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## COMMENT

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### INVALIDATING ISSUE PRECLUSION: RETHINKING PRECLUSION IN THE PATENT CONTEXT

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*Preclusion is a complex doctrine to apply in any given case, and patent litigation presents no exception. Ever since the Supreme Court ruled in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* that issue preclusion applies to prevent litigation on a patent that previously has been declared invalid in a court of competent jurisdiction, courts have applied issue preclusion summarily to end disputes over previously invalidated patents. But issue preclusion may not be an appropriate procedural tool in all such cases. In fact, analysis of a number of district court opinions demonstrates that some judges may explicitly or implicitly realize the same. This Comment both systematically analyzes the application of issue preclusion in the patent validity context from a doctrinal perspective and addresses significant practical concerns derived from the doctrinal findings. Interestingly, this analysis suggests that the Federal Circuit and most district courts are applying the law of issue preclusion incorrectly and that this practice has significant implications for litigants. Primarily, courts' treatment of patent invalidity as a whole as a "single issue" for the purposes of issue preclusion is out of line with the application of that doctrine in other areas of civil law. Although the misapplication of issue preclusion is a moot point in most cases where a patent is adjudged invalid and that holding is maintained on appeal, it is of practical significance for simultaneous litigation over a single patent in multiple*

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*district courts. A new procedural framework is proposed to remedy the doctrinal and practical problems raised by the current application of issue preclusion in the patent validity context. Instead of entering judgment based on issue preclusion, which is inappropriate in many cases, there are substantial policy concerns favoring either applying claim preclusion, dismissing the plaintiff's action for failure to state a claim upon which relief may be granted under Rule 12(b)(6) of the Federal Rules of Civil Procedure, or simply staying the patent litigation pending final appeal of an earlier proceeding over the same property right.*

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## INTRODUCTION

The interplay between litigation over patent invalidity disputes<sup>1</sup> and preclusion doctrine is historically complex and has developed over time from

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<sup>1</sup> Patents granted by the U.S. Patent and Trademark Office (PTO) constitute property rights that give the patentee a limited monopoly to exclude all others from making, using, or selling the invention for a period of twenty years from the date she filed the application. Michael R. McGurk & Jia W. Lu, *The Intersection of Patents and Trade Secrets*, 7 HASTINGS SCI. & TECH. L.J. 189, 190-91 (2015). Patents enjoy a presumption of validity. 35 U.S.C. § 282(a) (2012). However, the validity of that property right can be challenged in court in what is commonly known as a patent validity (or patent

one strict standard to another.<sup>2</sup> The Federal Circuit has made clear that it will apply the issue preclusion<sup>3</sup> and claim preclusion rules of the regional circuit court where the relevant district court lies when the issue involved is purely procedural.<sup>4</sup> However, when the preclusion issue involves a matter of substantive patent law, the Federal Circuit applies its own issue preclusion rules.<sup>5</sup> In this Comment, I argue that the Federal Circuit and most district courts are applying the law of issue preclusion incorrectly and that this has significant implications for litigants. Primarily, courts' treatment of patent invalidity as a whole as a "single issue" for purposes of issue preclusion is out of line with the application of the doctrine in other areas of civil law. Regardless of what actually constitutes a "single issue" in the patent invalidity context, it must be something less than the final judgment of patent invalidity itself. Although the misapplication of issue preclusion is a moot point in many cases, including where a patent is adjudged invalid and that holding is maintained on appeal, it is of practical significance when a single patent is simultaneously litigated

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invalidity) dispute. *See generally* Microsoft Corp. v. 141 Ltd. P'ship, 131 S. Ct. 2238 (2011) (discussing the burden of proof necessary to challenge a patent's validity). In such a dispute, the court can determine that a patent is invalid and should not have been issued by the PTO, or that the patent is *not* invalid. Because a determination that a patent is not invalid maintains the status quo of the patentee's property right, a court should never rule that a patent is "valid" because the patent's validity may be challenged again in subsequent litigation. *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561, 1569-70 (Fed. Cir. 1987). Therefore, the only proper dispositions for a patent invalidity dispute are either that the patent is invalid or not invalid (i.e., not invalid in this particular instance based upon these particular facts).

<sup>2</sup> Compare *Triplett v. Lowell*, 297 U.S. 638, 642-43 (1936) (refusing to preclude a patentee from suing a different defendant for infringement of a patent that was held invalid in an earlier proceeding), with *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 333, 350 (1971) (indicating that a patentee is collaterally estopped from suing a party for infringement of an invalid patent so long as "the prior case was [not] one of those relatively rare instances where the courts wholly failed to grasp the technical subject matter and issues in suit . . . [nor] without fault of his own the patentee was deprived of crucial evidence or witnesses in the first litigation").

<sup>3</sup> Issue preclusion is also frequently referred to as "collateral estoppel." *See* F. Scott Kieff, *The Case for Preferring Patent-Validity Litigation Over Second-Window Review and Gold-Plated Patents: When One Size Doesn't Fit All, How Could Two Do the Trick?*, 157 U. PA. L. REV. 1937, 1940 (2009) (stating that the two terms may be used interchangeably). The Supreme Court has indicated that it prefers the term "issue preclusion" over the "more confusing lexicon" of "collateral [and direct] estoppel." *Taylor v. Sturgell*, 553 U.S. 880, 892 n.5 (2008). Therefore, this Comment will refer exclusively to "issue preclusion" with the understanding that it is synonymous with "collateral estoppel."

<sup>4</sup> *See* *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013) ("Our review of a collateral estoppel determination is generally guided by regional circuit precedent . . .").

<sup>5</sup> *See id.* ("[W]e apply our own precedent to those aspects of . . . a [preclusion] determination that involve substantive issues of patent law."). *But see* *Dana v. E.S. Originals, Inc.*, 342 F.3d 1320, 1328 (Fed. Cir. 2003) (Dyk, J., concurring) ("There are substantial reasons to apply our own law on all issues of res judicata and collateral estoppel . . . Applying regional circuit law to issues of res judicata and collateral estoppel . . . simply encourages forum shopping . . . As I noted in *Vardon Golf, [t]here is simply no reason why an earlier patent judgment should have one consequence in the Third Circuit and another in the Seventh Circuit, for example. Such an approach encourages the very forum shopping that our regional circuit law approach was designed to prevent.*" (quoting *Vardon Golf Co., Inc. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1336 (Fed. Cir. 2002) (Dyk, J., concurring))).

in multiple district courts. I argue that instead of entering judgment based on issue preclusion, which is inappropriate in many cases, substantial policy considerations favor applying claim preclusion, dismissing the plaintiff's action for failure to state a claim upon which relief may be granted, or simply staying the litigation pending final appeal of an earlier proceeding.

In Part I, I review issue preclusion as defined and applied by the federal courts, including the numerous policy considerations that support the application of issue preclusion. In Part II, I analyze the historical treatment of issue preclusion in patent law. After reviewing this history, I pivot to a discussion of how courts have recently framed what constitutes an "identical" issue, or "single issue," for purposes of preclusion law. I find some disagreement among courts about whether patent invalidity as a whole is properly treated as a single issue to be precluded under issue preclusion. In Part III, I argue that patent invalidity should not be treated as a single issue. As a result, I propose a new framework for courts to use when disposing of cases involving patent invalidity contentions where there has been litigation over the same matter in an earlier proceeding. This proposed framework ameliorates the adverse effects associated with the current use of issue preclusion in the patent invalidity context, while maintaining the policy goals and litigant incentives that support application of preclusion doctrine.

## I. DEFINING ISSUE PRECLUSION IN FEDERAL COURT

### A. *Variation by Regional Circuit*

Issue preclusion is a common law doctrine that differs among both states and federal circuits,<sup>6</sup> although the core elements of the doctrine are similar in every court. Because patent issues are litigated exclusively in federal court,<sup>7</sup> a brief review of the requirements for issue preclusion in federal courts is provided below.

In many federal circuits, including the First, Second, Third, Seventh, Eighth, Tenth, and Eleventh Circuits, as well as the Federal Circuit, a four-prong test is employed to determine whether issue preclusion applies in a given case. The First Circuit requires that (1) the issue be the same in the second proceeding as in the first; (2) the issue be actually litigated and determined in the first proceeding; (3) a valid and final judgment be produced in that proceeding;

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<sup>6</sup> Daniel R. Rose, Comment, *Equitable Uniformity: Finding a Workable Solution to the (Non) Application of Issue Preclusion to Patent Claim Construction*, 89 N.C. L. REV. 274, 289 (2010).

<sup>7</sup> See 28 U.S.C. § 1338(a) (2012) ("[D]istrict courts shall have original jurisdiction of any civil action arising under any Act of Congress relating to patents . . . . No State court shall have jurisdiction over any claim for relief arising under any Act of Congress relating to patents . . . .").

and (4) the issue be essential to the first judgment.<sup>8</sup> This test also reflects the Restatement's view of issue preclusion.<sup>9</sup> The Second and Eleventh Circuits, as well as the Federal Circuit, use a similar test. These circuits require both that the party to be precluded had a full and fair opportunity to litigate the issue and that the determination of the issue be necessary to support the earlier case's judgment.<sup>10</sup> The four-prong test in the Third and Seventh Circuits requires substantially the same showing, except that the party to be precluded from relitigating the issue must have been fully represented in the first action.<sup>11</sup> The Eighth and Tenth Circuits use a four-prong test that is similar to that of the Third and Seventh Circuits. However, the Eighth and Tenth Circuits also require that the party to be estopped be either a party or in privity with a party in the earlier action.<sup>12</sup>

The Fourth Circuit has adopted a five-part test that requires (1) identity of issues between cases; (2) that the issue was actually resolved in the prior case; (3) that the issue was critical and necessary to the judgment in the prior case; (4) that the judgment was final and valid in the earlier case; and (5) that the precluded party had a full and fair opportunity to litigate that issue in the prior proceeding.<sup>13</sup> The Sixth Circuit applies a similar five-element standard, except that the party being precluded must have been a party or in privity with a party to the prior proceeding.<sup>14</sup>

The Fifth and D.C. Circuits both apply a three-part test. In the Fifth Circuit, issue preclusion applies when: (1) the identical issue was previously litigated; (2) the issue was actually litigated; and (3) the previous decision on

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<sup>8</sup> See, e.g., *Latin Am. Music Co. v. Media Power Grp., Inc.*, 705 F.3d 34, 42 (1st Cir. 2013) (reciting this four-prong test for the application of issue preclusion).

<sup>9</sup> RESTATEMENT (SECOND) OF JUDGMENTS § 27 (AM. LAW INST. 1980) [hereinafter RESTATEMENT].

<sup>10</sup> See, e.g., *Marvel Characters, Inc. v. Simon*, 310 F.3d 280, 288-89 (2d Cir. 2002) (defining the factors to be considered when applying issue preclusion); *Christo v. Padgett*, 223 F.3d 1324, 1339 (11th Cir. 2000) (same); *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1365-66 (Fed. Cir. 2000) (same).

<sup>11</sup> See, e.g., *Jean Alexander Cosmetics, Inc. v. L'Oreal USA, Inc.*, 458 F.3d 244, 249 (3d Cir. 2006) (defining the four standard requirements necessary for applying issue preclusion, but also noting that the circuit has previously considered whether the party being precluded had a full and fair opportunity to litigate the issue and whether that issue was determined by a valid and final judgment); *La Preferida, Inc. v. Cerveceria Modelo, S.A. de C.V.*, 914 F.2d 900, 905-06 (7th Cir. 1990) (using a four-element test to determine whether to apply issue preclusion that requires the estopped party to have been "fully represented in the prior action").

<sup>12</sup> See, e.g., *Moss v. Kopp*, 559 F.3d 1155, 1161 (10th Cir. 2009) (using a four-element test, which includes a party or privity requirement, to determine whether to apply issue preclusion); *Manion v. Nagin*, 392 F.3d 294, 300 (8th Cir. 2004) (same).

<sup>13</sup> See, e.g., *In re Microsoft Corp. Antitrust Litig.*, 355 F.3d 322, 326 (4th Cir. 2004) (setting forth the five factors a party must demonstrate to have issue preclusion applied).

