

Nos. 20-1090, 20-1148

United States Court of Appeals
for the
Federal Circuit

JOHN BEAN TECHNOLOGIES CORPORATION,

Plaintiff-Appellant,

— v. —

MORRIS & ASSOCIATES, INC.,

Defendant-Cross-Appellant.

Appeal from the United States District Court for the
Eastern District of Arkansas No. 4:14-cv-00368-BRW
Judge Billy Roy Wilson

**COMBINED PETITION FOR REHEARING AND
REHEARING EN BANC FOR PLAINTIFF-APPELLANT
JOHN BEAN TECHNOLOGIES CORPORATION**

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March 16, 2021

CERTIFICATE OF INTEREST

1. The full name of every party represented by me:

John Bean Technologies Corporation (“John Bean”)

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me:

The party named in the caption is the real party in interest.

3. All parent corporations and any publicly held companies that own 10% or more of the stock of John Bean Technologies Corporation:

None

4. The names of all law firms and the partners and associates that have appeared for John Bean Technologies Corporation in the trial court or are expected to appear in this Court:

Wright, Lindsey & Jennings LLP: Roger A. Glasgow, Kyle R. Wilson, Scott A. Irby

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court’s decision in the pending appeal.

None

6. Organizational victims and bankruptcy cases under Fed. R. App. P. 26.1(b)–(c).

Not applicable.

Date: March 16, 2021

/s/ Gary D. Marts, Jr.
Gary D. Marts, Jr.

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STATEMENT OF COUNSEL

Based on my professional judgment, I believe the panel decision conflicts with these precedents of this Court:

- *Ferring B.V. v. Allergan, Inc.*, 980 F.3d 841 (Fed. Cir. 2020)
- *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350 (Fed. Cir. 2012)
- *Shockley v. Arcan, Inc.*, 248 F.3d 1349 (Fed. Cir. 2001)
- *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770 (Fed. Cir. 1995)
- *BIC Leisure Prod., Inc. v. Windsurfing Int'l, Inc.*, 1 F.3d 1214 (Fed. Cir. 1993)
- *Seattle Box Co. v. Indus. Crating & Packing Inc.*, 756 F.2d 1574 (Fed. Cir. 1985).

Consideration by the full Court is therefore necessary to secure and maintain uniformity of the court's decisions.

Based on my professional judgment, I also believe that this appeal requires an answer to one or more precedent-setting questions of exceptional importance:

- Whether an equitable affirmative defense like equitable intervening rights negates infringement and thus excuses a district court from considering willfulness in determining whether the defendant has unclean hands.
- Whether a district court may ignore a plaintiff's arguments on the defendant's unclean hands when granting summary judgment on an equitable affirmative defense.

/s/ Gary D. Marts, Jr.

Gary D. Marts, Jr.

*Attorney for Plaintiff-Appellant John
Bean Technologies Corporation*

**POINTS OF LAW OR FACT
OVERLOOKED BY THE PANEL**

By holding that the district court’s finding of equitable intervening rights negated Morris & Associates, Inc.’s (“Morris”) infringement and made it unnecessary to consider Morris’s willfulness when determining whether it had unclean hands, the panel overlooked or misunderstood precedents of this Court.

First, this Court’s precedent establishes that equitable intervening rights—like all affirmative defenses—does not negate infringement but instead prohibits or limits damages for the infringement. *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012); *BIC Leisure Prod., Inc. v. Windsurfing Int’l, Inc.*, 1 F.3d 1214, 1221 (Fed. Cir. 1993); *Seattle Box Co. v. Indus. Crating & Packing Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985). Yet the panel ruled that “once the district court granted Morris’s motion for summary judgment on the affirmative defense of equitable intervening rights, it did not have to reach the question of willful infringement.” Op. 10. That ruling contradicts the above precedents.

Second, this Court’s precedent establishes that a district court’s failure to consider willfulness in the context of an equitable affirmative

defense is reversible error. *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770 (Fed. Cir. 1995). But the panel decision contradicted that decision by concluding that the district court “did not have to reach the question of willful infringement.” Op. 10.

Third, this Court’s precedent establishes that a district court’s failure to consider all of a plaintiff’s arguments on unclean hands when granting summary judgment on an equitable affirmative defense is reversible error. *Ferring B.V. v. Allergan, Inc.*, 980 F.3d 841 (Fed. Cir. 2020). But the panel dismissed John Bean’s citation to *Ferring* as “unpersuasive” without further explanation, even though like the reversed district court in *Ferring*, the district court did not consider or discuss John Bean’s arguments that Morris had unclean hands.

