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Federal Circuit Friday

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In *John Bean Technologies v. Morris & Associates* (Feb. 19), the Federal Circuit affirmed a district court's grant of equitable intervening rights, allowing the defendant to continue selling otherwise infringing products for the remainder of a reexamined patent's term.

Background: Facts & The Issue

In 2002 defendant Morris sent a letter to plaintiff John Bean explaining that Morris believed that a John Bean patent relating to poultry processing equipment was invalid over specified prior art. John Bean did not respond. Eleven years later, John Bean sought *ex parte* reexamination of the patent in which it amended the two original claims and added six new claims.

In the meantime, Morris expended significant resources on research, development, promotion, and sales of its poultry processing product, with sales eventually growing to account for two-thirds of Morris' business.

In 2014 the reexamination certificate issued and John Bean sued Morris for patent infringement. Morris defended, *inter alia*, on grounds that the infringement claims were barred due to equitable intervening rights.

The district court granted summary judgment in favor of Morris on equitable intervening rights, and John Bean appealed.

Background: Relevant Black Letter Law

1. Intervening Rights

- a. Fairness-based doctrine that prevents "gross injustice where a third party, having already begun to make, use, or sell a given article, finds its previously lawful activities rendered newly infringing under a modified patent."¹
 - 1) Allows certain infringers to "continue what would otherwise be infringing activity" after the reissue or reexamination.²
 - 2) Based on notion that "the public has the right to use what is not specifically claimed in the original patent."³
- ii. Basic scope and requirements are provided in the second paragraph of 35 USC § 252.
- iii. Section § 252 refers explicitly to reissues; Section 307(b) renders reexamined patents subject to the provisions of § 252.
- b. Absolute intervening rights – 35 USC § 252, second paragraph, first sentence.
 - i. Allows for any "specific thing" that (1) is within the scope of a reissue/reexam claim, and (2) was made, purchased, offered for sale, used, or imported before the reissue/reexam, to continue to be used, sold, offered for sale, and imported unless the relevant claim was "in the original patent."⁴
 - 1) Continued "making" of such things is not included in the "absolute" provision (that's addressed via equitable intervening rights, below).
 - 2) "Processes" also not addressed in the "absolute" provision (but are addressed via equitable intervening rights, below).

¹ *Marine Polymer Techs., Inc. v. Hemcon, Inc.*, 672 F.3d 1350, 1361 (Fed. Cir. 2012).

² *Seattle Box Co., Inc. v. Industrial Crating and Packing Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985).

³ *Id.*

⁴ *E.g., BIC Leisure Products, Inc. v. Windsurfing Intern., Inc.*, 1 F.3d 1214, 1221-22 (Fed. Cir. 1993)(accused infringer has "the absolute right to use or sell a product that was made, used, or purchased before the grant of the reissue patent as long as this activity does not infringe a claim of the reissue patent that was in the original patent."); 35 USC § 252, second paragraph.

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- ii. Includes things not already in existence if they have been ordered and the accused infringer is contractually bound to pay for them.⁵
- iii. “Absolute” means absolute: “As long as the use or sale of the accused product does not infringe a claim of the reissue patent that also was in the original patent, the owner of the reissued patent has no recourse under the Patent Act.”⁶
- c. Equitable intervening rights – 35 USC § 252, second paragraph, second sentence.
 - i. Allows court to exercise its equitable powers to allow for (1) continued manufacture (and sale, etc.) of things made, sold, etc. before the reissue/reexam; (2) manufacture, sale, etc. of things for which “substantial preparation was made” before the reissue/reexam; and (3) continued practice of processes that either were practiced or for which “substantial preparation was made” before the reissue/reexam – in all cases “to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue” or reexamination.
 - ii. Although not explicitly stated in the relevant provision, equitable intervening rights apply only where the reissued or reexamined claim was not “in the original patent.”⁷
 - iii. Court decides whether and how “to use its broad equity powers to fashion an appropriate remedy” in light of the facts of each particular case.⁸
 - 1) Focus is on protecting “investments” and “business commenced” before the reissue/reexam.
 - iv. Denial due to defendant’s “unclean hands” – Equitable intervening rights can be denied where defendant seeking such rights did not itself behave in an equitable manner.
 - 1) “Equity’s ‘unclean hands’ doctrine demands that ‘[one] who seeks equity must do equity.’”⁹
- d. Test for whether a reissue/reexam claim was “in the original patent”: Need “identity” of scope between the relevant reissued/reexamined claim and an original claim, not necessarily identity of language.¹⁰
 - i. “‘Identical’ does not mean verbatim, but means at most without substantive change.”¹¹
 - ii. “There is no absolute rule for determining whether an amended claim is legally identical to an original claim. An amendment that clarifies the text of the claim or makes it more definite without affecting its scope is generally viewed as identical for the purpose of § 252.”¹²
 - 1) “Determination of whether a claim change during reexamination is substantive requires analysis of the scope of the original and reexamined claims in light of the specification, with attention to the references that occasioned the reexamination, as well as the prosecution history and any other relevant information.”¹³

⁵ *Bic Leisure Products*, 1 F.3d at 1222.

