

Spring 2007

Keep Your Eye on Your Ball: Patent Holders' Evolving Duty to Patrol the Marketplace for Infringement

Aaron B. Rabinowitz

Recommended Citation

Aaron B. Rabinowitz, *Keep Your Eye on Your Ball: Patent Holders' Evolving Duty to Patrol the Marketplace for Infringement*, 5 NW. J. TECH. & INTELL. PROP. 192 (2007).
<https://scholarlycommons.law.northwestern.edu/njtip/vol5/iss2/1>

This Article is brought to you for free and open access by Northwestern Pritzker School of Law Scholarly Commons. It has been accepted for inclusion in Northwestern Journal of Technology and Intellectual Property by an authorized editor of Northwestern Pritzker School of Law Scholarly Commons.

N O R T H W E S T E R N
JOURNAL OF TECHNOLOGY
AND
INTELLECTUAL PROPERTY

Keep Your Eye on Your Ball:
Patent Holders' Evolving Duty to Patrol
the Marketplace for Infringement

Aaron B. Rabinowitz



Keep Your Eye on Your Ball: Patent Holders' Evolving Duty to Patrol the Marketplace for Infringement

By Aaron B. Rabinowitz*

I. INTRODUCTION

¶1 Obtaining a patent is a significant undertaking – preparing and filing a patent application can cost thousands of dollars.¹ Securing a patent, however, is frequently a fruitful investment. Aside from insuring the uniqueness of their own products, firms derive significant revenue through the licensing² and auctioning of their patents.³ Once a patentee has obtained his patent, however, must he perform an ongoing investigation of the marketplace in order to enforce that patent against alleged infringers? The concept of policing one's property is well-known in trademark law in which trademark owners must patrol the marketplace for infringers or risk the loss of their trademarks.⁴

* Associate, Woodcock Washburn LLP, Philadelphia, PA. Former law clerk to the Honorable Franklin S. Van Antwerpen, United States Court of Appeals for the Third Circuit, 2005-2006, and to the Honorable Jan E. DuBois, United States District Court for the Eastern District of Pennsylvania, 2004-2005. The views and opinions presented in this Article are the author's alone and are not necessarily those of the author's current or past employers. The author would like to thank Aliza Rabinowitz for her keen editing skills and her patience during the writing of this article and Hal Fullmer for his thoughtful suggestions.

¹ Obtaining a patent in the United States costs, on average, \$11,000. Ellen L. Rosen, *Corporate America Sending More Legal Work to Bombay*, N.Y. TIMES, Mar. 14, 2004, § 10; see also Raymund Flandez, *A Step-By-Step Guide to Getting a Patent*, WALL ST. J. ONLINE – STARTUPJOURNAL.COM, May 10, 2005, <http://www.startupjournal.com/howto/ip/20050510-flandez.html#correx> (depending on complexity, patent application costs can range up to as much as \$10,000 or even \$50,000).

² As an example, Texas Instruments, a global-scale producer of microelectronics, generates more revenue through licensing its intellectual property than through sales of actual products. Seth Shulman, *Owning the Future*, 2 ETHICS & INFO. TECH. 193 (2000); see also *Competition and Intellectual Property Law and Policy in the Knowledge-Based Economy: Hearing Before the FTC and Dep't of Justice* (June 3, 2002) (statement of Frederick J. Telecky, Jr., Senior Vice President and General Patent Counsel, Texas Instruments) at 5 (“Patent licensing is the most common use for patents in the semiconductor industry.”), available at <http://www.ftc.gov/opp/intellect/020228telecky.pdf>.

³ In 2006, Ocean Tomo, an intellectual property consulting firm, organized and held a patent auction which resulted in the sale of 31 patent portfolios for a total of \$8.4 million. Michael Kanellos, *Patent auction pays more in the end*, CNET NEWS, May 10, 2006, http://news.com.com/Patent+auction+pays+more+in+the+end/2100-1014_3-6070799.html?tag=st.ref.goo.

⁴ See, e.g., *Patsy's Brand, Inc. v. I.O.B. Realty, Inc.*, 317 F.3d 209, 216-17 (2d Cir. 2003) (“When a senior user delays in enforcing its rights, a junior user may acquire a valid trademark in a related field, enforceable against even the senior user.”); see also *E-Systems, Inc. v. Monitek, Inc.*, 720 F.2d 604, 607 (9th Cir. 1983) (ruling against trademark holder in infringement suit and observing that plaintiff's delay of six years in filing infringement suit against defendant despite constructive notice of defendant's alleged infringement demonstrated plaintiff's lack of diligence in enforcing trademark).

¶2 Patentees' obligation to police their patents is somewhat less clear, but it is evident that patentees may not sleep on their rights. If sued for patent infringement, an alleged infringer may assert the equitable defense of laches against the patentee for his failure to diligently police his patent.⁵ If successful, the laches defense bars the patentee from obtaining infringement damages that accrued before filing suit.⁶ To successfully invoke the laches defense, a defendant must prove two things: (1) that "the plaintiff delayed filing suit for an unreasonable and inexcusable length of time from the time the plaintiff knew or reasonably should have known of its claim against the defendant"⁷ and, (2) the defendant "suffered injury or material prejudice attributable to the delay."⁸ A delay of at least six years raises a presumption that the delay was prejudicial to the defendant.⁹

¶3 The Federal Circuit's decisions in *Wanlass v. General Electric Co.*¹⁰ and *Wanlass v. Fedders Corp.*¹¹ – decided ten days apart by the same panel of judges – are the leading cases from that court addressing the application of the laches defense. Although both of these cases concluded that patentees have some duty to police the marketplace for infringement, the cases reached different conclusions on similar facts regarding the scope of this duty. The dissonance between *General Electric* and *Fedders* has created problems for district courts seeking to apply a consistent rule in laches cases, and district courts adjudicating laches cases have themselves reached contradictory results on similar facts. In addition to the confusion that the *General Electric* and *Fedders* decisions create for district courts, the decisions also create a more pressing problem for patentees. Patentees are left with conflicting guidance that precludes them from creating a laches-proof program for policing their patents in the marketplace.¹²

¶4 An additional reason to clarify the metes and bounds of the laches defense is the emergence of so-called patent licensing companies known as "patent trolls."¹³ Such companies typically do not intend to produce their patented inventions and instead derive

⁵ See *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998).

