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PROTECTING RELIANCE ON THE PATENT SYSTEM:
THE ECONOMICS AND EQUITIES
OF INTERVENING RIGHTS

Assume that a patent has been issued for a machine and that thereafter someone produces or otherwise acquires a machine of the same character but which does not infringe any of the claims of the patent. Thereafter the patentee obtains a reissue of his patent, and the reissued patent contains claims which would be infringed by the use or sale of the machine produced by the other person, or by the construction of others just like it. What are the respective rights of the parties?

P.J. Federico¹

INTRODUCTION

To fulfill its goal of “promot[ing] the progress of science and the useful arts,”² the United States government grants inventors patents. A patent gives “the right to exclude others from making, using, offering for sale, or selling the invention” covered by the patent.³ Patents are published and collected, giving notice to the public of activities that can and cannot be undertaken without infringing the property rights of another.

Unfortunately, reliance on the patent system is not always well placed. Errors occur in patents, and their correction by reissue of patents (and other means) is allowed in the interest of protecting the patentee from inequitably forfeiting rights.⁴ However, these

1. P.J. Federico, *Intervening Rights in Patent Reissues*, 30 GEO. WASH. L. REV. 603, 604 (1962).

2. U.S. CONST. art. I, § 8.

3. 35 U.S.C. § 154(a)(1) (1994).

4. See Arnold B. Silverman, *To Err is Human—Patent Reissues and the Doctrine of*

corrections can cause hardship to third parties who have relied upon the erroneous original patent.⁵ As a consequence, when patents are corrected through the reissue process third parties are sometimes afforded legal and equitable protections known as "intervening rights,"⁶ which can include the right to infringe the corrected patent.⁷

Although originally applicable only to correction of patents, intervening rights have expanded in scope. They have been authorized where patents have been reinstated after having lapsed for failure to pay a maintenance fee.⁸ They have also been a part of changes to the patent laws⁹ and extensions of the terms of classes

Intervening Rights, 48 J. PAT. OFF. SOC'Y 696, 696 (1966).

5. *See id.*

6. The term "intervening rights" has its basis in the fact that originally such rights intervened to make a reissued patent unenforceable. *See* *McArthur v. Brooklyn Ry. Supply Co.*, 19 F. 263, 264 (C.C.S.D.N.Y. 1884) (allowing enforcement of a reissued patent because, *inter alia*, "no rights of others are shown to have intervened"). Prior to the use of the term with regard to reissues, it was used in the context of abandonment of the right to obtain a patent. *See, e.g.*, *Consolidated Fruit-Jar Co. v. Wright*, 6 F. Cas. 353, 356 (C.C.S.D.N.Y. 1874) (No. 3135), *aff'd*, 94 U.S. 92 (1877).

7. *See* 35 U.S.C. § 252 para. 2.

8. *See* 35 U.S.C. § 41(c)(2). The intervening rights provided in § 41(c)(2) are similar to those provided when patents are reissued. *See* H.R. REP. NO. 97-542, at 8 (1982), *reprinted in* 1982 U.S.C.C.A.N. 765, 772.

A 1946 law authorized the Commissioner of Patents to accept late payment of fees on patents that "lapsed because of conditions growing out of World War II," thereby reviving such patents. Boykin Act, ch. 910, § 3, 60 Stat. 940, 942 (1946). Intervening rights were provided to protect the rights of those who had acted prior to the revival, to continue otherwise infringing actions. *See id.* § 4, 60 Stat. at 942-43. Similar provisions for acceptance of late fees and intervening rights were also enacted because of the hardships caused to foreign patentees by World War I. *See* Act of March 3, 1921, ch. 126, §§ 2-3, 41 Stat. 1313, 1314 (1921).

9. As part of the 1995 change of the patent term from 17 years from the grant of the patent to 20 years from the filing of the patent, the term of some patents already in force was extended. *See* Uruguay Rounds Agreement Act, Pub. L. No. 103-465, § 532(a), 108 Stat. 4809, 4984-85 (1994) (codified at 35 U.S.C. § 154(c)(1)). However, rights to continue activities that would otherwise constitute infringement were provided to those whose activities became infringing because of the extension, conditioned upon "payment of an equitable remuneration to the patentee." 108 Stat. at 4985 (codified as 35 U.S.C. § 154(c)(2)-(3)). *See generally* Thomas L. Irving & Stacy D. Lewis, *Proving a Date of Invention and Infringement After GATTITRIPS*, 22 AIPLA Q.J. 309, 355-65 (1994). These provisions do not constitute a defense to infringement, but rather limit the remedies available to patentees. *See, e.g.*, *DuPont Merck Pharm. Co. v. Bristol-Meyers Squibb Co.*, 62 F.3d 1397, 1402 (Fed. Cir. 1995).

A 1988 law prohibited importation of a product made by a patented process. *See* Omnibus Trade & Competitiveness Act of 1988, Pub. L. No. 100-418, § 9003, 102 Stat. 1107, 1563-64 (1988) (codified at 35 U.S.C. § 271(g)). This prohibition contained a

of¹⁰ or specific¹¹ expired patents. In addition, they have been invoked as a model for prior user rights,¹² as well as being a part of proposed changes in the law governing patent extensions¹³ and the doctrine of equivalents.¹⁴

"grandfather clause" which exempted commercial transactions "to the extent equitable for the protection of . . . investments made or business commenced" before the effective date of the law. *Id.*, § 9006(b), 102 Stat. at 1567 (codified at 35 U.S.C. § 271 note). See generally Robert R. Deveza, *A Grandfather Clause, Due Process and the GATT: Whatever Happened to the Grandfather Clause of the Process Patent Act of 1988?*, 18 RUTGERS COMPUTER & TECH. L.J. 65 (1992). This grandfather clause was modeled after the intervening rights provision for reissues. See S. REP. NO. 100-83, at 59 (1987).

In 1984 changes were made regarding the applicability of some prior art for purposes of determining obviousness, and the treatment of inventions made by two or more persons jointly. See Patent Law Amendments of 1984, Pub. L. No. 98-622, §§ 103-104, 98 Stat. 3383, 3384-85 (1984) (codified at 35 U.S.C. § 103(c) (prior art) and 35 U.S.C. § 116 (joint inventors)). Intervening rights were provided with respect to these changes for infringers who had reasonably relied on the prior state of the law. See *id.* § 106(d), 98 Stat. at 3385-86.

10. A 1950 law provided for extensions to patentees who were World War II veterans and whose income from a patent was substantially reduced because of the war. See Veterans Patent Extension Act, ch. 444, § 1, 64 Stat. 316, 316-17 (1950). Anyone who was lawfully manufacturing prior to the passage of the act was given a right to continue or resume such manufacturing, subject to the payment of a reasonable royalty to the patentee. See *id.* § 4(c), 64 Stat. at 318.

A 1928 law provided for similar extensions to patentees who were World War I veterans. See Act of May 31, 1928, ch. 992, § 1(A)-(F), 45 Stat. 1012, 1012-13 (1928). Intervening rights were provided to prior manufacturers, with no requirement for payment of a royalty. See *id.* § 1(H), 45 Stat. at 1013.

11. See Patent & Trademark Office Authorization Act of 1993, Pub. L. No. 103-179, § 8, 107 Stat. 2040, 2042 (1993) (providing intervening rights for those prejudiced by legislative renewal of three design patents belonging to the American Legion); *Radio Position Finding Corp. v. Bendix Corp.*, 205 F. Supp. 850, 853-55 (D. Md. 1962) (discussing earlier cases involving intervening rights provisions for specific patents), *aff'd*, 371 U.S. 577 (1963).

12. See Robert L. Rohrback, *Prior User Rights: Roses or Thorns?*, 2 U. BALT. INTELL. PROP. L.J. 1, 28-29 (1993); Keith M. Kupferschmid, *Prior User Rights: The Inventor's Lottery Ticket*, 21 AIPLA Q.J. 213, 226 (1993); Ridsdale Ellis, *Subsequent Inventor's Patent Rights With Regard to an Invention Previously Made by Another Who Kept It Secret*, 35 J. PAT. OFF. SOC'Y 259, 284-85 (1953). A prior user right is a defense to infringement based on a third party's use of an invention before the filing of a patent on it. See Kupferschmid, *supra*, at 216.

13. See H.R. 5475, 102d Cong. § 1(b)(4) (1992).

14. Under the doctrine of equivalents, an accused product that does not literally infringe a patent may nonetheless be found to be equivalent to the claimed invention (and thus infringing) if "it performs substantially the same function in substantially the same way to obtain the same result." *Graver Tank & Mfg. Co. v. Linde Air Prods. Co.*, 339 U.S. 605, 608 (1950) (quoting *Sanitary Refrigerator Co. v. Winters*, 280 U.S. 30, 42 (1929)); see also *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 935 (Fed. Cir. 1987) (in banc). The doctrine has spawned an enormous amount of litigation and commentary. See, e.g., 4 DONALD S. CHISUM, PATENTS § 18.04[1], at 18-96 n.21 (1996)

Despite all the recent attention on expanding the reach of equitable intervening rights, they have seldom been granted in cases of patent reissues, where the doctrine was developed. This Note proposes a view of equitable intervening rights for reissued and reexamined¹⁵ patents based on actual, reasonable reliance by the intervenor on misleading statements contained in the claims of the original patent. When a reissue narrows the scope of a patent,¹⁶ reliance on the scope of other valid claims of the original patent is reasonable only where the original patent is so vague as to be misleading as to the scope of the protection asserted. It is further proposed that when reasonable reliance on a misleading statement is demonstrated, courts should take strong action to protect the

(citing dozens of cases and articles on the doctrine in the wake of *Pennwalt*). The latest word in the doctrine of equivalents is a recent Supreme Court decision, reversing a 1995 in banc decision by a sharply divided Federal Circuit. *See Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 117 S. Ct. 1040 (1997). The Supreme Court in *Warner-Jenkinson* upheld the doctrine, but limited its scope to situations where equivalence is found for every element of the claimed invention. *See id.* at 1054. It also announced a presumption that amendments made during patent prosecution limit the scope of the equivalent elements. *See id.*

It has been proposed that the doctrine of equivalents should be replaced by an expanded availability of broadening reissues, with intervening rights used to protect third parties. *See Allan G. Altera, Expanding the Reissue Procedure: A Better Way to do Business*, 1 J. INTELL. PROP. L. 185 (1993); Martin J. Andelman & Gary L. Francione, *The Doctrine of Equivalents in Patent Law: Questions That Pennwalt Did Not Answer*, 137 U. PA. L. REV. 673, 726 (1989). In addition, one Federal Circuit judge called for tempering the application of the doctrine by judicial establishment of "intervening rights similar to those for claims changed on reissue." *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1560 (Fed. Cir. 1995) (in banc) (Nies, J., dissenting), *rev'd*, 117 S. Ct. 1040 (1997). The possibility of applying intervening rights protection to the doctrine of equivalents was addressed in the briefs submitted to the Supreme Court in *Warner-Jenkinson*. *See* Brief of Biotechnology Industry Organization as Amicus Curiae at 18, *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, (No. 95-728) (opposing application of intervening rights); Brief of Amicus Curiae on Behalf of Seagate Technology, Inc. at 24-25, *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, (No. 95-728) (favoring application). The Supreme Court did not expressly address the issue, but dismissed the argument for applicability of reissue limitations as having failed to command a majority in *Graver Tank*. *See Warner-Jenkinson*, 117 S. Ct. at 1047 & n.3.

15. Patent reexamination is a procedure by which the Patent and Trademark Office reviews an issued patent at the request of the patentee or a third party to see if it is valid with respect to patents or printed publications that raise a substantial new question of patentability. *See infra* Part I.B.2. Generally, the term "reissue," as used herein, encompasses revisions of patents from both the reissue and reexamination processes.

16. A narrowing of patent scope occurs when the original claims are limited in some way, without also being changed to cover other activities that were not originally covered. *See infra* note 47 (discussing reissues that broaden patent scope).

rights of the intervenor, generally in the form of a compulsory license of the patent.

Part I provides background on the patent system in general, the means under it for correcting patents, and the history and current status of intervening rights. Part II lays out the economic basis for correction of patents and for intervening rights, and the characteristics of an ideal intervening rights system. Part III outlines the current proposal, and Part IV discusses potential areas of concern with this proposal.

I. BACKGROUND

A. *Patents, in General*

The power to enact laws relating to patents is given to Congress under the Constitution.¹⁷ The patent law now in effect is the result of a general revision enacted in 1952, and is codified in Title 35 of the United States Code.¹⁸

Every patent application is required to contain a specification,¹⁹ which "shall contain a written description of the invention, and of the manner and process of making and using it, in such full, clear, concise, and exact terms as to enable any person skilled in the art to which it pertains . . . to make and use the same."²⁰ The specification must "conclude with one or more claims particularly pointing out and distinctly claiming the subject matter that the applicant regards as his invention."²¹ It is the claims of the issued patent that define whether a thing or activity falls within the scope of the patent.²² A patentee whose patent is infringed is entitled to remedy by civil action.²³ Relief may be granted in the form of an

17. See U.S. CONST. art. I, § 8.

18. See U.S. PATENT AND TRADEMARK OFFICE, GENERAL INFORMATION CONCERNING PATENTS 3 (1988); Patent Act of 1952, ch. 950, 66 Stat. 792 (1952).

19. See 35 U.S.C. § 111 (1994).

20. § 112.

21. § 112.

22. See, e.g., *Autogiro Co. v. United States*, 384 F.2d 391, 396 (Ct. Cl. 1967) ("It is to [the claims] that one must look to determine whether there has been infringement.").

23. See § 281.

award for damages,²⁴ attorney fees,²⁵ and an injunction against further infringement.²⁶

Patent applications are reviewed by the Patent and Trademark Office ("PTO"), which issues a patent if the invention satisfies the criteria of patentability.²⁷ These criteria require an invention to be "novel" and "non-obvious" with respect to the prior art.²⁸ An invention fails the novelty requirement if it has been known or used in the United States, or patented or published in a foreign country, before the date of invention.²⁹ It also fails that requirement if it has been patented or published anywhere more than a year prior to its priority date.³⁰ The invention fails the non-obviousness requirement "if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains."³¹ There are also other bars to patentability which are not germane to the present discussion.³² Besides being bars to issuance of a patent, the criteria of patentability can also be used as a defense in an action involving the validity or infringement of a patent.³³

24. See § 284 (the damages can include interest and costs, and triple damages may be awarded at the discretion of the court in cases of willful infringement).

