



# Intellectual Property Law Section

## State Bar of Texas

Summer 2015

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### Update From the Chair

By Stephen Koch

*The USPTO Comes to Texas!* The opening of the USPTO's Texas Regional Office in Dallas, scheduled for November 9, has not been lost on your IP Section's Council and Officers. We continue to work closely with Dallas and other bar organizations, and with the USPTO, to ensure we do all we can to keep you, our members, up-to-date with the USPTO's plans.



In June the Section co-sponsored a "Conversation with the EPO and the USPTO" in Houston. More than 100 attendees participated in the full day of presentations. Neil Chowdhury's report in this newsletter pro-

vides more background on the detailed substance covered by both patent organizations.

In September, the Section partnered with the USPTO for "An Evening With the USPTO: Where IP, Technology & Law Intersects" on its Texas IP Roadshow. Sessions were held in Austin, Houston, and Dallas, as part of the activities welcoming the USPTO to Texas. On November 9, a Gala will be held in Dallas at the Perot Museum to formally kick off the USPTO's office opening. Sponsorships for the Gala are available; you will receive further information from the Section by email shortly.

Meanwhile, your Section and its committees continue their work; this newsletter is evidence of their efforts. If you have been wondering about means-plus-function claims after the recent *Williamson* decision, look no

further than this newsletter for answers to your questions. And if you have been staying awake at night (or not) questioning whether the *Kessler* doctrine is still viable as a supplement to issue and claim preclusion arguments, then read below.

Do not think this Section only works in the patent area though. We are always looking for topics of interest—and committee members—in all intellectual property disciplines. So if you are a copyright, trademark, or trade secret practitioner, let us know what your interests are and how you want to participate.



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## Mark Your Calendar

November 5–6: The University of Texas School of Law will present its **20th Annual Advanced Patent Law Institute** at the Four Seasons Hotel in Austin. Attendees can earn up to 14.25 hours of CLE credit and 2.5 hours of ethics credit. For more information, visit <https://utcle.org/conferences/PT15>.

November 10: The **Austin Intellectual Property Law Association** will hold its 2015 Annual Judges' Dinner at the Stephen F. Austin Hotel. The keynote speaker will be Circuit Judge Kathleen O'Malley, United States Court of Appeals for the Federal Circuit. Guests are encouraged to ask questions and participate in a discussion with Judge O'Malley following her talk. For more information, visit [\[ipla.org/dinner.php\]\(http://ipla.org/dinner.php\).](http://www.austin-</a></p></div><div data-bbox=)

February 17–19: The IP Law Section will present its annual **Advanced IP Workshop and CLE** at the Hyatt Hill Country Resort and Spa in San Antonio. Look for updates in the IP Section Newsletter and its website.

June 16–17: The **State Bar of Texas 2016 Annual Meeting** will be held at the Omni Hotel in Fort Worth, Texas. On Friday, June 17, the Section will once again offer a full day of high-quality CLE. Block out those dates now, and make plans to attend the Annual Meeting in Fort Worth.



## In The Section

### *In Memoriam*

**Paul E. Krieger** passed suddenly in June 2015 while photographing his beloved mountains of Colorado. Mr. Krieger had an impressive career in the intellectual property community. Originally working as a patent examiner, Mr. Krieger later became the head of the intellectual property section at Fulbright & Jaworski, served as a professor of Trademark and



Trade Secret Law at the University of Houston for over 20 years, and authored numerous books on intellectual property.

Mr. Krieger had a generous spirit continuously working to teach and support others in the intellectual property community. He was the ultimate gentleman and an example of true professionalism.

To submit a memorial, please email your submission to [newsletter@texasbariplaw.org](mailto:newsletter@texasbariplaw.org).

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### **Public Relations Committee Seeking Members**

The Public Relations Committee educates the public about intellectual property law and engages in public service activities to further that goal. The Committee is seeking new members to assist with current activities and to participate in a committee conference call meeting in late 2015 to develop ideas for new committee activities. We expect to have committee conference calls or in-person meetings at SBOT or IP Section events twice a year.

Currently the Public Relations Committee includes the Inventor Recognition Committee, which reviews nominations and selects the State Bar of Texas IP Section Inventor of the Year. The Inventor of the Year receives an award at the IP Section Luncheon of the State Bar of Texas Annual Meeting. Although the time commitment for this committee varies depending on the number of nominations received, typically it is up to 5 hours a year in April or May. The Inventor Recognition Committee includes a broad mix of at-

torneys in terms of technical background, experience, and employers, and we welcome anyone interested in serving.