⁶ Although the defense does not also bar the patentee from prospective relief. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1040 (Fed. Cir. 1992).

⁷ *Id.* at 1032.

⁸ *Id.* at 1028. As is explained in Part II.A *infra*, the prejudice aspect of the laches inquiry is outside the scope of this article.

⁹ *Id.* at 1028; *Adelberg Lab., Inc. v. Miles*, 921 F.2d 1267, 1270 (Fed. Cir. 1990).

¹⁰ 148 F.3d 1334 (Fed. Cir. 1998).

¹¹ 145 F.3d 1461 (Fed. Cir. 1998).

¹² *Id.* at 1468 (Rader, J., concurring) ("Unfortunately, patentees, potential infringers, and courts will have difficulty applying the laches doctrine in light of [*Fedders*] and *General Electric*."). Being precluded from obtaining pre-suit damages represents a significant loss to a patentee, damages available in infringement suits total in the tens of millions of dollars. See William M. Bulkeley, *Patent litigants pose growing threat to business*, WALL ST. J., Sept. 14, 2005, at A1, available at <http://www.post-gazette.com/pg/05257/571396.stm>.

¹³ One court has described a patent troll as "somebody who tries to make a lot of money off of a patent that they are not practicing and . . . [have] never practiced." *Overstock.com v. Furnace Brook, LLC*, 420 F. Supp. 2d 1217, 1218 (D. Utah 2005) (alterations in original) (quoting Elizabeth D. Ferrill, Comment, *Patent Investment Trusts: Let's Build a Pit to Catch the Patent Trolls*, 6 N.C. J.L. & TECH. 367, 367 (2005)); see also Joe Nocera, *Tired of Trolls, A Feisty Chief Fights Back*, N.Y. TIMES, Sept. 16, 2006, at C1 (noting that the New Jersey Law Journal described patent trolls as "existing solely to exact a tax"); see also David G. Barker, Note, *Troll or No Troll? Policing Patent Usage with an Open Post-Grant Review*, 2005 DUKE L. & TECH. REV. 9, ¶ 7 (2005), available at <http://www.law.duke.edu/journals/dltr/articles/2005dltr0009.html>.

revenue solely by threatening litigation against marketplace participants who market products that, arguably, infringe the patent troll's patent.¹⁴ While no decision has addressed the application of laches to a business that operates purely as a patent troll, the existence of such businesses¹⁵ means that such a case is a near-certainty.

¶15 This article will highlight the current contours of the laches defense as applied to patent law cases and identify the unresolved issues raised by recent cases involving the laches defense. First, this article will summarize the current state of Federal Circuit law governing the application of laches to patent law cases by reviewing that court's two leading cases on this issue. Second, this article will identify the inconsistencies between these two cases and will highlight the difficulty that district courts have experienced in adjudicating laches cases.¹⁶ Finally, this article will propose a solution by which the Federal Circuit can clarify its laches jurisprudence and provide more solid guidance for patent holders and accused infringers alike.¹⁷

II. BACKGROUND

A. *The Equitable Defense of Laches*

¶16 At its core, laches is an equitable defense¹⁸ that, if successful, bars a patentee-plaintiff from recovering any damages incurred before the initiation of his infringement suit.¹⁹ To make out a claim of laches, a defendant must prove by a preponderance of the evidence that "(1) the plaintiff delayed filing suit an unreasonable and inexcusable length of time after the plaintiff knew or should have known of its claim against the defendant; and (2) the delay resulted in material prejudice or injury to the defendant."²⁰ The defendant bears the burden of establishing a *prima facie* claim of laches and bears the burden of persuasion throughout the litigation.²¹

¶17 The length of time that constitutes an unreasonable delay depends on the facts and circumstances of each case.²² Nevertheless, the Federal Circuit has held that a presumption of laches arises if the plaintiff delayed suit for more than six years from the date of the patent's infringement.²³ With the benefit of this presumption, the defendant

¹⁴ Patent trolls, however, exist as distinct from intellectual property licensing firms. Patent trolls typically do not develop, manufacture, or practice their patented inventions before threatening litigation, whereas intellectual property licensing firms may engage in research and development activities, obtain patents on the products they develop, and then license their patented technology to other firms in the marketplace in lieu of manufacturing and selling the patented products themselves.

¹⁵ While the number of patent trolls is difficult to calculate, patent trolls are sufficiently prevalent that their existence is a matter of Congressional concern. *See Overstock.com*, 420 F. Supp. 2d at 1223.

¹⁶ *See infra* Part III.A.

¹⁷ *See infra* Part III.B.

¹⁸ "Laches is a clement doctrine. It assures that old grievances will some day be laid to rest, that litigation will be decided on the basis of evidence that remains reasonably accessible and that those against whom claims are presented will not be unduly prejudiced by delay in asserting them." *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029 (quoting *Env'tl. Def. Fund v. Alexander*, 614 F.2d 474, 481 (5th Cir. 1980)).

¹⁹ *Aukerman*, 960 F.2d at 1028.

²⁰ *Gasser Chair Co., Inc. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 773 (Fed. Cir. 1995) (citations omitted); *Aukerman*, 960 F.2d at 1032.

²¹ *Aukerman*, 960 F.2d at 1032, 1038.

²² *Gasser Chair*, 60 F.3d at 773.