/s/ Gary D. Marts, Jr.

Gary D. Marts, Jr.

*Attorney for Plaintiff-Appellant John
Bean Technologies Corporation*

RELEVANT BACKGROUND

John Bean sued Morris for infringing U.S. Patent No. 6,397,622 (the “622 patent”), a patent issued in 2002 and held by John Bean that covers an auger-type poultry chiller used to process poultry for human consumption. Appx47, Appx52, Appx56, Appx140–145.

A little more than 11 years after issuance of the ’622 patent, John Bean filed a successful request for ex parte examination of the ’622 patent before the USPTO. Appx53. The USPTO issued a reexamination certificate in May 2014 with two amended claims and six new claims. Appx3. The next month, John Bean sued Morris for post-reexamination infringement of the ’622 patent, alleging that Morris infringed the ’622 patent by making, marketing, and selling chillers including all the features recited in the claims of the ’622 patent. Appx31–32. John Bean later amended its complaint to allege willful infringement. Appx140–145.

In 2016, the district court granted summary judgment for Morris based on its affirmative defenses of laches and equitable estoppel. Appx3. John Bean appealed, and this Court reversed the summary judgment and remanded the case to the district court. *John Bean Tech.*

Corp. v. Morris & Assoc., Inc., 887 F.3d 1322 (Fed. Cir. 2018). Morris unsuccessfully sought certiorari in the United States Supreme Court, after which the case returned to the district court. Appx3. Right after the remand, Morris again moved for summary judgment, this time on equitable intervening rights. Appx3.

In response to that motion, John Bean contested whether Morris had established the necessary elements to justify granting equitable intervening rights. Appx973–978. John Bean also argued that genuine issues of material fact remained on the equities between the parties. Appx978–980. That argument rested on disputed facts over (1) a story that Morris had told about a letter it sent in the weeks after issuance of the '622 patent in June 2002 and (2) Morris's willful infringement of the '622 patent. *Id.* On the first issue, John Bean presented evidence showing that Morris had lied in the letter. *Id.* On the second issue, John Bean showed that Morris had willfully infringed the '622 patent because it knew about the patent, believed that its products infringed the patent, but continued infringing the patent anyway. *Id.* The district court granted summary judgment for Morris without

considering either of those arguments, awarding Morris equitable intervening rights for the life of the '622 patent. Appx5–8.

John Bean again appealed to this Court. John Bean made several arguments in its briefing and at oral argument, but of particular significance to this petition are its arguments about Morris's willful infringement. On that issue, John Bean made three separate arguments. First, John Bean argued that the district court erred in disregarding Morris's willful infringement—an issue on which Morris never moved for summary judgment—when it weighed the equities. Doc. 15 at 36–39. Second, John Bean argued that the district court's failure to consider willful infringement created a separate error because willful infringement, a fact question that goes to a jury, remained unresolved and presented the possibility of a finding that would preclude Morris from accessing equity. *Id.* at 40–41. Third, John Bean argued that the district court abused its discretion by disregarding its arguments on Morris's unclean hands. *Id.* at 35.

About a month after oral argument, the Court issued its opinion in *Ferring B.V. v. Allergan, Inc.*, 980 F.3d 841 (Fed. Cir. 2020), which addressed a district court considering and rejecting unclean hands

arguments but discussing only three of the party's four separate arguments. *Id.* at 858. Because the district court did the same thing here, John Bean submitted a Fed. R. App. P. 28(j) letter notifying the panel about *Ferring*. Doc. 49. Morris responded, claiming that the district court "acknowledged John Bean's allegation of willful infringement." Doc. 50. To support that claim, Morris cited a page of the district court's opinion that mentioned willful infringement in the context of summarizing John Bean's complaints, not a discussion of the issue. Appx3.

