Collateral Estoppel of Claim Interpretation after Markman

Rachel Marie Clark
Note

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The interpretation of the claim language of a patent is a complicated process that determines the protection a patentee can expect to obtain.¹ In Markman v. Westview Instruments, Inc., the United States Supreme Court held that a district court judge must, as a matter of law, construe the scope of a patent

¹. Claim interpretation is the process of construing the meaning of the language in a patent claim. See Abtox, Inc. v. Exitron Corp., 122 F.3d 1019, 1023 (Fed. Cir. 1997), amended on reh'g, 131 F.3d 1009 (Fed. Cir. 1997).

For example, consider the case of K-2 Corp. v. Salomon S.A., 191 F.3d 1356 (Fed. Cir. 1999). K-2 owns a patent on in-line roller skates. Id. at 1359. The patent claims an in-line skate with a soft, pliable inner shoe surrounded by molded plastic straps fixed to the base of the skate. Id. The pertinent language claims “an in-line roller skate having an upper shoe portion and a lower frame portion... [and] a non-rigid shoe portion... being permanently affixed to [the] base portion.” Id. at 1360.

Salomon makes and sells in-line skates. Id. at 1361. K-2 sued Salomon for infringement, alleging Salomon’s “use of a removable screw in the heel area” infringes on the “permanently affixed” limitation of the ’466 patent. Id. (quoting K-2 Corp. v. Salomon S.A., 1998 WL 1032110 (W.D. Wash. 1998)). K-2 argued that “permanently affixed” should be construed to mean “affixed,” “secured,” or “firmly held.” Id. (quoting K-2 Corp., 1998 WL 1032110). The court interpreted the meaning by looking at the claim and interpreting the language as a person of ordinary skill in the art would have read it at the time of invention. Id. at 1365. Construing the language according to its “ordinary and accustomed meaning,” the court held that the language “permanently affixed’ requires that the connection between the bootie and the base of the skate be unremovable.” Id. Therefore, the language “permanently affixed” does not encompass the removable screw used in the heel area of the TR skate, and Salomon is not guilty of infringement. Id. at 1365-66. Claim interpretation is discussed in more detail later in this Note.
by interpreting the meaning of the claims.\textsuperscript{2} The Markman Court noted that the importance of uniformity in the treatment of patents necessarily required courts to determine issues of claim interpretation.\textsuperscript{3} Because of the Markman decision, many district courts now have a "Markman hearing" before the trial in which the court interprets the claim language.\textsuperscript{4} Collateral estoppel has acquired a unique significance after the Markman decision because it is unclear whether one district court's claim interpretation binds another district court.

Only recently, five years after Markman, have district courts determined under what circumstances collateral estoppel applies to an earlier claim interpretation. Only a few district court decisions address the issue, and the decisions are not uniform. Some courts hold that claim interpretation has a special finality and that collateral estoppel should apply.\textsuperscript{5} Other courts review cases with nearly identical facts and refuse to accord collateral estoppel effect to the claim interpretation.\textsuperscript{6} The greatest disagreement is the application of collateral estoppel to claim interpretation if the parties settle after the

\begin{itemize}
  \item \textsuperscript{2} 517 U.S. 370, 376 (1996).
  \item \textsuperscript{3} Id. at 391.
  \item \textsuperscript{4} See, e.g., Ethicon Endo-Surgery, Inc. v. United States Surgical Corp., 93 F.3d 1572, 1577 (Fed. Cir. 1996) (noting that the district court held a hearing on claim interpretation and referring to it as a "Markman Hearing").
\end{itemize}
claim interpretation but before trial, or if the patentee loses on
the claim interpretation but wins on infringement.7

The purpose of this Note is twofold. First, because it is
almost certain the Federal Circuit will visit this issue in the
near future, this Note attempts to provide guidance for the
Federal Circuit in its decision. Second, until the Federal
Circuit does determine the extent of the finality of claim
interpretation, this Note clarifies the present state of the law in
view of pre- and post-Markman precedent for the patent
litigator. Part I of this Note provides a basic overview of patent
law, claim interpretation, and collateral estoppel. Part II
examines pre- and post-Markman decisions on collateral
estoppel, focusing especially on the “essential to final
judgment” element of collateral estoppel. Part III argues that
there is not a special finality to claim interpretation if it is not
essential to the final judgment on infringement or validity.
Finally, Part IV proposes that the Federal Circuit clarify that
the claim interpretation must be essential to the final judgment
on infringement or validity for collateral estoppel to apply.

I. COLLATERAL ESTOPPEL AND CLAIM
INTERPRETATION

A. OVERVIEW OF PATENT LAW

A patent is an agreement between an inventor and the
federal government. The government grants a patentee8 the
exclusive right to exclude others from “making, using, offering
for sale, or selling the invention throughout the United States
or importing the invention into the United States” for a term of
twenty years.9 If the patent covers a process, the patentee has
the exclusive right to exclude others from “using, offering for
sale or selling throughout the United States, or importing into
the United States, products made by that process.”10 In return
for patent protection, the patentee fully discloses the invention

7. See infra notes 113-132, 144-157 and accompanying text.

8. An inventor is considered the “patentee.” An inventor may assign her
rights to another, making that person the “assignee” or the owner of the
patent. Patentee and assignee are often used interchangeably. See, e.g., 8
DONALD S. CHISUM, CHISUM ON PATENTS § 22.02 n.2 (2001). This Note will
use “patentee” to refer to the owner of the patent.

the patent application is filed. Id. § 154(a)(2).

10. Id. § 154(a)(1).
After the term of years of the patent runs out, the patent becomes a part of the public domain and anyone may make use of it. The patent system encourages creativity and innovation by providing an incentive to invent. It also furthers invention by allowing other inventors to utilize the information within the public domain.

An inventor may obtain a patent after successfully prosecuting a patent application before the United States Patent and Trademark Office (PTO). For a patent to be granted, the invention or process must meet certain statutory requirements. It must be useful, novel, and nonobvious. The invention must also fall within the bounds of patentable subject matter. The specification of the patent application must set out the best mode of the invention and be clear enough to enable one skilled in the art to make or use the invention. The claims of the invention must assert the subject matter the inventor considers to be the invention.

Once a patent application is filed, the patentee may file further patent applications as continuations, continuations-in-part, or divisional applications and still claim the priority date of the original application as long as no new matter is introduced. The granted patent consists of a summary of the

11. Id.
17. Id. § 102.
18. Id. § 103.
19. Id. § 101.
20. Id. § 112.
21. Id.
22. 37 C.F.R. § 1.53(b) (2001). A continuation is a second (child) application stemming from the original (parent) application. See 1 CHISUM, supra note 8, § G1-4. A child and parent patent have the same specification, though they claim different inventions. 1 id. A continuation-in-part is like a continuation application, except that it adds some new matter. 1 id. § G1-5. If two or more distinct inventions are claimed within a single patent application, the PTO may require the patentee to restrict the patent to only one of the inventions. 35 U.S.C. § 121 (2000); see also 37 C.F.R. § 1.141 (2001).
invention, an abstract of the invention, a detailed description of the invention, drawings if appropriate, a brief description of any drawings, and the claims of the invention.\textsuperscript{23}

If another party allegedly utilizes the invention or process without the patentee's permission,\textsuperscript{24} the patentee may charge that party with infringement of the patent.\textsuperscript{25} The infringement analysis consists of two steps: (1) construing the patent claims and (2) determining if the alleged product infringes.\textsuperscript{26} Only the specifically described claims of a patent may be infringed.\textsuperscript{27}

Patent law is within the exclusive domain of the federal courts. The Constitution and federal statutes govern patent law.\textsuperscript{28} The United States Court of Appeals for the Federal Circuit (the Federal Circuit) has exclusive jurisdiction over patent case appeals from district courts,\textsuperscript{29} subject to discretionary review by the Supreme Court.\textsuperscript{30} Congress created the Federal Circuit to assure consistency, decrease the workload of the circuit courts, and better utilize judicial resources.\textsuperscript{31} The Federal Circuit also has jurisdiction over interlocutory orders for which it would have jurisdiction originally,\textsuperscript{32} orders involving a controlling question of law for which there is a substantial ground for a difference of opinion,\textsuperscript{33}

\begin{itemize}
\item[\textsuperscript{23}] See 37 C.F.R. § 1.71-75 (2001).
\item[\textsuperscript{24}] 35 U.S.C. § 271 (2000).
\item[\textsuperscript{25}] Id. § 281.
\item[\textsuperscript{26}] See Strattec Sec. Corp. v. Gen. Auto. Specialty Co., 126 F.3d 1411, 1416 (Fed. Cir. 1997) ("The first is a question to be determined by the court. The second is a question of fact, to be submitted to a jury.") (citations omitted).
\item[\textsuperscript{27}] See Bell Communications Research, Inc. v. Vitalink Communications Corp., 55 F.3d 615, 619 (Fed. Cir. 1995) (noting that claims "define[] the scope of the protected invention"); W.L. Gore & Assocs., Inc. v. Garlock, Inc., 721 F.2d 1540, 1559 (Fed. Cir. 1983) ("Infringement must be decided with respect to each asserted claim as a separate entity.").
\item[\textsuperscript{28}] See U.S. CONST. art. I, § 8, cl. 8 (authorizing creation of a national patent system and empowering Congress to "promote the Progress of science and useful Arts" by "securing for limited Times to ... Inventors the exclusive Right to their respective ... Discoveries"); 35 U.S.C. §§ 1-376 (2000).
\item[\textsuperscript{30}] Id. § 1254.
\item[\textsuperscript{32}] 28 U.S.C. § 1292(c), (d) (2000). The Federal Circuit has jurisdiction over interlocutory orders granting, continuing, modifying, refusing, or dissolving injunctions. Id. § 1292(a)(1), (c)(1).
\item[\textsuperscript{33}] Id. § 1292(b), (c)(1).
\end{itemize}
and judgments that are final except for the damages calculation. To assure consistency, district courts are required to follow Federal Circuit precedent on substantive issues in patent cases.

B. CLAIM INTERPRETATION

Until 1996, courts disputed whether claim interpretation (also called claim construction) of a patent was an issue of fact for the jury to decide, or an issue of law for the court to decide. Some Federal Circuit opinions held that disputes concerning the meaning of patent claims involved issues of fact. Other Federal Circuit opinions held that claim construction was a matter of law and therefore within the court’s domain. This conflict was remedied in 1996. In Markman v. Westview Instruments, Inc., the United States Supreme Court unanimously affirmed the Federal Circuit’s decision holding that a district court judge must construe, as a matter of law, the scope of a patent, including interpreting the meaning of the claims. The Court reasoned that the policy of uniformity in patent interpretation was the reason for creation of the Federal Circuit. The Court noted that collateral estoppel would provide for uniformity in jury decisions, and concluded that “treating interpretive issues as purely legal will promote

34. Id. § 1292(c)(2).

35. See Foster v. Hallco Mfg. Co., 947 F.2d 469, 475 (Fed. Cir. 1991) (holding that, in the interest of consistency and to discourage forum shopping, the Federal Circuit should adopt its own interpretation of a Supreme Court decision as applied to the res judicata effect of a consent judgment with respect to the issue of validity, and not direct the district court to follow regional circuit interpretation).


38. 517 U.S. 370 (1996). For a general discussion of claim interpretation, the right to a jury trial, and the policy concerns behind Markman, see 5 CHISUM, supra note 8, § 18.01-.06.


40. Collateral estoppel is "[a]n affirmative defense barring a party from relitigating an issue determined against that party in an earlier action, even if the second action differs significantly from the first one." BLACK'S LAW DICTIONARY 256 (7th ed. 1999). Collateral estoppel will be discussed in great detail in the remainder of this Note.
(though it will not guarantee) intrajurisdictional certainty through the application of *stare decisis* on those questions not yet subject to interjurisdictional uniformity under the authority of the single appeals court.\(^{41}\)

Judges have broad discretion over when to interpret the claim language,\(^{42}\) and because of the *Markman* decision, many district courts now have a hearing before the trial in which the court interprets the claim language (called a "*Markman trial*" or a "*Markman hearing*").\(^{43}\) A district court's claim interpretation is an interlocutory order.\(^{44}\) Because claim interpretation often makes or breaks a litigant's case, critics argue that after claim interpretation, the courts should allow parties to appeal the claim interpretation to the Federal Circuit in an interlocutory appeal,\(^{45}\) rather than allowing a lengthy trial to occur before a final judgment is issued and then allowing a party to appeal the judge's interpretation of the


The Federal Circuit has clarified that the *Markman* decision solely addresses the role of judge and jury at the trial level. See Cybor Corp. v. FAS Techs., Inc., 138 F.3d 1448, 1456 (Fed. Cir. 1998) (en banc).

42. The American Bar Association reported that in 1999, 7.8% of the time, claim construction proceedings were conducted before discovery; 21.9% were during discovery; 57.8% were after the close of discovery, but before trial; and "12.5% of the reported claim construction proceedings were during trial—half before closing argument and half after." Edward V. Filardi & Meir Y. Blonder, How to Prepare & Conduct Markman Hearings, 665 PLI 237, 247 (2001).


45. The Federal Circuit has jurisdiction over orders involving a controlling question of law for which there is a substantial ground for a difference of opinion. 28 U.S.C. § 1292(b), (c)(1) (2000); see also supra notes 32-34 and accompanying text (discussing the Federal Circuit).}
claim language. The Federal Circuit, however, has not granted interlocutory appeals for claim interpretation.