²³ *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1337 (Fed. Cir. 1998) (citing *Aukerman*, 960 F.2d at 1035-

need not prove that the delay was unreasonable or that it suffered material or other injury.²⁴ Critical to evaluating the first laches factor – and the focus of this article – is whether the patentee knew or should have known of the alleged infringer’s activity before filing an infringement suit.²⁵ This is frequently a fact-intensive inquiry and as such, “does not warrant mechanical rules.”²⁶

B. Federal Circuit Laches Decisions: Wanlass v. General Electric and Wanlass v. Fedders

¶8 The Federal Circuit’s laches jurisprudence is shaped by two 1998 cases, *General Electric* and *Fedders*. While both cases dealt with similar facts and were decided by the same panel of judges, the panels in each case reached very different results.

1. *Wanlass v. General Electric*

¶9 In *General Electric*, plaintiff Wanlass obtained a patent in 1977 for a single-phase electric motor useful in air conditioners that used a run capacitor.²⁷ Wanlass offered defendant General Electric a license on his motor in 1977. General Electric refused, stating that it did not believe Wanlass’s idea was new, and continued to use run capacitors in certain situations and was enthusiastic about such use.²⁸ After General Electric rejected the license offer, Wanlass abandoned the claimed single-phase motor and focused instead on other types of motors.²⁹ Between 1977 and 1982, Wanlass tested certain General Electric air conditioners for infringement, and the results of these tests were negative.³⁰ Wanlass performed no additional testing of General Electric products until 1992, at which time his testing suggested infringement.³¹ Wanlass then filed suit against General Electric in 1995, alleging that General Electric made and sold infringing products before 1995.³²

¶10 On summary judgment, General Electric asserted the defense of laches.³³ The district court found for General Electric, concluding that because Wanlass knew or should have known of General Electric’s alleged infringement for more than six years before filing his infringement suit in 1995, the court presumed that the delay was unreasonable and that General Electric was prejudiced by that delay.³⁴ Wanlass argued

36).

²⁴ *Aukerman*, 960 F.2d at 1028; *PSN Ill., Inc. v. Ivoclar Viadent, Inc.*, 398 F. Supp. 2d 902, 906 (N.D. Ill. 2005).

²⁵ *Gasser Chair*, 60 F.3d at 773; *Aukerman*, 960 F.2d at 1028.

²⁶ *PSN Ill.*, 398 F. Supp. 2d at 907; *IXYS Corp. v. Advanced Power Tech., Inc.*, 321 F. Supp. 2d 1156, 1160 (N.D. Cal. 2004) (“[A] court must consider the particular facts and circumstances of the case at hand”); see also John B. Campbell, Jr., *A Decade of Aukerman: An Analysis of Laches and Estoppel in the Federal Circuit*, 43 IDEA 299, 319 (2003) (“Whether constructive knowledge will be imputed depends on the facts of each case.”).

²⁷ *Gen. Elec.*, 148 F.3d at 1336.

²⁸ *Id.*

²⁹ *Id.*

³⁰ *Id.*

³¹ *Id.*

³² *Id.*

³³ *Id.*

³⁴ *Id.* at 1336-37.

that the six-year period should have run from the time he had actual knowledge of General Electric's infringement – i.e., sometime in 1992 – because tests he carried out between 1977 and 1982 showed no infringement.³⁵ The district court rejected this argument.

i) *General Electric Majority Opinion*

¶11 On appeal, a divided Federal Circuit panel affirmed the district court, concluding Wanlass failed to meet his obligation to police the marketplace for potentially infringing single-phase run capacitor motors.³⁶ The majority based its decision primarily on (1) Wanlass's apparent willful blindness to General Electric's allegedly infringing activities, and (2) the apparent ease with which Wanlass could have tested General Electric's products after 1982.³⁷

¶12 First, the *General Electric* majority identified patentees' duty to patrol the market for infringement of their patented products: "[t]he availability of delay based on constructive knowledge of the alleged infringer's activities imposes on patentees the duty to police their rights."³⁸ Expanding this duty beyond mere inspection of products, the majority stated that a patentee could be held to have constructive knowledge of infringement "even where he has no actual knowledge of the sales, marketing, publication, public use, or other conspicuous activities of potential infringement if these activities are sufficiently prevalent in the inventor's field of endeavor."³⁹ Regarding the depth to which a patentee ought to investigate the marketplace, the majority stated that a "reasonable patentee, motivated by his interest in recovering for and preventing infringement, keeps abreast of the activities of those in his field of endeavor."⁴⁰ The majority reasoned that patentees were properly charged with the burden of seeking out infringers because, "compared to potential infringers, [patentees] are in the best position to know the scope of their patent protection and, therefore, also to know likely places to find infringement."⁴¹ The majority also reasoned that by virtue of their "superior knowledge . . . [patentees] would incur comparatively lower costs in investigating potentially infringing activities."⁴²

¶13 Turning to the facts of the case, the majority concluded that although Wanlass had determined in the late 1970s that General Electric was not infringing his patent, Wanlass nevertheless had a duty to conduct future investigations of General Electric products even after his initial testing disclosed no infringement.⁴³ The majority believed Wanlass's failure to continue to investigate General Electric's products was particularly egregious in light of General Electric's rejection of Wanlass's 1977 offer to license the single-phase run capacitor and General Electric's stated intent to continue to use run capacitors in its own products.⁴⁴ The majority also concluded the infringement testing at issue was not so

³⁵ *Id.* at 1337.

³⁶ *Id.* at 1340-41.

³⁷ *Id.* at 1339.

³⁸ *Id.* at 1338.

³⁹ *Id.*

⁴⁰ *Id.* at 1339.

⁴¹ *Id.*

⁴² *Id.* at 1339.

⁴³ *Id.* at 1339.

