

## Chapter 10. Infringement Litigation—Jurisdiction and Pleading

### § 10.4(b) Affirmative Defenses and Compulsory Counterclaims

Rule 8(c), FRCP, provides that affirmative defenses must be pleaded and sets forth a sizable list. Defenses to allegations of patent infringement fall into two broad groups: statutory and equitable. The statutory defenses are set forth in 35 U.S.C. § 282 and include non-infringement, absence of liability for infringement, unenforceability, and invalidity (for failure to meet the conditions of patentability or to comply with any requirement of § § 112 or 251). The equitable defenses include unclean hands, unenforceability of the patent for fraud and inequitable conduct, misuse, and delay in filing suit resulting in laches or estoppel.<sup>360</sup>

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<sup>360</sup> *Mylan Pharm. Inc. v. Thompson*, 268 F.3d 1323, 60 USPQ2d 1576 (Fed. Cir. 2001). Affirmative defenses to infringement include noninfringement, unenforceability, invalidity, patent misuse, and the existence of an implied license. *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 79 USPQ2d 1813, 1816 (Fed. Cir. 2006).

Under 35 U.S.C. § 282, federal courts are permitted to adjudicate the validity of patents when invalidity is raised as an affirmative defense in infringement suits. Congress was fully within its constitutional power when it delegated this authority to the courts.<sup>361</sup> The validity of a patent is always subject to plenary challenge on its merits. A court may invalidate a patent on any substantive ground, whether or not that ground was considered by the patent examiner.<sup>362</sup>

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<sup>361</sup> *Constant v. Advanced Micro-Devices Inc.*, 848 F.2d 1560, 7 USPQ2d 1057 (Fed. Cir. 1988).

<sup>362</sup> *Magnivision Inc. v. Bonneau Co.*, 115 F.3d 956, 42 USPQ2d 1925 (Fed. Cir. 1997).

The Federal Circuit has instructed that any matter that does not controvert the opposing party's prima facie case is to be affirmatively pleaded. Thus, invalidity is an affirmative defense that must be pleaded. Simply denying an allegation that the patent was duly

and legally issued is not sufficient.<sup>363</sup> Other affirmative defenses that must be pleaded are prosecution history estoppel,<sup>364</sup> implied license,<sup>365</sup> practicing the prior art,<sup>366</sup> misuse,<sup>367</sup> intervening rights,<sup>368</sup> and double patenting.<sup>369</sup> Res judicata and collateral estoppel are affirmative defenses that must be pleaded.<sup>370</sup> The fact that infringing use was solely for the government is not jurisdictional, but provides simply an affirmative defense that is waived if not pleaded.<sup>371</sup> It is sometimes difficult to know, however, whether the court will regard a particular averment as simply controverting the opposing party's prima

<sup>363</sup> *Cornwall v. U.S. Constr. Mfg. Inc.*, 800 F.2d 250, 231 USPQ 64 (Fed. Cir. 1986). Invalidity due to functionality is an affirmative defense to a claim of infringement of a design patent and must be proved by the party asserting the defense. *L.A. Gear Inc. v. Thom McAn Shoe Co.*, 988 F.2d 1117, 25 USPQ2d 1913 (Fed. Cir. 1993).

<sup>364</sup> *Carman Indus. Inc. v. Wahl*, 724 F.2d 932, 220 USPQ 481, 489 (Fed. Cir. 1983).

<sup>365</sup> *Carborundum Co. v. Molten Metal Equip. Innovations*, 72 F.3d 872, 37 USPQ2d 1169, 1172 (Fed. Cir. 1995). Repair is an affirmative defense. *Jazz Photo Corp. v. United States ITC*, 264 F.3d 1094, 59 USPQ2d 1907, 1912 (Fed. Cir. 2001).

<sup>366</sup> *Fiskars Inc. v. Hunt Mfg. Co.*, 221 F.3d 1318, 55 USPQ2d 1569 (Fed. Cir. 2000). However, it seems clear that such a defense is no longer recognized. See *Tate Access Floors Inc. v. Interface Arch. Res. Inc.*, 279 F.3d 1357, 61 USPQ2d 1647, 1654 (Fed. Cir. 2002); *Baxter Healthcare Corp. v. Spectramed Inc.*, 49 F.3d 1575, 34 USPQ2d 1120, 1126 (Fed. Cir. 1995).