<sup>14</sup> See, e.g., *Wolfe v. Perry*, 412 F.3d 707, 716 (6th Cir. 2005) (providing the five factors required to dispose of an issue using issue preclusion).

the issue was necessary to the judgment in the earlier proceeding.<sup>15</sup> The D.C. Circuit applies issue preclusion under the same circumstances, but also considers whether applying preclusion would work a basic unfairness on the party being estopped.<sup>16</sup>

Regardless of the test set out by each regional circuit, it is clear that all of the federal courts require that the issue being precluded in the present action be identical to the issue actually litigated and determined in an earlier proceeding.<sup>17</sup> Only if the issue decided in a previous case was the same as the single issue to be determined in the current litigation will issue preclusion apply in federal court. Therefore, defining what constitutes a “single issue” in the patent validity context is of critical importance in assessing when it is appropriate to apply issue preclusion.<sup>18</sup>

### B. Policy Considerations Supporting Issue Preclusion Doctrine

There are numerous policy considerations supporting the application of issue preclusion. First, issue preclusion reduces litigation and conserves the resources of both the court and the litigants.<sup>19</sup> Second, fairness dictates that a party should not be permitted “to relitigate an issue that has already been decided against it.”<sup>20</sup> Third, issue preclusion minimizes the risk that courts will produce inconsistent

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<sup>15</sup> See, e.g., *Pace v. Bogalusa City Sch. Bd.*, 403 F.3d 272, 290 (5th Cir. 2005) (describing the three-element test applied in the regional circuit for issue preclusion).

<sup>16</sup> See, e.g., *Yamaha Corp. of Am. v. United States*, 961 F.2d 245, 254 (D.C. Cir. 1992) (stating the three-prong test used to determine whether issue preclusion applies under the specific facts of a given case, including an unfairness element).

<sup>17</sup> See *supra* notes 8–16 and accompanying text.

<sup>18</sup> Of course, determining what constitutes a “single issue” for purposes of issue preclusion is important for any state or federal case. However, this Comment focuses solely on its meaning in the patent law context.

<sup>19</sup> See *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (explaining that issue preclusion “protect[s] against ‘the expense and vexation attending multiple lawsuits, [and] conserv[e][s] judicial resources’” (third alteration in original) (quoting *Montana v. United States*, 440 U.S. 147, 153 (1979))); *Kaufman v. Eli Lilly & Co.*, 482 N.E.2d 63, 67 (N.Y. 1985) (indicating that issue preclusion is a doctrine that decreases litigation and saves court and litigant resources); see also Daan Braveman & Richard Goldsmith, *Rules of Preclusion and Challenges to Official Action: An Essay on Finality, Fairness, and Federalism, All Gone Awry*, 39 SYRACUSE L. REV. 599, 624–25 (1988) (“Indeed, if any trend is apparent, it is one that looks to increased reliance on preclusion rules as a means to bar litigation and reduce the perceived caseload burden on our federal courts.” (footnotes omitted)).

<sup>20</sup> *Kaufman*, 482 N.E.2d at 67; see also *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 326 (1979) (explaining that issue preclusion protects litigants from having to relitigate identical issues with the same parties); Eli J. Richardson, *Taking Issue with Issue Preclusion: Reinventing Collateral Estoppel*, 65 MISS. L.J. 41, 45–46 (1995) (listing the protection of parties “from repetitive litigation” as a primary objective of the doctrine of issue preclusion).

decisions.<sup>21</sup> Finally, issue preclusion promotes finality of judgments.<sup>22</sup> Issue preclusion is often distinguished from claim preclusion because it only bars litigation of those issues that have already been *fully* litigated.<sup>23</sup>

## II. HISTORICAL TREATMENT OF ISSUE PRECLUSION IN PATENT LAW

### A. *The Origins of Issue Preclusion in the Patent Invalidity Context*

Historically, issue preclusion required mutuality of parties,<sup>24</sup> and patent law was no exception. In *Triplett v. Lowell*, the Supreme Court determined that when a patent was asserted against different parties, a judgment that the patent was invalid in one action did not preclude litigation over the same patent in another suit against a different defendant.<sup>25</sup> Courts had discretion to apply issue preclusion in only those situations where both suits were between the same parties or their privies.<sup>26</sup> This holding was augmented by the fact that many perceived the policy implications to be of even greater importance in patent law, which was considered an area of significant public

<sup>21</sup> See *Taylor*, 553 U.S. at 892 (indicating that issue preclusion encourages “reliance on judicial action by minimizing the possibility of inconsistent decisions” (quoting *Montana*, 440 U.S. at 154)); see also *Teledyne Indus., Inc. v. NLRB*, 911 F.2d 1214, 1220 (6th Cir. 1990) (stating that issue preclusion “preserves the integrity” of the judicial system by preventing inconsistent conclusions on a single issue).

<sup>22</sup> Richardson, *supra* note 20, at 46; see also William D. Zeller, Note, *Avoiding Issue Preclusion by Settlement Conditioned Upon the Vacatur of Entered Judgments*, 96 YALE L.J. 860, 860 (1987) (stating that issue preclusion achieves, inter alia, “the judicial value[] of finality of judgments”).

<sup>23</sup> See Richard B. Kennelly, Jr., Note, *Precluding the Accused: Offensive Collateral Estoppel in Criminal Cases*, 80 VA. L. REV. 1379, 1395 (1994) (stating that issue preclusion “particularly advance[s]” the goals of res judicata because “the issues have already been fully litigated” as compared “to the circumstances surrounding claim preclusion”).

<sup>24</sup> See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 321 (1971) (describing the case law dating back to 1912 that required mutuality of parties for issue preclusion to apply); see also Seth Nesin, Note, *The Benefits of Applying Issue Preclusion to Interlocutory Judgments in Cases that Settle*, 76 N.Y.U. L. REV. 874, 880-81 (2001) (indicating that courts previously required mutuality of parties between the first and second suits to apply issue preclusion).

<sup>25</sup> See 297 U.S. 638, 644 (1936) (holding that “neither the rules of the common law . . . nor the disclaimer statute, precludes re-litigation of the validity of a patent claim previously held invalid in a suit against a different defendant”).

<sup>26</sup> See *id.* at 645 (explaining that a court may only be estopped “by reason of the fact that both suits are between the same parties or their privies”). The foundation of this view stems, in part, from treating patent litigation as in personam rather than as in rem. See generally Note, *Patents—Procedure—Nature of Action Adjudicating Patent Application*, 40 HARV. L. REV. 325 (1926) (discussing the decision in *Armstrong v. De Forest*, 13 F.2d 438 (2d Cir. 1926), which held that patent proceedings are considered in personam rather than in rem litigation). See also *Aghnides v. Holden*, 226 F.2d 949, 951 (7th Cir. 1955) (Schnackenberg, J., concurring) (“[A] suit testing the validity of a patent is not a proceeding in rem . . .”). But see *Armstrong*, 13 F.2d at 441-42 (Manton, J., dissenting) (arguing that the patent suit was an in rem proceeding); John C. Stedman, *The U.S. Patent System and Its Current Problems*, 42 TEX. L. REV. 450, 480 (1964) (indicating that some of the patent system’s problems may be overcome by “making court determinations of invalidity final (i.e., in rem instead of in personam)”).

interest.<sup>27</sup> As a result, patent invalidity determinations among regional circuits were not generally subject to preclusion.

Between 1936 and the early 1970s, the mutuality requirement was highly criticized in the patent invalidity context.<sup>28</sup> Notably, courts and legal scholars also broadly criticized the mutuality requirement as a matter of general issue preclusion doctrine during this period.<sup>29</sup> The Supreme Court reversed course in 1971 in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*.<sup>30</sup> The Court overruled *Triplett* and held that issue preclusion applies to prevent litigation on a patent that has previously been declared invalid in a court of competent jurisdiction.<sup>31</sup> The Court supported its holding with numerous arguments. First, it reasoned that a second court was no more likely than the first to rightly determine the validity of a patent.<sup>32</sup> This reasoning assumes, however, that the two courts will evaluate the same substantive evidence and arguments supporting invalidity. Second, the Court asserted that since the patentee typically chooses the time and place of litigation, there is little reason to think that the patentee had unusual difficulty in getting all the relevant probative evidence before the court in the first litigation.<sup>33</sup> Once again, this argument assumes the patentee is rebutting the same substantive evidence and arguments of invalidity asserted by the defendant. Third, the Court reasoned that it is a waste of judicial resources to repeat proof of invalidity.<sup>34</sup> The same implicit assumption applies here, too. Fourth, the Court indicated that issue preclusion is only applicable where the patentee had “a fair opportunity procedurally, substantively and evidentially to pursue his claim the first time.”<sup>35</sup> This naturally leads to the conclusion that issue preclusion is not appropriate when a defendant in a subsequent suit raises

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<sup>27</sup> See, e.g., *Technograph Printed Circuits Ltd. v. United States*, 372 F.2d 969, 977-78 (Ct. Cl. 1967) (“Patent validity raises issues significant to the public as well as to the named parties. It is just as important that a good patent be ultimately upheld as that a bad one be definitively stricken.” (citation omitted)).

<sup>28</sup> See, e.g., *Nickerson v. Kutschera*, 419 F.2d 983, 984 (3d Cir. 1969) (arguing that the Supreme Court or Congress should overrule *Triplett* and apply issue preclusion in cases where a patent has been found invalid in an earlier proceeding); *Aghnides*, 226 F.2d at 951 (Schnackenberg, J., concurring) (criticizing the mutuality rule in patent invalidity cases); *Blumcraft of Pittsburgh v. Kawneer Co.*, 318 F. Supp. 1399, 1400-01 (N.D. Ga. 1970) (stating that it would be sound policy to reverse the *Triplett* decision and apply issue preclusion in cases where there is non-mutuality).

<sup>29</sup> See, e.g., *Bernhard v. Bank of Am. Nat’l Tr. & Sav. Ass’n*, 122 P.2d 892, 895 (Cal. 1942) (Traynor, J.) (expressing bewilderment over the continued application of the mutuality or privity requirement for application of issue preclusion); see also Brainerd Currie, *Justice Traynor and the Conflict of Laws*, 13 STAN. L. REV. 719, 760-62 (1961) (arguing in support of Justice Traynor’s position that the mutuality requirement be removed from issue preclusion).

<sup>30</sup> 402 U.S. 313 (1971).

<sup>31</sup> *Id.* at 350.

<sup>32</sup> *Id.* at 331-32.

<sup>33</sup> *Id.* at 332.

<sup>34</sup> See *id.* at 348-49 (discussing how an end to the mutuality requirement would save judicial resources).

<sup>35</sup> *Id.* at 333 (quoting *Eisel v. Columbia Packing Co.*, 181 F. Supp. 298, 301 (D. Mass. 1960)).

different grounds for invalidity in a parallel proceeding, since none of these opportunities were present.<sup>36</sup> Fifth, the Court noted that patent litigation is extremely expensive and takes longer to adjudicate than the average civil case.<sup>37</sup> Sixth, it reasoned that a finding of invalidity means that the defendant overcame a heavy burden given that the patent is presumed to be valid.<sup>38</sup> Last, it argued that continued litigation forces defendants who cannot afford the high costs of litigation to settle or license the technology, regardless of whether the patent was previously held invalid.<sup>39</sup>

Despite the fact that the arguments supporting application of issue preclusion seem limited to situations in which the defendant is asserting the same invalidity contentions that were actually litigated in the previous proceeding, courts have generally applied the *Blonder-Tongue* rule blindly.<sup>40</sup> In *Blonder-Tongue*, there was little need to consider whether the issues in the two suits were identical. But it left open an important question: what happens when the arguments are different? There has been little discussion of where to draw the line in patent law regarding what constitutes an “issue” for issue preclusion purposes<sup>41</sup> or why society should care as a practical matter.

#### B. Defining “Single Issue” for Issue Preclusion Purposes

Federal district courts have considered whether issue preclusion applies to the “single issue” of patent invalidity or something narrower, such as the underlying grounds for invalidity.<sup>42</sup> The first case to analyze this issue in any depth was *Zip Dee, Inc. v. Dometic Corp.*<sup>43</sup> In that case, the court concluded that patent invalidity as a whole should be treated as a single issue.<sup>44</sup> It cherry-picked certain Restatement illustrations to argue that the entire issue of validity is

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<sup>36</sup> Although one may argue that it is irrelevant whether a patentee was or was not able to defend against invalidity on some other ground when the patent was ultimately adjudged invalid, there may be significant effects during parallel proceedings. See *infra* subsection III.B.3.

<sup>37</sup> *Blonder-Tongue*, 402 U.S. at 334-38.

<sup>38</sup> *Id.* at 335-36.

<sup>39</sup> *Id.* at 346.

<sup>40</sup> See, e.g., *Filtrol Corp. v. Kelleher*, 467 F.2d 242, 245 (9th Cir. 1972) (suggesting that issue preclusion applies immediately to any determination in another proceeding that the patent-in-suit is invalid), *cert. denied*, 409 U.S. 1110 (1973).

<sup>41</sup> See generally Neil Arthur Smith, *The Collateral Estoppel Effect of a Prior Judgment of Patent Invalidity: Blonder-Tongue Revisited (Part I)*, 55 J. PAT. OFF. SOC'Y 285 (1973) (analyzing the broad application of issue preclusion to the issue of patent validity following *Blonder-Tongue*).

<sup>42</sup> See 35 U.S.C. §§ 101-03, 112, 116, 282 (2012) (describing various grounds on which a patent may be invalidated).

