed amendment to pleading should be allowed after the scheduling order deadline for amending pleadings has expired, there are typically two steps: (1) the party seeking amendment must show good cause to allow modification of the scheduling order under Rule 16, and (2) the court must determine whether amendment is proper under Rule 15. *See Johnson v. Mammoth Recreations, Inc.*, 975 F.2d 604, 607–08 (9th Cir. 1992); *Eckert Cold Storage, Inc. v. Behl*, 943 F. Supp. 1230, 1232–33 (E.D. Cal. 1996).

“Only after the moving party has demonstrated diligence under Rule 16 does the court apply the standard under Rule 15 to determine whether the amendment was proper.” *Id.* (citations omitted). Rule 15(a)(2) instructs the court to “freely give leave when justice so requires.” Fed. R. Civ. P. 15(a)(2); *see Foman v. Davis*, 371 U.S. 178, 182 (1962).

“This policy is to be applied with extreme liberality.” *Desertrain v. City of Los Angeles*, 754 F.3d 1147, 1154 (9th Cir. 2014) (citation omitted); *see also DCD Programs, Ltd. v. Leighton*, 833 F.2d 183, 186 (9th Cir. 1987) (citation omitted) (“Amendment is to be liberally granted where from the underlying facts or circumstances, the [claimant] may be able to state a claim.”) Even so, “[l]eave to amend is not automatic[.]” *Kaneka Corp. v. SKC Kolon PI, Inc.*, No. CV 11-03397 JGB (RZx), 2013 WL 11237203, at *2 (C.D. Cal. May 6, 2013). In the Ninth Circuit, courts consider five factors in deciding whether to grant leave to amend: “bad faith, undue delay, prejudice to the opposing party, futility of amendment, and whether the plaintiff has previously amended the complaint.” *Id.* (citing *Nunes v. Ashcroft*, 375 F.3d 805, 808 (9th Cir. 2004)); *see also Forman v. Davis*, 371 U.S. 178, 182 (1962). “Futility alone can justify the denial of a motion for leave to amend.” *Nunes*, 375 F.3d at 808.

The party opposing amendment bears the burden of showing prejudice, which is the “touchstone of the inquiry under [R]ule 15(a).” *Eminence Capital, LLC v. Aspen, Inc.*, 316 F.3d 1048, 1052 (internal quotation marks omitted) (citation omitted); *see also Johnson*, 975 F.2d at 609 (“Rule 15(a)’s liberal amendment policy . . . focuses on the bad faith of the party seeking to interpose an amendment and the prejudice to the opposing party”). Ultimately, leave to amend lies “within the sound discretion of the trial court.” *United States v. Webb*, 655 F.2d 977, 979 (9th Cir. 1981); *see also Rich v. Shrader*, 23 F.3d 1205, 1208 (9th Cir. 2016).

III. ANALYSIS

A. Defendant’s Summary Judgement Motion

Defendant seeks a summary judgment determination that the Accused Activities of are immune from patent infringement liability under § 1498. (*See generally* Dkt. No. 35.) Defendant argues that its Mars Helicopter was specifically designed and made for the Government as evidenced by the Subcontracts, the Prime Contract, and Plaintiffs’ own allegations in the Complaint. (*See id.* at 8–9.) Defendant also contends that the Accused

Activities were done with the Government’s express authorization and consent as evidenced by the inclusion of FAR clause 52.227-1 in each of the Subcontracts and the Prime Contract, as well as the Statement of Interest filed by NASA. (*See id.* at 9–13.)

Plaintiffs respond that the Court should deny the Motion or at least defer ruling on it until after the parties conduct additional discovery. (*See generally* Dkt. No. 40.) *First*, Plaintiffs argue that Defendant’s allegedly infringing activities could not be “for the Government” because they were contrary to the Government’s established policy under the SBIR Program. (*See id.* at 11–13.) *Second*, for similar reasons, Plaintiffs assert that the Government lacked authority to authorize and consent to the accused infringing activity because it was obligated to contract with the Alrtons and Lite under the SBIR Program. (*See id.* at 13–16.) *Third*, Plaintiffs request that it be permitted additional discovery to show that the Government did not actually authorize and consent to accused infringing activities, stating, “If this Court indeed is to determine that the Statute is as broad as AeroVironment contends, it should do so against a full factual record.” (*See id.* at 16–21.)

In its Reply, Defendant emphasizes that Plaintiffs do not dispute any of the facts put forth by Defendant. (*See* Dkt. No. 41 at 2–3.) Defendant argues that “[a]s a threshold matter, this Court cannot entertain Plaintiffs’ argument about the propriety of the award of the Mars Helicopter Subcontracts to [Defendant]” because the Court of Federal Claims (“COFC”) retains exclusive jurisdiction for such claims. (*Id.* at 4.) Defendant also argues that the COFC already rejected Plaintiffs’ argument in *Lite Machines Corp. v. United States*, 143 Fed. Cl. 267, 281 (2019). (*See id.* at 5–7.) Further, Defendant asserts that Plaintiffs’ arguments about the SBIR Program are irrelevant to whether § 1498 applies. (*See id.* at 7–11.) Finally, Defendant argues that Plaintiffs’ request for additional discovery is speculative and irrelevant. (*See id.* at 11–15.)

In its Sur-reply, Plaintiffs respond that this Court should ignore the COFC’s decision in *Lite Machines Corp.* because “the court in *Lite Machines Corp.* did not address the question pending before this Court; (2) the court’s decision was factually and legally erroneous, and has been subject to a motion to reconsider, yet to be ruled upon, and pending since June 2019; and (3) portions of the *Lite Machines Corp. v. United States* matter have been deemed classified.” (Dkt. No. 47 at 1.)

The Court considers each of these arguments in turn.

i. Whether the Accused Activities Were Done “For the Government”

Defendant argues that the Accused Activities related to the Mars Helicopter were done “for the Government.”

“A use [or manufacture] is ‘for the Government’ if it is ‘in furtherance and fulfillment of a stated Government policy’ which serves the Government’s interests and which is ‘for the Government’s benefit.’” *Saint-Gobain Ceramics & Plastics, Inc. v. II-VI Inc.*, 369 F. Supp. 3d 963, 977 (C.D. Cal. 2019) (*quoting* *Madey*, 413 F. Supp. 2d at 607).

This prong is satisfied where “the use or manufacture of a patented method or apparatus occur pursuant to a contract with the government and for the benefit of the government.” *Sevenson*, 477 F.3d at 1365–66; *see also Saint-Gobain*, 369 F. Supp. 3d at 977. Further, the Government’s benefit need not be the “primary purpose” of a government contract. *See Sevenson*, 477 F.3d at 1365–66.

The Accused Activities related to the Mars Helicopter were clearly “for the Government.” There is no genuine dispute of fact that Defendant is a subcontractor for the Government contracted specifically to work on the Mars Helicopter. (*See* Dkt. No. 1 ¶ 8; Dkt. No. 36-1; Dkt. No. 36-2; Dkt. No. 36-3; Dkt. No. 36-4.) The Prime Contract states that JPL’s “primary mission is to support the NASA Science Mission Directorate (SMD) in carrying out the specific objectives identified in the SMD Science Plan,” describes specific areas to be addressed, and lists goals for the JPL to achieve its mission. (Dkt. No. 36-4 at AV-00000019.) The 2013 Subcontract states that Defendant “shall provide support to the development of a proposal to the Mars 2020 Announcement of Opportunity for the Mars Heli-Scout air vehicle propulsion subsystem.” (Dkt. No. 36-1 at AV-00000514.) The 2014 Subcontract states that Defendant “shall develop conceptual designs for a Vertical Take-off and Landing (VTOL) aircraft suitable for demonstration of free flight in a simulated Mars atmosphere,” which “will build on previous coaxial helicopter design work developed under [the 2013 Subcontract].” (Dkt. No. 36-2 at AV-00000529.) And the 2019 Subcontract states that Defendant “shall furnish the personnel to assist JPL, to the extent requested by JPL, in connection with the Mars Helicopter Project (MHP).” (Dkt. No. 36-3 at AV-00000766.) Thus, the express language of the Prime Contract and Subcontracts shows that Defendant worked with JPL to support NASA in connection with the Mars Helicopter Program, which is ‘in furtherance and fulfillment of a stated Government policy’ which serves the Government’s interests and which is ‘for the Government’s benefit.’” *Saint-Gobain*, 369 F. Supp. 3d at 977.