<sup>367</sup> *Senza-Gel Corp. v. Seiffhart*, 803 F.2d 661, 231 USPQ 363, 367 n.8 (Fed. Cir. 1986); *Windsurfing Int'l Inc. v. AMF Inc.*, 782 F.2d 995, 228 USPQ 562 (Fed. Cir. 1986); *Bio-Rad Labs. Inc. v. Nicolet Instr. Corp.*, 739 F.2d 604, 222 USPQ 654 (Fed. Cir. 1984). A counter-claimant on a *Walker Process* antitrust theory was confronted with the running of the statute of limitations. It argued that Rule 11, FRCP, had prohibited it from earlier pleading a *Walker Process* claim without more information. The Federal Circuit observed that such an argument came in bad grace because the counterclaimant had filed a boilerplate answer with many "information and belief" allegations that never saw the light of day at trial. Probably the court felt that the counterclaimant was simply using this as a hindsight argument to excuse a failure to plead the counterclaim earlier. *Korody-Colyer Corp. v. General Motors Corp.*, 828 F.2d 1572, 4 USPQ2d 1203 (Fed. Cir. 1987). It does seem, however, that there could eventually be real tension in this area if Rule 11 enforcement becomes any more vigorous.

<sup>368</sup> *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380, 219 USPQ 569, 575 (Fed. Cir. 1983). See *Windsurfing Int'l Inc. v. AMF Inc.*, 782 F.2d 995, 228 USPQ 562 (Fed. Cir. 1986). The court views absolute intervening rights as a damages issue. *Bic Leisure Prods. Inc. v. Windsurfing Int'l Inc.*, 1 F.3d 1214, 27 USPQ2d 1671 (Fed. Cir. 1993).

<sup>369</sup> *Symbol Tech. Inc. v. Opticon Inc.*, 935 F.2d 1569, 19 USPQ2d 1241, 1249 (Fed. Cir. 1991).

<sup>370</sup> *Dana Corp. v. NOK Inc.*, 882 F.2d 505, 11 USPQ2d 1883, 1885 (Fed. Cir. 1989). Comity is an affirmative defense. *International Nutrition Co. v. Horphag Res. Ltd.*, 257 F.3d 1324, 59 USPQ2d 1532, 1536 (Fed. Cir. 2001).

<sup>371</sup> *Manville Sales Corp. v. Paramount Sys. Inc.*, 917 F.2d 544, 16 USPQ2d 1587, 1595–96 (Fed. Cir. 1990). See also *Crater Corp. v. Lucent Tech. Inc.*, 255 F.3d 1361, 59 USPQ2d 1044 (Fed. Cir. 2001).

<sup>372</sup> For reasons that are not entirely clear, the court held that the experimental use defense to a charge of infringement is not an affirmative defense and therefore need not have been pleaded in order to preserve it. It did, however, hold that it is the burden of the accused infringer to prove the defense. *Madey v. Duke University*, 307 F.3d 1351, 64 USPQ2d 1737 (Fed. Cir. 2002). Without citation of authority or discussion, a panel of the court, in dictum, observed that "the district court judge incorrectly classified the alleged non-liability of the secondary defendants as an affirmative defense." Perhaps this conclusion is not all that clear. Section 282 identifies "absence of liability" for infringement as one of the specific defenses that must be pleaded, along with invalidity and noninfringement. Although it is possible to regard noninfringement as simply a matter controverting the patent owner's case, thus not requiring more than a denial, absence of

liability for infringement may in certain circumstances require more to establish. *Pandrol USA LP v. Airboss Ry. Prods. Inc.*, 320 F.3d 1354, 65 USPQ2d 1985, 1993 (Fed. Cir. 2003).

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Rule 9(b), FRCP, requires that facts supporting a claim of fraud be pleaded with particularity.<sup>373</sup> Willfulness does not equate to fraud, and thus, the pleading requirement for willful infringement does not rise to the stringent standard required by Rule 9(b).<sup>374</sup> Inequitable conduct is a separate defense to patent infringement<sup>375</sup> and, while a broader concept than fraud, must be pled with particularity.<sup>376</sup>

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<sup>373</sup> *University of West Virginia v. VanVoorhies*, 278 F.3d 1288, 61 USPQ2d 1449, 1458 n.4 (Fed. Cir. 2002); *Chou v. University of Chicago*, 254 F.3d 1347, 59 USPQ2d 1257 (Fed. Cir. 2001).

<sup>374</sup> *Ferguson Beauregard/Logic Controls v. Mega Sys. LLC*, 350 F.3d 1327, 69 USPQ2d 1001, 1012 (Fed. Cir. 2003).

<sup>375</sup> *A.B. Chance Co. v. RTE Corp.*, 854 F.2d 1307, 7 USPQ2d 1881, 1885 (Fed. Cir. 1988).

<sup>376</sup> *Ferguson Beauregard/Logic Controls v. Mega Sys. LLC*, 350 F.3d 1327, 69 USPQ2d 1001, 1013 (Fed. Cir. 2003). In *Central Admixture Pharm. Serv. Inc. v. Advanced Cardiac Solutions P.C.*, 482 F.3d 1347, 82 USPQ2d 1293, 1300 (Fed. Cir. 2007), the Federal Circuit concluded that the following did not meet the particularity requirements for pleading inequitable conduct: that “during prosecution of the ‘515 patent, the patentee failed to disclose all of the relevant prior art known to it” and that “by manipulation of various measurements and units, the patentee sought to mislead the Patent and Trademark Office regarding the relationship between the claimed invention and the prior art.” The pleading did not identify what relevant and undisclosed prior art was known to the patentee, what “measurements and units” were manipulated, nor how that manipulation was meant to mislead the PTO. The pleading thus fails to provide the required particularity to give notice to the other party of the facts on which the defense was premised.