<sup>43</sup> See 905 F. Supp. 535, app. at 539 (N.D. Ill. 1995) (“[T]his Court has been required for the first time to cast an independent eye on the issue of what constitutes an ‘issue.’”).

<sup>44</sup> See *id.* at 537 (holding that the defendant was “barred by issue preclusion” because its predecessor had already “fought and lost the battle of the issue of the [patent’s] validity”).

subject to preclusion.<sup>45</sup> The primary policy consideration motivating the court's determination was the idea that parties should not be able to introduce new evidence that could have been introduced in an earlier action.<sup>46</sup> Although that argument may support precluding a defendant from relitigating a determination in a previous action between mutual parties that the patent-in-suit was not invalid, it falls apart when there are parallel proceedings and a new defendant is introducing new evidence attacking the validity of a patent for the first time. In spite of this fact-specific inquiry, courts have continued to rely on *Zip Dee*, directly or indirectly, to find patent invalidity as a whole to constitute a "single issue" for purposes of issue preclusion.<sup>47</sup> Courts have not limited *Zip Dee* to

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<sup>45</sup> See *id.* at 537 & n.6 (pointing to Restatement (Second) of Judgments, section 27 comment c and comment h illustration 14 as support for treating patent validity as a single issue); see also *infra* text accompanying note 105.

<sup>46</sup> *Id.* app. at 539.

<sup>47</sup> See *Fairchild Semiconductor Corp. v. Power Integrations, Inc.*, No. 12-540-LPS, 2015 WL 1905871, at \*2 (D. Del. Apr. 23, 2015) (viewing patent validity as a single issue to be precluded, despite a "minor" change" in the claim construction and new obviousness challenges); *Evonik Degussa GmbH v. Materia Inc.*, 53 F. Supp. 3d 778, 794 (D. Del. 2014) (holding that treatment of patent validity as a single issue "is appropriate where a party seeks to assert an additional theory in support of its challenge"); *Astrazeneca UK Ltd. v. Watson Labs., Inc. (NV)*, 905 F. Supp. 2d 596, 602-03 (D. Del. 2012) (accepting the plaintiff's view, in line with the overwhelming weight of authority, that validity is a single issue for purposes of issue preclusion); *Roche Palo Alto LLC v. Apotex, Inc.*, 526 F. Supp. 2d 985, 994-95 (N.D. Cal. 2007) ("The authorities that have considered this question . . . indicate that the relevant 'issue' which Defendants are precluded from relitigating is the ultimate determination on patent validity itself."); *Meritor Transmission Corp. v. Eaton Corp.*, No. 1:04CV178, 2006 WL 3951711, at \*5 (W.D.N.C. Sept. 26, 2006) (determining that courts in the Fourth Circuit should follow the precedent in other circuits and hold that patent validity is a single issue for purposes of issue preclusion regardless of the underlying contentions); *Crossroads Sys. (Tex.), Inc. v. Dot Hill Sys. Corp.*, No. A-03-CA-754-SS, 2006 WL 1544621, at \*5 (W.D. Tex. May 31, 2006) (stating that the defendant is precluded from providing new prior art evidence under § 112 that was not previously litigated because subsidiary issues affecting patent validity are encompassed within the "single issue" of patent validity); *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 352 F. Supp. 2d 1119, 1126 (C.D. Cal. 2005) ("[Defendant] seeks to assert new arguments to assert invalidity. This is inappropriate . . . This Court's conclusion is in accordance with other courts that have held validity, in the patent context, is a single issue for purposes of collateral estoppel."); *Advanced Display Sys., Inc. v. Kent State Univ.*, No. 3-96-CV-1480-BD, 2002 WL 1489555, at \*10 (N.D. Tex. July 10, 2002) (precluding the defendant from asserting new invalidity defenses); *Unique Coupons, Inc. v. Northfield Corp.*, No. 99-C-7445, 2000 WL 343225, at \*1 (N.D. Ill. Mar. 30, 2000) (treating patent validity as a single issue, which was already resolved in the patentee's favor against the same defendant); *Pall Corp. v. Fisher Sci. Co.*, 962 F. Supp. 210, 213 (D. Mass. 1997) (explaining that the issue to be given preclusive effect is the same, even if the current defendant "now seeks to invalidate the patent on different grounds than those asserted by" another defendant in the prior litigation); see also *Fleming v. Escort, Inc.*, No. 1:12-CV-066, 2014 WL 4853033, at \*10 (D. Idaho Sept. 29, 2014) (recognizing that patent validity is a single issue for purposes of issue preclusion regardless of new invalidity contentions not previously litigated, but noting that this rule does not apply when new unasserted claims in a previously litigated patent are at issue).

previous suits holding patents not invalid; they have also applied it to earlier proceedings determining a patent to be invalid.<sup>48</sup>

In *Astrazeneca UK Ltd. v. Watson Laboratories, Inc. (NV)*, the defendant pressed the court not to apply issue preclusion given that new theories of invalidity involve different evidence and different legal standards<sup>49</sup> and pointed to a decision by the same judge in an earlier case, *Power Integrations, Inc. v. Fairchild Semiconductor International, Inc.*,<sup>50</sup> to support its argument.<sup>51</sup> In *Power Integrations*, the patentee contended that the defendant infringed its patents.<sup>52</sup> The parties had previously litigated over different, but substantially similar, patent claims.<sup>53</sup> In the previous suit, the defendant's obviousness arguments failed, and the court adjudged the patent claims not invalid.<sup>54</sup> The defendant then asserted the same obviousness contentions and *new* anticipation contentions to invalidate substantially similar claims in the new action.<sup>55</sup> The court applied issue preclusion to prevent relitigation of the obviousness issue over the same prior art presented in the earlier suit since the claims were substantially similar,<sup>56</sup> but it refused to apply issue preclusion to the defendant's anticipation arguments not yet heard by any court.<sup>57</sup> The court reasoned that "[t]he Federal Circuit has stated: 'While it is commonly understood that prior art references that anticipate a claim will usually render that claim obvious, it is not necessarily true that a verdict of nonobviousness forecloses anticipation. The tests for anticipation and obviousness are different.'"<sup>58</sup> Furthermore, the court stated "[t]he [first] jury was not asked to render a verdict with respect to [the defendant]'s anticipation defense; nor was this Court asked to reach such a judgment. Therefore, [the defendant]'s anticipation defenses were not 'actually litigated' and issue preclusion does not apply."<sup>59</sup> Despite the

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<sup>48</sup> See, e.g., *Spectrum Pharm., Inc. v. Innopharma, Inc.*, No. 12-260-RGA-CJB, 2015 WL 3374922, at \*5 (D. Del. May 22, 2015) (applying issue preclusion to an invalidity determination by a different district court, as both parties in the suit agreed it should, despite differing grounds for invalidity between the proceedings); *DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, 70 F. Supp. 3d 808, 815-16 (E.D. Tex. 2014) (applying issue preclusion to a determination from another district court that the patent-in-suit was invalid).

<sup>49</sup> 905 F. Supp. 2d 596, 602 (D. Del. 2012) (Stark, J.).

<sup>50</sup> 763 F. Supp. 2d 671 (D. Del. 2010) (Stark, J.).

<sup>51</sup> *Astrazeneca*, 905 F. Supp. 2d at 602.

<sup>52</sup> *Power Integrations*, 763 F. Supp. 2d at 674.

<sup>53</sup> See *id.* at 674, 678-80 (discussing the preclusive effects of a previous suit between the two parties).

<sup>54</sup> *Id.* at 676.

<sup>55</sup> *Id.* at 676-78.

<sup>56</sup> *Id.* at 678-80.

<sup>57</sup> See *id.* at 680 (refusing to apply issue preclusion because the previous "jury was not asked to render a verdict with respect to [defendant]'s anticipation defense; nor was this Court asked to reach such a judgment").

<sup>58</sup> *Id.*

<sup>59</sup> *Id.* Notably, the court went even further and stated that "[plaintiff] asserts that [the defendant] developed its anticipation defenses prior to trial in [the first suit] and then made 'strategic decisions'

discrepancy between the *Power Integrations* holding and the holdings in *Zip Dee* and its progeny, the same court went on to state in *Astrazeneca* that what constitutes a “single issue” was not properly before the court in *Power Integrations*.<sup>60</sup> The court then summarily dismissed the case based on *Zip Dee* and its progeny, holding that patent invalidity is a single issue irrespective of the underlying grounds.<sup>61</sup> At the very least, these cases call for serious consideration of why patent invalidity is treated as a single issue for purposes of issue preclusion.

### C. Disagreement Over Framing the “Issue” in the Patent Invalidity Context

Some courts and legal scholars have argued—against the overwhelming precedent—that patent invalidity should not be treated as a single issue for purposes of issue preclusion. Matthews argues in his treatise that it is illogical to apply issue preclusion when an invalidated patent is asserted in a simultaneous or subsequent litigation given that the identity of the issue is not necessarily established.<sup>62</sup> Matthews recognizes that there are numerous theories on which a litigant may argue invalidity, and only if those arguments are identical and rely on the same evidence should identity be established.<sup>63</sup> Furthermore, the treatise recognizes the inconsistencies in the application of issue preclusion in patent validity versus patent invalidity cases.<sup>64</sup>

Matthews has the support of at least one judge who agrees that patent invalidity should not be treated as a single issue. In *TASER International, Inc. v. Karbon Arms, LLC*, Judge Andrews cited Matthews and held that different theories of invalidity prevent satisfaction of the requirement of identity for issue preclusion.<sup>65</sup> Therefore, Judge Andrews refused to apply issue

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not to present these defenses at trial. This is not sufficient to render anticipation—which, as noted, has different requirements than obviousness—‘actually litigated.’” *Id.* at 680 n.7 (citation omitted).

<sup>60</sup> See *Astrazeneca UK Ltd. v. Watson Labs., Inc. (NV)*, 905 F. Supp. 2d 596, 602 (D. Del. 2012) (“[I]n *Power Integrations* the question of whether invalidity is a single issue was not argued before the Court.”).

<sup>61</sup> *Id.* at 602-03.

<sup>62</sup> 6 ROBERT A. MATTHEWS, JR., ANNOTATED PATENT DIGEST § 38:46 (2016).

<sup>63</sup> See *id.* (arguing that “it seems incorrect to rule that collateral estoppel should extend to bar validity challenges in a second suit that were never actually raised in the first suit”).

<sup>64</sup> See *id.* (noting that “[o]ther courts, have accepted . . . that where different theories of invalidity are raised in a subsequent suit, the validity ‘issue’ is not identical, and therefore issue preclusion does not apply”).

<sup>65</sup> See 6 F. Supp. 3d 510, 519 (D. Del. 2013) (citing Matthews and holding that “each theory of invalidity is a separate issue”).

preclusion.<sup>66</sup> Other sources also call into question the precedent that treats patent invalidity as a single issue to be precluded.<sup>67</sup>

### III. MAKING THE CASE FOR A NEW PRECLUSION FRAMEWORK IN PATENT LAW

In this Part, I propose a new approach for applying preclusion doctrine in patent cases involving patent invalidity contentions. The goals of this new framework are threefold. First, the new framework applies preclusion law in a manner that comports with the substantive legal doctrine. Second, it aligns the application of preclusion doctrine in patent law with its application in other areas of civil law. Third, it maximizes positive policy outcomes and litigant incentives in the patent invalidity context.

Before introducing this new framework, however, it is important to note an underlying assumption of this framework. There is little reason to treat findings of patent invalidity in earlier suits differently from judgments on the merits that a patent is not invalid. More simply put, determinations of patent validity and patent invalidity should not be treated differently for preclusion purposes. This is because a judgment in an earlier suit that a patent is invalid stems from the same general evidence and the same arguments as an alternative judgment that the same patent is not invalid. Although the practical effect of the ultimate determination differs, if issue preclusion would be inappropriate for a finding that a patent is invalid because it is not a “single issue,” it would also be inappropriate to apply issue preclusion for a finding that a patent is not invalid.

#### A. *When Issue Preclusion Is an Improper Procedural Tool*

Courts should not apply issue preclusion to patent invalidity as a whole. Courts cast too wide a net when applying issue preclusion to prevent parties from relitigating patent invalidity based on a determination in an earlier proceeding that the same patent is either invalid or not invalid. In doing so, litigants are treated unfairly, and the procedural tool of issue preclusion is abused.

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<sup>66</sup> *See id.* (“Because the grounds on which [the defendant] now asserts invalidity are different from those asserted by [its predecessor] in the [previous] litigation, the issue is not identical, and therefore [the defendant] is not estopped from challenging the validity of the ‘295 patent.”).

<sup>67</sup> *See, e.g.,* Michelle L. Evans, *Establishing the Defense of Issue Preclusion in a Subsequent Patent Infringement Suit* (“When a prior claim is made for invalidity, the nature of the claim in the current litigation must be the same as that in the prior litigation. In other words, a defense that the patent is invalid as being anticipated by a prior art reference is a different issue than a defense that the patent is invalid as being obvious in light of an existing prior art reference even when the reference is the same.”), in 89 AM. JUR. PROOF OF FACTS 3D § 11 (2006).