On February 19, 2021, the panel affirmed the district court decision. On the willful infringement issue, the panel collapsed its consideration of both arguments into a single discussion. Op. at 10.¹ Starting from the observation that "if there is no infringement, there cannot be willful infringement," the panel ruled that "once the district court granted Morris's motion for summary judgment on the affirmative defense of equitable intervening rights, it did not have to reach the question of willful infringement." *Id.* At that point, the panel concluded, "John Bean was left with no basis to pursue a willful

¹ A copy of the panel decision appears in this petition's addendum.

infringement claim.” *Id.* The panel dismissed John Bean’s Rule 28(j) letter as “unpersuasive” without further discussion. *Id.*

ARGUMENT

By ruling that the affirmative defense of equitable intervening rights negates willful patent infringement, the panel opinion contradicted precedent establishing that the defense merely excuses infringing conduct and therefore does not negate it. The district court's equitable intervening rights ruling thus could not preclude the possibility of conduct amounting to willful infringement. And the panel opinion also contradicted precedent of this Court establishing that a district court commits reversible error when it grants summary judgment on an equitable affirmative defense without considering arguments and evidence of willfulness. Finally, the panel opinion contradicts precedent of this Court establishing that a district court commits reversible error when it grants summary judgment on an equitable affirmative defense but fails to consider all of the plaintiff's arguments that the defendant has unclean hands. These errors warrant rehearing by the panel or by the Court sitting en banc to secure and maintain the uniformity of the Court's decisions. Fed. R. App. P. 35; Fed. R. App. P. 40.

I. The panel erred in treating equitable intervening rights as negating infringement when this Court’s precedent establishes that the defense excuses infringement.

As the panel summarized, John Bean argued on appeal “that the district court erred by granting Morris summary judgment in light of outstanding genuine issues of material fact concerning Morris’s willful infringement, which would make Morris a bad actor to whom equitable defenses are unavailable.” Op. 6. The panel rejected that argument because granting equitable intervening rights meant that “there is no infringement” and thus “there cannot be willful infringement.” Op. 10. That reasoning contradicts previous holdings of the Court, which establish that affirmative defenses like equitable intervening rights excuse—and do not negate—infringement and that a failure to consider willful infringement in weighing the equities is reversible error.

Equitable intervening rights is an affirmative defense.

Windsurfing Int’l Inc. v. AMF, Inc., 782 F.2d 995, 1003 (Fed. Cir. 1986).

An affirmative defense generally “limits or excuses a defendant’s

liability even if the plaintiff establishes a prima facie case.” *Bell v.*

Taylor, 827 F.3d 699, 705 (7th Cir. 2016) (citations omitted). “In other

words,” an affirmative defense is a “defendant’s assertion of facts and

arguments that, if true,” will defeat the plaintiff’s claim, “even if all the allegations in the complaint are true.” *Id.* (citations and internal quotation marks omitted); *see also Parkinson v. Dep’t of Justice*, 874 F.3d 710, 721 n.9 (Fed. Cir. 2017) (Plager, J., dissenting) (using the same definition) (quoting *Black’s Law Dictionary*). Courts thus distinguish between affirmative defenses and defenses that “negate an element of the plaintiff’s prima facie case; these defenses are excluded from the definition of affirmative defense.” *Ford Motor Co. v. Transp. Indem. Co.*, 795 F.2d 538, 546 (6th Cir. 1986) (citations omitted). Affirmative defenses do not negate the facts establishing a plaintiff’s claims—they simply limit or excuse liability for the defendant’s actions.

This Court has long recognized that distinction in applying equitable intervening rights and other equitable defenses. The Court thus has never held that equitable intervening rights negate infringement of any sort, much less willful infringement. Consistent with the general understanding of affirmative defenses, the Court has treated equitable intervening rights as excusing or allowing infringement by preventing the patentee from collecting damages for the infringement.

Thus, under the defense, “one may be able to *continue to infringe* a reissue patent if the court decides that equity dictates such a result.” *Seattle Box Co. v. Indus. Crating & Packing Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985) (emphasis added). Several years later, the Court said that equitable intervening rights “addresses a damages issue—the identification of those sales [of the infringing product] that properly serve as a measure of [a plaintiff’s] damages.” *BIC Leisure Prod., Inc. v. Windsurfing Int’l, Inc.*, 1 F.3d 1214, 1221 (Fed. Cir. 1993). The defense does “not become an issue” until a plaintiff “secure[s] a liability judgement” against a defendant. *Id.* In other words, infringement may continue to occur, with the defense serving “to *mitigate liability for infringing* such claims even as to products made or used after the reissue if the accused infringer made substantial preparations for the infringing activities prior to reissue.” *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012) (emphasis added). The panel thus erred in holding that equitable intervening rights negated the possibility of infringement.

