

## **Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023)**

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This is a decision on an appeal from the W.D. Wis. district court case: 20-cv-00085-wmc. The district court dismissed Inguran's suit for induced infringement. Inguran appealed. The Federal Circuit reversed.

The decision refers to the actions *ABS I*, *ABS II*, and *ABS III*. This decision was from the appeal in *ABS III* action. In both the earlier *ABS I* and later *ABS III* actions, Inguran, dba "ST," asserted infringement of claims of the '987 patent. *ABS II* was filed after *ABS I*, and is relevant only in that its discovery made additional information available to ST.

**Legal issue: Res judicata, claim preclusion, identity of cause of action, cause arising from the same transactional facts.**

The Federal Circuit held that res judicata did not apply, because, when *ABS I* was filed, ST lacked knowledge of facts that could plausibly have supported a claim that ABS induced infringement when *ABS I*.

First, the Federal Circuit restated the relevant law.

Whether a claim is barred by claim preclusion is a question of law that we review de novo. *Acumed LLC v. Stryker Corp.*, 525 F.3d 1319, 1323 (Fed. Cir. 2008). When assessing the general principles of claim preclusion, this court applies the law of the regional circuit in which the district court sits, here, the Seventh Circuit. *SimpleAir, Inc. v. Google LLC*, 884 F.3d 1160, 1165 (Fed. Cir. 2018). Under Seventh Circuit law, there are three elements to claim preclusion: "(1) an identity of the parties or their privies in the first and second lawsuits; (2) an identity of the cause of action; and (3) a final judgment on the merits in the first suit." *Adams v. City of Indianapolis*, 742 F.3d 720, 736 (7th Cir. 2014). We apply our own authority and precedent when addressing questions of U.S. patentability. *Superior Indus., LLC v. Thor Glob. Enters. Ltd.*, 700 F.3d 1287, 1291 (Fed. Cir. 2012). For example, in the context of claim preclusion in a patent case, this court looks to its own precedent to resolve "the operative facts involved in a claim for patent infringement." *Id.* Here, we have interpreted "same cause of action" to mean "the second claim is based on the same set of transactional facts as the first." *Jet, Inc. v. Sewage Aeration Sys.*, 223 F.3d 1360, 1362 (Fed. Cir. 2000). [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

We review a district court's interpretation of the scope of equitable authority and its orders for abuse of discretion. *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1358–60 (Fed. Cir. 2008). The Seventh Circuit has cautioned against giving "[t]oo much deference" to a court's later interpretation where doing so would "create[] the risk that interpretation of an order becomes a means to rewrite it." *Grede v. FCStone, LLC*, 746 F.3d 244, 257 (7th Cir. 2014). [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit clarified that the sole element of claim preclusion in dispute was identity of the cause of action.

As noted above, under Seventh Circuit law, there are three elements to claim preclusion: “(1) an identity of the parties or their privies in the first and second lawsuits; (2) an identity of the cause of action; and (3) a final judgment on the merits in the first suit.” *Adams*, 742 F.3d at 736. The parties only dispute one element of the test, element two: the “same cause of action.” Appellant’s Br. 19; Appellee’s Br. 20. There is no dispute that the parties and the asserted ’987 patent are the same between *ABS I* and *ABS III*, or that there was a final judgment on the merits. Appellee’s Br. 15; Appellant’s Br. 19–20. [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit explained that a cause of action was based upon the transactional facts from which it arose.

Under claim preclusion, “a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action.” *Acumed*, 525 F.3d at 1323. Thus, whether the induced patent infringement claim asserted in *ABS III* is precluded by the *ABS I* judgment hinges on whether the same “cause of action” or set of “transactional facts” are at issue. We have held that “a cause of action” is based on the transactional facts from which it arises. *SimpleAir*, 884 F.3d at 1165 (“In a patent suit, essential transactional facts include both the asserted patents and the accused activity.”) (cleaned up). [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit restated its law that, in “patent cases,” res judicata does not bar the assertion of new rights acquired after commencement of an action, unless those rights were actually asserted during the action, for example by the filing of an amended complaint asserting those new rights.