Granted, determining what constitutes a single issue for issue preclusion purposes is one of the most difficult aspects of applying preclusion doctrine.<sup>68</sup> Nonetheless, the Restatement (Second) of Judgments provides some guidance for courts and litigants in determining what constitutes a single issue in this context.<sup>69</sup> The Restatement provides four factors that aid in defining the scope of an issue, recognizing the need to balance the “important interests” of ensuring a litigant has “an adequate day in court” with “a desire to prevent repetitious litigation of what is essentially the same dispute.”<sup>70</sup> Those factors include:

- [1] Is there a substantial overlap between the evidence or argument to be advanced in the second proceeding and that advanced in the first? [2] Does the new evidence or argument involve application of the same rule of law as that involved in the prior proceeding? [3] Could pretrial preparation and discovery relating to the matter presented in the first action reasonably be expected to have embraced the matter sought to be presented in the second? [4] How closely related are the claims involved in the two proceedings?<sup>71</sup>

Although no single factor should be determinative, and they should be balanced under the circumstances on a case-by-case basis, courts tend to find that all of the factors apply.<sup>72</sup>

<sup>68</sup> See, e.g., *Palmer v. Health Care Manor Care*, 85 F. Supp. 2d 757, 759 (N.D. Ohio 2000) (“One of the most difficult problems in the application of the issue preclusion doctrine is to determine whether litigation is foreclosed by a prior judgment where there is a lack of total identity between the matter presented in the first action and the matter presented in the second.”); RESTATEMENT, *supra* note 9, § 27 cmt. c (“One of the most difficult problems in the application of [issue preclusion] is to delineate the issue on which litigation is, or is not, foreclosed by the prior judgment.”).

<sup>69</sup> Courts frequently turn to the Restatement for assistance in applying issue preclusion to the facts of a specific case. See, e.g., *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015) (“Although the idea of issue preclusion is straightforward, it can be challenging to implement. The Court, therefore, regularly turns to the Restatement (Second) of Judgments for a statement of the ordinary elements of issue preclusion.”); *Winn-Dixie Stores, Inc. v. Dolgencorp, LLC*, 746 F.3d 1008, 1036-37 (11th Cir. 2014) (reciting the Restatement’s commentary on how to identify a single issue for purposes of issue preclusion and applying it to the case at hand).

<sup>70</sup> RESTATEMENT, *supra* note 9, § 27 cmt. c. It is notable that the Restatement encourages courts to apply the factors whenever “there is a lack of *total* identity between the particular matter” in the two cases. *Id.* (emphasis added); see also *Builders Ass’n of Greater Chi. v. City of Chicago*, No. 96-C-1122, 2001 WL 664453, at \*6 (N.D. Ill. June 12, 2011) (stating that “court[s] *must* consider [the Restatement’s] four factors” when determining whether two issues are identical (emphasis added)).

<sup>71</sup> RESTATEMENT, *supra* note 9, § 27 cmt. c.

<sup>72</sup> See, e.g., *B-S Steel of Kan., Inc. v. Tex. Indus., Inc.*, 439 F.3d 653, 663-65 (10th Cir. 2006) (finding all four Restatement factors to be satisfied); *Kamilche Co. v. United States*, 53 F.3d 1059, 1062 (9th Cir. 1995) (same); *Araujo v. United States*, 301 F. Supp. 2d 1095, 1099-100 (N.D. Cal. 2004) (same); see also *Atkins v. Heavy Petroleum Partners, LLC*, 86 F. Supp. 3d 1188, 1204-05 (D. Kan. 2015) (treating the Restatement factors as “elements” and finding each factor to be present). *But see* *United States v. Town of Colo. City*, No. 3:12-cv-8123-HRH, 2015 WL 3774315, at \*7-8 (D. Ariz. June 17, 2015) (refusing to apply issue preclusion after finding three of the four Restatement factors to weigh against treating the issues in the two proceedings as identical); *In re ACM-Tex., Inc.*, 430 B.R. 371, 425 (Bankr. W.D. Tex. 2010) (reciting and applying only three of the four Restatement factors).

The easiest cases to resolve are those where a defendant in a patent infringement suit asserts that the plaintiff's patent is invalid on the same grounds as those asserted in an earlier suit, using the same evidence and making the same arguments. For example, if the defendant argued in case *A* that the '123 Patent was invalid as obvious in light of the Smith publication, then that same defendant would be precluded via issue preclusion from arguing in case *B* that the '123 Patent was invalid as obvious over the Smith publication. This is the paradigmatic case in which application of the factors is not necessary given the total identity of the issues between the two proceedings. However, even a slight deviation from this illustration creates ambiguity on the question of identity of the issues, and the factors should be applied.

First, parties asserting patent invalidity may present the court with evidence and arguments in a second proceeding so long as those arguments have no substantial overlap with those advanced in a previous proceeding. A patent or some of its claims may be adjudged invalid on numerous grounds, including a lack of patentable subject matter,<sup>73</sup> lack of utility,<sup>74</sup> express or inherent anticipation,<sup>75</sup> obviousness,<sup>76</sup> lack of adequate written description,<sup>77</sup> lack of enablement,<sup>78</sup> claim indefiniteness,<sup>79</sup> or lack of inventorship.<sup>80</sup> A party may argue that a single patent or some of its claims are invalid for lack of novelty under § 102 using one set of evidence and arguments, while simultaneously arguing that the same patent or claims are invalid as obviousness under § 103 using a completely different set of evidence and arguments.<sup>81</sup> Similarly, the

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<sup>73</sup> 35 U.S.C. § 101 (2012); *see, e.g.*, *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 134 S. Ct. 2347, 2354-55 (2014) (reiterating that “[l]aws of nature, natural phenomena, and abstract ideas” do not constitute patentable subject matter under § 101 (quoting *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2116 (2013))).

<sup>74</sup> *Id.* § 101; *see, e.g.*, *Juicy Whip, Inc. v. Orange Bang, Inc.*, 185 F.3d 1364, 1367 (Fed. Cir. 1999) (discussing the legal standard for lack of utility and refusing to invalidate the plaintiff's patent for a beverage dispenser on utility grounds).

<sup>75</sup> *Id.* § 102; *see, e.g.*, *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1252-55 (Fed. Cir. 2014) (reviewing the novelty standard and applying it to invalidate claims of the patent-in-suit).

<sup>76</sup> *Id.* § 103; *see, e.g.*, *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 415-23 (2007) (explaining the obviousness standard and applying it to invalidate the plaintiff's patent).

<sup>77</sup> *Id.* § 112(a); *see, e.g.*, *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1355-58 (Fed. Cir. 2010) (invalidating a patent for failure to provide an adequate written description).

<sup>78</sup> *Id.* § 112(a); *see, e.g.*, *Creative Kingdoms, LLC v. Int'l Trade Comm'n*, 588 F. App'x 993 (Fed. Cir. 2014) (holding the patent-in-suit invalid for lack of enablement).

<sup>79</sup> *Id.* § 112(b); *see also* *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120, 2124 (2014) (“[A] patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention.”).

<sup>80</sup> *Id.* § 116; *see also* *Fox Grp., Inc. v. Cree, Inc.*, 700 F.3d 1300, 1304-05 (Fed. Cir. 2012) (discussing the inventorship requirement).

<sup>81</sup> *See, e.g.*, *OSRAM Sylvania, Inc. v. Am. Induction Techs., Inc.*, 701 F.3d 698, 704-09 (Fed. Cir. 2012) (analyzing the defendant's anticipation argument in light of one piece of prior art, but analyzing the obviousness argument based on a different piece of prior art, along with various

evidence used to make any one of these invalidity arguments is frequently, and often necessarily, different than the evidence required to make another invalidity assertion.<sup>82</sup> Furthermore, each ground for patent invalidity necessarily involves a unique argument distinct from that of the prior proceeding.<sup>83</sup> As a result, the first Restatement factor suggests that a defense of patent invalidity on one ground in a first suit should not prevent, on the basis of issue preclusion, a defense of patent invalidity on a different ground in a second suit.

Some courts have countered this finding by treating invalidity analyses as merely involving a comparison of the claims of the patent-in-suit to the prior art from the perspective of a person having ordinary skill in the art (PHOSITA).<sup>84</sup> This argument is flawed. Treating all “prior art” as a single body of evidence is nonsensical. This approach would be akin to treating all extrinsic evidence in existence before the signing of a contract—including documents, oral statements, facts about the world, dependent contracts, and other matters—as a single body of evidence, which few would agree is appropriate when a contractual dispute actually arises. This line of thought would also treat two different expert witness reports, depositions, or testimonials as one and the same, which is seemingly void of an objective basis.<sup>85</sup> No two patents, printed publications, presentations, or other works

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objective indicia of nonobviousness). *See generally* Callaway Golf Co. v. Acushnet Co., 576 F.3d 1331 (Fed. Cir. 2009); Mitsubishi Chem. Corp. v. Barr Labs., Inc., 718 F. Supp. 2d 382 (S.D.N.Y. 2010); SRI Int'l Inc. v. Internet Sec. Sys., Inc., 572 F. Supp. 2d 511 (D. Del. 2008); Apple Comput., Inc. v. Burst.com, Inc., No. C-06-0019-MHP, 2007 WL 3342829 (N.D. Cal. 2007).

<sup>82</sup> For example, although anticipation limits evidence to a single piece of prior art, obviousness allows a litigant to combine prior art. *See* Robert A. Pollock et al., 2011 *Patent Law Decisions of the Federal Circuit*, 61 AM. U. L. REV. 785, 894 (2012) (“[I]n contrast to anticipation, which relies on a single prior art reference, courts invalidate patents for obviousness when multiple prior art references combine to render obvious the claimed invention.”). Furthermore, enablement and written description invalidity contentions rely on evidence within the patent-in-suit itself and expert testimony. *See, e.g.*, Centillion Data Sys., LLC v. Convergys Corp., 551 F. Supp. 2d 743, 750 (S.D. Ind. 2008) (concluding that the patent-in-suit was not invalid for lack of written description nor enablement based on evidence in the patent itself and expert testimony). Additionally, patentable subject matter contentions often involve analyzing patent claims in conjunction with the patent’s specification, with little to no extrinsic evidence. *See* Jacob S. Sherkow, *The Natural Complexity of Patent Eligibility*, 99 IOWA L. REV. 1137, 1180-95 (2014) (describing a “mechanistic” approach to patent eligibility controlled by the patent claims and specification to the exclusion of extrinsic evidence).

<sup>83</sup> The legal rules and standards vary depending on the underlying basis for patent invalidity. *See supra* notes 73–80; *see also* Pfizer Inc. v. Teva Pharm. U.S.A., Inc., 882 F. Supp. 2d 643 (D. Del. 2012) (reviewing the legal standards for anticipation, obviousness, and written description).

<sup>84</sup> *See, e.g.*, Applied Med. Res. Corp. v. U.S. Surgical Corp., 352 F. Supp. 2d 1119, 1125 (C.D. Cal. 2005) (treating all theories of invalidity as requiring the “presentation of substantially the same evidence” including a “comparison of prior art to [the patent claims], all done through the lens of one of ordinary skill in the art”).

<sup>85</sup> *Cf.* SMS Demag, Inc. v. ABB Transmissonne & Distribuzone, S.P.A., No. 05-00466, 2008 WL 906530, at \*9 (W.D. Pa. Mar. 31, 2008) (differentiating between the evidence produced during an arbitration hearing from that produced during a later court case).

are ordinarily treated as one in the same. Two disparate pieces of prior art constitute two different facts about the state of the art at the time a patent was issued. Moreover, not all evidence is viewed through the lens of the PHOSITA. Inventorship and statutory bars under § 102(b) do not require taking on the perspective of a PHOSITA.<sup>86</sup> Therefore, the most reasonable conclusion is that different pieces of prior art are, in fact, different pieces of evidence weighing on the invalidity of a given patent.

Second, disparate invalidity contentions do not involve application of the same rule of law. Although each invalidity contention must be proven by clear and convincing evidence to overcome the patent's presumption of validity,<sup>87</sup> each ground for invalidity requires the court to apply a different legal standard to the facts of a given case. Anticipation requires a court to find that a single prior art reference expressly or inherently discloses every limitation of a claim-in-suit.<sup>88</sup> Obviousness requires application of the *Graham* framework, which states that (1) the scope and content of the prior art must be determined, (2) differences between the prior art and the claims at issue must be identified, and (3) the level of ordinary skill in the pertinent art must be resolved.<sup>89</sup> In light of this information, coupled with secondary considerations showing nonobviousness, the subject matter of the patent claims must be nonobvious.<sup>90</sup> Additionally, written description requires that a patent disclosure "reasonably convey[] to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date" of the patent.<sup>91</sup> Further, enablement requires that the patent specification "teach those skilled in the art how to make and use the full scope of the claimed invention without 'undue experimentation.'"<sup>92</sup> Lack of written description and anticipation are questions of fact,<sup>93</sup> while obviousness and lack of enablement are ultimately questions of law.<sup>94</sup> Given these incongruent legal rules underpinning a finding of patent invalidity, there is little reason to treat invalidity as a whole as a single issue. In fact, there is no useful rule of law for invalidity as a whole independent of the underlying grounds.