⁴⁴ *Id.* at 1339-40 ("[General Electric]'s clear intention to employ run capacitors to improve motor efficiency

burdensome or expensive so as to excuse Wanlass from performing such tests. Furthermore, without citing any record evidence, the majority stated that testing the allegedly infringing products at issue would have been “easy and inexpensive,” such that Wanlass’s failure to perform any testing from 1982 to 1992 was deemed unreasonable.⁴⁵

ii) *General Electric Dissenting Opinion*

¶14 Judge Rader dissented from the majority opinion in *General Electric*, criticizing the majority opinion on several grounds.⁴⁶ First, Judge Rader opined that the majority erred by construing General Electric’s 1977 statement to Wanlass that General Electric planned to use run capacitor motors as placing Wanlass on notice of General Electric’s potential infringement.⁴⁷ Construing the facts in the light most favorable to Wanlass – the non-moving party – Judge Rader observed that because Wanlass had tested General Electric’s products from 1977 to 1982 and did not discern any infringement, Wanlass had been “lulled into the belief” that General Electric would not infringe and thus had no obligation to continue testing.⁴⁸

¶15 Second, Judge Rader criticized the majority’s conclusion that Wanlass was obligated to perform testing because the testing was “easy and inexpensive.” Judge Rader observed that discovering the 1986 change in General Electric’s products that allegedly infringed Wanlass’s patent would have required Wanlass to investigate *all* appliances that used such motors, including air conditioners and refrigerators.⁴⁹ Judge Rader reasoned that because there was no evidence in the record regarding the cost and difficulty of testing all such motors contained within the range of appliances, the case should have been remanded to the district court for fact finding regarding the cost of such testing.⁵⁰

¶16 Finally, Judge Rader stated that the majority had created too broad a testing burden, arguing the majority had “[placed] upon patentees the duty to test *any* product that *might* contain the claimed invention.”⁵¹ Judge Rader also noted that the majority’s requirement that patentees test and re-test overlooked the notice function of patent claims and failed to account for the “fundamental principle that the public has a duty to avoid infringement.”⁵²

renders Wanlass’s inference that [General Electric] would not infringe his patent unreasonable.”). The majority also rejected Wanlass’s argument that he did not know which of General Electric’s products to test, reasoning that if Wanlass were uncertain regarding which of General Electric’s products might infringe, “the natural course of action would have been to examine [General Electric] motors from time to time to determine whether they had begun to use run capacitors in an infringing way.” *Id.* at 1340.

⁴⁵ *Id.*

⁴⁶ *Id.* at 1341 (Rader, J., dissenting). In a footnote, Judge Rader also criticized the majority’s reliance on an undated memorandum Wanlass wrote to one L.E. Potempa, believing the memorandum was ambiguous and did no more than create a question of material fact regarding when Wanlass actually learned of General Electric’s alleged infringing activities. *Id.* at 1341 n.* (Rader, J., dissenting).

⁴⁷ *Id.* at 1341.

⁴⁸ *Id.* at 1341-42.

⁴⁹ *Id.* at 1342.

⁵⁰ *Id.* at 1343.

⁵¹ *Id.* Judge Rader also noted that in the case of inventions – like Wanlass’s – that had “broad potential application,” the majority’s rule would place a “significant burden” on patentees. *Id.*

⁵² *Id.* (Rader, J., dissenting). Judge Rader further opined that the majority’s imposition of a broad obligation to police the market would cause patentees to “over-invest in patent enforcement,” and thus shift their resources from research and development to less-productive legal matters. *Id.*

2. *Wanlass v. Fedders*

¶17 In *Fedders*, the Federal Circuit considered another infringement suit by plaintiff Wanlass, this time against the Fedders Corporation for alleged infringement of the same patented motor at issue in *General Electric*.⁵³ After obtaining his patent, Wanlass attempted to license the motor to several companies active in the air conditioning industry, each of which declined Wanlass's offer.⁵⁴ Following industry-wide rejection of his invention, Wanlass shifted his focus to a different type of motor.⁵⁵ In 1995, Wanlass learned that "numerous companies" had infringed his 1977 motor patent and filed suit against Fedders.⁵⁶ In 1997, Fedders moved for summary judgment on a laches defense.⁵⁷

¶18 The district court granted Fedders summary judgment on its laches defense, concluding that Wanlass's delay in initiating suit was unreasonable.⁵⁸ The district court did so based on evidence that (1) Fedders was a well-known brand within the air conditioner industry; and (2) Wanlass knew during the 1980s that Fedders made room air conditioning units that may have used single-phase electric motors.⁵⁹ The district court construed this evidence as implying that Wanlass knew that the Fedders single-phase motors were covered by his patent.⁶⁰

i) *Fedders Court Opinion*

¶19 Like the court in *General Electric*, the *Fedders* court acknowledged at the outset a patentee's duty to police the marketplace and investigate potentially infringing products.⁶¹ Bearing this in mind, the *Fedders* court then vacated the district court's summary judgment decision on the ground that the district court's central conclusion – that Wanlass knew Fedders sold air conditioners containing single-phase electric motors that might infringe his single-phase motor patent – was not supported by the conflicting evidence.⁶²

¶20 In doing so, the *Fedders* court identified several facts which, when read in the light most favorable to Wanlass, supported the inference that Wanlass was *not* aware of Fedders's infringing activities.⁶³ First, the court observed that Wanlass himself was not active in the air conditioning industry, thus demonstrating that Wanlass was unaware of the activities of other participants in that market.⁶⁴ Second, the court noted that while single-phase motors were used in air conditioners, there was no evidence suggesting *all* single-phase motors infringed Wanlass's patent or that Fedders's advertisements for

⁵³ *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1463 (Fed. Cir. 1998).

⁵⁴ *Id.*

⁵⁵ *Id.*

⁵⁶ *Id.*

⁵⁷ *Id.*

⁵⁸ *Id.* at 1463-64.

⁵⁹ *Id.* at 1465.

⁶⁰ *Id.* at 1464-65.

⁶¹ *Id.* at 1466 ("[Patentees can] not simply ignore any and all evidence of potentially infringing activity . . . [Patentees] have a duty to investigate a particular product *if and when* publicly available information about it should have led [them] to suspect that product of infringing.") (emphasis added).

⁶² *Id.* at 1467-68.

⁶³ *Id.* at 1464-67.