The Public Relations Committee may engage in further activities as opportunities arise, upon consultation with the IP Section officers and council.

Those interested in serving on the Public Relations Committee or anyone with ideas for Public Relations Committee activities should contact Neil Chowdhury via email to [ichowdhury@cgiplaw.com](mailto:ichowdhury@cgiplaw.com).

### **Public Relations Committee Seeking Speakers Bureau Members**

The Public Relations Committee is developing a Speakers Bureau to present on IP Law topics to non-attorneys or general attorneys. Once a healthy list has been established, we will place a notice on the SBOT IP Section website (and other locations, as appropriate) offering to refer speakers upon request. Those interested in joining the Speakers Bureau should provide the following: i) your name; ii) your employer (or indicate that you are retired, self-employed, etc.) and location; iii) titles of presentations you have available or topics on which you will present (general topics, such as “copyrights” are fine, but some specific subtopics would be helpful); iv) target audiences (e.g., general attorneys, children, musicians, garden clubs, etc.), and v) an expiration date no more than three years later (when you will be contacted to ask if you would like to update your information and continue with the Speakers Bureau).

When the SBOT IP Section receives a

request for a speaker, we will determine the best matches for the request based on location, topics, and target audience and contact those Speakers Bureau members. The goal is to serve as a filter so our members are not bombarded with inappropriate requests.

Assistance with organizing the Speakers Bureau and any suggestions relating to it are welcome.

Please contact Neil Chowdhury via email at [ichowdhury@cgiplaw.com](mailto:ichowdhury@cgiplaw.com) if you are interested in joining or assisting with the Speakers Bureau, or if you have any suggestions.

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### ***Call for Submissions***

The Newsletter Committee welcomes the submission of articles for potential publication in upcoming editions of the IP Law Section Newsletter, as well as any information regarding IP-related meetings and CLE events. If you are interested in submitting an article to be considered for publication or adding an event to the calendar, please email [newsletter@texasbariplaw.org](mailto:newsletter@texasbariplaw.org).

#### **Article Submission Guidelines:**

**STYLE:** Journalistic, such as a magazine article, in contrast to scholarly, such as a law review article. We want articles that are current, interesting, enjoyable to read, and based on your opinion or analysis.

**LENGTH:** 1–5 pages, single spaced.

**FOOTNOTES AND ENDNOTES:** Please refrain! If you must point the reader to a particular case, proposed legislation, Internet site, or credit another author, please

use internal citations.

**PERSONAL INFO:** Please provide a one-paragraph bio and a photograph, or approval to use a photo from your company or firm website.

If you have any questions, please contact Michael Paul at [mpaul@gunn-lee.com](mailto:mpaul@gunn-lee.com).

## **Conversation with the EPO and the USPTO CLE Program**

Reporting and pictures by Neil Chowdhury

The Intellectual Property Law Section of the State Bar of Texas and the Houston Intellectual Property Law Association (HIPLA) joined together to sponsor officials from the US Patent and Trademark Office (USPTO) and the European Patent Office (EPO) for a “Conversation with the EPO and the USPTO.” The one-day event was held June 4, 2015 at the Petroleum Club in Houston.

The two-session program started with engaging discussions on European patent practice issues important to U.S. practitioners and businesses. During the first session, Alfred Spigarelli, Director of Patent Procedures Management at the EPO, and Heli Pihlajamaa, Director of Patent Law at the EPO, discussed general issues and challenging aspects of European patent practice for U.S. users. Mr. Spigarelli and Ms. Pihlajamaa then discussed the European unitary patent system and unified patent court, and, finally, practical tips and strategies for U.S. users before the EPO. During lunch, Mr. Spigarelli spoke on the EPO’s role in managing procedures to better serve their international applicants.

The second session of the program focused on the USPTO. Mark Powell, Deputy Commissioner for International Patent Cooperation at the USPTO, presented on collaborative efforts with the EPO and global prosecution and the USPTO. Mr. Powell summarized his presentation by giving insights into recent USPTO updates and changes. Finally, Mr. Spigarelli, Ms. Pihlajamaa, and Mr. Powell answered over two dozen ques-



Heli Pihlajamaa, Mark Powell, and Alfred Spigarelli

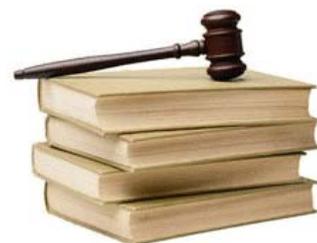
tions from the audience.