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<sup>86</sup> See *Hess v. Advanced Cardiovascular Sys., Inc.*, 106 F.3d 976, 980 (Fed. Cir. 1997) (indicating the appropriate legal standard for inventorship, which is devoid of any mention of a PHOSITA); see also *Honeywell Int'l, Inc. v. Universal Avionics Sys. Corp.*, 343 F. Supp. 2d 272, 291-92, 306-07 (D. Del. 2004) (reciting the legal standards for the on-sale and public use bars).

<sup>87</sup> *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015).

<sup>88</sup> *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1252 (Fed. Cir. 2014).

<sup>89</sup> *Graham v. John Deere Co.*, 383 U.S. 1, 17 (1966).

<sup>90</sup> *Id.* at 17-18.

<sup>91</sup> *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010).

<sup>92</sup> *ALZA Corp. v. Andrx Pharm., LLC*, 603 F.3d 935, 940 (Fed. Cir. 2010) (quoting *Genentech Inc. v. Novo Nordisk A/S*, 108 F.3d 1361, 1365 (Fed. Cir. 1997)).

<sup>93</sup> *DDR Holdings*, 773 F.3d at 1252; *Ariad Pharm.*, 598 F.3d at 1355.

<sup>94</sup> *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1318 (Fed. Cir. 2015); *ALZA Corp.*, 603 F.3d at 940.

This argument has been implicitly countered by some courts that describe patent invalidity on any grounds as stemming from a single statutory section. In *Applied Medical Resources Corp. v. United States Surgical Corp.*, the court determined that the same rule of law applied, regardless of the fact that specific invalidity grounds are listed under separate sections of the Patent Act, “since the invalidity defenses all arise from 35 U.S.C. § 282.”<sup>95</sup> The court supported its determination by stating, “The principles underlying invalidity challenges are fundamentally similar: they require proof by clear and convincing evidence that a claimed invention is not patentable.”<sup>96</sup> However, the court’s support for its contention is unhelpful. The burden of proof required in a case is not equivalent to the rule of law.<sup>97</sup> Although it is true that one rule of law is the same for all invalidity arguments—namely the applicable burden of proof—that procedural rule of law does nothing, absent substantive rules of law, to move a court from the facts of a case to the ultimate determination that the patent-in-suit is invalid.<sup>98</sup> Furthermore, courts have consistently analyzed substantive rules of law rather than procedural burdens under this Restatement factor.<sup>99</sup>

Third, it is debatable whether further discovery and pretrial preparation in an earlier patent proceeding can reasonably be expected to lead to the matter later presented in a second proceeding. Granted, this Restatement factor is the most favorable for applying issue preclusion to patent invalidity as a whole, given that additional invalidating prior art may be found with unlimited resources and infinite time. Yet, it seems to be the least influential of the four factors. Setting aside those cases where there is a change in circumstances or actual facts between two proceedings, additional discovery

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<sup>95</sup> 352 F. Supp. 2d 1119, 1125 (C.D. Cal. 2005); *see also* 35 U.S.C. § 282 (2012) (laying out the defenses available in any action for patent infringement or validity).

<sup>96</sup> *Applied Med. Res. Corp.*, 352 F. Supp. at 1125.

<sup>97</sup> Although all burdens of proof are rules of law, logically, the converse is not necessarily true—i.e., not all rules of law are burdens of proof. *See* Walter J. Dickey, *Thinking Strategically About Correctional Resources*, 2000 WIS. L. REV. 279, 282 (citing legal standards, fact-finding requirements, and burdens of proof as characteristics of “the Rule of Law”); *see also* *Warren v. Byrne*, 699 F.2d 95, 97 (2d Cir. 1983) (appearing to treat “rules of law” and “burdens of proof” as two separate things); Carl Oppedahl, *Patent Marking of Systems*, 11 SANTA CLARA COMPUTER & HIGH-TECH. L.J. 205, 223-26 (1995) (using “rule of law” to refer to substantive rules other than burdens of proof).

<sup>98</sup> *Cf.* Elizabeth A. Hunot, Comment, *Yielding to the Temptation to Open Pandora’s Box: The Ninth Circuit Creates a Circuit Split and Declares Ring v. Arizona Retroactive in Summerlin v. Stewart*, 23 ST. LOUIS U. PUB. L. REV. 635, 658 (2004) (describing procedural and substantive conceptions of the rule of law).

<sup>99</sup> *See, e.g.*, *Resolution Tr. Corp. v. Keating*, 186 F.3d 1110, 1116-18 (9th Cir. 1999) (conflating rule of law with applicable legal standards); *GSS Grp. Ltd. v. Republic of Liberia*, 31 F. Supp. 3d 50, 61 (D.D.C. 2014) (same); *In re Wal-Mart Wage & Hour Emp’t Practices Litig.*, No. 2:06-CV-00225-PMP-PAL, 2008 WL 3179315, at \*7 (D. Nev. June 20, 2008) (same); *Feng Li v. Peng*, 516 B.R. 26, 42-43 (Bankr. D.N.J. 2014) (same); *see also* *Comm’r v. Sunnen*, 333 U.S. 591, 601-02 (1948) (“[T]he legal matter raised in the second proceeding must involve the same set of events or documents and the same bundle of legal principles that contributed to the rendering of the first judgment.”).

and pretrial preparation can almost always lead to new evidence and new arguments. However, what could be *reasonably expected* implies a cost–benefit analysis of the additional burden of further discovery versus the probability of finding useful evidence of which at least one of the litigants is not already aware.<sup>100</sup> There is some disagreement over the reasonable expectations of results from discovery in patent cases, with recent scholarship finding that increasing costs of discovery are contributing to the growing difficulty of gathering all of a litigant’s necessary evidence.<sup>101</sup> Although additional discovery and pretrial preparation may in many patent cases lead to newfound prior art invalidating the patent-in-suit, the costs are likely to frequently outweigh the benefits, thus rendering the additional discovery unreasonable under most circumstances. It also stands that this factor would be inapplicable when there is a lack of mutuality of the parties between the cases.<sup>102</sup> At the very least, there is reason to ensure a case-by-case analysis of this factor in the patent suit at bar save for the paradigmatic case.

Lastly, depending on the circumstances, the claims involved in two separate proceedings may not be closely related. When a defendant raises invalidity contentions on different grounds, the claims are distinct except for the ultimate relief sought, which is invalidation of the patentee’s property right. Courts have made clear, however, that the ultimate outcome of a case does not define the issue to be precluded.<sup>103</sup> As described at length above, the evidence and legal standards for invalidation under §§ 101–03, 112, and 116 are distinct and nearly

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<sup>100</sup> See Karl Schieneman & Thomas C. Gricks III, *The Implications of Rule 26(g) on the Use of Technology-Assisted Review*, 7 FED. CTS. L. REV. 247, 277 n.116 (2014) (discussing how reasonableness in the discovery context involves a weighing of the burdens and expenses against the likely benefits of further discovery).

<sup>101</sup> Compare Lance Shapiro, Note, *E-Discovery: Bargaining Bytes for Settlement*, 27 GEO. J. LEGAL ETHICS 887, 890–92 (2014) (describing the enormous costs, especially in the patent realm, associated with e-discovery that result in reduced judicial efficiency and buried meritorious claims), with *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 332 (1971) (“Patent litigation characteristically proceeds with some deliberation and, with the avenues for discovery available . . . , there is no reason to suppose that plaintiff patentees would face either surprise or unusual difficulties in getting all relevant and probative evidence before the court in the first litigation.”). Although the benefits of discovery are high, so are the costs. See E. Patrick Ellisen & Daniel T. McCloskey, *Cost Effective Defense of Patent Infringement Suits Brought by Non-Practicing Entities*, INTELL. PROP. & TECH. L.J., Oct. 2009, at 5 (“E-discovery can be one of the largest costs in a patent litigation and one of the most difficult to control.”); see also Peter J. Corcoran, III, *Strategies to Save Resources and Reduce E-Discovery Costs in Patent Litigation*, 21 TEX. INTELL. PROP. L.J. 103 (2013) (discussing the rapidly increasing costs of discovery in patent litigation and strategies for litigants seeking to minimize costs while maximizing discovery output).

<sup>102</sup> When a patent is adjudged invalid in the first action and a new defendant wishes to preclude the patentee from asserting her patent in a second action, discovery and pretrial preparation in the earlier action may be irrelevant.

<sup>103</sup> See *Lucido v. Superior Court*, 795 P.2d 1223, 1225 (Cal. 1990) (“The ‘identical issue’ requirement addresses whether ‘identical factual allegations’ are at stake in the two proceedings, not whether the ultimate issues or dispositions are the same.” (quoting *People v. Sims*, 651 P.2d 321, 331 (Cal. 1982))).

completely unrelated.<sup>104</sup> Where different invalidity contentions are raised between proceedings, the claims are far from closely related.

Some of the illustrations in the Restatement offer further insight into how to treat issues between proceedings based on the four factors. For example, one illustration provides,

A brings an action against B to recover an installment payment due under a contract. B's sole defense is that the contract is unenforceable under the statute of frauds. After trial, judgment is given for A, the court ruling that an oral contract of the kind sued upon is enforceable. In a subsequent action by A against B to recover a second installment falling due after the first action was brought, B is precluded from raising the statute of frauds as a defense, whether or not on the basis of arguments made in the prior action, but is not precluded from asserting as a defense that the installment is not owing as a matter of law on any other ground.<sup>105</sup>

Here, the Restatement makes clear that alternative grounds for rendering a contract unenforceable should not be precluded in later proceedings. When distilled to its simplest form, the illustration appears to treat the unenforceability of a contract—something that may be based upon many different theories that each involve different evidence, rules of law, discovery, and claims<sup>106</sup>—as too broad to be treated as a single issue for purposes of issue preclusion. Issues of contract unenforceability and patent invalidity are similar in many aspects. Both are broad legal principles that can result in a specific outcome—finding a contract unenforceable or a patent invalid—but which depend almost entirely on the facts of a given case to determine the ultimate outcome. The distinct bases in both the contract and patent realms are what define the outcome of unenforceability or invalidity. As such, this Restatement illustration is instructive; just as contract unenforceability is too broad of an issue for the application of issue preclusion, so is patent invalidity.

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<sup>104</sup> See *supra* notes 73–80 and accompanying text.

<sup>105</sup> RESTATEMENT, *supra* note 9, § 27 cmt. c, illus. 6.

<sup>106</sup> See *Fed. Oil Co. v. Comm'r*, 385 F.2d 127, 128 (3d Cir. 1967) (stating that proof may be used to render a contract unenforceable on grounds of “mistake, undue influence, fraud [or] duress” (quoting *Comm'r v. Danielson*, 378 F.2d 771, 775 (3d Cir. 1967))); *Herrera v. Neff Rental, LLC*, No. 14-CV-02295-SI, 2015 WL 5693729, at \*3 (N.D. Cal. Sept. 29, 2015) (stating the legal standard for finding a contract unconscionable, and thus, unenforceable); *Aurigemma v. New Castle Care LLC*, No. 05C-04-113 MJB, 2006 WL 2441978, at \*2-3 (Del. Super. Ct. Aug. 22, 2006) (reviewing and applying the legal standard for finding a contract unenforceable under the Statute of Frauds); *Cerniglia v. C. & D. Farms, Inc.*, 203 So. 2d 1, 2 (Fla. 1967) (restating and applying the legal standard for finding an agreement unenforceable as against public policy).

Nonetheless, courts have cited an example regarding negligence to support treating patent invalidity as a single issue.<sup>107</sup> The Restatement illustration proceeds as follows:

A brings an action against B to recover for personal injuries in an automobile accident. A seeks to establish that B was negligent in driving at an excessive rate of speed. After trial, verdict and judgment are given for B. In a subsequent action by B against A for injuries in the same accident, A is precluded from setting up B's negligence as a defense, whether or not the alleged negligence is based on an assertion of excessive speed. It is reasonable to require A to bring forward all evidence in support of the alleged negligence in the initial proceeding.<sup>108</sup>

But this example is not on point. This illustration does provide that negligence should be treated as a single issue for purposes of issue preclusion despite there being numerous arguments upon which a plaintiff may allege negligence. However, regardless of the underlying arguments, the legal standard for negligence remains the same;<sup>109</sup> pretrial preparation in the first proceeding certainly could have included alternate theories of negligence arising from the same set of facts without the need for much additional discovery, and the claims are undoubtedly closely related given the likelihood that the claims arise out of the same set of facts and a single legal rule applies to resolve both.<sup>110</sup> Comparing this situation to its patent invalidity counterpart, the differences are unmistakable. Negligence and patent invalidity simply are not comparable in this context given the differences in the nature of the contentions supporting either type of claim.

