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COLLATERAL ESTOPPEL AND CLAIM CONSTRUCTION ORDERS: FINALITY PROBLEMS AND VACATUR SOLUTIONS

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Collateral estoppel could be a powerful tool in patent litigation. When a claim construction is necessary to a final judgment, ordinarily, an adverse party may not relitigate the construction in a future action. Current Federal Circuit jurisprudence, however, seems to offer an escape hatch. Because courts often construe patent claims before the trial begins, a party subject to an adverse claim construction could settle to try to avoid any future collateral effects. If a future court cannot determine whether the prior claim construction ruling was "final", the court will not give the claim construction ruling collateral estoppel effect. Due to the interlocutory and changeable nature of a claim construction order, finality is always in doubt.

This article suggests how a future court could find a past claim construction ruling as "final", despite its tentative nature. A motion for vacatur necessarily determines whether a claim construction ruling is "practically final", providing enough "finality" to support collateral estoppel in many circuits. To support this conclusion, the article explores current doctrine examining the intersection of vacatur, collateral estoppel, and interlocutory rulings, including claim construction rulings.

INTRODUCTION

This note discusses the possibility of collateral estoppel based on patent claim constructions independent of a decision on validity or infringement. Although the Federal Circuit has not directly addressed the issue,[1] dicta generally indicate that the circuit seems to

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[1] *See* Rachel Clark Hughey, *RF Delaware v. Pacific Keystone Technologies, Inc.: The Federal Circuit Has Finally Spoken on Collateral Estoppel of Claim Interpretation*, 20 Santa Clara Computer & High Tech. L.J. 293,

prefer a blanket denial of collateral estoppel effect for these claim constructions. In contrast, this note argues that claim construction decisions should be given issue preclusive effect in future litigation, but only if the decision fulfills the usual collateral estoppel standard. After reaching this conclusion, the practical problem of proving finality is noted, and a procedural solution, through a *Bonner Mall*-style motion for vacatur, is offered.

Part I of this note establishes current collateral estoppel practice in relation to claim constructions. This section first introduces and discusses the general requirements for collateral estoppel, with a special emphasis on the requirement of finality. Following this, the note explores various *Markman* hearing procedures—the methods courts use to construe patent claims. The section then reviews and analyzes the reasoning of two seminal cases: *TM Patents*, approving the use of collateral estoppel for a claim construction decision, and *Kollmorgen*, denying the use of collateral estoppel for a claim construction decision. The section concludes that *TM Patents* makes the stronger argument: claim construction orders should be given collateral estoppel effect when the claim construction order is practically immune to reversal and amendment. Finally, the section recognizes the singular difficulty of adjudicating the practical finality of another court's claim construction decision.

Part II changes tacks, discussing the *Bonner Mall* standard for vacatur—the equitable process by which a decision loses all res judicata effect. After dissecting *Bonner Mall*, this section examines how the case's progeny treated vacatur at the district court level, vacatur of interlocutory decisions, and vacatur of claim construction orders. Following this, the section reviews how district courts ought to conduct a *Bonner Mall* balancing test when determining whether to vacate a claim construction decision. Because of the special nature of claim construction cases, under normal circumstances, if a district court judge chooses not to vacate a claim construction order, the order must have been sufficiently final for collateral estoppel purposes.

Part III merges the teachings of Parts I and II. A *Bonner Mall* vacatur determination is a partial solution to the problem of determining finality noted at the end of Part I: if the prior district court judge decided not to vacate a claim construction order, it must be presumed to have sufficient finality for collateral estoppel purposes. The section also examines this procedure in light of *Munsingwear*, showing that a failure to bring a motion for vacatur could be treated as equivalent to a denial of a motion for vacatur. Because a concrete finality decision is inherent in a claim construction vacatur denial, the note concludes that courts should consider applying collateral estoppel based on such claim construction orders.

I. COLLATERAL ESTOPPEL AND CLAIM CONSTRUCTIONS

This section begins with an introduction to the requirements for collateral estoppel with a special focus on finality, the most troublesome aspect for claim construction orders. After this review, two seminal cases discussing claim construction collateral estoppel are analyzed – *TM*

311 (2004) (recognizing that the Federal Circuit still has not clarified whether issue preclusion could apply to stand-alone claim construction orders).

Patents and *Kollmorgen*. After examining the policies underlying each, the paper concludes that collateral estoppel should be available to claim construction orders in limited circumstances. The section concludes with the exposition of a practical problem: due to the vagaries of *Markman* hearing procedures, virtually any claim construction order is capable of being characterized as tentative, thereby precluding collateral estoppel.

A. *Collateral Estoppel, Generally*

The idea of collateral estoppel[2] is simple; the application is difficult.[3] In its simplest form, the doctrine suggests that later courts should honor the first decision of a matter actually litigated.[4] In textbook cases, this seems fair: if a litigant has already raised a specific issue and lost, why should the litigant receive another chance to argue his case?[5] Broad application of this doctrine, however, could result in unfairness.[6] Generally, therefore, collateral estoppel "limit[s] relitigation of issues where that can be achieved without compromising fairness in particular cases."[7]

This doctrine results in easily quantified benefits:

> [C]ollateral estoppel serves several purposes. Specifically, collateral estoppel is intended to accomplish the following: conserve judicial resources, preserve the integrity of the court by preventing inconsistent resolution of issues, promote finality of judgments, protect defendants from repetitive litigation, ensure that a

[2] "Issue preclusion" and "collateral estoppel" are understood to have the same definition. Although "issue preclusion" is the more modern term, both will be used interchangeably throughout this note.

[3] 18 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 4416 (2d ed. 2002) ("Many applications of [collateral estoppel] are . . . simple and persuasive . . . . Other applications, however, provide some of the most perplexing of all res judicata questions.").

[4] *See id.*

[5] *See Astoria Fed. Sav. & Loan Ass'n v. Solimino*, 501 U.S. 104, 107 (1991) ("[A] losing litigant deserves no rematch after a defeat fairly suffered, in adversarial proceedings, on an issue identical in substance to the one he subsequently seeks to raise.").

[6] For instance, if the court broadly applied collateral estoppel, multiple plaintiffs would never join in the same action. Instead, if more than one plaintiff could sue the same defendant, the plaintiffs would logically challenge the defendant one at a time. If the defendant ever lost an action, the remaining plaintiffs could bring an action, and assert collateral estoppel based on the lost action. The Supreme Court has forbidden any use of collateral estoppel that produces unfair results. *See Parklane Hosiery, Inc. v. Shore*, 439 U.S. 322, 331 (1979) ("[I]n cases where a plaintiff could easily have joined in the earlier action or where, either for the reasons discussed above or for other reasons, the application of offensive estoppel would be unfair to a defendant, a trial judge should not allow the use of offensive collateral estoppel.").

[7] *Blonder Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 328 (1971).

> winning party should not have to fight anew a battle it has already won, and promote conclusive resolution of disputes.[8]

If widely applied to claim constructions, this doctrine could be "very important"; if a single patent holder chose to commence multiple infringement actions with a single patent, the first action's claim construction could bind the patent holder in all other actions.[9]

Furthermore, with claim constructions, the precise metes and bounds of collateral estoppel are particularly significant due to the temptation to judicially adopt prior claim construction orders. A creature appearing post-*Markman*,[10] the freedom of deciding claim construction issues as a "matter of law" allows judges to ignore typical collateral estoppel requirements by simply agreeing with former logic. This judicial adoption is strikingly prevalent; statements such as "[t]he Court notes that even if it were not bound to follow Judge Arcara's ruling, it would nonetheless apply the same claim construction" arise frequently in the case law.[11] The power of this "informal collateral estoppel" is obvious: every case, no matter the procedural posture or merits, is susceptible to this subjective decision-making power of the judge, disregarding the time-tested requirements for collateral estoppel. If the ordained collateral estoppel test prohibits any real application to claim construction orders, courts may turn to this "judicial adoption" to achieve the same result. Because a complete prohibition on collateral estoppel suggests recourse to this "informal estoppel" practice, a filter should be preferred.

Despite the importance of this doctrine to patent cases, the Federal Circuit applies regional circuit law to res judicata and collateral estoppel issues.[12] In both *Vardon Golf Co. v. Karsten Manufacturing Corp.* and *Alfred Dana III v. E.S. Originals, Inc.*, Judge Dyk wrote separate concurring opinions in part to assert that the Federal Circuit should apply its own law to

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[8] Eli J. Richardson, *Taking Issue with Issue Preclusion: Reinventing Collateral Estoppel*, 65 Miss. L.J. 41, 45-46 (Fall 1995) (quotations and citations omitted).

[9] *See* James P. Bradley & Kelly J. Kubasta, *Issue Preclusion as Applied to Claim Interpretation*, 10 Tex. Intell. Prop. L.J. 323, 325 (Spring 2002).

[10] *Markman v. Westview Instruments, Inc.* is a seminal Supreme Court case that assigned courts, instead of juries, the responsibility to interpret patent claims. *See* 517 U.S. 370, 372 (1996). For a brief history and projected impact of this case, including a discussion of basic patent elements, see generally David B. Pieper, Case Note, *The Appropriate Judicial Actor for Patent Interpretation: A Commentary on the Supreme Court's Decision in Markman v. Westview Instruments, Inc.*, 51 Ark. L. Rev. 159 (1998).

[11] *Abbott Labs. v. Dey, L.P.*, 110 F. Supp. 2d 667, 671 (N.D. Ill. 2000); *see TM Patents, LP v. IBM Corp.*, 72 F. Supp. 2d 370, 379 (S.D.N.Y. 1999), *supplemented by* 77 F. Supp. 2d 480 (S.D.N.Y. 1999) ("[Collateral estoppel] is of marginal practical importance, because I agree with just about everything Judge Young did when he construed the claims in the [past] action"); *KX Indus., L.P. v. PUR Water Purification Prods., Inc.*, 108 F. Supp. 2d 380, 387 (D. Del. 2000) ("While the court's previous opinion does not have issue preclusive effect against [the defendant] in this case, to the extent the parties do not raise new arguments, the court will defer to its previous construction of the claims."); *Edberg v. CPI-The Alternative Supplier, Inc.*, 156 F. Supp. 2d 190, 196 (D. Conn. 2001), *aff'd*, No. 02-1008, 2002 WL 1541688 (Fed. Cir. Jul. 15, 2002) ("Even if plaintiffs were not estopped from challenging the prior construction of claims 11, 12, and 14, the Court concludes that the ruling was correct . . . .").

[12] *See Vardon Golf Co. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1335 (Fed. Cir. 2002) (Dyk, J., concurring).

collateral estoppel instead of regional circuit law.[13] Although thoroughly supporting Dyk's position is beyond the ambit of this note, a reasonably consistent application of collateral estoppel within the Federal Circuit will be assumed despite inter-circuit differences.

1. Requirements for Collateral Estoppel

> Generally, there are four requirements for collateral estoppel.
>
> [I]ssue preclusion operates only if: (1) the issue is identical to one decided in the first action; (2) the issue was actually litigated in the first action; (3) resolution of the issue was essential to a final judgment in the first action; and (4) the party against whom estoppel is invoked had a full and fair opportunity to litigate the issue in the first action.[14]

Once invoked, collateral estoppel has a broad application—it can "preclude relitigation of both issues of law and issues of fact if those issues were conclusively determined in a prior action."[15]

An added requirement concerning the victors of previous actions bears mentioning. Generally, when a party loses on an issue but wins the overall action, no incentive or ability to appeal the judgment exists; therefore, collateral estoppel cannot attach.[16] In contrast, collateral estoppel may attach if a party loses on both the individual issue and the overall action. Claim construction, however, does not seem to have a "winner" or a "loser" but simply different interpretations of the same patent language. To address this, courts have stated that "[i]n 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."[17]

2. Finality

This note focuses on the third prong of the collateral estoppel analysis – "necessary to a final judgment". One challenging hurdle facing a litigant seeking to apply collateral estoppel

[13] *Id.* at 1336; *Alfred Dana III v. E.S. Originals, Inc.*, 342 F.3d 1320, 1327 (Fed. Cir. 2003) (Dyk, J. concurring), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004).

