

2021 – 2049; 2024 – 1084; 2024 – 1159

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PAUL E. ARLTON AND DAVID J. ARLTON,

Plaintiffs-Appellants

v.

AEROVIRONMENT, INC.,

Defendant-Cross-Appellant

Appeals from the United States District Court for the
Central District of California in
Case No. 2:20-cv-07438-AB-GJS, Judge Andre Birotte, Jr.

**DEFENDANT-CROSS-APPELLANT AEROVIRONMENT'S RESPONSE
TO PLAINTIFF-APPELLANT'S COMBINED PETITION FOR PANEL
REHEARING AND REHEARING EN BANC**

Dated: March 25, 2026

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 21-2049; 24-1084; 24-1159

Short Case Caption Arlton v. Aerovironment, Inc.

Filing Party/Entity AeroVironment, Inc.

Instructions:

1. Complete each section of the form and select none or N/A if appropriate.
2. Please enter only one item per box; attach additional pages as needed, and check the box to indicate such pages are attached.
3. In answering Sections 2 and 3, be specific as to which represented entities the answers apply; lack of specificity may result in non-compliance.
4. Please do not duplicate entries within Section 5.
5. Counsel must file an amended Certificate of Interest within seven days after any information on this form changes. Fed. Cir. R. 47.4(c).

I certify the following information and any attached sheets are accurate and complete to the best of my knowledge.

Date: 03/25/2026

Signature: /s/ Scott A. Felder

Name: Scott A. Felder

FORM 9. Certificate of Interest

Form 9 (p. 2)
March 2023

<p>1. Represented Entities. Fed. Cir. R. 47.4(a)(1).</p>	<p>2. Real Party in Interest. Fed. Cir. R. 47.4(a)(2).</p>	<p>3. Parent Corporations and Stockholders. Fed. Cir. R. 47.4(a)(3).</p>
<p>Provide the full names of all entities represented by undersigned counsel in this case.</p>	<p>Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.</p> <p><input checked="" type="checkbox"/> None/Not Applicable</p>	<p>Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.</p> <p><input type="checkbox"/> None/Not Applicable</p>
<p>AeroVironment, Inc.</p>		<p>BlackRock, Inc.</p>
		<p>The Vanguard Group</p>

Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

None/Not Applicable Additional pages attached

Adrienne J. Kosak (Wiley Rein LLP)		
Christina N. Goodrich (KandL Gates LLP)		
Zachary Thomas Timm (KandL Gates LLP)		

5. Related Cases. Other than the originating case(s) for this case, are there related or prior cases that meet the criteria under Fed. Cir. R. 47.5(a)?

Yes (file separate notice; see below) No N/A (amicus/movant)

If yes, concurrently file a separate Notice of Related Case Information that complies with Fed. Cir. R. 47.5(b). **Please do not duplicate information.** This separate Notice must only be filed with the first Certificate of Interest or, subsequently, if information changes during the pendency of the appeal. Fed. Cir. R. 47.5(b).

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).

None/Not Applicable Additional pages attached

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INTRODUCTION

The Arltons' en banc petition proceeds from the mistaken premise that the Court excused AeroVironment's demonstrations of Terry as *de minimis* infringement. The Court, however, explicitly declined to reach this issue. Panel Op. at 13 n.3. As such, the entire basis of the petition is unfounded, and the petition should be denied.

The petition for panel rehearing fares no better. The Arltons identify three alleged mistakes in the opinion, none of which is an actual error, and in one case, originated from the Arltons' own representations to this Court. Because the Arltons have not identified any points of law or fact overlooked or misapprehended by the Court, the petition for panel rehearing should also be denied.

ARGUMENT

I. **The Petition for Rehearing En Banc Should Be Denied.**

The Arltons do not contend that the panel's decision conflicts with any decisions of this Court (or any other court). Rather, the sole articulated basis for the en banc petition is their assertion that "this appeal requires an answer to one or more precedent-setting questions of exceptional importance."¹ Pet. at 1. This assertion fails for two reasons.