Courts have also cited a Restatement illustration regarding trademark validity as proof that patent invalidity should be treated as a single issue.<sup>111</sup> That Restatement illustration states,

A, as owner of a trademark, brings an action against B for infringement. B denies the validity of the trademark and denies infringement. The court finds that the trademark is valid, but that B had not infringed it, and gives

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<sup>107</sup> See, e.g., *Astrazeneca UK, Ltd. v. Watson Labs., Inc.* (NV), 905 F. Supp. 2d 596, 603 (D. Del. 2012) (relying on the Restatement to analogize between negligence law and the treatment of patent invalidity as a single issue for purposes of issue preclusion).

<sup>108</sup> RESTATEMENT, *supra* note 9, § 27 cmt. c, illus. 4.

<sup>109</sup> See David Hunter & James Salzman, *Negligence in the Air: The Duty of Care in Climate Change Litigation*, 155 U. PA. L. REV. 1741, 1744 (2007) (reciting the four well-known elements of a negligence claim).

<sup>110</sup> See, e.g., *Little v. Blue Goose Motor Coach Co.*, 178 N.E. 496, 497-98 (Ill. 1931) (applying issue preclusion to prevent relitigation of the issue of negligence arising out of the same set of facts, but based on different arguments).

<sup>111</sup> See, e.g., *Zip Dee, Inc. v. Dometic Corp.*, 905 F. Supp. 535, 537 n.6 (N.D. Ill. 1995) (citing illustration 14 in the Restatement as providing strong support for treating patent invalidity as a single issue to be precluded).

judgment for B. Thereafter A brings an action against B alleging that since the rendition of the judgment B infringed the trademark. B is not precluded from defending this action on the ground that the trademark is invalid.<sup>112</sup>

However, citing this illustration to demonstrate that patent invalidity is a single issue is misleading. This section of the Restatement does not deal with how broadly or narrowly to frame an issue, but rather illustrates how to determine whether an issue is essential to the judgment in an earlier proceeding.<sup>113</sup> It is unknown whether the Restatement presumes invalidity based on the same underlying grounds, and even more importantly, the issue here is acting as a mere placeholder to illustrate a point other than whether invalidity has the proper scope to be considered a single issue.

In sum, most of the Restatement factors guiding courts and litigants on what constitutes a single issue for purposes of issue preclusion favor treating individual invalidity contentions as single issues. Moreover, all of the Restatement factors are capable of supporting the notion that something less than patent invalidity itself as the issue to be precluded under the circumstances of a given patent case.<sup>114</sup> The Restatement provides illustrations with additional persuasive commentary. Given the burden on courts and the unpredictability created for litigants in having to consistently run through these factors in every patent case in which a party seeks issue preclusion, outside of the paradigmatic case, policy considerations dictate that courts seek a new procedural strategy for disposition of cases involving multiple patent invalidity proceedings.

### B. *The Search for a Better Procedural Tool in the Patent Invalidity Context*

Courts should move away from applying issue preclusion outside of the paradigmatic case, and should instead use a new approach that fosters legal and pragmatic consistency, positive litigant incentives, and fairness. This

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<sup>112</sup> RESTATEMENT, *supra* note 9, § 27 cmt. h, illus. 14.

<sup>113</sup> See *id.* § 27 cmt. h (discussing “[d]eterminations not essential to the judgment”).

<sup>114</sup> The Restatement factors for what constitutes a “single issue” suggest that patent invalidity is best suited to treating each underlying ground as a single issue. Therefore, ineligible subject matter, lack of utility, anticipation, obviousness, lack of written description, lack of enablement, claim indefiniteness, lack of inventorship, and other individual grounds for patent invalidity constitute single issues. It might be argued that the Restatement factors support slicing the issue even more narrowly, given that even within obviousness or anticipation itself, there may be different evidence through different prior art references that may render a patent invalid on that ground. However, the Restatement factors would also provide that the same rule of law applies, pretrial preparation and further discovery could have led to a prior art reference that falls under the same umbrella (i.e., anticipation or obviousness), and the prior art is undoubtedly closely related when analyzing the validity of a patent under a single statutory patentability provision. Although there is likely no definitive answer to this complex and fact-specific question, it must be that patent invalidity itself is too broad, and there comes a point when the contention giving rise to a “single issue” becomes too narrow. The framework suggested by this Comment strikes a delicate balance.

Comment proposes that claim preclusion and stays are the proper procedural tools to achieve these results.

### 1. Applying Claim Preclusion

When a patent is adjudged not invalid on any single ground in the first case, and different invalidity contentions are raised in the second case, the court should apply claim preclusion rather than issue preclusion. Claim preclusion applies when (1) the same parties or their privies were involved in the earlier proceeding; (2) the two suits involved the same claim or cause of action; and (3) the earlier proceeding ended with a final judgment on the merits.<sup>115</sup> While issue preclusion “precludes relitigation only of questions ‘distinctly put in issue’ and ‘directly determined’ adversely to the party against which the estoppel is asserted,”<sup>116</sup> claim preclusion “bars not only claims that were brought in a previous action, but also claims that could have been brought.”<sup>117</sup> Under claim preclusion, any claim arising out of the same transactional facts is precluded.<sup>118</sup> While issue preclusion involves rules created to avoid repetitive litigation of “the very same problems,” claim preclusion rules have a different purpose: forcing the parties to raise matters not litigated earlier for purposes of fairness and efficiency.<sup>119</sup> Moreover, although courts have largely retreated from the mutuality requirement for

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<sup>115</sup> Cent. Delta Water Agency v. United States, 306 F.3d 938, 952 (9th Cir. 2002) (citing *Blonder-Tongue Labs. v. Univ. of Ill. Found.*, 402 U.S. 313, 323-24 (1971)). The Ninth Circuit’s test for claim preclusion is representative of the general legal standard for regional circuits around the country. *See, e.g.*, *TechnoMarine SA v. Giftports, Inc.*, 758 F.3d 493, 499 (2d Cir. 2014) (detailing the same general requirements as the Ninth Circuit, but clarifying that any claim that was raised or could have been raised is precluded); *In re Mullarkey*, 536 F.3d 215, 225 (3d Cir. 2008) (reciting the same claim preclusion elements as the Ninth Circuit); *Nat. Res. Def. Council v. EPA*, 513 F.3d 257, 260 (D.C. Cir. 2008) (relying on the same claim preclusion elements as the Ninth Circuit, but adding that the earlier court must have been “of competent jurisdiction”).

<sup>116</sup> *In re Mullarkey*, 536 F.3d at 225 (quoting *N.J.-Phila. Presbytery of the Bible Presbyterian Church v. N.J. State Bd. of Higher Educ.*, 654 F.2d 868, 876 (3d Cir. 1981)).

<sup>117</sup> *Id.*

<sup>118</sup> The Federal Circuit has made clear that “[w]hether two claims for patent infringement are identical is a claim preclusion issue that is ‘particular to patent law,’ and therefore [the court] analyze[s] it under Federal Circuit law.” *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008). It applies the Restatement, which provides that “[w]hat factual grouping constitutes a ‘transaction’ . . . [is] to be determined pragmatically, giving weight to such considerations as whether the facts are related in time, space, origin, or motivation, whether they form a convenient trial unit, and whether their treatment as a unit conforms to the parties’ expectations or business understanding or usage.” *Id.* at 1324 (quoting RESTATEMENT, *supra* note 9, § 24). Patent invalidity certainly involves facts related in time and motivation, absolutely forms a convenient trial unit, and treatment as a unit undoubtedly meets litigants’ expectations.

<sup>119</sup> 18 CHARLES ALAN WRIGHT, ARTHUR R. MILLER & EDWARD H. COOPER, FEDERAL PRACTICE AND PROCEDURE § 4406 (2d ed. 2002).

issue preclusion since *Blonder-Tongue*,<sup>120</sup> mutuality remains a signature requirement for claim preclusion.<sup>121</sup>

As a threshold matter, the Federal Circuit has seemingly ruled out application of claim preclusion to invalidity contentions unless the infringement claims involved in the second proceeding are substantially the same as in the first suit.<sup>122</sup> In *Foster v. Hallco Manufacturing Co.*, the Federal Circuit provided that “[w]hile defenses to a ‘claim’ are extinguished by application of the doctrine of claim preclusion, the facts related to the defense do not in themselves constitute the transaction or ‘claim.’”<sup>123</sup> However, the court’s reliance on the Restatement appears to be misplaced. The Restatement aims to treat defenses that are also counterclaims as merely defenses to be precluded using issue preclusion.<sup>124</sup> It provides that issue preclusion “will normally preclude relitigation” of these “defenses.”<sup>125</sup> It is well-known that claim preclusion is intended to prevent defendants from raising any new defense to defeat the enforcement of an earlier judgment.<sup>126</sup> It has also already been shown that in the patent invalidity context, issue preclusion is ill-suited outside of the paradigmatic case. Furthermore, patent invalidity should be treated as a stand-alone claim given that the transactional facts underlying patent invalidity, as opposed to other types of defenses in other areas of the law, are easy to think about as a single unit, distinct and unrelated to a

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<sup>120</sup> See *Smith v. Bayer Corp.*, 564 U.S. 299, 314 n.10 (2011) (recognizing the applicability of issue preclusion despite non-mutuality of the parties). *But see* *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 329-33 (1979) (putting practical limits on the use of non-mutual offensive issue preclusion).

<sup>121</sup> See *Elbaum v. Thomas Jefferson Univ. Hosps.*, No. 13-1538, 2013 WL 6239593, at \*5 (E.D. Pa. Dec. 3, 2013) (“Claim preclusion thus requires a mutuality that issue preclusion does not . . . .”); *Peavey v. United States*, 846 F. Supp. 2d 10, 15 (D.D.C. 2012) (distinguishing claim preclusion from issue preclusion as to the mutuality requirement); Gregory S. Getschow, Comment, *If at First You Do Succeed: Recognition of State Preclusive Laws in Subsequent Multistate Actions*, 35 VILL. L. REV. 253, 256 (1990) (“The mutuality requirement of claim preclusion is inherent in its definition of prohibiting the relitigation of all claims that were or could have been raised between the actual parties.”).

<sup>122</sup> See *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 478-79 (Fed. Cir. 1991) (stating that a claim is distinct from a mere argument or assertion, that a defense is not a claim, and that a claim is based on “the facts giving rise to the suit”).

<sup>123</sup> *Id.* at 479 (citing RESTATEMENT, *supra* note 9, § 22 cmts. b, c).

<sup>124</sup> See RESTATEMENT, *supra* note 9, § 22 cmt. c (providing that if a plaintiff uses a set of “facts as a defense and not as a counterclaim,” the issue will be precluded in subsequent proceedings).

<sup>125</sup> *Id.*

<sup>126</sup> See WRIGHT, MILLER & COOPER, *supra* note 119, § 4414 (discussing principles of defendant preclusion, including when a “defendant seeks to raise defenses that were equally available in the first action but were not advanced there”); *see also* *Bedrock Servs. v. Int’l Brhd. of Elec. Workers, Local Union Nos. 238, 342 & 495*, No. 1:02CV289-T, 2003 WL 22466197, at \*3 (W.D.N.C. Sept. 3, 2003) (“[C]laim preclusion applies not only to claims or counterclaims that could have been asserted in the earlier proceeding, but also to defenses that could have been raised in the earlier litigation and were not.”).

patentee's infringement claim.<sup>127</sup> In most civil cases, it is likely that the defense arises out of the same or a related set of facts that gave rise to the original cause of action, and this view most likely informed the Restatement's stance on precluding counterclaims. However, in patent litigation, a defense of invalidity is distinct from a cause of action based on infringement. A determination in a subsequent suit that a patent is actually invalid after the very same patent was found to be not invalid in an earlier suit fits precisely within the circumstances appropriate for claim preclusion given its independence from patentees' assertions. In sum, claim preclusion should not summarily be dismissed as a procedural tool for claims of patent invalidity.

Currently, when a patent is determined in the first proceeding to be not invalid on some ground, and a second suit is brought against a different defendant who asserts either the same or a different invalidity contention, preclusion is inapplicable.<sup>128</sup> This result is dictated by fairness since a defendant in a subsequent suit that was not in privity with the defendant in an earlier suit should have her rightful day in court and a chance to be heard without having to depend on the success of a non-representative.<sup>129</sup> By substituting claim preclusion for issue preclusion where a patent is adjudged not invalid on one ground in the first suit and new invalidity contentions are raised in the second suit and there is no mutuality between the parties, the fairness policy consideration is maintained. Claim preclusion does not apply, and the second defendant can have her day in court.