That error led to a mistaken affirmance of the district court. Finding equitable intervening rights might have made consideration of

ordinary infringement unnecessary because the affirmative defense would have excused any liability. But willful infringement has relevance in the equitable intervening rights analysis separate from the liability determination. That relevance arises through the unclean hands doctrine, which “closes the doors of a court of equity to one tainted with inequity or bad faith relative to the matter in which he seeks relief.” *Gilead Scis., Inc. v. Merck & Co.*, 888 F.3d 1231, 1239 (Fed. Cir. 2018) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806 (1945)).

A party like Morris that willfully infringes a patent bears that taint and cannot access equity. *See Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1361 (Fed. Cir. 2001) (affirming district court’s denial of equitable intervening rights to defendant whose infringement was willful). The relevance of willfulness to that inquiry stands independent of the liability determination, as shown by the Court’s conclusion that even if a plaintiff does not plead willfulness, consideration of facts relevant to the issue is still “dictated by the equities.” *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 563 F.3d 1358, 1373 (Fed. Cir. 2009) (emphasis in the original) (considering case in which a district court denied equitable

intervening rights based on willful infringement without a claim of willful infringement).²

So a court considering the affirmative defense of equitable intervening rights cannot simply dispense with the question of willful infringement in the way that the panel decision permits. *Shockley* recognizes that willful infringement by itself justifies rejecting an equitable intervening rights defense so that a district court need not even consider whether the infringer made substantial preparations before the issue date of the patent. 248 F.3d at 1361. The district court therefore could not merely dispense with the willfulness inquiry because it found that equitable intervening rights otherwise applied—willfulness has an independent, determinative role in the weighing of the equities. The panel’s ruling thus contradicts those cases.

By holding that a district court need not consider willfulness as part of the equitable analysis, the panel decision also contradicts *Gasser*

² The panel decision’s discussion of willfulness ends by stating that granting equitable intervening rights left John Bean “with no basis to pursue a willful infringement claim.” Op. 10. That statement is incorrect for the reasons discussed above. But *Revolution Eyewear* shows that the statement is incorrect in another way—John Bean needed no willful infringement claim for willfulness to be a factor in the equitable intervening rights analysis.

Chair Co., Inc. v. Infanti Chair Mfg. Corp., 60 F.3d 770 (Fed. Cir. 1995). In *Gasser*, this Court reversed a finding of laches and equitable estoppel because the district court disregarded evidence that the infringement was willful. *Id.* The logic of the panel decision here would have required a different outcome in *Gasser*. Under that logic, the *Gasser* district court would not have erred because once it granted summary judgment on the affirmative defenses of laches and equitable estoppel, considering willful infringement would have been unnecessary. The panel decision thus contradicts *Gasser* by excusing the very failure that was reversible error in *Gasser*.

Rehearing is therefore necessary to correct the panel decision's contradiction of this Court's previous holdings on the function of equitable intervening rights as an affirmative defense and its holding in *Gasser*.

II. The panel contradicted *Ferring* by affirming a district court ruling that failed to consider John Bean's arguments on the equities.

The panel decision also contradicted *Ferring*. In *Ferring*, the Court considered a district court's grant of equitable estoppel, which requires a court to consider the equities between the parties even if the

defendant otherwise establishes the elements of the affirmative defense. 980 F.3d at 857. Plaintiff Ferring “raised four bases to support the argument that Defendants’ unclean hands should preclude the district court from granting equitable relief.” *Id.* But that district court “discussed only Ferring’s first three arguments” when it rejected all of Ferring’s unclean hands arguments, leaving “no basis to infer that the district court considered” the evidence presented on the unaddressed point. *Id.* at 858. The Court thus concluded that the “district court abused its discretion in granting summary judgment of equitable estoppel because the court failed to consider all relevant evidence regarding the equities of the parties” and reversed the ruling. *Id.*

Like equitable estoppel, equitable intervening rights requires consideration of various factors specific to the affirmative defense and consideration of the equities between the parties. *See Shockley*, 248 F.3d at 1361 (affirming district court denial of equitable intervening rights based only on unclean hands). And like *Ferring*, John Bean argued multiple bases at the district court that Morris had unclean hands that precluded it from equitable relief. First, Morris lied about an allegation of infringement that it made in a letter to John Bean right

after issuance of the '622 patent. Second, Morris willfully infringed the patent. Like the district court in *Ferring*, the district court here did not consider all of John Bean's arguments. In fact, the district court considered neither of those arguments in its weighing of the equities. Appx7–8. Its opinion never mentions John Bean's evidence that Morris lied, and it mentions willful infringement only in passing without considering the evidence of it that John Bean presented it.