[14] *Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 585 (E.D. Tex. 2002) (citing *Innovad Inc. v. Microsoft Corp.*, 260 F.3d 1326, 1334 (Fed. Cir. 2001); *In re Freeman*, 30 F.3d 1459, 1465 (Fed. Cir. 1994); *A.B. Dick Co. v. Burroughs Corp.*, 713 F.2d 700, 702 (Fed. Cir. 1983)).

[15] *United States v. Stauffer Chem. Co.*, 464 U.S. 165, 170-71 (1984).

[16] *See Graco Children's Prods., Inc. v. Regalo Int'l, LLC*, 77 F. Supp. 2d 660, 664 (E.D. Pa. 1999).

[17] *Id.* at 663 (citing *Jackson Jordan, Inc. v. Plasser Am. Corp.*, 747 F.2d 1567, 1577 (Fed. Cir. 1984) (applying Restatement (Second) of Judgments § 28(1))).

based on a *Markman* decision is showing that the decision was "final" despite the lack of an appealable judgment. The analysis is more complicated than expected, unfortunately, because the general finality requirement varies between the circuits.

a. Fifth Circuit Finality – The Fifth Circuit has the most stringent view of finality.

> Judicial finality – the predicate for *res judicata* – arises only from a final decision rendered after the parties have been given a reasonable opportunity to litigate a claim before a court of competent jurisdiction. Thus, if the parties to a suit enter into an extrajudicial settlement or compromise, there is no judgment, and future litigation is not barred by *res judicata* or collateral estoppel though, of course, a court may dismiss litigation thereafter filed on the same claim on the basis that the parties have by contract ended their controversy.[18]

The circuit reestablished this view in *Avondale Shipyards, Inc. v. Insured Lloyd's*.[19] In that case, the court declined to give another court's partial summary judgment collateral estoppel effect: because the judgment did not determine liability, it was interlocutory, not appealable, and therefore not "final" enough to support collateral estoppel.[20] In support of this conclusion, the court noted that district courts retain plenary power to revise or set aside any interlocutory orders without needing to meet the requirements of Federal Rule of Civil Procedure 60(b).[21] Although the court did not address the more flexible finality requirements used in other circuits, the court reiterated that the finality requirements for collateral estoppel in the Fifth Circuit are identical to the requirements of res judicata.[22] Because the requirements for res judicata apply, collateral estoppel in this circuit requires an appealable judgment, eschewing the more flexible standard used in other circuits.

b. Flexible Finality – Other standards for finality are used elsewhere: "[n]o longer must a judgment be final in the appealable sense under 28 U.S.C. § 1291[23] to preclude further litigation

[18] *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003) (applying Fifth Circuit law) (emphasis omitted) (citing *Kaspar Wire Works, Inc. v. Leco Eng'g and Mach., Inc.*, 575 F.2d 530, 542 (5th Cir. 1978)).

[19] 786 F.2d 1265, 1269 (5th Cir. 1986).

[20] *Id.*

[21] *Id.*

[22] *Id.* at 1271 n.7.

[23] 28 U.S.C. § 1291 lists the requirements for circuit court jurisdiction following a final district court judgment.

of an issue."[24] For example, in *Vardon*, the Federal Circuit noted that the Seventh Circuit held that in order "to be 'final' for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment."[25] A Second Circuit case, *Lummus Co. v. Commonwealth Oil Refining Co.*, described factors to be considered in a finality analysis, including "the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review."[26] In *RF Delaware, Inc. v. Pacific Keystone Technologies, Inc.*, the Federal Circuit noted that the Eleventh Circuit recognized different factors: an order "satisfied the 'limited standard for finality' because the district court considered a wide range of evidence from all concerned parties, notified the parties of possible preclusive effect, clearly considered the findings final, and entered a final order approving the proposed settlement."[27]

Although this "flexible finality" standard varies between the circuits, this note will employ the Seventh Circuit's "practical immunity to reversal or amendment" formulation of this standard.

3. Finality of Interlocutory Orders

Despite this expansion of "finality," courts treat interlocutory judgments differently.[28] Reviewing the test articulated in *Lummus*, interlocutory judgments seem to have difficulties with the "opportunity for review" and "nature of the decision" prongs, although the judgment may fare well under the "adequacy of review" prong. As noted below, the inherent characteristics of interlocutory orders make it difficult to characterize them as "final" using the *Lummus* test.

Lummus notes that the "opportunity for review" is a factor in deciding whether an order is sufficiently final for collateral estoppel purposes. Unfortunately, "by definition, interlocutory orders are not final decisions, [and] litigants generally cannot appeal such orders until *after* the entry of judgment."[29] Directly contradicting the *Lummus* factor, this unavoidable feature of

[24] *Siemens Med. Sys., Inc. v. Nuclear Cardiology Sys., Inc.*, 945 F. Supp. 1421, 1434 (D. Colo. 1996).

[25] *Vardon Golf Co. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1333 (Fed. Cir. 2002) (citing *Miller Brewing Co. v. Jos. Schlitz Brewing Co.*, 605 F.2d 990 (7th Cir. 1979)).

[26] 297 F.2d 80, 89 (2d Cir. 1961); *see also Vardon*, 294 F.3d at 1333.

[27] 326 F.3d 1255, 1261 (Fed. Cir. 2003) (citing *Christo v. Padgett*, 223 F.3d 1324, 1339 (11th Cir. 2000)).

[28] Seth Nesin, Note, *The Benefits of Applying Issue Preclusion to Interlocutory Judgments in Cases that Settle*, 76 N.Y.U. L. Rev. 874, 884 (June 2001); *see In re Pintlar Corp.*, 124 F.3d 1310, 1312 (9th Cir. 1997) ("An order granting a motion for partial summary judgment is an interlocutory order. . . . Gulf cites no Delaware cases in its brief, and no federal case on which it relies holds that an interlocutory order has a preclusive effect in an unrelated action.").

[29] *Zayas-Green v. Casaine*, 906 F.2d 18, 21 (1st Cir. 1990) (emphasis in original).

interlocutory judgments should weigh against estoppel application. This effect is most notable in the Fifth Circuit[30] but also blocks efforts in the Ninth Circuit.[31]

Because the expected effect of a more "flexible finality" standard would be to give collateral estoppel effect to judgments that are not appealable in the sense of 28 U.S.C. § 1291, it would seem that this *Lummus* factor aims to give more leeway to interlocutory judgments that are nonetheless appealable through other devices, such as through an interlocutory appeal. Interlocutory appeals, however, seem disfavored as a matter of public policy.[32] Accordingly, even when some sort of interlocutory appeal exists, it still may not weigh toward collateral estoppel.[33] Thus, the prong is a Catch-22. If the ruling is appealable in the normal sense, "flexible finality" is unnecessary; the ruling should be final in all circuits, including the stringent Fifth Circuit. However, if the ruling is interlocutory, the lack of an interlocutory appeal will weigh against it, and the presence of an interlocutory appeal is discounted because public policy prevents practical use.

Furthermore, *Lummus* notes that "the nature of the decision," that it is not avowedly tentative, should help weigh in favor of collateral estoppel. However, "[m]ost interlocutory orders are subject to reconsideration as a case proceeds."[34] In particular, Rule 54(b) of the Federal Rules of Civil Procedure states that any order that is not made final and which does not adjudicate all of the claims "is subject to revision at any time before the entry of judgment." Orders subject to reconsideration have been characterized as susceptible to reversal or

[30] *See J.R. Clearwater Inc. v. Ashland Chem. Co.*, 93 F.3d 176, 179 n.2 (5th Cir. 1996) ("In the case at bar, the denial of class certification is not itself a final appealable order, and is also subject to reconsideration by the district court . . . ." (citation omitted)); *Avondale Shipyards, Inc. v. Insured Lloyd's*, 786 F.2d 1265, 1269 (5th Cir. 1986).

[31] *See St. Paul Fire & Marine Ins. Co. v. F.H.*, 55 F.3d 1420, 1425 (9th Cir. 1995) ("We conclude that F.H. and K.W. are not collaterally estopped. The partial summary judgment was not a final judgment. As a partial summary judgment, it could not have been appealed by F.H. and K.W. when it was entered.").

[32] *See Hill v. Henderson*, 195 F.3d 671, 672-73 (D.C. Cir. 1999) ("Given the strong policy against piecemeal appeals, we find that there is no final decision and thus dismiss the appeal."); *Aluminum Co. of Am. v. Beazer E., Inc.*, 124 F.3d 551, 561 (3d Cir. 1997) ("Our conclusion that we are dealing here with a final order is consistent with the policy rationales underlying the final order rule: minimizing the possibility of piecemeal appeals, according due deference to trial court judges, and promoting the conservation of judicial resources.") (citing *Bader v. Atl. Int'l, Ltd.*, 986 F.2d 912, 914 n.5 (5th Cir. 1993)). *But see Utah v. Kennecott Corp.*, 14 F.3d 1489, 1495 (10th Cir. 1994) ("Our recommendation is founded upon the premise that the enlargement of the right to appeal should be limited to extraordinary cases in which extended and expensive proceedings probably can be avoided by immediate final decision of controlling questions encountered early in the action.") (quoting S. Rep. No. 2434, 85th Cong., 2d Sess. 1 (1958)).

[33] *See Vardon Golf Co. v. Karsten Mfg. Corp.*, 294 F.3d 1330, 1334 (Fed. Cir. 2002) ("[T]he possibility of interlocutory appeal does not render a decision final under the doctrine of collateral estoppel because 'the law of collateral estoppel is not intended to penalize a party for declining to try to take a piecemeal appeal.'") (citing *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1136 (Fed. Cir. 1985)).

[34] *Isaacs v. Sprint Corp.*, 261 F.3d 679, 682 (7th Cir. 2001).

amendment,[35] and therefore judges can easily deny any collateral estoppel effect, because the decisions are not "immune to reversal or amendment." However, one judge notes that most interlocutory orders, although technically tentative, would not be changed: "it would be pedantic to contend that all interlocutory orders are therefore 'tentative' in any real sense. It presupposes that a party will move for reconsideration of the order and that the court would grant it."[36]

Although interlocutory decisions seem to lack an appellate procedure and can usually be characterized as "tentative," some courts have given interlocutory decisions collateral estoppel effect.[37] Three reasons support the grant of collateral estoppel in such situations. First, as in *Siemens Medical Systems, Inc. v. Nuclear Cardiology Sys., Inc.*, "[i]f a partial summary judgment is never to have preclusive effect, a party involved in a series of suits against different litigants will have the option to avoid preclusive effects simply by settling the current suit whenever an unfavorable summary judgment order is issued."[38] Second, giving interlocutory orders collateral estoppel effect could "improve the integrity of the courts by removing the ability of wealthy litigants to buy away unfavorable preclusive effects through settlement,"[39] although only a minority of courts have made this observation.[40] Finally, applying collateral estoppel helps preserve judicial precedent.[41]

[35] *See*, *e.g.*, *Vardon*, 294 F.3d at 1334 ("Neither party moved to certify the court's interlocutory decision as final under Rule 54(b), consequently, that decision was 'subject to revision at any time before the entry of judgment adjudicating all the claims,' namely resolution of the remaining '021 patent allegations."); Nesin, *supra* note 28 at 901-02.