On the other hand, the full effect of preclusion law applies when there is mutuality of parties between suits. When a patent is adjudged not invalid in the first proceeding, the same defendant in the second proceeding is precluded from having a proverbial "second bite at the apple."<sup>130</sup> This result

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<sup>127</sup> See *Zip Dee, Inc. v. Dometic Corp.*, No. 93-C-3200, 1995 WL 238658, at \*1 (N.D. Ill. Apr. 19, 1995) (declaring that the validity of patent rights "may be determined without reference to the question whether another party's embodiment infringes on the patent"); see also *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1929 (2015) ("Validity and infringement are distinct issues, bearing different burdens, different presumptions, and different evidence." (quoting *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1374 (Fed. Cir. 2013) (Newman, J., concurring in part and dissenting in part))).

<sup>128</sup> See, e.g., *Env'tl. Designs, Ltd. v. Union Oil Co. of Cal.*, 713 F.2d 693, 699 n.9 (Fed. Cir. 1983) (noting that courts should hold patents not invalid given that such a holding is not binding on the patentee or future defendants).

<sup>129</sup> See *Allen Archery, Inc. v. Browning Mfg. Co.*, 819 F.2d 1087, 1091 (Fed. Cir. 1987) ("Some litigants—those who never appeared in a prior action—may not be collaterally estopped without litigating the issue. They have never had a chance to present their evidence and arguments on the claim. Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position." (quoting *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971))); see also *Monolithic Power Sys., Inc. v. O2 Micro Int'l Ltd.*, 476 F. Supp. 2d 1143, 1150 (N.D. Cal. 2007) (refusing to apply preclusion where a defendant's interest was not adequately represented by the defendant in the earlier action).

<sup>130</sup> See, e.g., *Applied Med. Res. Corp. v. U.S. Surgical Corp.*, 435 F.3d 1356, 1362-63 (Fed. Cir. 2006) (precluding the defendant from arguing that the patent-in-suit was invalid given that the

is one of the central goals of preclusion doctrine, which is maintaining fairness by preventing parties from relitigating matters that have already been decided against that party.<sup>131</sup> When a patent is determined to be not invalid, claim preclusion is more appropriate than issue preclusion in achieving this goal since what constitutes a “claim” is broader than what constitutes a “single issue.” The doctrine of claim preclusion makes clear that “a final judgment forecloses ‘successive litigation of the very same claim, whether or not relitigation of the claim raises the same issues as the earlier suit.’”<sup>132</sup> Therefore, applying claim preclusion when a patent is held not invalid in an earlier proceeding maintains the policy goals of preclusion doctrine while remaining faithful to the substantive legal principles underlying the doctrine.

## 2. Applying Federal Rule of Civil Procedure 12(b)(6)

When a patent is found to be invalid on any single ground in the first case and there is no simultaneous parallel proceeding, the court should not have to even reach the question of preclusion. Under these circumstances, the proper procedural tool for the defendant to rely on is a motion to dismiss for failure to state a claim.<sup>133</sup> The loss of a patent right means that the patentee cannot state a claim for infringement of that patent upon which any federal court is capable of granting monetary or equitable relief.<sup>134</sup> At first glance, it might seem odd that a patentee loses her property right when a patent is declared invalid by a court given that the PTO will still retain a copy of the patent, and there is no requirement to notify the PTO that a patent has been invalidated.<sup>135</sup> Nonetheless, it seems unlikely that patentees can continue to

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patent was adjudged not invalid in a previous action between the same parties); *see also* Betsy Johnson, Comment, *Plugging the Holes in the Ex Parte Reexamination Statute: Preventing a Second Bite at the Apple for a Patent Infringer*, 55 CATH. U. L. REV. 305, 323 (2005) (“[A] court’s final judgment that a patent is not invalid has a binding effect *only* on a defendant who has had a full and fair opportunity to litigate validity . . . .” (emphasis in original)).

<sup>131</sup> *See supra* note 20 and accompanying text.

<sup>132</sup> *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008) (quoting *New Hampshire v. Maine*, 532 U.S. 742, 748 (2001)); *see also* *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008) (“The rule [of claim preclusion] provides that when a court of competent jurisdiction has entered a final judgment on the merits of a cause of action, the parties to the suit and their privies are thereafter bound ‘not only as to every matter which was offered and received to sustain or defeat the claim or demand, but as to any other admissible matter which might have been offered for that purpose.’” (alteration in original) (quoting *Comm’r v. Sunnen*, 333 U.S. 591, 597 (1948))).

<sup>133</sup> *See* FED. R. CIV. P. 12(b)(6).

<sup>134</sup> *See* *Luten v. Allen*, 254 F. 587, 588 (D. Kan. 1918) (“[I]f it may be said the claims in the patent here in controversy are invalid for want of invention, the court should sustain the motion to dismiss the bill . . .”).

<sup>135</sup> *But see* 35 U.S.C. § 65 (1940) (providing patent disclaimer rules that are no longer in force, except to the limited extent that they are now embodied in 35 U.S.C. § 253 (2012)); *Triplett v. Lowell*, 297 U.S. 638, 644-46, 645 n.3 (1936) (analyzing the interplay between the Patent Act’s

assert invalid patents against any party after final appeals have been taken since the court has essentially determined that the government acted improperly in issuing a property right over the described invention. A judicial determination that a patent is invalid equates to the “loss” of a property right for the patentee, or more accurately, equates to a formal recognition that a property right never existed in the invention described therein.<sup>136</sup> At the very least, a technical statutory requirement that the PTO void invalidated patents could easily solve these doctrinal complexities. To the extent that viewing patent litigation as in personam cuts against this interpretation, there is considerable reason to believe that litigation over a patent’s validity is more properly characterized as in rem.<sup>137</sup> Thus, preclusion doctrine is wholly unnecessary in these limited circumstances.<sup>138</sup>

### 3. Staying Litigation

Applying claim preclusion consistently, when a patent is adjudged invalid on any single ground in the first case, and different invalidity contentions were raised by a defendant in a parallel proceeding, it will often be the case

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disclaimer provision and a judicial determination that a patent is invalid), *overruled in part by* *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971).

<sup>136</sup> See *Broad. Innovation LLC v. Charter Commc’ns Inc.*, No 1:03-CV-02223-ABJ, 2004 WL 4910037, at \*10 (D. Colo. Aug. 4, 2004) (indicating that there is no “precedent establishing a property right in an invalid patent” and concluding that “[i]t is counterintuitive to claim a substantial right in a property, in this case [a patent], that does not actually exist in light of [a court’s] invalidity conclusion”), *rev’d on other grounds*, 420 F.3d 1364 (Fed. Cir. 2005); see also Jay P. Kesan & Marc Banik, *Patents as Incomplete Contracts: Aligning Incentives for R&D Investment with Incentives to Disclose Prior Art*, 2 WASH. U. J.L. & POL’Y 23, 25 (2000) (stating that patents should be viewed as “a contingent property right” since a patent may be invalidated during post-issuance litigation); cf. *Nobelpharma AB v. Implant Innovations, Inc.*, 875 F. Supp. 481, 483 (N.D. Ill. 1995) (noting that determining the scope of the patentee’s property rights with respect to the enforceability of a patent following an allegation of inequitable conduct is moot after a judicial determination that the patent is invalid); *Universal Rim Co. v. Scott*, 21 F.2d 346, 350 (N.D. Ohio 1922) (discussing patent property rights in the context of licensing arrangements and noting that there never was a property right if a patent is ultimately declared invalid by a court); Gideon Parchomovsky & Alex Stein, *Intellectual Property Defenses*, 113 COLUM. L. REV. 1483, 1513-15 (2013) (equating invalidation of a patent with the loss of an intellectual property right). *But see* Note, *Patents—Procedure—Judgment Vacated Because Lower Court, Without Also Passing on Validity, Held Patent Not Infringed*, 62 HARV. L. REV. 521, 522 (1949) (indicating that the public benefit from a court inquiry into the invalidity of a patent is limited by the fact that patent suits are in personam); see also *supra* note 26 (citing cases that recognize the in personam nature of patent litigation and other cases questioning the legitimacy of this view).

<sup>137</sup> See Parchomovsky & Stein, *supra* note 136, at 1485 & n.4 (describing an intellectual property defense as “the inverse of a right in rem” and stating that “[a] defendant who successfully challenges an intellectual property right by establishing a general defense removes the compliance burden not only from herself, but also from all other members of our society”).

<sup>138</sup> Given that patentees are well-aware that they are unable to assert nonexistent patent rights following a final judgment of invalidity from a court of competent jurisdiction, this circumstance rarely, if ever, occurs.

that non-mutuality of the parties will bar preclusion. Parallel proceedings typically occur when a patentee sues multiple defendants in multiple jurisdictions simultaneously.<sup>139</sup> An invalidity determination in one jurisdiction against defendant *A* generally creates a situation in which defendant *B*—in another jurisdiction—wishes to immediately estop the patentee from claiming infringement over a nonexistent patent.<sup>140</sup> Although the party to be precluded—the patentee—was present in both proceedings, mutuality of both parties between the proceedings is noticeably absent. Therefore, since neither claim preclusion nor issue preclusion would be appropriate, the court must turn to alternative methods of disposition.

Under these circumstances, courts have considered either staying the litigation pending appeal of the first court's invalidity judgment or entering summary judgment for the defendant.<sup>141</sup> In *DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, the court determined that summary judgment was more appropriate than a stay of litigation.<sup>142</sup> The patentee sued two different defendants simultaneously for infringement of its '516 patent, one in the Southern District of New York and another in the Eastern District of Texas.<sup>143</sup> In both cases, the defendants claimed that the '516 patent was invalid for lack of patentable subject matter.<sup>144</sup> After the New York court determined that the patent was invalid under § 101 of the Patent Act, the Texas court determined that issue preclusion applied.<sup>145</sup> Faced with either staying the case pending

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<sup>139</sup> See, e.g., *Spectrum Pharm., Inc. v. Innopharma, Inc.*, No. 12-260-RGA-CJB, 2015 WL 3374922, at \*1-2 (D. Del. May 22, 2015) (explaining that the patentee had also sued a different defendant in a different jurisdiction at the same time, creating a "co-pending" action); see also *PersonalWeb Techs., LLC v. NEC Corp. of Am., Inc.*, No. 6:11-CV-655, 2013 WL 9600333, at \*9 (E.D. Tex. Mar. 21, 2013) (discussing the possibility of parallel patent proceedings in multiple courts against different defendants that would result from venue transfer).

<sup>140</sup> See, e.g., *DietGoal Innovations LLC v. Chipotle Mexican Grill, Inc.*, 70 F. Supp. 3d 808, 811 (E.D. Tex. 2014) (stating that the defendant wished to apply issue preclusion on the matter of patent invalidity based on a third party's successful arguments invalidating the plaintiff's patent under § 101); see also *SK hynix Inc. v. Rambus Inc.*, No. C-00-20905-RMW, 2013 WL 1915865, at \*8 (N.D. Cal. May 8, 2013) ("[I]n the patent context, an accused infringer may avoid liability by asserting collateral estoppel based on a third party's success in proving invalidity, despite the accused infringer's failure to prove invalidity in its own case.").

<sup>141</sup> See, e.g., *DietGoal Innovations*, 70 F. Supp. 3d at 811-12 (analyzing the appropriate disposition of a patent case following a determination in another court that the patent was invalid under § 101). While the *DietGoal Innovations* court considered a stay instead of summary judgment based on issue preclusion, the same analysis would apply if summary judgment were based on Federal Rule of Civil Procedure 12(b)(6). See, e.g., FED. R. CIV. P. 12(d) (treating motions to dismiss that involve evidence outside of the pleadings as motions for summary judgment).

<sup>142</sup> 70 F. Supp. 3d at 816.

<sup>143</sup> *Id.* at 811.

