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Recent Development

**RECENT DEVELOPMENTS IN PATENT LAW**

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This article contains recent developments in patent law from the United States Supreme Court and the United States Court of Appeals for the Federal Circuit for the year two-thousand one (2001). For brevity and maximum usefulness to the practitioner, this article limits its discussion to recent case law that presents a novel or interesting twist to the current body of patent case law.

The past year had many developments in patent law, including the following holdings from the Supreme Court and Federal Circuit: (1) Plants are patentable subject matter under 35 U.S.C. § 101;<sup>1</sup> (2) any offer for sale must rise to the level of an offer under contract law to trigger the on-sale bar of 35 U.S.C. § 102(b);<sup>2</sup> (3) a patent may not be held unenforceable for litigation misconduct;<sup>3</sup> (4) the 35 U.S.C. § 112 second paragraph requirement that claims be definite is a question of law that does not depend on underlying questions of fact;<sup>4</sup> (5) the Federal Circuit reviews a district court's decision of waiver of the attorney-client privilege under the abuse of discretion standard of review;<sup>5</sup> (6) a settlement agreement provision promising to never challenge the validity of a patent for any reason is enforceable under the doctrine of contractual estoppel;<sup>6</sup> (7) actual notice of infringement under 35 U.S.C. § 287 must come from and identify the patent owner;<sup>7</sup> and (8) an appeal of attorney fees alone, unquantified in amount and unaccompanied by other issues on appeal, is not a final decision and thus not appealable until the district court quantifies the amount of attorneys fees.<sup>8</sup>

These holdings, and many others, are discussed in this article.

## **\*382 II. Validity**

### **A. Patentable Subject Matter - 35 U.S.C. § 101**

#### **1. Plants are Patentable Subject Matter Under 35 U.S.C. § 101 - J. E.M. AG Supply, Inc. v. Pioneer Hi-Bred International, Inc.**

In *J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred International, Inc.*,<sup>9</sup> the Supreme Court granted certiorari to address one issue: [W]hether utility patents may be issued for plants pursuant to 35 U.S.C. § 101 (1994 ed.), or whether the Plant Variety Protection Act, 84 Stat. 1542, as amended, 7 U.S.C. § 2321 et seq., and the Plant Patent Act of 1930, 35 U.S.C. §§ 161-164 (1994 ed. and Supp. V), are the exclusive means of obtaining a federal statutory right to exclude others from reproducing, selling, or using plants or plant varieties.<sup>10</sup>

In a split decision, the Supreme Court affirmed the Federal Circuit by holding that plants are patentable subject matter under 35 U.S.C. § 101.<sup>11</sup>

The plaintiff, Pioneer Hi-Bred International, (hereinafter "Pioneer"), owned several patents for plants (including sexually reproduced plants, i.e., seed-grown plants) that were obtained under Title 35 of the United States Code.<sup>12</sup> Pioneer sued J.E.M. AG Supply (hereinafter "J.E.M.") for the patent infringement.<sup>13</sup> J.E.M. defended against the Pioneer's claim of patent infringement on the ground that the Pioneer's patents were invalid because the patents were based on unpatentable subject matter within the scope of 35 U.S.C. § 101.<sup>14</sup> More specifically, J.E.M. argued that the Plant Patent Act of 1930 ("PPA") and the Plant Variety Protection Act ("PVPA") "provide[d] the exclusive means of protecting new varieties of plants, and so awarding utility patents for plants upsets the scheme contemplated by Congress."<sup>15</sup> Pioneer prevailed both in the district court and in the Federal Circuit.<sup>16</sup> J.E.M. appealed to the Supreme Court.

The majority opinion, written by Justice Thomas, held that plants are patentable subject matter under 35 U.S.C. § 101 based on the reasoning that: 1) the Supreme Court "has already spoken clearly concerning the broad scope and applicability of § 101"<sup>17</sup> when it held in *Diamond v. Chakrabarty*<sup>18</sup> that "Congress \*383 intended statutory subject matter to include anything under the sun that is made by man"<sup>19</sup>; 2) there was nothing in the PPA or PVPA that forecloses granting utility patent protection to plants;<sup>20</sup> and 3) Congress has given no indication that the issuance of utility patents is contrary to the intent of the PPA or PVPA, even though the Patent and Trademark Office has issued more than 1,800 patents for plants § 101.<sup>21</sup> Justice Scalia wrote a concurring opinion,<sup>22</sup> while Justice Breyer wrote a dissenting opinion in which Justice Stevens joined.<sup>23</sup> This case is interesting because it illustrates how different Justices approach a complex issue of statutory construction. Justice Scalia's concurrence illustrates his "original meaning," academically called "textualism" or "interpretivism,"<sup>24</sup> approach to statutory construction,<sup>25</sup> while the dissent illustrates a legislative intent approach to statutory construction. A textualist or

original meaning statutory construction is favored by those who value “textual fidelity and internal textual coherence”<sup>26</sup> as it gives effect to what the statute actually states, not what is believed to be the subjective intentions of the legislators.<sup>27</sup>

#### **\*384 B. On-Sale Bar - 35 U.S.C. § 102(b)**

##### **1. To invoke the On-Sale Bar of 35 U.S.C. § 102(b), A Commercial Offer for Sale Must Meet the Requirements for an “Offer” Under Contract Law - Group One Ltd. v. Hallmark Cards, Inc.<sup>28</sup>**

35 U.S.C. § 102(b) provides that “[a] person shall be entitled to a patent unless (b) the invention . . . was on sale in this country . . . more than one year prior” to filing for a United States patent application on the invention. This provision is commonly called the on-sale bar. In order to invoke the on-sale bar, the Supreme Court has recently held that a party must prove two things: 1) that a product that anticipates the claimed invention has been the subject of “a commercial offer for sale” more than one year before the patent application for the invention was filed;<sup>29</sup> and 2) prior to the critical date, the invention was ready for patenting, which can be shown by either actual reduction to practice or by drawings and other materials that “were sufficiently specific to enable a person skilled in the art to practice the invention.”<sup>30</sup>

In *Group One Ltd. v. Hallmark Cards, Inc.*,<sup>31</sup> an issue of first impression before the Federal Circuit was what constitutes a sufficient commercial offer for sale in order to trigger the on-sale bar?<sup>32</sup> The Federal Circuit, sua sponte, raised the issue of whether a commercial offer for sale must rise to the level of an “offer” under contract law in order to invoke the on-sale bar.<sup>33</sup> The Federal Circuit held that an offer to sell must be an offer under the definition of contract law in order to meet the on-sale bar requirement.<sup>34</sup> In addition, the Federal Circuit held that whether the commercial offer for sale requirement is satisfied will be determined under Federal Circuit contract common law, not state contract law.<sup>35</sup>

In *Group One*, the plaintiff owned patents for a method and machine for curling and shredding ribbon on a large scale.<sup>36</sup> On June 24, 1991, the plaintiff sent Hallmark a letter stating: “We have developed a machine which can curl and shred ribbon so that Hallmark can produce the product you see enclosed--a bag of \*385 already curled and shredded ribbon . . . . We could provide the machine and/or the technology and work on a license/royalty basis.”<sup>37</sup> After back and forth communications, the plaintiffs and Hallmark scheduled a meeting to discuss the curling and shredding machine.<sup>38</sup>

Before the meeting, the parties negotiated a confidential disclosure agreement, and<sup>39</sup> although the plaintiff signed the agreement and believed that Hallmark had signed the agreement, Hallmark never actually signed the agreement.<sup>40</sup> Erroneously believing that the agreement was in effect, the inventor of the patented process had a telephone conversation with a Hallmark engineer, in which they discussed the details of the inventor’s invention of the method and the machine for making the shredded and curled ribbon.<sup>41</sup> After the discussion between the inventor and the Hallmark engineer, Hallmark cancelled the upcoming meeting.<sup>42</sup> On June 6, 1992, apparently recognizing a potential trade secret misappropriation lawsuit, Hallmark sent the plaintiff a letter indicating that it had developed its own shredding and curling machine and requesting that the plaintiff sign a release as to any potential liability in return for \$500.<sup>43</sup> The plaintiff refused to sign the release.<sup>44</sup> On November 12, 1992, the plaintiff filed a PCT patent application in the European Patent Office, designating among other countries the United States.<sup>45</sup>

Thereafter, the plaintiff sued Hallmark for patent infringement.<sup>46</sup> Hallmark counterclaimed that the patents were invalid because the machine and method for making the shredded and curled ribbon were on sale more than one year before filing the PCT application that designated the United States.<sup>47</sup> On a motion for summary judgment, the district court held that the patents were invalid for violating the on-sale bar, reasoning that although the communications between the plaintiff and Hallmark did not rise to a formal offer under contract law, the communications \*386 did constitute a commercial offer for sale for on-sale bar purposes.<sup>48</sup> The plaintiff appealed.<sup>49</sup>

On appeal, the issue before the Federal Circuit was whether a commercial offer for sale must rise to the level of an offer under contract law or whether something less than an offer in the contract sense could constitute a commercial offer for sale for on-sale bar purposes.<sup>50</sup> In the prior case of *RCA Corp. v. Data General Corp.*,<sup>51</sup> the Federal Circuit stated that although an offer to sell must be definite and excludes merely “nebulous discussions about a possible sale,” it added that “this requirement may be met by a patentee’s commercial activity which does not rise to the level of a formal ‘offer’ under contract principles . . . .”<sup>52</sup>

However, at the outset of its discussion in *Group One*, the Federal Circuit dismissed the *RCA* decision as mere dicta because in that case the court found that the patentee's offer for sale did rise to the level of an offer under contract law.<sup>53</sup> Further, the Federal Circuit noted that in the 1998 case of *Pfaff v. Wells Electronics, Inc.*,<sup>54</sup> the Supreme Court did away with the totality of the circumstances test for the on-sale bar and articulated a new two-part test.<sup>55</sup> Under the Supreme Court's new on-sale bar formulation, there must be "a commercial offer \*387 for sale."<sup>56</sup> The Federal Circuit concluded that such language "strongly suggests that the offer must meet the level of an offer for sale in the contract sense, one that would be understood as such in the commercial community."<sup>57</sup> Therefore, the Federal Circuit concluded that "[s]uch a reading leaves no room for 'activity which does not rise to the level of a formal 'offer' under contract law principles."<sup>58</sup> The Federal Circuit stated that applying the well developed contract law test, rather a more amorphous test, "implements the broad goal of *Pfaff*, which, in replacing this court's 'totality of the circumstances' test with more precise requirements, was to bring greater certainty to the analysis of the on-sale bar."<sup>59</sup>

The Federal Circuit also addressed the issue of what body of contract law to apply when determining if a communication rises to the level of a commercial offer for sale.<sup>60</sup> The court decided to create Federal Circuit common law, rather than rely on any state body of contract law.<sup>61</sup> "As a general proposition,"<sup>62</sup> the Federal Circuit held that it "will look to the Uniform Commercial Code ('UCC') to define whether . . . a communication or series of communications rises to the level of a commercial offer for sale."<sup>63</sup> The Federal Circuit also noted that the Supreme Court has cited the Restatement of Contracts with approval.<sup>64</sup> Thus, it would seem that a court will first look to the UCC, but should also consider the Restatement of Contracts if on point or if the UCC is not determinative. In fact, the court actually cited the Restatement (Second) of Contracts in *Group One, Ltd. v. Hallmark Cards, Inc.* when discussing that advertising and promoting a product are generally understood to be invitations to make offers rather than actual offers.<sup>65</sup>

The court's decision is consistent with its recent case law in trying to create bright line rules for assessing infringement and validity. For example, last year in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>66</sup> the Federal Circuit held that if a patent claim is narrowed for any reason related to patentability during prosecution before the Patent and Trademark Office, the doctrine of equivalents does not apply to the particular element amended.<sup>67</sup> In *Festo*, the court based its decision on its desire to create a clear bright line rule that would give certainty to the public by increasing the notice function of claims and enforcing the disclaimer effect of a narrowing claim amendment.<sup>68</sup>

The Federal Circuit recently decided a similar case in *Rotec Industries v. Mitsubishi International Corp.*<sup>69</sup> In *Rotec*, the Federal Circuit held that the phrase "offer to sell" for determining patent infringement under 35 U.S.C. § 271(a) should be interpreted "according to its ordinary meaning in contract law, as revealed by traditional sources of authority."<sup>70</sup> The Federal Circuit specifically stated it would not adopt state contract law, but would rather create federal common law to determine when there has been an offer to sell.<sup>71</sup> As for traditional sources of authority, the Federal Circuit quoted the Restatement (Second) of Contracts to \*388 define an offer under contract law.<sup>72</sup> The Federal Circuit looked to the Restatement (Second) of Contracts because "[t]he UCC does not define 'offer'"<sup>73</sup> Since both the language "offer to sell" for determining infringement and the language "a commercial offer for sale" for the on-sale bar are both interpreted under federal contract common law, the bodies of case law for these two statutory provisions should be generally interchangeable and provide a large developing body of case law for practitioners to draw upon in their legal research.

## **2. There Is No Supplier Exception to the On-Sale Bar - *Special Devices, Inc. v. OEA, Inc.***<sup>74</sup>

The on-sale bar of 35 U.S.C. § 102(b) prevents patent protection for an invention where "(1) the invention at issue had become the subject of a commercial offer for sale more than one year before the filing date of the patent application; and (2) the invention was ready for patenting, either by, for example, having that invention reduced to practice or by preparing drawings or other descriptions of the invention that would enable one skilled in the art to practice the invention."<sup>75</sup>

The on-sale bar more adversely affects those inventors that don't have the capacity to manufacture commercial embodiments of the patented invention than those that do. Inventors that do not have the necessary manufacturing capacity must negotiate with a supplier to manufacture commercial embodiments of the patented invention. The back and forth negotiations between the supplier and the inventor trigger the one year grace period of the on-sale bar because the negotiations qualify as a commercial offer for sale. Thus, inventors lacking commercial manufacturing capacity are forced to file for their patent application sooner than they otherwise would if they had manufacturing capacity. Inventors having manufacturing capacity can begin the sometimes long manufacturing process, and even stockpile commercial embodiments of the invention, before filing a patent application. Since the twenty year right to exclude granted for a utility patent begins on the day of filing for the

patent application,<sup>76</sup> not having manufacturing capacity can cost a patent owner significant amounts of time in the right to exclude, which may result in large losses of money. This disproportionately affects small inventors, as opposed to large corporations, because small inventors infrequently have the manufacturing capacity or resources to commercially develop their inventions for sale without contracting with an outside manufacturer.