Plaintiffs do not dispute the stated purposes of the Subcontracts and Contract but rather argue that the Subcontracts were contrary to the Government’s policies articulated in the Policy Directives issued in connection with the SBIR Program. (Dkt. No. 40 at 11–13 (*citing* “SBIR Policy Directive,” (effective May 2, 2019), *available at* <https://www.federalregister.gov/documents/2019/04/02/2019-06129/small-business-innovation-research-program-and-small-business-technology-transfer-program-policy>)).) According to Plaintiffs, Lite “was clearly entitled to the Mars Helicopter contracts that were awarded to [Defendant] ... based on a plain reading of the SBIR Statute, unless the Mars Helicopter Program were to forego use of [Plaintiffs’] technology.” (Dkt. No. 40 at 12.) Thus, Plaintiffs contend that “application of Section 1498 here would undermine [the government policy] that has been lauded by the Small Business Administration.” (*Id.*)

The Court declines to read into § 1498 a requirement that the “stated Government policy” does not conflict with another policy. Section 1498 only requires that the accused activities be “for the Government,” and the Federal Circuit has held that the benefit need not be the primary purpose of the contract, so long as it is more than an incidental benefit. *See Sevenson*, 477 F.3d at 1365–66; *IRIS Corp. v. Japan Airlines Corp.*, 769 F.3d 1359, 1362 (Fed. Cir. 2014) (“Incidental benefit to the government is insufficient, but it is not

necessary for the Government to be the sole beneficiary....”) (internal quotations omitted). Plaintiffs do not provide any legal support for their position that when a “stated Government policy” articulated in a government contract conflicts with another stated Government policy that the contract cannot be “for the Government.” To impose such a requirement would require the Court to speculate which policy the Government intended to control, which the Court will not do.

The legislative purpose of § 1498 also supports Defendant’s position. Section § 1498(a) was first enacted in 1910, and was later broadened in order to aid the Government’s procurement efforts during World War I. As the Court explained in *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928): “The intention and purpose of Congress in the act of 1918 was to stimulate contractors to furnish what was needed for the war, without fear of becoming liable themselves for infringements to inventors or the owners or assignees of patents.” The Federal Circuit has expressly held that, “the coverage of § 1498 should be broad so as not to limit the Government’s freedom in procurement by considerations of private patent infringement.” *TVI Energy*, 806 F.2d at 1060. In other words, § 1498 was enacted to give the Government the freedom to contract with whomever it chooses in order to procure goods or services while providing immunity to those contractors. Deciding who to contract with often may require choosing between competing policy interests. It follows that § 1498 also allows the Government to decide between these policy interests, and the Court will not question the Government’s decision to choose one policy over another.

Accordingly, the Court finds that the accused activities were “for the Government.”

ii. Whether the Accused Activities Were Done with the Government’s “Authorization and Consent”

Defendant also argues that the accused activities were done with the express “authorization and consent of the Government.”

Under § 1498, the “authorization and consent” of the government may be express or implied. *Golden v. United States*, 137 Fed. Cl. 155, 175 (Fed. Cl. 2018); *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1060 (Fed. Cir. 1986) (“In proper circumstances, Government authorization can be implied.”) “When the Government provides express consent, that consent may be very broad, extending to any patented invention and any infringing use, or may be limited to only certain patented inventions or to only those uses that are necessary or are specifically consented to by the Government.” *Madey v. Duke Univ.*, 413 F. Supp. 2d 601, 608 (M.D.N.C. 2006) (citing *Carrier Corp. v. United States*, 534 F.2d 244, 249 (Ct. Cl. 1976)). “Such express consent is often contained in the language of the Government contract itself, or in other formal, written authorization from the Government.” *Id.* at 607–608. “Where, as here, a government contract contains an explicit authorization and consent clause (and the parties have alleged no alternative source for government authorization and consent), the scope of the government’s authorization and consent to liability naturally hinges on the language of that clause.” *Sevenson*, 477 F.3d at 1366–67.

The Government provided authorization and consent in this case. The Prime Contract and each of the Subcontracts include FAR clause 52.227-1, Alt. I, titled “Authorization and Consent,” which broadly states, “The Government authorizes and consents to *all* use and manufacture of any invention described in and covered by a United States patent in the performance of this contract or any subcontract at any tier.” 48 C.F.R. § 52.227–1, Alt. I (emphasis added). To the extent there was any question whether the Government consented to the use and manufacture of the particular technology described in the ’763 Patent, the Government also filed a Statement of Interest in this case providing express consent to the accused activities. (See Dkt. No. 37.) Thus, there is no genuine dispute that the Government provided authorization and consent.

Plaintiffs argue that NASA and JPL lacked the authority to contract with Defendant, and therefore could not authorize and consent to the accused activities. Specifically, Plaintiffs argue that the Government “was obligated to award an SBIR Phase III sole-source prime contract to Lite for the Mars Helicopter program to the greatest extent practicable[,]” and that it violated the SBIR Statute and SBIR Policy Directive by awarding the contract to Defendant. (Dkt. No. 40 at 14.)⁶

The Court finds that the Government did not lack the authority to contract with Defendant. Although not binding, the COFC’s analysis of the SBIR Statute in *Lite Machines* is persuasive. In evaluating whether the SBIR Statute required the Government to continue to contract with Lite, the court found the SBIR Statute “does not require that the government award a Phase III contract to a recipient of a Phase I or Phase II SBIR award under which the relevant technology was developed.” *Lite Machines*, 143 Fed. Cl. at 283. As the Court reasoned, “§ 638(e)(4)(c) indicates that Phase III contracts are to be awarded ‘where appropriate.’” *Id.* (citing § 638(e)(4)(c)); see also *id.* at 284 (citing § 638(r)(1) (stating that, when a small business concern is awarded a Phase II agreement, “a Federal agency *may* enter into a Phase III agreement with that business concern for additional work to be performed during or after the Phase II period”) (emphasis added)). Moreover, as evidence by the use of the phrase “[t]o the greatest extent practicable,” “§ 638(r)(4) appears to be aimed at encouraging, but not requiring, an agency to seriously consider awarding a contract to the developer of the technology in the context of a SBIR Phase III award relating to technology developed as part of the SBIR program.” *Id.*

Further, in considering a related subsection of the SBIR Statute, the Federal Circuit has held that “§ 638 imposes no duty on the government to award a Phase III contract to a concern that successfully completes a Phase II contract.” *Night Vision Corp. v. United*

⁶ Additionally, Plaintiffs argue that the Prime Contract includes a clause that “specifically prohibits JPL from competing with commercial enterprises such as Lite.” (*Id.* (citing Dkt. No. 36-4 at AV-00000007 (stating that JPL “shall not use its privileged information or access to facilities to compete with the private sector in contravention of FAR 35.017”))). Plaintiffs do not provide any evidence that JPL competes in the private sector, however, and the Court is not persuaded by Plaintiffs’ argument.