Critics suggest that Markman did not meet its goal of uniformity, especially because the Federal Circuit reviews claim interpretation de novo, and overrules forty percent of


47. See Cybor, 138 F.3d at 1479 (Newman, J., additional views) ("Although the district courts have extended themselves, and so-called 'Markman hearings' are common, this has not been accompanied by interlocutory review of the trial judge's claim interpretation. The Federal Circuit has thus far declined all such certified questions...."); Flores v. Union Pac. R.R., No. Misc. 474, 1996 U.S. App. LEXIS 31117, at *3 (Fed. Cir. Nov. 14, 1996) (unpublished) (refusing to accept a case certified for interlocutory appeal after a Markman hearing); Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464, 469 (W.D. Va. 2001) (noting that "the lack of any realistic opportunity for Federal Circuit review greatly outweighs the adequacy of the hearing and the nature of the Markman Order"); Schering Corp. v. Amgen, Inc., 35 F. Supp. 2d 375, 377 (D. Del. 1999) (noting that "to date the Federal Circuit has declined interlocutory review of claim construction decisions in all certified questions brought before it" and "[t]he Federal Circuit disfavors direct appeals from Markman decisions" (citing Cybor, 138 F.3d at 1479 (Newman & Mayer, JJ., additional views)), aff'd in part, 222 F.3d 1347 (Fed. Cir. 2000).

In response to the TM Patents court's suggestion that claim interpretation is appealable, patent litigator Joseph N. Hosteny wrote,

Pardon me, I must pause here to catch my breath—after I stop laughing, that is! Can anyone tell me of one case where the Federal Circuit has accepted an interlocutory appeal of a claim construction ruling? Of course not. The Federal Circuit has refused to do so, because the ball game isn't over. If the Federal Circuit says the ruling can't be appealed, then how can we possibly say that a claim construction ruling is in any sense final?


48. See In re Asahi/Am. Inc., 68 F.3d 442, 444 (Fed. Cir. 1995) (noting that
the claim constructions it hears. Other scholars applaud the Markman decision, predicting it will bring greater uniformity to patent claim interpretation.

C. COLLATERAL ESTOPPEL

In the interests of efficiency and finality, some judgments have a preclusive effect on later judgments. Issue preclusion, or collateral estoppel, bars relitigation of issues that were actually and necessarily determined in an earlier proceeding by a valid and final judgment if the determination was essential to the judgment. In contrast, res judicata, or claim preclusion,
prevents the same parties from relitigating claims that were not raised in the original litigation if the claims arose from the same transaction or occurrence.\textsuperscript{54} Collateral estoppel, unlike claim preclusion, does not need to be mutual and, therefore, parties who were not involved in the original litigation can raise the defense.\textsuperscript{55} While any litigant may assert collateral estoppel, it can be held against only those who were parties (or in privity with parties) in the earlier proceeding.\textsuperscript{56} Third parties can use nonmutual collateral estoppel defensively against a plaintiff\textsuperscript{57} or offensively against a defendant.\textsuperscript{58} A

Some circuits do not require that the same parties be involved for collateral estoppel to apply. This doctrine is called nonmutual collateral estoppel. See infra notes 56-58 and accompanying text. Some circuits only allow offensive collateral estoppel, while other circuits allow use of defensive collateral estoppel as well. See infra notes 56-58.

53. Res judicata actually encompasses both issue preclusion and claim preclusion. See 18 MOORE ET AL., supra note 52, ¶¶ 131.10[1], 133.01[4][a]-[b]. Claim preclusion is often called "true res judicata" and the terms are often used interchangeably, 18 id. ¶ 131.10[1][a], as they will be in this Note.

54. See RESTATEMENT (SECOND) OF JUDGMENTS §§ 18-26 (1982); 18 MOORE ET AL., supra note 52, ¶ 131.10.


58. See Parklane, 439 U.S. at 337 (allowing use of offensive nonmutual issue preclusion). See generally James G. Hazard et al., Note, Mutuality of Estoppel and the Seventh Amendment: The Effect of Parklane Hosiery, 64 CORNELL L. REV. 1002, 1002 (1979) ("examining the practical implications" of the Supreme Court's holding in favor of an offensive use of collateral estoppel); John M. Swalm III, Note, The Offensive Use of Non-Mutual Collateral Estoppel and the Seventh Amendment, 9 STETSON L. REV. 182, 184-85 (1979) ("analyzing the [Parklane] Court's reasoning" and discussing "the potential effects of the decision").

While both defensive and offensive collateral estoppel are theoretically available to third parties, in Blonder-Tongue, the Supreme Court noted the effective disparity in the actual allowance of offensive versus defensive collateral estoppel:
party asserting nonmutual collateral estoppel must prove that (1) the issue is identical to the issue decided in the prior action, (2) the issue was litigated in the prior action, (3) the determination was essential to the final judgment of the prior action, and (4) the party against whom collateral estoppel is sought had a full and fair opportunity to litigate the issue in the prior action. A patent owner may avoid collateral estoppel by showing that he did not have a "fair opportunity procedurally, substantively and evidentially to pursue his claim the first time," or that it would otherwise be unfair to do so.

59. Collateral estoppel is an affirmative defense that must be plead, and the burden of proof is on the party asserting the doctrine. 18 MOORE ET AL., supra note 52, ¶ 132.05[1] ("The party asserting issue preclusion or collateral estoppel bears the burden of showing with clarity and certainty what was determined by the prior judgment."); see Monsanto Co. v. Dawson Chem. Co., 443 F.2d 1035, 1038 (5th Cir. 1971).

60. See Innovad Inc. v. Microsoft Corp., 260 F.3d 1326, 1334 (Fed. Cir. 2001) (citing In re Freeman, 30 F.3d 1459, 1465 (Fed. Cir. 1994)). Some courts add a fifth element requiring the law of the jurisdictions to be similar. See, e.g., Comair Rotron, Inc. v. Nippon Densan Corp., 49 F.3d 1535, 1537 (Fed. Cir. 1995) ("The defendant [asserting collateral estoppel] must show that . . . the controlling facts and applicable legal rules were the same in both actions.") (citing Montana v. United States, 440 U.S. 147, 153-55 (1979)). This additional element is particularly important for foreign patent litigation. See, e.g., Medtronic, Inc. v. Daig Corp., 789 F.2d 903, 907-08 (Fed. Cir. 1986); Stein Assoc., Inc. v. Heat & Control, Inc., 748 F.2d 653, 656-57 (Fed. Cir. 1984).

61. Once a party asserting collateral estoppel meets the burden of proof, the burden is on the nonmovant to establish a reason not to apply the doctrine. See Molinaro v. Fannon/Courier Corp., 745 F.2d 651, 655 (Fed. Cir. 1984) (per curiam).


63. See Freeman, 30 F.3d at 1467 (noting that issue preclusion is based on the principle of fairness and that "under certain circumstances, where all of the requirements of issue preclusion have been met, the doctrine will not be
The doctrine of collateral estoppel is designed to "relieve parties of the cost and vexation of multiple lawsuits, conserve judicial resources, and, by preventing inconsistent decisions, encourage reliance on adjudication." 64 It is also used to assure parties of the finality of decisions. 65

Collateral estoppel in patent litigation is treated the same as it would be treated in any other kind of litigation. 66 Because collateral estoppel is not unique to patent cases, the Federal Circuit applies the law of the regional circuit court 67 and reviews a district court's decision on collateral estoppel de novo. 68 Most circuits use the basic four-part test or a similar variation. 69

65. See Del Mar Avionics, Inc. v. Quinton Instrument Co., 836 F.2d 1320, 1323 (Fed. Cir. 1987) (stating that issue preclusion creates "finality and repose").
67. See Epic Metals Corp. v. H.H. Robertson Co., 870 F.2d 1574, 1576 (Fed. Cir. 1989); 8 CHISUM, supra note 8, § 21.02[5][b][iv][D] ("The Federal Circuit applies regional circuit law to procedural matters that are not unique to patent law. Issues to which the Federal Circuit has applied regional circuit law include... the law of the case doctrine and res judicata...") (footnotes omitted).
69. See, e.g., Dodge v. Cotter Corp., 203 F.3d 1190, 1198 (10th Cir. 2000); NLRB v. Thalbo Corp., 171 F.3d 102, 109 (2d Cir. 1999); Smith v. SEC, 129 F.3d 356, 362 (6th Cir. 1997) (en banc); In re Freeman, 30 F.3d 1459, 1465 (Fed. Cir. 1994); Ramsay v. INS, 14 F.3d 206, 210 (4th Cir. 1994); Foster v. Halco Mfg. Co., 947 F.2d 469, 480 (Fed Cir. 1991); La Preferida, Inc. v. Cerveceria Modelo, S.A. de C.V., 914 F.2d 900, 905-06 (7th Cir. 1990); In re McWhorter, 887 F.2d 1564, 1566 (11th Cir. 1989) (per curiam); Haize v. Hanover Ins. Co., 536 F.2d 576, 579 (3d Cir. 1976). The four-part test is consistent with the Restatement. See RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982).

Some courts use three elements to determine if collateral estoppel applies. See Clark v. Bear Stearns & Co., 966 F.2d 1318, 1320 (9th Cir. 1992) (using the following test for collateral estoppel: (1) the issue at stake must be identical to the one alleged in the prior litigation, (2) the issue must have been actually litigated in the prior litigation, and (3) the determination of the issue in the prior litigation must have been a critical and necessary part of the judgment in the earlier action); see also Holmes v. Jones, 738 F.2d 711, 713 (5th Cir. 1984) (same). Although the "full and fair opportunity to litigate"
II. PRE- AND POST-MARKMAN CASES ADDRESSING COLLATERAL ESTOPPEL

Before the Markman decision, courts submitted disputes concerning the meaning of patent claims to the jury, thereby precluding finality prior to final judgment for collateral estoppel purposes. The Federal Circuit held that when the scope of a patent claim was determined in a prior infringement action, that determination had preclusive effect in a later case. After Markman, the applicability of previous cases is uncertain.

Collateral estoppel acquired unique significance after the Markman decision. Only recently have district courts determined under what circumstances collateral estoppel applies to an earlier claim interpretation. Scholars suggest that after Markman, courts will be more likely to utilize collateral estoppel for claim interpretation because the court will have a better understanding of how the earlier court made

element is not strictly written into the three-part test, it is implicit within the analysis.

The Ninth Circuit adds the requirement that collateral estoppel will only apply among the same parties. See Clark, 966 F.2d at 1320. In the Eighth Circuit, the four-part test is used. See Mille Lacs Band of Chippewa Indians v. Minnesota, 124 F.3d 904, 922 (8th Cir. 1997) (citing Stoebner v. Parry, 91 F.3d 1091, 1094 (8th Cir. 1996)). The Eighth Circuit also prohibits nonmutual collateral estoppel and adds a fifth requirement that the party collateral estoppel is asserted against be a party or in privity with a party in the prior action. See id. (citing Wellons, Inc. v. T.E. Ibberson Co., 869 F.2d 1166, 1168 (8th Cir. 1989)).


71. See id.


73. For example, the TM Patents court rejected pre-Markman precedent on collateral estoppel. TM Patents, L.P. v. IBM Corp., 72 F. Supp. 2d 370, 378 (S.D.N.Y. 1999); see infra note 121.

its decision.\textsuperscript{75} It is unclear when district court interpretations bind other district courts.\textsuperscript{76} Only a few district court decisions have dealt with the subject of collateral estoppel of claim interpretation since \textit{Markman}, and these decisions are not uniform.\textsuperscript{77} The Federal Circuit has not yet ruled on the preclusive effect that claim interpretation should have in later litigation.\textsuperscript{78} Although collateral estoppel applies if all of the elements are met,\textsuperscript{79} it is not clear when the elements are met. Both the pre- and post-\textit{Markman} cases relevant to collateral estoppel of claim interpretation are outlined below.

A. THE ISSUE MUST BE IDENTICAL TO THE ISSUE DECIDED IN THE PREVIOUS LITIGATION

If the same patent claim language is at issue in the lawsuit, the issue is identical and the first factor of the collateral estoppel test is satisfied.\textsuperscript{80} When different claim
language is at issue, collateral estoppel does not apply. It is common for patents to contain the same claim language or specification as other patents, such as if the patents are "related" as continuations, continuations-in-part, or divisional patents. If the identical claim language is at issue, collateral estoppel may apply to the language that was actually litigated, even if the same patent claim is not at issue. The Federal Circuit has held that different claims with the same language posed the "identical issue" for estoppel purposes. The only post-Markman decision on the issue, Masco Corp. v. United States, supports the use of collateral estoppel for the same claim language, even if the same patent is not at issue.

as a matter of law, and expressly delineated the key terms. And the court held that [the invention] did not infringe the... patent.

81. See P.A.T., Co. v. Ultrak, Inc., 948 F. Supp. 1518, 1520-21 (D. Kan. 1996) (refusing to allow collateral estoppel on a Markman hearing when the claim language at issue was not decided in the previous case); see also Foster v. Hallco Mfg. Co., No. 96-1399, 1997 U.S. App. LEXIS 18999, at *11 (Fed. Cir. July 14, 1997) (noting that "because the claim language at issue in this appeal is different from the claim language previously litigated, this court need not address Foster's argument that Markman requires that the first claim construction of a patent litigated to final judgment is the 'fixed' claim construction for that patent") (citation omitted); Interconnect Planning Corp. v. Feil, 774 F.2d 1132, 1137 (Fed. Cir. 1985) (holding that it was an "erroneous legal conclusion" to use collateral estoppel on a reissue patent when the claims "although not substantially identical, involved some substantially identical 'issues'); Plastic Container Corp. v. Cont'l Plastics, Inc., 607 F.2d 885, 895-96 (10th Cir. 1979) (holding that reissue claims were not substantially identical to the original claims, and therefore because the same patent claims were not at issue collateral estoppel did not apply).

82. See supra note 22 and accompanying text.

83. See, e.g., In re Freeman, 30 F.3d 1459, 1465 n.4 (Fed. Cir. 1994) ("We note that independent claims 14, 15, and 19 were not specifically addressed by the district court. However, each of these claims includes the phrase 'buoyant uplift' specifically addressed by the district court . . . .")