25. See § 285.

26. See § 283.

27. See § 131.

28. Prior art consists of all the publicly available information in the field of the invention, including journal articles and textbooks, as well as the prior patents of the field. See 4 ERNEST BAINBRIDGE LIBSCOMB III, WALKER ON PATENTS § 12:21 (3d ed. 1995).

29. See § 102(a).

30. See § 102(b). The priority date of a patent application is generally the date the application is filed with the PTO. However, an application may be entitled to an earlier priority date based on a prior foreign or international application for the same invention. See §§ 119, 365. An application continued from an abandoned United States application or part of an earlier United States application may also be entitled to the priority date of the earlier application. See §§ 120, 121.

31. § 103(a).

32. Foremost among these are that the invention cannot have been in public use or for sale in the United States for more than one year prior to the filing of the application, see § 102(b); that the inventor cannot have received a foreign patent prior to, nor filed an application for such patent more than one year prior to, filing the United States application, see § 102(d); and that the inventor generally must have been the first to discover the invention in the United States, see § 102(e), (g).

33. See § 282.

Since at the time of application for a patent there is necessarily uncertainty as to the ultimate scope of a patent that will be allowed by the PTO and upheld in an infringement action, a fundamental means of assuring a patent of adequate scope is to include in the application a range of claims of varying scope.³⁴ Each of these claims is independently presumed valid.³⁵

B. Amendment of Issued Patents

Recognizing that for one reason or another errors are bound to find their way into issued patents, the patent laws set up four methods of post-issuance revision of patents. Two of these methods, disclaimer³⁶ and issuance of a certificate of correction,³⁷ have only minor impact on the rights of third parties³⁸ and are

34. 2 IRVING KAYTON, PATENT PRACTICE 10.4 (6th ed. 1995).

35. See § 282.

36. See § 253. A disclaimer is used by the patentee to either withdraw invalid terms of a patent (substantive disclaimer) or to dedicate to the public all or part of the remaining term of a patent (terminal disclaimer). When some terms of a patent are known to be invalid, a substantive disclaimer can open the way to recovery of costs by a patentee prevailing in a subsequent infringement suit. See § 284 (interest and costs can be awarded as part of the damages in an infringement suit); § 288 (patentee cannot recover costs unless any invalid claim has been disclaimed prior to the commencement of the suit). A terminal disclaimer can be used to set identical termination dates for all patents issuing to the same inventor covering the same subject matter, thereby overcoming a double patenting rejection. See 5 KAYTON, *supra* note 34, at 22.37.

37. Certificates of correction are used to correct errors of the PTO, see § 254, minor errors such as typographical errors, see § 255, and errors in the naming of inventors, see § 256.

38. Disclaimers ordinarily relate back to the date on which the patent issued. See 5 KAYTON, *supra* note 34, at 22.34. But since in a disclaimer the patentee is disclaiming part of the subject matter coverage or term of the patent, third parties will not normally be prejudiced by this retroactivity.

Certificates of correction for PTO errors are "considered as part of the original patent." § 254. However, for all certificates correcting the body of the patent, the corrected patent has "the same effect and operation in law on the trial of actions *for causes thereafter arising* as if [such patent] had been originally issued in such corrected form." §§ 254, 255 (emphasis added). Thus, acts of infringement between the issuance of the patent and the issuance of the certificate would appear to provide no basis for recovery. 5 KAYTON, *supra* note 34, at 22.28. This is analogous to the absolute intervening rights provisions applying to reissued patents. See *infra* notes 83-85 and accompanying text.

Nonetheless, certificates correcting a patentee's errors have been found to have retroactive effect. See *Eagle Iron Works v. McLanahan Corp.*, 429 F.2d 1375, 1383 (3d Cir. 1970); *Thomas & Betts Corp. v. Burndy Corp.*, Civ. A. No. 83-2990, 1989 U.S. Dist. LEXIS 3219, at *3 (D.N.J. Mar. 27, 1989). The generally minor nature of these corrections means that third parties are not likely to be seriously prejudiced. See *Eagle*, 429 F.2d at 1384 & n.23. Therefore intervening rights may not be alleged with respect to certificates correcting such minor errors. See *id.* at 1383. This result is analogous to the

not considered further. On the other hand, the other two methods of correction, reissue and reexamination, may substantially affect the rights of third parties. Therefore, a brief explanation of these methods is warranted.

1. Reissue

Reissues have been around almost as long as the United States patent system, even before there was statutory authority to grant them.³⁹ The present statute allows a patent to be reissued when "through error without any deceptive intention" the patentee has claimed "more or less than he had a right to claim in the patent."⁴⁰ The reissue application must be filed by the inventor or the owner of the patent⁴¹ and must include the usual elements of a patent application.⁴² In addition, it must include an oath attesting to the patentee's belief that the patent is wholly or partially inoperative due to error, and a statement specifying with particularity the errors and how they occurred.⁴³ The application "must

retroactivity provided for claims in a reissue that have not been substantially changed. See *infra* note 57 and accompanying text.

However, the possibility of intervening rights for a certificate of correction has not been completely foreclosed. A certificate of correction could be used to correct a significant error, such as a printer's error omitting a claim added during prosecution of the patent. See 5 KAYTON, *supra* note 34, at 22.10. Intervening rights could arise in such a situation for an infringer who violated the omitted claim but not the other claims of the patent. See *id.* at 22.28.

Another situation where intervening rights could arise is where a patentee's attorney mistakenly disclaims the remainder of the patent term, and later uses a certificate of correction to rectify the error. In a malpractice action involving these facts, summary judgment was sought by the patent attorney on the basis that the retroactive effect of the certificate eliminated any possibility that intervening rights could have been acquired by infringers. See *Carnegie Mellon Univ. v. Schwartz*, 105 F.3d 863, 866 (3d Cir. 1997). Summary judgment was granted by the District Court, but the grant was vacated on appeal. See *id.* at 864. The intervening rights issue was characterized as involving "difficult questions of first impression" that were better addressed in a pending infringement suit involving the same patent. *Id.* at 867. The situation in *Schwartz* is analogous to that when a patent is reinstated after having lapsed due to failure to pay a maintenance fee—a situation for which intervening rights are authorized. See § 41(c)(2).

39. See Federico, *supra* note 1, at 605.

40. § 251. In addition to correcting the claims, reissues can be filed to claim an earlier priority date based on a foreign application or a copending United States application, to correct inaccuracies in the patent's disclosure, or to correct a misjoinder of inventors. See U.S. PATENT AND TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE § 1402 (6th ed., rev. 2 1996) [hereinafter MPEP].

41. See 37 C.F.R. § 1.172(a) (1996).

42. See § 1.171.

43. See § 1.175(a).

[also] be accompanied by an offer to surrender the original patent."⁴⁴ The reissue must be for the invention disclosed in the original patent, and no new matter⁴⁵ may be introduced in a reissue.⁴⁶ Any application for a broadening reissue⁴⁷ must be made within two years of the issuance of the original patent.⁴⁸ During review of the reissue examination "the entire application [is] examined in the same manner as original applications,"⁴⁹ including claims resubmitted from the original patent, which are not subject to a presumption of validity.⁵⁰ The reissue application is generally examined by the same examiner who examined the original application.⁵¹ Although the notice of the reissue application is published in the PTO's *Official Gazette*⁵² and interested parties have an opportunity to submit to the examiner material pertinent to the patentability of the reissue application,⁵³ the examination is essentially *ex parte*.⁵⁴ The applicant for a reissue has the same rights to appeal as are available to an applicant for an original patent.⁵⁵

44. § 1.178.

45. "New matter" is a term of art. It refers to matter that in any way "modifies (whether by addition, deletion, or change) the description of the invention, the teaching of how to make or use the invention, or the disclosure of the best mode contemplated by the inventor for carrying out the invention." 2 KAYTON, *supra* note 34, at 8.1. However, "matter that makes explicit what was implicit, inherent, or intrinsic in the original disclosure is not new matter." *Id.*

46. See 35 U.S.C. § 251 (1994).

47. A broadening reissue "enlarg[es] the scope of the claims of the original patent." § 251. Reissue claims are broader if they cover any thing or activity not covered in the original patent, even if the revised claims no longer cover other things or activities that were covered in the original patent. See *In re Freeman*, 30 F.3d 1459, 1464 (Fed. Cir. 1994).

48. See § 251.

49. 37 C.F.R. § 1.176.

50. See *In re Sneed*, 710 F.2d 1544, 1550 n.4 (Fed. Cir. 1983).

51. See MPEP, *supra* note 40, § 1440.

52. See 37 C.F.R. § 1.11(b).

53. See MPEP, *supra* note 40, § 1441.

54. See Stephen C. Shear & William S. Galliani, *Post Allowance and Post Issuance Practice Before the United States Patent and Trademark Office as It Relates to Newly Discovered Prior Art*, in ELECTRONIC AND COMPUTER PATENT LAW 627, 669 (PLI Pat., Copy., Trademark, and Literary Prop. Course Handbook Series No. 292, 1990).

55. See 5 KAYTON, *supra* note 34, at 22.96. A dissatisfied applicant may first appeal to the Board of Patent Appeals and Interferences, see 35 U.S.C. § 134 (1994), and from there either to the Federal Circuit, see § 141, or the District Court for the District of Columbia, see § 145.

The surrender of the original patent takes effect upon reissue of the patent.⁵⁶ The reissue is not retroactively effective, except for claims that are substantively identical to those of the original patent—these “have effect continuously from the date of the original patent.”⁵⁷

2. Reexamination

Reexamination is a relatively recent addition to patent law, having been introduced into the law in 1980.⁵⁸ A request for reexamination may be filed by “[a]ny person at any time” on the basis of prior art patents or printed publications which have previously been cited in writing to the PTO.⁵⁹ The PTO then determines “whether a substantial new question of patentability . . . is raised by the request.”⁶⁰ If such a question has been raised, the patent is reexamined.⁶¹ However, the reexamination is generally limited to questions of patentability on the basis of prior art patents and publications.⁶² No broadening claims are permitted.⁶³ As in the case of an application for reissue, the same examiner who handled the original application will generally preside over the reexamination,⁶⁴ and the procedure is largely *ex parte*, with the

56. See § 252.

57. § 252. The statute allows for the continuation of “identical” claims, but this has been interpreted to mean claims “without substantive change.” *Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 977 (Fed. Cir. 1986).

58. See Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. §§ 301-307 (1994)).

59. §§ 301-302.

60. § 303(a).

61. See § 304. The requester may petition the Commissioner of Patents and Trademarks to reconsider an initial decision refusing reexamination. The Commissioner’s decision on such a petition is final and nonappealable. See 37 C.F.R. § 1.515(c) (1996).

62. See 37 C.F.R. § 1.552. The examiner is not limited to the cited prior art, but can conduct an independent search for other prior art. See *MPEP*, *supra* note 40, § 2257. In addition, an admission by the patentee can be used in evaluating the scope and content of the prior art. See *Ex parte McGaughey*, 6 U.S.P.Q.2d (BNA) 1334, 1338 (PTO Bd. Pat. App. & Int. 1988). There were several unsuccessful attempts in the 104th Congress to widen the scope of prior art and patentability issues considered. See, e.g., H.R. 1732, 104th Cong. § 3(b) (1995).

63. See 35 U.S.C. § 305.

64. See *MPEP*, *supra* note 40, § 2236 (“Reexamination requests should normally be assigned . . . to the primary examiner most familiar with the claimed subject matter of the patent.”); *id.* § 2255 (“The examination will ordinarily be conducted by the same primary examiner . . . who made the decision on whether the reexamination request should be granted.”); see also *Shear & Galliani*, *supra* note 54, at 663 (“Generally, the Examiner who acted on the issuing patent presides over the Reexamination procedure.”). However, if the order for reexamination results from an appeal to the Commissioner of

non-patentee requester limited to its initial request and a single reply to the patentee's initial response.⁶⁵ The patentee has a right to appeal an unsatisfactory reexamination outcome.⁶⁶ The requester has neither the right to appeal the outcome,⁶⁷ nor the right to participate in a patentee's appeal.⁶⁸

C. Intervening Rights

1. A Brief History of Intervening Rights up to 1952⁶⁹

The doctrine of intervening rights has its roots in the late nineteenth century, when reissues were granted liberally and the proportion of reissues to newly issued patents was over ten times what it is under the present law.⁷⁰ The judicial response to this profusion of reissues, most of which were broadening and many of which were attained years after the issue of the original patent, was a doctrine of laches in applying for reissue, the effect of which when invoked was to invalidate the reissue.⁷¹ A decade later it was stated that reissues would be invalidated not just for delay, but also because of "circumstances . . . occur[ing] since the granting of the original patent which made the reissue operate harshly or unjustly" against third parties.⁷² The concept that these "circumstances" would operate to invalidate a broadening reissue eventually came to be known as the doctrine of intervening rights.⁷³ For narrowing reissues, however, laches and intervening rights were generally thought not to be applicable.⁷⁴

Patents, the reexamination will ordinarily be conducted by another examiner. *See* 37 C.F.R. § 1.525(a).

65. *See* 37 C.F.R. § 1.535. A number of unsuccessful attempts were made in the 104th Congress to afford third parties greater opportunity to participate in reexamination proceedings. *See, e.g.*, H.R. 1732, 104th Cong. § 3(d) (1995).

66. *See* 35 U.S.C. § 306 (patentee has same appeal rights as in 35 U.S.C. §§ 134, 141-145).

67. *See In re Opprecht*, 868 F.2d 1264, 1265 (Fed. Cir. 1989). A number of unsuccessful attempts were made in the 104th Congress to give third-party requesters a right to appeal the outcome of a reexamination. *See, e.g.*, H.R. 1732, 104th Cong. § 3(e) (1995).

68. *See Opprecht*, 868 F.2d at 1265.

69. For a more detailed treatment see Federico, *supra* note 1, at 603-27.

70. *See id.* at 605, 609.

71. *See Miller v. Brass Co.*, 104 U.S. 350 (1882).

72. *Topliff v. Topliff*, 145 U.S. 156, 169 (1892).

73. *See Federico*, *supra* note 1, at 619.

74. *See id.* at 625-27.

Intervening rights eventually shifted from being rights of the public that rendered a reissue invalid to personal rights that estopped the patentee from claiming infringement by particular defendants.⁷⁵ This view of intervening rights was endorsed by the Supreme Court in 1940, which, without invalidating a reissued patent, found a right to continue use of a machine that was procured before the reissue even though its use infringed the claims of the reissue.⁷⁶

2. Intervening Rights in the 1952 Patent Act

Intervening rights were codified for the first time in the Patent Act of 1952.⁷⁷ The result was not a mere codification of the law as it stood.⁷⁸ Two degrees of protection for those who infringe a reissue were provided: one absolute (absolute intervening rights) and the other at the discretion of the court (equitable intervening

75. See *id.* at 618-23. This view of intervening rights as personal had earlier been explicitly rejected. See *Stimpson v. West Chester R.R. Co.*, 45 U.S. (4 How.) 380, 402 (1846) (reversing a lower court on the basis of its jury instruction that an alleged infringer's use of the subject matter of a reissued patent more than one year prior to the application for reissue constituted a good defense).

