

Olé! CAFC Rules Patent Bullfight Must Go On

Inguran, LLC, et al v. ABS Global, Inc., et al (Fed. Circ. July 5, 2023)

By: Joseph Saltiel and Andy Himebaugh | July 10, 2023

The Court of Appeals for the Federal Circuit (“CAFC”) recently revived a patent infringement suit dismissed in the Western District of Wisconsin brought by Inguran, LLC (“Inguran”) against ABS Global, Inc. (“ABS”). The CAFC held that Inguran was not barred by claim preclusion from asserting claims of induced infringement against ABS even though the parties had already litigated direct infringement of the same patent claims.

In a previous litigation, Inguran had successfully alleged, after a jury trial, that ABS directly infringed U.S. Patent 8,206,987 (“the ’987 Patent”), which covers a method for producing sexed insemination straws for bovine husbandry that allow determination of sex in artificial insemination. In a second infringement litigation between the parties, Inguran learned that ABS had been selling and licensing the knowledge of how to produce sexed insemination straws instead of outright producing and selling sexed straws to third parties. Inguran sued ABS again, but this time for induced infringement of the ’987 Patent relating to ABS selling and licensing the method of making the insemination straws. ABS moved to dismiss the induced infringement claims arguing that claim preclusion barred Inguran from raising any infringement claims because of the earlier lawsuit that found the claims of the ’987 Patent directly infringed by ABS. The district court granted ABS’s motion to dismiss, and Inguran appealed to the CAFC.

The CAFC reviewed the claim preclusion determination *de novo*, applying the law of the district court where case was filed, *i.e.*, the Seventh Circuit. Under Seventh Circuit law, claim preclusion bars claims that were or could have been asserted in an earlier lawsuit that had 1) the same parties 2) an identical cause of action and 3) a final judgment on the merits. Because the first and third prongs of the test were not in dispute, the CAFC focused on the second prong.

In the earlier litigation, Inguran did not allege induced infringement, but that did not end the CAFC’s analysis. The CAFC further considered whether Inguran *could* have raised induced infringement claims earlier. The CAFC acknowledged that induced infringement requires additional facts beyond what is required to show direct infringement, namely a specific knowledge and intent by the infringer to encourage a third party to engage in infringing activity. The CAFC noted that the record from the first lawsuit involved the sale of straws with only a few documents produced in discovery that hinted towards ABS’s plans to move into sublicensing. This, the CAFC found, was not enough for Inguran to have made a claim of induced infringement in the earlier litigation since apparently ABS had not sold or licensed the method for producing straws at that time, at least not in any way that Inguran could have shown. The CAFC further found that because the district court’s determination of damages in the earlier litigation was limited to the sale of straws, not for teaching and licensing the system, that also supported a finding that Inguran’s claims of induced infringement should not be barred based on claim preclusion. Hence, the CAFC reversed and remanded the case.

Although claim preclusion is usually seen as a protection for defendants in patent litigation, the CAFC clarified that patent owners, in certain situations, can file multiple actions based on the same claims of the same patent. Accused infringers who either engage in additional infringing acts after discovery or hide evidence of these acts during discovery will likely not be able to hide behind claim preclusion later.