84. See id. at 1465-67.

85. 49 Fed. Cl. 337 (2001). Masco's corporate predecessor, LaGard, Inc., charged Mas-Hamilton with infringement. In response, Mas-Hamilton sued LaGard, Inc. for declaratory judgment of non-infringement. In re Freeman, 30 F.3d 1459, 1465 n.4 (Fed. Cir. 1994) ("We note that independent claims 14, 15, and 19 were not specifically addressed by the district court. However, each of these claims includes the phrase 'buoyant uplift' specifically addressed by the district court . . . .").
B. THE ISSUE MUST HAVE BEEN LITIGATED IN THE PREVIOUS LITIGATION

For collateral estoppel to apply, the issue must have been litigated in the prior action.\(^8\) This requirement is usually satisfied if the parties in the original action disputed the claim element construed by the court, and the claim element was decided.\(^8\) This factor may not be met if the issue was abandoned,\(^8\) if the court in the earlier proceeding noted it was not deciding the issue,\(^8\) if the parties in the earlier proceedings stipulated to the facts,\(^9\) or if the prior judgment was a consent judgment.\(^9\) All of the post-\textit{Markman} cases to decide whether

and determined that the accused device did not infringe. \textit{Id.} at 719, 740. Later, in \textit{Masco Corp. v. United States}, Masco alleged that the United States was infringing two of its patents. 49 Fed. Cl. at 338. The United States Court of Federal Claims, see 28 U.S.C. § 1498 (2000), held that collateral estoppel allows the claim interpretation of a patent to be used in a later litigation of a continuation of that patent. 49 Fed. Cl. at 342. The patents were continuations of the patent in the earlier lawsuit, and the language at issue was the same. \textit{Id.} at 338. The court was careful to clarify that estoppel applied to the language already litigated, and that estoppel did not necessarily apply to the issues specific to the different patents. \textit{Id.} at 342. 86. \textit{See} \textit{Innovad Inc. v. Microsoft Corp.}, 260 F.3d 1326, 1334 (Fed. Cir. 2001) (citing \textit{Freeman}, 30 F.3d at 1465). 87. \textit{See} \textit{Freeman}, 30 F.3d at 1466; \textit{Mother's Rest., Inc. v. Mama's Pizza, Inc.}, 723 F.2d 1566, 1569 (Fed. Cir. 1983). 88. \textit{See} 18 \textit{MOORE ET AL.}, supra note 52, ¶ 132.03[2][a] ("An issue that was raised but abandoned was not actually litigated for purposes of issue preclusion."). 89. \textit{See} id. ¶ 132.03[2][f]. 90. \textit{See}, e.g., United States v. Young, 804 F.2d 116, 118 (8th Cir. 1986) ("A fact established in prior litigation not by judicial resolution but by stipulation has not been 'actually litigated'... "); \textit{Tribune Co. v. Purcigliotti}, 869 F. Supp. 1076, 1102 (S.D.N.Y. 1994) ("An issue is not 'actually litigated' if the action was settled by stipulation."), aff'd sub nom. \textit{Tribune Co. v. Abiola}, 66 F.3d 12 (2d Cir. 1995). 91. \textit{See} \textit{Kearns v. Gen. Motors Corp.}, 94 F.3d 1553, 1557 (Fed. Cir. 1996) (noting that "[i]n the case of a judgment entered by confession, consent, or default, none of the issues is actually litigated' and issue preclusion does not apply") (quoting \textit{RESTATEMENT (SECOND) OF JUDGMENTS} § 27 cmt. e (1982)). Some courts have held that a consent judgment may have preclusive effect if the parties manifest such an intent. \textit{See} Hartley v. Mentor Corp., 869 F.2d 1469, 1470 (Fed. Cir. 1989) (stating in dictum, "[i]ssue preclusion may also arise... by reason of a... consent decree. Under the latter, the primary consideration is the intent of the parties.") (citing 18 \textit{WRIGHT ET AL.}, supra note 55, § 4443, at 382); \textit{see also} 18 \textit{MOORE ET AL.}, supra note 52, ¶ 132.03[2][i][i] ("[i]ssue preclusion does not apply with respect to any issue in an action subsequent to a consent judgment."); 3 \textit{JAMES WM. MOORE ET AL.}, \textit{MOORE'S MANUAL: FEDERAL PRACTICE AND PROCEDURE} § 30.05[5] (2001). A consent judgment is a judgment that the parties agree to and the court enters into the record. \textit{See} \textit{BLACK'S LAW DICTIONARY} 846 (7th ed. 1999).
collateral estoppel applies to claim interpretation have
determined this requirement is fulfilled if claim interpretation
of the language at issue occurs. If the court interpreted claim
language and both parties presented cases, the "actually
litigated" requirement is satisfied.

C. THE PARTY AGAINST WHOM COLLATERAL ESTOPPEL IS Sought MUST HAVE HAD A FULL AND FAIR OPPORTUNITY TO LITIGATE IN THE PREVIOUS LITIGATION

Both parties must have had a full and fair opportunity to
litigate for collateral estoppel to apply. Whether the parties
had a full and fair opportunity to litigate may hinge on several
judicially determined factors. In Blonder-Tongue Laboratories,
Inc. v. University of Illinois Foundation, the Supreme Court set
forth the appropriate legal test for determining whether a party
had a full and fair opportunity to litigate a patent in a prior
action. When the court interprets the claim, and both sides

92. See Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464,
466 (W.D. Va. 2001) (stating that the "actually litigated" element was met
after a lengthy Markman hearing on the claim construction); Abbott Labs. v.
litigated" element was met because the parties "briefed and argued the issues"
before the judge); Sec. People, Inc. v. Medeco Sec. Locks, Inc., 59 F. Supp. 2d
1040, 1045 (N.D. Cal. 1999) ("It is clear from the record presented to this
court that those issues were actually litigated by parties and conclusively
determined by the court in the first case. The record in that case demonstrates
that the issues were fully briefed, that the parties submitted expert testimony
in support of their arguments, and that the court held a hearing on the
issues."); aff'd mem., 243 F.3d 555 (Fed. Cir. 2000); Masco Corp. v. United
States, 49 Fed. Cl. 337, 342 (2001) ("Therefore, the Court finds that the issue
of whether the X-07 lever is pushed or pulled into engagement is identical to
an issue decided in the Kentucky district court and was actually litigated in
the Kentucky district court.").

93. See Van Over, supra note 80, at 1165-66 (discussing the requirement
of "actually litigated" and agreeing that the actually litigated requirement is
met with claim interpretation).

94. See Innovad Inc. v. Microsoft Corp., 260 F.3d 1326, 1334 (Fed. Cir.
2001) (citing In re Freeman, 30 F.3d 1459, 1465 (Fed. Cir. 1994)).

95. 402 U.S. 313, 329-34 (1971). The Court recognized that the
determination of a "full and fair chance" to litigate was not always an easy
chore. Id. at 333. The Court stated that, in addition to whether the patentee
litigated in her chosen forum and had an incentive to fully litigate, when
determining if a party had a full and fair opportunity to litigate, a court may
consider (1) whether the patentee was the plaintiff in the prior suit and chose
to litigate at that time and place, (2) whether the patentee was prepared to
litigate to the finish against the defendant involved, (3) if the issue is
obviousness, whether the first validity determination used the standards
announced in Graham v. John Deere Co., 383 U.S. 1, 12-24 (1966), (4) whether
litigate the issue, it is clear the "full and fair opportunity to litigate" requirement is met.96

D. THE DETERMINATION OF THE ISSUE MUST BE ESSENTIAL TO THE FINAL JUDGMENT OF THE PREVIOUS LITIGATION

The party asserting collateral estoppel must prove that the determination of the issue was essential to the final judgment of the previous litigation.97 There are two main requirements associated with this element: (1) the presence of a final judgment, and (2) the determination in the prior adjudication was essential to that judgment.98 When the court interprets the claim language, the patentee loses on infringement, and the court issues a final judgment, this factor is met.99

opinions filed in the first case indicate that the prior case was one of those rare instances where the court or jury failed to grasp the technical subject matter and issues, (6) whether the first court made the pertinent legal inquiries, and (6) whether without fault of her own the patentee was deprived of crucial evidence or witnesses in the first litigation. 402 U.S. at 333. The Court also noted that "[i]n the end, decision will necessarily rest on the trial courts' sense of justice and equity." Id. at 334.

96. See Kollmorgen, 147 F. Supp. 2d at 466 (stating that the "full and fair opportunity" to litigate element was met after a lengthy Markman hearing on the claim construction); TM Patents, L.P. v. IBM Corp., 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999) (noting that both parties agreed that there was a full and fair opportunity to litigate because a Markman hearing occurred); Sec. People, 59 F. Supp. 2d at 1045 ("The record again demonstrates that both parties had a full and fair opportunity to litigate the patent issues. It is undisputed that [the plaintiff] was represented by counsel in the first case, and [plaintiff's] counsel filed extensive briefs and a record regarding the issues.").


97. See Innovad Inc. v. Microsoft Corp., 260 F.3d 1326, 1334 (Fed. Cir. 2001) (citing In re Freeman, 30 F.3d 1459, 1465 (Fed. Cir. 1994)).

98. Id.

99. See Abbott, 110 F. Supp. 2d at 670 (stating that the essential to the final judgment element was met because the "judge's claim construction ruling was necessary to the final judgment in the case concerning infringement").
1. Final Judgment

Finality for the purposes of collateral estoppel is a foggy concept. Many courts require absolute finality before applying collateral estoppel. Some courts, however, have relaxed the requirement of absolute finality. They suggest a judgment does not necessarily have to be final to preclude further litigation of the issue, and a better inquiry is whether the previous judgment is sufficiently firm to be accorded conclusive effect. For example, most courts agree that a jury verdict

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101. See, e.g., Recoveredge L.P. v. Pentecost, 44 F.3d 1284, 1295 (5th Cir. 1995) (noting that a final judgment includes a conclusive verdict rendered by a jury even if the judgment has not yet been entered); Metromedia Co. v. Fugazy, 963 F.2d 350, 366 (2d Cir. 1992) ("The concept of finality for collateral estoppel purposes 'includes many dispositions which, though not final in that [end of litigation] sense, have nevertheless been fully litigated.'") (quoting Zdanok v. Glidden Co., Durkee Famous Foods Div., 327 F.2d 944, 955 (2d Cir. 1964)); John Morrell & Co. v. Local Union 304A of the United Food & Commercial Workers, 913 F.2d 544, 563-64 (8th Cir. 1990) (stating that the verdict at the liability phase of the trial had an issue preclusive effect even though the liability verdict was not immediately appealable because the damages phase of the trial had not concluded); Dyndul v. Dyndul, 620 F.2d 409, 412 & n.8 (3d Cir. 1980) (explaining that the concept of finality is more flexible in the context of issue preclusion and it "may mean little more than that the litigation of a particular issue has reached such a stage that a court sees no really good reason for permitting it to be litigated again.") (quoting Lummus Co. v. Commonwealth Oil Ref. Co., 297 F.2d 80, 89 (2d Cir. 1961)); Miller Brewing Co. v. Jos. Schiltz Brewing Co., 605 F.2d 990, 995 (7th Cir. 1979) (holding that an interlocutory appeal from a preliminary injunction "will be given preclusive effect if it is necessarily based upon a determination that constitutes an insuperable obstacle to the plaintiff's success on the merits"); United Bus. Communications, Inc. v. Racal-Milgo, Inc., 591 F. Supp. 1172, 1184-85 (D. Kan. 1984) (noting that the prior decision of patent invalidity was "final" for collateral estoppel purposes when the findings were final in all respects except for the entry of judgment); GAF Corp. v. Eastman Kodak Co., 519 F. Supp. 1203, 1214 (S.D.N.Y. 1981) (holding that the determination of the issues by the jury that were subsequently affirmed by the federal appellate court satisfied the finality requirement of issue preclusion); 18 MOORE ET AL., supra note 52, ¶ 132.03[5][b][i] ("Issue preclusion, however, unlike appealability under 28 U.S.C. § 1291, does not require a judgment that ends the litigation and leaves nothing for the court to do but execute the judgment."). The Fifth Circuit, however, requires an actual final judgment before collateral estoppel will be applied. See, e.g., Avondale Shipyards, Inc. v. Insured Lloyd's, 786 F.2d 1265, 1269 (5th Cir. 1986).

102. See cases cited supra note 101.

103. See Still v. Michaels, 791 F. Supp. 248, 251 (D. Ariz. 1992) ("A judgment is 'sufficiently firm' where the parties were fully heard, the court
constitutes a final judgment even if damages have not yet been determined.104

The finality of an interlocutory order presents more difficult questions. Rule 54 of the Federal Rules of Civil Procedure states that any order that is not made final and does not adjudicate all of the claims "is subject to revision at any time before the entry of judgment."105 Most courts hold that because interlocutory orders are tentative, they should not be given preclusive effect.106 Generally, interlocutory decisions do

104. See supra note 34 and accompanying text; see also John Morrell, 913 F.2d at 563.

105. Fed. R. Civ. P. 54(b). See generally Total Containment Inc. v. Environ Prods. Inc., 33 U.S.P.Q.2d 1316, 1316 (E.D. Pa. 1994) ("[S]o long as [a] district court has jurisdiction over [a] case, it possesses inherent power over interlocutory orders, and can reconsider them when it is consonant with justice to do so."); RESTATEMENT (SECOND) OF JUDGMENTS § 13 (1982) (noting that for application of res judicata, there must be a final judgment, but for issue preclusion there must only be a decision that is "sufficiently firm"); 18 WRIGHT ET AL., supra note 55, § 4434.