Most attendees were from U.S. patent firms and businesses. Several flew to this event from across the country. The IP Section of the State Bar of Texas and the HIPLA subsidized the funding for this event.



*Indranil “Neil” Chowdhury is a Principal in the Houston office of Chowdhury Law Group, P.C. Mr. Chowdhury has a comprehensive intellectual property practice that includes patent preparation and prosecution, counseling, licensing, and litigation in high-tech matters.*

*This report expresses the view of the author and not necessarily that of the State Bar of Texas IP Law Section.*



## Practice Points

### ***Means-Plus-Function Claims Under Williamson***

By Jerry Suva

The Federal Circuit's recent decision in *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015), is likely to increase litigation cost, uncertainty, and indefiniteness findings as litigants argue whether more claims should be construed as means-plus-function claims. A means-plus-function claim is a purely functional claim recited without structure that is construed "to cover the corresponding structure, material, or acts described in the specification and equivalents thereof." 35 U.S.C. § 112(f).

Patentees typically draft means-plus-function claims by reciting "means for" a function. A means-plus-function limitation allows a patentee to claim function by reciting "means for" rather than a specific structure for performing the function. Conventionally, means-plus-function claims are narrower than other claims and are more likely to be valid while less likely to be infringed.

The popularity of means-plus-function claims among patentees has been plummeting in recent years. Nevertheless, *Williamson* will cause many claims, originally intended not as means-plus-function, to be interpreted as means-plus-function claims during litigation. Fights over whether such claims are to be construed as means-plus-

function will necessitate substantial briefing and expert testimony. Moreover, means-plus-function claims themselves can require substantial expert testimony and may necessitate jury findings, meaning litigation costs are likely to rise.

#### ***Williamson***

Before the *Williamson* decision, a "strong" presumption existed that a claim that did not recite "means for" a stated function did not trigger construction under 35 U.S.C. § 112(f) as a means-plus-function limitation, and this strong presumption was "not easily overcome." See, e.g., *Lighting World, Inc. v. Birchwood Lighting, Inc.*, 382 F.3d 1354, 1358 (Fed. Cir. 2004). The presumption could be overcome if the claim recited a non-structural, functional term without reciting sufficient structure for performing that function. *Id.* Such terms are known as "nonce" terms and are simply substitutions for the term "means." *Id.* at 1360.

*Williamson is likely to increase litigation cost, uncertainty, and indefiniteness findings as litigants argue whether more claims should be construed as means-plus-function claims.*

While preserving a baseline presumption, the *en banc* portion of the *Williamson* decision explicitly overruled that this presumption was "strong." *Williamson*, 792 F.3d at 1349. The *Williamson* decision maintained that pre-*Lighting World* standard will be used to determine whether a claim that did not recite "means for" should nonetheless be construed as a means-plus-function claim. Namely, the "standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure." *Id.* A claim that does not "recite sufficiently

definite structure” for performing a function or else recites “function without reciting sufficient structure for performing that function” should be treated as a means-plus-function claim. *Id.*

At first blush, the change enacted by the *Williamson* decision is simple enough—a previously “strong” presumption is reduced to a mere run-of-the-mill presumption. However, courts have overwhelmingly decided that claims not reciting “means for” do not trigger means-plus-function handling in the years since the now-overturned *Lighting World* decision. This is likely the “inappropriate practical effect” of the “strong” presumption on patent litigation mentioned in the *Williamson* decision.

### **Dirty Words That Might Trigger Means-Plus-Function**

In a non-*en banc* portion of the *Williamson* decision, the Federal Circuit declared certain terms to be nonce terms—each a generic “black box” and a mere substitute for the word “means”—thus triggering means-plus-function construction. These nonces include “module,” which was the term at issue therein. *Williamson*, 792 F.3d at 1350. The Federal Circuit further enumerates terms that would trigger means-plus-function construction with “mechanism,” “element,” and “device” along with “other nonce words that reflect nothing more than verbal constructs.” *Id.*

The Federal Circuit thus invites patent challengers to construe a great many more terms as means-plus-function terms. The open-ended language will likely be used by the USPTO to characterize many claims during prosecution and in post-grant pro-

ceedings and trials such as Inter Partes Review. The decision also may overrule prior decisions that heavily relied upon the “strong” presumption to construe “modules” and “devices” as not means-plus-function claims. However, even use of these terms is not outcome-determinative.