**\*389** In *Special Devices, Inc. v. OEA, Inc.* (hereinafter ‘*Special Devices III*’),<sup>77</sup> the patentee requested that the Federal Circuit create an exception to the on-sale bar of 35 U.S.C. § 102(b) that would allow inventors to contract with suppliers to manufacture commercial embodiments of the invention without triggering the one year grace period of the on-sale bar.<sup>78</sup> The patentee requested the Federal Circuit create an exception to the on-sale bar that would allow the inventor to negotiate and acquire commercial embodiments of the patented invention from suppliers without starting the one year grace period of the on-sale bar. In other words, the patentee was requesting the Federal Circuit create a level playing field between inventors that have manufacturing capacity and those that do not. The Federal Circuit declined to create such an exception.<sup>79</sup> The court reasoned that, “neither the statutory text, nor precedent nor the primary purpose of the on-sale bar allows us” to create such an exception.<sup>80</sup>

In *Special Devices III*, the patentee was an inventor that did not have the capacity to manufacture commercial embodiments of the patented invention.<sup>81</sup> More than one year before the patentee filed for a patent application, the patentee entered into negotiations with a supplier to manufacture commercial embodiments of the patented invention contrary to the on-sale bar.<sup>82</sup> The patentee did not dispute that there was a commercial offer to sell embodiments of the invention more than a year before filing for a patent application and that the invention was ready for patenting at the time of the commercial offer to sell, thus admitting that the on-sale bar was applicable.<sup>83</sup> However, the patentee requested that the court create an exception to the on-sale bar so that a patent owner may stockpile commercial embodiments of the patented invention without triggering the on-sale bar.<sup>84</sup>

The Federal Circuit rejected the patentee’s request to create an exception to the on-sale bar for suppliers.<sup>85</sup> First, the Federal Circuit noted that the text of § 102(b) is clear that the on-sale bar applies no matter who offers an embodiment of the invention for sale.<sup>86</sup> Second, the court after reviewing the case law, determined that its own precedent prevented such an exception.<sup>87</sup> Lastly, the court noted that rejecting a supplier exception to the on-sale bar comports with the on-sale bar’s **\*390** primary purpose, which is “encouraging an inventor to enter the patent system promptly.”<sup>88</sup>

### **C. Inequitable Conduct**

Although inequitable conduct is discussed in the “Validity” section of this paper,<sup>89</sup> technically a patent that was the subject of inequitable conduct, is “unenforceable,” not invalid.<sup>90</sup>

#### **1. A Patent Is Not Unenforceable for Litigation Misconduct - *Aptix Corp. v. Quickturn Design System, Inc.***

In *Aptix Corp. v. Quickturn Design System, Inc.*,<sup>91</sup> the Federal Circuit addressed the issue of whether a district court could hold a patent unenforceable for litigation misconduct; for example, where the patentee submitted falsified inventor notebooks to the court during litigation.<sup>92</sup> The Federal Circuit, in a split decision, held that litigation misconduct could not be a basis for holding a patent unenforceable, at least not under the equitable doctrines of inequitable conduct or unclean hands, nor under the Supreme Court’s holding in *Keystone Driller Co. v. General Excavator Co.* (“*Keystone I*”).<sup>93</sup>

The facts of the case are quite interesting. The patentee, Aptix, and its licensees Meta Systems (hereinafter “Meta”) and Mentor Graphics sued Quickturn Design Systems (hereinafter “Quickturn”) for patent infringement.<sup>94</sup> Near the beginning of the lawsuit, and in accordance with the local rules for the Northern District of California, Aptix submitted an inventor notebook to the court as evidence of its claim of a priority date of 1988.<sup>95</sup> During discovery, Quickturn obtained a separate copy of a number of pages of the inventor notebook from the inventor’s patent prosecution counsel. Quickturn noticed “substantial differences” between the copy obtained during discovery and the purported notebook supplied to the court at the outset of the lawsuit.<sup>96</sup> The version of the notebook supplied to the **\*391** district court “contained extensive text and diagram additions not found in the version . . . obtained” from Aptix’s patent prosecution counsel.<sup>97</sup>

“During discovery, Aptix produced yet another version of the notebook, called the Ink-On-Photocopy version of the . . . notebook.”<sup>98</sup> The Ink-On-Photocopy version of the notebook consisted of a photocopy of an earlier version of the notebook

with hand written ink additions to the photocopied material.<sup>99</sup> The district court concluded “that the Ink-On-Photocopy version was a ‘dry run’ for” the inventor’s fabricated notebook submitted to the district court at the outset of the lawsuit.<sup>100</sup> The district court concluded that the inventor had placed the corresponding pages of the Ink-On-Photocopy version beneath the original laboratory notebook when altering the original laboratory notebook into the evolving notebook submitted to the court at the outset of the lawsuit; in effect, the district court concluded that the Ink-On-Photocopy version served as a template in altering the original notebook.<sup>101</sup>

During the dispute, Quickturn moved to compel production of the original notebook for forensic testing.<sup>102</sup> After Quickturn moved to compel production for forensic testing, the inventor, who had been insistent on keeping the original notebooks for safe keeping in a safe located at his home, “took the notebooks to work and left them in his car.”<sup>103</sup> That night, supposedly, someone broke into the inventor’s car and took the notebooks.<sup>104</sup> The district court found that the “circumstances of the ‘theft’ strongly suggested that the inventor staged the incident.”<sup>105</sup> Miraculously, shortly before a hearing on a motion for spoliation of evidence, the inventor purportedly received a package in the mail containing parts of the missing notebooks.<sup>106</sup> The package was addressed correctly, but contained no return address.<sup>107</sup> The package contained invoices from the inventor, which apparently provided the inventor’s address to the person that mailed the notebooks.<sup>108</sup> However, the “invoices had either the wrong zip code or no zip code \*392 at all, even though”<sup>109</sup> the package that the inventor received had the correct zip code written upon it.<sup>110</sup> The district court held that the inventor staged the return of the notebooks, and simply erroneously wrote the correct zip code on the package.<sup>111</sup>

When the district court held a hearing to determine the authenticity of the notebooks, the inventor took the stand, but “asserted his Fifth Amendment privilege against self-incrimination in response to all questions.”<sup>112</sup> The district court held that Aptix attempted “to defraud the [c]ourt and to strengthen its patent through a premeditated and sustained campaign of lies and forgery.”<sup>113</sup> The district court dismissed the case under the doctrine of unclean hands, and also held that the patent was unenforceable due to litigation misconduct under both the doctrine of unclean hands and the Supreme Court’s holding in *Keystone I*.<sup>114</sup>

On appeal, the Federal Circuit upheld the district court’s finding that Aptix had engaged in litigation misconduct before the district court by submitting falsified evidence, and that the district court was correct in dismissing Aptix from the lawsuit and awarding attorney fees to Quickturn under 35 U.S.C. § 285.<sup>115</sup> The Federal Circuit held that the doctrine of unclean hands allowed the district court in equity to dismiss Aptix from the case for litigation misconduct.<sup>116</sup> However, the central issue on appeal was whether the district court’s holding that the patent was unenforceable was proper.<sup>117</sup>

The majority held that the district court erred in holding that the patent was unenforceable for litigation misconduct.<sup>118</sup> The majority reasoned that “[l]itigation misconduct, while serving as a basis to dismiss the wrongful litigant, does not infect, or even affect, the original grant of the property right” of a patent.<sup>119</sup> The court noted that neither the Supreme Court nor the Federal Circuit had ever held a patent unenforceable for litigation misbehavior.<sup>120</sup> The majority contrasted \*393 litigation misconduct with inequitable conduct.<sup>121</sup> The court stated that while inequitable conduct deals with the scenario where the patentee commits fraud on the Patent and Trademark Office in procuring a patent, litigation misconduct deals with fraud on the court after a valid patent has been obtained.<sup>122</sup> The majority maintained that this distinction accounted for the different remedies for litigation misconduct and inequitable conduct.<sup>123</sup>

The court also noted that the Supreme Court’s ruling in the *Keystone* line of cases, the primary authority for the district court’s ruling, illustrates that litigation misconduct cannot affect the enforceability of the patent itself.<sup>124</sup> In *Keystone*, the patentee, in a previous lawsuit, bought the silence of a possible co-inventor that could have invalidated the patentee’s patent.<sup>125</sup> The previous fraud was discovered by the court during the subsequent litigation.<sup>126</sup> Due to the fraud, the United States Court of Appeals for the Sixth Circuit dismissed the patentee’s case without prejudice based on the doctrine of unclean hands.<sup>127</sup> “On [a] motion for [a] rehearing, the Sixth Circuit emphasized that it had not invalidated the patents, . . . but rather that it had simply” dismissed the patentee from that litigation.<sup>128</sup> On certiorari, the Supreme Court expressly recognized that the Sixth Circuit had directed the case be dismissed without prejudice, and affirmed the Sixth Circuit’s ruling.<sup>129</sup> Two years later another patent infringement action based on the same patents, *Keystone II*,<sup>130</sup> came before the Supreme Court. The Supreme Court adjudicated the case on the merits, even though the Court acknowledged the earlier fraud on the court in the previous litigation.<sup>131</sup> The Aptix majority held that the *Keystone* line of cases actually supports the proposition that litigation misconduct may not serve as basis for holding a patent unenforceable under the doctrine of unclean hands because they show that unclean hands does not affect the underlying property right of a patent.<sup>132</sup>

\*394 Chief Judge Mayer dissented in the case. Judge Mayer stated that he would have affirmed the district court’s holding

because fraud on the court is just as obnoxious as fraud on the Patent and Trademark Office.<sup>133</sup> First, Judge Mayer reasoned that the doctrine of unclean hands gives wide discretion to the court in its application and that the equitable doctrine of unclean hands “is ‘not bound by formula or restrained by any limitation that tends to trammel the free and just exercise of discretion.’ The maxim itself is predicated upon the need to protect the integrity of the judicial system.”<sup>134</sup> He found nothing inconsistent about holding a patent unenforceable for litigation misconduct and the classical maxim of the unclean hands:

whenever a party who, as actor, seeks to set the judicial machinery in motion and obtain some remedy, has violated conscience, or good faith, or other equitable principle, in his prior conduct, then the doors of the court will be shut against him in limine; the court will refuse to interfere on his behalf, to acknowledge his right, or to award him any remedy.<sup>135</sup>

In fact, Judge Mayer noted that the doctrine of inequitable conduct derived from the doctrine of unclean hands.<sup>136</sup>

**\*395** The majority seems correct in holding a patent still enforceable in the face of litigation misconduct. The doctrine of unclean hands is usually limited to the specific case in which the plaintiff is seeking relief.<sup>137</sup> By holding a patent unenforceable for litigation misconduct, a court would affect more than the specific litigation before the court, but would rather affect all cases dealing with the patent. Further, holding the patent unenforceable would affect all innocent licensees and other owners of the patent. On the other hand, Chief Judge Mayer was correct that under the majority’s ruling, Aptix, after being dismissed from the litigation, could simply refile its lawsuit based on the same case of infringement. The majority should have at least dismissed Aptix’s lawsuit against Quickturn with prejudice; thereby truly punishing the litigation misconduct and preventing continued harassment of the same defendant. The power to dismiss a case with prejudice would have been within the power of the court under the doctrine of unclean hands.

#### **D. Prior Invention - 35 U.S.C. § 102(g)**

##### **1. Burden of Proof for 35 U.S.C. § 102(g) in Infringement Cases - Apotex USA, Inc. v. Merck & Co., Inc.**<sup>138</sup>

35 U.S.C. § 102(g) states that a “[a] person shall be entitled to a patent unless . . . before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it.” The purpose of § 102(g) is to enforce the legislative intent that only the first inventor that does not suppress or conceal the invention is entitled to a patent.<sup>139</sup> This statutory provision arises in two situations: (1) Interference proceedings in the Patent and Trademark Office to settle disputes as to who was the first inventor, and (2) as a defense in a patent infringement action.<sup>140</sup>

In *Apotex USA, Inc. v. Merck & Co., Inc.*,<sup>141</sup> Apotex sued Merck for infringing its patented method for making a drug for treating high blood pressure.<sup>142</sup> The district court granted Merck’s motion for summary judgment of invalidity based on 35 U.S.C. § 102(g) because “it found that Merck invented the [patented] process . . . within the United States before Apotex, and did not abandon, suppress, or conceal that invention within the meaning of § 102(g).”<sup>143</sup>

On appeal, Apotex conceded that Merck invented the process in the United States before Apotex.<sup>144</sup> The only issue on appeal was whether Merck suppressed or concealed the invention.<sup>145</sup> Apotex raised the issue of who has the burden of establishing suppression or concealment, the patentee or the party that was first to invent but who does not have a patent.<sup>146</sup> Apotex argued that Merck, the party asserting invalidity of the patent, must prove “by clear and convincing evidence that it did not suppress or conceal the patented process.”<sup>147</sup>

The Federal Circuit noted that this was the first time it was called to squarely address the question of who has the burden of establishing suppression or concealment as a § 102(g) defense to patent infringement.<sup>148</sup> The court noted that in **\*396** a prior case, the Court of Customs and Patent Appeals held that the burden was as follows in an interference between two patent applications:

[O]nce the first party to invent has established priority of invention, the second party to conceive and reduce the invention to practice has the burden of proving that the first party suppressed or concealed the invention. In such an interference, the first party to invent does not bear any burden of proof regarding suppression or concealment once it has established an earlier date of invention.<sup>149</sup> In an interference proceeding between two patent applications, while the junior party has the burden of proving priority of invention by a preponderance of the evidence, the senior party has the burden of proving by a



preponderance of the evidence that that the junior party has abandoned, suppressed, or concealed the invention.<sup>150</sup>

In *Apotex*, the Federal Circuit held that when there is an issued patent, as in a patent infringement action, the patent is presumed valid under 35 U.S.C. § 282.<sup>151</sup> Since the patent is presumed valid, the Federal Circuit held that 35 U.S.C. § 102(g) requires that:

once a challenger of a patent has proven by clear and convincing evidence that ‘the invention was made in this country by another inventor,’ . . . the burden of production shifts to the patentee to produce evidence sufficient to create a genuine issue of material fact as to the whether the prior inventor has suppressed or concealed the invention. However, in accordance with the statutory presumption in 35 U.S.C. § 282, the ultimate burden of persuasion remains with the party challenging the validity of the patent. Once the patentee has satisfied its burden of production, the party alleging invalidity under § 102(g) must rebut any alleged suppression or concealment with clear and convincing evidence.<sup>152</sup>

This holding is different than the burden of proving suppression or concealment in an interference proceeding between two patent applications as discussed above. In an interference proceeding between two patent applications, the second inventor must prove that the first inventor suppressed or concealed the invention.<sup>153</sup> However, in a § 102(g) defense to patent infringement, the second inventor (the patentee) only has a burden of producing sufficient evidence so that a reasonable trier of fact could find that the first inventor suppressed or concealed the invention.<sup>154</sup> The first inventor (the party asserting invalidity) has the burden of \*397 persuasion and the burden of rebutting any evidence of suppression or concealment with clear and convincing evidence.<sup>155</sup>