⁶⁴ *Id.* at 1464.

single-phase motor air conditioners were sufficiently detailed so as to place Wanlass on notice that the Fedders products might infringe.⁶⁵

¶21 In addition to criticizing the district court’s findings regarding Wanlass’s knowledge of Fedders’s products, the *Fedders* court also criticized the district court on the separate ground that the district court’s decision imposed an inappropriately onerous testing burden on patentees.⁶⁶ Acknowledging that single-phase motors were frequently used in air conditioners, the court observed that merely because single-phase motors were used in air conditioners did not also mean that *all* single-phase motors infringed Wanlass’s patent.⁶⁷ The court went on to state that policing the air conditioning industry and its products for infringing single-phase motors would “require testing of an unknown number of models,” and that imposing such a duty on Wanlass to monitor the air conditioning industry by testing an indeterminate number of air conditioning units would be “unreasonable.”⁶⁸ The court then observed that the district court, by charging Wanlass with a duty to inspect all air conditioners that contained single-phase motors, had imposed just such an unreasonable duty.⁶⁹

¶22 The *Fedders* court also considered the cost of the testing program the district court believed was required of Wanlass and noted Wanlass did not have the financial resources necessary to purchase and dismantle every air conditioner on the market and test the single-phase motors found inside such units.⁷⁰ The court observed that Wanlass’s affidavit was contrary to the district court’s implicit finding that a program for testing all air conditioners of all manufacturers was both economically viable and easily performed.⁷¹

ii) *Fedders* Concurrence

¶23 Judge Rader – the dissenting judge in *General Electric* – filed a concurring opinion in *Fedders*, emphasizing that *General Electric* did not stand for subjecting patentees to a “broad duty to test all potentially infringing goods,”⁷² but that *Fedders* correctly concluded that patentees were not subject to a sweeping duty to test.⁷³ Judge Rader also criticized the *General Electric* majority – again – for concluding that the

⁶⁵ *Id.* at 1465.

⁶⁶ *Id.*

⁶⁷ *Id.*

⁶⁸ *Id.*

⁶⁹ *Id.*

⁷⁰ *Id.*

⁷¹ *Id.* The *Fedders* majority also distinguished two cases on which the district court had relied, *Hall v. Aqua Queen Manufacturing*, 93 F.3d 1548 (Fed. Cir. 1996) and *Faulkner v. Baldwin Piano & Organ Co.*, Nos. 73-C-136, 73-C-793, 73-C-139, 73-C-140, 1976 U.S. Dist. LEXIS 15531 (N.D. Ill. April 16, 1976). In *Hall*, the defendant successfully raised the laches defense in part on the ground that the plaintiff – a well-known figure in the waterbed industry – had attended trade shows at which the defendant’s product was present and thus had knowledge of the defendant’s allegedly infringing waterbed product. Unlike the plaintiff in *Hall*, Wanlass was not active in the air conditioning industry, nor did he receive industry publications. *Fedders*, 145 F.3d at 1467. *Faulkner* was distinguishable on the ground that there was a well-developed evidentiary record on which the district court in that case could base its ruling, whereas the record in *Fedders* was not so complete. *See id.* at 1467.

⁷² *Fedders*, 145 F.3d at 1468 (Rader, J., concurring).

⁷³ *Id.* (“I join this opinion to the extent that it explains that the duty created in *General Electric* is not as sweeping as the language of that opinion suggests.”).

patentee in that case was on notice of the defendant's allegedly infringing activity.⁷⁴ Finally, Judge Rader noted that Wanlass similarly had no duty to test Fedders's products and ultimately concluded that "patentees, potential infringers, and courts will have difficulty applying the laches doctrine in light of this opinion and *General Electric*."⁷⁵

iii) Fedders Dissent

¶24 Judge Mayer dissented in *Fedders*, arguing that because Wanlass admitted to knowing that single-phase motors were used in air conditioners, Wanlass was thus obligated to test products in that market.⁷⁶ Judge Mayer also noted the circuit diagram for the infringing compressor was "substantially similar" to the circuit diagram for a compressor that Fedders had openly produced since 1973, a similarity Judge Mayer believed obligated Wanlass to test Fedders's products.⁷⁷

III. DISCUSSION

¶25 As discussed, the panels in *General Electric* and *Fedders* confronted cases involving similar facts but reached diverging conclusions as to whether the laches defense applied. While both cases identified a duty to police, the *General Electric* and *Fedders* courts placed varying limits on this duty. As this section of this article will set forth, the two decisions are inconsistent in three ways: first, the extent of a patentee's duty to patrol an industry; second, the frequency and degree with which a patentee must investigate potentially infringing products; and third, the degree to which a competitor's assurance of non-infringement relieves a patentee of his duty to investigate. In addition to describing district courts' difficulties in applying the Federal Circuit's decisions, this section of the Article also proposes a solution to the uncertainty created by the Federal Circuit.

A. Uncertainty Created by General Electric and Fedders

1. Scope of Duty

¶26 As discussed, the *General Electric* majority imposed a broad duty, from which flows that the General Electric patentee had a duty to monitor the air conditioning industry.⁷⁸ From this it follows that the *General Electric* patentee had a duty to monitor *all* products in which his patent might potentially be used.⁷⁹ However, this conclusion

⁷⁴ *Id.* at 1468-69 (quoting majority opinion); *see also id.* at 1465 n.3 (majority opinion) (comparing record in *Fedders*, which lacked evidence of any communication between Wanlass and alleged infringer, with record in *General Electric*, which demonstrated General Electric had rejected Wanlass's offer to license run capacitor motor technology but still intended to use such run capacitor technology in its own products).

⁷⁵ *Id.* at 1468 (Rader, J., concurring).

⁷⁶ *Id.* at 1469-71 (Mayer, C.J., dissenting).

⁷⁷ *Id.* at 1470-71.

⁷⁸ *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1339 (Fed. Cir. 1998) (deeming General Electric's sale of run capacitor-containing air conditioners as sufficiently "open and notorious" so as to trigger Wanlass's duty to inspect).