### **Whether Means-Plus-Function?**

Courts will want to know whether one of skill in the art would consider the proposed nonce term itself as having a sufficiently definite meaning for the name of structure. Courts heavily lean on extrinsic evidence for this determination.

The analysis in *Williamson* and prior cases openly invites expert declaration testimony on this issue. *Williamson*, 792 F.3d at 1351. Of course, the particulars of such analysis and the probable outcome will highly depend upon the particular term and the technology; a term may denote structure in one technical area and none in another. Furthermore, some (pre-*Williamson*) decisions examine the term as defined in dictionaries or used in other publications such as patents. See, e.g., *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 469 F.3d 1005, 1023–24 (Fed. Cir. 2006), *cert. denied*, 128 S. Ct. 58 (U.S. 2007); *Powell v. Home Depot U.S.A., Inc.*, 663 F.3d 1221, 1230–31 (Fed. Cir. 2011).

The analysis is not finished upon determining that a term is a nonce, as the entire claim should be considered. The “prefix” that appears before a nonce word may provide the necessary structural meaning. *Williamson*, 792 F.3d at 1351. In *Williamson*, the Federal Circuit found that the “distributed learning control” prefix of the “distributed

learning control module” did not add any sufficiently definite structure. *Id.*

For example, the Eastern District of Texas applied *Williamson* to find that “adapter component” and “integration component ” would not be construed as means-plus-function terms in *E2E Processing, Inc. v. Cabela’s Inc.*, 2015 WL 4051423 at \*7 (E.D. Tex. 2015). The court reasoned that the prefixes “adapter” and “integration” imparted sufficient structural meaning to identify these terms as particular software structures. *Id.*

Furthermore, the analysis should consider whether the text following the purported nonce includes details that would inform one of ordinary skill that the sufficiently definite structure is recited. In particular, litigants should evaluate how the purported nonce interacts with other elements, such as through inputs and outputs. In *Williamson*, the distributed learning control module was only claimed with high-level interactions, insufficient to denote any structure. *Williamson*, 792 F.3d at 1351.

A pre-*Williamson* case illustrates how this factor may provide sufficient structure to an alleged nonce term. In *Apple Inc. v. Motorola, Inc.*, the Federal Circuit held that “heuristic” was not a means-plus-function term because the claim also recited various inputs, outputs, and operations for the claimed heuristics, such as “the initial angle of a finger contact, the number of fingers making contact, the direction of movement of a fin-

ger contact, a specific swiping gesture, tapping a certain location on the screen, or the angle of movement of a finger on the screen.” 757 F.3d 1286, 1300–03 (Fed. Cir. 2014).

### Increased Cost for Litigation

Now that the Federal Circuit has opened the door for construction of more means-plus-function terms, patent litigation will likely increase in cost, complexity, and uncertainty.

*[T]he increased number of unintended means-plus-function claims provides more opportunities for patent challengers to quickly end litigation after claim construction through summary judgment of indefiniteness.*

First, patent challengers are now more likely to argue that a given term should be construed as a means-plus-function term. Such arguments will necessitate substantial briefing and expert testimony to convince triers of fact whether a given term denotes insufficient structure and is thus a nonce word, whether the prefix for such a term adds structure, and whether the remainder of the claim

limitation adds structure in the form of inputs, outputs, and operations.

Second, courts are consequently more likely to construe terms as means-plus-function terms. While a full review of means-plus-function litigation is beyond the scope of this article, litigants will need substantial briefing and expert testimony to identify the function of the alleged means, the corresponding structure of the alleged means in the description, and the equivalents of the alleged means. Typically, the function of a means-plus-function claim causes little controversy when “means for \_\_\_\_\_” is recited; however, when claims do not recite “means for \_\_\_\_\_”

this issue can cause significant dispute as the function is not explicitly recited. Furthermore, litigants will likely battle over identification of structure performing the function in the specification, made more difficult by the fact that the patentee did not intend the term to be construed as a “means” and overly relied upon the term itself.

Third, cases with means-plus-function claims seem less likely to be settled. For example, the identification of corresponding structure in claim construction may be vague such that litigants cannot predict the outcome of a subsequent trial. Moreover, the “equivalents” of such structure is a question of fact, meaning that means-plus-function claims can more readily withstand summary judgment and questions of infringement and validity are more likely to make it to a jury vote. The inevitable rise in means-plus-function construction after *Williamson* will increase the frequency of these issues.