76. See *Sontag Chain Stores Co. v. National Nut Co.*, 310 U.S. 281 (1940).

77. Patent Act of 1952, ch. 950, 66 Stat. 792 (1952) (current version is Title 35 of the U.S.C.). See Federico, *supra* note 1, at 627.

78. See P.J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 161, 206 (1993) (reprint of 35 U.S.C.A. 1 (1954)) ("The second paragraph of section 252 . . . [of the 1952 Act] varies in some respects from the case law and should be considered on its own terms."). *But see* *St. Regis Paper Co. v. Bemis Co.*, 403 F. Supp. 776, 791 (S.D. Ill. 1975) ("[S]ection [252 para. 2] merely codified equitable principles devolved under the prior law."), *rev'd on other grounds*, 549 F.2d 833 (7th Cir. 1977). The current version of the statute reads:

No reissued patent shall abridge or affect the right of any person or his successors in business who made, purchased or used prior to the grant of a reissue anything patented by the reissued patent, to continue the use of, or to sell to others to be used or sold, the specific thing so made, purchased or used, unless the making, using or selling of such thing infringes a valid claim of the reissued patent which was in the original patent. The court before which such matter is in question may provide for the continued manufacture, use or sale of the thing made, purchased or used as specified, or for the manufacture, use or sale of which substantial preparation was made before the grant of the reissue, and it may also provide for the continued practice of any process patented by the reissue, practice, or for the practice of which substantial preparation was made, prior to the grant of the reissue, 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.

35 U.S.C. § 252 para. 2 (1994).

rights).⁷⁹ These protections are a defense to a charge of infringement,⁸⁰ and as such the burden of proof is on the intervenor.⁸¹ Nearly identical protections are now available for those infringing reexamined patents.⁸²

Absolute intervening rights provide an accused infringer with 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 valid claim of the reissue patent that was in the original patent.⁸³ The scope of the protection is narrow in that it "extends only to the specific objects actually made before the grant of the reissued patent."⁸⁴ This protection clearly applies to narrowing, as well as broadening, reissues.⁸⁵

Equitable intervening rights, in contrast, offer the possibility of much broader protection, allowing the court to permit continuation of infringing activities when the defendant began, or made substantial preparations to begin, the infringing activity before the patent was reissued.⁸⁶ This protection is to be provided "to the extent and under such terms as the court deems equitable for the protec-

79. See Federico, *supra* note 78, at 207.

80. See, e.g., *BIC Leisure Prods. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1220 (Fed. Cir. 1993).

81. See *Maxon Premix Burner Co. v. Mid-Continent Metal Prods. Co.*, 279 F. Supp. 164, 190 (N.D. Ill. 1967) (holding that the defendant in an infringement suit has "the burden of proving the essential facts of . . . affirmative defenses"); cf., e.g., *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1043 (Fed. Cir. 1992) (in banc) (holding that the defendant in infringement suit has burden of proof on all factual elements of an equitable estoppel defense).

82. See 35 U.S.C. § 307(b). The intervening rights provision for reexamined patents, unlike the one for reissued patents, does not provide protection for those who only offered to sell the product in question before the correction of the patent. Compare § 252 with § 307(b).

83. See *BIC*, 1 F.3d at 1220-21.

84. Federico, *supra* note 78, at 207.

85. See *id.*; *Mendenhall v. Astec Indus., Inc.*, 13 U.S.P.Q.2d (BNA) 1913, 1949 (E.D. Tenn. 1988), *aff'd*, 13 U.S.P.Q.2d (BNA) 1956 (Fed. Cir. 1989); *Wayne-Gossard Corp. v. Moretz Hosiery Mills*, 384 F. Supp. 63, 73 (W.D.N.C. 1974), *rev'd on other grounds*, 539 F.2d 986 (4th Cir. 1976) [hereinafter *Moretz I*]; see also *Plastic Container Corp. v. Continental Plastics*, 607 F.2d 885, 902 (10th Cir. 1979) (infringer "had the benefit of several years' production [before the narrowing reissue] for which no damages can be assessed"); *Johnston v. Textron, Inc.*, 579 F. Supp. 783, 794 (D.R.I.), *aff'd*, 758 F.2d 666 (Fed. Cir. 1984); *Wayne-Gossard Corp. v. Sondra Inc.*, 434 F. Supp. 1340, 1363 (E.D. Pa. 1977) ("[D]efendants have the benefit of the five years of operation [before the narrowing reissue] . . . from which no damages can be assessed."), *aff'd*, 579 F.2d 41 (3d Cir. 1978) [hereinafter *Sondra*].

86. See *BIC*, 1 F.3d at 1221.

tion of investments made or business commenced before the grant of the reissue."⁸⁷ Relief under this provision is granted at the court's discretion, and the "applicability of equitable considerations is specifically contemplated by the statute."⁸⁸

The doctrine of equitable intervening rights clearly applies to broadening reissues, although such cases are relatively rare—reexamination and high rates of patent invalidity have made narrowing revisions of patents more common.⁸⁹ Equitable intervening rights have been applied in three broadening reissue cases where the intervenor acted on the advice of counsel that it did not infringe the original patent.⁹⁰

In narrowing reissue cases the applicability of equitable intervening rights has been less clear. The legislative history of the 1952 Act does not address the issue.⁹¹ P.J. Federico, who is credited as the primary author of the 1952 Patent Act,⁹² provides some support by implication for applicability.⁹³ However, the legislative history of the reexamination provisions can be read by negative implication to oppose applying equitable intervening rights to narrowing reissue cases.⁹⁴ There have been statements in the case law both in favor of and opposed to general applicability.⁹⁵

87. § 252.

88. Federico, *supra* note 1, at 633.

89. See 5 KAYTON, *supra* note 34, at 22.67 (narrowing of the claims is "[p]robably the most frequently invoked ground for filing a reissue application").

90. See *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1580 (Fed. Cir. 1985) (intervenor designed around the original patent, following the advice of counsel); *Austin Powder Co. v. Atlas Powder Co.*, 593 F. Supp. 208, 216 (D. Del. 1984); *Gerhardt v. Kinnaird*, 162 F. Supp. 858, 864 (E.D. Ky. 1958) (intervenor ceased licensing the patent in reliance upon counsel's advice that the product did not infringe, and converted practically its entire business to the infringing product).

91. See S. REP. NO. 82-1979, at 7, 26 (1952), reprinted in 1952 U.S.C.C.A.N. 2394, 2400-01, 2419-20; H.R. REP. NO. 82-1923, at 8, 26 (1952).

92. See Louis S. Zarfus, *Notes From the Editor*, 75 J. PAT. & TRADEMARK OFF. SOC'Y 160 (1975).

93. See Federico, *supra* note 78, at 207 (stating, in discussing intervening rights generally, that the 1952 Act "extends the protection of intervening rights to so-called narrowed reissues," but not specifically addressing the applicability of equitable intervening rights to narrowing reissues).

94. Only narrowing changes to the claims are permitted in a reexamination. See *supra* note 63 and accompanying text. In explaining the purpose for applying the intervening rights protections of § 252 to those infringing reexamined patents, only providing absolute intervening rights protection for infringers is mentioned. See H.R. REP. NO. 96-1307, pt. 1, at 8 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6467.

95. Compare *Sondra*, 434 F. Supp. 1340, 1363 (E.D. Pa. 1977) ("[T]he doctrine of [equitable] intervening rights applies to narrowed reissue[s]."), *aff'd*, 579 F.2d 41 (3d Cir.

In addition, courts have weighed various factors in individual narrowing reissue cases. Cited as factors in favor of equitable intervening rights have been the infringer's development of a substantial enterprise prior to reissue upon which numerous customers relied,⁹⁶ and the infringer's good faith reliance on an opinion of counsel.⁹⁷ Many factors have been cited as weighing against the grant of broad equitable intervening rights or against granting any such rights at all: the fact that counsel was not consulted prior to beginning the infringing activities;⁹⁸ the fact that investment before the reissue was "insignificant" compared with the post-reissue investment,⁹⁹ where the infringer was not misled by the scope of the original patent;¹⁰⁰ where the infringer knew of the original patent and the application and issuance of the reissue, and did not attempt to avoid infringement;¹⁰¹ when the majority of expendi-

1978), *Moretz I*, 539 F.2d 986, 991 (4th Cir. 1976) ("[S]ection 252 applies to narrowed reissue claims."), and *Loral Corp. v. B.F. Goodrich Co.*, 14 U.S.P.Q.2d (BNA) 1081, 1116 (S.D. Ohio) (implying that intervening rights can be granted based on a well-founded belief in patent invalidity) *rev'd on other grounds*, 15 U.S.P.Q.2d (BNA) 1396 (Fed. Cir. 1989), with *Henkel Corp. v. Coral Inc.*, 754 F. Supp. 1280, 1320 (N.D. Ill. 1990) ("The defense of intervening rights is unavailable when claims of a reissue patent are narrowed, rather than broadened." (quoting *Mendenhall v. Astec Indus., Inc.*, 13 U.S.P.Q.2d (BNA) 1913, 1948 (E.D. Tenn. 1988))), *aff'd mem.*, 945 F.2d 416 (Fed. Cir. 1991), *Colt Indus. Operating Corp. v. Index-Werke KG*, 205 U.S.P.Q. (BNA) 990, 1005 (D.D.C. 1979) ("The doctrine of intervening rights does not apply to narrowed reissue claims added by the reissue, especially where a broader claim of the original patent also appears in the reissue."), and *Moretz I*, 384 F. Supp. 63, 74 (W.D.N.C. 1974) (since for narrowing reissues "the infringer commences his activities in the inequitable position of an infringer," intervening rights do not apply), *rev'd*, 539 F.2d 986 (4th Cir. 1976).

96. See *Richardson-Vicks, Inc. v. Upjohn Co.*, Civ. A. No. 93-556-SLR, 1996 U.S. Dist. LEXIS 702, at *25-26 (D. Del. Jan. 17, 1996); *Mine Safety Appliances Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 581 (S.D.N.Y. 1990); see also *Reeves Bros., Inc. v. U.S. Laminating Corp.*, 282 F. Supp. 118, 148 (E.D.N.Y. 1968) (finding a claim added by reissue not infringed due to intervening rights because the intervenors had been conducting their activities for over two years before the patent was reissued.), *aff'd*, 417 F.2d 869 (2d Cir. 1969).

97. See *Richardson-Vicks*, 1996 U.S. Dist. LEXIS 702, at *25; *Arcade Inc. v. Minnesota Mining & Mfg. Co.*, 24 U.S.P.Q.2d (BNA) 1578, 1592 (E.D. Tenn. 1991), *aff'd mem.*, 1 F.3d 1253 (Fed. Cir. 1993); see also *Telcor, Inc. v. Recoton Corp.*, No. 89 Civ. 6032, 1991 U.S. Dist. LEXIS 18186, at *2-3 (S.D.N.Y. Dec. 17, 1991) (infringer believed in good faith that it was not infringing the patent).

98. See *Henkel*, 754 F. Supp. at 1320; *Loral*, 14 U.S.P.Q.2d (BNA) at 1116.

99. See *White v. Fafnir Bearing Co.*, 263 F. Supp. 788, 812 (D. Conn. 1966), *aff'd*, 389 F.2d 750 (2d Cir. 1968).

100. See *Moretz I*, 384 F. Supp. at 75; *White*, 263 F. Supp. at 810-11;

101. See *Henkel*, 754 F. Supp. at 1320-21; *Colt Indus. Operating Corp. v. Index-Werke KG*, 205 U.S.P.Q. (BNA) 990, 1005 (D.D.C. 1979); *Corometrics Med. Sys. v. Berkely Bio-Eng'g*, 193 U.S.P.Q. (BNA) 467, 478 (N.D. Cal. 1977).

tures were made with knowledge that a reissue application had been filed;¹⁰² where investments in the infringing activity could be put to noninfringing use,¹⁰³ or had already been offset by profits,¹⁰⁴ when "somewhat more expensive" non-infringing alternatives were available;¹⁰⁵ when the activities at issue had begun prior to the issue of the original patent;¹⁰⁶ and where infringement involved a narrower reissue claim, but a broader claim of the original patent also appeared (without substantial change) in the reissue patent.¹⁰⁷

There has been no consensus in the courts as to whether reliance on the original patent is required in order for equitable intervening rights to be invoked. The statute itself makes no mention of a reliance requirement.¹⁰⁸ Neither the legislative history nor the statements of Federico make reference to a reliance requirement.¹⁰⁹ However, the pre-1952 application of intervening rights suggests that such rights are in the character of an estoppel,¹¹⁰

102. See *Henkel*, 754 F. Supp. at 1308.

103. See *Plastic Container Corp. v. Continental Plastics*, 607 F.2d 885, 903 (10th Cir. 1979); *Halliburton Co. v. Western Co. of N. Am.*, 10 U.S.P.Q.2d (BNA) 1973, 1983 (W.D. Okla.), *aff'd*, 12 U.S.P.Q.2d (BNA) 1151 (Fed. Cir. 1989); *Wayne-Gossard Corp. v. Moretz Hosiery Mills*, 447 F. Supp. 12, 16 (W.D.N.C. 1976) (only limited further infringement allowed because infringer could "avoid infringement with relative ease"), *aff'd*, 573 F.2d 191 (4th Cir. 1978) [hereinafter *Moretz II*].

104. See *Plastic Container*, 607 F.2d at 902-03; *Mine Safety Appliance Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 581 (S.D.N.Y. 1990); *Sondra*, 434 F. Supp. 1340, 1363 (E.D. Pa. 1977), *aff'd*, 579 F.2d 41 (3d Cir. 1978).

105. *Henkel*, 754 F. Supp. at 1308.

106. See *Plastic Container*, 607 F.2d at 902; *Halliburton*, 10 U.S.P.Q.2d (BNA) at 1983.

107. See *Mendenhall v. Astec Indus., Inc.*, 13 U.S.P.Q.2d (BNA) 1913, 1948 (E.D. Tenn. 1988), *aff'd*, 13 U.S.P.Q.2d (BNA) 1956 (Fed. Cir. 1989); *Colt Indus. Operating Corp. v. Index-Werke KG*, 205 U.S.P.Q. (BNA) 990, 997-98, 1005 (D.D.C. 1979); *Corometrics Med. Sys. v. Berkely Bio-Eng'g*, 193 U.S.P.Q. (BNA) 467, 473-74 (N.D. Cal. 1977).