<sup>144</sup> *Id.*

<sup>145</sup> *Id.* at 812-15. Notably, the facts of this case represent the paradigmatic example where issue preclusion should apply. The exact same issue involving the same legal standard and the same evidence was before each court in both cases. Issue preclusion was therefore the appropriate procedural tool to use.

appeal of the New York judgment to the Federal Circuit or disposing of the case using Federal Rule of Civil Procedure 56 based on issue preclusion, the court chose the latter.<sup>146</sup> It reasoned that the defendants in the Texas case should “have the right to argue to the Federal Circuit that the decision in this case should be affirmed even if the circuit court reverses the decision in” the New York case.<sup>147</sup> The court stated that the defendants should be able to argue based on both issue preclusion and the merits on appeal and that the defendants should not have to rely on another defendant in another jurisdiction to make salient arguments to the Federal Circuit in its place.<sup>148</sup> Lastly, the court was concerned that a stay would work against the interest of bringing litigation to a close as quickly as possible.<sup>149</sup>

While these considerations make sense in the paradigmatic case where issue preclusion rightfully applies—where there is total identity of the issues between the two proceedings—the court’s arguments cut the other way when issue preclusion and claim preclusion, as examined in this Comment, do not properly apply. A fitting example is found in *Spectrum Pharmaceuticals, Inc. v. Innopharma, Inc.*<sup>150</sup> In that case, the patentee sued two different defendants simultaneously for infringement of the ‘829 patent, one in the District of Nevada and the other in the District of Delaware.<sup>151</sup> In the first Nevada proceeding, the patent was held invalid as obvious, but in the subsequent Delaware proceeding, the defendant asserted obviousness in light of different prior art not presented in the Nevada action.<sup>152</sup> Nonetheless, the Delaware court applied issue preclusion and cited *DietGoal Innovations* to support its recommendation that the case be disposed of on summary judgment.<sup>153</sup> However, in such cases where the evidence presented is not identical between the two cases, a stay appears to be the better option. Allowing the defendant to join its Nevada counterpart on appeal essentially permits the Federal Circuit to hear new arguments that were not accounted for in the final determination at the trial court level.<sup>154</sup> Specifically, the Delaware defendant may be able to argue for affirmation of the invalidity of the ‘829 patent on the merits, based on prior art that was not before the Nevada court, the only court to reach a final

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<sup>146</sup> *Id.* at 816.

<sup>147</sup> *Id.* at 815-16.

<sup>148</sup> *Id.* at 816.

<sup>149</sup> *Id.*

<sup>150</sup> No. 12-260-RGA-CJB, 2015 WL 3374922 (D. Del. May 22, 2015). The Reports and Recommendations of Magistrate Judge Burke were adopted in full by Judge Andrews. See *Spectrum Pharm. Inc. v. Innopharma Inc.*, No. 12-260, 2015 WL 4634827 (D. Del. Aug. 4, 2015).

<sup>151</sup> *Spectrum Pharm., Inc.*, 2015 WL 3374922, at \*2.

<sup>152</sup> *Id.* at \*5.

<sup>153</sup> *Id.* at \*4.

<sup>154</sup> See *Datascope Corp. v. SMEC, Inc.*, 879 F.2d 820, 822 n.1 (Fed. Cir. 1989) (“Appellees always have the right to assert alternative grounds for affirming the judgment that are supported by the record.”).

judgment on the merits. This works a fundamental unfairness on the patentee, and the *DietGoal Innovations* considerations for the appropriate disposition under the circumstances appear to fall apart.

Under the circumstances, where the paradigmatic case for issue preclusion is not at play and the first court adjudges the patent-in-suit invalid, the tentative final judgment is that the patentee no longer has a property right in the patent-in-suit.<sup>155</sup> Given that issue preclusion and claim preclusion are both inapplicable, and summary judgment would work a considerable unfairness upon the patentee, the best option is for courts to simply stay litigation in subsequent proceedings pending completion of all appeals in the first action.<sup>156</sup> After that time, if the patent remains invalid, the patentee can no longer state a cause of action involving that patent upon which relief may be granted, and the case should be summarily dismissed in the defendant's favor.<sup>157</sup> However, if an appeal overturns the trial court's determination of invalidity, the patentee enjoys full property rights in her limited monopoly and subsequent litigation should resume.<sup>158</sup> The practical effect of a stay under these circumstances is conservation of court and litigant resources, while also limiting opportunities for respondents to make unique, untried arguments for the first time on appeal to the Federal Circuit.

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<sup>155</sup> See *supra* note 135 and accompanying text (stating that when a patent is declared invalid by a court, the patentee "loses" her property right over the described invention); cf. Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents Under the Takings Clause*, 87 B.U. L. REV. 689, 693 (2007) ("It is beyond cavil that patents are property rights.").

<sup>156</sup> Some may suggest that entering summary judgment to dispose of a case is equivalent to staying the case given that if the earlier judgment is reversed on appeal, the plaintiff may seek relief from the judgment under Federal Rule of Civil Procedure 60(b)(5). See *Spectrum Pharm., Inc.*, 2015 WL 3374922, at \*6 n.6 ("In the event that the Federal Circuit reverses or vacates the [earlier] [a]ction, Plaintiffs may file a Federal Rule of Civil Procedure 60(b)(5) motion for relief from the judgment."); see also FED. R. CIV. P. 60(b)(5) (allowing a party to be released from a judgment if it depends upon an earlier judgment that is reversed or vacated). That argument is flawed, however, given that the policy considerations and effect on litigants are vastly different on appeal than when subject to a stay.

<sup>157</sup> In this instance, the case may be dismissed under Federal Rule of Civil Procedure 12(c) or 12(d), or even based upon a lack of standing. In *Filmtec Corp. v. Allied-Signal Inc.*, the court indicated that a party lacks standing if a claim for relief is based on a property right that it does not own. 939 F.2d 1568, 1571 (Fed. Cir. 1991). Following that logic, coupled with the notion that a final and non-appealable judicial determination that a patent is invalid equates to loss of a property right in the patented invention, patent invalidity would strip the patentee of standing to sue others based on the invention described therein. See *supra* note 135 and accompanying text (arguing that a patentee loses her property right when a patent is declared invalid by a court).

<sup>158</sup> See *Gatsinaris v. ART Corp. Sols., Inc.*, No. SACV-15-0741-DOC(DFMx), 2015 WL 3453454, at \*9 (C.D. Cal. May 29, 2015) (noting that patent law provides patentees with a "limited monopoly" and the right to exclude others from making, using, or selling the invention (quoting *Ethyl Gasoline Corp. v. United States*, 309 U.S. 436, 456 (1940))).

#### 4. Policy Considerations Favoring Application of the Proposed Procedural Framework

Policy considerations favor adoption of the procedural framework proposed by this Comment when courts are faced with adjudicating a subsequent patent dispute where the patent was found either invalid or not invalid in an earlier proceeding. Similar to application of issue preclusion, in the context of a patent held not invalid in a prior suit, application of claim preclusion prevents litigants from raising issues they could have raised earlier.<sup>159</sup> It also conserves court resources<sup>160</sup> and ensures the finality of the earlier judgment.<sup>161</sup> When a patent is held invalid in the first action, staying the litigation pending appeal prevents defendants from making new arguments on appeal that were never adjudicated at the district court level. Moreover, a stay has the benefit of preserving court resources and avoiding a determination that may undermine, or be inconsistent with, the final judgment of a peer court. On the whole, the proposed framework substitutes for the existing tools employed by courts to maintain the positive judicial policy considerations while simultaneously dispensing with the negative policy implications.

In addition to rectifying the policy problems arising from the application of issue preclusion and summary judgment based on preclusion or failure to state a claim, the proposed framework would also make patent law consistent with other areas of the law.<sup>162</sup> Under contract law, although there are numerous grounds upon which an agreement may be held unenforceable,<sup>163</sup>

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<sup>159</sup> See James P. Bradley & Kelly J. Kubasta, *Issue Preclusion as Applied to Claim Interpretation*, 10 TEX. INTELL. PROP. L.J. 323, 324-25 (2002) (treating barring relitigation of available grounds or defenses in an earlier action as the primary purpose of claim preclusion); Yvonne T. Kuczynski, Note, *Administrative Res Judicata and the Age Discrimination in Employment Act*, 89 COLUM. L. REV. 1111, 1112 n.5 (1989) (same).

<sup>160</sup> See Note, *Claim Preclusion in Modern Latent Disease Cases: A Proposal for Allowing Second Suits*, 103 HARV. L. REV. 1989, 1992 n.12 (1990) (citing conservation of “scarce judicial resources” as a main goal of claim preclusion).

<sup>161</sup> See Barbara Ann Atwood, *State Court Judgments in Federal Litigation: Mapping the Contours of Full Faith and Credit*, 58 IND. L.J. 59, 69 (1982) (indicating that “finality and consistency of judicial determinations” are “core values” of claim preclusion).

<sup>162</sup> The Supreme Court has increasingly taken aim at the Federal Circuit’s unique application of legal standards in patent law as compared to other areas of the law. See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 394 (2006) (indicating that the preliminary injunction standard is no different in patent law than it is in other areas of the law).

<sup>163</sup> A contract may be unenforceable due to unconscionability, public policy, fraud, misrepresentation, undue influence, or one of various other grounds, each requiring unique evidence and involving different legal standards. See Geoffrey P. Miller, *Bargains Bicoastal: New Light on Contract Theory*, 31 CARDOZO L. REV. 1475, 1487 (2010) (indicating that the validity of a contract may be challenged based on grounds of “duress, unconscionability, public policy, statute of frauds, and mistake”); Stephen J. Ware, *Arbitration Law’s Separability Doctrine After Buckeye Check Cashing, Inc. v. Cardegna*, 8 NEV. L.J. 107, 121 (2007) (stating that a contract may be “unenforceable due to misrepresentation” or “illegality”); Mark B. Wessman, *Should We Fire the Gatekeeper? An Examination*

courts have applied claim preclusion rather than issue preclusion.<sup>164</sup> Under bankruptcy law, courts have applied claim preclusion to bar litigation of all claims that could have been raised as defenses in an earlier proceeding.<sup>165</sup> Furthermore, in cases involving statutory interpretation, although it may be possible to argue the invalidity of a statute or agency determination on numerous grounds, courts have applied claim preclusion to bar litigation of claims that were raised or could have been raised in an earlier action between the same parties.<sup>166</sup> Claim preclusion has worked as a preferred vehicle for disposing of cases across numerous areas of civil law when a desired result is capable of being argued by litigants on numerous grounds. The proposed framework discussed here would align patent law and other areas of civil law.

### CONCLUSION

Reversing more than forty years of precedent is no small task, but the rewards for doing so are large. Litigants' incentives and judicial policy considerations favor moving away from blind application of issue preclusion in the patent invalidity context, save for the paradigmatic case in which the evidence and assertions are totally identical. Importantly, although the Federal Circuit does appear to have taken the stance that claim preclusion does not apply to patent invalidity defenses,<sup>167</sup> the Federal Circuit has not yet decided what constitutes a "single issue" for purposes of issue preclusion.<sup>168</sup> Regardless of the ultimate approach courts select, it remains true that issue preclusion and claim preclusion

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*of the Doctrine of Consideration*, 48 U. MIAMI L. REV. 45, 52 (1993) (noting that agreements may be invalidated based on "fraud . . . or undue influence").

<sup>164</sup> See *Gravelle v. Kaba Ilco Corp.*, No. 5:13-CV-642-FL, 2014 WL 1513138, at \*2-3 (E.D.N.C. Apr. 16, 2014) (applying claim preclusion to prevent relitigation of an unenforceability claim between identical parties); see also *AVX Corp. v. Cabot Corp.*, No. 04-10467-RGS, 2006 WL 2042347, at \*2 (D. Mass. July 21, 2006) (refusing to preclude a new unenforceability argument, even though the contract had previously been held enforceable). Not all courts follow suit, however, and implementing this framework to these complicated issues may bring greater consistency across areas of the civil law. See *City of Alexandria v. Davidson*, No. 14-0723, 2014 WL 2891438, at \*6 (W.D. La. June 25, 2014) (treating enforceability of a contract as a single issue for purposes of issue preclusion).

<sup>165</sup> See, e.g., *In re Chew*, 496 F.3d 11, 17-19 (1st Cir. 2007) (applying claim preclusion to bar creditors' requests for a constructive trust since it could have been raised in an earlier action). See generally *In re Nat'l Century Fin. Enters., Inc., Inv. Litig.*, 497 F. App'x 491, 496-500 (6th Cir. 2012) (applying claim preclusion to bar relitigation of similar claims between bankruptcy proceedings).

<sup>166</sup> See, e.g., *United States v. 5 Unlabeled Boxes*, 572 F.3d 169, 173-76 (3d Cir. 2009) (using preclusion doctrine to prevent relitigation of statutory interpretation claims seeking to invalidate a final rule from the FDA).

<sup>167</sup> See *Foster v. Hallco Mfg. Co., Inc.*, 947 F.2d 469, 478-80 (Fed. Cir. 1991) (holding that claim preclusion is inapplicable to patent invalidity contentions); see also *supra* notes 122-123 and accompanying text (discussing the Federal Circuit's approach to claim preclusion in this context).

<sup>168</sup> *Evonik Degussa GmbH v. Materia Inc.*, 53 F. Supp. 3d 778, 793 (D. Del. 2014).

are distinct doctrines for a reason.<sup>169</sup> Defining an issue under preclusion law is a complex matter, and patent invalidity is no exception. Rigorous application of the Restatement guidelines for defining a single issue under issue preclusion will yield predictable results in patent law—namely the inapplicability of issue preclusion to many patent invalidity determinations from earlier actions.

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<sup>169</sup> See generally WRIGHT, MILLER & COOPER, *supra* note 119, § 4406 (describing policy differences between claim and issue preclusion).

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