106. See Irish Lesbian & Gay Org. v. Giuliani, 143 F.3d 638, 644 (2d Cir. 1998) (noting that because of the requirement that there be a valid and final judgment on the merits in the first action, "findings of fact and conclusions of law made in a preliminary injunction proceeding do not preclude reexamination of the merits at a subsequent trial"); St. Paul Fire & Marine Ins. Co. v. F.H., 55 F.3d 1420, 1425 (9th Cir. 1995) (refusing to give partial summary judgment preclusive effect); Mendenhall v. Barber-Greene Co., 26 F.3d 1573, 1580-81 (Fed. Cir. 1994) (holding that because the validity finding was interlocutory, it was not a final judgment, and stating, "[a] final judgment is one that 'ends the litigation on the merits and leaves nothing for the court to do but execute the judgment'"); quoting Catlin v. United States, 324 U.S. 229, 233 (1945)); Syntex Pharm. Int'l, Ltd. v. K-Line Pharm., Ltd., 905 F.2d 1525, 1526 (Fed. Cir. 1990) (noting that neither an interlocutory grant of partial summary judgment nor a denial of a motion for summary judgment is appealable; noting that the jurisdiction of the Federal Circuit over appeals from interlocutory orders is governed by 28 U.S.C. § 1292; noting that in order to appeal interlocutory orders, there must be either an order certified under 28 U.S.C. § 1292(c)(1), or a judgment otherwise appealable and final except for an accounting under 28 U.S.C. § 1292(c)(2)); Avondale Shipyards, Inc. v. Insured Lloyd's, 786 F.2d 1265, 1272 (5th Cir. 1986) (holding that "an order granting partial summary judgment has no res judicata or collateral estoppel effect") (quoting Golman v. Tesoro Drilling Corp., 700 F.2d 249, 253 (5th Cir. 1983)); Del Mar Avionics v. Quinton Instruments Co., 645 F.2d 832, 834-36 (9th Cir. 1981) (noting that a grant of partial summary judgment is not appealable as a final order, but in patent cases, appellate jurisdiction is available that allows appeals from judgments in patent infringement actions that are final except for the damages calculation); Arco Indus. Corp. v. Travelers Ins. Co., 730 F. Supp. 59, 64-65 (W.D. Mich. 1989) (stating that interlocutory orders are generally not considered final judgments for issue preclusion purposes);
not have collateral estoppel effect, and orders that are not appealable do not preclude further litigation. A district court’s claim interpretation is an interlocutory order. Because an interlocutory order is not considered a final judgment, the Federal Circuit does not have jurisdiction unless the order is certified.

107. See, e.g., Interconnect Planning Corp. v. Feil, 774 F.2d 1132, 1136 (Fed. Cir. 1985) (holding that a district court’s interpretation of patent claim language cannot be used as collateral estoppel in a later litigation when the earlier decision was not final or certified); see also Kay-R Elec. Corp. v. Stone & Webster Constr. Co., 23 F.3d 55, 59 (2d Cir. 1994) (listing the opportunity for review as a factor in determining finality for issue preclusion); Powers v. Southland Corp., 4 F.3d 223, 234 (3d Cir. 1993) (same); Sandberg v. Va. Bankshares, Inc., 379 F.2d 322, 347 (4th Cir. 1963) (same), vacated on other grounds, No. 89-1873(L), 1993 U.S. App. LEXIS 33266, at *1 (4th Cir. Apr. 7, 1993); In re Brown, 951 F.2d 564, 569 (4th Cir. 1991) (same); John Morrell, 913 F.2d at 563 (same); O’Reilly v. Malon, 747 F.2d 820, 822-23 (1st Cir. 1984) (per curiam) (same); Miller Brewing Co. v. Jos. Schlitz Brewing Co., 605 F.2d 990, 996 (7th Cir. 1979) (same); Am. Cas. Co. v. Sentry Fed. Sav. Bank, 867 F. Supp. 50, 56 (D. Mass. 1994) (same); RESTATEMENT (SECOND) OF JUDGMENTS § 28(1) (1982) (“Although an issue is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, relitigation of the issue in a subsequent action between the parties is not precluded . . . . [when] [t]he party against whom preclusion is sought could not, as a matter of law, have obtained review of the judgment in the initial action.”); 18 MOORE ET AL., supra note 52, ¶ 132.03[4][k][ii] (“Relitigation of an issue is not precluded if the party against whom issue preclusion is sought could not, as a matter of law, have obtained review of the judgment in the initial action.”). See generally Standefer v. United States, 447 U.S. 10, 23 n.18 (1980) (stating that issue preclusion is “premised upon an underlying confidence that the result achieved in the initial litigation was substantially correct” and that “[i]n the absence of appellate review, or of similar procedures, such confidence is often unwarranted”).

The Supreme Court has articulated a three-pronged test to determine whether an interlocutory order is appealable. The order must (1) conclusively determine the disputed question, (2) resolve an important issue completely separate from the merits of the action, and (3) be effectively unreviewable on appeal from a final judgment. See Gulfstream Aerospace Corp. v. Mayacamas Corp., 485 U.S. 271, 276 (1988).

108. See supra note 44 and accompanying text.

109. See supra note 44 and accompanying text.

The Federal Circuit has held that if a party cannot, as a matter of law, appeal a judgment, that judgment does not have preclusive effect.\textsuperscript{111} Courts both before and after \textit{Markman} have held that in order for collateral estoppel to apply, there must have been a final judgment on infringement or validity.\textsuperscript{112}

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judgment is not allowed); Fed. R. Civ. P. 54(b) (stating a judgment can be certified final); see also Schering Corp. v. Amgen, Inc., 35 F. Supp. 2d 375, 377-78 (D. Del. 1999) (entering judgment of non-infringement upon the patentee’s request, in order to immediately appeal the court’s claim construction), \textit{aff’d in part}, 222 F.3d 1347 (Fed. Cir. 2000); Filardi & Blonder, \textit{supra} note 42, at 250-55 (listing several methods to obtain review of an adverse claim construction); \textit{supra} note 32 and accompanying text.
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\textsuperscript{111}See \textit{Trilogy Communications, Inc. v. Times Fiber Communications, Inc.}, 109 F.3d 739, 745 (Fed. Cir. 1997) (holding if the court never enters a final judgment on its decision a patent is invalid or certifies the interlocutory decision for appeal, the parties cannot appeal the decision and therefore collateral estoppel does not apply); Hartley v. Mentor Corp., 869 F.2d 1469, 1474-75 (Fed. Cir. 1989) (holding that when a party wins the litigation, but loses on an issue, issue preclusion does not apply to a lost issue that could not by itself be appealed); \textit{Interconnect}, 774 F.2d at 1135 (“Sufficient firmness . . . requires that the party against whom the estoppel is asserted have had the right, even if not exercised, to challenge on appeal the correctness of the earlier decision.”); Jackson Jordan, Inc. v. Plasser Am. Corp., 747 F.2d 1567, 1577-78 (Fed. Cir. 1984) (“In a sense, a party can be said to have ‘lost’ if it urged a broad scope of the claim, and the court upheld validity on a narrower interpretation. However, if a claim is held valid and infringed on a narrower than necessary basis, the patent owner cannot appeal. Thus, under the first exception to issue preclusion noted in Restatement § 28(1) (availability of review), [a party] could not invoke an estoppel against [another party] since [the latter] won on both validity and infringement.”).
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\textsuperscript{112}See \textit{Molinaro v. Fannon/Courier Corp.}, 745 F.2d 651, 655 (Fed. Cir. 1984), \textit{vacated on other grounds}, Hilgraeve Corp. v. Symantec Corp., 265 F.3d 1336 (Fed. Cir. 2001); A.B. Dick Co. v. Burroughs Corp., 713 F.2d 700, 704 (Fed. Cir. 1983); Home Diagnostics Inc. v. Lifescan, Inc., 120 F. Supp. 2d 864, 870 (N.D. Cal. 2000) (noting there must be a final judgment on validity or infringement for collateral estoppel to apply); Abbott Labs. v. Dey, L.P., 110 F. Supp. 2d 667, 670 (N.D. Ill. 2000) (noting there was a final judgment because the judge’s claim construction was necessary to the determination of infringement); Hilgraeve Corp. v. Symantec Corp., 90 F. Supp. 2d 850, 852, 854 (E.D. Mich. 2000) (same) (citing Pfaff v. Wells Elecs., Inc., 5 F.3d 514, 518 (Fed. Cir. 1993), \textit{aff’d in part and vacated in part on other grounds}, 265 F.3d 1336 (Fed. Cir. 2001)); see also \textit{In re Freeman}, 30 F.3d 1459, 1466 (Fed. Cir. 1994) (“[J]udicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement.”) (quoting A.B. \textit{Dick}, 713 F.2d at 704); \textit{id.} (“[T]o apply issue preclusion to a claim interpretation issue decided in a prior infringement adjudication, ‘the interpretation of the claim had to be the reason for the loss [in the prior case] on the issue of infringement.’”) (quoting \textit{Jackson Jordan}, 747 F.2d at 1577); \textit{Pfaff}, 5 F.3d at 518 (“The prior claim interpretation has issue preclusive effect in the present case insofar as it was necessary to the judgment of noninfringement in the previous case.”);
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a. Settlement Before Trial

Courts are often asked to determine if settlements or consent judgments should be given collateral estoppel effect. Generally, collateral estoppel does not apply to a settlement without a final judgment on the merits, unless it is clear the parties so intend. Settlements are usually meant to end litigation on the claim presented, but not necessarily the issue; thus, although claim preclusion may be appropriate, collateral estoppel ordinarily is not. When parties in patent cases settle, the Federal Circuit lacks jurisdiction to review the court's decision on claim interpretation without a certified

Molinaro, 745 F.2d at 655 ("Where a determination of the scope of patent claims was made in a prior case, and the determination was essential to the judgment there on the issue of infringement, there is collateral estoppel in a later case on the scope of such claims . . ."). See generally Filardi & Blonder, supra note 42, at 261 ("Claim construction that does not lead to a judgment should not give rise to collateral estoppel."); Van Over, supra note 80, at 1165 ("The issue of whether claim construction was actually litigated in a prior action is subsumed by the issue of finality, meaning, whether the determination of claim construction was litigated in a manner sufficiently final for collateral estoppel purposes."); supra note 44 and accompanying text.

In the post-Markman case of Louisville Bedding Co. v. Perfect Fit Industries, Inc., the Western District of Kentucky applied collateral estoppel to claim interpretation from an earlier judgment, even though the final judgment in the first case was a consent judgment. 151 F. Supp. 2d 818, 819-20 (W.D. Ky. 2001).


See Arizona v. California, 530 U.S. 392, 414 (2000) ("But settlements ordinarily occasion no issue preclusion (sometimes called collateral estoppel), unless it is clear, as it is not here, that the parties intend their agreement to have such an effect.") (emphasis omitted); Meyer v. Rigdon, 36 F.3d 1375, 1379 (7th Cir. 1994) ("[S]ettlement agreements not approved by a court are not given preclusive effect.").

See 18 WRIGHT ET AL., supra note 55, § 4443, at 384-85 ("In most circumstances, it is recognized that consent agreements ordinarily are intended to preclude any further litigation on the claim presented but are not intended to preclude further litigation on any of the issues presented. Thus consent judgments ordinarily support claim preclusion but not issue preclusion."). quoted in Arizona v. California, 530 U.S. at 414; see also United States v. Int'l Bldg. Co., 345 U.S. 502, 505 (1953) (noting that settlement agreements involve claim preclusion, not issue preclusion); Aaron Basha Corp. v. Felix B. Vollman, Inc., 88 F. Supp. 2d 226, 229-30 (S.D.N.Y. 2000) (refusing to grant collateral estoppel effect to a preliminary injunction when the parties settled before trial).
interlocutory appeal.\textsuperscript{117} The Supreme Court has stated that collateral estoppel was designed to promote efficiency, not to thwart settlements.\textsuperscript{118}

In the first post-\textit{Markman} case to decide the collateral estoppel effect of a claim interpretation after settlement but before the final judgment, \textit{TM Patents, L.P. v. IBM Corp.}, the Southern District of New York held that collateral estoppel applies to claim interpretation even if the case is settled before trial.\textsuperscript{119} The court determined that although the parties settled the dispute, and there was no final, appealable judgment, finality for collateral estoppel purposes was presumed.\textsuperscript{120} The court rejected pre-\textit{Markman} precedent on collateral estoppel,\textsuperscript{121}

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117. See supra note 44 and accompanying text; sources cited supra note 110.

118. See \textit{Zenith Radio Corp. v. Hazeltine Research, Inc.}, 401 U.S. 321, 347 (1971) (noting that issue preclusion is designed to promote economics, not to thwart settlements); see also \textit{InterDigital Tech. Corp. v. OKI Am.}, 866 F. Supp. 212, 214 (E.D. Pa. 1994) (noting that settlements are highly favored in the law and collateral estoppel should not be used to discourage settlement); \textit{Van Over}, supra note 80, at 1176-78 (suggesting that patentees will be less likely to settle if \textit{Markman} hearings are always given collateral estoppel effect).

119. 72 F. Supp. 2d 370 (S.D.N.Y. 1999); see \textit{Claim Construction in Settled Case is Preclusive Under Collateral Estoppel,} 59 Pat. Trademark \& Copyright J. (BNA) 132, 132 (Nov. 18, 1999) (discussing the decision in \textit{TM Patents}). \textit{TM Patents} sued EMC Corporation for patent infringement. \textit{TM Patents}, L.P. v. IBM Corp., 72 F. Supp. 2d at 375. The judge held a \textit{Markman} hearing to interpret the claim language of the patent at issue. The case is unreported but discussed in \textit{TM Patents}. \textit{Id.} at 375-98. Before the case was completed, the parties settled, and so the jury never returned a verdict on the issue of patent infringement. \textit{Id.} at 375. Later, \textit{TM Patents} sued IBM for patent infringement. \textit{Id.} IBM argued that the earlier litigation collaterally estopped \textit{TM Patents} from relitigating the claim language. \textit{Id.} The judge noted that the issue was one of first impression, and agreed that \textit{TM Patents} was estopped from relitigating the claim language even though the parties in the earlier litigation settled. \textit{Id.} at 375 ("The parties have not called my attention to any case in which a court has applied collateral estoppel to bar relitigation of claims construction issues decided at a prior \textit{Markman} hearing, and I have not located any such decisions. Nonetheless, that proposition seems self-evident."). The court reasoned that plaintiffs had a full and fair opportunity to litigate the meaning of the terms in the first case, and were therefore bound to that decision in the second case. \textit{Id.} at 375.