108. See *Westvaco Corp. v. International Paper Co.*, 23 U.S.P.Q.2d (BNA) 1401, 1413 (E.D. Va. 1991), *aff'd in part, rev'd in part on other grounds, vacated in part and remanded*, 991 F.2d 735 (Fed. Cir. 1993). This is in contrast to an explicit reliance requirement in a later intervening rights provision applying to certain changes in the patent law with regard to obviousness and joint inventorship. See Patent Law Amendments of 1984, Pub. L. No. 98-622, § 106(d), 98 Stat. 3383, 3385-86 (1984).

109. Compare S. REP. NO. 82-1979, at 26 (1952) (characterizing intervening rights as designed "to protect legitimate activities which would be adversely affected by the grant of a reissue"), reprinted in 1952 U.S.C.C.A.N. 2394, 2419-20, and H.R. REP. NO. 82-1923, at 26 (1952), with Federico, *supra* note 78, at 206-08 and Federico, *supra* note 1, at 630-33.

110. See *e.g.*, *Moto Meter Gauge & Equip. Corp. v. E.A. Lab.*, 55 F.2d 936, 940

indicating that reliance is required. Courts have variously suggested that reliance is required,¹¹¹ properly considered,¹¹² or not necessary¹¹³ for invoking equitable intervening rights.

Although under § 252 the "court's discretion to fashion the terms of future dealings is extremely broad,"¹¹⁴ most equitable intervening rights granted have been narrow in scope. A license to continue royalty-free infringement has been allowed in only one case,¹¹⁵ and has been explicitly rejected in others where some eq-

(E.D.N.Y. 1932).

111. See *Slimfold Mfg. Co. v. Kinkead Indus.*, 810 F.2d 1113, 1117 (Fed. Cir. 1987) (denying intervening rights because the infringer "did not demonstrate that it relied to its detriment on any aspect of the original claims that was changed by reissue"); *Kearney & Trecker Corp. v. Giddings & Lewis, Inc.*, 452 F.2d 579, 596 (7th Cir. 1971) ("Section 252 was enacted to deal with the problem of intervening rights of third parties who may have relied on the limited scope of the original patent before the reissue was allowed."); *Lockwood v. American Airlines*, Civ. No. 91-1640-E(CM), 1992 U.S. Dist. LEXIS 22077, at *9, (S.D. Cal. Oct. 27, 1992) ("[A]n important element of the [intervening rights] defense is reliance on some defect of the original patent . . ."); *Quad Envtl. Techs. v. Union Sanitary Dist.*, 17 U.S.P.Q.2d (BNA) 1667, 1670 (N.D. Cal. 1990) (for narrowing reissues "some degree of reliance on the original patent is required to establish intervening rights"), *rev'd on other grounds*, 946 F.2d 870 (Fed. Cir. 1991); *Loral Corp. v. B.F. Goodrich Co.*, 14 U.S.P.Q.2d (BNA) 1081, 1116 (S.D. Ohio 1989) ("[A]n infringer whose actions are based neither on reliance upon the scope of the original patent nor upon a 'well-founded [belief] that the original patent . . . was invalid' is not entitled to have his investment protected by" the doctrine of intervening rights. (bracketed alteration in original) (quoting *Plastic Container*, 607 F.2d at 902 n.42)), *rev'd on other grounds*, 15 U.S.P.Q.2d (BNA) 1396 (Fed. Cir. 1989); see also *Halliburton*, 10 U.S.P.Q.2d (BNA) at 1983 ("The purpose of the statute [providing for equitable intervening rights] is to protect investments which have been made in good faith reliance on some perceived infirmity in the original patent."); *Tennant Co. v. Hako Minuteman Inc.*, 4 U.S.P.Q.2d (BNA) 1167, 1169 (N.D. Ill. 1987) (no indication of reliance by infringer, though a plausible argument for intervening rights could have been made out if there had been reliance), *dismissed on reconsideration*, 9 U.S.P.Q.2d (BNA) 1157 (N.D. Ill. 1988), *rev'd in part on other grounds, vacated in part*, 878 F.2d 1413 (Fed. Cir. 1989); *Maxon Premix Burner Co. v. Mid-Continent Metal Prods. Co.*, 279 F. Supp. 164, 178 (N.D. Ill. 1967) (no intervening rights found where there had been no reliance on the original patent).

112. See *Halliburton Co. v. Western Co. of N. Am.*, 12 U.S.P.Q.2d (BNA) 1151, 1153 (Fed. Cir. 1989) (unpublished) ("[A] court may properly take into consideration the presence or absence of reliance in exercising its judgment on the equities in the case.").

113. See *Austin Powder Co. v. Atlas Powder Co.*, 593 F. Supp. 208, 216 ("It is not necessary . . . for the infringer to show reliance on the limited scope of the claims of the original patent."); see also *Seattle Box Co. v. Industrial Crating & Packing, Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985) (recapture by reissue is not permitted "at the expense of innocent parties"); *R.E. Phelon Co. v. Wabash, Inc.*, 1 U.S.P.Q.2d (BNA) 1680, 1694 (N.D. Ind. 1986) ("The doctrine of intervening rights protects persons who innocently develop and manufacture an invention not specifically claimed by a patent."), *aff'd in part, vacated in part mem.*, 824 F.2d 977 (Fed. Cir. 1987).

114. *Mine Safety Appliances Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 580-81 (S.D.N.Y. 1990).

115. See *Gerhardt v. Kinnaird*, 162 F. Supp. 858, 865 (E.D. Ky. 1958); see also *Arcade*

uitable intervening rights were granted.¹¹⁶ Limited continued infringement for the protection of business commenced has been allowed for recovery of the costs of converting equipment to non-infringing uses,¹¹⁷ for the exhaustion of inventory on hand and the filling of orders received before the date of the reissue,¹¹⁸ and until the end of the serviceable life of the infringer's machines dedicated to producing the infringing product.¹¹⁹ Limited continued infringement for protection of the intervenor's investment has also been considered.¹²⁰ The form of the allowance of continued infringement has been an offset, either against infringement damages¹²¹ or against mandated royalties for the limited further infringement allowed.¹²² A license for the life of the patent, with payment of royalties at a specified rate, has also been awarded to the infringer.¹²³

It can be seen from the foregoing that while there is a clearly recognized need to provide some protection from the effects of a reissue on those who have previously engaged in the newly patent-

Inc. v. Minnesota Mining & Mfg. Co., 24 U.S.P.Q.2d (BNA) 1578, 1592-93 (E.D. Tenn. 1991) (holding that continued manufacture would have been allowed had the patents at issue not been found to be invalid and unenforceable); Iron Ore Co. of Can. v. Dow Chem. Co., 177 U.S.P.Q. (BNA) 34, 68 (D. Utah 1972) (finding the patent invalid, but claims added in reissue would have been unenforceable against the accused infringer because of the infringer's intervening rights), *amended*, 177 U.S.P.Q. (BNA) 447 (D. Utah 1973), *aff'd*, 500 F.2d 189 (10th Cir. 1974); Reeves Bros., Inc. v. U.S. Laminating Corp., 282 F. Supp. 118, 148-49 (E.D.N.Y. 1968) (finding patent invalid and claims added by the reissue not infringed, with an additional finding that intervenors "cannot be deemed infringers" of one of the claims added by the reissue, because of intervening rights), *aff'd*, 417 F.2d 869 (2d Cir. 1969).

116. See *Plastic Container*, 607 F.2d at 902-03; *Mine Safety*, 744 F. Supp. at 581; *Moretz II*, 447 F. Supp. 12, 16 (W.D.N.C. 1976), *aff'd*, 573 F.2d 191 (4th Cir. 1978).

117. See *Plastic Container*, 607 F.2d at 903; *Moretz II*, 447 F. Supp. at 16.

118. See *Seattle Box*, 756 F.2d at 1581.

119. See *Telcor, Inc. v. Recoton Corp.*, No. 89 Civ. 6032 (LLS), 1991 U.S. Dist. LEXIS 18186, at *3 (S.D.N.Y. Dec. 17, 1991).

120. See *Valmont Indus. v. Reinke Mfg. Co.*, 14 U.S.P.Q.2d (BNA) 1374, 1383 (D. Neb. 1990) ("If the defendant is found to be entitled to intervening rights . . . the defendant would have an equitable license to continue manufacturing its machines following reissue for a length of time sufficient to allow it to recoup its investment made prior to the reissue."), *rev'd on other grounds*, 983 F.2d 1039 (Fed. Cir. 1993).

121. See *Plastic Container*, 607 F.2d at 903.

122. See *Moretz II*, 573 F.2d at 192.

123. See *Richardson-Vicks, Inc. v. Upjohn Co.*, Civ. A. No. 93-556-SLR, 1996 U.S. Dist. LEXIS 702, at *26, (D. Del. Jan. 17, 1996) (mandating the royalty rate); see also *Mine Safety Appliances Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 581-82 (S.D.N.Y. 1990) (setting the royalty rate as stipulated by the parties).

ed activity, there is no consensus about who should be protected and to what extent.

II. POLICY GOALS—THE ECONOMICS OF INTERVENING RIGHTS

The goal in selecting a set of rules for determining the scope of a patent is to minimize the sum of the costs involved in patent uncertainty.¹²⁴ These costs accrue to the government and to third parties, as well as to the patentee, and can be broken into two groups: the costs of determining what activities fall within the scope of the invention, and the costs arising from uncertainty in the patent's scope.¹²⁵ The first category comprises costs involved in transmitting and evaluating information about the scope of the invention; the second comprises the costs ensuing from the necessarily imperfect dissemination of that information.

Costs of determining what activities fall within the scope of the invention can further be broken down into costs to the patentee of making the claims correspond more closely to the scope of the invention,¹²⁶ the costs to third parties in gathering information and evaluating the scope and validity of a patent, and the costs to the parties and the court system of resolving disputes about the scope of the patent.¹²⁷ More precise drafting of claims will require greater effort on the part of the patentee; this will lead to diminishing returns of greater precision, as more resources are spent in drafting the claims.¹²⁸ Costs to third parties in evaluating the scope of a patent are generally reduced as the precision of the claims is increased. However, the costs to third parties would increase if the claims and supporting materials became so voluminous as to require significantly increased effort to interpret

124. See JOHN W. SCHLICHER, PATENT LAW: LEGAL AND ECONOMIC PRINCIPLES § 7.02[1][b] (1994).

125. See *id.*

126. There is no significant cost to the government in the revision of the claims. Although the government participates in the process through patent applicants' dealings with the PTO, the PTO is fully funded by user fees paid by patent applicants. See 35 U.S.C. § 41 (1994) (establishing a patent fee schedule with fees adjusted to reflect fluctuations in the Consumer Price Index); H.R. REP. NO. 97-542, at 2 (1982) ("The [§ 41] fee schedule is designed to return to the government 100% of actual costs."), reprinted in 1982 U.S.C.C.A.N. 765, 766.

127. See SCHLICHER, *supra* note 124, § 7.02[1][a].

128. See *id.* § 7.02[1][d] ("[I]t is costly to reduce uncertainty. The cost of preparing a perfectly precise legal definition of the invention would be enormous.").

them.¹²⁹ Costs involved in litigation regarding the scope of a patent are also expected to decrease as the precision of the claims increases.

Besides the costs involved in making the scope of a patent more certain, there are also the costs generated by the uncertainty of the patent. The most obvious of these is the value of that part of the invention that the patentee is unable to exploit (either by licensing or infringement suit) due to uncertainty regarding the patent.¹³⁰ To the extent that these costs occur, the patent system's goal of stimulating invention will not be achieved.¹³¹ A less obvious cost of uncertainty is the value of products and activities outside the scope of the invention that will be foregone by third parties due to uncertainty regarding the scope of the patent; many firms and individuals will be unwilling to take the risk that they will be found liable for infringement.¹³² Another cost is the value of complementary and substitute inventions not made due to uncertainty about the scope of the patent.¹³³

A. Effect of Unavailability of Reissues.

Consider first the situation where patent reissues are unavailable. Having only one chance of obtaining a patent, patentees would be driven to spend a large amount of resources in an attempt to obtain claims that accurately reflect the scope of the invention. However, due to the difficulty of accurately drawing up claims¹³⁴ there would still be some difference between the scope

129. *See id.*

130. *See id.* § 7.02[1][a]; *see also* *General Elec. Co. v. Wabash Appliance Corp.*, 304 U.S. 364, 369 (1938) ("The limits of a patent must be known for the protection of the patentee . . .").

131. *See* SCHLICHER, *supra* note 124, § 7.02[1][b].

132. *See id.* § 7.02[1][a]; *see also* *General Elec.*, 304 U.S. at 369 ("The limits of a patent must be known for . . . the encouragement of the inventive genius of others . . .").

133. *See* SCHLICHER, *supra* note 124, § 7.02[1][a]; *see also* *Markman v. Westview Instruments, Inc.*, 116 S. Ct. 1384, 1396 (1996) (noting that uncertainty in the terms of a patent could create a "zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims[, and which] would discourage invention only a little less than unequivocal foreclosure of the field." (quoting *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942))).

134. *See* *Topliff v. Topliff*, 145 U.S. 156, 171 (1892) ("The specification and claims of a patent . . . constitute one of the most difficult legal instruments to draw with accuracy."); 5 KAYTON, *supra* note 34, at 22.40-41 (characterizing patent drafting as "an environment for mistake" where the patent practitioner must simultaneously perform the func-

of the invention and the scope of the patent ("scope error"). To the extent that the patentee overclaimed, the patent would be found invalid when it is litigated, and the patentee would lose his or her property right to the extent that narrower claims were not included in the original patent.¹³⁵ A patentee who underclaimed, regardless of the reason, would also have irretrievably lost a portion of the value of the invention. In sum, the unavailability of reissue imposes high costs on the patentee, both in terms of the costs of reducing scope error, and in the value of the invention lost due to scope error.

*B. Effect of Availability of Reissue, in the
Absence of Intervening Rights*

When reissues are made available, but intervening rights are not, the situation for the patentee improves considerably. Unless the cost of obtaining reissues is prohibitively high, their availability would reduce the patentee's loss of revenue caused by scope error. If the patentee discovered that an activity was being carried on that was outside the scope of the patent claims but within the scope of the invention, a reissue could be obtained covering the activity; this would allow the patentee to proceed against the third party.¹³⁶ Moreover, it would be possible for a patentee, after losing an infringement suit because of invalidity of the patent, to obtain a reissue and proceed anew against the same infringer, even for acts before the date of the reissue.¹³⁷ The statutory requirements for reissue¹³⁸ and the cost to the patentee of obtaining a reissue would still provide a check on the number of reissues obtained, but

tions of engineer, historian, epistemologist, mental gymnast, technical writer, educator, salesman, and lawyer, all while facing constraints on resources and time).