States, 469 F.3d 1369, 1374 (Fed. Cir. 2006) (addressing § 638(j)(2)(C), which states, “Not later than 90 days after October 28, 1982, the Administrator shall modify the policy directives issued pursuant to this subsection to provide for ... procedures to ensure, *to the extent practicable*, that an agency which intends to pursue research, development, or production of a technology developed by a small business concern under an SBIR program enters into follow-on, non-SBIR funding agreements with the small business concern for such research, development, or production.”) (emphasis added). The Federal Circuit reasoned that to hold otherwise “would seriously limit the government’s ability to select the form of procurement that it considers most appropriate in the particular situation.” *Id.* The same reasoning applies here. *See TVI Energy*, 806 F.2d at 1060 (“the coverage of § 1498 should be broad so as not to limit the Government’s freedom in procurement by considerations of private patent infringement”). Thus, contrary to Plaintiffs’ assertion, the Government was not obligated to contract with Lite.⁷

Plaintiffs also argue that the Government could have “tried to meet its obligations to the Arltons and Lite by instructing AeroVironment not to use the Arltons’ technology, either directly or indirectly, for the Mars Helicopter, but AeroVironment disregarded those instructions, putting the Government in a bind.” (Dkt. No. 40 at 15–16.) But the broad authorization and consent clause included in the Subcontracts and the Statement of Interest show otherwise. Further, assuming the Government did instruct Defendant to avoid the technology claimed in the ’763 Patent, the Statement of Interest shows that the Government retroactively authorizes and consents to the Accused Activities. *See Auerbach v. Sverdrup Corp.*, 829 F.2d 175, 179–180 (Fed. Cir. 1987) (noting that for purposes of § 1498, “express documentary evidence” of the government’s consent “[o]bviously ... will do,” and that “the form of the [government’s] consent” may include “retroactive consent”); *Hughes Aircraft Co. v. United States*, 534 F.2d 889, 901 (Ct. Cl. 1976) (stating that “post hoc intervention of the Government in pending infringement litigation against individual contractors” establishes authorization and consent).

Accordingly, the Court finds that the Government provided “authorization and consent.”⁸

iii. Whether Plaintiffs Are Entitled to Additional Discovery

The Court also denies Plaintiffs’ request for additional discovery.

Federal Rule of Civil Procedure 56(d) provides, “[i]f a nonmovant shows by affidavit or declaration that, for specified reasons, it cannot present facts essential to justify its opposition, the court may: (1) defer consideration of the motion or deny it; (2)

⁷ Plaintiffs’ attempts to distinguish *Night Vision* in their Sur-reply are unpersuasive.

⁸ Underlying much of Plaintiffs’ argument is the mistaken belief that Plaintiffs would have no recourse for Defendant’s alleged infringement if § 1498 applies. Section 1498 provides that “the owner’s remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture.” § 1498(a).

allow time to obtain affidavits or declarations or to take discovery; or (3) issue any other appropriate order.” The burden is on Plaintiffs to show that the evidence sought likely exists and that it would prevent summary judgment. *Chance v. Pac-Tel Teletrac Inc.*, 242 F.3d 1151, 1161 n.6 (9th Cir. 2001). The district court does not abuse its discretion by denying further discovery if the movant has failed diligently to pursue discovery in the past; or, put differently, the district court only abuses its discretion “if the movant diligently pursued its previous discovery opportunities, and if the movant can show how allowing additional discovery would have precluded summary judgment.” *Id.* (internal citations omitted). The purpose of Rule 56(d) is to prevent the nonmoving party from being “railroaded” by a premature summary judgment motion.

Plaintiffs argue that discovery is necessary to show “whether the Government had the obligation to award an SBIR Phase III contract to the Arltons, whether Section 1498 can apply in view of what the Arltons believe the Government’s obligations to them were under the SBIR Statute, and whether the Government provided any directions to AeroVironment to avoid the Arltons’ technology, such that consent was either not given, or even expressly revoked.” (Dkt. No. 40 at 17.) These issues were already explicitly addressed in Plaintiffs’ Opposition, though, and as stated above, the Court rejects each of these arguments as a matter of law. Moreover, “the evidence sought by Plaintiff[s] is the ‘object of pure speculation.’” *Richter v. United States*, No. 2:01-CV-5240, 2002 WL 31031777, at *7 (C.D. Cal. Apr. 2, 2002) (*quoting Exxon Corp. v. Federal Trade Comm’n*, 663 F.2d 120, 127 (D.C. Cir. 1980)) (denying Rule 56(f) request for additional discovery). For instance, Plaintiffs argue that “Request [for Production] No. 4 is also relevant to the question of any plans to otherwise utilize the Arltons’ technology[,]” but concede that “Defendant has indicated there are no such plans” and offers no other support for its request. (Dkt. No. 40 at 20.)

Accordingly, the Court finds that Plaintiffs’ Rule 56(d) request for additional discovery is unwarranted.

B. Plaintiffs’ Motion for Leave to File a First Amended Complaint and to Join Lite as a Plaintiff

Plaintiffs also move for leave to file a first amended complaint and to join Lite as a plaintiff. (Dkt. No. 46.) Specifically, Plaintiffs seek to add claims pursuant to the Defend Trade Secrets Act, 18 U.S.C. § 1836 and the California Uniform Trade Secrets Acts, Cal. Civ. Code §§ 3426–3426.11. (*See id.* at 1.) Plaintiffs argue that they exercised diligence in pursuing their trade secret claims and established good cause for modifying the scheduling order. (*See id.* at 6–9.) Plaintiffs assert that they were not aware of the facts necessary to add its trade secret claims until after Defendant produced certain documents. (*See id.*) According to Plaintiffs, on receiving these documents, “on or about January 31, 2021, the Arltons began considering the instant theft of trade secrets claims.” (*Id.* at 7.)

Defendant responds that Plaintiffs’ were not diligent in seeking leave to amend. (*See* Dkt. No. 56 at 3–6.) Specifically, Defendant argues that Plaintiffs filed their complaint eight months ago and the Court’s Scheduling Order adopted Plaintiffs’ suggested date of February 12, 2021 for the deadline to add parties and amend pleadings

in this case. (*See id.* at 1, 3.) Defendant also emphasizes that Plaintiff conceded “that [Plaintiffs] had fully ‘corroborated’ their claim nearly two weeks before the deadline to amend pleadings and nevertheless chose to ignore the court’s deadline.” (*Id.* at 4.) Defendant also asserts that Plaintiffs’ proposed amended complaint is futile. (*See id.* at 6–13.) Finally, Defendant argues that Plaintiffs were also not diligent in seeking leave add Lite. (*See id.* at 15–16.)

Plaintiffs reply that they brought this motion as soon as was practical under the circumstances. (*See* Dkt. No. 57 at 2–4.) Plaintiffs also argue that their amendment is not futile. (*See id.* at 4–9.)

The Court agrees with Defendant that Plaintiffs were not diligent in seeking leave to amend the Complaint and has not shown good cause to amend the Court’s Scheduling Order. Plaintiffs received Defendant’s only production on December 30, 2020. (*See* Dkt. No. 46 at 2.) Despite this, Plaintiffs state that it did not start contemplating seeking leave to amend until about January 31, 2021, which Plaintiffs admit was after the January 8, 2021 deadline to file a motion for leave to amend. (*See id.* at 7; Dkt. No. 57 at 2.) Yet Plaintiffs did not seek leave to amend until nearly two months after this date on March 22, 2021. Notably, Plaintiffs waited until after Defendant’s dispositive motion on its § 1498 defense was fully briefed to file its motion for leave to amend.

Additionally, Plaintiff admits that the details regarding the specific characteristics of the Mars Helicopter that they claim relate to their trade secrets were publicly available. (*See* Dkt. 46 at 3.) Plaintiffs also admit that they “suspected that the Mars Helicopter Ingenuity incorporated trade secret information from the Arltons” “as of the filing of the Original Complaint on August 17, 2020.” (*See id.* at 1.) Plaintiffs only assert that the produced documents suggested that Defendant did not independently develop the technology, but Plaintiffs still could have sought leave to amend prior to Defendant’s production and later supplemented their pleadings. (*See id.* at 3.) Thus, the Court finds that Plaintiffs were not diligent in seeking leave to amend and have not shown good cause to modify the Scheduling Order.

