

**IN THE UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF ARKANSAS
WESTERN DIVISION**

JOHN BEAN TECHNOLOGIES CORPORATION

PLAINTIFF

VS.

4:14-CV-00368-BRW

MORRIS & ASSOCIATES, INC.

DEFENDANT

ORDER

Pending is Defendant’s Motion for Summary Judgment (Doc. No. 213). A response, reply, and sur-reply were filed.¹ For the reasons set out below, the motion is GRANTED IN PART and DENIED IN PART. Defendant’s motion for summary judgment on equitable intervening rights is GRANTED and is DENIED as to prosecution laches.

I. BACKGROUND

Both parties manufacture, sell, and maintain “high side” auger-type poultry chillers. Plaintiff alleges patent infringement because Defendant’s chiller “is a copycat of [its] innovative FATCAT chiller system that embodies the patented invention of the ‘622 patent.”² Plaintiff contends that, since May 9, 2014, Defendant’s have been making and selling chillers that “include all of the features recited in the claims of the ‘622 patent” resulting in direct infringement of the ‘622 patent under 35 U.S.C. § 271.³

The ‘622 patent was issued to Plaintiff on June 4, 2002. In a June 27, 2002 letter, Defendant told Plaintiff that it believed the claims in the ‘622 patent were not valid. On December 18, 2013 – eleven years later – Plaintiff filed a request for *ex parte* reexamination with

¹Doc. Nos. 225, 229, 233.

²Doc. No. 4.

³Doc. No. 1.

the United States Patent and Trademark Office (“USPTO”).⁴ Initially, the USPTO rejected Plaintiff’s patent, noting that both claims 1 and 2 involved numerous elements that were obvious or anticipated by other patents. In response to the rejection, Plaintiff amended claims 1 and 2 and added six additional claims. On May 9, 2014, the USPTO issued a reexamination certificate. Six weeks later, Plaintiff filed the complaint in this case, alleging infringement on all claims in the ‘622 patent since the reexamination (May 9, 2014) was issued and willful infringement since service of the complaint in this case.⁵

On December 14, 2016, I granted Defendant’s Motion for Summary Judgment, finding that the case was barred by both laches and equitable estoppel.⁶ On April 19, 2018, the Court of Appeals for the Federal Circuit reversed the ruling.⁷ The court held that “the amendments made during reexamination were both substantial and substantive.”⁸ It also noted that “because the asserted claims did not exist at, or were substantively altered since, the time [Defendant] sent [Plaintiff] the Demand Letter, [Plaintiff] could not have engaged in misleading conduct or silence with respect to those claims.”⁹ However, in a footnote, the court added that Defendant may still have “recourse in equity” under “the affirmative defenses of absolute and equitable intervening rights.”¹⁰

⁴*Id.*

⁵*Id.*

⁶Doc. No. 174.

⁷*John Bean Technologies Corporation v. Morris & Associates, Inc.*, 887 F.3d 1322 (Fed. Cir. 2018).

⁸*Id.* at 1328.

⁹*Id.*

¹⁰*Id.* at 1328 n.2.

II. DISCUSSION

In its motion for summary judgment, Defendant asserts that Plaintiff's patent-infringement claims are barred by equitable intervening rights and prosecution laches.

A. Equitable Intervening Rights

A defendant may continue to manufacture and sell the alleged infringing product if it can establish equitable intervening rights.¹¹ The purpose of the statute is to protect investments which have been made in good faith reliance on some perceived infirmity in the original patent.¹² For the doctrine to apply, the claim must either be amended or new.¹³ That fact is undisputed in this case. Additionally, according to the Court of Appeals for the Federal Circuit, these changes were substantial and substantive. Now there are several factors I may consider when assessing the merits of an equitable intervening rights defense:

(1) whether substantial preparation was made by the infringer before the reissue; (2) whether the infringer continued manufacturing before reissue on advice of its patent counsel; (3) whether there were existing orders or contracts; (4) whether non-infringing goods can be manufactured from the inventory used to manufacture the infringing product and the cost of conversion; (5) whether there is a long period of sales and operations before the patent reissued from which no damages can be assessed; and (6) whether the infringer made profits sufficient to recoup its investment.¹⁴

¹¹35 U.S.C. § 252. *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012) (“Although intervening rights originated as a defense against patents modified through reissue procedures, the doctrine has since been extended to the context of patent reexamination.”).