135. The inclusion of narrower claims would increase the time and expense of drafting the patent. It would also increase the patentee's expense of prosecuting it, since the PTO charges additional fees on a per-claim basis for applications with more than twenty claims. See 37 C.F.R. § 1.16(c) (1996).

136. This sort of behavior was commonplace throughout much of the nineteenth century. See Federico, *supra* note 1, at 609 ("It . . . became established that there was an absolute right to reissue any patent to broaden it, at any time during the life of the patent, and that a patent so reissued was enforceable against any infringer.").

137. See, e.g., Edison v. American Mutoscope & Biograph Co., 151 F. 767 (2d Cir. 1907); Hubel v. Waldie, 35 F. 414 (C.C.S.D.N.Y. 1888).

138. These are that the "error" necessitating the reissue be "without any deceptive intentions," that "no new matter shall be introduced into the application for reissue," and that a reissue "enlarging the scope of the claims" be applied for within two years. 35 U.S.C. § 251 (1994).

to the extent that reissues would be available at a reasonable cost the patentee would be in a better position to recover more of the value of the invention.¹³⁹

While the availability of reissue is good for patentees, third parties would suffer hardships in the absence of intervening rights. The availability of reissue would have the effect of lowering the precision of the claims in the original patent. Since costs to the patentee due to the scope error are reduced by the availability (at a reasonable cost) of reissues, the incentive for the patentee to minimize scope error is also reduced. Therefore scope error increases when reissues are available. This lack of precision and scope error increases the need for determining the valid scope of the patent in litigation, as opposed to from the patent itself; costs to third parties are thereby increased.¹⁴⁰

A more important source of uncertainty for third parties, however, is that arising from the possibility of a reissue. Since the scope of a patent is changeable by the reissue process, uncertainty about the ultimate scope of a patent also increases. There is therefore an increase in the cost to third parties in terms of activities and research opportunities foregone due to this uncertainty.

Whether the benefits of a system where reissues, but not intervening rights, are available outweighs the costs of such a system need not be answered. But since a two-step process (here the original prosecution plus a possible reissue) of defining the scope of the patent can reduce the cost of achieving a given level of certainty,¹⁴¹ reissues, if properly limited in availability or effect, have the potential to be an important ingredient in minimizing the costs associated with patent claims.

139. It is notable that the time limit for obtaining a broadening reissue developed as a judicial response to the pernicious effects of nearly unconstrained availability of reissues. See *Miller v. Brass Co.*, 104 U.S. 350, 354 (1881) (citing "the evils which have grown from the practice" of reissuing patents as a reason for finding a broadening reissue invalid because it was not filed within a "reasonable time"); Louis Robertson, *The Chance of a Lifetime—Liberalize Reissues*, 32 J. PAT. OFF. SOC'Y 821, 824 (1950) ("[T]he 'reasonable time' requirement [of *Miller*] was designed to protect intervenors.").

140. See Kenneth W. Dam, *The Economic Underpinnings of Patent Law*, 23 J. LEGAL STUD. 247, 267 (1994) ("[I]t is important that the line between the patented and the unpatented be clearly demarcated in the patent itself, rather than being left to future litigation, so that a green light is given to R & D beyond that line.").

141. See SCHLICHER, *supra* note 124, § 7.02[1][a] (noting that the same level of certainty is provided at a lower cost by allowing courts some discretion to define patent rights independent of the claims, as opposed to requiring the courts to rely on the claims alone).

*C. Effect of Availability of Intervening Rights—The
Characteristics of an Ideal Intervening
Rights System*

The main undesirable side effect of a reissue system is the avoidance of investment in areas related to the patent, while the main benefit of intervening rights is that the patentee realizes from the patent a value corresponding to the value of the invention. Therefore, the goal of an intervening rights system should be to blunt the side effects of reissue, while retaining, as much as possible, the benefits of intervening rights.¹⁴² A further goal is to avoid adding costly requirements and uncertainties to the system, so as to continue to adhere to the general goal of minimizing the costs associated with uncertainties about the scope of patent claims.

An ideal intervening rights system would provide clear guidelines, discernable at low cost, to third parties as to what investments would be protected by the award of intervening rights in the event of a reissue. The line between those investments that would be protected and those that would not should be drawn with two related general aims in mind: (1) protecting investments that would not have been made except for the scope error of the original patent; and (2) protecting investments in activities that appeared likely to fall outside the ultimate scope of the patent. The first of these aims goes to the degree to which the intervenor was misled by the original patent. The second goes to the reasonableness of any reliance the intervenor had on the scope of the original patent. The protection granted to intervenors should be designed to minimize the negative impact on the value of the patent to the patentee, while not unduly discouraging investment by third parties in activities that could possibly be covered by a reissue. Finally, an ideal intervening rights system would encourage actions to promptly and inexpensively resolve uncertainties about patent scope.

142. See *Henkel Corp. v. Coral, Inc.*, 754 F. Supp. 1280, 1320 (N.D. Ill. 1990) (characterizing equitable intervening rights as "an equitable doctrine based on the balance between: (a) the public interest in the patent system and the remedial purpose of the reissue statute; and (b) the private interest of an infringer who innocently and in good faith has undertaken substantial activities that because of reissue turn out to be infringement"), *aff'd*, 945 F.2d 416 (Fed. Cir. 1991).

III. A PROPOSAL REGARDING WHEN EQUITABLE INTERVENING RIGHTS SHOULD BE GRANTED, AND WHAT THEIR SCOPE SHOULD BE

In order to protect the legitimate investor without causing undue harm to the patentee, it is proposed that reasonable reliance by the infringer on the pre-reissue state of affairs should be a necessary prerequisite to the granting of equitable intervening rights. For broadening reissues this would involve reliance that the infringing activity falls outside the claims of the original patent; it generally need not involve a belief in the inability of the patentee to secure a reissue covering the activity.¹⁴³ For narrowing reissues (and other situations where the original patent is invalid) the reliance of the infringer, in order to be reasonable, should be based on both a belief that the patent is invalid and that it cannot or will not be reissued to cover the activity.¹⁴⁴

It is further proposed that the courts should apply the power to protect intervenors more broadly than has been done in the past. Allowance of continued infringement, coupled with a payment of reasonable royalties to the patentee, should be used liberally to protect substantial business commenced by the intervenor. Allowing unlimited, royalty-free infringement should be considered when significant doubts (that do not rise to a level that would justify a finding of invalidity) exist in regard to the propriety of the reissue, or when the patentee has not diligently pursued a reissue following the discovery of errors in the original patent.¹⁴⁵

This proposed approach to equitable intervening rights by no means exhausts the considerations to be taken into account in determining if equitable intervening rights should be allowed.¹⁴⁶ Nor are intervening rights the only defense available to an infringer of a reissued patent.¹⁴⁷

143. See discussion *infra* Part IV.A.2.

144. See discussion *infra* Part IV.A.3.

145. See discussion *infra* Part IV.B.

146. See, e.g., *Funchion v. Somerset Knitting Co.*, 158 F. Supp. 57 (M.D.N.C. 1958) (infringer, an employee of the patentee, used trade secrets and other confidential information to build an infringing device and apply for and obtain a patent, and was thereby found to have "unclean hands" and denied intervening rights).

147. See 4 CHISUM, *supra* note 14, § 15.05[5] (reissue may be found invalid either because it does not meet the requirements of patentability or because it does not meet the requirements for obtaining a reissue).

IV. DISCUSSION

A. *Reasonable Reliance*

Conditioning equitable intervening rights on good-faith reliance in the original patent makes good sense. Requiring reliance distinguishes infringers that were misled by the errors of the original patent from those who were indifferent to those errors such that they would presumably have undertaken the infringing activity even if the original patent had been correct. Since those of the latter category would not have been discouraged by a patent of the correct scope, they are not deserving of protection from the consequences of post-reissue infringement.¹⁴⁸ Therefore, reliance is properly taken into account in deciding if equitable intervening rights are justified.¹⁴⁹

In this section, two aspects of present patent law, the equitable estoppel defense to infringement and the concept of willful infringement, are introduced to help define the analogous concept of reasonable reliance in the equitable intervening rights context. Then, since the nature of the reliance for broadening reissues is different from that for narrowing reissues, these two types of reissues are treated separately. Finally, the situation where the activity was undertaken without actual knowledge of the patent is briefly addressed.

1. Equitable Estoppel and Willful Infringement and Their Application to Equitable Intervening Rights

Equitable estoppel is a defense to infringement that arises "when (1) the patent owner through conduct, positive statement, or misleading silence represents to the infringer that his business will be unmolested by claims of infringement, and (2) in reliance on that representation, the infringer continues or expands his business."¹⁵⁰ The court may apply it at its discretion.¹⁵¹ For equita-

148. Cf. *Fonar Corp. v. General Elec. Co.*, 107 F.3d 1543, 1554 (Fed. Cir. 1997) (denying any intervening rights protection for an infringer of a patent that temporarily lapsed due to nonpayment of a maintenance fee, on the ground that the infringing activity, having commenced before the patent lapsed, was not undertaken "in reliance on the lapse," and therefore was not "the type of activity that [35 U.S.C. § 41(c)(2)] was intended to protect").

149. See *Halliburton Co. v. Western Co. of N. Am.*, 12 U.S.P.Q.2d (BNA) 1151, 1153 (Fed. Cir. 1989) (unpublished).

150. 5 CHSOM, *supra* note 14, § 19.05[3], at 19-455.

151. See *Williams Service Group, Inc. v. O.B. Cannon & Son, Inc.*, 33 U.S.P.Q.2d

ble estoppel to apply, not only must the infringer be aware of the patentee, but the patentee must also be aware of the infringer.¹⁵² A successful assertion of equitable estoppel "totally bars any assertion of the patent claim" against that particular infringer.¹⁵³

Willful infringement, in contrast, is not a shield used by the infringer, but rather is a sword wielded by the patentee. When damages for infringement are found by a jury or assessed by the court, "the court may increase the damages up to three times the amount found or assessed."¹⁵⁴ These increased damages can be awarded, at the discretion of the court, upon a clear and convincing showing of willful and wanton infringement.¹⁵⁵ The increased damages are not considered an equitable remedy.¹⁵⁶ Although the infringer's conduct "under all the circumstances" is evaluated to determine whether "a reasonable person would prudently conduct himself with any confidence that a court might hold the patent invalid or not infringed,"¹⁵⁷ the most important factor in such a determination is whether an opinion of competent counsel has been obtained and followed.¹⁵⁸ Therefore, before embarking on potentially infringing activity, third parties have a "duty to seek and obtain competent legal advice,"¹⁵⁹ but by obtaining and following such advice one can be a good-faith infringer.¹⁶⁰

These two concepts of patent law are useful in evaluating the estoppel underlying equitable intervening rights. Equitable estoppel

(BNA) 1705, 1733 (E.D. Pa. 1994).

152. See *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1042 (Fed. Cir. 1992) (in banc).

153. *Adelberg Lab. v. Miles, Inc.*, 921 F.2d 1267, 1272 (Fed. Cir. 1990).

154. 35 U.S.C. § 284 (1994).

155. See *Shatterproof Glass Corp. v. Libbey-Owens Ford Co.*, 758 F.2d 613, 628 (Fed. Cir. 1985). The court also has the power to award the patentee attorney fees. See 35 U.S.C. § 285.

156. See *Beatrice Foods Co. v. New England Printing & Lithographing Co.*, 923 F.2d 1576, 1579 (Fed. Cir. 1991).

157. *Ryco, Inc. v. Ag-Bag Corp.*, 857 F.2d 1418, 1428 (Fed. Cir. 1988).

158. See Donald L. Cox, *Opinions of Counsel in Patent Litigation*, in 2 PATENT LITIGATION 1994, at 569, 575 (PLI Pat., Copy., Trademark, and Literary Prop. Course Handbook Series No. 397, 1994); 5 CHISUM, *supra* note 14, § 20.03[4][v], at 20-184.9. *But see* *Machinery Corp. of Am. v. Gullfiber AB*, 774 F.2d 467, 472 (Fed. Cir. 1985) ("There is no per se rule that an opinion letter from patent counsel will necessarily preclude a finding of willful infringement . . . nor is there a per se rule that the lack of such a letter necessarily requires a finding of willfulness.") (citations omitted).

159. *Jurgens v. McKasy*, 927 F.2d 1552, 1562 (Fed. Cir. 1991).

160. See, e.g., *BIC Leisure Prods. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214, 1223 (Fed. Cir. 1993).

provides an analogous situation where reasonable reliance on the misleading actions of a patentee lead a third party to commence, continue, or expand an infringing activity. Willful infringement provides some guidance as to what is reasonable behavior for one contemplating beginning an infringing or potentially infringing activity. Together, with allowances for the equitable nature of intervening rights, these concepts can be used to help define when invocation of equitable intervening rights is appropriate.

2. Broadening Reissues—Reliance on a Belief of Inapplicability of the Original Patent

One considering whether or not an activity is in the public domain might reasonably proceed with the activity based upon a good-faith conclusion that a patent in the same field of endeavor is inapplicable to the activity. The elements of such a belief would be:

- (1) that the scope of the claims does not encompass the activity, either directly or by the doctrine of equivalents;¹⁶¹ and
- (2) that the claims will not be revised (broadened) to encompass the activity.

Consequences flow from mistakes in each of these beliefs (or assumptions).

a. Mistaken Belief that the Claims Do Not Encompass the Activity

A mistaken belief in the first element, that the claims of the original patent did not encompass the activity, results in infringement of the patent. If the mistake is based upon reliance on an opinion of competent counsel that the activity was non-infringing, then the infringement will be found to be non-willful.¹⁶² The same result will follow if the infringing actions are taken without knowledge of the patent.¹⁶³ If the mistake is made with knowl-

161. For a brief explanation of the doctrine of equivalents see *supra* note 14.

162. See *Reed Corp. v. Portec, Inc.*, 970 F.2d 816, 828-29 (Fed. Cir. 1992) ("Those cases where willful infringement is found despite the presence of an opinion of counsel generally involve situations where opinion of counsel was either ignored or found to be incompetent.").