¹ While the petition argues that the "panel opinion deviates from this Court's precedent on *de minimis* infringement to sweep otherwise actionable infringing

First, the panel opinion cannot answer a precedent-setting question of exceptional importance for the straightforward reason that the panel disposition is designated non-precedential. Panel Op. at 1. As this Court’s rules instruct, a “petition for rehearing en banc is rarely appropriate if the appeal was the subject of a nonprecedential opinion or Rule 36 disposition by the panel of judges that heard it.” Practice Notes to Fed. Cir. R. 40. The Arltons fail to address this fatal flaw in their petition, and the petition should therefore be denied.

Second, even if the decision was precedential, the panel opinion expressly declined to address the allegedly “precedent-setting question” identified in the petition. As such, there is no reason this Court would need to take this case en banc to resolve that question, regardless of its importance.

The specific question identified by the Arltons as exceptionally important is as follows: “Is the meaning of *de minimis* infringement as applied in the context of 28 U.S.C. § 1498 different from the long-established meaning of *de minimis* infringement under 35 U.S.C. § 271?” Pet. at 1. The Arltons argue that “the panel decision improperly expands the *de minimis* infringement doctrine in the context of § 1498.” *Id.* at 17.

uses within a § 1498 immunity defense,” Counsel for the Arltons neither identifies any such conflict in the Fed. Cir. R. 40(c) statement nor cites to specific cases with which the panel opinion is at odds. Pet. at 1, 12.

The panel did no such thing. In fact, the panel went out of its way to explicitly disclaim any effect on the *de minimis* infringement doctrine, stating that “[w]e need not, and do not, reach the issue of whether the same *de minimis* use doctrine we have recognized in connection with infringement under 35 U.S.C. § 271 applies equally to § 1498 immunity.” Panel Op. at 13 n.3 (citing *Embrex, Inc. v. Serv. Eng’g Corp.*, 216 F.3d 1343, 1349 (Fed. Cir. 2000)).

While the panel opinion does conclude that AeroVironment’s actions are immunized by § 1498, it does not rely on the *de minimis* infringement exception to get there. Rather, the panel held that these acts are within the scope of the broad § 1498 immunity even if they are infringing acts under 35 U.S.C. § 271. Consequently, the panel held that “JPL’s subsequent use of Terry to conduct acoustic testing and the government’s express consent (including through this litigation) to Terry’s creation establish, as a matter of law, that Terry’s manufacture and the uses apparent from the record are within the scope of the immunity provided to AeroVironment under § 1498.” Panel Op. at 11.

The panel reached the same conclusion with respect to all other noncommercial uses of Terry. While the Arltons accuse this Court of “myopically (and incorrectly) focus[ing] on whether there had been ‘offers for sale or commercial sales’ related to Terry[,]” Pet. at 12, the panel was simply following this Court’s precedents, which hold that “when a defendant ‘received no commercial profit’ and

used infringing devices ‘solely for purposes of display’ when demonstrating work performed on behalf of the government, it has not engaged in commercial conduct that would vitiate a § 1498 defense.” Panel Op. at 11-12 (quoting *TVI Energy Corp. v. Blane*, 806 F.2d 1057, 1061 (Fed. Cir. 1986)).

The issue, in other words, is not whether there is a *de minimis* exception for acts “that would otherwise constitute infringement under the Patent Act” under § 1498. Pet. at 13. Rather, the panel decision concludes, consistent with longstanding precedent regarding the breadth of a government contractor’s § 1498 immunity, that the noncommercial use of patented technology when demonstrating work performed on behalf of the government is within the scope of the conduct immunized by § 1498. Thus, far from conflicting with this Court’s precedents, the panel opinion faithfully applies them.