Accordingly, the Court **DENIES** Plaintiffs’ motion for leave to file a first amended complaint and to join Lite as a plaintiff.

IV. CONCLUSION

For the foregoing reasons, the Court finds that Plaintiffs’ claim for patent infringement is barred by § 1498 as a matter of law and **GRANTS** Defendant’s motion for summary judgment. Because the Court grants the Motion, the Court declines to consider Defendant’s evidentiary objections. (*See* Dkt. No. 41-3.) The Court also **DENIES** Plaintiffs’ motion for leave to file a first amended complaint and to join Lite as a plaintiff. Defendant shall file a proposed judgment within 14 days of the issuance of this order for this case.

The Pretrial Conference and Jury Trial dates are vacated.
IT IS SO ORDERED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

JS-5

CIVIL MINUTES - GENERAL

Case No.: 2:20-cv-07438-AB-GJS

Date: June 24, 2021

Title: Paul E. Arlton et al v. Aerovironment, Inc.

Present: The Honorable **ANDRÉ BIROTTE JR., United States District Judge**

Carla Badirian
Deputy Clerk

N/A
Court Reporter

Attorneys Present for Plaintiffs:
None Appearing

Attorneys Present for Defendant:
None Appearing

**Proceedings: [IN CHAMBERS] ORDER REGARDING PLAINTIFFS’
MOTION FOR RELIEF FROM JUDGEMENT UNDER FED.
R. CIV. P. 60 AND MOTION TO ALTER JUDGMENT
PURSUANT TO FED. R. CIV. P. 59 (DKT. NO. 66) AND
DEFENDANT’S MOTION FOR ATTORNEY’S FEES AND
COSTS (DKT. NO. 67)**

Defendant AeroVironment, Inc. (“AeroVironment” or “Defendant”) moves for attorney’s fees under 35 U.S.C. § 285 and 28 U.S.C. § 1927, and costs. (“Fees Motion,” Dkt. No. 67.) Plaintiffs Paul E. Arlton and David J. Arlton (collectively, “the Arltons” or “Plaintiffs”) filed an opposition. (“Fees Opposition,” Dkt. No. 68.) Defendant filed a reply. (“Fees Reply,” Dkt. No. 73.)

Additionally, Plaintiffs move for relief from judgment under Fed. R. Civ. P. 60 or to alter the judgment under Fed. R. Civ. P. 59. (“Relief Motion,” Dkt. No. 66.) Defendant filed an opposition. (“Relief Opposition,” Dkt. No. 69.) Plaintiffs filed a reply. (“Relief Reply,” Dkt. No. 71.)

Finding the parties' motions suitable for resolution without oral argument, the Court **VACATES** the hearing set for June 25, 2021. (Fed. R. Civ. P. 78(b); C.D. Cal. L.R. 7-15.)

After considering the parties' arguments, the Court **GRANTS** Plaintiffs' Relief Motion and **DENIES** Defendant's Fees Motion.

I. BACKGROUND

The Court described the factual and procedural background to this case in detail in the Court's Order on Defendant's summary judgment motion on its 28 U.S.C. § 1498 defense, the relevant details of which are repeated below. (*See* "MSJ Order," Dkt. No. 58 at 2-6.) On August 17, 2020, Plaintiffs filed a Complaint in this Court accusing Defendant of infringing at least Claim 1 of the '763 Patent by "at least by making, using, offering to sell, and selling [the Mars Helicopter] in the United States." (Dkt. No. 1 ¶¶ 25-26.) On September 10, 2020, Defendant filed an Answer, which asserts throughout that "Plaintiffs have no remedy against AeroVironment due to the applicability of 28 U.S.C. § 1498[.]" (Dkt. No. 19 ¶ 1.)

The parties participated in a Rule 26(f) conference on November 17, 2020. (Dkt. No. 41-1, Ex. A.) On November 19, 2020, Plaintiffs served their First Set of Requests for Production of Documents. (Dkt. No. 40-8 ¶ 2; Dkt. No. 40-9.) On November 24, 2020, Defendant's counsel emailed Plaintiffs' counsel to inform them that Defendant intended "to move for early summary judgment on its defense under 28 U.S.C. § 1498" and requested that Plaintiffs identify any discovery they believed was necessary to evaluate its § 1498 defense. (*Id.*) On November 27, 2020, the parties filed a joint 26(f) report. (Dkt. No. 29.) In the report, Defendant stated that it sought "leave to file an early motion for summary judgment on its Section 1498 defense." (*Id.* at 9.) Plaintiffs' statement in the report responded to Defendant's arguments, but did not mention the Small Business Innovation Research ('SBIR') program. (*Id.* at 11-12.)

On December 12, 2020, the Court issued its Order Re: Jury/Court Trial requesting that the parties "meet and confer on Defendant's anticipated Section 1498 motion, and insofar as discovery may be necessary, they should seek to agree to conduct the relevant discovery first." (Dkt. No. 33 at 2.) The Court also stated, "If the parties cannot agree, Defendant may file an early motion for summary judgment on the Section 1498 defense only, and if Plaintiffs think they need discovery, they can seek a continuance pursuant to Fed. R. Civ. P. 56(d)." (*Id.*) The Court also set the deadline for the last date to hear a motion to amend the pleadings and add parties as February 12, 2021. (*Id.* at 3.)

On December 21, 2020, Defendant responded to Plaintiffs' First Set of Requests for Production of Documents. (Dkt. No. 40-8 ¶ 3; Dkt. No. 40-10.) Defendant declined to produce documents in response to many of the requests, stating, "Any discovery on the merits should proceed, if at all, only after the Court resolves AeroVironment's motion for summary judgment on its Section 1498 defense, consistent with Congress's intent 'to relieve private Government contractors from expensive litigation with patentees.'" (*Id.*)

On January 8, 2021, the parties met and conferred regarding what discovery needed to be conducted before Defendant brought its motion. (Dkt. No. 35-2 ¶ 8; Dkt. No. 40-8 ¶ 4.) “Plaintiffs agreed to outline in greater detail the reasons that discovery was necessary to respond to an anticipated summary judgment motion by Defendant” and provided its response on January 14, 2021. (Dkt. No. 40-8 ¶¶ 4–5.)

On February 3, 2021, Defendant responded to Plaintiffs’ January 14, 2021 letter, stating that it planned to file its Motion on February 12, 2021 if Plaintiffs did not offer to settle the case. (Dkt. No. 41-1 ¶ 5; *id.*, Ex. C.) On February 16, 2021, Defendant filed its Motion. (Dkt. No. 35.) On February 17, 2021, NASA filed a “Statement of Interest of the United States” stating that the United States granted its authorization and consent for Defendant’s alleged use and manufacture of patented inventions claimed in the ’763 Patent. (“Statement of Interest,” Dkt. No. 37.)

On February 16, 2021, Defendant moved for summary judgement in its favor on its 28 U.S.C. § 1498 defense. (Dkt. No. 35.) On March 5, 2021, Plaintiffs filed an opposition. (Dkt. No. 40.) On March 12, 2021, Defendant filed a reply. (Dkt. No. 41.) On March 22, 2021, Plaintiffs filed a sur-reply. (“Sur-reply,” Dkt. No. 47.) The same day Plaintiffs filed their sur-reply, Plaintiffs also moved for leave to file a first amended complaint and to join Lite Machines Corp. as a plaintiff. (Dkt. No. 46.) On April 2, 2021, Defendant filed an opposition. (Dkt. No. 56.) On April 9, 2021, Plaintiffs filed a reply. (Dkt. No. 57.)