⁷⁹ *Id.* at 1339-40 (rejecting patentee's argument that he should not have had to test defendant's products because he did not know which of defendant's products might be infringing); *see also id.* at 1343 (Rader, J. dissenting) (observing that *General Electric* majority rule would obligate patentees to test "any product that might contain the claimed invention.") (emphasis added).

arguably overlooked Wanlass's lack of active participation in the air conditioner industry,⁸⁰ despite the Federal Circuit's pre-*General Electric* decision in *Hall v. Aqua Queen Manufacturing, Inc.*, which obligated patentees to police entire industries for infringing products only when the patentees themselves were active participants in that industry.⁸¹ By contrast, the court in *Fedders* reached a different conclusion, by carefully considering the facts in that case and recognizing Federal Circuit precedent in *Hall*.⁸² The *Fedders* court refused to charge the patentee with a duty to police an industry in which he was not involved.⁸³ It observed that *Hall* required a patentee to police an entire industry only when the patentee was an active participant in the industry⁸⁴ and it noted that there was a dispute over whether the *Fedders* patentee was an active participant in the air conditioning industry.⁸⁵

¶27

In the wake of these decisions, *Hall* and *Fedders* made clear that patentees who do not actively participate in a market are not obligated to police it, but district courts have struggled with the related question of whether a patentee's knowledge that a competitor exists necessarily obligates the patentee to investigate that competitor's products.⁸⁶ In *Itron, Inc. v. Benghiat*, the District of Minnesota concluded that "[k]nowledge of a competitor in the market *does not* prove knowledge that the competitor is selling infringing products."⁸⁷ The District of Delaware reached a similar conclusion in *Acushnet Co. v. Dunlop Maxfli Sports Corp.*,⁸⁸ where that court rejected the defendant's argument that the "plaintiff had a duty to police its competitors' [products] for infringement."⁸⁹ However, the Central District of California⁹⁰ reached a different result in *Ultimax Cement Manufacturing v. CTS Cement Manufacturing Corp.*,⁹¹ where that court granted the defendant's laches motion, concluding that the "[defendant's] competition in the rapid hardening cement market *should have heightened* [plaintiff's] vigilance."⁹²

⁸⁰ See *id.* at 1342 (Rader, J., dissenting) (observing that the record in *General Electric* did not evidence Wanlass's notoriety; "Wanlass can hardly be described as a prominent figure in the . . . industry.").

⁸¹ See *Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1553 (Fed. Cir. 1996) (imposing duty on patentee to police waterbed industry because patentee had attended trade shows where allegedly infringing products were on open display and patentee had been "a central and active figure [in the industry] for at least eight years").

⁸² *Fedders*, 145 F.3d 1461.

⁸³ *Id.*

⁸⁴ *Id.* at 1467 (citing to *Hall*, 93 F.3d at 1552).

⁸⁵ See *id.* at 1463 n.1 (noting that record insufficient to decide whether or not Wanlass "remained active in the air-conditioning industry").

⁸⁶ See *Itron, Inc. v. Benghiat*, 169 F. Supp. 2d 1073, 1097 (D. Minn. 2001) (concluding that patentee's sixteen-year absence from meter-reading market relieved patentee of obligation to inspect and test products in market).

⁸⁷ *Id.* (emphasis added) (citing *Fedders*, 145 F.3d at 1465 ("the mere fact that single-phase motors are used in room air conditioners is not enough to suggest infringement because not all single-phase motors infringe")).

⁸⁸ *Acushnet Co. v. Dunlop Maxfli Sports Corp.*, Civ. A. No. 98-717-SLR, 2000 U.S. Dist. LEXIS 10123 (D. Del. June 29, 2000).

⁸⁹ *Id.* at *40.

⁹⁰ The Central District of California handles more patent infringement cases than any other court in the United States. See Julie Creswell, *So Small a Town, So Many Patent Suits*, N.Y. TIMES, Sept. 24, 2006, § 3, at 1.

⁹¹ *Ultimax Cement Mfg. v. CTS Cement Mfg. Corp.*, SA CV 02-578, 2004 U.S. Dist. LEXIS 29580 (C.D. Cal. Dec. 6, 2004).

⁹² *Id.* at *49 (emphasis added); see also *Odetics, Inc. v. Storage Tech. Corp.*, 919 F. Supp. 911, 920 (E.D. Va. 1996) ("[L]ack of direct competition between Odetics and Storagetek is *insufficient* to excuse Odetics'

¶28 Thus, district courts have been unable to resolve consistently whether the mere existence of a competitor triggers a patentee's duty to police that competitor's products. Given that a patent on a basic technology or technique may have broad application across a range of industries,⁹³ it is essential for the Federal Circuit to clarify whether the existence of a competitor obligates a patentee to investigate that competitor's products.⁹⁴

2. Depth and Frequency of Investigation

¶29 *General Electric* and *Fedders* also left unanswered the question of how searching an investigation a patentee must perform once he learns of potential infringement. Further, these decisions left open the related question of how often a patentee must re-test after an initial test or round of tests discloses no infringement.

i) *Depth of Investigation*

¶30 Under *General Electric* and *Fedders*, the sufficiency of an infringement investigation is based on a court's judgment regarding the economic burden and technical difficulty of testing potentially infringing products.⁹⁵ The *General Electric* majority believed that once a patentee was on notice of potential infringement, he was obligated to perform testing of the alleged infringer's products,⁹⁶ which encompassed eight to nine hundred products costing on average two hundred dollars each.⁹⁷ Although the majority deemed this level of expense and effort reasonable, the majority did not address what level of expense and effort would be unreasonable,⁹⁸ stating only that testing should be "a function of [its] cost and difficulty."⁹⁹ By contrast, faced with the identical situation of a patentee alleging infringement by a participant in the large air conditioner market, the *Fedders* court observed that "[i]mposing a duty upon [the patentee] to monitor the air conditioning industry by periodically testing all others' products . . . would be *unreasonable*."¹⁰⁰ Read together, these decisions create a sliding scale under which the required degree of testing is roughly proportional to its cost and difficulty.¹⁰¹

[sic] failure to investigate the Storagetek product") (emphasis added) (pre-*Fedders* case).