[36] *Siemens Med. Sys., Inc. v. Nuclear Cardiology Sys., Inc.*, 945 F. Supp. 1421, 1435 (D. Colo. 1996).

[37] *See Alfred Dana, III v. E.S. Originals, Inc.*, 228 F. Supp. 2d 1339, 1345 (S.D. Fl. 2002), *rev'd on other grounds*, 342 F.3d 1320 (Fed. Cir. 2003), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004) ("When 'the court has entered a partial summary judgment against a party on an entire claim and the losing party chooses to settle rather than secure an appeal, that party will face subsequent application of the doctrine of issue preclusion.'"); *Siemens*, 945 F. Supp. at 1435 (giving a partial summary judgment preclusive effect and noting that another district court had done the same) (citing *Ossman v. Diana Corp.*, 825 F. Supp. 870 (D. Minn. 1993)).

[38] 945 F. Supp. at 1435 (citing *Parklane Hosiery Co. v. Shore*, 439 U.S. at 326); *Dana*, 228 F. Supp. 2d at 1345.

[39] Nesin, *supra* note 28, at 899.

[40] *Id.* at 899-900.

[41] *Siemens*, 945 F. Supp. at 1437 ("Foremost in the concerns of the Court was the public interest, which the Court concluded would be best served by preserving judicial precedent where a party voluntarily relinquishes the right to appeal through prescribed channels."); *see also* Nesin, *supra* note 28, at 876 ("[W]hen a plaintiff agrees to a settlement that wipes away issue preclusion, she forces future plaintiffs and future courts to spend time and resources relitigating an issue that has already been decided.").

B. Markman *Hearings and Finality*

Before reaching the question of whether *Markman* decisions should be given collateral estoppel effect, this section will introduce the history and procedures of the claim construction hearing, because both affect collateral estoppel applicability. After this brief discussion, the section examines the applicability of collateral estoppel for claim constructions attached to a judgment of validity or infringement.

1. *Markman* Hearing Procedure, Generally

In *Markman v. Westview Instruments, Inc.*, the Supreme Court held that interpreting patent claim terms is within the exclusive province of the court.[42] In carrying out this function, "[d]istrict courts have wide latitude in how they conduct the proceedings before them, and there is nothing unique about claim construction that requires the court to proceed according to any particular protocol."[43] As a result, "[t]hese hearings run the gamut from mid-trial sidebar conferences that undergird relevance rulings . . . to virtual mini-trials extending over several days and generating extensive evidentiary records."[44] When determining its *Markman* hearing procedure, one court stated that timing issues should be considered when planning a hearing schedule: an early construction avoids requiring counsel from covering every possible claim construction permutation in their infringement arguments[45] but could "require the court to address claim construction issues that may later be moot."[46] The Federal Circuit, however, has noted that "*Markman* does not obligate the trial judge to conclusively interpret claims at an early stage in the case."[47] For example, the procedures do not require a full interpretation; "[d]istrict courts may engage in a rolling claim construction, in which the court revisits and alters its interpretation of the claim terms as its understanding of the technology evolves."[48] Even though the courts make these rulings "a matter of law," claim construction decisions are interlocutory.[49]

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[42] 517 U.S. 370, 376 (1996).

[43] *Ballard Med. Prods. v. Allegiance Healthcare Corp.*, 268 F.3d 1352, 1358 (Fed. Cir. 2001).

[44] *MediaCom Corp. v. Rates Tech., Inc.*, 4 F. Supp. 2d 17, 21 (D. Mass. 1998).

[45] *Thomson Consumer Elecs., Inc. v. Innovatron S.A.*, 43 F. Supp. 2d 26, 29 (D.D.C. 1999).

[46] *Toter Inc. v. City of Visalia*, No. CV-F-96-6234 REC DLB, 1997 U.S. Dist. LEXIS 18898, at *8 (E.D. Cal. 1997).

[47] *Sofamor Danek Group, Inc. v. Depuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 2002).

[48] *Guttman v. Kopykake Enters.*, 302 F.3d 1352, 1361 (Fed. Cir. 2002).

[49] *See Vivid Techs. Inc. v. Am. Sci. and Eng'g, Inc.*, 997 F. Supp. 93, 96 (D. Mass. 1997), *aff'd*, 200 F.3d 795 (Fed. Cir. 1999) ("Pursuant to the teachings of *Markman*, as a matter of case management, this court scheduled briefing and oral argument on this issue because an order determining claim construction, even if provisional in the sense that it is interlocutory and not an appealable order.").

2. Claim Constructions Attached to Judgment on Infringement

Claim constructions have been given collateral estoppel effect when attached to a judgment on infringement.

> The Federal Circuit has held that collateral estoppel applies to issues of claim construction. Specifically, where a determination of the scope of the 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.[50]

It is unclear whether a partial summary judgment of infringement or validity would support collateral estoppel on supporting claim interpretations.[51]

C. *Collateral Estoppel for Claim Constructions Unattached to Other Judgments*

Although the Federal Circuit has not foreclosed giving claim construction orders standing alone issue preclusive effect, the sparse overview of different claim construction hearing procedures cautions against giving all claim constructions preclusive effect without a judgment on validity or infringement. Currently, the most liberal finality standards require the judgment to be practically immune to reversal or amendment.[52] It seems that a trial judge, anticipating expert testimony at trial, could decide to only provide a rough outline of a possible claim construction to facilitate discovery. If the case subsequently settled before further litigation, collateral estoppel should not attach to the claim construction because such a construction would be susceptible to reversal or amendment.[53] Does a different factual situation exist, however, where a claim construction standing alone should be given collateral estoppel effect? Two district court decisions, in which the courts concluded differently, are outlined below.

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[50] *Hemphill v. Procter & Gamble Co.*, 258 F. Supp. 2d 410, 416 (D. Md. 2003), *aff'd*, No. 03-1463, 2004 WL 74620 (Fed. Cir. Jan. 15, 2004) (quotations omitted) (citing *Pfaff v. Wells Elecs., Inc.*, 5 F.3d 514 (Fed. Cir. 1993) (quoting *Molinaro v. Fannon/Courier Corp.*, 745 F.2d 651, 655 (Fed. Cir. 1984))).

[51] The Federal Circuit mentioned this issue in *RF Delaware*, which denied collateral estoppel effect to a claim construction in connection with a partial summary judgment of validity. *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261-62 (Fed. Cir. 2003). The court, however, based this decision on the facts distinguishing the case from previous Eleventh Circuit case law, noting that the district court did not entertain oral arguments about the construction of the patents, put the party on notice that the decision could have preclusive effect, or enter a final order approving the settlement. *Id.* It is unclear whether the Federal Circuit would give preclusive effect based on a partial summary judgment of validity had the court followed a different procedure.

[52] *See supra* text accompanying note 25.

[53] In addition, this may fall into the "avowedly tentative" language of the *Lummus* test. *See supra* note 26 and accompanying text.

1. *TM Patents*: Allowing Collateral Estoppel

TM Patents, LP v. International Business Machines Corp. is the leading case giving collateral estoppel effect to a previous *Markman* hearing without a judgment on infringement or validity. Prior to the infringement action, TM Patents had sued a competitor of IBM; the district court in that case had held a two-day *Markman* hearing immediately prior to the trial.[54] The action had settled during trial.[55] The court relied on the facts of the previous case to find that the claim construction was sufficiently final for collateral estoppel purposes.[56] The court noted that the judge had held a two-day hearing with able representation of counsel, had issued a thorough ruling disposing of all disputed issues, had entertained and made several modifications to the order, and had read the ruling to the jury on the first day of trial in a preliminary jury instruction.[57] Furthermore, the judge had given the jurors copies of the construction for referral throughout the trial, informing them that they were not free to adopt a contrary construction of the patent claims in suit.[58] Since "a verdict would not have changed anything about Judge Young's *Markman* rulings," they were found sufficiently final for collateral estoppel purposes.[59] Finally, the judge noted that collateral estoppel would apply "even if [he] thought everything Judge Young decided was wrong."[60]

2. *Kollmorgen*: Denying Collateral Estoppel

Other courts have been unwilling to follow the logic in *TM Patents*. In *Kollmorgen Corp. v. Yaskawa Electric Corp.*, the court declined to give collateral estoppel effect to a prior claim construction order. After noting that the parties to the previous Wisconsin action only entered into serious negotiations subsequent to a "seemingly damaging"[61] claim construction, the court latched on to the lack of finality of the claim construction hearing to justify its collateral estoppel denial. The court stated that "the meaning of a claim is not certain (and the parties are not prepared to settle) until nearly the last step in the process—decision by the Court of Appeals

[54] 72 F. Supp. 2d 370, 375 (S.D.N.Y. 1999), *supplemented by* 77 F. Supp. 2d 480 (S.D.N.Y. 1999).

[55] *Id.*

[56] *Id.* at 376.

[57] *Id.*

[58] *Id.* at 377.

[59] *Id.*

[60] *Id.* at 379.

[61] *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 469 (W.D. Va. 2001), *dismissed by* No. 02-1057, 2002 WL 554402 (Fed. Cir. Mar. 18, 2002).

for the Federal Circuit."[62] "[T]he lack of any realistic opportunity for Federal Circuit review greatly outweighs the adequacy of the hearing and the nature of the *Markman* Order."[63]

3. Policy Reasons to Consider Collateral Estoppel for Claim Constructions

Which is correct? *Kollmorgen* seems to prohibit applying collateral estoppel to claim constructions without a judgment on validity or infringement, while *TM Patents* seems to allow it, albeit in limited factual circumstances. Significant policy judgments undergird both positions. Cases similar to *Kollmorgen* list the following reasons as justifying their position: 1) the fact that claim construction rulings are always changeable, 2) the lack of a meaningful opportunity for Federal Circuit review, and 3) the chilling effect on settlement. The cases that agree with *TM Patents* reason that 1) a major strength of *Markman* is the possibility of collateral estoppel for claim constructions due to the "special finality" associated with claim construction hearings, and 2) a lack of collateral estoppel for claim constructions would distort the court system. The following sections analyze each justification, in turn.

a. Claim Construction Rulings are Tentative – In both Federal Circuit and district court opinions, the tentative nature of claim construction rulings weighs against authorizing collateral estoppel effect. In *Alfred Dana III v. E.S. Originals, Inc.*, the Federal Circuit found previous orders of infringement and validity to be sufficiently final for collateral estoppel purposes.[64] In doing so, it distinguished *RF Delaware*,[65] a Federal Circuit case denying collateral estoppel effect: "[i]n the *RF Delaware* case, the issue as to which the defendant was seeking issue preclusion was claim construction, on which the district court might have modified its position at trial."[66]

If the general question is whether the ruling is "immune, as a practical matter, to reversal or amendment," the possibility of change should be a strong deterrent in finding the requisite finality. However, as noted earlier, it seems "pedantic"[67] to assume that every interlocutory

[62] *Id.* (citing *Cybor v. Fas Techs., Inc.*, 138 F.3d 1448, 1476 (Fed. Cir. 1998) (Rader, J., dissenting)).

