

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

Defendant AeroVironment, Inc.’s (“AeroVironment” or “Defendant”) Motion for Summary Judgment was initially heard by this Court on March 6, 2021. After taking the matter under submission, the Court entered an Order on April 22, 2021, granting AeroVironment’s Motion for Summary Judgment in its entirety. By way of the same Order, the Court denied Plaintiffs Paul E. Arlton’s and David J. Arlton’s (“Plaintiffs”) Motion for Leave to File a First Amended Complaint. At Plaintiffs’ request, through their Motion for Relief from Judgment based on Defendant’s previously undisclosed “Terry” helicopter, that judgment was subsequently vacated, 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