⁹³ Cf. *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1343 (Fed. Cir. 1998) (Rader, J., dissenting) (requiring patentees whose inventions have "broad potential application" to patrol a broad range of products or markets would be "a significant burden").

⁹⁴ In doing so, the Federal Circuit may have to address the threshold question of what constitutes a "competitor" for laches purposes. As an example, while Intel and A are competitors in the microelectronics field, would A, which produces microchips for use in cellphones, be considered a competitor to B, which assembles and sells the cellphones themselves, merely because they both participate in the cellphone industry?

⁹⁵ See *Gen. Elec.*, 148 F.3d at 1340 ("The frequency with which these types of investigations should have occurred is a function of their cost and difficulty."); cf. *Fedders*, 145 F.3d at 1465 ("[T]here is an inadequate basis for the district court's implicit finding that a program for testing all air-conditioners of all makers was feasible and affordable and otherwise a reasonable burden.").

⁹⁶ *Gen. Elec.*, 148 F.3d at 1336 ("Testing [these] products for infringement . . . is both easy and inexpensive."); *id.* at 1339 (describing General Electric products as "easily testable").

⁹⁷ *Id.* at 1336, 1339.

⁹⁸ *Id.* at 1342-43 (Rader, J., dissenting).

⁹⁹ *Id.* at 1340 (majority opinion).

¹⁰⁰ *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1465 (Fed. Cir. 1998) (emphasis added). The *Fedders* decision did not, however, discuss whether testing competitors' products would have been overly technically demanding.

¹⁰¹ *Gen. Elec.*, 148 F.3d at 1340; *Ultimax Cement Mfg. v. CTS Cement Mfg. Corp.*, SA CV 02-578 AHS,

¶31 District courts have applied this sliding scale without notable difficulty. Addressing the adequacy of a patentee’s investigation into alleged infringement, district courts conclude that where discovery of infringement would require a highly-technical inspection of the allegedly infringing products that would involve instrumentation, such investigation exceeds what is required to defeat a laches defense.¹⁰² Thus, the general rule on adequacy of investigation that emerges is the counterintuitive rule that the more complicated the product, the less investigation need be performed.¹⁰³

¶32 While this rule has some intuitive appeal, the Federal Circuit’s sliding scale may create an imbalance between patentees of different sizes and financial capabilities. As an example, a high-technology firm with a patented microprocessor would likely be excused from performing a thorough investigation of a competitor’s allegedly infringing microprocessor because examining a microprocessor for possible infringement is technically complicated and costly.¹⁰⁴ By contrast, a low-technology firm with a patent on a desk chair would likely be obligated to investigate a competitor’s product because any infringement would likely be apparent on the face of the product.¹⁰⁵ Thus, those firms who participate in low-technology markets are, in some sense, held to a higher investigatory burden than those firms who participate in high-technology markets. This is potentially inequitable because high-technology markets may hold greater potential financial gain for their participants than do low-technology markets. Nevertheless, the Federal Circuit’s rule would not require high-technology firms to perform costly, detailed investigations of their competitors’ products.

¶33 Accordingly, until the Federal Circuit clarifies its rule, high-technology firms are essentially excused from investigating allegedly infringing high-technology products.

2004 U.S. Dist. LEXIS 29580, at *49 (C.D. Cal. Dec. 6, 2004) (“feasibility or expense of testing is a factor in determining if a patentee conducted an adequate investigation”) (citing *General Electric*); *Symbol Techs. Inc. v. Proxim Inc.*, No. Civ. 01-901-SLR, 2004 WL 1770290, at *4 (D. Del. July 28, 2004) (citing *Fedders*) (suggests proposition that testing that goes beyond “low cost detection” methods exceeded permissible burden on patentees).

¹⁰² See *PSN Ill., Inc. v. Ivoclar Vivadent, Inc.*, 398 F. Supp. 2d 902, 910 (N.D. Ill. 2005) (declining to impose testing burden on ground that infringement of patented dental implant material could be determined only by “microscopic examination” of material and “the law does not require such involved investigation by a patentee” (citing *IXYS Corp. v. Advanced Power Tech., Inc.*, 321 F. Supp. 2d 1156, 1161 (N.D. Cal. 2004))); see also *IXYS*, 321 F. Supp. 2d at 1161 (concluding that patentee is not obligated to test defendant’s products for infringement where doing so could be accomplished only by “slic[ing] the [accused] device open and examin[ing] its component structure under a microscope”). However, the courts in these cases did not discuss whether such in-depth examinations might be required where the defendant marketed only one or two potentially infringing products, as opposed to ten or one hundred such products.

¹⁰³ Some commentators have argued that courts should consider a patentee’s size and financial resources as a factor in deciding what level of investigation that patentee is obligated to perform in the market. See Paula D. Heyman, Note, *The Laches Defense in Wanlass v. General Electric and its Effect on Patentees’ Duty to Police Their Rights*, 50 SYRACUSE L. REV. 1151, 1183 (2000) (observing that policing an entire industry is “a large task for a big corporation and an almost impossible task for an individual,” and suggesting that such a policing obligation would force employees to “spend much of their time looking around the industry for infringement and therefore, neglect the business”). This argument, however, does not consider that all patentees, regardless of size, receive the same level of review from the United States Patent and Trademark Office (“USPTO”) and the same legal protections from their patents. Given that all patentees are obligated to periodically pay maintenance fees to the USPTO after a patent issues, it follows that all patentees should also be obligated to police equally their patents in the relevant markets.

¹⁰⁴ E.g., *IXYS*, 321 F. Supp. 2d at 1161 (declining to require patentee to slice open allegedly infringing microelectronics product and examine product under microscope).

¹⁰⁵ E.g., *Gen. Elec.*, 148 F.3d at 1336 (charging patentee with knowledge of infringement where discovering infringement would have been “easy and inexpensive”).