The Arltons attempt to distinguish *TVI Energy*, asserting without citation to the record that “AeroVironment derived significant commercial value and attracted commercial customers at the Arltons’ expense” and claiming that this “bear[s] no resemblance to the activities at issue” in *TVI Energy*.² *Id.* at 18. The panel, however,

² The Petition also attempts to distinguish various district court cases, including *Bae Systems Information & Electronic Systems Integration Inc. v. Aeroflex Inc.*, No. 09-769, 2011 WL 3474344 (D. Del. Aug. 2, 2011), *Saint-Gobain Ceramics & Plastics, Inc. v. II-VI Inc.*, 369 F. Supp. 3d 963 (C.D. Cal. 2019), and *Hutchinson Industries v. Accuride Corp.*, No. 09-cv-1489 FLW, 2010 U.S. Dist. LEXIS 30527 (D.N.J. Mar. 30, 2010). Because any alleged conflict with these decisions is

held that even when “viewing the evidence in the light most favorable to the Arltons, AeroVironment’s demonstrations do not qualify as commercial uses outside the ambit of § 1498.” Panel Op. at 12.

Moreover, even if the panel decided this highly fact-bound and case-specific issue incorrectly, it would not meet the standard for en banc review because the application of the law to the specific facts of this case does not present a question of exceptional importance. Moreover, in their effort to assign error to the panel’s conclusions, the Arltons do not even attempt to address the panel’s detailed analysis of the record. *See id.* at 12-13 (“While AeroVironment may have received reputational benefits from its demonstrations, including its appearance on 60 Minutes, there is no evidence that AeroVironment derived any commercial profit from the demonstrations.”) (“The record is devoid of any evidence that AeroVironment offered Terry for sale to anyone.”) (“Nor is there evidence that internal discussions within the company about potentially commercializing Terry ever materialized into actual engagements with prospective business partners.”). Instead, they only offer their *ipse dixit* that “AeroVironment derived significant commercial value” from its demonstrations without even an attempt to show that the panel misapprehended the record in some way.

irrelevant to the standard for en banc review, the Arltons’ discussion of these cases is immaterial to the merits of their petition.

In short, because the panel opinion is not precedential and does not conflict with any precedential decisions of this Court or the Supreme Court, the en banc petition should be denied.

II. **The Petition for Panel Rehearing Should Be Denied.**

In their petition, the Arltons identify three alleged errors that they argue warrant panel rehearing. Specifically, they argue that the panel opinion contains errors regarding (1) “the ability of Lite [Machines] to file a bid protest,” (2) “the origin of the technology claimed in the ’763 Patent” and “the contracts awarded to Lite [Machines] under the Government’s SBIR and STTR programs,” and (3) “the language of 15 U.S.C. § 638(r)(4).” Pet. at 1. This Court should deny the petition for panel rehearing because none of the identified issues are, in fact, errors and would not warrant rehearing regardless.

First, the Arltons take issue with the panel’s discussion of the possible remedies to a violation of 15 U.S.C. § 638, arguing that “this Court should not prejudge the nature and scope of Lites’ claims, which are not presently before it.” Pet. at 10. The Arltons recognize that the panel’s discussion of this issue is dicta, yet they nonetheless ask this Court to rehear the case to rewrite that discussion. This, like the other issues raised in the Arltons’ request for rehearing, seem to reflect the Arltons’ apparent fear that the panel opinion will impact Lite Machine’s pending case in the Court of Federal Claims. *See id.* at 1-2 (arguing that “[t]hese errors are

exceedingly prejudicial to the Arltons because of the potential effect or influence they may have in the related case pending before the CFC: *Lite Machines Corp. et al. v. United States*, No. 18-1411C (Fed. Cl.)”). But these issues should be addressed by the Court of Federal Claims in first instance, rather than by granting rehearing to tinker with the wording of the panel opinion because it may affect another case.

Moreover, in stating that “even if [the Arltons] were correct that § 638 obligated the government to award the Phase III contract to Lite Machines, remedying this error would require Lite Machines (not the Arltons) to bring a protest action (not a patent infringement lawsuit) in the Court of Federal Claims (not a district court),” the panel was not prejudging anything. It was certainly not suggesting that any such protest action was currently available or viable, just that if there is has been an actionable violation of § 638, any claim seeking to remedy that violation would have to be brought in the Court of Federal Claims pursuant to its exclusive jurisdiction under the Tucker Act over actions involving an “alleged violation of statute or regulation in connection with a procurement or a proposed procurement.” 28 U.S.C. § 1491(b).