¹²*Halliburton Co. v. W. Co. of N. Am.*, No. CIV 85-430-R, 1988 WL 391521, at *14 (W.D. Okla. Nov. 3, 1988).

¹³*Marine Polymer Techs., Inc.*, 672 F.3d at 1363 (Under the statute, “the first question when assessing whether intervening rights arose from a reexamination is whether the asserted claim is ‘amended or new’ . . .”).

¹⁴*Visto Corp. v. Sprogit Technologies, Inc.*, 413 F. Supp. 2d 1073, 1090 (N.D. Cal. 2006) (citing *Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985)).

Substantial preparation – Plaintiff asserts that “the accused products are custom products, so [Defendant] does nothing to manufacture those products until after the customer places the order.”¹⁵ This argument ignores Defendant’s years of research, developments, investments, improvements, promotion, and goodwill associated with the accused product.¹⁶ In fact, Defendant converted nearly 2/3 of its business to selling the accused product.¹⁷ The evidence supports the inference that Defendant made “substantial preparation” before Plaintiff was issued the reexamined ‘622 patent.

Advice of Counsel – Defendant also provided evidence that it continued manufacturing before reexamination on advice of its patent counsel. Immediately after the ‘622 patent was issued in 2002, Defendant’s counsel concluded that the patent was invalid. Defendant then informed Plaintiff of its position, and asked Plaintiff to respond if it disagreed with its conclusions regarding the invalidity of the ‘622 patent. Plaintiff did not respond and allegations of infringement were not raised until the reexamination patent was issued over a decade later. Accordingly, Defendant reasonably concluded that Plaintiff either agreed that the patent was invalid or did not intend to enforce its rights under the patent. Notably, the USPTO’s initial determination at reexamination was the same as Defendant’s lawyers conclusion – the patent was invalid. Defendant also sought advice of counsel after the reexamination and determined that several equitable defenses would prevent Plaintiff’s enforcement of the ‘622 patent.

¹⁵Doc. No. 225.

¹⁶Doc. No. 228-1. *2-Way Computing, Inc. v. Sprint Nextel Corp.*, No. 2:11-CV-12 JCM PAL, 2014 WL 2960455, at *5 (D. Nev. June 27, 2014) (finding that substantial preparations existed when a “invested billions of dollars into its network in order to achieve consistent and reliable push-to-talk functionality.”).

¹⁷Doc. No. 229.

Existing Orders – Another consideration is whether there were existing orders or contracts before the reexamination. Based on the record, there appear to have been 12 orders for the accused product placed just before Plaintiff obtained its reexamination certificate. However, 74 more accused products were made and manufactured after the reexamination certification was issued.¹⁸

Conversion – A court may also consider whether non-infringing goods can be manufactured from the inventory used to manufacture the infringing product and the cost of conversion. Plaintiff asserts that this is not an issue because the products are custom made, and only produced after they are ordered by a customer.¹⁹ While this may be true, many of the additional products Defendant design and sells are accessories specific to the alleged infringing product.

Long Period of Sales and Recoupment of Investment – Whether there is a long period of sales and operations before the patent reexamination and whether the infringer has made profits sufficient to recoup its investment are relevant considerations. It is undisputed that there was a long period of sales and Defendant has recouped its investment. However, the inquiry should not stop there. As mentioned earlier, while Plaintiff sat on its hands before seeking reexamination, Defendant converted nearly 2/3 of its business to selling the accused product. Requiring a company to eliminate 2/3 of its business because a patent holder, after a decade, decided to seek reexamination and enforce the patent is inequitable. Additionally, permitting enforcement could potentially put Defendant out of business, which would eliminate most, if not all of Plaintiff's domestic competition, since there are very few domestically-based

¹⁸Doc. No. 228-1.