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A compulsory counterclaim is one arising out of the transaction or occurrence that is the subject matter of the opposing party's claim, and a permissive counterclaim is any other.<sup>377</sup> The right to file a counterclaim for patent infringement in response to an action seeking a DJ of patent noninfringement is unique to patent law and warrants a uniform national rule.<sup>378</sup> In order to be classed as a compulsory counterclaim, Rule 13(a), FRCP, requires that the claim (1) exist at the time of pleading, (2) arise out of the same transaction or occurrence as the opposing party's claim, and (3) not require for adjudication parties over whom the court may not acquire jurisdiction. The scope of “transaction or occurrence” is liberally interpreted, as the court determines whether there is a logical relationship between the claim in suit and the counterclaim.<sup>379</sup> A compulsory counterclaim need not have an independent jurisdictional basis. It must be filed, at the pleading stage or later by leave of court, or be abandoned.<sup>380</sup>

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<sup>377</sup> *Employers Ins. of Wausau v. United States*, 764 F.2d 1572 (Fed. Cir. 1985). The institution of a plaintiff's suit suspends the running of limitations on a compulsory counterclaim while the suit is pending, but a permissive counterclaim does not generate a like tolling.

<sup>378</sup> *Vivid Tech. Inc. v. American Sci. & Eng'g Inc.*, 200 F.3d 795, 53 USPQ2d 1289 (Fed. Cir. 1999).

<sup>379</sup> *Genentech Inc. v. University of California*, 143 F.3d 1446, 46 USPQ2d 1586, 1594 (Fed. Cir. 1998) (applying Seventh Circuit law). Despite noting a lack of unanimity among the circuits as to whether

antitrust counterclaims in patent infringement suits are compulsory, the court found that the district court did not exceed its discretionary authority in enjoining a party before it from filing separate antitrust claims in other forums.

<sup>380</sup> *AeroJet-General Corp. v. Machine Tool Works*, 895 F.2d 736, 13 USPQ2d 1670 (Fed. Cir. 1990). Regional circuit law governs questions of res judicata that arise as a consequence of the compulsory counterclaim provisions of Rule 13(a), FRCP. *Beech Aircraft Corp. v. EDO Corp.*, 990 F.2d 1237, 26 USPQ2d 1572 (Fed. Cir. 1993).

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Rule 13(a) makes an infringement counterclaim to a DJ action for noninfringement compulsory. If the patentee fails to assert the counterclaim, it is waived and the patentee is forever barred from

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asserting that infringement claim in future litigation.<sup>381</sup> Rule 13(a) recognizes that when disputed issues arise from the same operative facts, fairness as well as efficiency require that the issues be raised for resolution in the same action. There are four tests, satisfaction of any one of which can render a counterclaim compulsory: (1) whether the legal and factual issues raised by the claim and counterclaim are largely the same; (2) whether, absent the compulsory counterclaim rule, res judicata would bar a subsequent suit on the counterclaim; (3) whether substantially the same evidence supports or refutes both the claim and counterclaim; or (4) whether there is a logical relation between the claim and counterclaim. A counterclaim for patent infringement, in an action for declaration of noninfringement of the same patent, readily meets all four of these criteria. Thus, when the same patent is at issue in an action for declaration of noninfringement, a counterclaim for patent infringement is compulsory and if not made is deemed waived. Such a counterclaim ordinarily should not be refused entry. An otherwise proper counterclaim that would not succeed on its substantive merits should ordinarily be disposed of on its merits and not by refusal to accept its filing.<sup>382</sup>

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<sup>381</sup> *Polymer Indus. Prods. Co. v. Bridgestone/Firestone Inc.*, 347 F.3d 935, 68 USPQ2d 1626 (Fed. Cir. 2003). See also *Capo Inc. v. Dioptics Med. Prods. Inc.*, 387 F.3d 1352, 73 USPQ2d 1051, 1054 (Fed. Cir. 2004); *Genentech Inc. v. Eli Lilly & Co.*, 998 F.2d 931, 27 USPQ2d 1241, 1252–53 (Fed. Cir. 1993). A counterclaim must be compulsory in order to be raised as of right in an area of law in which a state is otherwise immune from suit. Also, it must be in recoupment of the state claim. *Id.*

<sup>382</sup> *Vivid Tech. Inc. v. American Sci. & Eng'g Inc.*, 200 F.3d 795, 53 USPQ2d 1289 (Fed. Cir. 1999).

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