Interestingly, the Federal Circuit noted in a footnote that while the presumption of validity does not apply to patents involved in interference proceedings, it stated that the presumption might be applicable in a priority contest “between an issued patent and an application that was filed after the issuance of the patent. In such a scenario, the junior party must establish priority of invention by clear and convincing evidence.”<sup>156</sup> However, the court stated that it need not decide the issue because that issue was not properly before it.<sup>157</sup>

## **E. Definiteness - 35 U.S.C. § 112 para. 2**

### **1. Definiteness Is a Pure Question of Law that Does Not Depend on Underlying Questions of Fact - Exxon Research and Engineering Co. v. United States<sup>158</sup>**

The second paragraph of 35 U.S.C. § 112 requires that claims of a patent be “sufficiently precise to permit a potential competitor to determine whether or not he is infringing.”<sup>159</sup> Previous Federal Circuit precedent has stated that determining whether a claim is definite is a question of law.<sup>160</sup>

In *Exxon Research and Engineering Co. v. United States*,<sup>161</sup> Exxon sued the United States government for patent infringement.<sup>162</sup> In the case, the United States filed for summary judgment on the ground that the patents were invalid for indefiniteness.<sup>163</sup> The Court of Federal Claims held that the claims of the patents were indefinite as a matter of law.<sup>164</sup> On appeal to the Federal Circuit, Exxon argued that although the ultimate conclusion of definiteness is a question of law, determining whether claims meet the definiteness standard depends on underlying \*398 issues of fact.<sup>165</sup> Exxon contended that the case should be remanded to the Court of Federal Claims so that the court could specifically rule on the underlying factual issues.<sup>166</sup> Exxon argued that if the underlying issues are questions of fact, the lower court erred in granting summary judgment because there was a genuine issue of material fact as to the outcome of the underlying issues.<sup>167</sup>

The Federal Circuit rejected Exxon’s argument that there are underlying factual issues to a definiteness determination.<sup>168</sup> The court held that determining whether a claim is definite is a pure question of law and that there are no underlying factual determinations.<sup>169</sup> The Federal Circuit reasoned that definiteness is a legal conclusion because it stems from the court’s duty to construe patent claims.<sup>170</sup>

## **III. Infringement**

## A. Literal Infringement

### 1. 35 U.S.C. § 271(g) Requires that the Patent Be Issued and in Force at the Time that the Process is Practiced and the Product is Made - *Mycogen Plant Science, Inc. v. Monsanto Co.*<sup>171</sup>

35 U.S.C. § 271(g) provides that a party will be liable for patent infringement if it imports into the United States a product made by a patented process. In *Mycogen Plant Science, Inc. v. Monsanto Co.*,<sup>172</sup> the Federal Circuit addressed the question of whether a party is liable under § 271(g) if a product made according to the patented process was manufactured before the process patent issued but was imported, offer for sale, sold, or used in the United States after the process patent issued.<sup>173</sup> The Federal Circuit held that “in imposing liability for selling or using products ‘made by a process patented in the United States,’ section 271(g) requires that the patent be issued and in force at the time that the process is practiced and the product is made.”<sup>174</sup>

\***399** Mycogen sued Monsanto for patent infringement because Monsanto sold a product in the United States that was produced by a process claimed in Mycogen’s United States patent.<sup>175</sup> Monsanto argued that it could not be liable for patent infringement because although the patent covering the process was issued and in effect at the time of the importation, the patent was not issued at the time the product was made.<sup>176</sup> Monsanto argued that the language in the statute requiring that the product be “made by a process patented,” suggests that the patent must be issued at the time the product is made.<sup>177</sup>

The Federal Circuit agreed with Monsanto. From the language of § 271(g), which states “a product which is made by a process patented in the United States,” the Federal Circuit reasoned that the use of the words “made” and “patented” in past tense suggests that the process must be patented at the time the product is made.<sup>178</sup> Therefore, the Federal Circuit concluded that the process must be patented at the time of the product’s creation in order for a party to be liable under § 271(g).<sup>179</sup> The court noted that this interpretation was consistent with the statutory intent, which was “to grant patent holders the same protection against overseas infringers as they already enjoyed against domestic entities.”<sup>180</sup>

## B. Doctrine of Equivalents

In the year 2000, the Federal Circuit decided the case of *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>181</sup> which made four important holdings concerning prosecution history and the doctrine of equivalents: 1) narrowing amendments made for any purpose related to statutory reasons of patentability triggers prosecution history estoppel;<sup>182</sup> 2) voluntary amendments which narrow claims trigger prosecution history estoppel;<sup>183</sup> 3) if a claim amendment creates prosecution estoppel, then no range of equivalents is available for the element that has been narrowed during prosecution,<sup>184</sup> and 4) if “no explanation” is established for an amendment, no range of equivalents is available for the amended element.<sup>185</sup> The Federal Circuit not only applied its holding prospectively, but the Federal \***400** Circuit also held that its holding will apply retroactively to all issued patents and pending patent applications.<sup>186</sup>

Most practitioners and commentators disagree with the Federal Circuit’s third holding that no range of equivalents should be available if a claim limitation is narrowed during prosecution.<sup>187</sup> Further, the Federal Circuit did not perform any legal analysis when deciding to apply Festo’s holding retroactively. For instance, in deciding whether to apply a holding retroactively, the Supreme Court has articulated three factors to consider: (1) does the court’s holding overrule clear past precedent or address “an issue of first impression whose resolution was not clearly foreshadowed;”<sup>188</sup> (2) would not applying the court’s holding retroactively retard the new ruling’s purpose and effect; and (3) would not applying the court’s holding retroactively avoid substantial inequitable results.<sup>189</sup> The Federal Circuit’s retroactive holding in Festo will affect the clear majority of the one million two hundred thousand (1,200,000) patents currently maintained and in force because few patent applications make it through the patent office without amendment or argument in response to some form of rejection made by the patent examiner.<sup>190</sup>

On June 18, 2001, the Supreme Court granted certiorari in Festo to address two main issues: “1) Whether every claim-narrowing amendment . . . including those provisions not related to prior art—automatically creates prosecution history estoppel regardless of the reason for the amendment; and 2) Whether the finding of prosecution history estoppel completely bars the application of the doctrine of equivalents.”<sup>191</sup> On January 8, 2002, the Supreme Court heard oral arguments. Arguing for the Petitioner was the notable Robert Bork.<sup>192</sup> The Supreme Court is expected to render its decision sometime in 2002.<sup>aa1</sup>

**\*401 1. Canceling a Claim with a Broad Limitation and Replacing it with a Claim Having a Narrow Limitation Will Give Rise to Prosecution History Estoppel - Mycogen Plant Science, Inc. v. Monsanto Co.**<sup>193</sup>

As noted above, the Federal Circuit in *Festo* held that narrowing “amendments” for any reason related to patentability will give rise to prosecution history estoppel.<sup>194</sup> Last year, the Federal Circuit held in *Mycogen* that “canceling a claim having a broad limitation and replacing it with a claim having a narrower limitation” is the same as amending a claim, and thus will give rise to prosecution history estoppel as to the limitation narrowed.<sup>195</sup> Further, the Federal Circuit extended *Festo* by holding that no range of equivalents is available to a claim limitation that was narrowed (for a reason related to patentability) by canceling a claim and adding a new claim.<sup>196</sup>

In *Mycogen*, the United States Patent and Trademark Office rejected several of the patent’s claims during prosecution for being obvious under 35 U.S.C. § 103 and also lacking enablement under 35 U.S.C. § 112.<sup>197</sup> Instead of amending the rejected claims, the patentee cancelled the original claims and replaced them with claims that were narrower in scope.<sup>198</sup>

The Federal Circuit held, based on *Festo*, that the patentee was estopped from asserting the doctrine of equivalents as to those claim limitations that were narrowed in canceling the original claims and replacing them with claims that were narrower in scope.<sup>199</sup> The Federal Circuit reasoned as follows:

We do not discern any legally significant difference between canceling a claim having a broad limitation and replacing it with a claim having a narrower limitation, and amending a claim to narrow a limitation. To do so would place form over substance and would undermine the rules governing prosecution history estoppel laid out in *Festo* by allowing patent applicants simply to cancel and replace claims for reasons of patentability rather than to amend them.<sup>200</sup>

In light of the holding in *Mycogen*, patent practitioners should recognize that canceling a claim and later adding a new claim narrower in scope can give rise to prosecution history estoppel.

**\*402 2. Festo’s Absolute Bar to the Doctrine of Equivalents Applies to an Unamended Claim - Intermatic Inc. v. The Lamson & Sessions Co.**

In *Intermatic Inc. v. The Lamson & Sessions Co.*,<sup>201</sup> the Federal Circuit applied *Festo*’s absolute bar to the doctrine of equivalents to an unamended claim.

In *Intermatic*, *Intermatic* sued *Lamson* for patent infringement.<sup>202</sup> During the pendency of the lawsuit, *Lamson* initiated a reexamination of *Intermatic*’s patent in the Patent and Trademark Office.<sup>203</sup> During the reexamination, *Intermatic* amended independent Claim 14.<sup>204</sup> When Claim 14 originally issued, it required that “an insert [be] adapted to be mounted in the base.”<sup>205</sup> The reexamination amendment altered the limitation to “an insert [be] adapted to be accommodated with[in] the aperture in the base.”<sup>206</sup> The amendment was in response to a rejection by the patent examiner that the phrase “mounted in the base” read on prior art.<sup>207</sup> Claims 1 and 12 contained the same limitation that was amended into Claim 14, but Claims 1 and 12 contained the limitation in the originally granted patent (i.e., before reexamination) and were not amended during reexamination before the Patent and Trademark Office.<sup>208</sup> Further, Claim 14 used different language to express the limitation than Claims 1 and 12.<sup>209</sup>

The issue on appeal to the Federal Circuit in this case was whether prosecution history estoppel barred *Intermatic* from asserting the doctrine of equivalents for the amended claim limitation “insert within the aperture.”<sup>210</sup> However, the issue was not only whether prosecution history barred the doctrine of equivalents to the limitation in Claim 14, which was the amended claim, but whether prosecution history estoppel also barred the assertion of the doctrine of equivalents to the limitation in Claims 1 and 12, the unamended claims.<sup>211</sup> Relying on precedent, the Federal Circuit held that prosecution history estoppel barred the doctrine of equivalents not only to the limitation added to the amended claim, but also the unamended claims that contained the same limitation.<sup>212</sup> Further, the court held that **\*403** prosecution history estoppel applied even though the amendment was entered in a reexamination proceeding, and “despite the fact that the resulting estoppel may retroactively extend to original, unamended claims.”<sup>213</sup> The court stated that “arguments made to distinguish prior art during reexamination proceedings are retroactively applied to limit the scope of a claim limitation as of the issue date of the patent, not the date those arguments were made.”<sup>214</sup>

The Federal Circuit also held that its holding in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>215</sup> which held that no range of equivalents is available to a claim that was amended for patentability reasons, applied to all claims that contained the limitation.<sup>216</sup> Therefore, this case extended Festo's absolute bar to the doctrine of equivalents to every claim, even an unamended claim, that contains the same limitation that was added in a separate claim for reasons related to patentability.

Judge Newman dissented in part in that she disagreed with the majority's decision to extend Festo's absolute bar to a claim that has not been amended.<sup>217</sup> Although Judge Newman did agree with the majority's decision that prosecution history estoppel applies to an unamended claim where a limitation in the claim was added to a separate claim for reasons related to patentability, she would apply the flexible bar, not the absolute bar of Festo, when applying prosecution history estoppel to an unamended claim.<sup>218</sup> She noted that the consequences of extending Festo to unamended claims were not explored by the majority in its opinion or by the parties in their briefs.<sup>219</sup>

## IV. Litigation

### A. Attorney-Client Privilege

#### 1. Standard of Review for Waiver of Attorney Client Privilege - *Winbond Electronics Corp. v. International Trade Commission*<sup>220</sup>

Federal Circuit law determines whether a communication is privileged under either the attorney-client privilege or work product immunity doctrines if "the issue pertains to patent law, if it bears an essential relationship to matters committed to \*404 our exclusive [jurisdiction] by statute, or if it clearly implicates the jurisprudential responsibilities of this court in a field within its exclusive jurisdiction."<sup>221</sup>

In *Winbond Electronics Corp. v. International Trade Commission*,<sup>222</sup> the Federal Circuit addressed the following issue of first impression: where Federal Circuit law supplies the rule of decision, what is the standard of review for a lower court's holding of waiver of attorney-client privilege?<sup>223</sup> Under the current law, the Federal Circuit noted that there is a split among the circuits concerning the proper standard of review for determinations of waiver of attorney-client privilege.<sup>224</sup> "The Fourth, Sixth, and Ninth Circuits review a trial court's determination of attorney-client privilege matter without deference. The Second, Third, and Tenth Circuits, however, review such actions for an abuse of discretion."<sup>225</sup>

In *Winbond Electronics*, a patent owner appealed a decision concerning the scope of waiver of the attorney-client privilege from the International Trade Commission.<sup>226</sup> On appeal, the Federal Circuit compared a determination of waiver of attorney-client privilege to other evidentiary waiver determinations that the court decided under Federal Circuit law.<sup>227</sup> Based on that comparison, the Federal Circuit concluded that, as with other evidentiary determinations, an abuse of discretion standard of review should govern determinations of waiver of attorney-client privilege where Federal Circuit law applies the rule of decision.<sup>228</sup>

### B. Res Judicata

#### 1. Claim Preclusion Arises from a Settlement Agreement<sup>aaa1</sup> *Hallco Manufacturing Co. v. Foster*<sup>229</sup>

Where there is a final judgment on the merits between the same parties to a claim, res judicata, also called claim preclusion, is an affirmative defense that prevents relitigation of the same claim and any defenses thereto that could have \*405 been raised in the previous litigation.<sup>230</sup> The party asserting that claim preclusion applies must prove four elements: 1) the previous litigation resulted in a final judgment; 2) the final judgment must have been rendered on the merits; 3) the "claim" must be the same in the previous and subsequent lawsuits, which generally means that the lawsuits must stem from the same transaction or occurrence; and 4) the parties (or parties in privity with the original parties) must be the same in the previous and subsequent lawsuits.<sup>231</sup>

In *Hallco Manufacturing Co. v. Foster* (hereinafter "Hallco II"),<sup>232</sup> Hallco sued Foster for a declaratory judgment that Hallco's redesigned reciprocating conveyer (hereinafter the "Hallco II conveyer") did not infringe Foster's patent and that Foster's

patent was invalid.<sup>233</sup> Foster countered that the doctrine of claim preclusion prevented Hallco from arguing invalidity of the patent as a defense to the infringement action.<sup>234</sup>