On March 26, 2021, the Court held a hearing on Defendant’s summary judgment motion. (Dkt. No. 55.) When asked whether Defendant had any plans to sell the accused technology to a party other than the government, Defendant responded “I’m certainly not aware of any plans of that nature. The technology is the helicopter that is designed to fly on Mars. So, you know, it’s certainly not supported in the summary judgment record, but I would be surprised if that was going to be sold on any commercial market.” (*See* Dkt. No. 64 at 14:2–11.) On April 22, 2021, the Court granted Defendant’s summary judgment motion and denied Plaintiffs’ motion for leave to amend. (Dkt. No. 58.) Specifically, the Court found that Plaintiff’s arguments regarding the conflict between § 1498 and the SBIR program were unpersuasive, that Plaintiff failed to show that further discovery was necessary to decide the issue, and that Plaintiffs’ motion to amend was untimely. (*See generally id.*) On May 12, 2021, the Court entered judgment in favor of Defendant, finding Defendant to be the prevailing party and stating that Defendant must seek cost within 14 days after the entry of judgment. (Dkt. No. 61.)

On May 9, 2021, Defendant “appeared in a 60 Minute segment with Anderson Cooper and introduced ‘Terry,’ a terrestrial version of the Mars Helicopter Ingenuity that is manually controlled by a pilot with a hand controller.” (Dkt. No. 66 at 2.) On May 26, 2021, Plaintiff moved for relief from judgment or to alter the judgment in light of Defendant’s previously undisclosed “Terry” helicopter. (*See generally id.*) The same day, Defendant moved for fees and costs pursuant to the Court’s entry of judgment. (*See generally* Dkt. No. 67.)

II. LEGAL STANDARD

A. Fed. R. Civ. P. 59 and 60

Motions to alter a judgment or for reconsideration may be brought under Fed. R. Civ. P. (“Rule”) 59(e) or 60(b). *Fuller v. M.G. Jewelry*, 950 F.2d 1437, 1442 (9th Cir. 1991).

A Rule 59(e) motion to amend a judgment may be granted when (1) the judgment is based on manifest errors of law or fact, (2) the moving party presents newly discovered or previously unavailable evidence, (3) it is necessary to prevent manifest injustice, or (4) there is an intervening change in controlling law. *Turner v. Burlington N. Santa Fe R.R. Co.*, 338 F.3d 1058, 1063 (9th Cir. 2003); *McDowell v. Calderon*, 197 F.3d 1253, 1255 (9th Cir. 1999). Relief through Rule 59(e) generally is reserved for highly unusual circumstances. *School Dist. No. 1J, Multnomah County v. ACandS, Inc.*, 5 F.3d 1255, 1263 (9th Cir. 1993). Rule 59(e) is not a vehicle to rehash arguments previously presented, or to present “contentions which might have been raised prior to the challenged judgment.” *Costello v. United States*, 765 F. Supp. 1003, 1009 (C.D. Cal. 1991). A Rule 59(e) motion must be filed by 28 days after the entry of judgment.

Rule 60(b) allows for relief from a judgment or order only upon a showing of (1) mistake, inadvertence, surprise, or excusable neglect; (2) newly discovered evidence that by due diligence could not have been discovered before the court's decision; (3) fraud by the adverse party; (4) a void judgment; (5) a satisfied or discharged judgment; or (6) any other reason justifying relief. *See* Fed. R. Civ. P. 60(b). Subparagraph (6) requires a showing of extraordinary grounds for relief. *Twentieth Century-Fox Film Corp. v. Dunnahoo*, 637 F.2d 1338, 1341 (9th Cir. 1981). The mere belief that the court’s decision was wrong does not justify reconsideration. *Id.* A Rule 60(b) motion “must be made within a reasonable time – and for reasons (1), (2), and (3) no more than a year after entry of judgment or order or the date of the proceeding.”

Local Rule 7-18 provides that a motion for reconsideration may only be made because of:

- (a) a material difference in fact or law from that presented to the Court before such decision that in the exercise of reasonable diligence could not have been known to the party moving for reconsideration at the time of such decision, or
- (b) the emergence of new material facts or a change of law occurring after the time of such decision, or
- (c) a manifest showing of a failure to consider material facts presented to the Court before such decision.

A motion for reconsideration may not repeat any oral or written argument made in support of or in opposition to the original motion. *Id.* Indeed, “a mere attempt by [the moving party] to reargue its position by directing [the] court to additional case law and... argument[s] which [it] clearly could have made earlier, but did not ... is not the purpose of motions for reconsideration” *Yang Ming Marine Transp. Corp. v. Oceanbridge Shipping Int’l, Inc.*, 48 F. Supp. 2d 1049, 1057 (C.D. Cal. 1999).

III. ANALYSIS

A. Plaintiffs’ Motion for Relief from Judgment or to Alter the Judgment

Plaintiffs move for relief from judgment or to alter the judgment entered because of the newly discovered “Terry” helicopter that Defendant publicly showcased after judgment was filed. (*See generally* Dkt. No. 66.) Plaintiffs assert that Defendant never disclosed the “Terry” helicopter to Plaintiffs despite discovery requests directed to products related to the Mars Ingenuity helicopter. (*See id.* at 11-12.) Plaintiffs also argue that their concerns that the Defendant plans to sell the technology commercially are now more than speculation as Defendant’s statements to the media suggest that it may do so. (*See id.* at 12.) Further, Plaintiff requests that the Court permit discovery into products other than just the “Terry” helicopter to ensure that Defendant has no other products related to the Mars Ingenuity helicopter that it plans to sell commercially. (*See id.* at 14-15.) Finally, Plaintiffs request leave to amend its complaint to add its trade secret claims. (*See id.* at 15.)

Defendant responds that the “Terry” helicopter is also covered by § 1498 and even if it did disclose the “Terry” helicopter to Plaintiff sooner, it would not have changed the outcome of Defendant’s summary judgment motion. (*See* Dkt. No. 69 at 2-3.) Defendant asserts that the “Terry” helicopter was developed as part of the Mars Ingenuity program and “is intended for use for Government purposes, just like Ingenuity.” (*See id.* at 5.) Defendant also argues that “Terry was not completed until April 11, 2021, after the summary judgment hearing, and it is intended for research and demonstration purposes in support of United States Government program opportunities, not for commercial sale.” (*See id.* at 9.) Further, Defendant argues that Plaintiffs’ discovery requests were overly broad. (*See id.* at 9-10.)

In reply, Plaintiffs argue that Defendant spent funds “independent of any government contract or even proposal” on the “Terry” helicopter and thus, it was not for the government. (*See* Dkt. No. 71 at 1-2, 4-7.) Plaintiffs also argue that Defendant’s excuses for not disclosing the “Terry” during discovery are “both wrong and speculative.” (*See id.* at 2-3, 7-10.) Further, Plaintiffs argue that they are irreparably harmed by Defendant’s use of the “Terry” product, but do not explain how this is relevant in the context of Defendant’s § 1498 defense or its Relief Motion. (*See id.* at 3, 10-11.)

The Court finds that relief from judgment is appropriate. Defendant’s “Terry” helicopter is a “Terrestrial version of [the Mars Ingenuity Helicopter]” “built entirely by Aerovironment, not JPL,” and bears Defendant’s logo. (*See* Dkt. No. 66 at 8 (citing “Arlton Decl.,” Dkt. No. 66-1 ¶¶ 4-5 (citing Aerovironment, *Mars Ingenuity Press Event*,

Vimeo (May 13, 2021) <https://vimeo.com/548603486>) (hereinafter, “Ingenuity Press Event”)); *see also* Dkt. No. 66-2 (explaining that “Terry has an airframe identical to Ingenuity and that structure composites and mechanism were built from the same molds as the Mars version.”).) Defendant did not disclose the “Terry” helicopter to Plaintiffs or publicly until after it submitted its proposed judgement to the Court, and Defendant does not meaningfully dispute that it is newly discovered evidence. Further, the “Terry” helicopter is clearly related to the Mars Ingenuity project and should have at least been disclosed to Plaintiffs. That Plaintiffs’ discovery requests were overly broad and that “Terry” was not completed until April 12, 2021, does not excuse Defendant from failing to disclose that the “Terry” helicopter was in development.