[63] *Id.*

[64] 342 F.3d 1320, 1324 (Fed. Cir. 2003), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004). Although the court ruled the orders sufficiently final, the Federal Circuit vacated and remanded on other grounds. *Id.* at 1327.

[65] *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255 (Fed. Cir. 2003).

[66] *Dana*, 342 F.3d at 1324; *see also Sofamor Danek Group, Inc. v. Depuy-Motech, Inc.*, 74 F.3d 1216, 1221 (Fed. Cir. 2002) ("*Markman* does not obligate the trial judge to conclusively interpret claims at an early stage in a case."); *Tex. Instruments, Inc. v. Linear Techs. Corp.*, 182 F. Supp. 2d 580, 588 (E.D. Tex. 2002) (discussing the "impermanence" of claim construction as a legal determination).

[67] *Siemens Med. Sys., Inc. v. Nuclear Cardiology Sys., Inc.*, 945 F. Supp. 1421, 1435 (D. Colo. 1996).

ruling has a real chance of reversal; a flexible finality test should account for this. It seems wrong to assume that all claim construction hearings are either final or tentative; rather, *TM Patents* shows a better approach. If the facts of the case show a real commitment to the interlocutory ruling, then practically, it should be considered immune from reversal or amendment. Even if the interlocutory nature necessarily imparts some tentativeness, "a Court does not vitiate the collateral estoppel effect of a ruling by expressing some doubt about its conclusions."[68] Assuming that every claim construction ruling is necessarily tentative seems a mistake; if the facts of the case evidence finality, the ruling should be considered for collateral estoppel application.

b. No Opportunity for Federal Circuit Review – One court stated that "the lack of any realistic opportunity for Federal Circuit review greatly outweighs the adequacy of the hearing and nature of [a particular] *Markman* Order."[69] Appeal seems particularly important in claim construction cases because of the high rate of Federal Circuit reversals: "[denying collateral estoppel to claim constructions] is the only sensible approach in light of the disturbing fact that nearly half of all the patent claim constructions the Federal Circuit reviews are either revised or overturned."[70] Furthermore, if *Markman* rested on the "promotion of uniformity in the meaning to be given to a patent claim,"[71] the public needs consistent constructions of patent claims—implying that Federal Circuit review is necessary.[72]

The argument, at least implicitly, is that district courts are unlikely to correctly construe patent claims; they cannot provide the "consistent construction" of the Federal Circuit, and therefore appellate review is necessary. The Supreme Court, in *U.S. Bancorp Mortgage Co. v.*

[68] *TM Patents, LP v. IBM Corp.*, 72 F. Supp. 2d 370, 377 (S.D.N.Y. 1999), *supplemented by* 77 F. Supp. 2d 480 (S.D.N.Y. 1999).

[69] *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 469 (W.D. Va. 2001), *dismissed by* No. 02-1057, 2002 WL 554402 (Fed. Cir. Mar. 18, 2002). The *Kollmorgen* court also noted that "[t]he [Supreme] Court appeared to value the role of the Federal Circuit as the final interpreter of patent claim construction. Accordingly, this Court believes *Markman* supports the promotion of uniformity, yet it does not stand for the blanketed adoption of patent construction without first undergoing the Federal Circuit's rigorous review." *Id.* at 468.

[70] Timothy Le Duc, *The Application of Collateral Estoppel to Markman Rulings: The Search for Logical and Effective Preclusion of Patent Claim Constructions*, 3 Minn. Intell. Prop. Rev. 297, 316 (2002), *available at* http://mipr.umn.edu/archive/v3n2/leduc.pdf; *see also TM Patents*, 72 F. Supp. 2d at 378 (noting that nearly forty percent of claim constructions are changed or overturned by the Federal Circuit) (citing *Cybor*, 138 F.3d at 1476 (Rader, J., dissenting)).

[71] *Kollmorgen*, 147 F. Supp. 2d at 467 (citing *TM Patents*, 72 F. Supp. 2d at 377 (citing *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 390-91 (1996))).

[72] *Id.*

Bonner Mall Partnership, derided this type of logic through examination of the practice of vacating district court opinions whenever a case settled during appeal:[73]

> The first [argument] is that appellate judgments in cases that we have consented to review by writ of certiorari are reversed more often than they are affirmed, are therefore suspect, and should be vacated as a sort of prophylactic against legal error. It seems to us inappropriate, however, to vacate mooted cases, in which we have no constitutional power to decide the merits, on the basis of assumptions about the merits.[74]

In the same vein, it seems unwise to deny any collateral estoppel effect to claim construction orders on assumptions about their ability to withstand circuit review. Like the example above, the courts should not make a blanket judgment about the merits of a claim construction order on the basis of an assumption about the merits—it seems to be another inappropriate prophylactic. Instead, if the usual collateral estoppel test is fulfilled, the precedent should be considered "presumptively correct"[75] and given collateral estoppel effect.[76]

c. The Chilling Effect on Settlement – The courts in both *Kollmorgen* and *Graco* predict a chilling effect on settlement if claim constructions, standing alone, receive collateral estoppel effect:

> 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.[77]

[73] 513 U.S. 18 (1994). A further analysis of this case, along with a lengthy discussion on the relationship between vacatur and practical finality appears *infra*, Part II.

[74] *Bonner Mall*, 513 U.S. at 27.

[75] *Id.* at 26 (citing *Izumi Seimitsu Kogyo Kabushi Kaisha v. U.S. Philips Corp.*, 510 U.S. 27, 40 (1993) (Stevens, J., dissenting)).

[76] Significantly, the usual test for collateral estoppel does not consider the "correctness" of the prior judgment. *See TM Patents*, 72 F. Supp. 2d at 379 ("I have no doubt that collateral estoppel would apply against TM on the previously litigated claims even if I thought everything Judge Young decided was wrong.").

[77] *Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 468 (W.D. Va. 2001), *dismissed by* No. 02-1057, 2002 WL 554402 (Fed. Cir. Mar. 18, 2002); *see Graco Children's Prods., Inc. v. Regalo Int'l, LLC*, 77 F. Supp. 2d 660, 664 (E.D. Pa. 1999).

This analysis, although fair, takes too narrow a view. In *Allen-Bradley Co. v. Kollmorgen*, the district court refused to vacate a claim construction despite the parties' settlement: "[g]iven the substantial amount of time and effort typically entailed by *Markman* decisions, judicial economy would be enhanced by structuring the incentives so as to encourage pre-*Markman* hearing settlement."[78] In other words, this court notes that settlement incentives necessarily cut both ways: the availability of collateral estoppel may chill settlements post-claim construction, but the risk of a binding claim construction may encourage settlements pre-claim construction.[79]

d. *Markman* Results in Collateral Estoppel – "[T]he Supreme Court in *Markman* held that claim construction must be performed by the court as a matter of law and that one advantage of such judicial claim construction is the availability of issue preclusion in subsequent cases."[80] This is unsurprising, considering the "strong public interest in the finality of judgments in patent litigation."[81] Furthermore, some courts argue a "special finality" associated with *Markman* hearings.[82] If the *Markman* hearing indeed leads to a special sort of finality, it stands to reason that collateral estoppel could apply.

Even accepting the explicit condemnation of other courts,[83] this view is hard to reconcile with the multitudinous permutations of *Markman* hearing procedure.[84] If judges can set out

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[78] 199 F.R.D. 316, 319-20 (E.D. Wis. 2001).

[79] The Supreme Court alluded to this issue in *Bonner Mall*:

> But 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. . . . We find it quite impossible to assess the effect of our holding, either way, upon the frequency or systemic value of settlement.

513 U.S. at 27-28 (1994) (emphasis in original). Correspondingly, without giving claim constructions collateral estoppel effect, some litigants may "roll the dice," knowing that a settlement will not affect their ability to try similar constructions against other litigants.

[80] Bradley & Kubasta, *supra* note 9, at 338.

[81] *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 100 (1993).

[82] *See TM Patents, LP v. IBM Corp.*, 72 F. Supp. 2d 370, 378 n.2, 379 (S.D.N.Y. 1999), *supplemented by* 77 F. Supp. 2d 480 (S.D.N.Y. 1999); *Louisville Bedding Co. v. Perfect Fit Indus.*, 186 F. Supp. 2d 752, 757 (W.D. Ky. 2001), *vacated by* No. 3:98CV-560, 2001 WL 34010716 (W.D. Ky. Dec. 17, 2001) ("Running throughout the case law is not the notion of an evidentiary hearing, but rather the singular finality of a *Markman* ruling."); *Abbott Labs. v. Dey, Inc.*, 110 F. Supp. 2d 667, 671 (N.D. Ill. 2000) ("The nature of the *Markman* proceeding is such that finality is its aim.").

[83] *See Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 467 (W.D. Va. 2001), *dismissed by* No. 02-1057, 2002 WL 554402 (Fed. Cir. Mar. 18, 2002) ("[*Markman* does] not single-handedly redefine 'finality' for collateral estoppel purposes."); *Graco Children's Prods., Inc. v. Regalo Int'l, LLC*, 77 F. Supp. 2d 660, 663 (E.D. Pa. 1999) ("*Markman* solely [addresses the] respective roles of judge and jury at [the] trial level.")

preliminary *Markman* hearings or rolling claim constructions, it is difficult to contend that every *Markman* decision is final in any sense.

Despite the lack of general applicability, the *Markman* hearing seems to impart some sort of finality in some cases. For instance, in the description of *TM Patents*,[85] the surrounding factual circumstances could lead many courts to conclude that the claim construction was practically immune to reversal or amendment.[86] Despite this exception, it seems clear that if a claim construction is expected to change before trial, it should not be assumed to have the "special finality" of certain *Markman* hearings and should not be given collateral estoppel effect. The conclusion that every hearing has a special finality is overbroad.

e. The Lack of Collateral Estoppel Distorts the Judicial System – One of the most important problems associated with denying collateral estoppel to claim constructions is that such a decision encourages litigants to test out claim constructions at trial.[87] In fact, if there are multiple possible defendants, the plaintiff can always settle immediately following an unfavorable claim construction, effectively preserving the patent for possible future litigation against other defendants.[88]

This issue seems related to the issue addressed in *Cardinal Chemical Co. v. Morton International, Inc.* In this case, the Supreme Court held that validity determinations should not be vacated following a judgment of noninfringement. Specifically, the court noted "the danger that the opportunity to relitigate [validity] might, as a practical matter, grant monopoly privileges to the holders of invalid patents."[89]

It is undisputed that claim constructions are inexorably tied to both validity and infringement proceedings. In certain cases where the claim construction is of above-average importance to the validity proceeding, requiring relitigation of claim constructions could become a de facto relitigation of validity—reviving the same problem the court sought to solve in *Cardinal*.[90]

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[84] *See supra* text accompanying notes 42-49.

[85] 72 F. Supp. 2d at 375.

[86] *See supra* text accompanying note 25.

[87] *See Allen-Bradley Co. v. Kollmorgen*, 199 F.R.D. 316, 320 (E.D. Wis. 2001) ("[Vacating a past claim construction] would . . . encourag[e] litigants to test their proposed claim constructions via a full-blown *Markman* hearing . . . .").

[88] *See Blonder Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 329 (1971) ("Permitting repeated litigation of the same issue . . . reflects either the aura of the gaming table or a lack of discipline and of disinterestedness on the part of the lower courts, hardly a worthy or wise basis for fashioning rules of procedure.") (quotation omitted).

[89] *Cardinal Chem. Co. v. Morton Int'l, Inc.*, 508 U.S. 83, 101 (1993).