⁶ *Id.* at 1221.

⁷ The “in the original patent” language appears only in the sentence addressing absolute intervening rights. The sentence addressing equitable intervening rights includes the opening phrase “The court before which *such matter* is in question . . .” (emphasis added), which could be interpreted as incorporating the “in the original patent” concept from the preceding sentence. Bottom line, this is poorly drafted statutory provision. See also n.10, below.

⁸ *Seattle Box*, 756 F.2d at 1579.

⁹ E.g., *Shockley v. Arcan*, 248 F.3d 1349, 58 USPQ2d 1692 (Fed. Cir. 2001)(affirming denial of equitable intervening rights where defendant willfully infringed reissued patent).

¹⁰ *Bloom Engineering Co., Inc. v. North American Mfg. Co., Inc.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997); *Slimfold Mfg. Co., Inc. v. Kinkead Indus., Inc.*, 810 F.2d 1113, 1116 (Fed. Cir. 1987)(“[I]t is the scope of the claim that must be identical, not that identical words must be used.”).

It’s worth noting that the Federal Circuit equates the legal standard in the second paragraph of § 252 with that of the first paragraph. The first paragraph addresses the *patentee’s* rights regarding existing litigation and causes of action and imposes a “substantially identical” standard between reissued/reexamined claims and claims of the original patent. The second paragraph addresses the *accused infringer’s* absolute and equitable intervening rights and imposes a “which was in the original patent” standard to the claims comparison. The two paragraphs address closely relate concepts, and one might expect the same standard to apply. So, the difference in language between the two paragraphs might be meaningful or might be the result of careless statutory drafting. See also n.7, above.

¹¹ *Bloom Eng’g*, 129 F.3d at 1250; see also *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 731 F.2d 818, 827-28 (Fed. Cir. 1984) and *Laitram Corp. v. NEC Corp.*, 952 F.2d 1357, (Fed. Cir. 1991)(“The standard applied is that of whether a particular change to the claims is substantive, such that the scope of the claims is no longer substantially identical.”).

¹² *Bloom Eng’g*, 129 F.3d at 1250; *Laitram*, 952 F.2d at 1362 (“There is no per se rule.”).

¹³ *Bloom Eng’g*, 129 F.3d at 1250; *Laitram*, 952 F.2d at 1362-63 (“To determine whether a claim change is substantive it is necessary to analyze the claims of the original and the reexamined patents in light of the particular facts, including the prior art, the prosecution history, other claims, and any other pertinent information.”). For example, in *Bloom Eng’g* a reissued claim that merely restated a dependent claim of

- 2) In determining the scope of the claims within the intervening rights analysis, “we apply the traditional claim construction principles of *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005) (en banc), paying particular attention to the examiner’s focus in allowing the claims after amendment.”¹⁴

What John Bean Adds or Changes:

The Federal Circuit affirmed the district court, finding no abuse of discretion¹⁵ in the district court’s fashioning of the equitable remedy. This case provides a good example of the factual circumstances in which equitable intervening rights arise and how courts properly analyze applicability and scope of that equitable remedy. It also raises some questions about how unclean hands (in the form of willful infringement) applies in the intervening rights analysis.

Recoupment of Investment is Not Dispositive

John Bean argued that because Morris had recouped its investment in developing the poultry processing product long before the reexamination, there was no longer any need for equitable intervening rights to protect that investment.