In patent cases, this court applies the general rule that res judicata does not bar the assertion of “new rights acquired during the action which might have been, but which were not, litigated.” *Gillig v. Nike, Inc.*, 602 F.3d 1354, 1363 (Fed. Cir. 2010) (quoting *Comput. Assocs. Int’l, Inc. v. Altai, Inc.*, 126 F.3d 365, 370 (2d Cir. 1997)); see also *Manning v. City of Auburn*, 953 F.2d 1355, 1360 (11th Cir. 1992) (“[F]or res judicata purposes, claims that ‘could have been brought’ are claims in existence at the time the original complaint is filed or claims actually asserted by supplemental pleadings or otherwise in the earlier action.”). Indeed, claim preclusion requires that the claim either was asserted, or could have been asserted, in the prior action. *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, 672 F.3d 1335, 1342 (Fed. Cir. 2012). If, for example, the claim did not exist at the time of the earlier action, it could not have been asserted in that action and is not

barred by res judicata. *Id.* [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit then responded to ABS' argument that the transactional facts in the earlier and later actions were "are all but identical." The Federal Circuit noted that the earlier action contained no claim of induced infringement against ABS. The Federal Circuit pointed out that the claim of induced infringement in the earlier action was against ABS' parent company.

ABS contends that ST accused the same conduct—its licensing program—in both *ABS I* and *ABS III* and that the transactional facts "are all but identical." \*\*\* In view of the foregoing, we first address whether ST asserted an induced infringement claim against ABS in *ABS I*. It did not. ST's reference to § 271(b) in its answer was its induced infringement claim against the parent company Genus for the actions taken by ABS. We find no support in the record that ST asserted or cited induced infringement against ABS for actions taken by third parties as a result of ABS's activities. J.A. 3270–71; *contra* Appellee's Br. 9–10. [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit then addressed the core issue of whether "ST could have brought an induced infringement claim against ABS at the time the [ABS I] complaint was filed before the district court." In this analysis, the Federal Circuit first clarified that some other courts did not apply the "transactional facts" test, and instead applied tests based upon identity of legal theory or cause of action.

Next, we address whether ST could have brought an induced infringement claim against ABS at the time the complaint was filed before the district court. Here, we look to whether an induced infringement claim could have been raised out of the transactional facts in *ABS I*. *Superior Indus.*, 700 F.3d at 1291; *see also Acumed*, 525 F.3d at 1323–24 ("Under the Restatement approach to claim preclusion, a claim is defined by the transactional facts from which it arises."). To be sure, courts have wrestled with how to assess the portion of the test stating that any claims that "could have been raised in a prior action." *See, e.g., Hells Canyon Pres. Council v. U.S. Forest Serv.*, 403 F.3d 683, 686 n.2 (9th Cir. 2005). For example, some courts will find that a claim is precluded by a prior action if it involves the same legal theory or cause of action. *Id.* Here, we resolve whether a claim "could have been raised" on the basis of the same transactional facts. We hold that the induced infringement claim brought in *ABS III* is not precluded by the direct infringement claim brought in *ABS I* because the claims are not based on the same transactional facts. [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit then found that ST could not have brought an induced infringement claim against ABS at the time the ABS I complaint was filed before the district court, because ST

did not, then, have the facts to plausibly support a claim that ABS induced infringement.

The accused activity and the transactional facts differ between the direct infringement claims asserted in *ABS I* and the induced infringement claims raised in *ABS III*. *ABS I* centered around ABS's activity for direct infringement, while the induced infringement claim of *ABS III* centers around third parties whose direct infringement activities are induced by ABS. Appellant's Br. 21–22. Framed differently, the evidence that ST needs to support a claim for direct infringement by ABS is different from the evidence required to sustain a claim of induced infringement by third parties. ST would need additional facts to plausibly allege an induced infringement claim—facts that largely came to light during discovery in *ABS II*. [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit supported this finding by noting that the elements of induced infringement exceeded the elements of direct infringement. The Federal Circuit identified those additional elements as knowledge that the induced activity by a third party would infringe the patent and a specific intent to encourage that activity.

