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28United States District Court
For the Northern District of CaliforniaIN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

BRUCE HORTON,

No. C-13-4912 MMC

Plaintiff,

**ORDER GRANTING DEFENDANT'S
MOTION TO DISMISS; VACATING
HEARING**

v.

UNITED STATES OF AMERICA,

Defendant.

Before the Court is defendant United States of America's Motion to Dismiss, filed January 13, 2014. Plaintiff Bruce Horton ("Horton") has filed opposition, to which the United States has replied. Having read and considered the papers filed in support of and in opposition to the motion, the Court deems the matter appropriate for determination on the parties' respective written submissions, VACATES the hearing scheduled for March 21, 2014, and rules as follows.

BACKGROUND

Horton alleges that, in 2004, he invented "a machine in the field of acoustic wave propagation" (see Compl. ¶ 6), and disclosed his invention to the Army (see Compl. ¶¶ 7-8). According to Horton, the Army told him "not to reveal his invention to anyone." (See Compl. ¶ 8.) Horton also alleges that he told "the attorney for the Army" he wanted to apply for a patent for his invention (see Compl. ¶ 9), and that he thereafter entered into an agreement, titled Representation Letter and dated December 9, 2004, in which the United

1 States stated it would file a patent application on Horton's behalf (see Compl. Ex. 2).

2 On May 12, 2005, the Army sent a letter to the Patent and Trademark Office
3 ("PTO"), in which, pursuant to 35 U.S.C. § 181, it requested the PTO "order that the
4 invention be kept secret and withhold the grant of a patent for such period as the national
5 interest requires" and, further, order that the applicable "level of protection or classification"
6 be "top secret." (See Compl. Ex. 4.) Thereafter, the PTO issued a "Secrecy Order," in
7 which it stated that, upon the Army's recommendation, Horton's application had been
8 "classified" as "top secret." (See Compl. Ex. 5.)

9 On February 20, 2012, Horton submitted to the Army an administrative claim,
10 contending the Army had made use of his invention, which use entitled him to
11 compensation and damages, pursuant to 35 U.S.C. § 183. (See Compl. Ex. 6.) On May
12 22, 2013, the Army denied the claim as premature, on the ground that an inventor is not
13 entitled to compensation or damages under § 183 until after the PTO notifies the inventor
14 that "except for [the secrecy] order, his application is otherwise in condition for allowance,"
15 and that the PTO had not so notified Horton. (See Compl. Ex. 7 at 1-2.) The Army
16 explained:

17 Under current USPTO policy, patent applications having a TOP SECRET
18 classification are not examined for patentability until the TOP SECRET
19 classification is removed. This would happen if the application was
20 declassified or if the classification was downgraded to the level of SECRET or
below. Mr. Horton's patent application having an active TOP SECRET
secrecy order has not been examined; therefore, Mr. Horton has not been
notified that the application is in condition for allowance.

21 (See id. Ex. 7 at 2.)¹

22 Thereafter, Horton filed the above-titled action, in which he alleges a claim for
23 compensation and damages pursuant to 35 U.S.C. § 183.²

25 ¹In addition, the Army denied "us[ing] any device covered by the claims" set forth in
26 the application it filed on Horton's behalf. (See id. Ex. 7 at 3.)

27 ²The Court notes that although "[t]he owner of an application which has been placed
28 under a secrecy order shall have a right to appeal from the order to the Secretary of
Commerce under rules prescribed by him," see 35 U.S.C. § 181, Horton states he does not
challenge the classification of his patent application (see Pl.'s Opp. at 3:10-11).

1 **DISCUSSION**

2 In its motion to dismiss, the United States argues the Court lacks subject matter
3 jurisdiction over Horton’s claim. Specifically, the United States argues that, as set forth in
4 35 U.S.C. § 183, the United States has waived its sovereign immunity only under
5 conditions specified therein, and that Horton cannot show those conditions have occurred.

6 Section 183 is part of the Invention Secrecy Act, the key provisions of which have
7 been described as follows:

8 The Invention Secrecy Act of 1951, 35 U.S.C. §§ 181-188, authorizes the
9 Commissioner of Patents to delay the grant of a patent on an invention the
10 disclosure of which might be detrimental to the national security. When he
11 believes such a danger to exist, the Commissioner is directed to ‘make the
12 application for patent in which such invention is disclosed available for
inspection’ to certain officials of designated defense agencies of the United
States. At the request of any of these officials a secrecy order may issue
withholding the grant of a patent for as long a period of time as the national
interest requires.