The Court decided *Ferring* after oral argument here, so John Bean presented the decision to the panel in a Rule 28(j) letter. The panel did not address *Ferring* directly, instead rejecting it without explanation as “unpersuasive.” Op. 10. But this case is nearly identical to *Ferring*, with both cases involving a district court granting summary judgment on an equitable affirmative defense without considering the evidence and arguments that the plaintiff offered on the issue of the defendant's unclean hands. The panel's affirmance of a practice that was reversible error in a case decided a few months earlier departed from the law of precedent, which “teaches that like cases should generally be treated alike.” *Epic Sys. Corp. v. Lewis*, 138 S. Ct. 1612, 1623 (2018). The panel treated this case differently from *Ferring*.

Rehearing is therefore appropriate to correct the panel decision's error in failing to apply the binding precedent of *Ferring*.

CONCLUSION

The panel opinion warrants rehearing by the panel or rehearing en banc because the opinion contradicts this Court's precedent establishing the parameters of the equitable intervening rights affirmative defense as limiting damages, not negating infringement. And the panel opinion also contradicts precedent of this Court requiring a district court to consider evidence of willfulness when considering summary judgment on an equitable affirmative defense, as well as precedent of this Court deeming a district court's failure to consider all of a plaintiff's unclean hands arguments to be reversible error. John Bean therefore requests rehearing either by the panel or by the Court en banc to correct those errors and ensure that like cases are treated alike.

Respectfully submitted:

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ADDENDUM

**United States Court of Appeals
for the Federal Circuit**

JOHN BEAN TECHNOLOGIES CORPORATION,
Plaintiff-Appellant

v.

MORRIS & ASSOCIATES, INC.,
Defendant-Cross-Appellant

2020-1090, 2020-1148

Appeals from the United States District Court for the Eastern District of Arkansas in No. 4:14-cv-00368-BRW, Senior Judge Billy Roy Wilson.

Decided: February 19, 2021

GARY D. MARTS, JR., Wright, Lindsey & Jennings LLP, Little Rock, AR, argued for plaintiff-appellant. Also represented by RICHARD BLAKELY GLASGOW.

NORMAN ANDREW CRAIN, Thomas Horstemeyer LLP, Atlanta, GA, argued for defendant-cross-appellant. Also represented by DAN GRESHAM.

Before LOURIE, REYNA, and WALLACH, *Circuit Judges*.
REYNA, *Circuit Judge*.

This appeal is from a decision of the United States District Court for the Eastern District of Arkansas that, on remand from this court, granted-in-part Morris & Associates, Inc.’s motion for summary judgment as to equitable intervening rights, denied-in-part its motion as to prosecution laches, and dismissed the case. John Bean appeals the district court decision as to equitable intervening rights and Morris cross-appeals the decision as to prosecution laches. For the following reasons, we affirm the district court’s decision.

BACKGROUND

U.S. Patent No. 6,397,622 (“the ’622 patent”) was issued on June 4, 2002, to John Bean Technologies Corporation (“John Bean”). The ’622 patent covers an auger-type poultry chiller used to help process poultry for human consumption.¹ John Bean’s only domestic competition in the poultry chiller market is Morris & Associates, Inc. (“Morris”). *John Bean Techs. Corp. v. Morris & Assocs., Inc.*, No. 4:14-CV-00368, 2019 WL 7176779, at *3 (E.D. Ark. Sept. 23, 2019) (“*Decision*”).

On June 27, 2002, Morris wrote a demand letter to John Bean explaining its belief that the ’622 patent was invalid and citing prior art to support its position. J.A. 263–66. Morris received no response from John Bean and proceeded to develop and sell chillers that included features described in the ’622 patent. J.A. 5.

On December 18, 2013, approximately eleven years after receiving the demand letter, John Bean filed a request for ex parte reexamination of the ’622 patent before the

¹ This court has previously issued a decision in *John Bean Tech. Corp. v. Morris & Associates, Inc.*, 887 F.3d 1322 (Fed. Cir. 2018) (“*John Bean I*”). We do not reiterate all the details from that opinion and limit our review to the facts pertinent to this appeal.