In any event, the entire issue is moot given the Arltons’ representation that “[i]n reality, Lite [Machines] did file a bid protest.” ECF 38, Arlton Reply Br. at 6 (citing *Lite Machs. Corp. v. United States*, 143 Fed. Cl. 267, 274 (2019)).

Second, the Arltons take issue with the panel opinion’s statement that “‘Lite Machines received multiple Phase I and Phase II contracts to develop the technology it ultimately patented in the ’763 [P]atent’” because it attributes development of that technology to their company, Lite Machines. Pet. at 10 (quoting Panel Op. at 3). This language, however, simply reflects representations the Arltons made in their briefing to this Court. In their reply brief, the Arltons told this Court that “[t]heir innovative technology—developed by Lite Machines Corporation (‘Lite’) in Small Business Innovation Research (‘SBIR’) programs over the course of ten years—enabled the historic first flight on another planet.” ECF 38, Arlton Reply Br. at 5. The panel can hardly be faulted for taking the Arltons at their word.

Nor did the panel opinion in any way suggest that Lite Machines owns the ’763 Patent. Indeed, the first section of the opinion recites that that “[t]he Arltons are the inventors and co-owners of U.S. Patent No. 8,042,763 (‘763 patent’), entitled ‘Rotary Wing Vehicle,’” and that “[t]he Arltons licensed the ’763 patent to their company, Lite Machines Corporation (‘Lite Machines’), which produced Unmanned Aerial Vehicles (‘UAVs’) allegedly embodying claim 1 of the patent.” Panel Op. at 2.

Against this backdrop, the Arltons’ nonetheless claim that the “clear import” of the challenged sentence “is that Lite [Machines] invented the technology claimed in the ’763 Patent during its SBIR Phase I and Phase II contracts and later patented

the technology.” Pet. at 10. Because this strained reading of the opinion is contradicted by the opinion itself, there is no need to correct anything here.

The Arltons also quibble with the Court’s description that “Lite Machines received multiple Phase I and Phase II contracts,” because “any suggestion that Lite [Machines] has been awarded only Phase I and Phase II contracts and did not hold Phase III contract and follow-on development rights is simply false.” *Id.* at 10-11. But Lite Machines did, in fact, receive multiple Phase I and Phase II contracts. The fact that Lite Machines also received Phase III awards does not make the Court’s statement untrue or misleading. Presumably, the panel opinion did not address Lite Machines’ Phase III contracts for the simple reason that, because a SBIR awardee’s Phase III rights cannot be predicated on earlier SBIR Phase III work, Lite Machine’s Phase III contracts were not relevant to the issues on appeal.

Third, the Arltons accuse the Court of “misstating” 15 U.S.C. § 638 by “replac[ing] the mandatory ‘shall’ at the heart of this statute with the permissive ‘should.’” Pet. at 11. This accusation is misplaced. The relevant section of the panel opinion is paraphrasing § 638, not quoting from it. Panel. Op. at 3. Moreover, when the panel opinion later quotes from the statute, it faithfully reproduces the word “shall,” yet the panel nevertheless rejected the Arltons’ argument that the use of the word “shall” creates a conflict with 28 U.S.C. § 1498. *Id.* at 8.

Nor is there any error in suggesting that the award of a Phase III contract is not mandatory. Indeed, that conclusion is compelled by this Court's precedents. *See Night Vision Corp. v. United States*, 469 F.3d 1369, 1374 (Fed. Cir. 2006).

In short, the Arltons' real complaint is that the panel found their arguments unpersuasive. That, however, is not a basis for rehearing. The petition for panel rehearing should be denied.

CONCLUSION

For the foregoing reasons, the Arltons' Combined Petition for Panel Rehearing and Rehearing En Banc should be denied.

Dated: March 25, 2026

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(g)(1) and Federal Circuit Rule 32(b)(3), the undersigned counsel certifies that the foregoing filing complies with the relevant type-volume limitation of the Federal Rules of Appellate Procedure and Federal Circuit Rules because the filing has been prepared using a proportionally-spaced typeface and includes 2127 words.

Date: March 25, 2026

/s/Welsey E. Weeks
Wesley E. Weeks

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