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Fed. Circ. Questions Contract Claim Over Secret IP Review

By **Matt Bernardini**

Law360 (January 8, 2019, 9:10 PM EST) -- A Federal Circuit judge asked a patent owner Tuesday to explain how the U.S. Patent and Trademark Office breached an implied contract by funneling its patent application to a secret, now-defunct screening process.

EVideo Inc. is appealing the dismissal of its proposed class action over the USPTO's little-known Sensitive Application Warning System, or SAWS, program, which began in 1994 and was terminated in 2015.

U.S. Circuit Judge Sharon Prost asked eVideo to explain how there was an implied-in-fact contract between the patent owners and the government

Patrick Delaney of Devlin Law Firm LLC, representing eVideo, told Judge Prost that the offer from the patent office to examine the patent applications is the contract.

"The USPTO has said that if you bring your patent application to us and pay the fee, we will examine it," Delaney argued.

Details on SAWS didn't emerge until two decades after its inception in response to a Freedom of Information Act request from Kilpatrick Townsend & Stockton LLP attorneys. The USPTO described SAWS as a quality-assurance program designed to ensure that patent applications that may generate widespread public interest are properly reviewed.

EVideo filed a proposed class action in 2015, arguing that certain patent owners were financially harmed and experienced "undue delay" after their applications were referred to SAWS and the USPTO failed to notify them of the referrals.

The U.S. Court of Federal Claims dismissed their claims in March 2016 on the basis that they had failed to prove the existence of an implied contract between the government and the patent applicants — a decision the Federal Circuit affirmed the following March.

After their initial suit was dismissed, eVideo sued again in May 2017, arguing that the prior ruling on their contract claims was not a decision on the merits. Bringing claims under the Tucker Act, the complaint asserted that the director of the USPTO was the agency's "authorized representative" in the implied contract because the agency solicits and accepts patent applications.

In January 2018, the Court of Federal Claims again ruled against the patent owners, finding that res judicata barred their claims.

On Tuesday, Judge Prost asked how this case is not the same as the one the Federal Circuit heard previously.

Delaney argued that this time around eVideo's argument for an implied-in-fact contract and a failure to notify the patent owners is much clearer.

"The pleadings for [this] complaint have a much better explanation for the overall framework by

dissecting out the notice provision," Delaney said.

U.S. Circuit Judges Kimberly Moore, Sharon Prost and Jimmy Reyna sat on the panel.

EVideo is represented by Patrick Delaney of Devlin Law Firm LLC.

The government is represented by Nicholas Jae-Ryoung Kim of the U.S. Department of Justice's Civil Division.

The case is eVideo Inc. v. U.S., case number 18-1722, in the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Tiffany Hu. Editing by Breda Lund.

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