### **Increased Indefiniteness Attacks**

On the other hand, the increased number of unintended means-plus-function claims provides more opportunities for patent challengers to quickly end litigation after claim construction through summary judgment of indefiniteness. In some cases, a patentee may have used a term—now found to be a nonce term—without sufficiently describing particular structures in the specification for performing the identified function. If sufficient structure that performs the function cannot be pinpointed in the specification, the claim is indefinite. See 35 U.S.C. § 112(b) (35 U.S.C. § 112, ¶ 2 pre-AIA); *AllVoice Computing PLC v. Nuance Commc'ns., Inc.*, 504 F.3d 1236, 1241 (Fed. Cir. 2007).

Litigants are already knocking out claims with a combination of *Williamson* and indefiniteness. For example, Judge Yeakel applied *Williamson* to construe “a system for detecting a failure in at least one of . . . ,” “control device,” “processing device,” “communication device,” “video recording device,” and “monitoring device” as means-plus-function terms. *Joao Control & Monitoring Systems, LLC v. Protect America, Inc.*, 2015 WL 4937464 (W.D. Tex. 2015). The court found that the specification discussed no structure for performing the recited function of the claimed system. *Id.* at \*6. With regards to the claimed devices, the court found that the specification “does not contain a sufficiently definite disclosure of structure to inform with reasonable certainty a person of skill in the art exactly which structure is capable of performed each function.” *Id.* at \*9. The court reasoned that the disclosure of structure for these terms was “extremely broad and generic.” *Id.* Accordingly, these terms were found to be indefinite. *Id.* at \*10. While drafting the patent, the patentees likely did not consider the requirements of means-plus-function claims, as no claims were drafted reciting “means for \_\_\_” and ostensibly the heightened requirement for structure seemed inapplicable. Instead, the patentees opted simply to describe the terms broadly. It is likely that many other patentees made similar decisions and may now face unexpected indefiniteness challenges.

The increased number of claims that will be construed as means-plus-function claims under *Williamson* will likely increase the opportunities to challenge such claims as indefinite. This is particularly true for patents

wherein terms were broadly drafted and assumed to link to sufficient structure. The ability of litigants to more easily seek summary judgment of indefiniteness after claim construction may lessen the otherwise increased cost and complexity resulting from *Williamson*.



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*variety of technological fields, such as computer security, hardware, software engineering, networking, medical informatics, electronic commerce, optics, telecommunications, wireless communications, VLSI, image and signal processing, natural resource drilling and simulation, financial services and consumer products.*

*This article expresses the view of the author and not necessarily that of the State Bar of Texas IP Law Section.*

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## **The Kessler Doctrine After SpeedTrack—New Uses for an Old Tool of Preclusion in Patent Cases**

By Kristoffer Leftwich

The *Kessler* doctrine was conceived by the U.S. Supreme Court in 1907 as a way to prevent a patent owner who lost an infringement lawsuit against the manufacturer of an allegedly infringing product from continuing to harass the prevailing manufacturer by suing its customers. Recent Federal Circuit decisions have breathed new life into this nearly 110-year-old doctrine. In 2014, the Federal Circuit affirmed the vitality of this doctrine in *Brain Life, LLC v. Elekta Inc.*, 746 F.3d

1045. In June 2015, the Federal Circuit extended the application of this doctrine in *SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317, by holding that customers of the prevailing manufacturer may assert the doctrine on their own without requiring intervention by the manufacturer.

With the renewed affirmation of the doctrine by the Federal Circuit, defendants and district courts will likely want to investigate and apply the doctrine as another tool, in addition to *res judicata* (traditional claim preclusion) and collateral estoppel (i.e., issue preclusion), to reduce repetition of patent suits by a single plaintiff and to promote a more efficient use of judicial resources. However, the available appellate court decisions provide only a few data points from which to evaluate the full scope of, and exceptions to, the doctrine.

### **Genesis of the Doctrine**

The *Kessler* doctrine originated more than one hundred years ago in the Supreme Court's decision in *Kessler v. Eldred*, 206 U.S. 285 (1907). *Kessler* and *Eldred* were competitors who both manufactured and sold electric cigar lighters. *Eldred* owned a patent on electric lamp lighters and sued *Kessler* for infringement. *Kessler* denied infringement, prevailed in the suit, and obtained final judgment. Unhappy with that decision, *Eldred* sued one of *Kessler*'s customers, and *Kessler* intervened in the suit.