120. 72 F. Supp. 2d at 375-76 ("[I]t has been settled that a judgment that is not 'final' in the sense of 28 U.S.C. § 1291 can nonetheless be considered 'final' in the sense of precluding further litigation of issues that were actually determined in such a judgment."); \textit{id.} at 378 ("A party who cuts off his right to review by settling a disputed matter cannot complain that the question was never reviewed on appeal.").

121. \textit{Id.} at 378 ("[C]ases such as \textit{Jackson Jordan, Inc. v. Plasser Amer. Corp.}, 747 F.2d 1567 (Fed. Cir. 1984); \textit{A.B. Dick Co. v. Burroughs Corp.}, 713
and relied on several decisions for the proposition that finality is a stage in the litigation in which an issue "has reached such a stage that a court sees no really good reason for permitting it to be litigated again." The TM Patents court held that finality for collateral estoppel depends on (1) the nature of the decision, (2) the adequacy of the hearing, and (3) the opportunity for review.

In Edberg v. CPI—The Alternative Supplier, Inc., the District Court of Connecticut chose to follow TM Patents and held that in a patent infringement suit the plaintiff was estopped from relitigating the claim construction, even though the prior suit was settled before the determination of infringement. The court noted that "the mere fact that

F.2d 700 (Fed. Cir. 1983); and Studiengesellschaft Kohle v. Eastman Kodak Co., 616 F.2d 1315 (5th Cir. 1980)—are inapplicable in the post-Markman era, at least when the district court holds a special pre-trial hearing . . . ".


The Lummus court applied collateral estoppel to an interlocutory order directing trial of arbitrability even though the issue was not appealable. 297 F.2d at 89-91. The court specifically limited its analysis to this narrow situation when it noted the "exception to the general rule of finality in Federal appellate procedure." Id. at 86. It noted that the interlocutory order staying or refusing to stay an arbitration pending judicial inquiry did not rise to the level of serious consequence. Id. The court also noted that "whether a judgment, not 'final' in the sense of 28 U.S.C. § 1291, ought nevertheless be considered 'final' in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review." Id. at 89.

In both Zdanok and Metromedia, the judgment was final except for the damages calculation. Zdanok, 327 F.2d at 949, 955; Metromedia, 983 F.2d at 366. In Georgakis and Sherman there were also final judgments. Georgakis, 512 F. Supp. at 334 (applying collateral estoppel to a summary judgment); Sherman, 247 F. Supp. at 267-72 (applying collateral estoppel to a final judgment pending appeal).

In TM Patents, 72 F. Supp. 2d at 378, the court cited the following cases where the parties settled after there was a final judgment: Hartley v. Mentor Corp., 369 F.2d 1469, 1472-73 (Fed. Cir. 1969); Wellons, Inc. v. T.E. Ibberson Co., 869 F.2d 1166, 1169 (8th Cir. 1989); Siemens Medical Systems, Inc. v. Nuclear Cardiology Systems, Inc., 945 F. Supp. 1421, 1436 (D. Colo. 1996); and Ossman v. Diana Corp., 825 F. Supp. 870, 878 (D. Minn. 1993).

123. TM Patents, 72 F. Supp. 2d at 376 (citing Lummus, 297 F.2d at 89).

124. 156 F. Supp. 2d 190, 195-96 (D. Conn. 2001). In 1992, the plaintiffs
plaintiffs settled the prior case does not give this Court's prior rulings any less preclusive effect." 125

In the most recent case on the issue, Kollmorgen Corp. v. Yaskawa Electric Corp., the Western District of Virginia held that collateral estoppel does not apply to claim interpretation if the case is settled before trial. 126 Kollmorgen was decided less than a month after Edberg. 127 The Kollmorgen court rejected the reasoning in TM Patents and did not mention the Edberg decision. 128 The court held that a consensual settlement

sued Millipore Corporation for infringement of the patent. See Envirionetics, Inc. v. Millipore Corp., 923 F. Supp. 344, 345 (D. Conn. 1996). The judge held a Markman hearing to interpret the patent claim language, and denied the defendant's motion for summary judgment of non-infringement to all but one claim. Id. at 346-50.


125. Edberg, 156 F. Supp. 2d at 196.
126. 147 F. Supp. 2d 464, 470 (W.D. Va. 2001). Allen-Bradley Co., L.L.C. and Reliance Motion Control, Inc. sought declaratory judgment in the Eastern District of Wisconsin of non-infringement of certain patents owned by Kollmorgen. Allen-Bradley Co. v. Kollmorgen Corp., 199 F.R.D. 316 (E.D. Wis. 2001). Kollmorgen asserted counterclaims alleging infringement. Id. at 317. After a series of dismissals, the court was left to construe two of the patents at issue. Id. The court held a Markman hearing to construe the claims of the two patents. Id. The parties entered into settlement negotiations and reached an agreement conditioned on the vacation of the Markman order. Id. The court denied Kollmorgen's motion to vacate its claim construction. Id. at 320. The Allen-Bradley court refused to vacate the Markman hearing decision to facilitate settlement between the parties. Id. at 319-20. The court reasoned that if settlement is preferable at the district court level, rather than at the appellate level, it should also be preferable at a pre-Markman level as opposed to a post-Markman level. Id. at 318-19. The court also noted the uncertainty surrounding the collateral estoppel effect of a Markman hearing. Id. at 320 n.1 ("Indeed, whether this court's Markman order would have preclusive effect is open to some debate.") (citing TM Patents, 72 F. Supp. 2d 370; Graco Children's Prods., 77 F. Supp. 2d 660; and Abbott, 110 F. Supp. 2d 667).

A month before the Allen-Bradley case went to trial, Kollmorgen filed a patent infringement claim against Yaskawa for infringement of the same patents. 147 F. Supp. 2d at 466. Yaskawa filed a motion to adopt the Wisconsin Court's Markman order. Id. at 465.

127. Kollmorgen was decided on June 29, 2001, 147 F. Supp. 2d at 464, while Edberg was decided on June 4, 2001, 156 F. Supp. 2d at 190.
128. Kollmorgen, 147 F. Supp. 2d at 467 ("The facts in TM Patents bear a striking similarity to the case at bar.... The Court in TM Patents... incorrectly interpret[s] Markman's ruling as nullifying pre-existing Federal
between the parties did not constitute a "final judgment," the
claim interpretation was not essential to the "non-existent final
judgment," and collateral estoppel did not apply.\textsuperscript{129} The
\textit{Kollmorgen} court held that a ruling is final for collateral
estoppel purposes if the ruling is essential to the final judgment
on infringement or validity.\textsuperscript{130}

Although pre-\textit{Markman} precedent indicates that issues
decided before settlement do not generally have collateral
estoppel effect, post-\textit{Markman} cases do not necessarily agree.
In \textit{TM Patents} and \textit{Edberg}, the courts applied collateral
estoppel to the claim interpretation even though the parties
settled before the trial. In \textit{Kollmorgen}, however, the court
rejected \textit{TM Patents} and refused to apply collateral estoppel.
Some scholars agree with the result in \textit{TM Patents},\textsuperscript{131} and
others do not.\textsuperscript{132}

\textbf{b. Settlement After Trial}

When parties settle after a final judgment, the necessary
elements of collateral estoppel are met. Before \textit{Markman}, the
Supreme Court held "mootness by reason of settlement does not
justify vacatur of a judgment under review."\textsuperscript{133} The Court

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{129} \textit{Id.} at 469-70.
\item \textsuperscript{130} \textit{Id.} at 469.
\item \textsuperscript{131} \textit{See, e.g.,} Nard, supra note 46, at 384 ("Judge McMahon [of \textit{TM
Patents}] understands, correctly in my opinion, that a \textit{Markman} hearing is
procedurally unique and calls into question case law and procedural rules that
were in place prior to \textit{Markman."}); Van Over, supra note 80, at 1152 ("As this
Article argues, the Supreme Court and the Federal Circuit's sister circuits
would seem to favor the application of collateral estoppel to \textit{Markman} rulings,
at least under the circumstances of both \textit{TM Patents} and \textit{Graco."}).
\item \textsuperscript{132} \textit{See, e.g.,} Filardi & Blonder, supra note 42, at 262 ("While the
rational[e] [in \textit{TM Patents}] seems sound it does not recognize that an
established exception to collateral estoppel in a subsequent action with
another defendant, is where "[t]he issue is one of law and treating it as
conclusively determined would inappropriately foreclose opportunity for
obtaining reconsideration of the legal rule upon which it was based."" (quoting
\textit{RESTATEMENT (SECOND) OF JUDGMENTS} § 29(7) (1980)).
\item \textsuperscript{133} U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship, 513 U.S. 18, 29
(1994). The Court considered the authority of an appellate court to vacate
dedications, decrees, or orders of lower courts. \textit{Id.} at 19. That authority is
derived from a specific statute that deals only with the vacatur power of "[t]he
Supreme Court or any other court of appellate jurisdiction." \textit{Id.} at 21 (citing
\end{enumerate}
\end{footnotesize}
specifically noted the difference between post-judgment settlement and pre-judgment settlement, and indicated a strong preference for pre-judgment settlement.\textsuperscript{134} Determinations that result in final judgments can be used for collateral estoppel if they meet the requirements, regardless of any later settlement.\textsuperscript{135}

c. Summary Judgment

It is well settled that collateral estoppel may be asserted even if the previous litigation ended with summary judgment.\textsuperscript{136} The denial of summary judgment or a grant of

\textsuperscript{134} Id. at 27-28 ("While the availability of vacatur may facilitate settlement after the judgment under review has been rendered and certiorari granted (or appeal filed), it may deter settlement at an earlier stage. Some litigants, at least, may think it worthwhile to roll the dice rather than settle in the district court, or in the court of appeals, if, but only if, an unfavorable outcome can be washed away by a settlement-related vacatur. And the judicial economies achieved by settlement at the district-court level are ordinarily much more extensive than those achieved by settlement on appeal.")(emphasis removed).

\textsuperscript{135} Id. at 29; see also United States v. Munsingwear, Inc., 340 U.S. 36, 40-41 (1950) (allowing res judicata to be used against a party that did not move to vacate a decision that has become moot on appeal); Hartley v. Mentor Corp., 869 F.2d 1469, 1473 (Fed. Cir. 1989).

In Hartley v. Minnesota Mining & Manufacturing Co., the plaintiffs sued the defendants for patent infringement. 222 U.S.P.Q. 590 (C.D. Cal. 1983). The parties litigated the meaning of the patent claims, and the court ruled that the patent was invalid and granted summary judgment for the defendants. \textit{Hartley}, 869 F.2d at 1471. After that, the parties negotiated a settlement that provided "for entry of a stipulated judgment dismissing Hartley's infringement claim against 3M with prejudice." \textit{Id}. Later, Hartley sued Mentor, who purchased the license from 3M but did not pay Hartley as stipulated by the settlement. \textit{Id}. The court held that because the patent was held invalid in the prior litigation, Hartley was collaterally estopped from relitigating the validity of the patent. \textit{Id}. at 1473. The court noted that, at least under Ninth Circuit law, settlement agreements do not necessarily moot prior court rulings unless the court actually vacates the order. \textit{Id}. Importantly, the court noted, "courts should favor and enforce settlement agreements," but in this case the court declined to do so because it was not clear that both sides intended that the settlement would vacate the judgment. \textit{Id}. at 1473 n.5; see also Ringsby Truck Lines, Inc. v. W. Conference of Teamsters, 666 F.2d 720, 721-22 (9th Cir. 1982) (refusing to vacate the district court's judgment after the parties settled and allowing collateral estoppel).

\textsuperscript{136} FED. R. CIV. P. 54(b); Trilogy Communications, Inc. v. Times Fiber Communications, Inc., 109 F.3d 739, 745 (Fed. Cir. 1997) (finding that a summary judgment certified as final under Rule 54(b) is a final judgment); Stevenson v. Sears, Roebuck & Co., 713 F.2d 705, 712 (Fed. Cir. 1983) (determining that the patent's validity was fully and fairly litigated even though it was based on a motion for summary judgment); see also Nat'l Satellite Sports, Inc. v. Eliadis, Inc., 253 F.3d 900, 910 (6th Cir. 2001);
partial summary judgment usually does not have collateral estoppel effect.\textsuperscript{137}

One post-Markman case to deal with the collateral estoppel effect of a non-infringement summary judgment after claim interpretation is Security People, Inc. v. Medeco Security Locks, Inc.\textsuperscript{138} The court in Security People applied collateral estoppel to the earlier judgment of non-infringement even though the earlier proceeding ended with summary judgment.\textsuperscript{139} Because the parties in the previous litigation had a full and fair opportunity to litigate the claim interpretation, and the issue of infringement was necessarily determined for the final summary judgment, collateral estoppel applied.\textsuperscript{140}

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\textsuperscript{137} Matosantos Commercial Corp. v. Applebee's Int'l, Inc., 245 F.3d 1203, 1211 (10th Cir. 2001); Steen v. John Hancock Mut. Life Ins. Co., 106 F.3d 904, 912 (9th Cir. 1997).