We agree with ST that an induced infringement claim rests on evidence and elements beyond those required by direct infringement. *Niazi Licensing Corp. v. St. Jude Medical S.C., Inc.*, 30 F.4th 1339, 1351 (Fed. Cir. 2022) (“For induced infringement under 35 U.S.C. § 271(b), the two steps become three. In addition to showing direct infringement . . . , the patentee must also show that the alleged infringer ‘knowingly induced infringement and possessed specific intent to encourage another’s infringement.’” (quoting *Enplas Display Device Corp. v. Seoul Semiconductor Co.*, 909 F.3d 398 407 (Fed. Cir. 2018)).; see also *Gammino v. Am. Tel. & Tel. Co.*, No. 12-666, 2013 WL 6154569, at \*2 (D. Del. Nov. 22, 2013) (finding that res judicata did not bar a direct infringement claim because induced and indirect infringement claims arise under different statutes and comprise different causes of action). [*Inguran, LLC v. ABS Global, Inc.*, 2022-1385 (Fed. Cir. 7/5/2023).]

**Legal issue: Judgement, court’s later interpretation of earlier judgement of direct infringement, to cover induced infringement.**

The Federal Circuit concluded that the district court abused its discretion by interpreting its judgement of direct infringement to cover activity beyond the direct infringement. This conclusion was framed in the context of the order in *ABS I* for ABS to pay royalties for ongoing direct infringement.

The Federal Circuit noted the facts of the original order and the broadened order. The Federal Circuit quoted the relevant portion of the district court judgement in *ABS I*, which in relevant part required the straw of sexed semen be “sold by ABS.”

Judgment is entered for ABS or Genus’s future infringement of the ’987

patent, granting ST an ongoing royalty of One Dollar and Twenty-Five Cents (\$1.25) per straw of sexed semen sold by ABS that was processed with the infringing GSS technology, or any technology not more than colorably different, where such sale or processing took place in the United States through the remaining life of the '987 patent. [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit quoted the relevant portion of the district court's broadened interpretation of the *ABS I* order, in *ABS III*, which did not require the straw of sexed semen be "sold by ABS.

In June 2020, the district court clarified the scope of its previous order in a second amended judgment. J.A. 7564– 67; Reply Br. 9–11; J.A. 7572–78. In December 2021, the district court did so again. J.A. 2–10. To that effect, the district court stated that "the judgment is reasonably interpreted to cover straws produced by third parties using GSS technology as licensed by ABS" and that "the court agrees that Count I of [*ABS III*] is precluded by the judgment in *ABS I*." [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

The Federal Circuit noted that the scope of ABS's direct infringement allegations in *ABS I* could not reasonably be expanded to cover actions of third parties making their own straws. The language here is a bit fuzzy, but the factual difference noted above was that the original judgement was limited to direct infringement by ABS.

We have admonished district courts for issuing sweeping injunctions that cover potential infringing activities. *Aspex*, 672 F.3d at 1344 (citing *Forest Lab'ys., Inc. v. Ivax Pharms., Inc.*, 501 F.3d 1263, 1272 (Fed. Cir. 2007)). The Seventh Circuit has also cautioned that too much deference to an issuing court's much-later interpretation of an order "would undermine the ability of parties and non-parties to rely on a court order" and "creates the risk" where interpretation can become a means to "rewrite it after unintended consequences have given rise to regrets." *Grede*, 746 F.3d at 257. We conclude that the district court's subsequent interpretation or clarification of its initial order essentially rewrites that order. [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]

Here, the plain language of the royalty is limited to straws. Oral Arg. at 1:02–37. The plain language of the clarifying order first issued by the court is also limited to straws. J.A. 5. While "GSS technology" is mentioned throughout *ABS I*, *see, e.g.*, Conf. J.A. 5785; Conf. J.A. 7673, the scope of ABS's direct infringement allegations cannot reasonably be expanded to cover actions of third-party licensees using GSS technology to make their own straws. [Inguran, LLC v. ABS Global, Inc., 2022-1385 (Fed. Cir. 7/5/2023).]