Foster's claim preclusion argument rested on an earlier patent infringement lawsuit for the same patent (hereinafter "Hallco I") and an earlier version of Hallco's reciprocating conveyer (hereinafter the "Hallco I conveyer").<sup>235</sup> In Hallco I, after having the case remanded from the Federal Circuit, the district court granted Foster's motion for summary judgment of infringement based on the Federal Circuit's claim construction.<sup>236</sup> After the district court granted summary judgment in Hallco I, the only remaining issues in the lawsuit were Hallco's invalidity defenses.<sup>237</sup> Before the validity issues went to trial, the parties settled the case with Hallco agreeing to license the patent.<sup>238</sup> The settlement agreement did not address validity of the patent.<sup>239</sup> The district court then dismissed the lawsuit with prejudice.<sup>240</sup> After the parties settled Hallco I, Hallco redesigned the Hallco I conveyer into the Hallco II conveyer, and then Hallco sued for a declaratory judgment that its redesigned Hallco II conveyer did not infringe Foster's patent.<sup>241</sup>

**\*406** The issue in the case was whether the earlier settlement by the parties and dismissal with prejudice by the court precluded Hallco, under the doctrine of claim preclusion, from contesting validity of the patent.<sup>242</sup> Previous Federal Circuit precedent held that a consent judgment based on a settlement agreement is a final judgment on the merits for purposes of claim preclusion where the settlement agreement contained an admission of validity.<sup>243</sup> However, in this case, the settlement agreement did not address the validity issue.<sup>244</sup> Therefore, an issue of first impression was whether a dismissal with prejudice of a previous patent infringement lawsuit based on a settlement agreement that did not address validity of the patent precluded relitigating validity of the patent.<sup>245</sup>

The district court held that no claim preclusion resulted from the dismissal with prejudice of the earlier lawsuit and that certain claims in the patent were invalid for not meeting written description requirement of 35 U.S.C. § 112, second paragraph.<sup>246</sup> Foster appealed the district court's holding to the Federal Circuit.<sup>247</sup>

First, the Federal Circuit noted prior precedent held that, for claim preclusion purposes, consent judgments based on a settlement agreement have the same effect as judgments entered after a trial on the merits.<sup>248</sup> The court then concluded that a dismissal with prejudice based on a settlement agreement between the parties is sufficiently similar to a consent judgment based on a settlement agreement for claim preclusion purposes and therefore, the court held that the final judgment on the merits element for the claim preclusion doctrine was satisfied.<sup>249</sup>

Second, the Federal Circuit held that unless a party specifically reserves the right to later litigate validity of a patent in the settlement agreement, claim preclusion will prevent relitigation of validity for the same product or process alleged to be infringed, or colorable imitations of the same product or process, even when the settlement agreement does not contain an admission of validity.<sup>250</sup> Practitioners should note that claim preclusion only attaches if the allegedly infringing devices or processes in the first and second lawsuits are the same or **\*407** essentially the same.<sup>251</sup> This is an important holding because practitioners need to specifically reserve the right to relitigate validity if they desire to preserve the issue. A crafty litigator could preserve the validity issue in a settlement agreement and get a dismissal with prejudice based on the settlement agreement, appeal any summary judgment holding of infringement, and then bring a separate action in a more hospitable forum for a declaratory judgment of invalidity of the patent. This practice would allow immediate appeal of the infringement issues and also allow the alleged infringer to bring the declaratory judgment suit in the forum of its choice.

Since the settlement agreement between the parties in Hallco I did not reserve the validity issue, the Federal Circuit held that claim preclusion prevented relitigating validity of the patent if, in claim preclusion terminology, the same "claim" was present in Hallco II as Hallco I.<sup>252</sup> The court concluded that the same claim would be present if the Hallco II conveyer was the same or essentially the same as the Hallco I conveyer.<sup>253</sup> The Federal Circuit noted that if the Hallco II conveyer and the Hallco I conveyer were not the same, then the Hallco would be free to challenge both validity and infringement of the patent.<sup>254</sup> The Federal Circuit also noted that if the conveyers were the same or essentially the same, claim preclusion would apply.<sup>255</sup> In light of its holding, the Federal Circuit remanded the case to the district court to determine whether the Hallco I and Hallco II conveyers were "essentially the same or only colorably different."<sup>256</sup>

## **2. Contractual Estoppel - Flex-Foot, Inc. v. CRP, Inc.**<sup>257</sup>

Collateral estoppel, also called issue preclusion, is an affirmative defense that prevents a party from relitigating an issue that was "actually litigated and determined by a valid final judgment," where that issue was "essential to the judgment."<sup>258</sup> Where

there is not a judgment adjudicating a particular issue, but rather a dismissal with prejudice based on a settlement agreement promising never to contest the issue in future litigation, the issue was not actually litigated and determined by a valid and final judgment.<sup>259</sup> In *Flex-Foot, Inc. v. CRP, Inc.* \*408 (hereinafter “Flex-Foot III”),<sup>260</sup> the Federal Circuit held that contractual estoppel, not collateral estoppel, will prevent a party from relitigating an issue which it promised never to relitigate in a previous settlement agreement.<sup>261</sup>

In *Flex-Foot III*, Flex-Foot sued CRP for patent infringement based on a patent (the ‘363 patent) that was the subject of an earlier patent suit lawsuit between the same parties.<sup>262</sup> In the earlier lawsuit (hereinafter “Flex-Foot II”), CRP sued Flex-Foot for a declaratory judgment “that the ‘363 patent was invalid.”<sup>263</sup> After the parties conducted discovery and fully briefed a motion for summary judgment, but before the district court ruled on the summary judgment motion, the parties settled the case.<sup>264</sup> Under the terms of the settlement agreement, the CRP promised never to challenge the validity or enforceability of the ‘363 patent, either directly or indirectly, in any type of court proceeding for any product it made, used, or sold in the future.<sup>265</sup> The district court then dismissed the case with prejudice.<sup>266</sup>

In *Flex-Foot III*, CRP attempted to defend against the patent infringement claim by arguing that the ‘363 patent was invalid.<sup>267</sup> However, the district court held that CRP was estopped under the doctrine of collateral estoppel from challenging the enforceability and validity of the ‘363 patent.<sup>268</sup> Flex-Foot appealed to the Federal Circuit.<sup>269</sup>

On appeal, the Federal Circuit first held, without much discussion, that collateral estoppel did not apply to this case because the district court in *Flex-Foot II* never actually determined that the ‘363 patent was invalid, as the parties settled the case before the district court ruled that the patent was invalid.<sup>270</sup> However, the court held that a dismissal with prejudice based on a settlement agreement in which one party promises to never challenge validity of a patent is enforceable under the doctrine of contractual estoppel.<sup>271</sup>

\*409 CRP did not dispute on appeal that it agreed in the settlement agreement never to challenge the validity or enforceability of the ‘363 patent.<sup>272</sup> Rather, CRP argued that a provision in a settlement agreement promising to never challenge the validity or enforceability of a patent was void as against public policy.<sup>273</sup> CRP relied upon the Supreme Court’s holding in *Lear v. Akins*<sup>274</sup> as its authority for such a proposition.<sup>275</sup> In *Lear v. Akins*, the Supreme Court held that a state contract law that prohibited a party from challenging validity of a patent that the party was currently licensing was invalid as contrary to the public policy underlying patent law of “permitting full and free competition in the use of ideas which are in reality a part of the public domain.”<sup>276</sup> The Federal Circuit distinguished *Lear* on the ground that the license entered into by the parties “did not contain . . . any promise . . . not to challenge the validity of the patent.”<sup>277</sup> Further, the Federal Circuit noted that the license agreement in *Lear* was not entered into as part of a settlement agreement, but was simply a standard licensing agreement.<sup>278</sup> While the Federal Circuit noted that “the federal patent laws favor full and free competition in the use of ideas in the public domain over the technical requirements of contract doctrine, settlement of litigation is more strongly favored in the law.”<sup>279</sup> The court reasoned that “[s]ettlement agreements must be enforced if they are to remain effective as a means for resolving disputes. Upholding settlement agreements encourages patent owners to agree to settlements and promotes judicial economy.”<sup>280</sup>

Therefore, the Federal Circuit stated its holding as follows:

Once an accused infringer has challenged patent validity, has had an opportunity to conduct discovery on validity issues, and has elected to voluntarily dismiss the litigation with prejudice under a settlement agreement containing a clear and unambiguous undertaking not to challenge validity and/or enforceability of the patent in suit, the accused infringer is contractually estopped from raising any such challenge in any subsequent proceeding.<sup>281</sup> \*410 Under the facts of the case, the court concluded that CRP was contractually estopped from challenging validity of the ‘363 patent based on its promise in the settlement agreement to never challenge validity of the ‘363 patent in the future.<sup>282</sup>

## C. Jurisdiction

### 1. Standing to Correct Inventorship - *Chou v. University of Chicago*

In *Chou v. University of Chicago*,<sup>283</sup> the Federal Circuit addressed the issue of whether an inventor had standing to sue to correct the inventorship of a patent in which she has no ownership interest but does have a financial \*411 interest in licensing

proceeds if she was named an inventor on the patent.<sup>284</sup> The Federal Circuit held that an inventor has standing to sue to correct inventorship as long as she has a financial interest that would be impaired by not being named an inventor on the patent.<sup>285</sup>

In *Chou*, the plaintiff sued to correct the inventorship, pursuant to 35 U.S.C. § 256, for patents that she alleged incorrectly omitted her as an inventor.<sup>286</sup> The defendants countered that the plaintiff had no standing to sue because she did not have an ownership interest in the patents.<sup>287</sup> Upon being employed for the University of Chicago as a graduate student research assistant, the plaintiff agreed to assign her rights to any inventions to the university.<sup>288</sup> However, the plaintiff alleged that, under a contract with the university, named inventors were to receive 25% of the licensing proceeds of any patents that were licensed.<sup>289</sup> Thus, although the inventor did not have a ownership interest in the patents, she did claim a financial interest in the licensing of the patents. The district court agreed with the defendants and held that “one who claims no ownership of the patent has no standing to seek relief under § 256.”<sup>290</sup> The plaintiff appealed to the Federal Circuit.

The issue before the Federal Circuit was whether an inventor has Constitutional standing to sue to correct inventorship pursuant to 35 U.S.C. § 256 when the inventor has no ownership interest in the patent, but does have a financial interest in the proceeds of any licensing of the patent.<sup>291</sup> The Federal Circuit held that an inventor has standing to sue to correct inventorship as long as the inventor has a financial interest, even if less than ownership, in the patent sought to be corrected.<sup>292</sup> The court noted that to prove Constitutional standing, the plaintiff “must show that she has suffered an injury in fact, that the injury is traceable to the conduct complained of, and that the injury is redressable by a favorable decision.”<sup>293</sup> The court also noted that § 256 has no requirement that a putative inventor have an ownership interest in the patent in order to bring a lawsuit.<sup>294</sup> The Federal Circuit concluded that if the plaintiff was indeed deprived of a financial interest for not being listed as an inventor, then she would have suffered an injury-in-fact, and thus would have standing.<sup>295</sup>

The court also answered the question of which defendants the plaintiff may sue to correct inventorship under 35 U.S.C. § 256.<sup>296</sup> The court held that the plaintiff may sue any party with an economic stake in the patent’s validity.<sup>297</sup> The court reasoned that this necessarily follows from the fact that § 256 requires notice and a hearing for all parties concerned before issuing a correction of inventorship.<sup>298</sup>

As a side comment, the Federal Circuit noted that the plaintiff made another interesting argument for Article III standing: whether the loss of the reputational interest alone in not being named an inventor will give Article III standing.<sup>299</sup> Although, the court concluded that it need not decide the issue in this case, it noted that such an “assertion is not implausible.”<sup>300</sup> The court observed that “being considered an inventor of important subject matter for a patentable invention is a mark of success in one’s field, comparable to being an author of an important scientific paper,” and “[p]ecuniary consequences may well flow from being designated an inventor.”<sup>301</sup> However, the Federal Circuit concluded that it need not decide the issue of whether a loss of a reputational interest alone is enough to give **\*412** Article III standing, since, in this case, the plaintiff had a concrete financial interest in the patents.<sup>302</sup>

## **2. Ancillary Jurisdiction for a Federal Court to Enforce a Settlement Agreement - *Schaefer Fan Co. v. J&D Manufacturing*<sup>303</sup>**

Patent litigation frequently ends by the parties entering into a settlement agreement before a court dispositively adjudicates the lawsuit.<sup>304</sup> Many times disputes arise concerning the settlement agreement between the parties.<sup>305</sup> Usually, the parties either dispute a provision of the settlement agreement or they have enforcement problems concerning the agreement, and they want the federal court that originally heard the case to resolve the dispute.<sup>306</sup> However, enforcing and resolving contract disputes, including settlement agreements that dispose of litigation in federal court, is normally for state courts, “unless there is some independent basis for federal jurisdiction.”<sup>307</sup> In *Kokkonen v. Guardian Life Insurance Co. of America*,<sup>308</sup> the Supreme Court held that a court has ancillary type subject matter jurisdiction over a settlement agreement “if the parties’ obligation to comply with the terms of the settlement agreement had been made part of the order of dismissal - either by separate provision (such as a provision ‘retaining jurisdiction’ over the settlement agreement) or by incorporating the terms of the settlement agreement in the order.”<sup>309</sup> The theory for a court’s jurisdiction is that by incorporating the parties’ obligation to comply with the settlement agreement as part of the court’s order of dismissal, the court retains ancillary jurisdiction to enforce its order and thereby the settlement agreement.<sup>310</sup> However, the Supreme **\*413** Court emphasized that “[t]he judge’s mere awareness and approval of the terms of the settlement agreement do not suffice to make them part of his order.”<sup>311</sup>

In *Schaefer Fan Co. v. J&D Manufacturing*,<sup>312</sup> *Schaefer* sued *J&D* for patent infringement.<sup>313</sup> Before the district court dispositively adjudicated the lawsuit, the parties settled the case by entering into a settlement agreement and dismissing the

case with prejudice.<sup>314</sup> The settlement agreement between the parties stated that “if one party breached the agreement, ‘the other party shall have a right to bring a motion before this Court . . . .’”<sup>315</sup> The district court originally dismissed the case with prejudice in an order that stated: “The court having been advised by counsel that the above action has been settled, IT IS ORDERED that this action is hereby dismissed, with prejudice, the court reserving jurisdiction for sixty (60) days to permit any party to move to reopen this action, for good cause shown, or to submit and file a stipulated form of final judgment.”<sup>316</sup> Only two days after its previous order, the district court approved a “Stipulation” between the parties that stated: “pursuant to a confidential Settlement Agreement, all claims in this action may be dismissed with prejudice and on the merits . . . .”<sup>317</sup> The district court’s order that accompanied the parties’ Stipulation stated: “The foregoing Stipulation is hereby approved and IT IS HEREBY ORDERED that a judgment of dismissal with prejudice be entered forthwith on all claims in the above action.”<sup>318</sup>