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United States Patent and Trademark Office (“USPTO”). J.A. 2. After John Bean amended claims 1 and 2 of the original ’622 patent and added six additional claims, the USPTO issued a reexamination certificate on May 9, 2014. J.A. 3.

On June 19, 2014, six weeks after receiving the reexamination certificate, John Bean filed a complaint in the United States District Court for the Eastern District of Arkansas, alleging that Morris infringed the ’622 patent once the reexamination certificate issued. John Bean later amended the complaint to include willful infringement.

Morris moved for summary judgment, and on December 14, 2016, the district court granted Morris’s motion for summary judgment with respect to the affirmative defenses of laches and equitable estoppel. J.A. 23. John Bean appealed, and this court reversed the grant of summary judgment and remanded to the district court. *See generally John Bean I*, 887 F.3d 1332.

On remand, Morris filed another motion for summary judgment asserting that John Bean’s patent infringement claims were barred by equitable intervening rights and prosecution laches. The district court denied Morris’s motion for summary judgment with respect to prosecution laches, reasoning that the laches doctrine applies to conduct of a patent applicant before the patent’s issuance, but not to conduct of a patent owner after the patent’s issuance. *Decision*, 2019 WL 7176779, at *4 & n.26 (citing *Reiffin v. Microsoft Corp.*, 270 F. Supp. 2d 1132, 1154 (N.D. Cal. 2003)). We affirm the district court’s decision to grant-in-part Morris’s motion for summary judgment for equitable intervening rights, and we therefore do not reach the district court’s decision to deny-in-part the same motion for prosecution laches.

When a defendant is accused of infringing a reissued patent, she may raise the affirmative defense of equitable intervening rights. *See* 35 U.S.C. § 252. Under § 252, an

alleged infringer may be protected from liability for infringement of substantively and substantially altered claims in a reissued patent. 35 U.S.C. § 252. The affirmative defense also applies to reexamined patents. *See* 35 U.S.C. § 307(b); *see also Marine Polymer Techs., Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1362 (Fed. Cir. 2012) (en banc) (“[A]fter a patent emerges from reexamination, [§ 307(b)] makes available absolute and equitable intervening rights . . . with respect to ‘amended or new’ claims in the reexamined patent.”).

Granting equitable intervening rights is a matter of judicial discretion. Once granted, they give the alleged infringer the continued right to manufacture, sell, or use the accused product after the reexamination certificate is issued “when the defendant made, purchased, or used identical products, or made substantial preparations to make, use, or sell identical products, before the reissue date.” *See BIC Leisure Prods., Inc. v. Windsurfing Inter., Inc.*, 1 F.3d 1214, 1221 (Fed. Cir. 1993). Section 252 provides, in relevant part, the following:

The court . . . may provide for the continued manufacture, use, offer for sale, or sale of the thing made . . . of which substantial preparation was made before the grant of the reissue . . . to the extent and under such terms as the court deems *equitable for the protection of investments made or business commenced before the grant of the reissue*.

35 U.S.C. § 252 (emphasis added). Under this section, an infringer may continue what would otherwise be infringing activity after a reissue or reexamination. *See Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 756 F.2d 1574, 1579 (Fed. Cir. 1985) (“*Seattle Box II*”). The rationale underlying equitable intervening rights “is that the public has the right to use what is not specifically claimed in the original patent.” *Id.* (citing *Sontag Chain Stores Co. v. Nat’l Nut Co.*, 310 U.S. 281, 290 (1940)). Thus, an infringer may

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continue to infringe after reissue or reexamination “if the court decides that equity dictates such a result.” *Id.*

The district court granted Morris’s motion for equitable intervening rights after weighing six factors including:

- (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.

Decision, 2019 WL 7176779, at *2 (citing *Visto Corp. v. Sprogit Techs., Inc.*, 413 F. Supp. 2d 1073, 1090 (N.D. Cal. 2006), and *Seattle Box II*, 756 F.2d at 1579).