[90] This is analogous to *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*. 513 U.S. 18, 27 (1994). The Court worried that settlement with automatic vacatur would be a "refined form of collateral attack" against

One case implicitly argues that any resulting distortion is academic because parties can, or should be able to, contract the collateral estoppel effects of their claim constructions.[91] Although an attractive theoretical solution, such an argument seems to fail on other grounds: parties cannot agree to bind a non-party,[92] and the decisions are seen to benefit society in general, not just the parties at issue.[93]

4. Equities Favor Collateral Estoppel if Claim Construction Practically Final

Reviewing the policy reasons identified above, if a claim construction is practically immune to reversal or amendment, the equities seem to weigh for applying collateral estoppel to future judgments. The reasons to deny collateral estoppel outlined in *Kollmorgen* seem to disappear. First, if practically final, the claim construction order is "immune to reversal or amendment;" hence, being "tentative" is not a problem. Second, *Bonner Mall* seems to undercut the justification for appellate review when the parties have settled. Third, the "chilling" settlement arguments cut both ways; although the possibility of collateral estoppel reduces the incentives to settle in the middle of the case, it increases the incentives to settle prior to bringing the case—which is arguably a *better* time to settle. Finally, although *Markman* decisions do not have a "special" finality, the distortions caused by denying estoppel are significant, and have

unwanted judgments. *Id.* Similarly, settlement with automatic denial of issue preclusion in future actions is a refined form of attack against unwanted claim constructions.

[91] Judge Dyk addressed this point in a concurring opinion:

> Alternatively, the parties might agree as part of the settlement that the earlier decision would have no res judicata or collateral estoppel effect, as they appear to have attempted to do in this case . . . . It can be argued that the "strong public interest in settlement of patent litigation" would be served by allowing the parties to a settlement at the district court level to determine the collateral estoppel effect of earlier orders in the litigation.

Alfred Dana III v. E.S. Originals, Inc., 342 F.3d 1320, 1328-29 (Fed. Cir. 2003), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004) (Dyk, J., concurring); *see also* Stuart N. Rappaport, *Collateral Estoppel Effects of Judgments Vacated Pursuant to Settlement*, 1987 U. Ill. L. Rev. 731, 732 (arguing that courts should permit the parties to contract out of judgments' preclusive effects).

[92] *Alfred Dana, III v. E.S. Originals, Inc.*, 228 F. Supp. 2d 1339, 1344 (S.D. Fl. 2002), *rev'd on other grounds*, 342 F.3d 1320 (Fed. Cir. 2003), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004) ("It is elementary that parties cannot by agreement between themselves bind a non-party.").

[93] *Reidell v. United States*, 47 Fed. Cl. 209, 211-12 (Fed. Cl. 2000) ("When a clash between genuine adversaries produces a precedent, . . . the judicial system ought not to allow the social value of that precedent, created at cost to the public and other litigants, to be a bargaining chip in the process of settlement. The precedent, a public act of a public official, is not the parties' property.") (quoting *In re United States*, 927 F.2d 626, 628 (D.C. Cir. 1991) (quoting *In re Mem'l Hosp. of Iowa County, Inc.*, 862 F.2d 1299, 1302 (7th Cir. 1988))); *Allen-Bradley Co. v. Kollmorgen*, 199 F.R.D. 316, 319 (E.D. Wis. 2001) ("It may be inappropriate to approve a settlement that squanders judicial time that has already been invested . . . . [The] decisions have persuasive force as precedent that may save other judges and litigants time in future cases.") (quoting *Mem'l Hosp.*, 862 F.2d at 1300).

been shown to be important in analogous settings. If a ruling can be proved "practically immune to reversal or amendment," the distortions caused by denying estoppel can be avoided, while the problems associated with estoppel become insignificant.

D. *Practical Problem: Difficult to Prove Finality*

1. Claim Constructions Always Capable of Tentative Characterization

The above benefits only accrue if the claim construction ruling is found to be "practically immune to reversal or amendment." Unfortunately, due to the variations in *Markman* procedure, collateral estoppel—which reviews the finality of the decision from a different tribunal—simply is not a robust enough mechanism to determine finality. Again, if *Markman* hearings run the gamut between a preliminary ruling concerning discrete discovery requests to a ruling meant to hold throughout an extended trial, it is difficult to ascertain the precise level of "finality" for specific claim construction determinations, absent an exceptionally strong fact pattern as evidenced by *TM Patents*. Because the precise level of finality is so difficult to adjudicate from another tribunal's perspective, it seems easiest to err on the side of caution and completely disallow collateral estoppel to claim constructions standing alone. In fact, it seems like a kind of ratcheting problem: a future court can always characterize a previous claim construction as "tentative," no matter the actual practical finality of the previous determination. This indefiniteness surrounding the finality characterization of any claim construction order greatly impairs any potential collateral estoppel effects.[94]

2. *Bonner Mall* Vacatur Procedure Offers a Solution

Fortunately, when viewed through a patent law perspective, a motion for vacatur before settlement could presumptively determine whether a claim construction is practically immune to reversal or amendment. Part II, below, will show that a district court judge contemplating vacatur of a claim construction order necessarily needs to consider the finality of his own claim construction order. Presumably, the judge who has decided the claim construction order is in the best position to determine the finality of the order and should be able to more accurately make such a decision. This determination should, therefore, no longer err on the side of caution: claim construction orders could be ruled "final" by the judges who make them. With the finality determination no longer in limbo, the equities outlined above favor granting collateral estoppel effects to those claim construction rulings that are practically immune to reversal or amendment. The procedure of the actual vacatur motion will be outlined in Part II, while the effect on future collateral estoppel procedures will be discussed in Part III.

[94] Of course, the most blatant of fact patterns, like *TM Patents*, should still satisfy this indefinite determination.

II. THE BONNER MALL STANDARD FOR VACATUR

Part II examines *Bonner Mall*, the leading Supreme Court case on vacatur, and discusses how later courts applied its teachings to varied factual situations. After this, the note suggests the proper application of *Bonner Mall* to claim construction decisions.

A. Bonner Mall *and Progeny*

This section begins with a brief definition of vacatur, continuing with a discussion of the leading Supreme Court case on vacatur, *Bonner Mall*, where the Court condemned automatic vacatur of decisions due to settlement mootness. After this, the note examines how circuit courts, despite *Bonner Mall*'s holding, have been willing to vacate district court decisions on the condition of settlement. Finally, this section examines cases that apply *Bonner Mall*-style reasoning to district court decisions, interlocutory orders, and claim construction orders. The balancing test edified by *Bonner Mall* seems to apply across the judicial spectrum, to every situation where settling parties urge vacatur.

1. Definition and Effects of Vacatur

Generally, vacatur acts as an eraser, nullifying the legal effects of any order.[95] The preclusive effects of such a result are clear: if an order is vacated, there is no preclusion by res judicata or collateral estoppel.[96] Still, the absence of preclusive effects does not mean that the case "never existed." Other precedential effects that emerge on publication of a case may still hold sway – namely, *stare decisis* and the availability of the case as persuasive authority. One article states that vacatur of an order removes any practical precedential effects,[97] while some cases state otherwise.[98] Although the precise effects of vacatur with regard to claim construction will be discussed below, it is clear that a party who successfully urges vacatur has achieved a substantial advantage in future litigation.[99]

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[95] *See United States v. Jerry*, 487 F.2d 600, 607 (3d Cir. 1973).

[96] *Jackson v. Coalter*, 337 F.3d 74 (1st Cir. 2003) (citing *No East-West Highway Comm. v. Chandler*, 767 F.2d 21, 24 (1st Cir. 1985)); *see* Rappaport, *supra* note 91 at 744-45 (noting that properly vacated judgments are not given collateral estoppel effect).

[97] *See* Robert S. Lewis, *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership: Settlement Conditioned on Vacatur?*, 47 Ala. L. Rev. 883, 885-88 (1996).

[98] *See Oklahoma Radio Assocs. v. FDIC*, 3 F.3d 1436, 1437 (10th Cir. 1993); *Martinez v. Winner* 800 F.2d 230, 231 (10th Cir. 1986); *In re Smith*, 946 F.2d 636, 638 (7th Cir. 1992).

[99] *See* Lewis, *supra* note 97 at 886.

While such a remedy seems extraordinary, some district courts used to vacate opinions that settled during the appellate process as a matter of course.[100]

2. *Bonner Mall*: Altering the Vacatur Standard at the Appellate Level

The practice of automatically granting vacatur following settlement was condemned in *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*.[101] In that case, U.S. Bancorp moved to suspend an automatic stay of Bonner Mall Partnership's foreclosure, which the bankruptcy court granted.[102] The court, however, stayed its motion pending Bonner Mall's appeal.[103] The Idaho district court reversed; Bancorp appealed, and the Ninth Circuit affirmed.[104] Bancorp then petitioned for a writ of certiorari, which was granted. After receiving briefing on the merits, the parties settled.[105] Bancorp moved to vacate the Ninth Circuit opinion; the Supreme Court set the vacatur question for briefing and argument.[106]

The Court held that mootness by reason of settlement does not justify vacatur of a judgment under review.[107]

> A party who seeks review of the merits of an adverse ruling, but is frustrated by the vagaries of circumstance, ought not in fairness be forced to acquiesce in the judgment. . . . Where mootness results from settlement, however, the losing party has voluntarily forfeited his legal remedy by the ordinary processes of appeal or certiorari, thereby surrendering his claim to the equitable remedy of vacatur. The judgment is not unreviewable, but simply unreviewed by his own choice. The denial of vacatur is merely one application of the principle that "a suitor's conduct

[100] The leading case cited for this proposition is *United States v. Munsingwear*, which states that the "established practice of the Court in dealing with a civil case from a court in the federal system which has become moot while on its way here or pending our decision on the merits is to reverse or vacate the judgment below and remand with a direction to dismiss." 340 U.S. 36, 39 (1950). Some circuits adopted this as a presumptive rule. *See In re Davenport*, 40 F.3d 298, 299 (9th Cir. 1994) ("because the issue . . . has become moot . . . we are required to vacate"); *Nestle Co. v. Chester's Mkt. Inc.* 756 F.2d 280, 282-84 (2d Cir. 1985), *overruled by U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship*, 513 U.S. 18 (1994); *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728, 731 (Fed. Cir. 1992); *Hendrickson v. Sec'y of Health & Human Servs.*, 774 F.2d 1355, 1355 (8th Cir. 1985).

[101] 513 U.S. 18, 29 (1994).

[102] *Id.* at 20.

[103] *Id.*

[104] *Id.*

[105] *Id.*

[106] *Id.* at 20.

[107] *Id.* at 29.

> in relation to the matter at hand may disentitle him to the relief that he seeks." In these respects the case stands no differently than it would if jurisdiction were lacking because the losing party failed to appeal at all.[108]

The court also considered the public interest: "[j]udicial precedents are presumptively correct and valuable to the legal community as a whole. They are not merely the property of private litigants and should stand unless a court concludes that the public interest would be served by a vacatur."[109] However, the rule is flexible—settlement alone will not deny a vacatur. "[T]he determination is an equitable one, and exceptional circumstances may conceivably counsel in favor of such a course."[110]

3. Circuit Treatment of *Bonner Mall*: Settlement Justifies Vacatur

Bonner Mall revolutionized treatment of vacatur requests, seemingly dooming vacatur requests precipitated by settlement.[111] Certain circuit courts, however, seemed willing to find adequate "exceptional circumstances" alluded to at the end of the opinion in order to justify vacatur. Most interesting in these cases is the use of the *possibility* of settlement as an "exceptional circumstance." For instance, in *Motta v. District Director of INS*, the First Circuit found that the equities favored vacatur because the court, instead of the parties, suggested vacatur, and because the harm of depriving the public of this precedent should not take priority over the parties' best interests.[112] The court also noted that *Bonner Mall* states that it is "impossible to assess the effect of our holding, either way, upon the frequency or systemic value of settlement."[113] *Motta* noted that "in contrast, the negative impact on settlement in this case is absolutely clear."[114] The possibility of settlement, it seems, can be enough to overcome the presumption that "mootness by reason of settlement does not justify vacatur of a judgment under review."[115]

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[108] *Id.* at 25 (citing *Sanders v. United States*, 373 U.S. 1, 17 (1963)).