163. See *Gustafson, Inc. v. Intersystems Indus. Prods., Inc.*, 897 F.2d 508, 511 (Fed. Cir. 1990). A willfulness inquiry focusses on when the infringing activity began or when

edge of the patent and is not based upon reliance of an opinion of counsel, the infringement will probably be found to be willful.¹⁶⁴

b. Mistaken Belief that the Patent Scope Will Not Be
Broadened to Encompass the Activity

If the original patent's claims do not encompass the activity, but the patent is reissued with broader claims encompassing the activity, then the classic intervening rights situation with a broadening reissue develops. Here the patentee has failed his duty "to inform the public . . . of the limits of the monopoly asserted."¹⁶⁵ The responsibility for this failure rests squarely on the shoulders of the patentee.¹⁶⁶ The failure is clearly misleading in that the reissue claims something for which protection was not asserted by the original patent. Therefore it would be reasonable to conclude that the infringer was misled,¹⁶⁷ unless the infringer was unaware of the patent.¹⁶⁸ Generally the infringer in such a situation need not produce any evidence supporting the reasonableness of the belief that the patent would not be reissued in broader form, since such reissues are the exception, rather than the rule.¹⁶⁹ However, reli-

the infringer became aware of the patent, whichever is later. See 5 CHISUM, *supra* note 14, § 20.03[4][b][v][F].

164. See *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944 (Fed. Cir. 1992) ("Where an infringer has actual notice of a patentee's rights, the infringer has an affirmative duty of due care . . . which normally includes the duty to seek and obtain competent legal advice from counsel regarding the potential infringement."). *But see* *Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1109 (Fed. Cir. 1986) (no willful infringement where infringer did not seek an opinion of counsel but did attempt to design around the patent); *Gustafson*, 897 F.2d at 510 ("Whether an act is 'willful' [or not] is by definition a question of the actor's *intent*.").

165. *Permutit Co. v. Graver Corp.*, 284 U.S. 52, 60 (1931).

166. See SCHLICHER, *supra* note 124, § 7.02[1][b] ("[T]he law does not . . . prohibit claims that are narrower than the invention. . . . The patent owner is relied on to avoid that result.").

167. See *St. Regis Paper Co. v. Bemis Co.*, 403 F. Supp. 776, 792 (S.D. Ill. 1975) ("[A] practitioner may rely upon the claims of a patent as the total statement of the inventive concept claimed."), *rev'd on other grounds*, 549 F.2d 833 (7th Cir. 1977).

168. See *infra* Part IV.A.4.

169. See *Gerhardt v. Kinnaird*, 162 F. Supp. 858, 864 (E.D. Ky. 1958). Although a showing of the reasonableness of reliance is not required, evidence of attempts to design around the original patent can bolster the argument for equitable intervening rights. See *Seattle Box Co. v. Industrial Crating & Packing Inc.*, 756 F.2d 1574, 1580 (Fed. Cir. 1985); *Arcade Inc. v. Minnesota Mining & Mfg. Co.*, 24 U.S.P.Q.2d (BNA) 1578, 1592-93 (E.D. Tenn. 1991). *But see* *Austin Powder Co. v. Atlas Powder Co.*, 593 F. Supp. 208, 216 (D. Del. 1984) (citing the infringer's independent development as a factor favoring the grant of equitable intervening rights).

ance would not generally be reasonable for investments made with actual knowledge that a reissue had been filed.¹⁷⁰

It makes economic sense to allow an intervenor a presumption¹⁷¹ in favor of the reasonableness of a belief that a patent will not be reissued in broader form.¹⁷² There was no notice in the original patent that the patentee was asserting the scope of coverage later obtained in the reissue. Since the patentee was aware of and relied upon the original patent, it is likely that the infringing activity would not have been undertaken had the original patent been accurate. And since less than one percent of patents are reissued,¹⁷³ the now-infringing activity appeared likely to fall outside the ultimate scope of the patent. To hold that the infringer in such a situation must take the risk that a patent will be reissued in broader form would discourage investments in areas close to, but outside of, patents. Therefore concerns of probability, fairness to the intervenor, and the social benefits of encouraging reliance on issued patents all argue in favor of a presumption here.¹⁷⁴ In ac-

170. Cf. 5 KAYTON, *supra* note 34, at 22.49 (the argument for applying equitable intervening rights to narrowing reissues is "undercut . . . somewhat by the fact that the reissue applications are not maintained in secrecy" since the infringer "is likely to be aware of the pendency of the reissue application and to be on notice of its impending issuance").

171. The meaning of the term "presumption" as used here is what has been referred to as its standard definition: "[A] rule of law which provides that if a particular group of facts has been established, another fact is deemed established." Kenneth S. Broun, *The Unfulfillable Promise of One Rule for All Presumptions*, 62 N.C. L. REV. 697, 698 (1984).

172. Although presumptions do not have a place in purely equity-based jurisprudence, such a jurisprudence would provide "little clue as to what is non-litigious conduct." J. Harvie Wilkinson III, *Toward a Jurisprudence of Presumptions*, 67 N.Y.U. L. REV. 907, 909 (1992) (arguing for a presumption-based jurisprudence as rejecting "the stark alternatives of the rules-oriented and equity-based approaches" to jurisprudence). Accordingly, in another equitable defense to infringement, a presumption of laches arises when a patentee has delayed filing suit for more than six years. *See, e.g., A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1034-35 (Fed. Cir. 1992) (in banc). The presumption of laches has the purpose of providing "a yardstick for reaching comparable results in comparable circumstances rather than leaving the matter without any guidelines to a district court's exercise of discretion." *Id.* at 1035.

173. *See* 5 KAYTON, *supra* note 34, at 22.41.

174. *See Cornetta v. United States*, 851 F.2d 1372, 1380 (Fed. Cir. 1988) (in banc) ("Presumptions depend on considerations of fairness and public policy."); 2 CHARLES T. MCCORMICK, *MCCORMICK ON EVIDENCE* § 343 (John W. Strong ed., 4th ed. 1992) (noting that social and economic policies, difficulties inherent in proving a fact, and (most importantly) probability are all factors that go into the creation of presumptions).

cord with the equitable nature of intervening rights, this presumption would be rebuttable.¹⁷⁵

3. Narrowing Reissues—Reliance on a Belief of Unpatentability

Besides believing that it falls outside the scope of the patent, another way someone could conclude that an activity was within the public domain would be for him to have a good-faith belief that it was unpatentable, even though a patent might cover it. The elements of such a belief would be:

- (1) that prior art with priority over the patent covers the claims that the activity would infringe (thus invalidating those claims);
- (2) that the claims will not be narrowed in such a way as to avoid invalidity with respect to the prior art and yet still cover the activity; and
- (3) that the patent's priority date will not be changed.

As with a belief in inapplicability of a patent, different consequences flow from mistakes involving each of these elements.

a. Mistaken Belief that Prior Art Invalidates the Original Claims

A mistake in the first element results in infringement of the original patent, which, as in a broadening reissue, can be either willful or non-willful, depending on the circumstances. The only difference here is that a finding of willfulness is almost certain in the absence of an opinion of counsel, since a court would be unlikely to find that reliance on a layman's opinion of patent invalidity is reasonable.¹⁷⁶

b. Mistaken Belief that the Claims Would Not Be Revised so that a Valid Claim Covered the Activity

A mistake in the second element presents the intervening rights situation for narrowing reissues. By failing to produce a valid claim covering the activity, the patentee has failed a duty to "clear-

175. *Cf., e.g., A.C. Aukerman*, 960 F.2d at 1034 (holding that the presumption of laches is rebuttable).

176. *See Rolls-Royce Ltd. v. GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986) ("Infringers should not escape a finding of willfulness by merely denying themselves counsel's advice while relying on opinions of lay-employees."); *Schlegel Mfg. Co. v. King Aluminum Co.* 381 F. Supp. 649, 653 (S.D. Ohio 1974) ("The opinions of laymen on matters of [patent] law are entitled to little weight."), *aff'd*, 525 F.2d 775 (6th Cir. 1975).

ly distinguish what is claimed from what went before in the [prior] art."¹⁷⁷

The narrowing reissue situation presents a less compelling argument for equitable intervening rights than the broadening reissue situation. Unlike for broadening reissues, here the patentee has asserted in the original patent that the activity in question is within the patent's scope; the patent does not mislead a potential intervenor into thinking that her activities would remain unmolested.¹⁷⁸ Further, the infringer cannot presume that the patent will not be reissued, since if a patent is found to be invalid and can be profitably reissued, the patentee would be expected to pursue a narrowing reissue.

However, equitable intervening rights are still warranted in some narrowing reissue cases. Since the patentee has failed its duty to properly draw the line demarcating the patentable aspects of its invention, third parties who rely on their own reasonable, good-faith attempts to draw that line should receive some protection.

In order to gain the protection of equitable intervening rights, an infringer should generally have to establish a reasonable belief that the activity in question would not be includable in a reissue. It has been suggested that equitable intervening rights in narrowing reissues can accrue simply on the basis of a belief in the invalidity of the original patent.¹⁷⁹ However, this focus on a determination of invalidity would undermine the distinction between activities reasonably thought to be outside the scope of the invention (which should be protected) and activities within that scope (for which

177. *United Carbon Co. v. Binney & Smith Co.*, 317 U.S. 228, 236 (1942).

178. See Harold M. Knoth, *Some Aspects of the Narrowed Reissue*, 24 J. PAT. OFF. SOC'Y 26, 30 (1942).

179. See 4 CHISUM, *supra* note 14, § 15.05[4] ("Where the reissue narrows the claims," the infringer "may rely on the invalidity through vagueness or undue breadth of the original claims" and thereby be entitled to equitable intervening rights); 4 DONALD R. DUNNER ET AL., PATENT LAW PERSPECTIVES § 10.8, at 10-114 (2d ed. 1988) ("[O]ne should also be able to rely on one's evaluation of the *invalidity* of an original patent claim, . . . and should not be held to infringe a reissued claim which is valid only because it is narrower."); see also *Loral Corp. v. B.F. Goodrich Co.*, 14 U.S.P.Q.2d (BNA) 1081, 1116 (S.D. Ohio 1989) (no intervening rights should be granted in a narrowing reissue situation unless the infringer had a well-founded belief in the invalidity of the original patent), *rev'd on other grounds*, 15 U.S.P.Q.2d (BNA) 1396 (Fed. Cir. 1990); *Halliburton Co. v. Western Co. of N. Am.*, 10 U.S.P.Q.2d (BNA) 1973, 1983 (W.D. Okla.) ("The purpose of the statute [providing for equitable intervening rights] is to protect investments which have been made in good faith reliance on some perceived infirmity in the original patent."), *aff'd*, 12 U.S.P.Q. (BNA) 1151 (Fed. Cir. 1989).

equitable intervening rights should not accrue). It would allow the infringers to escape damages when the patentee used a reissue or reexamination procedure merely to correct a minor error, which is contrary to the purpose of § 252.¹⁸⁰ Therefore, in order to be acting reasonably in relying on a belief in patent invalidity, a potential infringer must act in the belief that the patent will not be reissued. In contrast to the inapplicability reliance, where the intervenor relies upon the patentee's statement of the limit of the scope of the patent, here the intervenor generally must make a determination as to what the limits would be of a valid reissue that the patentee could reasonably secure. The limits on the reissue that the patentee could secure could be based on prior art, public use, prosecution history estoppel, deceptive intent, or (perhaps) unreasonable delay in seeking reissue.¹⁸¹

By analogy to willful infringement cases, proof of good-faith reliance on inapplicability could be established by an opinion of qualified counsel, obtained prior to beginning the infringing activity.¹⁸² In another intervening rights context, a legal opinion of invalidity seems to have been intended by Congress as a requirement for the granting of equitable intervening rights.¹⁸³ However, as in willful infringement cases,¹⁸⁴ there should be no per se requirement of an opinion of counsel. Such a requirement would be inconsistent with the equitable nature of intervening rights.¹⁸⁵ Nev-

180. See *Tennant Co. v. Hako Minuteman Inc.*, 4 U.S.P.Q.2d (BNA) 1167, 1169 (N.D. Ill. 1987), *dismissed on reconsideration*, 9 U.S.P.Q.2d (BNA) 1157 (N.D. Ill. 1988), *rev'd in part on other grounds, vacated in part*, 878 F.2d 1413 (Fed. Cir. 1989).

181. See *Ex parte Lafferty*, 190 U.S.P.Q. (BNA) 202, 203-04 (PTO Bd. App. 1975) ("[I]n the absence of [intervening rights], an application for narrowed reissue may not be denied on the grounds of delay or lack of diligence in filing the reissue application.").

182. If the infringing activity was begun before the issue of or in ignorance of the patent, then an opinion could be sought when the infringer learned of the patent. *Cf.* 5 CHISUM, *supra* note 14, § 20.03[4][b][v][F] (noting a similar requirement for avoiding willful infringement).

183. The Patent Law Amendments Act of 1984 provided intervening rights protection for infringers who had reasonably relied on invalidity or unenforceability of a patent under the prior state of the law. See *supra* note 9. A document introduced in the congressional debate on the bill explained that the intervening rights protection was intended for those "who acted in reasonable and good faith reliance." SECTION-BY-SECTION ANALYSIS OF H.R. 6286, PATENT LAW AMENDMENTS ACT OF 1984, 130 CONG. REC. 28,069, 28,072 (1984), *reprinted in* 1984 U.S.C.C.A.N. 5827, 5836. However, in discussing the burden of proof for establishing reliance, the document made reference only to reliance on "a legal opinion . . . that a certain patent or patents were invalid." *Id.*

184. See *Machinery Corp. v. Gullfiber AB*, 774 F.2d 467, 472 (Fed. Cir. 1985).

185. See HENRY L. MCCLINTOCK, *HANDBOOK OF EQUITY* 29 (1st ed. 1936) ("[E]quity

ertheless, a duty to obtain such an opinion before beginning a potentially infringing activity already exists¹⁸⁶ and some such opinions already include an analysis of the scope of a reissue that could be obtained.¹⁸⁷ Therefore some equitable intervening rights claims would almost certainly be supported by opinions of counsel.¹⁸⁸ Claims not based on an opinion of counsel would have their reasonableness judged on a case-by-case basis.¹⁸⁹ While a requirement of reliance on a belief that the patent would not be reissued will deter those infringers who would attempt to use a minor error to obtain intervening rights, it would still allow the possibility of intervening rights in most narrowing reissue cases,¹⁹⁰ as evidenced by the fact that most intervening rights cases include an argument for invalidity of the reissue.¹⁹¹

looks to the intent, rather than to the form.”).