\textsuperscript{138} In a pre-Markman case, the Federal Circuit held a ruling of invalidity in a prior action collaterally estopped the parties from relitigating the issue, even though the final judgment was a summary judgment. See Hartley, 869 F.2d at 1473.

\textsuperscript{139} See Syntex Pharms. Int'l, Ltd. v. K-Line Pharms., Ltd., 905 F.2d 1525, 1528 (Fed. Cir. 1990) (stating that an order granting summary judgment of infringement of a patent and denying the alleged infringer's motion for summary judgment of invalidity did not present a final judgment from which an appeal could be taken because the case was not fully adjudicated as to all claims for all parties and there was no certification order); St. Paul Fire & Marine Ins. Co. v. F.H., 55 F.3d 1420, 1425 (9th Cir. 1995) (refusing to give partial summary judgment preclusive effect); Avondale Shipyards, Inc. v. Insured Lloyd's, 786 F.2d 1265, 1272 (5th Cir. 1986) (holding "an order granting partial summary judgment 'has no res judicata or collateral estoppel effect'") (quoting Golman v. Tesoro Drilling Corp., 700 F.2d 249, 253 (5th Cir. 1983)); Del Mar Avionics v. Quinton Instruments Co., 645 F.2d 832, 834-35 (9th Cir. 1981) (noting that a grant of partial summary judgment is not appealable as a final order, but in patent cases, appellate jurisdiction is available that allows appeals from judgments in patent infringement actions that are final except for the damages calculation); Cont'l Airlines, Inc. v. Am. Airlines, Inc., 824 F. Supp. 689, 708 (S.D. Tex. 1993) (describing a partial summary judgment order as "unappealable" because the parties settled after judgment); Reacta Cas. & Sur. Co. v. Fairchild, 620 F. Supp. 1245, 1249 (D. Idaho 1985) (holding that a partial summary judgment order was not issue preclusive), resounded on other grounds, 624 F. Supp. 567, 568 (D. Idaho 1986).

\textsuperscript{138} 59 F. Supp. 2d 1040 (N.D. Cal. 1999), aff'd mem., 243 F.3d 555 (Fed. Cir. 2000).

\textsuperscript{139} Id. at 1045 (citing Bates v. Union Oil Co., 944 F.2d 647, 650 (9th Cir. 1991)).

\textsuperscript{140} Id. If there was not a "proper claim construction" before the grant of summary judgment on non-infringement, the judgment will not have collateral estoppel effect. See Bayer AG v. Biovail Corp., Nos. 01-1329, 01-1330, 2002 U.S. App. LEXIS 1925, at *21, 24 (Fed. Cir. Feb. 7, 2002) (refusing to apply collateral estoppel of non-infringement under 35 U.S.C. § 271(a) when an earlier determination of non-infringement under § 271(e)(2)(A) was decided...
2. Essential To Final Judgment

A party asserting collateral estoppel must also show that the determination was essential to final judgment. The Federal Circuit has declined to apply collateral estoppel to a finding of non-infringement of a patent when the non-infringement determination was not essential to the final judgment.\textsuperscript{141} The Federal Circuit has held that when the first action is concerned with a dispute over a particular claim term, the court's construction of the claim terms not in dispute is "merely dictum, and therefore has no issue preclusive effect."\textsuperscript{142} To apply collateral estoppel to claim interpretation decided in a prior infringement adjudication, "the interpretation of the claim had to be the reason for the loss [in the prior case] on the issue of infringement."\textsuperscript{143}

Issues that cannot be appealed are not precluded.\textsuperscript{144} If a party loses on an issue, but wins the case nonetheless, collateral estoppel does not apply.\textsuperscript{145} If a party loses on claim construction, for example by obtaining a narrower-than-urged

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\textsuperscript{142} Phonometrics, Inc. v. N. Telecom Inc., 133 F.3d 1459, 1464 (Fed. Cir. 1998).


\textsuperscript{144} See Hartley v. Mentor Corp., 869 F.2d 1469, 1472 (Fed. Cir. 1989).

\textsuperscript{145} See RESTATEMENT (SECOND) OF JUDGMENTS § 28(1) cmt. a (1982) ("If review is unavailable because the party who lost on the issue obtained a judgment in his favor, the general rule of § 27 [collateral estoppel] is inapplicable by its own terms."); see also Pool Water Prods. v. Olin Corp., 258 F.3d 1024, 1031 (9th Cir. 2001) (holding that parties are not precluded from relitigating an issue if its determination "was merely incidental to the judgment in the prior action"); Jackson Jordan, 747 F.2d at 1578 ("[U]nder the first exception to issue preclusion... [a party cannot] invoke an estoppel against [another party] since [the latter] won on both validity and infringement."); Memorex Corp. v. IBM Corp., 555 F.2d 1379, 1384 (9th Cir. 1977) (noting that "although an issue is litigated and a finding made on that issue in prior litigation, the prior judgment will not foreclose reconsideration of that issue if the issue was not necessary to the rendering of [a] prior judgment"); Pinkney v. Keane, 737 F. Supp. 187, 195 (E.D.N.Y. 1990) ("Under New York law, a party who has obtained a final judgment in its favor is not normally precluded from relitigating a subsidiary issue that was decided against it."); aff'd, 920 F.2d 1090 (2d Cir. 1990)."}
\end{footnotesize}
claim limitation, but wins on infringement, that party usually cannot appeal the claim construction.\textsuperscript{146} The Federal Circuit will only hear appeals from adverse claim construction decisions in which the party concludes its case was "irreparably harmed by the lower court's [claim] interpretation."\textsuperscript{147} A party that loses on parts of the case but wins in the final judgment stage has no motivation to appeal the issues it lost. Further, that party may not even be able to appeal the issues on which it lost.\textsuperscript{148}

Collateral estoppel does not apply to claim interpretation if the claim interpretation was not the reason for the loss in the first case.\textsuperscript{149} Before Markman, in Jackson Jordan, Inc. \textit{v. Plasser American Corp.}, the Federal Circuit noted when a party loses on claim interpretation but wins on infringement, the party is not collaterally estopped from rearguing the claim language.\textsuperscript{150} In A.B. Dick \textit{Co. v. Burroughs Corp.}, another pre-Markman case, the Federal Circuit held that in order to apply collateral estoppel to claim interpretation, the interpretation must have been essential to the final judgment.\textsuperscript{151}

\begin{footnotesize}
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\item Id.
\item Id.; see also 18 MOORE ET AL., \textit{supra} note 52, ¶ 132.03[4][k][i] ("[A] winning party may not appeal issues determined adversely to it by the trial court and, as a consequence, is not barred from relitigating those issues.").
\item See Jackson Jordan, 747 F.2d at 1577-78; A.B. Dick \textit{Co. v. Burroughs Corp.}, 713 F.2d 700, 704 (Fed. Cir. 1983); see also Hill-Rom Co. \textit{v. Kinetic Concepts, Inc.}, 209 F.3d 1337, 1344 (Fed. Cir. 2000) (holding that the district court's resolution of patent invalidity was not necessary to the judgment because the action was resolved on the ground of non-infringement, so the court's invalidity ruling did not have collateral estoppel effect in any future dispute); FMC Corp. \textit{v. Manitowoc Co.}, 654 F. Supp. 915, 934 (N.D. Ill. 1987) (holding that claim interpretation that was not the reason for the holding of non-infringement in the previous litigation does not have preclusive effect in subsequent litigation in controlling the way that claim is construed).
\item 747 F.2d at 1577-78. In the first litigation, Plasser sued Canron for patent infringement, and the court interpreted the patent claims at issue and found that the patent was valid and not infringed. Plasser Am. Corp. \textit{v. Canron, Inc.}, 546 F. Supp. 589, 608 (D.S.C. 1980). In the second litigation, Jackson filed a declaratory judgment action against Plasser, and the district court held that the defendant was collaterally estopped from arguing broader claim language than was determined in the first case. Jackson Jordan, Inc. \textit{v. Plasser Am. Corp.}, 219 U.S.P.Q. 922 (E.D. Va. 1983). The Federal Circuit reversed the court's use of collateral estoppel because the plaintiff in the first action won on both validity and infringement. Jackson Jordan, 747 F.2d at 1578.
\item 713 F.2d at 704. In a prior declaratory judgment action against A.B. Dick, \textit{Mead Digital Systems, Inc. v. A.B. Dick Co.}, the court held that A.B.
In one of the first post-Markman cases on the issue of essentiality to final judgment, Graco Children’s Products, Inc. v. Regalo International, LLC, the Eastern District of Pennsylvania held that collateral estoppel does not apply to claim interpretation if the party loses on claim interpretation but wins on infringement. The court specifically chose not to follow the reasoning in TM Patents. The court followed pre-Markman Federal Circuit precedent and held that “because Graco won on its claim of patent infringement, but lost on a claim interpretation issue, no [collateral estoppel] attaches to the lost issue of claim interpretation since it could not by itself

Dick’s patent claims were valid and not infringed. 521 F. Supp. 164, 185 (S.D. Ohio 1981). Therefore, although A.B. Dick lost on the issue of infringement, it won on the issue of validity. Id. In the later trial of A.B. Dick Co. v. Burroughs Corp., the Federal Circuit rejected giving collateral estoppel effect to the earlier patent claim language interpretation because it was not essential to judgment. 713 F.2d at 704. The court held that judicial statements regarding the scope of a patent claim were hypothetical “[e]xcept in the context of validity or infringement.” Id.


In 1999, Graco sued Regalo for patent infringement. Id. at 660. Regalo argued that collateral estoppel bound Graco to the earlier claim interpretation, relying on TM Patents. Id. at 662. The court rejected the reasoning in TM Patents, stating,

There is no question that, by instructing courts to decide issues of claim construction in patent cases, the Court in Markman recognized the importance of uniformity in the treatment of a given patent. However, the Court in Markman did not guarantee that collateral estoppel would apply in every case, and this Court will not extend the Supreme Court ruling to mean as much, especially where, as here, the circumstances of the instant action require that a different result be reached.

Id. at 663; see also Zeuli, supra note 79, at 38 (noting that Graco was “precluded from appealing the claim interpretation issue because it lacked incentive to litigate the matter fully, since [it] won the prior case under the doctrine of equivalents”).

be appealed."  
Although it seems clear from pre-Markman precedent and the Graco decision that if a party loses on claim construction but wins on infringement, collateral estoppel does not apply, the pre-Markman cases the Graco court relied on have been questioned in light of the Markman decision. Courts have both followed and distinguished the Graco decision. Further, some scholars question if Graco was properly decided.

III. THE CLAIM INTERPRETATION MUST BE ESSENTIAL TO THE FINAL JUDGMENT ON INFRINGEMENT OR VALIDITY FOR COLLATERAL ESTOPPEL TO APPLY

For collateral estoppel to apply, the party asserting the doctrine must prove four things: (1) the issue is identical to the issue decided in the previous litigation, (2) the issue was litigated, (3) the determination was essential to the final judgment, and (4) the party against whom collateral estoppel is sought had a full and fair opportunity to litigate. From pre- and post-Markman cases, no confusion as to the application of

154. Graco, 77 F. Supp. 2d at 664 (citing Hartley v. Mentor Corp., 869 F.2d 1469, 1472 (Fed. Cir. 1989)). The court also relied on A.B. Dick Co., 713 F.2d at 704, Jackson Jordan, 747 F.2d at 1577, and the RESTATEMENT (SECOND) OF JUDGMENTS § 23 cmt. a (1980). Id. See generally 18 MOORE ET AL., supra note 52, § 132.03[4][k][i] (“Therefore, although the failure to appeal does not prevent preclusion . . ., the inability to obtain appellate review, or the lack of appellate review once an appeal is taken, does prevent preclusion.”). Graco, 77 F. Supp. 2d at 663-64; see also P.A.T., Co. v. Ultrak, Inc., 948 F. Supp. 1518, 1521 (D. Kan. 1996) (stating in dicta that the patentee was not collaterally estopped by an earlier court’s Markman hearing because in the earlier case the patentee won on both validity and infringement); Nard, supra note 46, at 384-85 (“Judge Kelly in Graco II understandably relied upon [pre-Markman precedent]. . . . I am not suggesting that Judge Kelly acted imprudently in Graco II. There is Federal Circuit precedent and, as a district court judge, he was compelled to follow it.”).

155. See Van Over, supra note 80, at 1152, 1158-59 (disagreeing with the Graco court’s determination; “As this Article argues, the Supreme Court and the Federal Circuit’s sister circuits would seem to favor the application of collateral estoppel to Markman rulings, at least under the circumstances of both TM Patents and Graco.”).


157. See Nard, supra note 46, at 382-86; Van Over, supra note 80, at 1156-72.

158. See supra notes 51-63.
the first, second, or fourth elements of collateral estoppel exists in relation to claim interpretation.

Within the third element of collateral estoppel, the requirement that the determination be essential to the final judgment, there are also some issues that are not in dispute. Although no court has yet addressed whether claim interpretation is the proper subject of collateral estoppel if the parties settle after the final judgment, the reasoning in pre-Markman cases indicates the necessary elements of collateral estoppel are met and the claim interpretation should be given collateral estoppel effect. Also, because a certified summary judgment is considered a final judgment, collateral estoppel may apply to claim interpretation in which the issue of infringement ends with summary judgment, and both pre- and post-Markman case law supports this conclusion. As to whether collateral estoppel should apply to an earlier claim interpretation, two issues remain open to dispute: (1) if the parties settle before trial, and (2) if a patentee loses on claim interpretation but wins on infringement. From pre- and post-Markman precedent, it seems there should not be a special finality to claim interpretation if it is not essential to the final judgment on infringement or validity.