The Court concluded that it need not consider whether the earlier judgment would have afforded the customer a defense under then-current principles of preclusion. Instead, the Court simply held that *Kessler*, as the prevailing party in the original suit, had the right

“to manufacture and sell his [lighters] free from all interference” by the patent owner, and the patent owner had a “corresponding duty . . . to recognize and yield to that right everywhere and always.” *Id.* at 288. The Court reasoned that any other result would lead to the unnecessary multiplication of suits, and would frustrate the purpose and the benefit of the earlier judgment.

### Revival of the Doctrine

The *Kessler* doctrine was established by the Supreme Court at the height of the federal mutuality of estoppel rule, which required both litigants in a subsequent action to be similarly bound by a judgment in a previous action for preclusion to apply. There are now exceptions to that rule. See generally *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971); see also *Brain Life*, 746 F.3d at 1057–58. Nevertheless, the Federal Circuit has reaffirmed the continued vitality of the doctrine and has applied the doctrine as an additional tool of preclusion alongside *res judicata* (claim preclusion) and collateral estoppel (issue preclusion).

For example, in *Brain Life* the patent owner sued Elekta, a manufacturer of medical scanning equipment, in a first action for infringement. Elekta prevailed over the patent owner and obtained final judgment that its products did not infringe the apparatus claims of the asserted patent. Later, the

patent owner licensed the asserted patent, and the exclusive licensee, Brain Life, filed a second suit against Elekta and others alleging that Elekta’s products infringed the method claims of the same patent when used.

The Federal Circuit concluded that the action for infringement of the method claims could be precluded, with some exceptions, but applied different doctrines of preclusion

*[C]onsider a hypothetical scenario involving a series of patent lawsuits in which apparatus claims are never asserted. Instead, a product is only alleged to infringe the method claims of a patent when operated. In that scenario, the direct infringer would be the end user . . . .*

to different categories of products. For products that were sold and used before the date of the final judgment in the first action, the court applied *res judicata*, or claim preclusion, to bar the claims of infringement in the second action. The court reasoned, however, that claim preclusion could not apply with respect to products sold and used after final judgment in the first action, even if those products were exactly the same as the products addressed in the first action, because the new claims were based on new and independent acts of infringement—that is, new acts of manufacture, sale, and use. *But see Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 472, 478–80 (Fed. Cir. 1991) (addressing the production of new product models “[a]bout four years after the district court entered [a] consent judgment” and holding that claim preclusion bars a second suit on products that are “essentially the same” as those in the first suit). The court also reasoned that collateral estoppel, or issue preclusion,

to different categories of products. For products that were sold and used before the date of the final judgment in the first action, the court applied *res judicata*, or claim preclusion, to bar the claims of infringement in the second action. The court reasoned, however, that claim preclusion could not apply with respect to products sold and used after final judgment in the first action, even if those products were exactly the same as the products addressed in the first action, because the new claims were based on new and independent acts of infringement—that is, new acts of manufacture, sale, and use. *But see Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 472, 478–80 (Fed. Cir. 1991) (addressing the production of new product models “[a]bout four years after the district court entered [a] consent judgment” and holding that claim preclusion bars a second suit on products that are “essentially the same” as those in the first suit). The court also reasoned that collateral estoppel, or issue preclusion,

would not apply in the second action because the issue in the first action was infringement of apparatus claims, while the issue in the second action was infringement of method claims.

Thus, the court resorted to the *Kessler* doctrine as “a separate and distinct doctrine” that “fills the gap” between other doctrines of preclusion. *Brain Life*, 746 F.3d at 1055–56. Applying the *Kessler* doctrine, the court held that Elekta had obtained the right, through final judgment in the first action, to “continue engaging in the accused commercial activity as a non-infringer.” *Id.* at 1058. Therefore, the court concluded that products that were the same as the products addressed in the first action, but were sold and used after the date of final judgment in the first action, nevertheless “acquired a noninfringing status vis-à-vis [the asserted patent].” *Id.*

### **Further Affirmation of *Kessler* and Assertion by Customers**

In *SpeedTrack*, the Federal Circuit reaffirmed the vitality of the *Kessler* doctrine and resolved to “follow *Kessler* unless and until the Supreme Court overrules it.” *SpeedTrack*, 791 F.3d at 1329. The court reasoned that the *Kessler* doctrine was “a necessary supplement to issue and claim preclusion” because, without the doctrine, a patent owner could get multiple unjustified bites at the proverbial apple by suing a manufacturer on a theory of literal infringement and later suing the manufacturer’s customers under the doctrine of equivalents—as was the case in *SpeedTrack*. The court further held that customers of a manufacturer that prevailed in a prior suit against a patent owner may invoke

the doctrine as their own defense to claims of infringement without intervention by the manufacturer.