The district court found that Morris made “substantial preparation” before the USPTO issued the reexamination certificate based on Morris’s “years of research, developments, investments, improvement, promotion, and goodwill associated with the accused product” and Morris’s conversion of “nearly [two-thirds] of its business to selling the accused product.” *Id.* at *2. The district court found that while Morris had made profits sufficient to recoup its investment due to a long period of sales, requiring “a company to eliminate [two-thirds] of its business because a patent holder, after, a decade, decided to seek reexamination and enforce the patent is inequitable.” *Id.* at *3. The district court also considered the relative degrees of good or

bad faith exercised by the parties and found that John Bean appeared to have acted in bad faith when it did not dispute Morris's belief that the '622 patent was invalid and thus allowed Morris to build its business based on the accused product before requesting reexamination. *Id.* The district court weighed the remaining factors, all of which favored Morris. *Id.* at *4. Upon balancing the equities, the district court concluded that Morris was entitled to equitable intervening rights and granted Morris's motion for summary judgment on equitable intervening rights. *Id.*

John Bean appeals. We have jurisdiction under 28 U.S.C. § 1295(a).

DISCUSSION

On appeal, John Bean argues that the district court erred by granting Morris's motion for summary judgment on equitable intervening rights because the court abused its discretion by improperly weighing several equitable intervening rights factors. In particular, John Bean argues that the district court did not give sufficient weight to the fact that Morris had already recouped its investment and refused to quantify its profits, though John Bean admits it could estimate Morris's profits from its discovery responses. *See* Appellant's Br. 8. John Bean also argues that the district court erred by granting Morris summary judgment in light of outstanding genuine issues of material fact concerning Morris's willful infringement, which would make Morris a bad actor to whom equitable defenses are unavailable.

We review a district court's grant of summary judgment based on the law of the regional circuit, here the Eighth Circuit. *See, e.g., Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1340 (Fed. Cir. 2013). The Eighth Circuit reviews a district court's grant of summary judgment de novo, construing evidence in the light most favorable to the non-moving party and drawing all reasonable inferences in its favor. *See Schoelch v.*

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Mitchell, 625 F.3d 1041, 1045 (8th Cir. 2010). Summary judgment is proper if there are no genuine issues of material fact. *See Green Plains Otter Tail, LLC v. Pro-Env't, Inc.*, 953 F.3d 541, 545 (8th Cir. 2020). With respect to the district court's application of equitable intervening rights, this court reviews the district court's decision under an abuse of discretion standard. *See Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1358 (Fed. Cir. 2001).

We turn to the question of whether the district court abused its discretion in its application of the equitable intervening rights doctrine. This court has previously determined that “once the doctrine of intervening rights is properly raised, the court must consider whether to use its broad equity powers to fashion an appropriate remedy.” *Seattle Box II*, 756 F.2d at 1579. This court also held that “the second sentence of the second paragraph in 35 U.S.C. § 252 was to be applied in that case in accordance with equity.”² *Id.*

In cases involving equitable remedies and equitable defenses, the discretion of the court permits “decisions that are flexible, intuitive, and tailored to the particular case.”³

² “The court before which such matter is in question may provide for the continued manufacture, use, offer for sale, or sale of the thing made, purchased, offered for sale, used, or imported as specified, or for the manufacture, use, offer for sale, or sale in the United States of which substantial preparation was made before the grant of the reissue . . . to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue.” 35 U.S.C. § 252.

³ *See also* Michelle S. Marks, *How Will the “Equitable Remuneration” Payment Within the New Patent Term Be Interpreted?*, 5 Fed. Cir. B.J. 261, 281 (1995) (citing Dan B. Dobbs, *Law of Remedies* § 2.4(1), at 92 (2d ed. 1993)).

See e.g., *Mikohn Gaming Corp. v. Acres Gaming, Inc.*, 165 F.3d 891, 895 (Fed. Cir. 1998), *Monsanto Co. v. E.I. Du Pont de Nemours & Co.*, 784 F.3d 1189, 1197 (Fed. Cir. 2014). It permits a “judge’s discretion to see justice done in individual cases, by remedying the imperfect fit between the rules of law and the facts of the world.”⁴

John Bean argues that this court should deem monetary recoupment of investments made prior to the grant of reissue as sufficient to protect investments and defeat the grant of the equitable remedy. We disagree.