Eleven months after the parties entered into the settlement agreement and the district court dismissed the case with prejudice, Schaefer filed suit in the same federal district court alleging breach of the settlement agreement.<sup>319</sup> The district court agreed with Schaefer and held that J&D violated the settlement agreement.<sup>320</sup>

On appeal to the Federal Circuit, J&D argued that the district court lacked subject matter jurisdiction to hear a dispute based on the settlement agreement.<sup>321</sup> The majority held that the language “pursuant to a confidential settlement agreement, all claims in this action may be dismissed with prejudice and on the merits”<sup>322</sup> incorporated the settlement agreement into the district court’s order of \*414 dismissal.<sup>323</sup> The majority stated that “a district court need not use explicit language or any magic form of words to effect a valid incorporation of an agreement into an order. Rather, the court need only manifest its intent to retain jurisdiction.”<sup>324</sup>

Judge Dyk dissented. He noted that the cases relied upon by the majority preceded the Supreme Court’s holding in *Kokkonen v. Guardian Life Insurance Co. of America* and that “Kokkonen materially changed the judicial landscape.”<sup>325</sup> Judge Dyk emphasized that there was nothing in the record that suggested the settlement agreement was reviewed or submitted to the district court for approval.<sup>326</sup> Further, “[n]either the settlement agreement nor any of its terms was [sic] entered into the record . . . .”<sup>327</sup> Judge Dyk stated that while it is true that no magic words are required for a court to manifest its intent to retain jurisdiction over enforcement of a settlement after a case is dismissed, he did not feel that such an intent was objectively manifested in the language “pursuant to a confidential settlement agreement” where nothing else in the record supported such an interpretation.<sup>328</sup> Based on the language used in the settlement agreement and the facts in the record, Judge Dyk concluded that the district court’s original order dismissing the case with prejudice neither objectively manifested the district court’s desire to retain jurisdiction over the settlement agreement nor did it incorporate the terms of the settlement agreement; rather, Judge Dyk concluded that the evidence showed that the district court was merely aware that the parties entered into a settlement agreement and dismissed the case accordingly.<sup>329</sup> To the contrary, Judge Dyk reasoned that the district court’s original order stating it was retaining jurisdiction for only sixty days manifested an intent that the district judge was not retaining jurisdiction.<sup>330</sup> After all, the Supreme Court held in *Kokkonen* that “[t]he judge’s mere awareness and approval of the terms of the settlement agreement do not suffice to make them part of his order.”<sup>331</sup>

In the author’s opinion, the majority’s holding that the language “pursuant to a confidential settlement agreement” manifested the district court’s intent to maintain jurisdiction over any settlement agreement dispute is surprising because such language does not articulate a desire on the part of the district court to retain jurisdiction where nothing else within the record would support such a conclusion. This language seems more likely to mean that the district court was merely \*415 dismissing the case because the parties entered into a settlement agreement. While magic words are not required to manifest the district court’s desire to maintain jurisdiction, the language in the court’s order should at least be free of substantial ambiguity. In any event, the holding of this case was based on interpreting Eighth Circuit law.<sup>332</sup> Therefore, the holding of this case is not binding precedent to the Eighth Circuit or future Federal Circuit panels deciding an identical issue based on the law of a different circuit.

Notwithstanding the majority’s holding, practitioners should be cautious when attempting to preserve jurisdiction in a federal court to enforce a settlement agreement. Practitioners should request that the order dismissing the case with prejudice either (1) contain a clear provision retaining jurisdiction in the district court to enforce the settlement agreement or (2) contain the actual provisions of the settlement agreement. As a precaution, practitioners should also put on the record before dismissing the case that the judge has read and approved the settlement agreement, including the provision that the district court will maintain jurisdiction over disputes arising from the settlement agreement.



### **3. Quantified Amount of Attorneys' Fees Needed for a Final Judgment to Appeal - Special Devices, Inc. v. OEA, Inc.**<sup>333</sup>

28 U.S.C. § 1295(a)(1) grants exclusive appellate jurisdiction to the United States Court of Appeals for the Federal Circuit for a “final decision” of a United States district court case “arising under” patent law.<sup>334</sup>

In *Special Devices, Inc. v. OEA, Inc.*, (“Special Devices IV”),<sup>335</sup> the issue before the Federal Circuit, which was raised *sua sponte*, was “whether an award of attorney fees in an exceptional case, pursuant to 35 U.S.C. § 285, where that award is unquantified, is a final decision within the meaning of 28 U.S.C. § 1295(a)(1).”<sup>336</sup> The Federal Circuit held that it was not a final decision within the meaning of 35 U.S.C. § 1295(a)(1), and that it therefore lacked subject matter jurisdiction over the appeal.<sup>337</sup>

In *Special Devices IV*, the only issue on appeal was a district court’s judgment awarding attorney fees as an exceptional case pursuant to 35 U.S.C. § 285.<sup>338</sup> In a previous opinion, *Special Devices I*,<sup>339</sup> the district court held that the patent at issue \*416 was invalid for violating the on-sale bar.<sup>340</sup> Shortly after the entry of the invalidity judgment, *Special Devices* moved for attorney fees pursuant to 35 U.S.C. § 285.<sup>341</sup> In *Special Devices II*,<sup>342</sup> the district court found the case to be exceptional within the meaning of 35 U.S.C. § 285, and entered a judgment for attorney fees.<sup>343</sup> However, “[t]he district court reserved determination of the amount of attorney fees for a later time.”<sup>344</sup> At the time of entering the judgment for attorney fees, the district court had no evidence before it regarding the amount of attorney fees to which *Special Devices* was entitled.<sup>345</sup> The district court stated that it would “determine the compensatory amount of the award in light of the offender’s conduct.”<sup>346</sup> *OEA* appealed the award of attorney fees before the district court quantified the amount to be awarded.<sup>347</sup>

Although none of the parties raised the issue, the court, *sua sponte*, raised the following issue: “whether an award of attorney fees in an exceptional case, pursuant to 35 U.S.C. § 285, where that award is unquantified, is a final decision within the meaning of 28 U.S.C. § 1295(a)(1).”<sup>348</sup> Applying its own law to this unique issue of patent law, the Federal Circuit held that an appeal of attorney fees alone, unquantified in amount and unaccompanied by other issues on appeal, is not a final decision, and thus not appealable.<sup>349</sup> The court noted that the purpose of the “final decision” requirement is to promote judicial efficiency and avoid of delay of repeated appeals in the same lawsuit.<sup>350</sup> The court concluded, “because the grounds for determining that a case is exceptional and for fixing an amount of the attorney fees are related, it is efficient to review them together.”<sup>351</sup>

The Federal Circuit specifically distinguished its previous holding in *Majorette Toys, Inc. v. Darda, Inc. U.S.A.*<sup>352</sup> In *Majorette Toys*, the Federal Circuit “held that an appeal raising issues of validity, infringement, and attorney fees” was \*417 a final decision even though the amount of attorney fees was not quantified.<sup>353</sup> In distinguishing *Majorette Toys* from *Special Devices IV*, the Federal Circuit noted that *Majorette Toys* expressly distinguished an unpublished decision that had similar facts to *Special Devices IV*.<sup>354</sup> Therefore, reconciling the cases of *Majorette Toys* and *Special Devices IV* gives the following legal principle: a judgment awarding attorney fees, but not quantifying the amount of attorney fees, is not a final decision, and thus not appealable, where the judgment of attorney fees is the only issue on appeal.<sup>355</sup>

## **D. Stare Decisis**

### **1. Claim Construction is Not Binding Under the Doctrine of Stare Decisis - Hilgraeve Corp. v. Symantec Corp.**

In *Hilgraeve Corp. v. Symantec Corp.*,<sup>356</sup> the patentee sued the defendant for patent infringement based on a claim in the patent that was construed in a previous lawsuit between the same plaintiff and a different defendant.<sup>357</sup> In the previous lawsuit, a district court construed the allegedly infringed claims of the patent.<sup>358</sup> However, when the previous lawsuit was appealed to the Federal Circuit, neither party disputed the district court’s claim construction, and the Federal Circuit ruled on a motion for summary judgment of non-infringement based on the district court’s claim construction.<sup>359</sup> In *Hilgraeve*, the subsequent litigation between the same plaintiff and a different defendant, the Federal Circuit addressed the issue of whether the claim construction used by the Federal Circuit in the earlier case must be followed under the doctrine of stare decisis.<sup>360</sup> The court held that the claim construction in the previous case was not binding as a matter of stare decisis because the parties in the previous lawsuit merely agreed that the district court’s claim construction was correct.<sup>361</sup> The issue of claim construction was not disputed in the previous litigation, and therefore the court held that previous claim construction was not binding on the panel under the doctrine of stare decisis.<sup>362</sup> The Federal Circuit specifically left open the issue of whether it would have to follow \*418 its own previous claim construction under the doctrine of stare decisis if the parties had disputed the claim construction in the previous litigation.<sup>363</sup>

## E. Remedies

### 1. District Courts Lack Authority to Order the PTO to Change the Order of Inventors Listed on a Patent - *Fina Technology, Inc. v. Ewen*<sup>364</sup>

Although it might not appear on the Patent Office's registration examination for patent attorneys and agents, commonly called the patent bar examination, most patent practitioners know that inventors are listed in an issued patent in the same order in which their names appear in the original oath or declaration submitted with the patent application.<sup>365</sup> However, the order in which inventors are listed on a patent is of no legal importance because it in no way affects the validity of the patent or the legal rights of the inventors.<sup>366</sup>

Since the order that inventors are listed on a patent is of no legal importance, it is surprising that the sole issue before the Federal Circuit in *Fina Technology, Inc. v. Ewen*,<sup>367</sup> was whether a court has the power to order the Patent and Trademark Office to rearrange the order of inventors listed on a patent.<sup>368</sup> The fact that someone was willing to appeal this issue demonstrates that being named as the first inventor is a prestigious honor that is worth spending a significant amount of money to appeal.<sup>369</sup>

In *Fina Technology*, after the parties entered into a settlement agreement concerning inventorship of two patents, but before the district court entered a judgment based on the settlement agreement, a dispute arose regarding the interpretation of a provision of the settlement agreement.<sup>370</sup> The only dispute under the settlement agreement was whether the parties agreed to switch the order the inventors were listed in the patent; the second inventor listed on the patent alleged that under the settlement agreement he was supposed to be listed as the first \*419 inventor listed on the patent.<sup>371</sup> The district court agreed that under the provision of the settlement agreement, the second listed inventor should be listed as the first inventor in the patent.<sup>372</sup> The district court ordered that the Director of the Patent and Trademark Office reverse the order that the inventors were listed on the patents.<sup>373</sup>

The original first inventor listed on the patent appealed the district court's decision that a court has the power to order a change in inventorship under 35 U.S.C. § 256.<sup>374</sup> On appeal, the Federal Circuit agreed with the first inventor that was listed on the patent and held that a court lacked statutory authority to compel the Director to rearrange the order of inventors listed on an issued patent.<sup>375</sup> The Federal Circuit reasoned that neither the statutory language of 35 U.S.C. § 256 nor that of 35 U.S.C. § 255 gave the district court the authority to change the order that the inventors are listed on an issued patent.<sup>376</sup>

### 2. Actual Notice Requirement of Infringement Pursuant to 35 U.S.C. § 287(a) - *Lans v. Digital Equipment Corp.*<sup>377</sup>

35 U.S.C. § 287(a) provides that if a patent owner fails to mark products it manufactures that are within the scope of a claim of a patent, then:

no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.<sup>378</sup> This provision is commonly called the actual notice requirement.<sup>379</sup>

In *Lans v. Digital Equipment Corp.*,<sup>380</sup> the issue before the Federal Circuit was whether notice of infringement can be given by someone associated with the patentee but who is not acting on the behalf of the patentee.<sup>381</sup> The Federal Circuit \*420 held that notice of infringement from someone closely associated with the patentee does not satisfy § 287(a); the notice must be from the patentee or someone acting on behalf of the patentee.<sup>382</sup> Further, the notice of infringement must identify the patent owner as well as the patent alleged to be infringed.<sup>383</sup>

In *Lans v. Digital Equipment Corp.*, Mr. Lans, the inventor and owner of a patent, assigned his patent to Uniboard Aktiebolag ("Uniboard"), a company in which he was the sole shareholder and in which he was the managing director.<sup>384</sup> Roughly seven years after assigning his patent to Uniboard, Mr. Lans sent letters to computer companies notifying them that they were infringing his patent and informing them that they would need to license his patent.<sup>385</sup> Mr. Lans addressed the letters personally as the "inventor and owner" of the patent.<sup>386</sup> Notably, Mr. Lans's letters did not mention Uniboard.<sup>387</sup>

Roughly one year later, Mr. Lans sued numerous computer companies in his personal capacity for infringement of the patent he previously assigned to Uniboard.<sup>388</sup> The complaint filed by Mr. Lans did not mention or include Uniboard.<sup>389</sup> During discovery, the computer companies discovered that Mr. Lans assigned his patent rights to Uniboard.<sup>390</sup> Thereafter, the computer companies argued that Uniboard could not recover damages for infringement because Uniboard licensees neither properly marked products within the scope of the claims of the patent nor did Uniboard properly notify the computer companies that they were infringing the patent.<sup>391</sup> In particular, the computer companies argued that the letters from Mr. Lans in his personal capacity did not give sufficient notice under 35 U.S.C. § 287(a) because they did not come from the patentee or even mention the patentee.<sup>392</sup> The computer companies moved for summary judgment on the ground that Mr. Lans lacked standing because he did not own the patent.<sup>393</sup> The \*421 district court dismissed the case for lack of standing.<sup>394</sup> Six days later, Uniboard sued the computer companies for patent infringement based on the same patent.<sup>395</sup>

This case addressed an issue of first impression: whether notice of infringement from a party associated with the patentee, but not acting on the behalf of the patentee or even mentioning the patentee, is sufficient for purposes of 35 U.S.C. § 287(a).<sup>396</sup> In previous cases, the Federal Circuit held that notice from a person associated with the infringer was insufficient and that notice must come from the patent owner.<sup>397</sup> In Lans, the Federal Circuit held that “the actual notice requirement of § 287(a) demands notice of the patentee’s identity as well as notice infringement.”<sup>398</sup> Therefore, the court concluded that Uniboard could not collect damages from the computer companies because it neither marked its products nor gave actual notice to the computer companies of their infringement.<sup>399</sup> The Federal Circuit reasoned that requiring actual notice of infringement from the patent owner facilitates quicker design changes by the alleged infringer and thereby avoids future infringement, facilitates negotiations for licensing possibilities, and facilitates “early resolution of rights in a declaratory judgment proceeding.”<sup>400</sup> In contrast, the court reasoned that “a looser notification rule would present notable enforcement problems”<sup>401</sup>, and present “troublesome determinations about the sufficiency of relationships between the notifier and the patentee.”<sup>402</sup> As the court stated:

Courts would have to decide the degree of association sufficient to satisfy the rule. Must the notifying party control the patentee or simply have an interest in the patentee? Indeed, how much control or interest would suffice? Agency principles would not likely ease this problem because the notifying party would not likely even purport to act on behalf of the patentee. Accordingly, a looser rule would both frustrate the purpose of notification and present difficult, if not unworkable, enforcement problems.<sup>403</sup>

In light of the Federal Circuit’s holding in this case, when giving actual notice of infringement to an alleged infringer, practitioners should identify the owner of the patent, the patent believed to be infringed by patent number, title, issue date, and named inventors, and identify themselves as an patent owner’s attorney writing \*422 the letter under the direction of the patent owner. By disclosing this information, there should be no doubt what patent is alleged to be infringed or the owner of the patent.