A. THE INTERPRETATION OF THE CLAIM LANGUAGE IS NOT ESSENTIAL TO THE FINAL JUDGMENT IF THE PARTIES SETTLE BEFORE TRIAL

Three recent district court cases addressed the issue of whether collateral estoppel applies to claim interpretation if the parties settle after the claim interpretation but before a final judgment on infringement. All three courts used the four-part test noted above to determine if collateral estoppel should apply. In TM Patents, the Southern District of New York held collateral estoppel applied to the claim interpretation even though the case settled before trial. In Edberg, the

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159. Although the parties in Graco settled after trial, the court did not consider the issue of the settlement's impact on the collateral estoppel effect of the Markman hearing. 77 F. Supp. 2d at 664-65.

160. See supra notes 133-135 and accompanying text.

161. See supra notes 136-140 and accompanying text.

162. See supra notes 92-93 and accompanying text.


164. TM Patents, 72 F. Supp. 2d at 375; see supra note 119 and
District of Connecticut also held collateral estoppel applies to claim interpretation even if the parties settle before trial. In Kollmorgen, the Western District of Virginia held collateral estoppel does not apply to claim interpretation if the case is settled before trial. Although the facts in the three cases are almost identical, the Edberg court followed the TM Patents case, while the Kollmorgen court strongly rejected the reasoning used in TM Patents.

The TM Patents and Kollmorgen courts disagreed on the definition of final judgment. The TM Patents court took the position that finality for collateral estoppel requires a fact specific test that depends on "the nature of the decision . . ., the adequacy of the hearing, and the opportunity for review." The Kollmorgen court approached finality with a test that a ruling is final for collateral estoppel purposes if the ruling is essential to the final judgment on infringement or validity. The Kollmorgen approach to finality is superior because it is less flexible than the TM Patents test and will lead to greater consistency in judicial decisions. Furthermore, it is consistent with both pre- and post-Markman precedent.

1. TM Patents Test for Finality Is Inadequate

The TM Patents court rejected pre-Markman precedent on collateral estoppel and relied on several cases that held finality is a stage where there is no reason for relitigation.
The court held that finality for collateral estoppel depends on three factors: (1) the "nature of the decision," (2) the "adequacy of the hearing," and (3) the "opportunity for review." Using this test, the court held that claim interpretation is final for collateral estoppel purposes even if the parties settle before the final decision on validity or infringement. The *TM Patents* test for finality, however, is ambiguous and will not lead to consistency in the application of collateral estoppel. The test is inconsistent with pre- and post-*Markman* cases on collateral estoppel of claim interpretation, and the cases the court used in support of its test are inapplicable to claim interpretation.

An advantage of the *TM Patents* test is that it gives the court broad discretion in the application of collateral estoppel. A corresponding disadvantage is that it does not give clear guidance about when collateral estoppel is inappropriate. Because the application of collateral estoppel to claim interpretation is unclear, the ambiguity of the test could lead to cases with very similar facts being decided differently. One of the policies that led to the creation of the Federal Circuit is the need for consistency in patent cases, and if courts are free to apply tests for finality that give broad discretion on finality of collateral estoppel, the goal of consistency is frustrated.

A more serious problem with the *TM Patents* test is that it is inconsistent with pre- and post-*Markman* precedent. Most courts hold that the denial of summary judgment or the grant of partial summary judgment does not have collateral estoppel effect. Under the *TM Patents* test, collateral estoppel could apply to such decisions. Further, before *Markman*, the Federal Circuit held that "judicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement." The *TM Patents* court requirement of a final judgment as a device for shifting their focus to whether preclusion is desirable.


173. *TM Patents*, 72 F. Supp. 2d at 376 (citing Lummus, 297 F.2d at 89); see supra note 123 and accompanying text.


175. See infra notes 177-197.

176. See supra notes 31, 35 and accompanying text.

177. See supra note 137.

178. A.B. Dick Co. v. Burroughs Corp., 713 F.2d 700, 704 (Fed. Cir. 1983);
used its test to apply collateral estoppel to a ruling that was not essential to a final judgment on validity or infringement, going against precedent.179

Even if the TM Patents court outlined the correct test for finality, it still should not have applied collateral estoppel to the claim interpretation based on its facts. The third prong of the test, opportunity for review, implies that the issue can be reviewed. Before a final judgment on validity or infringement is made, however, there is no realistic opportunity for Federal Circuit review of claim interpretation even if the court certifies the issue because the Federal Circuit routinely refuses to hear interlocutory appeals on claim interpretation.180

The TM Patents court cited several cases in support of its test.181 The court's reliance on the cited cases, however, is misplaced, because none of those cases dealt with a fact situation in which the parties settled before the final judgment.182 All of the cited cases dealt with decisions that were either final, certified as interlocutory, or applied narrow exceptions to the finality requirement.183 The cited cases should not have been used to evaluate whether collateral estoppel applied to claim interpretation where the parties settled before trial without certification or final judgment.

The TM Patents court relied on the 1961 Second Circuit

see supra note 112 (listing cases holding that there must have been a final judgment in order for collateral estoppel to apply).

179. See TM Patents, 72 F. Supp. 2d at 378-79.

180. See supra note 47. The Kollmorgen court recognized that the test TM Patents outlined for collateral estoppel should not preclude relitigation of claim interpretations absent a final judgment on infringement due to the inability to obtain review of claim interpretation. Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464, 469 (W.D. Va. 2001) (“This Court believes the lack of any realistic opportunity for Federal Circuit review greatly outweighs the adequacy of the hearing and the nature of the Markman Order.”).


182. See cases cited supra note 181.

183. See cases cited supra note 181.
decision *Lummus Co. v. Commonwealth Oil Refining Co.*\(^{184}\) for support. The court in *Lummus* applied collateral estoppel to an interlocutory order directing a trial of arbitrability even though the issue was not appealable.\(^{185}\) The court specifically limited its analysis to this narrow situation when it noted the "exception to the general rule of finality in Federal appellate procedure."\(^{186}\) Even if the *Lummus* decision was not limited to a narrowly carved-out exception to finality, the court specifically stated that finality is different under different circumstances, outlining the test on which *TM Patents* relied.\(^{187}\) The *Lummus* court created a narrow exception to the finality requirement of collateral estoppel in a limited circumstance and recognized that finality was a difficult issue specific to the facts of the case.\(^{188}\)

There is no reason to extend this narrow exception to claim interpretation. There is a much greater possibility of damage to a party in a claim interpretation than an order of arbitrability. The *Lummus* case is not comparable to *TM Patents*, and the narrowly carved-out exception to finality in *Lummus* should not be used to dismiss the finality requirement of collateral estoppel for claim interpretation.

The *TM Patents* court also relied on *Zdanok v. Glidden Co.*, *Durkee Famous Foods Division* and *Metromedia Co. v. Fugazy*.\(^{189}\) Reliance on these decisions is flawed. In both *Zdanok* and *Metromedia*, the judgment was final except for the damages calculation.\(^{190}\) When a case is final except for the damages phase, there is a narrow exception to finality in which the decided issue may be given collateral estoppel effect.\(^{191}\) The

\(^{184}\) 297 F.2d 80.

\(^{185}\) Id. at 89-91.

\(^{186}\) Id. at 86.

\(^{187}\) Id.

\(^{188}\) Id.


\(^{190}\) *Metromedia*, 983 F.2d at 366 ("The mere fact that the damages awarded to the plaintiff have not been yet calculated, though normally precluding an immediate appeal, ... does not prevent use of a final ruling on liability as collateral estoppel.") (citation omitted); *Zdanok*, 327 F.2d at 955 ("The mere fact that the damages of the Zdanok plaintiffs have not yet been assessed should not deprive that ruling of any effect as collateral estoppel it would otherwise have.").

\(^{191}\) See supra notes 34, 104 and accompanying text.
TM Patents court had not even rendered a final decision on infringement. TM Patents does not fall within this narrow exception to absolute finality.

The TM Patents court also cited several cases in which the parties settled after the litigation or the litigation ended in summary judgment. These cases also are not useful to the analysis because there were final judgments in those cases, given the parties settled after trial. The settlement in the first litigation of the patent in TM Patents did not result in a final judgment, and the court did not certify the earlier claim interpretation for an interlocutory appeal. Because there was no final judgment in the TM Patents case, these cases are not applicable.

The court in TM Patents questioned whether pre-Markman precedent on collateral estoppel of claim interpretation was still good law in light of the Markman decision. The Markman decision did not overrule Federal Circuit precedent on collateral estoppel. Since Markman, the Federal Circuit has clarified that the decision solely addresses the role of judge and jury at the trial level. The Markman Court stated that its decision would “promote” certainty through the use of preclusion, though the Court noted the decision would “not guarantee” certainty. This passage does not support overruling pre-Markman case law on collateral estoppel, as TM Patents holds. The Court’s recognition that its decision would not guarantee legal certainty indicates that it realized that Markman rulings would not be preclusive in all circumstances. Because the Court did not indicate when collateral estoppel


193. See supra note 122. Both summary judgments and judgments on appeal are considered final judgments. See supra notes 133-135 and accompanying text (discussing the finality of settlement after trial); supra notes 136-140 and accompanying text (discussing the finality of summary judgment).

194. On the contrary, the TM Patents court asserted that “one could make a strong case for routinely certifying an interlocutory appeal to the Federal Circuit... following [a Markman hearing].” TM Patents, 72 F. Supp. 2d at 377 n.1.

195. See supra note 121.

196. See supra note 41.

should and should not be applied, it is safe to assume pre-
Markman precedent on collateral estoppel is still good law.

Some scholars have argued that the court in TM Patents
was correct.\(^{198}\) They argue that “[m]ost courts hold that an
issue that has been fully adjudicated and decided by a final
interlocutory order is entitled to preclusive effect.”\(^{199}\) The cases
cited in support of this argument are some of the same cases
TM Patents erroneously cited in support of the same
argument,\(^{200}\) and a few other equally flawed cases.\(^{201}\) The cases
cited by TM Patents did not deal with a fact situation in which
the parties settled before the final judgment.\(^{202}\) All of the cited
cases dealt with decisions that were either final, certified as
interlocutory, or applied a narrow exception to finality. Thus,
they should not be used to evaluate whether collateral estoppel
applies to claim interpretation if the parties settle before trial
without certification or final judgment. For example, in John
Morrell & Co. v. Local Union 304A of the United Food and
Commercial Workers the court applied collateral estoppel to an
issue although the damages phase of trial had not concluded.\(^{203}\)
This case again falls into the narrow exception of absolute
finality when only damages calculation remains.\(^{204}\) A later case
that explicitly relied on John Morrell held that collateral
estoppel did not apply when the parties settled before a verdict

\(^{198}\) E.g., Van Over, supra note 80, at 1171 (“In sum, the TM Patents and
Security Peoples [sic] approach to finality best reflects the policies of Markman
and the majority view that finality does not require a final appealable
judgment, as long as the patentee has had a full and fair opportunity to
litigate claim construction issues . . . .”).

\(^{199}\) Id. at 1167 (citing John Morrell & Co. v. Local Union 304A of the
United Food and Commercial Workers, 913 F.2d 544 (8th Cir. 1990); Miller
Brewing Co. v. Jos. Schlitz Brewing Co., 605 F.2d 990, 995 (7th Cir. 1979);
Lummus Co. v. Commonwealth Oil Ref. Co., 297 F.2d 80 (2d Cir. 1961); TM
Patents, 72 F. Supp. 2d at 375-76; Georgakis v. E. Air Lines, 512 F. Supp. 330,
334 (E.D.N.Y. 1981)).

\(^{200}\) Lummus, 297 F.2d 80, and Georgakis, 512 F. Supp. 330, are cited by
TM Patents. 72 F. Supp. 2d at 375-76.

\(^{201}\) John Morrell and Miller Brewing are not cited by TM Patents. TM
Patents, 72 F. Supp. 2d 370; see also John Morrell, 913 F.2d at 563-64
(applying issue preclusion to the verdict at the liability phase of trial even
though the liability verdict was not immediately appealable because the
damages phase of the trial had not concluded); Miller Brewing, 605 F.2d at
995-96 (holding that collateral estoppel can be applied even when the previous
judgment was rendered on appeal from a preliminary injunction order).

\(^{202}\) TM Patents, 72 F. Supp. 2d at 375-77.

\(^{203}\) See John Morrell, 913 F.2d at 563.

\(^{204}\) See supra note 104 and accompanying text.
was rendered. 205

The Security People, Inc. v. Medeco Security Locks, Inc. 206 case would seem to support the reasoning in TM Patents because the court applied collateral estoppel to a claim interpretation of a case that settled. 207 The Security People case, however, involved a very different factual situation from the one in TM Patents. In Security People, the Northern District of California held that collateral estoppel applied to the claim interpretation because the prior case ended with a summary judgment motion, which is the same as a final judgment, 208 and the parties later settled. 209 The Security People court only applied collateral estoppel to infringement because there was a final judgment in the earlier proceeding, and the parties settled after this final judgment; 210 Security People did not hold claim interpretation was final enough to warrant the use of collateral estoppel even if the parties settle before a final judgment. 211

In Edberg v. CPI-The Alternative Supplier, Inc., 212 the District Court of Connecticut chose to follow TM Patents. 213 The Edberg court held that the plaintiff was estopped from relitigating the claim construction, even though the prior suit settled before the determination of infringement. 214 The Edberg court blindly followed TM Patents, citing only TM Patents and Abbott in support of its decision. 215 The court failed to recognize that in Abbott, a final judgment was
rendered after the claim interpretation. Because of the final judgment in Abbott, that case should not be used to support collateral estoppel if the parties settle before final judgment. Although the Edberg court chose to follow TM Patents, it is apparent that the court was hesitant to apply collateral estoppel to the claim interpretation, stating, "[e]ven if plaintiffs were not estopped from challenging the prior construction... the Court concludes that the ruling was correct for the reasons discussed below." The court then proceeded to reinterpret the claim language. Although the facts in TM Patents are similar, the Edberg court's reliance on TM Patents was misplaced.