[109] *Id.* at 26 (citing *Izumi Seimitsu Kogyo Kabushiki Kaisha v. U.S. Philips Corp.*, 510 U.S. 27, 40 (1993)).

[110] *Id.* at 29.

[111] *See Goldin v. Bartholow*, 166 F.3d 710, 719 (5th Cir. 1999) ("[I]f the mootness can be traced to the actions of the party seeking vacatur, the decision of the lower court will usually be allowed to stand.").

[112] 61 F.3d 117, 118 (1st Cir. 1995); *see also Major League Baseball Props., Inc. v. Pac. Trading Cards, Inc.*, 150 F.3d 149, 152 (2d Cir. 1998) (ordering vacatur when the parties conditioned settlement on vacatur and the damage to the public interest was slight).

[113] *Motta*, 61 F.3d at 118-19 (citing *Bonner Mall*, 513 U.S. at 28).

[114] *Id.* at 119; s*ee Major League Baseball*, 150 F.3d at 152 ("[A]ll the parties had a significant interest in vacating the district court's opinion; and, that interest outweighed the social value of the precedent.").

[115] *Bonner Mall*, 513 U.S. at 29.

Despite this, the Second Circuit noted that district courts are not required to accept vacatur as a condition for the sake of facilitating settlement.[116] "When the proposed judicial economy can be realized only at the cost of increasing the vulnerability of the judicial system to manipulation, [the courts] view the investment as unsound."[117] In the same vein, various courts have also noted the possibility of gaming the system, not unlike the distortions referenced with collateral estoppel.[118] As one judge has stated, "I do not think the loser in litigation should be allowed to buy an eraser for the public record."[119]

4. Applying the *Bonner Mall* Teachings at the District Court Level

The Fourth Circuit, in *Valero Terrestrial Corp. v. Paige*, examined whether *Bonner Mall* applied to vacatur determinations at the district court level.[120] Although the court concluded that *Bonner Mall* "speaks not at all to the power of a district court to vacate or otherwise modify its own opinions,"[121] the court nevertheless was "convinced that *Bancorp*'s considerations of relative fault and public interest must also be largely determinative of a district court's decision whether to vacate its own judgment due to mootness."[122] Although *Paige* is the only major appellate case supporting this reading, district courts within and without the Fourth Circuit have imported the *Bonner Mall* standard into their vacatur decision making.[123]

[116] *See Keller v. Mobil Corp.*, 55 F.3d 94, 98 (2d Cir. 1995).

[117] *Id.* (citing *Mfrs. Hanover Trust Co. v. Yanakas*, 11 F.3d 381, 389 (2d Cir. 1993)).

[118] *See supra* text accompanying notes 83-89.

[119] *Mancinelli v. IBM*, 95 F.3d 799, 800 (9th Cir. 1996) (Kleinfeld, J., dissenting); *see United States v. Garde*, 848 F.2d 1307, 1311 (D.C. Cir. 1988) ("We do not wish to encourage litigants who are dissatisfied with the decision of the trial court 'to have them wiped from the books' by merely filing an appeal, then complying with the order or judgment below and petitioning for a vacatur of the adverse trial court decision."); *see also In re Hiller*, 179 B.R. 253, 260 (Bankr. D. Colo. 1994) ("Our court system relies on precedent and the 'weight of the case law.' Such a system is based on the reasoned opinions of judges throughout the country. . . . Such a system can be tainted by allowing deep pocket litigators to routinely request vacatur of unfavorable precedent.")

[120] 211 F.3d 112, 116 (4th Cir. 2000).

[121] *Id.* at 117.

[122] *Id.* at 118. *But see Am. Games, Inc. v. Trade Prods., Inc.*, 142 F.3d 1164, 1168 (9th Cir. 1998) ("A district court may vacate its own decision in the absence of extraordinary circumstances.").

[123] *See*, *e.g.*, *Bartholic v. Scripto-Tokai Corp.*, 140 F. Supp. 2d 1098, 1122 (D. Colo. 2000); *Keeler v. Mayor of Cumberland*, 951 F. Supp. 83, 84 (D. Md. 1997); *Jewelers Vigilance Comm. v. Vitale Inc.*, 177 F.R.D. 184, 186 (S.D.N.Y. 1998); *Bailey v. Blue Cross/Blue Shield*, 878 F. Supp. 54, 55 (E.D. Va. 1995).

5. Applying *Bonner Mall* to Interlocutory Decisions

Some district courts have applied *Bonner Mall* to interlocutory decisions. One example is *Avellino v. Herron*:

> Finally, the defendant argues that the opinions and orders in this case should be vacated because the Court's ruling . . . was a "preliminary determination based on the procedural context of the action at the time of the decision." If by "preliminary" defendant suggests that the decision did not constitute a final adjudication between the parties, the characterization is correct. It is also correct if by "preliminary" defendant suggests that no factual findings were made by the Court at this stage of the proceedings. However, if by "preliminary" defendant implies that a decision to deny a motion to dismiss is somehow tentative or temporary, that assertion would be wrong.[124]

Another example is *In re Fraser*, where a group of Texas legislators had filed a mandamus action, asking that the court "declare that the attorney general of Texas had no statutory or constitutional authority to bind the State to a contingent fee arrangement for legal services."[125] The case was removed to federal court and, after arbitration, the opposing private counsel moved for an extension of time for the election of their arbitration award.[126] The State opposed the motion and challenged federal court jurisdiction.[127] The court ruled that the State's jurisdictional arguments were without merit; the case later settled, and the State moved to vacate the court's opinions concerning jurisdiction.[128]

> The Court believes that the rationale announced in *Bancorp* applies to the orders at issue here. Though here the opinions concern interlocutory issues, there can be little doubt that, like the appeals court opinion in *Bancorp*, opinions on such matters are a valuable resource for litigants and courts.[129]

[124] 181 F.R.D. 294, 297 (E.D. Pa. 1998).

[125] 98 F. Supp. 2d 788, 789 (E.D. Tex. 2000).

[126] *Id.* at 789-90.

[127] *Id.* at 790.

[128] *Id.* at 790-91.

[129] *Id.* at 791. It is notable for further arguments, however, that the State had taken an appeal on the interlocutory orders at issue prior to the settlement. *Id.* The court also noted that, as a result, had vacatur been warranted, leave of the appellate court would have been required to retake jurisdiction of the appealed interlocutory motion. *Id.*

6. Applying *Bonner Mall* to Claim Construction Orders

Additionally, *Bonner Mall* has been invoked by at least three district courts to deny vacatur to claim construction decisions. In *Clever Devices, Ltd. v. Digital Recorders, Inc.*, the court decided whether *Bonner Mall* should govern a district court motion to vacate a prejudgment claim construction order.[130] After deciding that *Bonner Mall* applies with equal force to district courts reviewing their own judgments, the court held that *Bonner Mall* also applied to prejudgment orders like the claim construction order at issue.[131] Although the court suggested that prejudgment rulings "do not carry the same presumption of correctness and value as final judgments," the court nevertheless found that the application of *Bonner Mall* promoted judicial economy by encouraging settlement prior to entry of the claim construction hearings.[132]

Similarly, in *Allen-Bradley Co. v. Kollmorgen*, the court held a *Markman* hearing over seven days and issued an order construing the claims of the patents.[133] The parties then reached an agreement conditioning settlement on the vacatur of the claim construction order.[134] The court, mindful of the extensive judicial resources expended on the claim construction order,[135] acknowledged the "obvious value" of settlement but noted that its claim construction order "affects interests beyond those of the parties in the present action. The benefits of settling the present action [were], in short, outweighed by the systemic costs that would be incurred by vacating the court's order."[136]

Finally, in *Nilssen v. Motorola Inc.*, the court decided whether to vacate prior rulings mooted by settlement, including claim constructions.[137] After deciding to apply *Paige*,[138] the

[130] No. 3:03-CV-679-M, 2004 U.S. Dist. LEXIS 10494, at *1 (N.D. Tex. June 3, 2004).

[131] *Id.* at *7 n.2, *10-12.

[132] *Id.* at *9-10. Furthermore, the court noted that the parties chose not to condition their settlement on vacatur of the claim construction order. *Id.* at *11. Because, as in *Bonner Mall*, the parties had "voluntarily forfeited [their] legal remedy by the ordinary processes of appeal or certiorari," it was equitable to hold the parties to the *Bonner Mall* standard. *Id.* (citing *U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship*, 513 U.S. 18, 25 (1994)).

[133] 199 F.R.D. 316, 317 (E.D. Wis. 2001).

[134] *Id.*

[135] *Id.* at 318.

[136] *Id.* at 320. The court also considered that the contrary result may encourage litigants to test their claim constructions through a *Markman* hearing, with an eye toward future vacatur. *Id.* The court noted that whether a non-vacated claim construction order could have issue preclusive effect was up to debate. *Id.* at 320 n.1.

[137] Nos. 93 C 6333, 96 C 5571, 2002 WL 31369410, at *1 (N.D. Ill. Oct. 21, 2002). Significantly, the case was heard in front of a total of three district court judges, who all issued opinions concerning the claim construction, and at least one had issued a partial summary judgment order.

[138] *Valero Terrestrial Corp. v. Paige*, 211 F.3d 112 (4th Cir. 2000).

court rejected Nillsen's argument about hindrance of future settlement[139] and recognized the judicial resources necessary to make the above rulings.[140] In addition, the court mentioned that "vacatur would prevent issue preclusion," but stated that Nilssen had failed to show that this was "an exceptional, or even significant, circumstance."[141]

B. *The Proper Application of* Bonner Mall *to Claim Construction Orders*

The next section applies the *Bonner Mall* teachings, in light of circuit court interpretation, to claim construction orders. Because of the special characteristics of claim construction orders, the res judicata and precedential values seem minimal, and only collateral estoppel determinations should drive a denial of vacatur. Within the collateral estoppel rubric, if a claim construction is not sufficiently final, no collateral estoppel effects will be recognized; given a countervailing interest in settling the case, vacatur should be approved.[142] Therefore, if vacatur is denied despite a countervailing interest in settling the case, the judge will have implicitly decided that the case is sufficiently final for collateral estoppel purposes.

1. The Balancing Test

Why would a party move for vacatur of a claim construction in a patent case mooted by settlement? There are three possibilities: parties may look to prevent (1) the res judicata effects of the claim construction, (2) collateral estoppel, or (3) any precedential effects in general. In the same vein, if a party moves for vacatur of past claim constructions as a condition for settlement,

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[139] Specifically, the court stated:

> Nilssen does not identify why settlement will be hindered in the other cases absent vacatur of all of the courts' previous rulings. Nilssen points out that the parties in the other suits may argue issue preclusion unless the rulings are vacated. However, such considerations may actually enhance the chance of settlement because the parties already are aware of several rulings, including claim construction of the patents at issue.