13 An inventor whose patent has been so withheld is prevented from exploiting
14 his invention, for he may not disclose it to other persons as long as the
15 secrecy order is in effect. Moreover, defense agencies of the United States
16 to whom, pursuant to § 181, the invention has been disclosed [by] the
17 Commissioner of Patents, may use it, prior to the issuance of a patent, secure
18 from the threat of an infringement action brought against the United States
19 under 28 U.S.C. § 1498. However, the inventor is not wholly deprived of the
20 fruits of his discovery, ingenuity, and labor. Section 183 of the Act provides
that he may apply to the agency responsible for the issuance of the secrecy
order for ‘compensation for the damage caused by the order of secrecy
and/or for the use of the invention by the Government, resulting from his
disclosure.’ If a satisfactory settlement with the agency cannot be effected,
the claimant then may bring suit for this compensation against the United
States in the Court of Claims or in the United States District Court for the
district where the claimant resides.

21 See Farrand Optical Co. v. United States, 317 F.2d 875, 876 (2nd Cir. 1962).

22 Section 183 provides as follows:

23 An applicant . . . whose patent is withheld [under the Invention Secrecy Act]
24 shall have the right, beginning at the date the applicant is notified that, except
25 for such order, his application is otherwise in condition for allowance, or
26 February 1, 1952, whichever is later, and ending six years after a patent is
27 issued thereon, to apply to the head of any department or agency who
28 caused the order to be issued for compensation for the damage caused by
the order of secrecy and/or for the use of the invention by the Government,
resulting from his disclosure. The right to compensation for use shall begin
on the date of the first use of the invention by the Government. The head of
the department or agency is authorized, upon the presentation of a claim, to
enter into an agreement with the applicant, his successors, assigns, or legal

1 representatives, in full settlement for the damage and/or use. This settlement
2 agreement shall be conclusive for all purposes notwithstanding any other
3 provision of law to the contrary. If full settlement of the claim cannot be
4 effected, the head of the department or agency may award and pay to such
5 applicant, his successors, assigns, or legal representatives, a sum not
6 exceeding 75 per centum of the sum which the head of the department or
7 agency considers just compensation for the damage and/or use. A claimant
8 may bring suit against the United States in the United States Court of Federal
9 Claims or in the District Court of the United States for the district in which
10 such claimant is a resident for an amount which when added to the award
11 shall constitute just compensation for the damage and/or use of the invention
12 by the Government. The owner of any patent issued upon an application that
13 was subject to a secrecy order issued pursuant to section 181, who did not
14 apply for compensation as above provided, shall have the right, after the date
15 of issuance of such patent, to bring suit in the United States Court of Federal
16 Claims for just compensation for the damage caused by reason of the order
17 of secrecy and/or use by the Government of the invention resulting from his
18 disclosure. The right to compensation for use shall begin on the date of the
19 first use of the invention by the Government. In a suit under the provisions of
20 this section the United States may avail itself of all defenses it may plead in
21 an action under section 1498 of title 28. This section shall not confer a right
22 of action on anyone or his successors, assigns, or legal representatives who,
23 while in the full-time employment or service of the United States, discovered,
24 invented, or developed the invention on which the claim is based.

25 See 35 U.S.C. § 183.

26 An inventor seeking compensation under § 183 thus has “two avenues” of recourse
27 he can pursue. See *Hornback v. United States*, 601 F.3d 1382, 1385 (Fed. Cir. 2010).
28 Pursuant to the first, the inventor “may apply for compensation directly from the head of the
department or agency that sought imposition of the secrecy order,” and, if “unhappy with
the award that the government department or agency provides,” may bring suit in a district
court or the Court of Federal Claims; with the first such “avenue,” the right to apply for
compensation “begin[s]” when the inventor is notified the application “is otherwise in
condition for allowance.” See *id.* (quoting 35 U.S.C. § 183). Pursuant to the second such
avenue, an inventor who has not applied for compensation directly from the department or
agency may file suit in the Court of Federal Claims, but “must wait until ‘after the date of
issuance of [the] patent.’” See *id.* (quoting 35 U.S.C. § 183; alteration in original).³ Here,
Horton seeks to proceed pursuant to the first of the two available “avenues,” the only

³The Court observes that the United States, by notice filed March 10, 2014, has stated the Army intends to request the PTO rescind the subject Secrecy Order.