The Court also finds that Plaintiffs have demonstrated the potential for the “Terry” helicopter to be sold for purposes other than “for the government” as with the Mars Ingenuity helicopter. Defendant states that it developed “Terry” for educational purposes and for future Mars helicopter research. (*See* “Keennon Decl.,” Dkt. No. 69-1 ¶ 6; *see also* Ingenuity Press Event at 25:08-28.) But despite these statements, Defendant stated that it sells products commercially and it plans to use the technology developed through the Ingenuity project in commercial applications. (*See* Ingenuity Press Event at 3:50-4:10.) Thus, Plaintiffs have shown that their concern that Defendant may sell its helicopter technology commercially is more than mere speculation. Given the potential for Defendant to sell the “Terry” helicopter or other similar helicopters commercially, the Court will permit Plaintiffs limited discovery to determine whether Defendant intends to do so and to what extent. However, discovery will also be limited only to those helicopter products that were developed from the Mars Ingenuity program or that incorporate technology developed in that program.

The Court agrees with Defendant, however, that to the extent Defendant has no intention of selling the “Terry” helicopter or other similar helicopter commercially, then these helicopters are also subject to § 1498. The “Terry” helicopter was developed as part of the Mars Ingenuity helicopter program and thus is covered under the government’s same broad grant of authorization and consent that the Mars Ingenuity helicopter received. The uses of the “Terry” helicopter for “educational purposes” and “future Mars helicopter research,” as well as any sales to the government, would be “for the government” or at least *de minimis* non-governmental uses. *See Saint-Gobain Ceramics & Plastics, Inc. v. II-VI Inc.*, 369 F. Supp. 3d 963, 977–82 (C.D. Cal. 2019) (pre-contractual development activities were covered by § 1498 and marketing activities were *de minimis*). Unless Plaintiffs show that Defendant sold or offered to sell these helicopters commercially, or otherwise used them commercially in a substantial way, the Court will reaffirm its grant of summary judgment in favor of Defendant.

Accordingly, the Court **GRANTS** Plaintiffs’ Relief Motion. The Court also **DENIES** Plaintiffs’ renewed request for leave to amend to add trade secret claims at this time.

B. Defendant’s Motion for Attorney’s Fees

Because the Court grants Plaintiffs' motion for relief from judgment, the Court declines to consider Defendant's motion for attorney's fees. Accordingly, the Court **DENIES** Defendant's motion for attorney's fees.

IV. CONCLUSION

For the foregoing reasons, the Court **GRANTS** Plaintiffs' Relief Motion and **DENIES** Defendant's Fees Motion. The Judgment (Dkt. No. 61) is hereby **VACATED** and the Court **ORDERS** the case **REOPENED** for the limited purpose of addressing the newly-discovered evidence (the Terry helicopter). Because the Court grants Plaintiffs' Relief Motion, the Court declines to consider Plaintiffs' evidentiary objections. (*See* Dkt. No. 72.) The parties shall also meet and confer and produce a joint status report addressing any discovery needs on or before July 9, 2021. The joint report should identify requested discovery and should include a discovery schedule, as well.

IT IS SO ORDERED.

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES - GENERAL

Case No.: 2:20-cv-07438-AB-GJS

Date: August 15, 2023

Title: *Paul E. Arlton et al v. AeroVironment, Inc.*

Present: The Honorable **ANDRÉ BIROTTE JR., United States District Judge**

Carla Badirian
Deputy Clerk

N/A
Court Reporter

Attorney(s) Present for Plaintiff(s):
None Appearing

Attorney(s) Present for Defendant(s):
None Appearing

Proceedings: [In Chambers] Further Order Regarding Defendant’s Motion for Summary Judgement [Dkt. Nos. 35, 119, 125]

This matter arises from alleged patent infringement by the Mars Helicopter, Ingenuity. In February 2021, Defendant AeroVironment, Inc. (“AeroVironment” or “Defendant”), the contractor who provided Ingenuity to the government, moved for summary judgement on its 28 U.S.C. § 1498 contractor-immunity defense. (“Motion,” Dkt. No. 35.) The Court found that § 1498 shields Defendant’s activities concerning Ingenuity from infringement liability and granted the Motion. (“MSJ Order,” Dkt. No. 58.) About two months later, after Plaintiffs, Paul E. Arlton and David J. Arlton (collectively, “the Arltons” or “Plaintiffs”), discovered new evidence that Defendant made “Terry,” an earth-based version of Ingenuity, the Court vacated the judgement and ordered the case reopened to allow Plaintiffs to take discovery. (Dkt. No. 77.) After examining whether Defendant was selling or making substantial commercial use of Terry, Plaintiffs filed their renewed opposition to the Motion for summary judgement. (“Opp.,” Dkt. Nos. 119, 131 (sealed).) Defendant filed a brief in support of reaffirming summary judgement. (“Reply,” Dkt. Nos. 125, 130 (sealed).)

After considering the parties' arguments, the Court again **GRANTS** summary judgment in favor of Defendant under § 1498 and **DENIES** Plaintiffs' request for further relief.

I. BACKGROUND

The Court recited the factual and procedural background of this case in detail in the MSJ Order. (*See* Dkt. No. 58 at 2-6.) The Court incorporates that discussion by reference. Because the parties are familiar with this case, the Court provides a summary only.

Three years ago, Plaintiffs filed a Complaint in this Court accusing Defendant of infringing U.S. Patent No. 8,042,763 (the "'763 Patent"), which is titled "Rotary Wing Vehicle," by making, using, offering to sell, and selling the Mars Helicopter. (Dkt. No. 1 ¶¶ 25-26.) In its Answer, Defendant averred that "Plaintiffs have no remedy against AeroVironment due to the applicability of 28 U.S.C. § 1498[.]" (Dkt. No. 19 ¶ 1.) The Court allowed Defendant to file an early motion for summary judgment on this defense, which confers patent infringement immunity on government contractors for infringing work done at the behest of the government. (Dkt. No. 33 at 2.)

In February 2021, Defendant filed its Motion. (Dkt. No. 35.) At that time, NASA filed a "Statement of Interest of the United States" stating that the United States granted its authorization and consent for Defendant's alleged use and manufacture of patented inventions claimed in the '763 Patent. ("Statement of Interest," Dkt. No. 37.) Plaintiffs opposed the Motion, Defendant replied, and Plaintiffs filed a sur-reply. (*See* Dkt. Nos. 40, 41, 47.) After holding a hearing on the Motion, the Court granted it. (*See* MSJ Order.)

Shortly thereafter, Defendant introduced Terry, a terrestrial version of the Mars Helicopter Ingenuity that is manually controlled by a pilot with a hand controller. (Dkt. No. 66 at 2.) In view of this new information, Plaintiff moved for relief from judgment or to alter the judgment. The Court granted Plaintiffs' motion, vacated the judgement, and ordered the case reopened to allow Plaintiffs to address the new evidence regarding Terry. (Dkt. No. 77 at 7.)