The Federal Circuit disagreed, holding that although “recoupment is a factor that a court may consider” in weighing the equities regarding equitable intervening rights, “it is not the sole factor a district court must consider, nor is it a factor that must be weighed more heavily, when the court balances the equities.” The court further explained why the district court did not abuse its discretion in fashioning the equitable remedy:

- “Determining entitlement to equitable intervening rights is an analysis broader than simply determining whether a party claiming intervening rights has fully recouped its monetary investment.”
- The district court considered not only Morris’ “years of research, developments, investments, improvement, promotion, and good-will associated with the accused product,” regarding which Morris may well have recouped its expenditures, but also other equitable factors including . . .
 - Morris’s conversion of “nearly [two-thirds] of its business to selling the accused product” – regarding which the district court determined that requiring “a company to eliminate [two-thirds] of its business because a patent holder, after, a decade, decided to seek reexamination and enforce the patent is inequitable”;¹⁶ and
 - John Bean appearing “to have acted in bad faith when it did not dispute Morris’s belief that the ’622 patent was invalid and thus allowed Morris to build its business based on the accused product before requesting reexamination.”¹⁷ The Federal Circuit cited John Bean’s delay in seeking reexamination to distinguish the primary precedent upon which John Bean relied.

Is Willful Infringement Sufficient to Trigger Unclean Hands as a Counter to Intervening Rights?

John Bean also argued that Morris’ infringement was willful, amounting to unclean hands that precludes granting equitable relief to Morris.

The Federal Circuit disagreed, holding that because there was no infringement (due to the equitable intervening rights), “there cannot be willful infringement.”

The case report does not provide a satisfactory explanation for the Federal Circuit’s decision regarding the effect of willful infringement, which is why I phrased the heading for this section as a question.

the original patent in independent form was *not* a substantive change in claim scope while a reissued claim that clarified the nature of a recited gas stream was a substantive change because it narrowed the claim scope.

¹⁴ *Convolve, Inc. v. Compaq Computer Corp.*, 812 F.3d 1313, 1222-23 (Fed. Cir. 2016).

¹⁵ Once again, the standard of review is critical to the outcome.

¹⁶ Not clear why neither the district court nor the Federal Circuit cited the other language in § 252 about protecting “business commenced” prior to reexamination or reissue. That statutory language seems to be directly on point.

¹⁷ Sort of a “soft” version of equitable estoppel.

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The Federal Circuit reasoned circularly that (i) because intervening rights apply there is no infringement, (ii) because there is no infringement there can be no willful infringement, (iii) because there is no willful infringement there can be no unclean hands on that basis, and (iv) because there is no unclean hands there is no bar to equitable intervening rights.

But it is established that willful infringement *can* be a basis for unclean hands in the intervening rights determination. For example, in *Shockley v. Arcan*,¹⁸ the Federal Circuit affirmed the denial of equitable intervening rights where a jury found that the defendant willfully infringed the relevant reissue patent, explaining that “because [defendant] Arcan did not have clean hands, the district court did not abuse its discretion in declining to exercise its equitable powers on Arcan's behalf.”

So, what's the difference here?

- *Is it the standard of review?* Perhaps a district court has the discretion to decide either way under the facts of a particular case whether willful infringement amounts to “unclean hands” that precludes equitable intervening rights. But the Federal Circuit didn't say that here, at least not clearly or directly. It did discuss, briefly, how a district court's equitable powers are broad and explained that equity “permits a judge's discretion to see justice done in individual cases, by remedying the imperfect fit between the rules of law and the facts of the world.”
- *Is it lack of evidence?* Perhaps the evidence of willfulness was insufficient at the time of the summary judgment on equitable intervening rights. Maybe, but the Federal Circuit did not say that. Indeed, John Bean's principle argument was that there were genuine issues of material fact regarding willfulness that should have precluded summary judgment on equitable intervening rights.
- *Is it just unfortunate timing?* In *Shockley* there was a jury verdict of willful infringement before the equitable intervening rights issue was briefed and decided by the district court on JMOL. Here, there was no determination of willful infringement before the equitable intervening rights issue was decided on summary judgment. But that explanation elevates procedure over substance.
- I suspect that the Federal Circuit viewed the evidence in favor of equitable intervening rights as sufficiently compelling to support a proper exercise of discretion by the district court in favor of equitable intervening rights despite some evidence of willfulness (which may well have dated back to the 2002 time frame)¹⁹ and the lack of any formal determination of the willfulness issue.
 - In support of this view, the Federal Circuit cited to the district court's “findings of fact—e.g., the eleven-year delay before seeking reexamination and the re-structuring of Morris's business to the accused product—to support its determination.” Nevertheless, it did not state that those facts outweighed any willfulness that might have been proved by John Bean. So, the basis for this part of the decision remains unclear.

¹⁸ 248 F.3d 1349 (Fed. Cir. 2001).

¹⁹ The only indication in the case report that Morris “willfully infringed” is a reference to Morris proceeding in the 2002 time frame “to develop and sell chillers that included features described in the '622 patent,” such features potentially being things that were not in the original claims but that showed up in the reexamined patent (having been added for validity purposes).