1 option under which an inventor can proceed in district court.

2 As noted above, the United States contends the Court at this time lacks jurisdiction
3 over Horton's complaint; in particular, as the United States points out, the PTO has not
4 notified Horton that his patent application is in condition for allowance.

5 "The United States, as sovereign, is immune from suit save as it consents to be
6 sued, and the terms of its consent to be sued in any court define that court's jurisdiction to
7 entertain the suit." United States v. Sherwood, 312 U.S. 584, 586 (1941) (internal citations
8 omitted). As set forth above, § 183 limits the circumstances under which a district court
9 may hear a claim thereunder, and, specifically, to cases in which (1) the PTO has notified
10 the inventor his application is in condition for allowance, (2) the inventor has submitted an
11 administrative claim to the agency that requested the PTO issue the secrecy order, and (3)
12 the administrative process did not result in a settlement agreement. See 35 U.S.C. § 183.

13 Although Horton concedes the first of the above-listed requirements has not been
14 met (see Compl. ¶¶ 28-30), he argues such requirement is not jurisdictional, and,
15 consequently, he should be allowed to argue that such requirement, for equitable reasons,
16 should be waived.⁴ In support of his argument, Horton relies on Arbaugh v. Y & H Corp.,
17 546 U.S. 500 (2006), in which the Supreme Court held that the Civil Rights Act of 1964's
18 requirement that its terms only apply to employers with fifteen or more employees is not
19 "jurisdictional" but "an element of a plaintiff's claim for relief." See id. at 504, 515.
20 According to Horton, Arbaugh should be understood as holding more generally that
21 "statutory limitations on suit, such as conditions precedent, are not jurisdictional." (See
22 Pl.'s Opp. at 12:1-20.) Because Arbaugh did not involve a claim against the United States,
23 however, the Supreme Court had no occasion therein to address, nor did it address, the
24 manner in which a court determines whether the United States has waived its sovereign
25

26 ⁴According to Horton, because the PTO has not considered whether his application
27 is in condition for issuance, and because, he states, he was misled about the process at
28 the time he agreed to have an attorney for the Army submit his application to the PTO, the
United States should be equitably estopped from relying on the requirement that the PTO
notify him that the application is in condition for issuance.

1 immunity. Rather, as the Supreme Court has explained, with respect to claims against the
2 United States, any “limitations and conditions upon which the Government consents to be
3 sued must be strictly observed and exceptions thereto are not to be implied,” even where
4 an exception would be recognized in a case brought against private parties. See Soriano
5 v. United States, 352 U.S. 270, 275-76 (1957) (holding statutory requirement that plaintiff
6 file suit against United States within six years of date claim accrues is jurisdictional
7 requirement, and, consequently, a plaintiff cannot rely on doctrine of equitable tolling to
8 extend time period to file suit; distinguishing cases recognizing equitable tolling as
9 “involv[ing] private citizens” and having “no applicability to claims against the sovereign”).

10 Accordingly, the Court finds the above-described requirement, specifically, that the
11 PTO notify the inventor that his application is in condition for issuance, is jurisdictional.

12 Lastly, Horton argues that the Court should not dismiss the complaint for lack of
13 jurisdiction without first affording him leave to “take discovery on the issue of jurisdiction.”
14 (See Pl.’s Opp. at 13:16-18.) Horton, however, identifies no factual issue in dispute that
15 pertains to jurisdiction, and, indeed, as discussed above, he alleges the PTO has not
16 notified him that his application is in condition for allowance. Consequently, leave to
17 conduct discovery will not be afforded, and the complaint will be dismissed.

18 CONCLUSION

19 For the reasons stated above, the United States’ motion to dismiss is hereby
20 GRANTED, and the complaint is hereby DISMISSED for lack of jurisdiction.

21 **IT IS SO ORDERED.**

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23 Dated: March 14, 2014

24 
25 MAXINE M. CHESNEY
26 United States District Judge
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