After a lengthy discovery period, the Court set a discovery cut-off date and set a briefing schedule for Plaintiffs to file a supplemental brief in support of denial of summary judgment, and for Defendant to file a supplemental brief in support of reaffirming the grant of summary judgment. (Dkt. No. 116.) The Court provided

that, upon receipt of the briefs, the matter would stand submitted without a hearing. (*Id.*)

II. LEGAL STANDARDS

A. Summary Judgement

“Summary judgment is appropriate in a patent case, as in other cases, when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law.” *Nike Inc. v. Wolverine World Wide, Inc.*, 43 F.3d 644, 646 (Fed. Cir. 1994); Fed. R. Civ. P. 56(c) (motion for summary judgment must be granted when “the pleadings, the discovery and disclosure materials on file, and any affidavits show that there is no genuine issue as to any material fact and that the movant is entitled to judgment as a matter of law.”); *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247-48 (1986). The moving party bears the initial burden of identifying the elements of the claim or defense and evidence that it believes demonstrates the absence of an issue of material fact. *Celotex Corp. v. Catrett*, 477 U.S. 317, 323 (1986).

“Where the record taken as a whole could not lead a rational trier of fact to find for the nonmoving party, there is no ‘genuine issue for trial.’” *Matsushita Elec. Indus. Co., Ltd. v. Zenith Radio Corp.*, 475 U.S. 574, 587 (1986). The Court must draw all reasonable inferences in the nonmoving party’s favor. *In re Oracle Corp. Sec. Litig.*, 627 F.3d 376, 387 (9th Cir. 2010) (citing *Anderson*, 477 U.S. at 255). Nevertheless, inferences are not drawn out of thin air, and it is the nonmoving party’s obligation to produce a factual predicate from which the inference may be drawn. *Richards v. Nielsen Freight Lines*, 602 F. Supp. 1224, 1244-45 (E.D. Cal. 1985), *aff’d*, 810 F.2d 898 (9th Cir. 1987). “[M]ere disagreement or the bald assertion that a genuine issue of material fact exists” does not preclude summary judgment. *Harper v. Wallingford*, 877 F.2d 728, 731 (9th Cir. 1989).

B. 28 U.S.C. § 1498

Section 1498 is an affirmative defense, not a jurisdictional bar. *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554 (Fed. Cir. 1990). Section 1498 “relieves a third party from patent infringement liability, and it acts as a waiver of sovereign immunity and consent to liability by the United States.” *Madey v. Duke Univ.*, 307 F.3d 1351, 1359 (Fed. Cir. 2002). A § 1498 affirmative defense is a highly factual determination, whereby a defendant must establish that “(1) the [infringing] use is ‘for the Government’; and (2) the [infringing] use is ‘with the authorization

and consent of the Government.” *Sevenson Env'l. Servs., Inc. v. Shaw Envtl., Inc.*, 477 F.3d 1361, 1365 (Fed. Cir. 2007). “The burden is initially upon the movant to establish the absence of any genuine issue of material fact and entitlement to judgment as a matter of law.” *Crater Corp. v. Lucent Techs.*, 255 F.3d 1361, 1366 (Fed. Cir. 2001) (citing *Celotex*, 477 U.S. at 323–34).

C. Analysis

In the MSJ Order, the Court agreed with Defendant that section 1498 shields Defendant from infringement liability for its work on the Mars Helicopter Ingenuity. The Court ruled that no disputed material facts exist concerning whether Defendant’s work on the helicopter was “for the government” and done with the government’s “authorization and consent.” (MSJ Order at 9-13.) In the Order granting relief from judgment, the Court advised that it would reinstate summary judgment in Defendant’s favor unless Plaintiffs can “show that Defendant sold or offered to sell these helicopters commercially, or otherwise used them commercially in a substantial way.” (Dkt. No. 77 at 6.) Because Plaintiffs have failed to do so, the Court again **GRANTS** Defendant’s request for summary judgment.

Plaintiffs acknowledge that “the question is whether AeroVironment, ‘used [the helicopters] commercially in a substantial way,’ and not simply for educational purposes or future Mars helicopter research, which the Court concluded would be *de minimis*.” (Opp. at 15 (quoting Dkt. No. 77 at 6).) To answer this question, Plaintiffs aver that “AeroVironment clearly intended to use, and did use Terry commercially to draw market attention to its technical prowess and position itself alongside aviation industry giants,” and used the patented technology to “build brand recognition and garner coveted aerospace industry awards such as the Collier Trophy,” none of which Plaintiffs contend is “*de minimis*.” (*Id.* at 15.) Thus, Plaintiffs argue that summary judgment is unwarranted in view of Defendant’s “pervasive and widespread marketing” of the technology. (*Id.*)

More specifically, Plaintiffs aver that this “widespread commercial use” includes Defendant “marketing itself far and wide as the developer” of Ingenuity, and “using Terry to leverage [its] business and technical reputation.” (*Id.* at 15-16.) In support of this theory, Plaintiffs identify Defendant’s alleged commercial use of the technology to include using it to “gain the interest of SpaceX, UP.Partners, Impulse Space and UAVSI attendees (among others);” presenting it to UP.Partners, an early-stage venture capital firm comprised of officials, executives and aerospace enthusiasts; demonstrating Terry at the Wright Brothers National Memorial; and articulating “an ongoing plan to leverage the helicopter technology AeroVironment

used for Ingenuity in the private sector.” (*See id.* at 8-12.) Plaintiffs aver that Defendant has also used it “to obtain additional projects,” such as “assisting Applied Physics Laboratory with a study of multi-rotor co-axial blades, in connection with Johns Hopkins work on a NASA Mission to Titan,” and to obtain prestigious industry awards. (*Id.* at 12-13.)

Defendant responds that Plaintiffs have failed to show any substantial commercial use of the accused technology. (Opp. at 7.) Setting aside the Ingenuity-focused events that the Court already deemed insufficient, Defendant argues that the Terry-related activities on which Plaintiffs rely cannot constitute infringing use because Defendant was using Terry as a proxy for Ingenuity, *i.e.*, to discuss or demonstrate the Mars Helicopter because the actual helicopter is millions of miles away on Mars. (*Id.* at 9-10.) This includes Defendant’s presentation at AUVSI, “Flying on Mars: Development of the Ingenuity Mars Helicopter.” (*Id.* at 10.) Similarly, Defendant argues that the industry recognition it received was based on its work on Ingenuity, which is protected under § 1498. (*Id.* at 11.) This also includes various educational and public service events such as “demonstrations of Terry at the Wright Brothers National Memorial (a National Park Service event), at Syracuse University (an educational institution), for Petter Muren (Mr. Keennon’s personal friend, and for students at the Naval Test Pilot School (a United States Government entity).” (*Id.* at 12 (citation omitted).)

Finally, Defendant argues that, to the extent any of its marketing-related activities can be “use” under the Patent Act, they are covered by the de minimis use exception. (*Id.* at 12-13.) This category includes a proposed meeting with Elon Musk that never happened; cursory discussions with a potential commercial space partner that terminated quickly; and the presentation to UP.Partners at which Defendant did not intend to sell Terry and which resulted in no proposed or actual investment. (*Id.* at 13-14.) Defendant avers it is not aware of anyone who has “developed a business relationship” with it because of any presentation showcasing the accused technology. (*Id.* at 14.) Relatedly, Defendant avers that an internal document summarizing a forward-looking potential five-year plan is speculative and does not represent any action taken. (*Id.*)

The parties do not dispute that Defendant never offered to sell or sold the accused technology to another entity. Rather, they dispute whether Defendant’s non-sales activities constitute substantial commercial use. To avoid summary judgment on this question, Plaintiffs must show a disputed issue of material fact concerning whether AeroVironment’s use of the protected technology is both non-governmental and not de minimis. *See Saint-Gobain Ceramics & Plastics, Inc. v. II-VI Inc.*, 369 F.

Supp. 3d 963, 981 (C.D. Cal. 2019). But the “use” identified by Plaintiff is either governmental (*i.e.*, “for” or “authorized by” the government), or non-actionable.