Nilssen, 2002 WL 31369410, at *3.

[140] *Id.* ("These include rulings by three different judges spanning over nine years of litigation. Several include claim construction of patents. Furthermore, the patents at issue are complex, and a special master was required due to the degree of technical complexity.").

[141] *Id.*

[142] If the litigants move for vacatur post-settlement, they will need to conjure up some other sort of "exceptional circumstances" to justify vacatur. *Cf. Clever Devices, Ltd. v. Digital Recorders, Inc.*, No. 3:03-CV-679-M, 2004 U.S. Dist. LEXIS 10494, at *12-13 (N.D. Tex. June 3, 2004) (holding that *Bonner Mall* requires "exceptional circumstances" to warrant the vacatur of a prejudgment claim construction order; "the mere fact that the settlement agreement provides for vacatur" does not satisfy this requirement).

the court should weigh the public interest value of the decision by examining the loss of res judicata effects, collateral estoppel effects, and precedential effects. As will be explained below, in patent cases, a vacatur does not practically reduce res judicata or precedential effects; therefore, courts should only consider the curtailment of collateral estoppel effects.

2. Res Judicata Effects

Although vacatur of a lower court order will eliminate a basis of future res judicata, the settlement agreement itself should contain an alternative basis for res judicata. In *Flex-Foot, Inc. v. CRP, Inc.*, the Federal Circuit noted that

> [w]e held that a dismissal based upon a settlement order in which "the issues of validity, enforceability and infringement of the patents in suit were finally concluded and disposed of" barred a subsequent challenge to the validity and enforceability of those patents by the same party, whether or not the settlement order and dismissal actually adjudicated patent validity to create res judicata.[143]

Because of this, parties should not rely on vacatur to govern res judicata effects of claim construction; rather, the parties should designate patents as valid and enforceable, valid and unenforceable, or invalid and unenforceable. Correspondingly, courts should not consider the res judicata effects of their claim construction rulings because the parties should be able to contract between themselves instead.

3. Precedential Effects

Some courts have decided that vacating an order has no impact on the precedential effects of an opinion. In *Oklahoma Radio Associates v. FDIC*, the Tenth Circuit received a motion to vacate its decision and withdraw its opinion.[144] The court elucidated a difference between vacatur and the withdrawal of an opinion – namely, that vacatur protects against future

[143] 238 F.3d 1362, 1369 (Fed. Cir. 2001) (citations omitted). Furthermore:

> Once an accused infringer has challenged patent validity, has had an opportunity to conduct discovery on validity issues, and has elected to voluntarily dismiss the litigation with prejudice under a settlement agreement containing a clear and unambiguous undertaking not to challenge validity and/or enforceability of the patent in suit, the accused infringer is contractually estopped from raising any such challenge in the subsequent proceeding.

Id. at 1370.

[144] *Oklahoma Radio Assocs. v. FDIC*, 3 F.3d 1436, 1437 (10th Cir. 1993).

preclusive effects, while opinion withdrawal would prevent any precedential effects.[145] The court reviewed other cases that found that vacatur only removes both the res judicata and the collateral estoppel effects.[146] Based on this reasoning, because vacatur does not alter precedential value, a judge should not consider precedential effects when making vacatur determinations.

Courts in other cases line up against this proposition. For instance, in *Russman v. Board of Education*, the Second Circuit noted that vacatur was appropriate because unlike Supreme Court opinions, the precedential value of a district court opinion is limited only to its persuasive effect.[147] This implies that some sort of precedential value is lost if the opinion is vacated, and therefore vacatur affects precedential power.[148] Furthermore, the court states that any persuasive authority the order may have had is lost through the vacatur.[149] This runs contrary to the Tenth Circuit's view; when faced with a request to recall an opinion, the court noted: "We are not sure what such a request means in practical effect. The opinions have been published in bound volumes of the *Federal Reporter, Second Series,* and no action by this or any other court can change that fact retroactively."[150] Accordingly, how could one contain the persuasive powers of an opinion in the public domain? Although the approach in the Second Circuit seems unsound, even if vacatur affects the precedential or persuasive value of the case, *Russman* counsels that the loss of this authority is not serious if one is dealing with a district court opinion.[151]

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[145] *Id.*; *see also In re Smith*, 964 F.2d 636, 638 (7th Cir. 1992) ("We vacate unappealable decisions, to prevent them from having a preclusive effect. We do not vacate opinions, to prevent them from having a precedential effect.").

[146] *United States v. Articles of Drug Consisting of 203 Paper Bags*, 818 F.2d 569, 572 (7th Cir. 1987) ("It is true that vacating a decision because of supervening mootness does not destroy its precedential effect. The purpose of setting aside a decision on that ground is only to prevent the decision from having res judicata or collateral estoppel effect in future cases."); *Harris v. Bd. of Governors of the Fed. Reserve Sys.* 938 F.2d 720, 723 (7th Cir. 1991) (stating that "the only effect of the vacatur is to deprive those orders of any preclusive effect in subsequent litigation. It does not deprive them of such stare decisis effect as they may have . . . .").

[147] 260 F.3d 114, 122 n.2 (2d Cir. 2001).

[148] *Cf. Carter v. AT&T*, No. C-1-92-424, 1996 U.S. Dist. LEXIS 21836, at *2 (S.D. Ohio 1996) (vacating order, declaring it without precedential, collateral estoppel, or res judicata effects).

[149] *Russman*, 260 F.3d at 122 n.2 ("Accordingly, the loss of the persuasive authority of the district court's judgment is of less compelling concern in the present case."); *see also Reidell v. United States*, 47 Fed. Cl. 209, 212 (Fed. Cl. 2000) (noting that a decision by the Court of Federal Claims is not even binding on other judges in the same court, but preserving the persuasive value through denying vacatur is still justified on public policy grounds).

[150] *Martinez v. Winner*, 800 F.2d 230, 231 (10th Cir. 1986).

[151] *See* 260 F.3d at 122 n.2; *accord Articles of Drug*, 818 F.2d at 638 ("A single district court decision, however (especially one that cannot be appealed), has little precedential effect. It is not binding on the circuit, or even on other district judges in the same district.") (quoting *Colby v. J.C. Penney Co.*, 811 F.2d 1119, 1124 (7th Cir. 1987)); *Harris*, 938 F.2d at 723 ("[Vacatur] does not deprive [district court opinions] of such stare decisis effects as they may have, modest – negligible, really – though such effect is in the case of an order by a district court. Especially an unreviewable order of a district court.").

The precedential authority is weakened further by the nature of patent cases. If a case is settled after claim construction, the orders will, with some exceptions, apply only to those parties that have an interest in the patent.[152] The scope of affected future litigants is therefore significantly narrower than that of other areas, such as employment discrimination.[153] In fact, in *Major League Baseball Properties, Inc. v. Pacific Trading Cards, Inc.*, a trademark case, the court recognized the relatively limited value of precedential trademark validity cases, noting that "[t]he only damage to the public interest from such a vacatur would be that the validity of MLB's marks would be left to future litigation."[154]

In summary, vacatur may not affect the precedential value of cases at all, and if it does, since this issue only concerns district court cases about specific patents, the precedential value of any particular claim construction ruling is already minimal. As such, the court should not weigh precedential considerations of claim constructions when considering vacatur.

4. Vacatur Decisions Must Consider Collateral Estoppel Effects

Because res judicata and precedential effects are not of compelling interest, the court should only look to the benefits of associated collateral estoppel effects to determine the public benefit of denying vacatur. The benefits of collateral estoppel have already been exhaustively discussed and should be readily apparent to the judge. Accordingly, the *Bonner Mall* balancing test boils down to this: courts should consider possible future collateral estoppel effects from the disputed claim construction order and decide whether their possible future impact outweighs any interest in vacatur.[155]

The judge should realize, however, that if the claim construction order could not fulfill the minimum requirements for collateral estoppel, the order could never be used for collateral estoppel purposes. Without any possible collateral estoppel effects, there should not be a public interest in denying vacatur; courts should grant vacatur given any competing interest. Therefore, when deciding whether to grant vacatur, courts should consider whether the instant claim construction meets the minimum requirements for use as a basis for collateral estoppel.

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[152] In fact, it seems that any future case would involve the patentee, presumably already a party in the case. As a party to the decision, collateral estoppel effects seem more relevant than precedential effects.

[153] *See Carter v. Rosenberg & Estis, P.C.*, No. 95 Civ. 10439, 1999 WL 13036, at *3 (S.D.N.Y. 1999) ("Given the frequency with which employment discrimination issues are litigated in this Court, it cannot be said that a detailed analysis of [the pertinent legal standards] is without benefit to other courts.").

[154] 150 F.3d 149, 152 (2d Cir. 1998); *see also* Eugene R. Anderson et al., *Out of the Frying Pan and Into the Fire: The Emergence of Depublication in the Wake of Vacatur*, 4 J. App. Prac. & Process 475, 485 (2002) (noting that vacatur has continued to be prevalent in intellectual property cases in preference to other types of cases, because, among other factors, the interest in the publication of the district court opinion is minimal).

[155] *Cf. Major League Baseball*, 150 F.3d at 152 (stating that "all the parties had a significant interest in vacating the district court's opinion; and, that interest outweighed the social value of the precedent").

But how should a judge decide if an order has met these minimum requirements? Ideally, a judge would look at the usual requirements for collateral estoppel and decide whether future issues have the possibility of being estopped.[156] Unfortunately, most of the requirements for collateral estoppel are beyond the purview of the judge, since the "future issue" that may be estopped is not determined. Therefore, it is impossible to decide whether the "future issue" is identical, whether the "future issue" was actually litigated, or whether the "future issue" was essential.[157]

The trial court could, however, consider two threshold issues. The first is largely academic: whether there was a full and fair opportunity to litigate. If the court, based on the facts of the case, could determine that the losing party did not have a full and fair opportunity to litigate any of the issues embodied in the claim construction order, it would be obvious that the order could never fulfill the requirements for collateral estoppel, and approving a vacatur of the claim construction order should look more appealing. Still, as a threshold issue, this should be easily met.

The second issue requires a real decision: whether the order should be considered a final judgment. Similar to the last issue, if the order was not final for collateral estoppel purposes (that is, if the judge believed that it was not practically immune to reversal or amendment), the judgment could never have collateral estoppel effect, and the approval of vacatur would look more appealing. Ideally, every judge would simply examine the order and decide whether the order is practically immune to reversal or amendment.[158] Because the same judge actually wrote the order, he or she should know whether the claim construction order, while technically always open to amendment, was "tentative in any real sense."[159] When determining threshold collateral estoppel effects, the issuing judge has a much easier time deciding "practical finality" than the judge in the future action. Of course, circuit interpretation will take a defining role in the determination. If the judge sits in the Fifth Circuit, where "flexible finality" is not recognized, a possibility of future collateral estoppel should never exist.[160]

In sum, when deciding whether to approve a settlement order contingent on vacatur of a claim construction ruling, a district court judge should first gauge the "flexible finality" and "full and fair opportunity to litigate" prongs in order to decide whether the minimum threshold for

[156] *Supra* text accompanying note 10.

[157] Because the court is looking at minimum qualifications for collateral estoppel, proper questions could be "Are there any issues that could be identical to 'future issues'? Were any issues actually litigated? Were any issues essential?" Furthermore, note that "judicial resources" expended is *not* part of the collateral estoppel test, and should therefore not be considered in this analysis. It seems more prudent to judge the worth by the actual value of the former order, not the resources expended to create it. *But see Allen-Bradley Co. v. Kollmorgen Corp.*, 199 F.R.D. 316, 320 (E.D. Wis. 2001) (considering resources expended when denying vacatur).