186. See *Underwater Devices, Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983); see also Thomas L. Creel, *Reliance on Opinions as a Defense in Patent Infringement Litigation*, in 2 PATENT LITIGATION 1994, at 599, 609 (PLI Pat., Copy., Trademark, and Literary Prop. Course Handbook Series No. 397, 1994) (“The safer practice would appear to be to *always* request an opinion before . . . entry into the market with a new product.”); Cox, *supra* note 158, at 583 (“A written opinion of counsel should be obtained as soon as the potentially infringed patent is discovered.”).

The requirements for such an opinion are quite rigorous. See *Underwater Devices*, 717 F.2d at 1390 (holding that to remove any doubt that the infringer received a competent opinion of counsel, the opinion should have “contained within its four corners a patent validity analysis, properly and explicitly predicated on a review of the file histories of the patents at issue, and an infringement analysis that, inter alia, compared and contrasted the potentially infringing method or apparatus with the patented inventions”).

187. See, e.g., *Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 944-45 (Fed. Cir. 1992) (besides addressing invalidity of the patent at issue, the opinion letter of counsel “also makes reference to potential divisional applications, concluding that any claims in the divisional applications broad enough to include Ortho’s product would be invalid for the same reasons as the . . . patent” at issue).

188. See *Lockwood v. American Airlines*, Civ. No. 91-1640-E(CM), 1992 U.S. Dist. LEXIS 22077, at *9, (S.D. Cal. Oct. 27, 1992) (“An attorney’s opinion is normally an integral part of [an intervening rights] defense.”).

189. See R.J. Eifler, *Reissues and Intervening Rights*, 54 J. PAT. OFF. SOC’Y 310, 316 (1972) (“[A]reas considered by the court will include . . . the credibility and reasonableness of the infringer’s reliance . . . [and] the extent an infringer may rely on his opinion (and his counsel’s) that a claim of a patent is invalid and may be ignored.”).

190. The opinion would necessarily have to be incorrect for an intervening rights issue to arise (that is, the opinion would have to be that the patentee would not obtain a reissue to cover the activity, and such a reissue would be the basis for the infringement action). However, this is not a bar to its usefulness as a shield for the intervenor, any more than the incorrectness of an opinion of non-infringement or invalidity eliminates its value as a defense to a charge of willful infringement.

191. See, e.g., *White v. Fafnir Bearing Co.*, 263 F. Supp. 788, 791 (D. Conn. 1966), *aff’d*, 389 F.2d 750 (2d Cir. 1968).

There should be no requirement for the infringer to seek reexamination of the patent at issue in order to later make a claim for equitable intervening rights. It might seem reasonable, in the interest of promoting prompt resolution of patent uncertainties, for the infringer to put its belief of unpatentability to the test through the reexamination process, since reexamination "represents a relatively expedited and inexpensive mechanism to test patent validity."¹⁹² However, reexamination may be unavailable to test the ground that the infringer is relying on to unpatentability, since a reexamination's scope is limited to consideration of prior art patents and printed publications.¹⁹³ And even if reexamination is available to the challenger, it presents numerous disadvantages: having the patent reexamined by the same examiner who examined the original patent,¹⁹⁴ being unable to effectively participate in the proceeding,¹⁹⁵ and being unable to appeal an adverse decision.¹⁹⁶ These more than make up for the asserted challenger's advantages of a lower standard of proof for invalidity,¹⁹⁷ more

192. Shear & Galliani, *supra* note 54, at 669.

193. See *supra* note 62 and accompanying text.

194. See William J. Speranza & Michael L. Goldman, *Reexamination—The Patent Challenger's View*, 15 AIPLA Q.J. 85, 93 (1987) (noting that the same examiner who handled the original application will generally also handle the reexamination is "generally considered disadvantageous for the challenger" because "the same examiner will be less likely to overturn his handiwork" than a judge or jury in an infringement action); Gregor N. Neff, *Patent Reexamination—Valuable, But Flawed: Recommendations for Change*, 68 J. PAT. & TRADEMARK OFF. SOC'Y 575, 586 (1986) (noting that 54% of practitioners surveyed cited examiner selection as a reason for their decision not to seek reexamination).

195. See Shear & Galliani, *supra* note 54, at 669 ("Absent the . . . rigor of cross-examination and rebuttal affidavits, the patentee is placed in a favorable position."); Donald R. Dunner & Charles E. Lipsey, *Patent Reexamination or Patent Reissue—Which is the Best Way to Test the Validity of a U.S. Patent*, 2 PRACTICAL APPROACH TO PATS., TRADEMARKS, AND COPYRIGHTS 117, 127 (1981) ("[T]he extremely limited participation allowed a third party in the reexamination procedure puts him at a disadvantage vis-à-vis the patent owner."); Neff, *supra* note 194, at 585 (noting that 81% of practitioners surveyed cited limitations on third-party participation as a significant factor in not seeking reexamination).

196. See Neff, *supra* note 194, at 585-86 (noting that 76% of practitioners surveyed cited the lack of a right to appeal as a significant factor in their decisions not to seek reexamination).

197. The 35 U.S.C. § 282 presumption of patent validity does not apply to reexaminations. See *In re Etter*, 756 F.2d 852, 856 (Fed. Cir. 1985). As a result, instead of finding clear and convincing proof to find invalidity, a preponderance of the evidence standard is used. See *In re Caveney*, 761 F.2d 671, 674 (Fed. Cir. 1985).

However, this supposed benefit to the challenger in a reexamination is less than it appears to be. The presumption of validity is more easily overcome in litigation when the

favorable claims construction,¹⁹⁸ and the ability to remain anonymous¹⁹⁹—the patent reexamination proceeding simply presents an unfair forum for the challenger.²⁰⁰ This possibility of an unfair forum is particularly perilous for a challenger in view of the possible harm of the patentee prevailing in a reexamination: the applicability of an increased presumption of validity with respect to prior art considered in the reexamination,²⁰¹ the possible denial of intervening rights on the basis of the challenger's participation in the reexamination proceeding,²⁰² and the psychological damage to the infringer in subsequent litigation.²⁰³ Therefore reexamination should be considered only "a useful . . . *alternative* for challengers"²⁰⁴ and not a requirement in order to later claim intervening rights.²⁰⁵

patent is challenged on the basis of prior art more relevant than the art considered in the original application. See *American Hoist & Derrick Co. v. Sowa & Sons*, 725 F.2d 1350, 1358-60 (Fed. Cir. 1984). The situation in reexamination "falls precisely within this concept" and therefore inapplicability of the presumption in reexaminations is compatible with the standard applied in infringement actions, at least where the newly cited art is materially different from what was considered in the original examination. *Etter*, 756 F.2d at 861 (Nies, J., concurring).

198. Claims subject to reexamination, like claims in a patent application before the PTO, are "given their broadest reasonable interpretation consistent with the specification." *In re Yamamoto*, 740 F.2d 1569, 1571 (Fed. Cir. 1984) (quoting *In re Reuter*, 651 F.2d 751, 756 (C.C.P.A. 1981) (quoting *In re Prater*, 415 F.2d 1393, 1404-05 (C.C.P.A. 1969))). In an infringement action, however, the claims are "construed liberally to uphold the patent's validity." *Id.* (quoting *Photo Elecs. Corp. v. England*, 581 F.2d 772, 776 (9th Cir. 1978)).

199. See 35 U.S.C. § 301 (1994) (providing that a person citing prior art for the purposes of reexamination can keep his or her identity confidential). The benefits of this anonymity are mitigated somewhat by the fact that the identity of the citator can be discovered if he or she is later sued for infringement. See 5 KAYTON, *supra* note 34, at 22.100.

200. See Neff, *supra* note 194, at 575.

201. See *Custom Accessories, Inc., v. Jeffrey-Allan Indus.*, 807 F.2d 955, 961 (Fed. Cir. 1986) (holding that an infringer seeking to establish invalidity using prior art similar to that considered in a reexamination which upheld validity faces a heavier burden).

202. Cf. *Henkel Corp. v. Coral Inc.*, 754 F. Supp. 1280, 1321 (N.D. Ill. 1990) ("Equitable intervening rights are inapplicable" because the challenger knew of the application for reissue and "fully participated in those proceedings from the beginning."), *aff'd*, 945 F.2d 416 (Fed. Cir. 1991).

203. See *Dunner & Lipsey*, *supra* note 195, at 127.

204. H.R. REP. NO. 96-1307, pt. 1, at 4 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460, 6467 (emphasis added).

205. See *In re Continental Gen. Tire, Inc.*, 81 F.3d 1089, 1093 (Fed. Cir. 1996) (holding that a judge has no power to compel an accused infringer to file a request for reexamination, and stating that an infringer who has been sued "has the right to have its defenses considered by a federal district court, without first being compelled to go to the

c. Mistaken Belief that the Patent's Priority Date Would Not Be Changed

A mistake in the third element occurs when the patent is reissued to revise its priority date. Intervening rights should generally be allowed in such a situation where the infringer relied on the original date in assessing patentability, since the priority date of a patent is not generally subject to change. Further, any mistake is likely the fault of the patentee. However, if the evidence for the revised priority date is in the prosecution history of the patent, the strength of the argument in favor of granting equitable intervening rights is reduced, at least where an opinion of counsel has been sought. This is because a review of the file history is "a normal and necessary preliminary to a validity or infringement opinion,"²⁰⁶ so reliance under such circumstances would not be reasonable. Although no cases have been decided on this point, there is support in dicta for this proposition.²⁰⁷

4. Activities Undertaken Without Knowledge of the Patent

An interesting question occurs when the investment arises without knowledge of the patent, either because of ignorance or because the original patent has not yet issued. In a pre-1952 case, the Supreme Court found that (what would now be termed) absolute intervening rights existed where the infringer was unaware of the patent when the infringing machine was built.²⁰⁸ This ruling was made on the basis that there was constructive notice to all when

PTO").

206. *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 1390 (Fed. Cir. 1983); see also *Cox*, *supra* note 158, at 584 ("[V]alidity or infringement opinions . . . in all cases should include an analysis of the file history.").

207. See *Fontijn v. Okamoto*, 518 F.2d 610, 623-24 (C.C.P.A. 1975) (stating that intervening rights possible if infringer has been misled by the failure to originally claim a priority date); *Brenner v. State of Israel*, 400 F.2d 789, 792 (D.C. Cir. 1968); see also *Kelly Mfg. Co. v. Lilliston Corp.*, 636 F.2d 919, 920-21 (4th Cir. 1980) (denying intervening rights to an infringer that was aware of the right of the patentee to an earlier priority date). But see *St. Regis Paper Co. v. Bemis Co.*, 403 F. Supp. 776, 792 (S.D. Ill. 1975), *rev'd on other grounds*, 549 F.2d 833 (7th Cir. 1977) (disallowing intervening rights where a patent was reissued to claim an earlier priority date, on the basis that an infringer infringes the inventive concept of the claims at his own risk); cf. *In re Schuurs*, 218 U.S.P.Q. (BNA) 443, 444 (Comm'r Pat. 1983) (stating that intervening rights do not arise when a certificate of correction is used to perfect a claim to an earlier priority date).

208. See *Sontag Chain Stores Co. v. National Nut Co.*, 310 U.S. 281, 295 (1940).

the patent issued, and that one with implied knowledge of the patent should not be placed in a position inferior to one with actual knowledge.²⁰⁹ It is unnecessary to resort to such a theory of constructive reliance to invoke absolute intervening rights under the current law.²¹⁰ The question of equitable intervening rights is better approached by requiring reliance and therefore protecting activities to the degree that they were undertaken because the original patent was in error.²¹¹ Thus equitable intervening rights would be denied altogether for one acting in ignorance of the patent prior to the reissue.²¹² But where investments were made without knowledge of the patent and the infringer subsequently learned of the patent prior to the reissue, equitable intervening rights could be awarded on the basis of reliance upon the patent for additional investment in or continuation of the activity.²¹³

209. *See id.*

210. *See Haden Schweitzer Corp. v. Arthur B. Myr Indus.*, 901 F. Supp. 1235, 1242-43 (E.D. Mich. 1995) (interpreting similar intervening rights provision in 35 U.S.C. § 41(c)(2) by applying § 252 precedents and holding that “[r]eliance’ is not required in the ‘absolute’ [intervening rights] context”); Federico, *supra* note 78, at 207 (“The specific things made before the date of the reissue, which infringe the new reissue claims, are absolutely free of the reissued patent and may be used or sold . . . without regard to the patent.”).

211. *See supra* notes 148-49 and accompanying text.

212. *See Otis Elevator Co. v. Atlantic Elevator Co.*, 47 F.2d 545, 549 (2d Cir. 1931) (Hand, Learned, J.).

213. As stated by one court:

To create an estoppel it would in principle seem sufficient, if any act of the patentee led the defendant, between the issuance of the patent and the application for the reissue, to a course of conduct inconsistent with the claims of the later patent, even though such conduct was but a continuance of that which the defendant had done prior to the original issue.

Moto Meter Gauge & Equip. Co. v. E.A. Lab., Inc., 55 F.2d 936, 940 (E.D.N.Y. 1932); *see also Halliburton Co. v. Western Co. of N. Am.*, 10 U.S.P.Q.2d (BNA) 1973, 1983 (W.D. Okla.) (disallowing equitable intervening rights not allowed because the vast majority of investments were made before the issuance of the patent, and no evidence of reliance was presented for investments made subsequent to the issuance of the patent), *aff'd*, 12 U.S.P.Q. (BNA) 1151 (Fed. Cir. 1989). *But see Federico, supra* note 78, at 207 (making reference to intervening rights generally: “If the intervenor acted before the grant of the reissue he is protected under the circumstances mentioned in the statute. It is immaterial how long before the date of reissue he started, if he started before the grant of the original patent he is still protected by the language of the statute.”).

B. Scope of Rights Granted

"Under 35 U.S.C. § 252, a court's discretion to fashion the terms of future dealings is extremely broad."²¹⁴ The court's discretion can be employed to protect "investments made or business commenced before the grant of the reissue."²¹⁵ Although the phrase "business commenced" is ambiguous,²¹⁶ the equitable purpose of § 252 suggests a broad interpretation of the term.²¹⁷

As defined by the courts, equitable intervening rights could take a number of forms, none of which is without serious shortcomings. The availability of a broad range of remedies is consistent with the equitable nature of the defense and is an indication that no single remedy is likely to be applicable to all, or perhaps even most, intervening rights situations.²¹⁸ Accordingly, the advantages and disadvantages of several possible types of remedies must be explored.

214. *Mine Safety Appliances Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 580-81 (S.D.N.Y. 1990).

215. 35 U.S.C. § 252 (1994).

216. It could mean either "specific business, such as a particular contract[,] or general business, such as a commercial enterprise or part thereof." Silverman, *supra* note 4, at 716.