The Federal Circuit had never ruled on the issue before, but other appellate courts had reached contradictory holdings. The Federal Circuit resolved the divided precedent in favor of customer invocation of the doctrine, reasoning that such a result was consistent with the doctrine’s original purpose of “protecting the manufacturer’s right to sell an exonerated product free from interference or restraint.” *Id.* at 1327.

### **Old Doctrine, New Questions**

The decisions in *Brain Life* and *SpeedTrack* confirm the *Kessler* doctrine exists as a tool of preclusion “separate and distinct” from claim preclusion and issue preclusion. However, relatively few Federal Circuit decisions have applied the doctrine, so continued assertion of the doctrine is likely to raise new questions for litigants and the courts to consider.

For example, consider a hypothetical scenario involving a series of patent lawsuits in which apparatus claims are never asserted. Instead, a product is only alleged to infringe the method claims of a patent when operated. In that scenario, the direct infringer would be the end user—the customer—and a first suit against the manufacturer would proceed on a theory of indirect infringement. Under such a theory, it is possible that the accused manufacturer could prevail and obtain final judgment in its favor without ever demonstrating that the accused product does not actually infringe the method claim of the asserted patent. How, then, would courts apply the *Kessler* doctrine in subse-

quent suits against customers?

To prove indirect infringement against a manufacturer, a patent owner must demonstrate three things: (1) the use of the product by a customer infringes the method claim of the patent, (2) the manufacturer knew of the patent covering the method, and (3) the manufacturer knew that the use of its product would infringe the patented method. The manufacturer will prevail if the patent owner fails to prove either knowledge of the patent or knowledge of infringement.

Thus a court's judgment may not reflect whether the product did or did not operate in an infringing manner—only that the manufacturer could not be held liable as an infringer. What then would happen if the patent owner brought a subsequent suit against the customers—the end users of the accused product—in our hypothetical? Would the

end users have a right to use the product, even if that use would infringe the patented method, simply because the manufacturer was not aware of the patent or the resulting infringement?

Existing precedent does not provide a specific answer but, instead, sets out general tenets and principles that must be harmonized in order to resolve the issue. On one hand, as the Supreme Court explained in *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*, 232 U.S. 413 (1914), a prevailing manufacturer obtains “the right to have that which it lawfully produces freely bought and sold without restraint or interference.”

*Id.* at 418. This right “attaches to [the manufacturer’s] product—to a particular thing—as an article of lawful commerce.” *Id.*

On the other hand, there are exceptions to this rule, most notably the exception under *Rubber Tire*, which dealt with one type of indirect infringement. The patent in *Rubber Tire* covered a tire with a particular structure. Goodyear manufactured tires as well as rubber, which it sold to customers that assembled their own versions of the accused tires.

*[D]ifferences in patent claims and in proof required for direct and indirect infringement result in scenarios where a customer who uses a product may be liable for infringement even when the manufacturer of the product is not.*

Goodyear prevailed in a first suit brought by the patent owner alleging infringement by Goodyear’s tires. Goodyear then intervened to assert the *Kessler* doctrine in a suit brought by the patent owner against a customer who purchased Goodyear’s rubber to produce allegedly infringing tires. The Court acknowledged Goodyear’s right as the prevailing party

in the prior suit to make and sell accused tires; however, the Court reasoned that Goodyear’s right did not immunize the customers of Goodyear’s rubber because those customers were not purchasing the accused tire from Goodyear, but were, instead, assembling the tire themselves. The Court concluded that Goodyear “had no transferable immunity in manufacture. The decree gave it no privilege to demand that others should be allowed to make and sell the patented structure in order that it might have a market for its rubber.” *Id.* at 419.