John Bean relies on *Plastic Container Corp. v. Continental Plastics of Oklahoma, Inc.*, 607 F.2d 885 (10th Cir. 1979) in support of its position that investments only need to be protected up to the point of recoupment. See, e.g., Oral Arg. at 1:56–2:32, http://oralarguments.cafc.uscourts.gov/default.aspx?fl=20-1090_10062020.mp3. In *Plastic Container*, the court held that the defendant-appellee had not acquired intervening rights permitting it to continue the manufacture of the infringing goods without authorization. Still, the court concluded that equity required that the defendant-appellee be permitted to “recoup its investment and to offset, against any infringement damages, the reasonable cost of converting or replacing its present equipment in order to produce noninfringing goods.” *Plastic Container*, 607 F.2d at 903. Notably, the plaintiff did not delay on commencing legal proceedings. *Id.* at 889; 889 n.3. In this case, John Bean waited more than a decade. In addition, the court correctly noted that “[u]nder 35 U.S.C. [§] 252, . . . the court may provide, to the extent it deems equitable, for either the conditional or unconditional continuation of the making, using, and selling of the infringing goods or process.” *Id.* at 901 n.35.

⁴ *Marks*, *supra* note 3, at 280.

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This court has not yet had the opportunity to examine the boundaries of the phrase “protection of investments” in § 252. The statute’s text does not specify when the protection begins and ends or precisely which types of investments are entitled to protection.

But recoupment is not the sole objective of § 252’s protection of “investments made or business commenced” before the claims’ alteration. *See also* 35 U.S.C. § 252; Oral Arg. at 1:19–55. We see no indication in the statute that monetary investments made and recouped before reissue are the *only* investments that a court may deem sufficient to protect as an equitable remedy. To be clear, recoupment is a factor that a court may consider, as it did in this case, in weighing the equities before making a determination on entitlement to equitable intervening rights. But it is not the sole factor a district court must consider, nor is it a factor that must be weighed more heavily, when the court balances the equities. Determining entitlement to equitable intervening rights is an analysis broader than simply determining whether a party claiming intervening rights has fully recouped its monetary investment.⁵

Here, the district court considered seven different factors in making its determination and decided the facts sufficiently demonstrated that Morris was entitled to an affirmative defense of equitable intervening rights. The court found that John Bean had engaged in bad faith and that Morris’s investment was more than just a financial

⁵ *See, e.g., Seattle Box II*, 756 F.2d at 1579–80 (considering whether “substantial preparation was made [by the infringer,]” “pre-reissue advice of counsel [was given] in building a non-infringing item,” and “non-infringing goods can be manufactured from the inventory used to manufacture the infringing product”); *Shockley*, 248 F.3d at 1361 (determining that an infringer’s “unclean hands” supported the denial of equitable intervening rights).

investment. Given our standard of review in this appeal and the broad equity powers a trial court has to fashion an appropriate remedy, we do not conclude that the district court abused its discretion in its application of 35 U.S.C. § 252.

John Bean also argues that genuine issues of material fact remain as to willful infringement. We disagree. If there is no infringement, there cannot be willful infringement. *See* 35 U.S.C. § 284. Once the district court granted Morris's motion for summary judgment on the affirmative defense of equitable intervening rights, it did not have to reach the question of willful infringement. To reach its decision the district court relied on findings of fact—e.g., the eleven-year delay before seeking reexamination and the restructuring of Morris's business to the accused product—to support its determination. *See, e.g., Decision*, 2019 WL 7176779 at *3. Thus, once the district court granted Morris equitable intervening rights, John Bean was left with no basis to pursue a willful infringement claim.

CONCLUSION

We have considered the remainder of the parties' arguments, including the parties' correspondences made pursuant to Fed. R. App. P. 28(j) concerning supplemental authority and find them unpersuasive. Accordingly, we determine that the district court did not abuse its discretion in granting-in-part Morris's motion for summary judgment as to equitable intervening rights.

AFFIRMED

COSTS

Costs awarded to Morris.

CERTIFICATE OF SERVICE

I certify that on March 16, 2021, I electronically filed this petition using the CM/ECF System, which will serve via e-mail notice of the filing to all counsel in this case.

/s/ Gary D. Marts, Jr.
Gary D. Marts, Jr.

CERTIFICATE OF COMPLIANCE

This petition complies with the relevant type-volume limitation of the Federal Rules of Appellate Procedure and Federal Circuit Rules because it has been prepared using a proportionally-spaced typeface and includes 3,204 words. In preparing this certificate, I relied on the word-count feature of Microsoft Word 2019.

/s/ Gary D. Marts, Jr.
Gary D. Marts, Jr.
Attorney for Plaintiff-Appellant

March 16, 2021