First, much of the use identified by Plaintiffs relates to Defendant’s work on Ingenuity, which relates to the protected activity that was done for and authorized by the government and is shielded by § 1498. (*See* MSJ Order.) This includes Defendant’s AUVSI (“Flying on Mars: Development of the Ingenuity Mars Helicopter”) presentation, and education and public service events that presented Terry as a proxy for Ingenuity (*e.g.*, Wright Brother’s National Memorial, Syracuse University, Naval Test Pilot School). It also includes industry awards Defendant received for its work on Ingenuity.

By arguing that these activities fall outside the scope of § 1498, Plaintiffs advocate for a rule that government contractors are prohibited from discussing work they did for the government where the work itself is subject to § 1498. Plaintiffs present no authority for this proposition. Indeed, imposing this rule would run contrary to the purpose of § 1498, which was implemented “to permit the government to purchase goods or services for the performance of governmental functions without the threat that the work would not be carried out because its supplier or contractor was enjoined from or feared a suit for infringement of a patent.” *Windsurfing Int’l, Inc. v. Ostermann*, 534 F. Supp. 581, 587 (S.D.N.Y. 1982). If § 1498 protection came with a gag order preventing contractors from discussing their successful work for the government, it would disincentivize them to work with the government. The Court declines to impose such a rule.¹

Second, the remaining activities identified by Plaintiffs are either non-infringing or fall under the de minimis exception that applies in the § 1498 context. In this context, “[i]f the defendant’s nongovernmental activity is sufficiently limited, the court may dismiss the whole action on the principle of de minimis non curat lex (‘the law does not concern itself about trifles’).” *Saint-Gobain*, 369 F. Supp. 3d at 981 (quoting 5 Chisum on Patents § 16.06 (2019)) (dismissing suit under § 1498 when, setting aside government use, defendants produced single infringing sapphire sheet for an industry trade show and to be photographed for plaintiff’s website, finding this use de minimis and non-actionable).

Construing the facts in the light most favorable to Plaintiffs as the non-

¹ Even if these Ingenuity-proxy activities were not themselves shielded by § 1498, the Court would find them non-actionable or de minimis for the same reasons explained below with respect to other Terry activities.

movants, Defendant's presentation to UP.Partners, at which Defendant did not intend to sell Terry and which resulted in no investment or other transaction, and Defendant's engineer's demonstration of Terry to a personal friend, are de minimis. *See id.* at 981; *compare Med. Sols., Inc. v. C Change Surgical LLC*, 541 F.3d 1136, 1140 (Fed. Cir. 2008) (collecting cases that found "the mere demonstration or display of an accused product, even in an obviously commercial atmosphere is not an act of infringement for purposes of [35 U.S.C.] § 271(a)," and finding no infringing use where product was displayed at trade show but not put into service) (internal quotations omitted) *with Raymond Eng'g, Inc. v. Miltope Corp.*, No. 85 Civ. 2685, 1986 WL 488, at *5 (S.D.N.Y. May 23, 1986) (displaying accused product "at two trade shows for military hardware which are open to the public and attended by representatives of foreign countries" does not amount to private, commercial usage of the item to overcome the § 1498 defense).

The other activities on which Plaintiffs rely would not be actionable even outside the § 1498 context. For example, a proposed but never commenced meeting to discuss the accused technology, a discussion with a potential commercial business partner that never led anywhere, and an internal, forward-looking five-year plan about potential commercial activities do not constitute "use" for patent infringement purposes. *See* 35 U.S.C. § 271. Likewise, they also cannot be infringing where § 1498 applies. *See, e.g., BAE Sys. Info. & Elec. Sys. Integration Inc. v. Aeroflex Inc.*, No. CIV. 09-769, 2011 WL 3474344, at *12 (D. Del. Aug. 2, 2011) (§ 1498 applied where contractor submitted proposal to commercial customer but ended up not selling the product).

Plaintiffs argue there is no de minimis exception to infringement, even in the context of § 1498. (*See* Opp. at 20-21.) But the weight of authority considering this affirmative defense—including cases in this district—acknowledges such an exception. *See, e.g., Saint-Gobain*, 369 F. Supp. 3d at 981 ("Multiple courts have found trivial, non-governmental infringement to constitute de minimis infringement do not bar dismissal, pursuant to a § 1498 defense.") (collecting cases).

In sum, Plaintiffs have failed to show any offers for sale or commercial sales of the accused technology. And the activities on which they rely either relate to discussing or demonstrating the use protected by § 1498; are de minimis under § 1498; or are nonactionable in any event. Evidence showing that AeroVironment *might* leverage Ingenuity and Terry for commercial applications in the future is insufficient to show substantial commercial use of the accused technology right now. *BAE Sys.*, 2011 WL 3474344, at *12 ("[w]here no sales have occurred, speculation about future non-US government sales are just that: speculation."). Should

AeroVironment make any non-government-approved offers to sell or sales of the accused technology, Plaintiffs may bring a suit based on that non-protected, commercial activity.

Lastly, the Court observes that Plaintiffs have filed an infringement action in the Court of Federal Claims, which is the appropriate path to relief when § 1498 applies. The Court is unable to afford further relief in this context where Plaintiffs have not identified any commercial activity that falls outside of § 1498 and would be actionable under § 287. Thus, the Court **DENIES** Plaintiffs' request for further relief, including revising its decision concerning leave to amend.

D. CONCLUSION

For the foregoing reasons, the Court again **GRANTS** summary judgement to Defendant and **DENIES** Plaintiffs' request for further relief. Within 14 days of this Order, Defendant shall file an updated proposed Judgment reflecting this ruling. Plaintiffs may file any objection to the form of judgment within 7 days of its filing.

IT IS SO ORDERED.

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**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

PAUL E. ARLTON, an individual and
DAVID J. ARLTON, an individual,

Plaintiffs,

v.

AEROVIRONMENT, INC. a Delaware
corporation,

Defendant.

Case No. 2:20-cv-07438-AB (GJSx)

[Assigned to the Hon. André Birotte Jr.]

JUDGMENT

20 Defendant AeroVironment, Inc.’s (“AeroVironment” or “Defendant”) Motion
21 for Summary Judgment was initially heard by this Court on March 6, 2021. After
22 taking the matter under submission, the Court entered an Order on April 22, 2021,
23 granting AeroVironment’s Motion for Summary Judgment in its entirety. By way of
24 the same Order, the Court denied Plaintiffs Paul E. Arlton’s and David J. Arlton’s
25 (“Plaintiffs”) Motion for Leave to File a First Amended Complaint. At Plaintiffs’
26 request, through their Motion for Relief from Judgment based on Defendant’s
27 previously undisclosed “Terry” helicopter, that judgment was subsequently vacated,
28 and the case was reopened to allow Plaintiffs to take additional discovery into whether
AeroVironment sold or offered to sell certain helicopters commercially or otherwise

1 used them commercially in a substantial way. Following additional discovery and
2 briefing, the Court again Granted AeroVironment’s Motion for Summary Judgment on
3 August 15, 2023, and Denied Plaintiffs’ request for further relief. Having granted
4 AeroVironment’s Motion for Summary Judgment in its entirety:

5 **IT IS HEREBY ORDERED, ADJUDGED, AND DECREED** that Summary
6 Judgment be entered in favor of AeroVironment and against Plaintiffs on Counts I, II,
7 and III. Plaintiffs take nothing against AeroVironment.

8 Further, AeroVironment is the prevailing party pursuant to Federal Rules of
9 Civil Procedure, Rule 54(d) and Local Rule 54, and may be awarded costs through an
10 Application to the Clerk to Tax Costs.

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12 Dated: September 13, 2023



André Birotte Jr.
United States District Judge

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