## V. Conclusion

This past year saw many developments in patent case law. Of particular note, the Supreme Court held that plants are patentable subject matter under 35 U.S.C. § 101.<sup>404</sup> The Supreme Court also granted certiorari in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*,<sup>405</sup> in which the Court heard oral argument in early 2002. The patent bar anxiously awaits the Supreme Court’s decision. An informal poll by the author of this article revealed that a clear majority of patent practitioners favored a reversal of the Federal Circuit’s adoption of an absolute bar rule for prosecution history estoppel.

The past year was another busy year for the United States Court of Appeals for the Federal Circuit. Among the notable decisions was the court’s holding in *Group One Ltd. v. Hallmark Cards, Inc.*,<sup>406</sup> in which the Federal Circuit held that any commercial offer for sale must rise to the level of an offer under contract law to trigger the on-sale bar of 35 U.S.C. § 102(b). Notably, the Federal Circuit created Federal Circuit common law to determine when a communication is sufficient to constitute an offer under contract law.<sup>407</sup>

Footnotes

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Mr. Darrow would like to thank Rod A. Cooper, a fellow Associate at Sidley Austin Brown & Wood, for being his unofficial mentor during his tenure as an Associate. Mr. Darrow would also like to thank his former mentor Michael O. Sutton, who is now the firm-wide leader of the Intellectual Property Section of Locke Liddell & Sapp LLP.

<sup>1</sup> J.E.M. AG Supply, Inc. v. Pioneer Hi-Bred Int'l, Inc., 122 S.Ct. 593 (2001).

<sup>2</sup> Group One Ltd. v. Hallmark Cards, Inc., 254 F.3d 1041, 1047, 59 U.S.P.Q.2d (BNA) 1121, 1125 (Fed. Cir. 2001).

<sup>3</sup> Aptix Corp. v. Quickturn Design Sys., Inc., 269 F.3d 1369, 1378, 60 U.S.P.Q.2d (BNA) 1705, 1711 (Fed. Cir. 2001).

<sup>4</sup> Exxon Research and Eng'g Co. v. United States, 265 F.3d 1371, 1376, 60 U.S.P.Q.2d (BNA) 1272, 1277 (Fed. Cir. 2001).

<sup>5</sup> Winbond Elecs. Corp. v. International Trade Comm'n, 2001 U.S. App. LEXIS 25113, \*15 (Fed. Cir. 2001).

<sup>6</sup> Flex-Foot, Inc. v. CRP, Inc., 238 F.3d 1362, 1367-68, 1370, 57 U.S.P.Q.2d (BNA) 1635, 1639, 1641 (Fed. Cir. 2001).

<sup>7</sup> Lans v. Digital Equip. Corp., 252 F.3d 1320, 59 U.S.P.Q.2d (BNA) 1057 (Fed. Cir. 2001), reh'g and reh'g en banc denied, Uniboard Aktiebolag v. Acer Am. Corp., 2001 U.S. App. LEXIS 17244 (Fed. Cir. 2001).

<sup>8</sup> Special Devices, Inc. v. OEA, Inc., 269 F.3d 1340, 1345, 60 U.S.P.Q.2d (BNA) 1694, 1697-98 (Fed. Cir. 2001) (Special Devices IV).

<sup>9</sup> 122 S.Ct. 593 (2001).

<sup>10</sup> Id. at 596.

<sup>11</sup> Id. at 606.

<sup>12</sup> Id. at 596.

<sup>13</sup> Id. at 597.

<sup>14</sup> Id.

<sup>15</sup> J.E.M. AG Supply, 122 S.Ct. at 598.

<sup>16</sup> Id. at 597.

<sup>17</sup> Id. at 598 & n.2.

18 447 U.S. 303, 206 U.S.P.Q. (BNA) 193 (1980).

19 Id. at 309, 206 U.S.P.Q. at 197.

20 J.E.M. AG Supply, 122 S.Ct. at 599.

21 Id. at 605-06 (discussing *In re Hibberd*, 227 U.S.P.Q. (BNA) 443 (Bd. Pat. App. & Interfer. 1985)).

22 Id. at 606.

23 Id. at 607-11.

24 “‘Interpretivism’ is the usual academic word for the philosophy of [the] original understanding” approach to statutory construction. Robert H. Bork, *The Tempting of America* 178 (1990).

25 Scalia stated his philosophy of statutory construction best in his own words: “What I look for in the Constitution is precisely what I look for in a statute: the original meaning of the text, not what the original draftsmen intended.” Antonin Scalia, *A Matter of Interpretation* 38 (1997). He agrees with Justices Holmes and Frankfurter that proper statutory construction entails interpreting the words of a statute as they would have been originally understood at the time of adoption. Id. at 22-23. However, Justice Scalia is not a strict constructionist. Id. at 23. He states that “while a good textualist is not a literalist, neither is he a nihilist. Words do have a limited range of meaning, and no interpretation that goes beyond that range is permissible.” Id. at 24. Justice Scalia cites two canons of statutory construction in his concurrence. *J.E.M. AG Supply*, 122 S.Ct. at 606. As Justice Scalia’s concurrence illustrates, he sees the canons of construction as a vehicle for implementing the original understanding of a statute. See Antonin Scalia, *A Matter of Interpretation* 25-29 (1997) (approving of the use of the canons of statutory construction for a textualist interpretation of statutes).

26 Craig Allen Nard, *A Theory of Claim Interpretation*, 14 *Harv. J.L. & Tech.* 2, 4-6 (2000).

27 *Green v. Bock Laundry Mach. Co.*, 490 U.S. 504, 528 (1989) (Scalia, J., concurring in the judgment) (“The meaning of terms on the statute books ought to be determined, not on the basis of which meaning can be shown to have been understood by a larger handful of the Members of Congress, but rather on the basis of which meaning is (1) most in accord with context and ordinary usage, and thus most likely to have been understood by the whole Congress which voted on the words of the statute (not to mention the citizens subject to it), and (2) most compatible with the surrounding body of law into which the provision must be integrated--a compatibility which, by a benign fiction, we assume Congress always has in mind.”)

28 254 F.3d 1041, 59 U.S.P.Q.2d (BNA) 1121 (Fed. Cir. 2001) (before Judges Plager, Lourie, and Gajarsa).

29 *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67, 48 U.S.P.Q.2d (BNA) 1641, 1646 (1998); *UMC Elecs. Co. v. United States*, 816 F.2d 647, 656, 2 U.S.P.Q.2d (BNA) 1465, 1472 (Fed. Cir. 1987) (stating that a patent is invalid where “there was a definite sale or offer to sell more than one year before the application for the subject patent, and that the subject of the sale or offer to sell fully anticipated the claimed invention.”).

30 *Pfaff*, 525 U.S. at 67, 48 U.S.P.Q.2d at 1647.

31 254 F.3d 1041, 59 U.S.P.Q.2d (BNA) 1121 (Fed. Cir. 2001).

32 See id. at 1046, 59 U.S.P.Q.2d at 1125.

33 Id. at 1047, 59 U.S.P.Q.2d at 1125.

34 Id.

35 Id. at 1047, 59 U.S.P.Q.2d at 1126.

36 Id. at 1043, 59 U.S.P.Q.2d at 1123.

37 Group One, 254 F.3d at 1044, 59 U.S.P.Q.2d at 1123.

38 Id.

39 Id.

40 Id.

41 Id.

42 Id.

43 Group One, 254 F.3d at 1043, 59 U.S.P.Q.2d at 1123.

44 Id.

45 Id. at 1043, 59 U.S.P.Q.2d at 1123. (November 12, 1992 is the filing date for 35 U.S.C. §102(b) purposes even though the PCT application claimed priority from a patent application filed in the United Kingdom on November 14, 1991.). See id. at 1044-45, 59 U.S.P.Q.2d at 1123-24 (35 U.S.C. §363 provides that for §102(b) purposes, a PCT application designating the United States will have the same effect as a patent application filed in the United States.).

46 Id. at 1044, 59 U.S.P.Q.2d at 1123.

47 Id.

48 Id. at 1045, 59 U.S.P.Q.2d at 1124.

49 Group One, 254 F.3d at 1044, 59 U.S.P.Q.2d at 1123.

50 See id. at 1045-46, 59 U.S.P.Q.2d at 1124-25.

51 887 F.2d 1056, 12 U.S.P.Q.2d (BNA) 1449 (Fed. Cir. 1989).

52 Id. at 1062, 12 U.S.P.Q.2d at 1454.

53 Group One, 254 F.3d at 1046, 59 U.S.P.Q.2d at 1125.

54 525 U.S. 55, 48 U.S.P.Q.2d (BNA) 1641 (1998).

55 Id. at 67, 48 U.S.P.Q.2d at 1646-47.

56 Id., 48 U.S.P.Q.2d at 1646.

57 Group One, 254 F.3d at 1047, 59 U.S.P.Q.2d at 1125.

58 Id.

59 Id. (citing Pfaff, 525 U.S. at 65-66 & n.11, 48 U.S.P.Q.2d at 1646 & n.11).

60 Id., 59 U.S.P.Q.2d at 1126.

61 Id.

62 Id.

63 Group One, 254 F.3d at 1047, 59 U.S.P.Q.2d at 1126 .

64 Id. at 1048, 59 U.S.P.Q.2d at 1126 (citing Mobil Oil Co. v. United States, 530 U.S. 604, 120 S.Ct. 2423, 2429-30 (2000)).

65 Id. (citing Restatement (Second) of Contracts §26 (1981)).

66 234 F.3d 558, 56 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2000) (en banc).

67 Id. at 569, 56 U.S.P.Q.2d at 1872.

68 See id. at 577, 56 U.S.P.Q.2d at 1879.

69 215 F.3d 1246, 55 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2000).

70 Id. at 1255, 55 U.S.P.Q.2d at 1007.

71 Id. at 1254, 55 U.S.P.Q.2d at 1006.

72 Id. at 1257 & n.5, 55 U.S.P.Q.2d at 1008 & n.5.

73 Linear Tech. Corp. v. Micrel, Inc., 275 F.3d 1040, 1050, 61 U.S.P.Q.2d (BNA) 1225, 1231 (Fed. Cir. 2001).

74 Special Devices, Inc. v. OEA, Inc., 270 F.3d 1353, 60 U.S.P.Q.2d (BNA) 1537 (Fed. Cir. 2001) (before Judges Michel, Friedman, and Locke).

75 Id. at 1354-55, 60 U.S.P.Q.2d at 1539 (citing Pfaff, 525 U.S. at 67-68) (citations omitted).

76 35 U.S.C. §154(a)(2) (1996).

77 270 F.3d 1353, 60 U.S.P.Q.2d (BNA) 1537 (Fed. Cir. 2001).

78 Id. at 1355, 60 U.S.P.Q.2d at 1539.

79 Id. at 1355, 60 U.S.P.Q.2d at 1539.

80 Id.

81 Id. at 1354, 60 U.S.P.Q.2d at 1538.

82 Id.

83 Special Devices III, 270 F.3d at 1355, 60 U.S.P.Q.2d at 1539.

84 Id. at 1354-55, 60 U.S.P.Q.2d at 1538-39.

85 Id.

86 Id.

87 Id. at 1357, 60 U.S.P.Q.2d at 1541.

88 Id. (quotations omitted).

89 Validity, *supra* Section II .

90 See Kingsdown Med. Consultants Ltd. v. Hollister, Inc., 863 F.2d 867, 877, 9 U.S.P.Q.2d (BNA) 1384, 1392 (Fed. Cir. 1988) (en banc).



91 269 F.3d 1369, 60 U.S.P.Q.2d (BNA) 1705 (Fed. Cir. 2001) (before Judges Mayer, Rader, and Linn).

92 269 F.3d 1369, 1374, 60 U.S.P.Q.2d (BNA) 1705, 1707 (Fed. Cir. 2001) (before Judges Mayer, Rader, and Linn) (stating that the Plaintiffs challenge the district court's determination that litigation misconduct can render a patent unenforceable).

93 Id. at 1378, 60 U.S.P.Q.2d at 1711; *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240, 19 U.S.P.Q. (BNA) 228 (1933).

94 *Aptix*, 269 F.3d at 1372, 60 U.S.P.Q.2d at 1706.

95 Id.

96 Id.

97 Id.

98 Id.

99 Id.

100 *Aptix*, 269 F.3d at 1372, 60 U.S.P.Q.2d at 1706.

101 Id. at 1373, 60 U.S.P.Q.2d at 1706.

102 Id. at 1373, 60 U.S.P.Q.2d at 1707.

103 Id.

104 Id.

105 *Aptix Corp. v. Quickturn Design Sys., Inc.*, No. 98-00762, 2000 WL 852813, at \*26 (N.D.Cal. Jun 14, 2000) (NO. 98-00762).

106 *Aptix*, 269 F.3d at 1373, 60 U.S.P.Q.2d at 1707.

107 Id.

108 Id.

109 Id.

110 Id.

111 Id.

112 Aptix, 269 F.3d at 1373, 60 U.S.P.Q.2d at 1707.

113 2000 WL 852813, \*27 (N.D. Cal. 2000), quoted in Aptix, 269 F.3d at 1373, 60 U.S.P.Q.2d at 1707. A court may draw an adverse inference against a party who asserts his Fifth Amendment privilege in refusing to testify in a civil action. *Baxter v. Palmigiano*, 425 U.S. 308, 318 (1976) (“[T]he Fifth Amendment does not forbid adverse inferences against parties to civil actions when they refuse to testify in response to probative evidence offered against them”).