¹⁹Doc. No. 225.

manufacturers of similar products. Plaintiff recognized this in 2002, when it decided it would be better to compete against Defendant than put it out of business because “a Euro conglomerate with much greater resources” would be a less desirable competitor.²⁰ Apparently, Plaintiff’s position today is different than it was 16 years ago, but allowing it to use reexamination now as a way to provide a competitive advantage that did not exist in 2003 would be inequitable.

Good Faith and Bad Faith – A court may also consider “the relative degrees of good or bad faith exercised by the parties.”²¹ In 2002, Defendant advised Plaintiff that it believed the patent was invalid, but Plaintiff waited 11 years before seeking reexamination.²² Admittedly, Plaintiff chose not to enforce the patent because Plaintiff believed the status quo was advantageous. “[T]he new reissued claims in this case present a compelling case for the application of the doctrine of intervening rights because a person should be able to make business decisions secure in the knowledge that those actions which fall outside the original patent claims are protected.”²³

Notably, Defendant informed Plaintiff years ago that its ‘622 patent was invalid, and when Plaintiff finally requested reexamination, the USPTO made that same finding. It initially rejected Plaintiff’s request because both claims 1 and 2 involved numerous elements that were obvious or anticipated by other patents. In response, Plaintiff’s made some changes to claims 1 and 2 and added other claims, which resulted in the USPTO issuing a reexamination certificate.

²⁰Doc. No. 172-1.

²¹*2-Way Computing, Inc. v. Sprint Nextel Corp.*, 2014 WL 2960455, at *5.

²²Doc. No. 32-2.

²³*Seattle Box Co.*, 756 F.2d at 1580.

Not only does Plaintiff appear to have acted in bad faith when interacting with Defendant, it also appears to have acted in bad faith when communicating with the USPTO. In its request for reexamination, Plaintiff asserted that the “Morris ‘000 [patent], therefore, raises a substantial new question of patentability as to claims 1-2.”²⁴ However, there was no substantial new question. Eleven years earlier, Defendant informed Plaintiff that it believed the patent was invalid, and specifically referenced the Morris ‘000 patent. Defendant noted that the Morris ‘000 patent “was not described in the references argued on behalf of [Plaintiff and] . . . it was not brought to the attention of the examiner . . . as it should have been.”²⁵ Instead of seeking USPTO then, Plaintiff made “a conscious decision” to proceed without clearing up the issue or enforcing its patent rights.

After balancing the equities and considering the totality of the circumstances, I find that Defendant is entitled to equitable intervening rights, which allows it to continue to manufacture and sell chillers that may infringe on the ‘622 patent.

B. Prosecution Laches

Defendant also contends that it is entitled to prosecution laches. For prosecution laches, “[t]he applicant’s pecuniary interest in the patent cannot by itself make an otherwise unexplained delay in prosecution reasonable.”²⁶ This appears to have Plaintiff’s rationale for delaying reexamination in this case. However, it is irrelevant here, “[b]ecause prosecution laches applies to the conduct of a patent applicant prior to the issuance of a patent”²⁷

²⁴Doc. No. 213-6 (emphasis added).

²⁵Doc. No. 32-2.

²⁶*Reiffin v. Microsoft Corp.*, 270 F. Supp. 2d 1132, 1153 (N.D. Cal. 2003).

²⁷*Id.* at 1154.

Defendant complains about Plaintiff's conduct after it was issued a patent and before it sought reexamination. The parties cited no case law (nor could I find any) that applies prosecution laches when a party already has a patent but delays reexamination for some strategic reason. Accordingly, Defendant's motion for summary judgment on prosecution laches is DENIED.

CONCLUSION

Accordingly, Defendant's Motion for Summary Judgment (Doc. No. 213) is GRANTED IN PART and DENIED IN PART. Defendant's motion for summary judgment on equitable intervening rights is GRANTED and is DENIED as to prosecution laches.

IT IS SO ORDERED this 23rd day of September, 2019.

Billy Roy Wilson
UNITED STATES DISTRICT JUDGE