217. *See id.* ("It is perhaps more consistent with the equitable basis for the right to assume the broader latter interpretation was intended."); *see also* Jo. Baily Brown, *Intervening Rights in Reissue Patent Cases*, 15 J. PAT. OFF. SOC'Y 333, 347 (1933) (arguing that an intervenor should have a right to "normal growth and extension" of business under an intervening right, applying the "general equities as between the parties" to protect the good will of the intervenor's customers, which was acquired in good faith).

There is no clear sense of the legislative intent. Federico, the primary author of the Patent Act of 1952, wrote of the broad range of protection available. *See* Federico, *supra* note 1, at 633 (stating that the court "may confine the defendant to the pre-existing things only, or may permit continuation of manufacture with conditions such as, for example, limitations in amount or place, or permit unconditional continuation"). On the other hand, the sparse legislative history states that the second paragraph of § 252 gives "the court . . . discretion to protect legitimate activities which would be adversely affected by the grant of a reissue." S. REP. NO. 82-1979, at 26 (1952), *reprinted in* 1952 U.S.C.C.A.N. 2394, 2419-20; H.R. REP. NO. 82-1923, at 26 (1952). The use of the term "activities" instead of "activity" could be read to suggest that protection was intended for specific acts of business, as opposed to business in general.

218. *See* MCCLINTOCK, *supra* note 185, at 42 (arguing that a court of equity has the power to "mold its decree to meet the needs of the situation"); ARISTOTLE, *THE NICOMACHEAN ETHICS* 180 (J.E.C. Welldon trans., Prometheus Books ed. 1987) ("[T]he nature of the equitable . . . is a rectification of law where it fails through generality.").

1. Limited Infringement After the Reissue

Limited post-reissue infringement (followed by an injunction against further infringement) has been granted to the intervenor in several cases.²¹⁹ The allowance of limited continued infringement allows some protection for the intervenor's business interests²²⁰ but still permits the patentee, through the injunction, to retain control over the bulk of the patent rights.²²¹ The patentee has full freedom to exploit these rights, by licensing the patent to others, by practicing the patent exclusively on its own, or even by refusing to license or use the patent at all.²²² Where the transaction costs are low, and the intervenor is a more efficient producer than the patentee, it would be expected that the injunction would be waived and the patentee would sell a license to the infringer.²²³

However, several aspects of the intervening rights situation cause it to deviate from the ideal market situation. First, since the intervenor is only partially compensated by the payment of unrecouped investments and conversion costs,²²⁴ the intervenor will still have suffered an uncompensated loss if the patentee decides not to license the patent.

Further, even if the patentee is willing to license the patent, an intervening rights situation where an injunction is available presents some of the aspects of a bilateral monopoly.²²⁵ The intervenor is

219. See *Seattle Box Co. v. Industrial Crating & Packing Inc.*, 754 F.2d 1574, 1581 (Fed. Cir. 1985); *Plastic Container Corp. v. Continental Plastics*, 607 F.2d 885, 903 (10th Cir. 1979); see also *Moretz II*, 573 F.2d 191, 192 (4th Cir. 1978) (upholding a lower court's decree allowing an intervenor to continue infringement for a limited time, while paying a specified royalty).

220. The intervenor's interests would seem to be equally well protected by a cash payment of the unrecouped investment or conversion costs by the patentee. This solution would be preferred by the patentee where its losses from the continued infringement exceed the intervenor's profits, but is not authorized by § 252, which only allows for continued infringement. Such an option, even if available, would probably be rarely employed because in practice by the time an intervening rights case is litigated, the costs have already been recouped. See, e.g., *Plastic Container*, 607 F.2d at 903.

221. See *id.* at 902; *Sondra*, 434 F. Supp. 1340, 1363 (E.D. Pa. 1977) (allowing unlimited continued infringement would "effectively extinguish the rights of the patentee"), *aff'd*, 579 F.2d 41 (3d Cir. 1978).

222. See, e.g., *Cataphote Corp. v. De Soto Chem. Coatings, Inc.*, 450 F.2d 769, 774 (9th Cir. 1971).

223. See SCHLICHER, *supra* note 124, § 9.03[1].

224. Some of the value of the intervenor's business in the infringing activity are not compensated for, such as the value of the goodwill of the intervenor's customers and the expected profits of continuing the activity.

225. A bilateral monopoly occurs when, in a two-party transaction situation, "neither

able to deal only with the patentee in regard to the patented activity. And the patentee, while able to deal with others, will have a large incentive to deal with the intervenor since the latter has already committed resources to the patented activity, and therefore will have both the incentive and ability to offer better terms to the patentee than other potential licensees. Since the range of the possible prices benefitting both sides is large, larger-than-normal transaction costs are expected.²²⁶

2. A Right to Royalty-Free Future Infringement

Another approach would be to grant the infringer a non-transferable, royalty-free license for the life of the patent.²²⁷ However, this approach is also not without its problems. To the extent the license right granted the intervenor is worth more to the patentee, the bilateral monopoly problem occurs here. The patentee can buy the license back only from the intervenor, and the intervenor, since the right is non-transferable, can only sell it to the patentee. This is likely to be less of a problem here than in the injunction situation, because the license is probably more valuable in the hands of the intervenor than in the patentee. (The intervenor clearly had a desire for such a license before the reissue, while the patentee has no obvious desire for exclusive use of the patent.)

The result from allowing unconditional infringement may not be equitable. Where the patent teaches the activity that the intervenor uses, it is fair for the patentee to get some compensation, especially where the grant of a royalty-free license would severely undermine the value of the patent.²²⁸

However, allowing continued royalty-free infringement is appropriate where the patentee has behaved unreasonably in obtaining the reissue. This could occur if there is evidence that the reissue was improper or if the patentee unreasonably delaying in seeking reissue of a patent known to be erroneous.²²⁹ The concerns for

party has good alternatives to dealing with the other." RICHARD A. POSNER, *ECONOMIC ANALYSIS OF LAW* 62 (4th ed. 1992).

226. See *id.* at 119; see also Robert P. Merges & Richard R. Nelson, *On the Complex Economics of Patent Scope*, 90 COLUM. L. REV. 839, 874 (1990) (noting that transaction costs in technology licensing are generally "steep," and are particularly high where licenses are tailored to specific licensees).

227. See, e.g., *Gerhardt v. Kinnaird*, 162 F. Supp. 858, 865 (E.D. Ky. 1958).

228. See Robertson, *supra* note 139, at 826.

229. Prior to the 1952 Patent Act, reissues were often invalidated because of delay in

protecting the interests of the patentee are less pronounced when the patentee has behaved unreasonably. In such cases the court should provide a liberal remedy to the intervenor in view of the fact that patentee has knowingly allowed the intervenor's reliance to increase. This broad remedy is consistent with the complete immunity given to infringers who successfully raise an equitable estoppel defense.²³⁰ The sole case under § 252 granting royalty-free infringement involved this sort of unreasonable behavior by the patentee.²³¹

3. Forced Licensing of the Patent

The concerns of granting the intervenor unlimited, royalty-free infringement can be reduced or eliminated by requiring the intervenor to pay a royalty in exchange for practicing the patent. Such an

seeking a reissue. *See, e.g.,* General Radio Co. v. Allen B. Du Mont Lab., 129 F.2d 608, 612 (3d Cir. 1942). It is far from clear that the same result would occur today. There is some indication that a narrowing reissue would be held invalid for laches where intervening rights had accrued. *See Ex parte Lafferty*, 190 U.S.P.Q. (BNA) 202, 203-04 (PTO Bd. App. 1975) ("[I]n the absence of equitable considerations [(intervening rights)], an application for a narrowed reissue may not be denied on the grounds of delay or lack of diligence in filing the reissue application."); *Rohm & Haas Co. v. Roberts Chems., Inc.*, 245 F.2d 693, 698 (4th Cir. 1957) (holding a reissue valid after a nine-year delay in filing but noting that "a serious question would be presented if it were shown that intervening rights had accrued during the long interval"). *But see* Principle Bus. Enters. v. United States, 226 U.S.P.Q. (BNA) 180, 183-84 (Cl. Ct. 1985) (holding that the doctrine of laches can invalidate a narrowing reissue without a showing of prejudice). However, the discussions of intervening rights in these cases seems to be based on the old view of intervening rights as of a general, rather than personal nature. *See* Brown, *supra* note 217, at 335 (drawing a distinction between "an intervening right," which is "in the nature of a personal license, based purely on equitable estoppel" and "intervening rights," which are not rights at all, but "facts or conditions" that would invalidate the reissue). Intervening rights under 35 U.S.C. § 252 are personal. *See* White v. Fafnir Bearing Co., 263 F. Supp. 788, 810 (D. Conn. 1966), *aff'd*, 389 F.2d 750 (2d Cir. 1968).

The MPEP is cryptic regarding a diligence requirement for reissues sought less than two years after the issuance of the patent, and altogether silent in regard to those sought later. *See* MPEP, *supra* note 40, § 1403 ("When a reissue application is filed within 2 years from the date of the original patent, a rejection on the grounds of lack of diligence or delay in filing the reissue should not normally be made, in the absence of evidence to the contrary.").

230. *See, e.g.,* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1028 (Fed. Cir. 1992) (in banc).

231. *See Gerhardt*, 162 F. Supp. at 865 ("[I]t is not an unreasonable deduction that the [reissue] application was not so much to correct an 'error' in the original application but to inject an item which was wholly absent in the original patent."). Ironically, intervening rights in *Gerhardt* were invoked to the patentee's benefit. *See id.* ("If this court cannot apply the equitable remedy [of allowing royalty-free continued infringement] it would feel compelled to invalidate the patent on the ground of fraud . . . [or] lack of invention.").

arrangement removes the patentee's ability to secure a windfall from its superior negotiating position by securing the protection of the intervenor's interest in continuing its business activities.²³² Since the intervenor would have to pay a reasonable royalty to the patentee, the arrangement will also benefit the patentee and loss of value of the patent would be minimized.²³³

This approach has been justly criticized when applied to patent infringement cases.²³⁴ It involves the court in determining the price for a patent license, something markets are better suited to do.²³⁵ It also deprives the patentee of its right to refuse to license or even refuse to use the patent.²³⁶

However unwise forced licensing is generally, it is appropriate in intervening rights situations. In these situations, unlike in infringement situations, the patentee has contributed to the intervenor's reliance, and therefore may be said to have lost some of the rights it would have had otherwise. There is precedent in other intervening rights provisions for what is in essence compulsory licensing.²³⁷ Although the judicial determination of a reasonable royalty rate is difficult,²³⁸ patent cases involving infringement²³⁹ and antitrust²⁴⁰ provide a basis for making such deter-

232. See *Foster v. American Mach. & Foundry*, 492 F.2d 1317, 1324 (2d Cir. 1974) (ordering that continued infringement be permitted, with periodic payments from infringer to patentee of damages, after rejecting an injunction, which could be used "as a club to be wielded by a patentee to enhance his negotiating stance").

233. See *id.*

234. See SCHLICHER, *supra* note 124, §§ 9.02[1], 9.03[2].

235. See *In re Mahurkar Double Lumen Hemodialysis Catheter Patent Litig.*, 831 F. Supp. 1354, 1397 (N.D. Ill. 1993) (Easterbrook, J., sitting by designation) ("The injunction creates a property right and leads to negotiations between the parties. A private outcome to these negotiations—whether they end in a license at a particular royalty or in the exclusion of an infringer from the market—is much preferable to a judicial guesstimate about what a royalty should be."), *aff'd*, 71 F.3d 1573 (Fed. Cir. 1995).

236. See *Dawson Chem. Co. v. Rohm & Haas Co.*, 448 U.S. 176, 215 (1980).

237. The intervening rights provisions in 35 U.S.C. § 154(c) provide for "essentially a compulsory license" with "little, if any, guidance . . . as to what . . . equitable remuneration" is to be awarded the patentee. *Irving & Lewis*, *supra* note 9, at 355-56. The Veterans Patent Extension Act left to "the sound discretion of the courts" the task of determining the reasonable royalty due the patentee in exchange for continuing infringing activity. See S. REP. NO. 81-1190, at 2 (1949), *reprinted in* 1950 U.S.C.C.S. 2667, 2668.

238. See *Fromson v. Western Litho Plate & Supply Co.*, 853 F.2d 1568, 1574 (Fed. Cir. 1988) (characterizing the task as often involving "more the talents of a conjurer than those of a judge").

239. See 35 U.S.C. § 284 (1994) (providing that damages for infringement shall "in no event [be] less than a reasonable royalty").

240. See ERICH KAUFER, *THE ECONOMICS OF THE PATENT SYSTEM* 53 (1989) ("In some

minations.²⁴¹ Further, problems of setting a reasonable royalty and depriving the patentee of its right to exclude others will not arise where the patentee has already licensed others. Even in situations where the patentee has not already granted licenses, but seems certain to do so, the price-setting problem can be addressed by awarding the intervenor a right to license the patent at whatever terms are provided by the patentee to other licensees. This is similar to "more favorable terms" provisions that appear in some patent licenses.²⁴² However, such provisions often prove troublesome even for parties that agree to them on their own,²⁴³ and therefore a court-imposed royalty rate may lead to fewer subsequent disputes.

CONCLUSION

The goals of the intervening rights system are to avoid the potentially chilling effect of reissues on third-party investments, while doing as little harm as possible to the interests of patentees. The present proposal accomplishes this by (1) requiring reasonable reliance on the original patent as a prerequisite to a grant of equitable intervening rights, and (2) granting broad protection to intervenors in the form of a forced license when an intervenor has shown such reasonable reliance.

The requirement of reasonable reliance separates those infringers who were enticed to undertake or continue their activities because of the error in the original patent from those who were effectively indifferent to the error. Protecting the former reduces the chilling effect the potential of reissues would otherwise have on investments. Not protecting the latter allows the patentee to collect damages for infringing activities that would have occurred even if the patent had been issued with the correct scope.

The grant of broad protection upholds the reliance of intervenors on the patent system. It allows them the assurance that their legitimately commenced activities will not be cut off due to an error not of their own making. And in providing for royalty pay-

125 antitrust proceedings, tens of thousands of U.S. patents have been subjected to licensing, usually at 'reasonable' royalty rates.").

241. See 4 CHISUM, *supra* note 14, § 20.03[3] (surveying the case law on determination of a reasonable royalty in infringement cases).

242. See JAY DRATLER, JR., LICENSING OF INTELLECTUAL PROPERTY § 9.01 (1994).

243. See *id.*

ments to the patentee, the forced license approach protects the interest of the patentee in receiving the value of the invention. By satisfying the interests of both patentees and the public, this solution meets the goals of the patent system—encouraging innovation by rewarding invention, and dissemination of reliable information to the public.

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