2. Kollmorgen Test for Finality: A Better Approach

In Kollmorgen Corp. v. Yaskawa Electric Corp., the Western District of Virginia held that collateral estoppel does not apply to claim interpretation if the case is settled before trial. The Kollmorgen court defined finality for collateral estoppel as a ruling that is essential to the final judgment on infringement or validity. The Kollmorgen test for finality is superior to the TM Patents test because it is less flexible than the TM Patents test and will lead to greater consistency in judicial decisions. Moreover, unlike the TM Patents test, it is consistent with both pre- and post-Markman precedent.

Before Markman, the Federal Circuit repeatedly held that there must be a final decision on validity or infringement for collateral estoppel to apply. Since Markman, district courts have relied on these Federal Circuit cases to note that a judgment is final for collateral estoppel purposes if it is necessary to the final judgment on infringement or validity. Further, courts generally refuse to apply collateral estoppel to interlocutory decisions, such as partial summary judgment. Claim interpretation is an interlocutory decision, and

216. For a discussion of the Abbott decision, see supra note 96.
217. 156 F. Supp. 2d at 196.
218. Id. at 196-98.
219. See supra notes 126-130 and accompanying text.
221. See cases cited supra note 112.
222. See cases cited supra note 112.
223. See supra note 137.
224. See supra note 44 and accompanying text.
collateral estoppel should not apply prior to a final judgment on infringement or validity. Thus, the Kollmorgen court correctly followed both pre- and post-Markman precedent in the formation of its test.\textsuperscript{225}

There are also strong policy reasons for rejecting the use of collateral estoppel of claim interpretation if parties settle before trial. Patent litigation is complicated and expensive and the Federal Circuit has repeatedly expressed the view that there is a strong public interest in settlement of patent litigation.\textsuperscript{226} If collateral estoppel is applied to claim interpretations of cases that settle, a "chilling effect" on settlement negotiations is inevitable.\textsuperscript{227} Binding parties to issues that were decided before the final judgment certainly discourages settlement, especially because claim interpretation is practically unreviewable before a final judgment.\textsuperscript{228} Further, judicial economy is hurt because parties are forced to "overlitigate" issues that might be estopped.\textsuperscript{229}

The doctrine of collateral estoppel is premised on the ideas of consistency, efficiency, and fairness to the parties.\textsuperscript{230} The doctrine should not be applied if it would be unfair to the

\begin{footnotesize}
225. See 147 F. Supp. 2d at 466-70.
226. See supra note 47.
227. See Kollmorgen, 147 F. Supp. 2d at 468 (noting that granting preclusory effect to claim construction would discourage settlement and increase appeals to correct what the party perceives as unduly narrow claim construction); see also Graco Children's Prods., Inc. v. Regalo Int'l, LLC, 77 F. Supp. 2d 660, 664 (E.D. Pa. 1999) (same); S. Pac. Communications Co. v. AT&T Co., 567 F. Supp. 326, 328 (D.D.C. 1983), aff'd, 740 F.2d 1011 (D.C. Cir. 1984) (noting that parties will be less likely to settle if they know their settlements will be used to estop them in later proceedings); Garcia v. Gen. Motors Corp., 990 P.2d 1069, 1074-75 (Ariz. Ct. App. 1999) ("[Applying collateral estoppel to an interlocutory judgment might greatly hinder future settlements.").
228. See supra note 47; see also Kollmorgen, 147 F. Supp. 2d at 468 ("Why would a party settle a patent dispute, after a damaging Markman Order, with the knowledge that it cannot appeal the district court's patent claim construction? Parties to a settlement will lack any incentive to settle if the virtually unreviewable Markman ruling will have a preclusive effect on other potential patent actions.").
229. See Parklane Hosiery Co. v. Shore, 439 U.S. 322, 330 (1979) (giving judges discretion over when issue preclusion should be applied because "[i]f a defendant in the first action is sued for small or nominal damages, he may have little incentive to defend vigorously, particularly if future suits are not foreseeable"); Lisa L. Glow, Note, Offensive Collateral Estoppel in Arizona: Fair Litigation vs. Judicial Economy, 30 ARIZ. L. REV. 535, 538 (1988) (discussing the "overlitigation" problem).
230. See supra note 63 and accompanying text.
\end{footnotesize}
Although consistency and efficiency in patent claim interpretation are important, no court has held that these concerns are more important than fairness. Accordingly, the court has discretion not to apply collateral estoppel even if all of the elements are met. Without a final judgment on validity or infringement, it would be unfair to apply collateral estoppel to the claim interpretation; therefore collateral estoppel should not apply.

From the few cases that have addressed the issue, it is unclear whether collateral estoppel will be applied to claim interpretation if the parties settle before the final judgment. Pre- and post-Markman precedent indicates that the Kollmorgen court's refusal to apply collateral estoppel in this fact situation is correct. There is no reason to carve out an exception to the finality requirement of collateral estoppel for claim interpretation, and until either the Federal Circuit or the Supreme Court holds otherwise, collateral estoppel should not apply to claim interpretation absent a final judgment on infringement or validity.

B. THE DETERMINATION OF THE ISSUE IS NOT ESSENTIAL TO THE FINAL JUDGMENT IF A PARTY LOSES ON CLAIM CONSTRUCTION BUT WINS ON INFRINGEMENT

A party that loses on claim construction, for example, by obtaining a narrower-than-urged claim limitation, but wins on infringement has no motivation to appeal the claim construction. In fact, that party may not be able to appeal the claim construction. The Federal Circuit will only hear appeals on claim construction decisions in which the party concludes its case is irreparably harmed by the lower court’s

231. See supra note 63 and accompanying text.
232. See In re Freeman, 30 F.3d 1459, 1467-68 (Fed. Cir. 1994) (noting that issue preclusion is based on the principle of fairness and that “under certain circumstances, where all of the requirements of issue preclusion have been met, the doctrine will not be applied”); see also cases cited supra note 63. The Court has not extended preclusion against a party that was not involved in the prior litigation, although it would increase consistency and efficiency. See Parklane Hosiery, 439 U.S. at 327 n.7; Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found., 402 U.S. 313, 329 (1971); see also James R. Pielemeier, Due Process Limitations on the Application of Collateral Estoppel Against Nonparties to Prior Litigation, 63 B.U. L. REV. 383, 425-31 (1983); supra note 56.
233. See supra note 63 and accompanying text.
234. See supra note 148 and accompanying text.
claim interpretation, and it is clear that a party that wins on the final judgment will not be able to appeal the claim interpretation. As one scholar noted, "[a]s a general proposition of law, it makes sense for the Federal Circuit to preclude winning parties from appealing adversely decided issues and to refrain from issuing advisory opinions." Before Markman, the Federal Circuit held that in the context of claim interpretation, "judicial statements regarding the scope of patent claims are entitled to collateral estoppel effect in a subsequent infringement suit only to the extent that determination of scope was essential to a final judgment on the question of validity or infringement." If a party loses on claim construction but wins on infringement, that party should not be collaterally estopped from arguing the claim language in a later trial.

Two pre-Markman cases, Jackson Jordan, Inc. v. Plasser American Corp. and A.B. Dick Co. v. Burroughs Corp., are central to the analysis of the preclusive effect of a claim interpretation when a party loses on claim construction but wins on infringement. In Jackson Jordan, the Federal Circuit held that collateral estoppel does not apply to claim interpretation if the claim interpretation was not the reason for the loss in the first case. The Federal Circuit noted that estoppel could not apply to claim interpretation if a party loses on claim interpretation but wins on infringement. Jackson Jordan supports the proposition that a party that loses on claim interpretation but wins on infringement is not collaterally estopped from arguing the claim language again in a later trial.

In A.B. Dick, the Federal Circuit held that in order to apply collateral estoppel to claim interpretation, the interpretation

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235. See supra note 147 and accompanying text.
236. Nard, supra note 46, at 385.
237. A.B. Dick Co. v. Burroughs Corp., 713 F.2d 700, 704 (Fed. Cir. 1983); see also Freeman, 30 F.3d at 1466 ("[T]o apply issue preclusion to a claim interpretation issue decided in a prior infringement adjudication, "the interpretation of the claim had to be the reason for the loss [in the prior case] on the issue of infringement." (alteration in original) (quoting Jackson Jordan, Inc. v. Plasser Am. Corp., 747 F.2d 1567, 1577 (Fed. Cir. 1984)); supra note 112.
238. 747 F.2d 1567.
239. 713 F.2d 700.
241. Id.
must have been essential to the final judgment. The court held that judicial statements regarding the scope of a patent claim were hypothetical "except in the context of infringement." Like Jackson Jordan, A.B. Dick supports the proposition that a party that loses on claim interpretation but wins on infringement should not be collaterally estopped from arguing the claim language again in a later trial.

The TM Patents court questioned whether Jackson Jordan and A.B. Dick remain good law in light of the Markman decision. Specifically, TM Patents questioned whether the cases stood for, "collateral estoppel effects from claim construction should be narrowly limited to matters that were essential to a judgment," is still good law. The problem with this suggestion is that Markman did not overrule Federal Circuit precedent on collateral estoppel. Since the Markman decision, the Federal Circuit has made clear that Markman solely addresses the role of judge and jury at the trial level. The Markman Court stated that its decision would "promote" certainty through the use of preclusion, though the Court noted the decision would "not guarantee" certainty. As stated earlier, this passage does not support overruling pre-Markman Federal Circuit case law on collateral estoppel. That the Court noted the decision would not guarantee legal certainty indicates the Court realized Markman rulings would not be preclusive in all circumstances. Because the Court did not give any direction as to when collateral estoppel should apply, it is safe to presume pre-Markman Federal Circuit precedent on collateral estoppel issues is still good law. Markman does not explicitly or implicitly overrule Jackson Jordan or A.B. Dick; nothing within either of the cases goes against Markman, and both cases are still cited as good law.

242. 713 F.2d at 704.
243. Id.
244. TM Patents, L.P. v. IBM Corp., 72 F. Supp. 2d 370, 378 (S.D.N.Y. 1999); see supra note 122.
245. TM Patents, 72 F. Supp. 2d at 378.
246. See supra note 41.
248. See supra note 197 and accompanying text.
249. Before issuing its decision, the Graco court specifically asked the parties to examine Jackson Jordan and its applicability to collateral estoppel of claim interpretation. Graco Children's Frods., Inc. v. Regalo Int'l, LLC, 77 F. Supp. 2d 660, 662 n.3 (E.D. Pa. 1999). After hearing both sides, and in
Graco Children’s Products, Inc. v. Regalo International, LLC was the first post-Markman case to determine the collateral estoppel effect of claim interpretation if a party loses on claim construction, but wins on infringement. The court held that a party that lost on claim interpretation but won on infringement was not estopped from arguing the claim interpretation in a later trial. The court applied pre-Markman decisions on collateral estoppel, including Jackson Jordan and A.B. Dick, and found that the reasoning used in the cases applied even after Markman. The court also rejected the reasoning in TM Patents, noting that Markman did not overrule the Federal Circuit cases dealing with collateral estoppel.

Critics have suggested that the plaintiff in Graco could have appealed the claim interpretation. This suggestion is without merit because the Federal Circuit routinely refuses to hear appeals on claim interpretation. Even if the district court had certified the claim construction for appeal, the plaintiff won on infringement and had no motivation to appeal. It is well established that if a party loses on one issue but wins the final judgment, the party is not estopped from rearguing the issue in a later appeal. This rule does not change merely because the party settles after trial.

Some critics have also argued that claim interpretation is always essential to the final judgment, whether the patentee wins or loses. While it is technically true that the claim

spite of the TM Patents decision, the court declared that Jackson Jordan is still good law. Id. at 663-65.


250. 77 F. Supp. 2d 660; see supra notes 152-154 and accompanying text.
251. Graco, 77 F. Supp. 2d at 664; supra note 152 and accompanying text.
252. See Graco, 77 F. Supp. 2d at 664; supra note 154.
253. See Graco, 77 F. Supp. 2d at 664; supra note 154.
254. See Van Over, supra note 80, at 1158 (“While the patent holder did not expressly appeal the issue of claim construction, it could have.”).
255. See supra note 47 and accompanying text.
256. See sources cited supra note 145.
257. See Van Over, supra note 80, at 1160 (“The Graco Court also found that the Markman ruling in the first case was not essential to the final judgment in that case because the patent holder prevailed. This is wrong as a matter of law. Claim construction is always essential to final judgment of infringement, no matter whether the patent holder loses or prevails.”).
construction is necessary whether the patentee prevails or loses, this argument does not give appropriate weight to the Federal Circuit precedent:

[A] party can be said to have “lost” if it urged a broad scope of the claim, and the court upheld validity on a narrower interpretation. However, if a claim is held valid and infringed on a narrower than necessary basis, the patent owner cannot appeal. Thus, under the first exception to issue preclusion... [a party cannot] invoke an estoppel against [another party] since [the latter] won on both validity and infringement.\footnote{258}{Jackson Jordan, Inc. v. Plasser Am. Corp., 747 F.2d 1567, 1577-78 (Fed. Cir. 1984); see supra note 150 and accompanying text.}

The law is clear: If a party loses on an issue, but wins the final judgment, that issue does not have collateral estoppel effect, even if the issue on which the party lost received consideration in determining the final judgment.

CONCLUSION

Collateral estoppel should not be applied if the required elements are not met. Markman did not overrule past precedent on collateral estoppel, and the required elements are not met if the claim interpretation is not essential to the final judgment on infringement or validity. Of the two tests for finality articulated by district courts, the Kollmorgen test for finality is consistent with both pre- and post-Markman precedent, and is superior to the test posed by the TM Patents court. Although the Federal Circuit has not yet ruled on the collateral estoppel effect of claim interpretation if the parties settle before trial or if a party loses on its claim construction but wins on infringement, policy and precedent demand that collateral estoppel should not be used in either circumstance.