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Cummins Fights To Keep IP Claims Alive In Fed. Circ.

By **Christopher Norton**

Law360, Washington (December 05, 2011, 8:29 PM ET) -- Cummins Inc. on Monday told the Federal Circuit that the 2003 suit brought by TAS Distributing Inc. over car-engine control technology it won should not bar it from asserting patent-related claims that were not brought up in the previous case.

In December 2009, an Illinois federal judge ruled that the doctrine of res judicata barred Cummins' suit, clearing the way for TAS to continue a separate, still-pending action filed in 2007 against Cummins for royalties under a disputed licensing agreement. Cummins cannot try to invalidate TAS' patents or scuttle the licensing agreement years after the court issued rulings premised on the soundness of the agreement and validity of U.S. Patent Numbers 5,072,703 and 5,222,469, the judge ruled.

But Cummins should not be prevented from defending itself via the patent approach when TAS is itself asserting new contract-related theories in the pending action, Cummins' attorney Jeanne M. Gills of Foley & Lardner LLP told a three-judge panel of the Federal Circuit on Monday.

"TAS is trying to take credit for developments that Cummins has made," Gills said. "We're doing our own development."

The adversaries have been battling for years in court over a 1997 licensing agreement that granted Cummins use of TAS' patented technology in devices that stop and start car engines.

TAS first sued Cummins in 2003 for breach of contract, alleging the engine manufacturer failed to adequately market the technologies as required under the licensing agreement. The court granted Cummins' motion for summary judgment, finding that TAS failed to prove damages.

However, the court also ruled that Cummins was obligated to pay royalties beyond the date the defendant argued the agreement expired, March 31, 2003.

In 2007, TAS launched the second action, which is pending, alleging Cummins violated the licensing agreement and owes royalties in connection with the sale of Cummins products that embody technology covered by the '703 and '469 patents.

The Illinois federal court's res judicata decision related to the current action, which Cummins filed in 2009, sought to dismiss the TAS suit, invalidate the patents-in-suit for inequitable conduct and rescind the license agreement.

The court concluded that Cummins' various claims could have been asserted in the original 2003 suit as a defense or counterclaim because they arise from the same core of operative facts and cannot now be revisited, since doing so would undermine rulings in the 2003 case.

There are two different types of claims in the 2003 and 2007 suits, though, and TAS never alleged infringement until 2007, Gills told the Federal Circuit on Monday.

It was only in 2007 that TAS suddenly said, with regard to the same class of engines that were at issue in the 2003 suit, that Cummins was using its patented technology and needed to pay for it, she argued.

The 2003 case didn't get into the scope of TAS' technology or what was patented, so Cummins' win there should not preclude its assertion of patent-related defenses now, according to Gills.

Circuit Judge William C. Bryson asked Gills if she was suggesting that it is not possible to defend a contract claim based on the invalidity of the underlying patent. Gills replied that there have to be facts in the case to support such a defense or, otherwise, no jurisdiction is established.

"The whole jurisdiction question seems to me to be a red herring, unless I'm missing something," Judge Bryson said.

Gills also questioned why it was not incumbent on TAS to raise its arguments regarding misuse of the technology in the first case.

"We're not the party bringing piecemeal litigation," she said. "We should be permitted to defend ourselves, and our hands are tied."

TAS attorney Craig L. Unrath of Heyl Royster Voelker & Allen PC in turn argued that the 2003 and 2007 cases were completely different, with two separate causes of action and sets of facts, and said Cummins could have asserted its patent-related defenses in 2003.

But the more TAS argues that the two cases are different, the more it actually strengthens Cummins' argument, Judge Bryson said.

"Why penalize them for not hauling out all the artillery in the first case?" he asked.

The 2003 case involved purely contractual claims, Circuit Judge Jimmie V. Reyna said, asking why the invalidity argument should now be precluded.

Circuit Judge Pauline Newman asked whether there is always an obligation to raise a patent or other intellectual property argument in a case like the 2003 one, when no one has raised the issue of validity or invalidity.

Cummins did indeed have an obligation to investigate the patents, Unrath said. They had all the information they needed in the 2003 case to put them on notice to investigate further, he said.

The patents-in-suit are U.S. Patent Numbers 5,072,703 and 5,222,469.

Judges Pauline Newman, William C. Bryson and Jimmie V. Reyna sat on the panel for the Federal Circuit.

Cummins is represented by Jeanne M. Gills, Jonathan R. Spivey, Peter G. Hawkins and Aaron J. Weinzierl of Foley & Lardner LLP.

TAS is represented by Craig L. Unrath, Karen L. Kendall and Timothy L. Bertschy of Heyl Royster Voelker & Allen PC and Jacob D. Koering of Freeborn & Peters LLP.

The case is Cummins Inc. v. TAS Distributing Co. Inc., case number 10-01134, in the U.S. Court of Appeals for the Federal Circuit.

--Additional reporting by Samuel Howard. Editing by Andrew Park.