114 Aptix, 269 F.3d at 1373-1374, 60 U.S.P.Q.2d at 1707.

115 Id. at 1374-75, 60 U.S.P.Q.2d at 1708; 35 U.S.C. §285 (1994).

116 Aptix, 269 F.3d at 1374, 60 U.S.P.Q.2d at 1708.

117 Id. at 1375, 60 U.S.P.Q.2d at 1707.

118 Id. at 1378, 60 U.S.P.Q.2d at 1711.

119 Id. at 1375, 60 U.S.P.Q.2d at 1708.

120 Id.

121 Id. at 1375-76, 60 U.S.P.Q.2d at 1708-1709.

122 Aptix, 269 F.3d at 1375-76, 60 U.S.P.Q.2d at 1708-1709.

123 Id. at 1376, 60 U.S.P.Q.2d at 1709.

124 Id.

125 *Keystone I*, 290 U.S. at 243-244, 19 U.S.P.Q. at 229-230 (1933).

126 Id.

127 *General Excavator Co. v. Keystone Driller Co.*, 62 F.2d 48, 50-51, 16 U.S.P.Q. (BNA) 269, 271-72 (6th Cir. 1932).

128 Aptix, 269 F.3d at 1376, 60 U.S.P.Q.2d at 1709 (citing *General Excavator v. Keystone Driller Co.*, 64 F.2d 39, 40, 17 U.S.P.Q. (BNA) 517, 518 (6th Cir. 1933)).

129 Id. at 1377; 60 U.S.P.Q.2d at 1710 (citing *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. at 244).

130 *Keystone Driller Co. v. Northwest Eng'g Corp.*, 294 U.S. 42 (1935).

131 *Aptix*, 269 F.3d at 1376, 60 U.S.P.Q.2d at 1709 (citing *Keystone II*, 294 U.S. at 44 n.2).

132 Id.

133 Id. at 1378, 60 U.S.P.Q.2d at 1711.

134 Id. at 1379, 60 U.S.P.Q.2d at 1711 (quoting *Keystone I*, 290 U.S. at 245-46).

135 Id. (quoting *Keystone I*, 290 U.S. at 244-45) (quotations omitted).

136 Id., 60 U.S.P.Q.2d at 1712.

137 Henry L. McClintock, *McClintock on Equity* §26 (2d ed. 1948) (“The general principle is that equity will not lend its aid to enable a party to reap the benefit of his misconduct, or to enable him to continue it, but, where the misconduct has ceased and the right claimed in the suit did not accrue because of it, the misconduct will be held to be collateral and not to defeat the right to affirmative relief.”).

138 254 F.3d 1031, 59 U.S.P.Q.2d (BNA) 1139 (Fed. Cir. 2001) (before Judges Lourie, Clevenger, and Linn).

139 See Id. at 1035, 59 U.S.P.Q.2d at 1142.

140 Id. (citing *New Idea Farm Equip. Corp. v. Sperry Corp.*, 916 F.2d 1561, 1566, 16 U.S.P.Q.2d (BNA) 1424, 1428 (Fed. Cir. 1990)).

141 254 F.3d 1031, 59 U.S.P.Q.2d (BNA) 1139 (Fed. Cir. 2001).

142 Id. at 1033, 1034, 59 U.S.P.Q.2d at 1140, 1141.

143 Id. at 1034, 59 U.S.P.Q.2d at 1141.

144 Id. at 1035, 59 U.S.P.Q.2d at 1142.

145 Id. at 1036, 59 U.S.P.Q.2d at 1142.

146 Id. at 1035-36, 59 U.S.P.Q.2d at 1142.

147 *Apotex*, 254 F.2d at 1035, 59 U.S.P.Q.2d at 1141.

148 Id. at 1036, 59 U.S.P.Q.2d at 1142.

149 Id. at 1037, 59 U.S.P.Q.2d at 1143.

150 Id. at 1037 & n.1, 59 U.S.P.Q.2d at 1143 & n.1 (quoting *Young v. Dworkin*, 489 F.2d 1277, 1279, 180 U.S.P.Q. (BNA) 388, 390 (C.C.P.A. 1974)).

151 Id. at 1037, 59 U.S.P.Q.2d at 1143.

152 Id. at 1037-38, 59 U.S.P.Q.2d at 1143-44 (citations omitted).

153 *Apotex*, 254 F.3d at 1037, 59 U.S.P.Q.2d at 1143.

154 See *id.*

155 Id. at 1037-38, 59 U.S.P.Q.2d at 1143-44.

156 Id. at 1037 n.1, 59 U.S.P.Q.2d at 1143 n.1.

157 Id.

158 265 F.3d 1371, 60 U.S.P.Q.2d (BNA) 1272 (Fed. Cir. 2001) (before Judges Mayer, Bryson, and Lourie).

159 *Morton Int'l, Inc. v. Cardinal Chem. Co.*, 5 F.3d 1464, 1470, 28 U.S.P.Q.2d (BNA) 1190, 1195 (Fed. Cir. 1993).

160 *Union Pac. Resources Co. v. Chesapeake Energy Corp.*, 236 F.3d 684, 692, 57 U.S.P.Q.2d (BNA) 1293, 1297 (Fed. Cir. 2001); *Process Control Corp. v. Hydroclaim Corp.*, 190 F.3d 1350, 1358 n.2, 52 U.S.P.Q.2d (BNA) 1029, 1034 n.2 (Fed. Cir. 1999); *Solomon v. Kimberly-Clark Corp.*, 216 F.3d 1372, 1377, 55 U.S.P.Q.2d (BNA) 1279, 1281 (Fed. Cir. 2000); *Personalized Media Communications, L.L.C. v. International Trade Comm'n*, 161 F.3d 696, 705, 48 U.S.P.Q.2d (BNA) 1880, 1888 (Fed. Cir. 1998).

161 265 F.3d 1371, 60 U.S.P.Q.2d (BNA) 1272 (Fed. Cir. 2001).

162 Id. at 1373, 60 U.S.P.Q.2d at 1274.

163 Id.

164 Id. at 1374, 60 U.S.P.Q.2d at 1276.

165 Id. at 1376, 60 U.S.P.Q.2d at 1276-77.

166 Id., 60 U.S.P.Q.2d at 1277.

167 Exxon Research, 265 F.3d at 1376, 60 U.S.P.Q.2d at 1277.

168 Id.

169 Id.

170 Id.

171 252 F.3d 1306, 58 U.S.P.Q.2d (BNA) 1891 (Fed. Cir. 2001) (before Judges Clevenger, Bryson, and Linn).

172 Id.

173 Id. at 1317, 58 U.S.P.Q.2d at 1899-1900.

174 Id. at 1319, 58 U.S.P.Q.2d at 1901.

175 See id. at 1308, 58 U.S.P.Q.2d at 1893.

176 Id. at 1318, 58 U.S.P.Q.2d at 1900.

177 Mycogen, 252 F.3d at 1318, 58 U.S.P.Q.2d at 1900.

178 Id.

179 Id.

180 Id.

181 234 F.3d 558, 56 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2000) (en banc), cert. granted, 121 S. Ct. 2519, 2001 U.S. LEXIS 4495 (2001).

182 Id. at 566, 56 U.S.P.Q.2d at 1870.

183 Id. at 568, 56 U.S.P.Q.2d at 1871.

184 Id. at 569, 56 U.S.P.Q.2d at 1872.

185 Id. at 578, 56 U.S.P.Q.2d at 1880.

186 See id. at 638, 56 U.S.P.Q.2d at 1929 (Newman, J., dissenting).

187 Michael O. Sutton & Christopher G. Darrow, Recent Developments in Patent Law, 9 Tex. Intell. Prop. L.J. 429, 444 (2001) (stating that “[m]ost practitioners appear to be in disagreement with this result.”).

188 Chevron Oil Co. v. Huson, 404 U.S. 97, 106 (1971) (citations omitted).

189 Id. at 106-07.

190 Festo, 234 F.3d at 638 & n.3, 642 n.5, 56 U.S.P.Q.2d at 1929 & n.3, 1932 n.5 (Newman, J., dissenting) (stating that very few applications get through the patent office without amendment or argument and that there are currently 1,200,000 patents maintained and in force).

191 Petition for Writ of Certiorari at 2, Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., 234 F.3d 558, 56 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2000), cert. granted, 533 U.S. 915 (2001), available at [http://supreme.lp.findlaw.com/supreme\\_court/briefs/00-1543/00-1543.pet.aa.pdf](http://supreme.lp.findlaw.com/supreme_court/briefs/00-1543/00-1543.pet.aa.pdf).

192 Robert Bork is a former Judge of the United States Court of Appeals for the District of Columbia. He served as the United States Solicitor General and acting Attorney General of the United States. He was a nominee as a Justice for the United States Supreme Court, and served as a professor of law at Yale Law School. He currently serves as the John M. Olin Scholar for the American Enterprise Institute and professor of law at Ave Marie School of Law in Ann Arbor, Michigan.

aa1 Editor’s note: As of the press date in mid-May 2002, this decision was not yet issued.

193 252 F.3d 1306, 58 U.S.P.Q.2d (BNA) 1891 (Fed. Cir. 2001) (before Judges Clevenger, Bryson, and Linn).

194 Festo, 234 F.3d at 563, 56 U.S.P.Q.2d at 1868.

195 Mycogen, 252 F.3d at 1319-1320, 58 U.S.P.Q.2d at 1901.

196 Id. at 1320, 58 U.S.P.Q.2d at 1901.

197 Id. at 1319, 58 U.S.P.Q.2d at 1901.

198 Id.

199 Id. at 1319-20, 58 U.S.P.Q.2d at 1901.

200 Id.

201 273 F.3d 1355, 61 U.S.P.Q.2d (BNA) 1075 (Fed. Cir. 2001) (before Judges Newman, Laurie, and Rader).

202 Id. at 1361, 61 U.S.P.Q.2d at 1078.

203 Id. at 1359, 61 U.S.P.Q.2d at 1077.

204 Id. at 1366, 61 U.S.P.Q.2d at 1083.

205 Id. at 1359, 61 U.S.P.Q.2d at 1077.

206 Id.

207 *Intermatic*, 273 F.3d at 1366, 61 U.S.P.Q.2d at 1083.

208 Id. at 1359 & n.1, 61 U.S.P.Q.2d at 1677 & n.1.

209 Id.

210 Id. at 1366-67, 61 U.S.P.Q.2d at 1083.

211 Id.

212 Id. at 1367, 61 U.S.P.Q.2d at 1084.

213 *Intermatic*, 273 F.3d at 1367, 61 U.S.P.Q.2d at 1084.

214 Id.

215 *Festo*, 234 F.3d at 569, 576, 56 U.S.P.Q.2d at 1872, 1878.

216 *Intermatic*, 273 F.3d at 1366, 1367 & n.3, 61 U.S.P.Q.2d at 1084 & n.3.

217 Id. at 1370, 61 U.S.P.Q.2d at 1086.

218 Id.

219 Id.

220 2001 U.S. App. LEXIS 25113 (Fed. Cir. 2001) (before Judges Clevenger, Rader and Dyk).

221 *In re Spalding Sports Worldwide, Inc.*, 203 F.3d 800, 803, 53 U.S.P.Q.2d (BNA) 1747, 1750 (Fed. Cir. 2000) (quotations omitted) (holding that Federal Circuit law supplies the rule of law to the issue of whether a communication of an invention disclosure statement from an inventor to his patent attorney falls within the attorney-client privilege).

222 2001 U.S. App. LEXIS 25113 (Fed. Cir. 2001).

223 Id. at \*13.

224 Id.

225 Id. at \*13-14 (citations omitted).

226 See id. at \*13.

227 Id. at \*14-15.

228 Winbond Electronics, 2001 U.S. App. LEXIS 25113 at \*15.

aaa1 Editor's note: This topic is also discussed in another article in this issue of the Journal: Issue Preclusion as Applied to Claim Interpretation, by Bradley and Kubasta, 10 Tex. Intell. Prop. L.J. 323 (2002).

229 256 F.3d 1290, 59 U.S.P.Q.2d (BNA) 1346 (Fed. Cir. 2001) (before Judges Rader, Plager, and Schall).

230 Restatement (Second) of Judgments §§18-19 (1982), cited in Hallco Mfg. Co. v. Foster, 256 F.3d 1290, 1294, 59 U.S.P.Q.2d (BNA) 1346,1349 (Fed. Cir. 2001); Friedenthal et al., Civil Procedure 619 (2d ed. 1993) (stating that "res judicata is an affirmative defense that the court ordinarily will not raise on its own initiative.").

231 Joseph W. Glannon, Civil Procedure--Examples and Explanations 431 (3d ed. 1997).

232 256 F.3d 1290, 59 U.S.P.Q.2d (BNA) 1346 (Fed. Cir. 2001).

233 Id. at 1292, 59 U.S.P.Q.2d at 1347.

234 See id. at 1294, 59 U.S.P.Q.2d at 1348.

235 See id. at 293, 59 U.S.P.Q.2d at 1348.

236 Id.

237 Id.

238 Hallco II, 256 F.3d at 293, 59 U.S.P.Q.2d at 1348.

239 Id. at 1297, 59 U.S.P.Q.2d at 1351.

240 Id. at 1293, 59 U.S.P.Q.2d at 1348.



241 Id.

242 See id. at 1294, 59 U.S.P.Q.2d at 1348.

243 See id. at 1294-95, 59 U.S.P.Q.2d at 1349-50 (discussing *Foster v. Hallico Manufacturing Co.*, 947 F.2d 469, 20 U.S.P.Q.2d (BNA) 1241 (Fed. Cir. 1991); and *Epic Metals Corp. v. H.H. Robertson Co.*, 870 F.2d 1574, 10 U.S.P.Q.2d (BNA) 1296 (Fed. Cir. 1989)).

244 *Hallico II*, 256 F.3d at 1297, 59 U.S.P.Q.2d at 1350-1351.

245 See id. at 1296, 59 U.S.P.Q.2d at 1350.

246 See id. at 1293, 59 U.S.P.Q.2d at 1348.

247 Id. at 1294, 59 U.S.P.Q.2d at 1348.

248 Id. at 1294-95, 59 U.S.P.Q.2d at 1349 (citing *Epic Metals*, 870 F.2d at 1576, 10 U.S.P.Q.2d at 1299 (construing Third Circuit law)).

249 Id. at 1297, 59 U.S.P.Q.2d at 1351.

250 *Hallico II*, 256 F.3d 1297, 59 U.S.P.Q.2d at 1351.

251 Id.

252 Id. at 1295-97, 1297, 59 U.S.P.Q.2d at 1350-51 (citing *Foster*, 947 F.2d at 479-80, 20 U.S.P.Q.2d at 1247-49).

253 Id. at 1297, 59 U.S.P.Q.2d at 1351.

254 Id. at 1298, 59 U.S.P.Q.2d at 1352.

255 Id.

256 *Hallico II*, 256 F.3d at 1298, 59 U.S.P.Q.2d at 1352 .