[158] *See supra* text accompanying note 25.

[159] *See supra* note 32 and accompanying text.

[160] *See supra* text accompanying note 22; *Goldin v. Bartholow*, 166 F.3d 710, 718 (5th Cir. 1999).

future collateral estoppel has been met, and then weigh the loss of future collateral estoppel effects against competing justifications, such as the loss of settlement.

III. How Claim Construction Vacatur Determinations Should Affect Future Collateral Estoppel Actions

Part III discusses how a claim construction's vacatur determination could affect a future court's use of the claim construction for collateral estoppel purposes. After this, the note explores how, in certain situations, a litigant's failure to move for vacatur should bind the party as a finality determination.

A. *Effect of Vacatur Denial*

What does a vacatur determination of a claim construction practically mean to future collateral estoppel motions? If the prior claim construction was vacated, the answer is easy: future litigants will be unable to collaterally estop claim construction arguments.[161]

If the claim construction was not vacated, however, the court should presume that the previous tribunal decided that the order had the minimum necessary qualifications for collateral estoppel.[162] As discussed earlier, if the claim construction did not have the minimum qualifications for collateral estoppel, the judge should have vacated the ruling given any competing interest.[163] Therefore, the judge necessarily had to consider: (1) whether the litigant had a full and fair opportunity to litigate and (2) whether the order was sufficiently final for collateral estoppel purposes.[164]

When determining whether to apply collateral estoppel, the judge should not re-open the issue of finality. Because of the singular unpredictability in claim construction hearings, the judge in the first instance is presumably a better arbiter of finality.[165] In the absence of overwhelming evidence to the contrary or problems with circuit law,[166] the determination of

[161] *See supra* note 92 and accompanying text.

[162] As discussed *infra* Section III(B), the interpretation is not this simple if the motion for vacatur was not made as a condition for settlement or other "extraordinary circumstances."

[163] *See supra* note 155 and accompanying text.

[164] *See supra* text accompanying notes 156-59.

[165] *Cf. Arizona v. Washington*, 434 U.S. 497, 510 n.28 (1978) (holding that because the trial court is in the "best position to assess all the factors that must be considered in making a necessarily discretionary determination," its judgment should be given deference in a "hung" jury situation).

[166] For instance, if vacatur was denied in a Tenth Circuit district court while collateral estoppel was urged in the Fifth Circuit, the Fifth Circuit courts should find the interlocutory order insufficiently final for collateral estoppel, no matter what the determination in the Tenth Circuit court.

sufficient finality by the first judge ought to be respected.[167] Still, collateral estoppel should not be presumed, because there are more collateral estoppel considerations that the prior judge was not able to consider[168] and a prong to which the trial judge gave only threshold consideration.[169]

In fact, one case obliquely recognized this link between vacatur and collateral estoppel. In *Alfred Dana, III v. E.S. Originals, Inc.*, the court applied collateral estoppel to a partial summary judgment despite the lack of an appeal, noting that "[t]he fact that the conclusions were not reviewed on appeal because the case was settled is not determinative if the prior rulings made by the court are not vacated as part of the settlement."[170] Because the ruling was not vacated, the trial court was able to find the finality required to apply collateral estoppel.

The effects of the vacatur determination on future collateral estoppel determinations are not surprising, considering the natural relationship between vacatur and collateral estoppel. They are both equitable doctrines, so courts must consider various public interest effects when applying either.[171] But the real similarity, as the Ninth Circuit has stated, is that vacatur determinations balance the competing values of the right to relitigate and finality of judgment.[172] Such a balance is necessarily inherent in the "flexible finality" determinations in collateral estoppel. Because the balance inherent in vacatur is subsumed from collateral estoppel, the doctrines are necessarily linked.

Another benefit of this procedure is that it necessarily incorporates the *Bonner Mall* safeguards; it will not affect parties whose case was mooted by various vagaries of circumstance. Rather, this procedure only affects those that have willingly mooted their case by settlement. This is akin to the result reached in *Davis v. Davis*, where the court argued that collateral estoppel ordinarily should not be applied to an interlocutory decision; however, when the decision was not reviewed because of voluntary action, collateral estoppel could be proper.[173]

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[167] *But see Ringsby Truck Lines, Inc. v. W. Conference of Teamsters*, 686 F.2d 720, 722 (9th Cir. 1982) (noting that the balance between finality of judgment and the right to relitigate "should be left to the district court—*either* the court below or the one in which collateral estoppel is asserted") (emphasis added).

[168] *See supra* note 157 and accompanying text.

[169] *See supra* text accompanying note 158; *see also Kollmorgen Corp. v. Yaskawa Elec. Corp.*, 147 F. Supp. 2d 464, 470 (W.D. Va. 2001), *dismissed by* No. 02-1057, 2002 WL 554402 (Fed. Cir. Mar. 18, 2002) ("Courts need not blindly apply the doctrine of collateral estoppel to a prior *Markman* ruling that construes a patent's scope and claim.").

[170] 228 F. Supp. 2d 1339, 1346 (S.D. Fla. 2002), *rev'd on other grounds*, 342 F.3d 1320 (Fed. Cir. 2003), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004).

[171] *See Siemens Med. Sys., Inc. v. Nuclear Cardiology Sys., Inc.*, 945 F. Supp. 1421, 1437 (D. Colo. 1996).

[172] *See Ringsby*, 686 F.2d at 722; *see also Carter v. AT&T*, No. C-1-92-424, 1996 U.S. Dist. LEXIS 21836, at *3 (S.D. Ohio Sept. 9, 1996) (reiterating the importance of finality of judgment to preserve judgments—implicitly noting that such a decision is inexorably linked to collateral estoppel).

[173] 663 A.2d 499, 504 (D.C. 1995). The court further stated:

> Given this uncertain state of the law, we hold, as a matter of first impression in this jurisdiction, that when the other requirements for collateral estoppel have been established, a party who

As a result, the Federal Circuit should not completely prohibit collateral estoppel based on claim construction orders. As discussed earlier, if a claim construction order is "practically final," the usual reasons for denying collateral estoppel across the board seem to disappear, while the justifications for collateral estoppel still carry some weight.[174] Collateral estoppel, therefore, should be available when the requisite finality can be subsumed from past vacatur determinations.

B. Munsingwear*: Missed Opportunities for Vacatur Bind Parties*

The analysis above turns on the opportunity of a district court judge to consider finality during a vacatur motion. Therefore, a crafty litigant may tactically choose not to move for vacatur, hoping that finality would be more difficult to prove in the second court. However, *United States v. Munsingwear* seems to foreclose this option.[175] In *Munsingwear*, the United States filed a complaint on two counts, but the second count was stayed pending conclusion of the first.[176] The district court dismissed the complaint, and the United States appealed.[177] The action became moot before the appeal was concluded. As a result, the appellate court dismissed due to mootness.[178] The United States did not move for vacatur at the district court level, even though vacatur was the "established" procedure.[179] Since the district court decision was not vacated or reversed, Munsingwear used it to foreclose the second count through res judicata.[180] The United States asked that the order not be given res judicata effect because it *should* have been vacated. The Court did not agree with that analysis: "[t]he case is therefore one where the

> voluntarily dismisses the action and thereby prevents a previous determination of an issue from becoming embodied in a valid, final judgment on the merits may be estopped from relitigating that issue. Were the law otherwise, as Judge Holder recognized, a plaintiff such as Mr. Davis who received an adverse ruling on an essential issue fully litigated in the trial court could dismiss his suit, bring an identical action, and contest the issue all over again. Issue preclusion is a judicially developed doctrine designed, among other purposes, to relieve parties of the cost and vexation of multiple lawsuits.

Id. (internal quotations omitted) (citing *United States v. Mendoza*, 464 U.S. 154, 158 (1984)).

[174] *See supra* Section I(C)(4).

[175] *See* 340 U.S. 36, 41 (1950).

[176] *Id.* at 37.

[177] *Id.*

[178] *Id.*

[179] *Id.* at 39-41.

[180] *Id.* at 37.

United States, having slept on its rights, now asks us to do what by orderly procedure it could have done for itself."[181]

Similarly, if a party adverse to a claim construction does not move for vacatur, it does "not avail itself of the remedy it ha[s] to preserve its rights."[182] The decision should, therefore, be treated as if the former court weighed settlement versus collateral estoppel effects and decided that the decision met the minimum requirements for collateral estoppel and is presumed "practically immune to reversal or amendment."[183]

Munsingwear, however, may not stretch to cover every situation; parties could try to manipulate the determination. For instance, if the party settles and afterwards moves for vacatur, offering no "extraordinary circumstances," courts cannot grant vacatur. Post-*Bonner Mall*, courts must rely on outside circumstances, such as the concrete promotion of settlement, to tilt the equitable balance in settlement-provoked vacatur decisions. Without a good reason to vacate, *Bonner Mall* requires a decision not to vacate, which means that the former court would never reach the finality question. In this way, litigants may be able to tactically avoid a decision on finality by the first court: settle with the party, move for vacatur to avoid *Munsingwear*, and then argue lack of finality in the second court.

Nonetheless, a court may still invoke *Munsingwear* to prevent this situation. Based on applicable doctrine, a movement for vacatur of an order made moot by settlement is untenable without "extraordinary conditions," such as an agreement conditioning settlement on vacatur. Therefore, a court could look past the smoke and mirrors and classify such a motion as being functionally similar to not making a motion at all. Although this may seem unfair at first blush, parties have been alerted to the possibility of the vacatur proceeding as a precaution to future collateral estoppel. This proceeding is contemplated by Judge Dyk in *Alfred Dana III v. E.S. Originals, Inc.*: "[P]arties to a district court settlement agreement [do not] lack a mechanism to prevent interim decisions in that litigation from having collateral estoppel effects in future third party litigation. That goal could perhaps be accomplished by moving to vacate the district court's earlier decision as part of the settlement."[184]

IV. CONCLUSION

Collateral estoppel effects of claim construction hearings mooted by settlement currently seem disfavored. An analysis of *TM Patents* and *Kollmorgen* shows, however, that a judge

[181] *Id.* at 41. *See Keeler v. Mayor of Cumberland*; 951 F. Supp. 83, 84-85 (D. Md. 1997) (denying vacatur because "the parties who litigated the case on the merits have settled it, and they obviously should have no continuing voice").

[182] *Munsingwear*, 340 U.S. at 40.

[183] Of course, if the case is clearly not final, the party could rebut the presumption with proper evidence. In addition, such a presumption would never persuade courts in the Fifth Circuit, as discussed *supra* note 160 and accompanying text.

[184] 342 F.3d 1320, 1328 (Fed. Cir. 2003) (Dyk, J., concurring), *dismissed by* No. 04-1179, 2004 WL 1303373 (Fed. Cir. May 25, 2004) (stating that *Bonner Mall* only applies to the Supreme Court and to courts of appeals).

should favor collateral estoppel if based on claim construction rulings that are practically immune to reversal or amendment. Even so, current *Markman* hearing procedures make it very difficult for future courts to determine the finality of previous claim construction rulings. When a litigant conditions settlement on vacatur of a claim construction order, however, the court must necessarily decide if a claim construction ruling has the minimum qualifications for possible future collateral estoppel effects. Future courts, therefore, should presume non-vacated claim construction orders to have sufficient finality, allowing collateral estoppel based on such orders.