One might argue, then, that the prevailing manufacturer in our hypothetical, who pro-

duced a product that may infringe a patented method when used by its customers, has no transferable immunity in the use and operation of that product and no privilege to demand that others be allowed to use the product merely to provide a market for its product. However, such reasoning may conflict with the Court's plain statement in *Rubber Tire* that an accused manufacturer who prevails in a suit for patent infringement is "entitled to make and sell the [patented] structure, and to have those who bought that structure from it unmolested in taking title and in enjoying the rights of ownership." *Id.* at 418.

Certainly, use is a right of ownership. Thus, a manufacturer who obtains a judgment of non-infringement might sell the formerly accused product and, consistent with the Court's statement, expect that its customers may use the product. But the Court's statement in *Rubber Tire* about the rights of ownership refers to a patented structure that was immunized for the manufacturer in a prior suit. The Court did not specifically address the situation in which a completed product being sold infringes a patented method when used.

The question to consider is how far the Federal Circuit might extend the *Rubber Tire* exception to the *Kessler* doctrine to give patent owners a second bite at the apple when faced with circumstances like those in our hypothetical. On one hand, judicial economy favors the preclusion of multiple suits. On the other hand, differences in patent claims and in proof required for direct and indirect infringement result in scenarios where a customer who uses a product may be liable for infringement even when the manufactur-

er of the product is not. Patent owners would argue that it is unfair to preclude follow-on suits in such scenarios.

The few Federal Circuit cases on this issue provide analyses that patent owners and defendants may interpret differently. For example, in *MGA, Inc. v. Gen. Motors Corp.*, 827 F.2d 729 (Fed. Cir. 1987), the earliest Federal Circuit decision on the issue, the court applied the *Kessler* doctrine in favor of the manufacturer of conveyor machines sold to GMC, observing that the patent owner "selected its first defendant, first forum, and first remedy." *Id.* at 735. The accused customer in our hypothetical would likely cite this language. However, the court also observed that "MGA does not argue that there is newly discovered evidence that would likely lead the second court to a different determination, nor do we imply that this alone would be sufficient to change the result." *Id.* A patent owner would likely point to this language and argue that the circumstances of a second suit might warrant an exception to the *Kessler* doctrine, particularly where there is a legal basis to treat a manufacturer and its customers differently.

Similarly, the court in *Brain Life* stated that, "when an alleged infringer prevails in demonstrating noninfringement, the specific accused device(s) acquires the 'status' of a noninfringing device." *Brain Life*, 746 F.3d at 1057. As before, the customer in our hypothetical would likely view this language favorably. However, the patent owner may argue that a manufacturer does not "demonstrat[e] noninfringement" when it prevails against a claim of indirect infringement on the basis that it did not know of the patent or the fact of infringement.

Finally, in *SpeedTrack*, the patent owner sued the customer of a software company and argued that the method claims of its patent were infringed when the customer used the purchased software in combination with the customer's own systems and data. The court rejected the argument, but made two notable observations. First, the court observed that the infringement allegations were directed to the software alone, and not its combination with other components or other activities. *SpeedTrack*, 791 F.3d at 1328. The court also observed that the prior suit involved both the software company and one of its customers, and that customer's use of the software was found not to infringe based on allegations identical to those in the second suit. *Id.* Thus, it is not clear to what extent the court would have entertained the patent owner's arguments if the allegations or legal theories in each case were different.

### Practice Going Forward

Courts will likely continue to refine the *Kessler* doctrine and its exceptions as they apply the doctrine to new fact patterns in future cases. Meanwhile, actual and potential litigants may consider a variety of factors when developing strategies for litigation or litigation avoidance.

Patent owners may consider:

- whether to initiate litigation first against end-users of an accused product;
- whether different sets of patent claims apply uniquely to manufacturers and end-users such that different suits are required to resolve all rights under a patent;
- whether an end-user engages in addi-

tional or independent activity, as in *Rubber Tire*, with a product that is different from the one supplied by the manufacturer; and

- whether or not to request the inclusion of written questions on a verdict form to ascertain the factual basis for a jury's verdict—for example, to ascertain whether a no-liability verdict in a case involving indirect infringement was based on a failure to prove actual infringement by the end user or on a failure to prove the manufacturer's knowledge of the patent.

Potential defendants, particularly end-users of an accused product, may consider:

- whether to purchase products from suppliers with a reputation for intervening in patent infringement suits against their customers or who otherwise agree to such intervention in an indemnification agreement; and
- whether to purchase integrated systems from a single supplier rather than combining hardware and software from multiple independent suppliers.



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