257 238 F.3d 1362, 57 U.S.P.Q.2d (BNA) 1635 (Fed. Cir. 2001) (before Judges Mayer, Plager, and Linn).

258 Restatement (Second) of Judgments §27 (1982).

259 *Flex-Foot, Inc. v. CRP, Inc.*, 238 F.3d 1362, 1367-68 & n.2, 57 U.S.P.Q.2d (BNA) 1635, 1639 & n.2 . But see *Hallico II*, 256 F.3d

at 1294-95, 1297, 59 U.S.P.Q.2d at 1349, 1351 (holding that a dismissal with prejudice based on a settlement agreement has the same force and effect as judgment entered on the merits for claim preclusion purposes).

260 238 F.3d 1362, 57 U.S.P.Q.2d (BNA) 1635 (Fed. Cir. 2001).

261 Id. at 1367-68, 1370, 57 U.S.P.Q.2d at 1639, 1641.

262 Id. at 1363-64, 57 U.S.P.Q.2d at 1636-37.

263 Flex-Foot III, 238 F.3d at 1363, 57 U.S.P.Q.2d at 1636.

264 Id. at 1363-64, 57 U.S.P.Q.2d at 1636.

265 Id. at 1364, 57 U.S.P.Q.2d at 1636.

266 Id.

267 Id. at 1364, 57 U.S.P.Q.2d at 1637.

268 Id.

269 Flex-Foot III, 238 F.3d at 1364, 57 U.S.P.Q.2d at 1637.

270 Id. at 1367-68 & n.2, 57 U.S.P.Q.2d at 1639 & n.2.

271 Id. at 1367-68, 57 U.S.P.Q.2d at 1639.

272 Id. at 1368, 57 U.S.P.Q.2d at 1639.

273 Id. at 57 U.S.P.Q.2d at 1640.

274 395 U.S. 653 (1969).

275 Flex-Foot III, 238 F.3d at 1368, 57 U.S.P.Q.2d at 1640.

276 Lear, 395 U.S. at 670.

277 Flex-Foot III, 238 F.3d at 1368, 57 U.S.P.Q.2d at 1640.

278 Id.

279 Id. at 1369, 57 U.S.P.Q.2d at 1641.

280 Id. at 1370, 57 U.S.P.Q.2d at 1641.

281 Id.

282 Id.

283 254 F.3d 1347, 59 U.S.P.Q.2d (BNA)1257 (Fed. Cir. 2001) (before Judges Mayer, Lourie, and Bryson).

284 Id. at 1358, 59 U.S.P.Q.2d at 1262.

285 Id. at 1359, 59 U.S.P.Q.2d at 1262-63.

286 Id. at 1354, 59 U.S.P.Q.2d at 1259.

287 Id. at 1353, 1356, 59 U.S.P.Q.2d at 1258, 1260.

288 Id. at 1356-57, 59 U.S.P.Q.2d at 1261.

289 Chou, 254 F.3d at 1359, 59 U.S.P.Q.2d at 1262.

290 Id. at 1358, 59 U.S.P.Q.2d at 1261 (quoting Chou v. University of Chicago, 2000 U.S. Dist. LEXIS 2002, \*6 (N.D. Ill. 2000)).

291 See id. at 1358, 59 U.S.P.Q.2d at 1262.

292 Id. at 1359, 59 U.S.P.Q.2d at 1262-63.

293 Id. at 1358, 59 U.S.P.Q.2d at 1261 (citing U.S. Const. art. III, §2; Lujan v. Defenders of Wildlife, 504 U.S. 555, 560-61 (1992)).

294 Id. at 359, 59 U.S.P.Q.2d at 1262-63.

295 Chou, 254 F.3d at 1359, 59 U.S.P.Q.2d at 1262.

296 Id. at 1359, 59 U.S.P.Q.2d at 1263.

297 Id.

298 Id.

299 Id., 59 U.S.P.Q.2d at 1262.

300 Id.

301 Chou, 254 F.3d at 1359, 59 U.S.P.Q.2d at 1262.

302 Id.

303 265 F.3d 1282, 60 U.S.P.Q.2d (BNA) 1194 (Fed. Cir. 2001) (before Judges Rader, Shall, and Dyk).

304 Eric M. Dobrusin & Katherine E. White, *Intellectual Property Litigation: Pretrial Practice* §101 (2d ed. 2001) (“Most parties resolve their disputes by settlement or summary judgment.”); Margaret M. Cordray, *Settlement Agreements and the Supreme Court*, 9 *Hastings L.J.* 9, 11 (1996) (“In most cases, the parties enter into an agreement settling their dispute before the court issues a final judgment in the case.”); Larry Kramer, *Consent Decrees and the Rights of Third Parties*, 87 *Mich. L. Rev.* 321, 325 (1987) (stating that “the parties will usually negotiate a settlement.”).

305 See Cordray, *supra* note 304, at 12 (“In some cases, though, the parties quarrel over one another’s compliance with the terms of the settlement agreement.”).

306 Scholars have identified various reasons why a litigant might prefer to return to the federal court where the case was originally litigated: 1) Returning to the original federal court would most likely result in quicker resolution of the dispute due to the judge being familiar with the case and the fact that the litigant would not have to go through the formalities of filing a new lawsuit in a state court; 2) returning to the original federal court would be less expensive than filing a new lawsuit in state court; and 3) the litigant might desire to stay in federal court. Cordray, *supra* note 304, at 12 n. 13.

307 *Kokkonen v. Guardian Life Ins. Co. of Am.*, 511 U.S. 375, 382 (1994).

308 511 U.S. 375 (1994).

309 Id. at 381.

310 Id.

311 Id.

312 265 F.3d 1282, 60 U.S.P.Q.2d (BNA) 1194 (Fed. Cir. 2001).

313 Id. at 1284, 60 U.S.P.Q.2d at 1195.

314 Id. at 1291, 60 U.S.P.Q.2d at 1201 (Dyk, J., dissenting).

315 Id. (quoting the settlement agreement) (Dyk, J., dissenting).

316 Id.

317 Id. at 1286-87, 60 U.S.P.Q.2d at 1197.

318 Schaefer Fan, 265 F.3d at 1291, 60 U.S.P.Q.2d at 1201.

319 Id.

320 Id. at 1284, 60 U.S.P.Q.2d at 1195.

321 Id. at 1286-87, 60 U.S.P.Q.2d at 1197.

322 Id. at 1287, 60 U.S.P.Q.2d at 1198.

323 Id.

324 Schaefer Fan, 265 F.3d at 1287, 60 U.S.P.Q.2d at 1198 (quotations and citations omitted).

325 Id. at 1291, 60 U.S.P.Q.2d at 1201.

326 Id.

327 Id. at 1292, 60 U.S.P.Q.2d at 1202.

328 Id. at 1293, 60 U.S.P.Q.2d at 1202-03.

329 Id. at 1292-93, 60 U.S.P.Q.2d at 1202.

330 Schaefer Fan, 265 F.3d at 1293, 60 U.S.P.Q.2d at 1203.

331 Kokkonen, 511 U.S. at 381.

332 Schaefer Fan, 265 F.3d at 1293, 60 U.S.P.Q.2d at 1203 (Dyk, dissenting) (stating that “this case is governed by the law of the Eighth Circuit”).

333 269 F.3d 1340, 60 U.S.P.Q.2d (BNA) 1694 (Fed. Cir. 2001) (before Judges Michel, Friedman, and Lourie).

334 See 28 U.S.C. §§1295(a)(1) and 1338(a) (2001).

335 269 F.3d 1340, 60 U.S.P.Q.2d (BNA) 1694 (Fed. Cir. 2001).

336 Id. at 1343, 60 U.S.P.Q.2d at 1696.

337 Id. at 1341, 60 U.S.P.Q.2d at 1695.

338 Id. at 1343, 60 U.S.P.Q.2d at 1696.

339 *Special Devices, Inc. v. OEA, Inc.*, 117 F. Supp. 2d 989, 56 U.S.P.Q.2d (BNA) 1627 (C.D. Cal. 2000).

340 *Special Devices IV*, 269 F.3d at 1342, 60 U.S.P.Q.2d at 1695.

341 Id.

342 *Special Devices, Inc. v. OEA, Inc.*, 131 F. Supp. 2d 1171 (C.D. Cal. 2001).

343 *Special Devices IV*, 269 F.3d at 1342, 60 U.S.P.Q.2d at 1695.

344 Id. at 1341, 60 U.S.P.Q.2d at 1695.

345 Id. at 1342, 60 U.S.P.Q.2d at 1695-96.

346 *Special Devices II*, 131 F. Supp. 2d at 1180 (C.D. Cal. 2001).

347 *Special Devices IV*, 269 F.3d at 1342, 60 U.S.P.Q.2d at 1696.

348 Id. at 1343, 60 U.S.P.Q.2d at 1696.

349 Id.

350 Id. at 1343-44, 60 U.S.P.Q.2d at 1696-97.

351 Id. at 1344, 60 U.S.P.Q.2d at 1697.

352 Id. at 1345-46, 60 U.S.P.Q.2d at 1698; *Majorette Toys (U. S.), Inc. v. Darda, Inc. U.S.A.*, 798 F.2d 1390, 230 U.S.P.Q. (BNA) 541 (Fed. Cir. 1986).

353 *Special Devices IV*, 269 F.3d at 1346, 60 U.S.P.Q.2d at 1698 (citing *Majorette Toys*, 798 F.2d at 1391-92, 230 U.S.P.Q. at 542).

354 Id. (citing *Majorette Toys*, 798 F.2d at 1391-92, 230 U.S.P.Q. at 542).

355 See id. at 1345-46, 60 U.S.P.Q.2d at 1697-98.

356 265 F.3d 1336, 60 U.S.P.Q.2d (BNA) 1291 (Fed. Cir. 2001) (before Judges Rader, Plager, and Dyk).

357 Id. at 1338-39, 60 U.S.P.Q.2d at 1292.

358 *Hilgraeve Corp. v. McAfee Assocs., Inc.*, 70 F. Supp. 2d 738, 745 (E.D. Mich. 1999).

359 *Hilgraeve Corp. v. McAfee Assocs., Inc.*, 224 F.3d 1349, 1350, 55 U.S.P.Q.2d (BNA) 1656, 1657 (Fed. Cir. 2000).

360 *Hilgraeve*, 265 F.3d at 1341-42, 60 U.S.P.Q.2d at 1294-95.

361 Id., 60 U.S.P.Q.2d at 1294.

362 Id.

363 Id.

364 265 F.3d 1325, 1327, 60 U.S.P.Q.2d (BNA) 1314, 1316 (Fed. Cir. 2001) (before Judges Schall, Bryson and Dyk).

365 Manual Patent Examining Procedure §605.04(f) (8th ed. 2001).

366 *Fina Oil & Chem. Co. v. Ewen*, 123 F.3d 1466, 1471, 43 U.S.P.Q.2d (BNA) 1935, 1990 (Fed. Cir. 1997).

367 265 F.3d 1325, 60 U.S.P.Q.2d (BNA) 1314 (Fed. Cir. 2001).

368 Id. at 1327, 60 U.S.P.Q.2d at 1316.

369 In *Chou*, 254 F.3d 1347, 59 U.S.P.Q.2d 1257, the Federal Circuit recognized the importance of being an inventor when it stated that “being considered an inventor of important subject matter is a mark of success in one’s field, comparable to being an author of an important scientific paper.” Likewise, it is often prestigious to be named the first inventor on a patent, similar to being named the first author on a paper or legal publication.

370 *Fina Tech.*, 265 F.3d at 1325-26, 60 U.S.P.Q.2d at 1316.

371 Id.

372 Id. at 1327, 60 U.S.P.Q.2d at 1316.

373 Id.

374 Id.

375 Id. at 1328, 60 U.S.P.Q.2d at 1317.

376 Fina Tech, 265 F.3d at 1328, 60 U.S.P.Q.2d at 1317.

377 252 F.3d 1320, 59 U.S.P.Q.2d (BNA) 1057 (Fed. Cir. 2001), reh'g and reh'g en banc denied, Uniboard Aktiebolag v. Acer Am. Corp., 2001 U.S. App. LEXIS 17244 (Fed. Cir. 2001).

378 35 U.S.C. §287(a) (2001).

379 See Lans v. Digital Equipment Corp., 252 F.3d 1320, 1327, 59 U.S.P.Q.2d (BNA) 1057, 1601 (Fed. Cir. 2001), reh'g and reh'g en banc denied, Uniboard Aktiebolag v. Acer Am. Corp., 2001 U.S. App. LEXIS 17244 (Fed. Cir. 2001).

380 252 F.3d 1320, 59 U.S.P.Q.2d (BNA) 1057 (Fed. Cir. 2001).

381 Id. at 1327, 59 U.S.P.Q.2d at 1060.

382 Id., 59 U.S.P.Q.2d at 1061.

383 Id.

384 Id. at 1324-25, 59 U.S.P.Q.2d at 1059.

385 Id. at 1325, 59 U.S.P.Q.2d at 1059.

386 Lans, 252 F.3d at 1325, 59 U.S.P.Q.2d at 1059.

387 Id.

388 Id.

389 Id.

390 Id.

391 Id.

392 Lans, 252 F.3d at 1325, 59 U.S.P.Q.2d at 1059.



393 Id.

394 Id.

395 Id. at 1326, 59 U.S.P.Q.2d at 1060.

396 Id. at 1327, 59 U.S.P.Q.2d at 1060 (“Admittedly, this court has not previously encountered a situation, such as this case, where a party associated with the patentee notified alleged infringers.”).

397 Id. at 1327, 59 U.S.P.Q.2d at 1060 (quoting *American Med. Sys., Inc. v. Medical Eng’g Corp.*, 6 F.3d 1523, 1537 n.18, 28 U.S.P.Q.2d (BNA) 1321, 1331 n.18 (Fed. Cir. 1993)).

398 *Lans*, 252 F.3d at 1327, 59 U.S.P.Q.2d at 1061.

399 Id. at 1328, 59 U.S.P.Q.2d at 1061.

400 Id. at 1327, 59 U.S.P.Q.2d at 1061.

401 Id., 59 U.S.P.Q.2d at 1061.

402 Id. at 1328, 59 U.S.P.Q.2d at 1061.

403 Id. at 1327, 59 U.S.P.Q.2d at 1061.

404 *J.E.M. AG Supply*, 122 S.Ct. at 595.

405 234 F.3d 558, 56 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2000) (en banc), cert. granted, 121 S. Ct. 2519, 2001 U.S. LEXIS 4495 (2001).

406 *Group One*, 254 F.3d at 1047, 59 U.S.P.Q.2d at 1125.

407 Id.