This may have the unintended consequence of allowing such firms to avoid laches defenses without also bearing the economic burden of performing costly, technical examinations of potentially infringing products.

ii) *Frequency of Investigation*

¶34 Related to the depth with which a patentee must investigate an allegedly infringing product is the frequency with which the patentee must perform such an examination. In *General Electric*, the majority concluded that although the patentee did not discover infringement through his initial tests of the defendant's products, he was nevertheless obligated to continue his testing.¹⁰⁶ Further, even after his initial round of testing disclosed no infringement, the *General Electric* court declined to explain when, if ever, a patentee's duty to test would have ceased.¹⁰⁷ Given that the patentee tested, found no infringement, and did not receive any information that would have given him reason to re-test, the *General Electric* majority's conclusion that the patentee was nonetheless obligated to continue testing is a curious one.¹⁰⁸ The court in *Fedders* did not reach the question of re-testing, but the *Fedders* concurring opinion stated that where initial testing discloses no infringement, the patentee had no duty to continue testing the defendant's products "until he received additional information that would cause a reasonable person to believe that [the defendant] had started infringing his patent."¹⁰⁹

¶35 Unlike the *General Electric* majority opinion, the reasoning of the *Fedders* concurrence is both consistent with Federal Circuit precedent and reaches a practical result. First, the *Fedders* concurrence is consistent with the reasoning of *Gasser Chair Co. v. Infanti Chair Manufacturing Corp.*, in which the Federal Circuit observed that the plaintiff was under no obligation to take action against a defendant initially thought not to infringe.¹¹⁰ The *Fedders* concurrence is also sensible because constructive knowledge of infringement may be triggered by newly-available information that suggests infringement.¹¹¹ This is a more practical conclusion than that reached in *General Electric*, which required patentees to commit resources to testing and then re-testing products even where there was no new information suggesting infringement.

¶36 In *IXYS Corp. v. Advanced Power Technology, Inc.*,¹¹² the Northern District of California addressed the question of what triggers a duty to re-test, and although the *IXYS* court it did not explicitly cite the *Fedders* concurrence, the court seems to have followed

¹⁰⁶ *Id.* at 1339. ("Determining that [the defendant] was not infringing his patent in the late 1970's did not absolve [the patentee] of his duty to conduct future investigations.").

¹⁰⁷ *Id.*; see also *id.* at 1342 (Rader, J., dissenting) ("Yet this court requires Wanlass to check and recheck [the motors] for infringement, even if he had early indications that a company was not infringing.").

¹⁰⁸ *Cf. id.* at 1343 (Rader, J., dissenting) (arguing that case should be remanded for determination of "whether [the patentee's] decision to cease testing was reasonable in light of all the circumstances.").

¹⁰⁹ *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1468 (Fed. Cir. 1998) (Rader, J., concurring).

¹¹⁰ See *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 774 (Fed. Cir. 1995) (plaintiff's delay in filing suit reasonable where defendant allegedly told plaintiff in 1979 that defendant would not infringe patent and plaintiff did not have constructive knowledge of infringement until 1986).

¹¹¹ See *Gen. Elec.*, 148 F.3d at 1338-39 (imputing constructive knowledge of infringement where party fails to act on "readily available information"); see also *Fedders*, 145 F.3d at 1465 (observing that, contrary to district court's conclusion, there was no evidence that defendant's advertisements suggested to plaintiff that defendant's products were infringing).

¹¹² 321 F. Supp. 2d 1156 (N.D. Cal. 2004).

the concurrence's reasoning.¹¹³ *IXYS* held that although the patentee was under no obligation to perform testing of the allegedly infringing product due to the complicated testing of a complex product,¹¹⁴ once the patentee performed tests that suggested infringement, the patentee became obligated on the basis of the test information to re-test the defendant's products for possible infringement.¹¹⁵ Thus, at least one district court has sensibly applied the approach from *Fedders* that requires re-testing of allegedly infringing products only where new information suggests possible infringement.

3. Assurances of Noninfringement as Relieving Patentees' Duty to Investigate

¶37 An additional issue raised in *General Electric* is that the decision failed to resolve whether a patentee may rely on a defendant's assurances of non-infringement to excuse a failure to investigate. The *General Electric* majority concluded that General Electric's refusal to license Wanlass's patent and General Electric's statement that it believed that run capacitors like the patentee's were a "good idea" should have placed the patentee on notice of potential infringement.¹¹⁶ The *General Electric* majority, however, failed to accord proper weight to General Electric's reports "characterizing Wanlass's motor design as neither new *nor advantageous*,"¹¹⁷ which reports could be interpreted as criticizing Wanlass's invention, *not* expressing intent to infringe it. Thus, read in the light most favorable to Wanlass, General Electric's reports criticizing his invention should have been construed as showing General Electric's disinterest in Wanlass's invention and as an assurance of non-infringement, not as placing Wanlass on notice of General Electric's possible future infringement. To ignore General Electric's criticism of Wanlass's invention is inconsistent with prior Federal Circuit precedent in *Gasser Chair*,¹¹⁸ and, furthermore, is arguably inconsistent with the basic equities of the laches defense in that a defendant should not benefit from false assurances of non-infringement.¹¹⁹

¶38 Given the confusion regarding the representations of non-infringement in *General Electric*, district courts have encountered difficulty in deciding whether a defendant's assurances of non-infringement excuse a patentee from further obligation to investigate that defendant. As an example, the court in *PSN Illinois, Inc. v. Ivoclar Viadent, Inc.*,¹²⁰

¹¹³ *Id.*

¹¹⁴ *Id.* at 1161.

¹¹⁵ *Id.* at 1162 ("[A]fter these experiments, [the patentee] almost surely had actual knowledge (and unquestionably had constructive knowledge) that [the defendant's] products allegedly infringed its patents.").

¹¹⁶ *Gen. Elec.*, 148 F.3d at 1336.

¹¹⁷ *Id.* at 1336 (emphasis added).

¹¹⁸ *Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 774 (Fed. Cir. 1995) (vacating district court's grant of laches defense to defendant at summary judgment on ground that district court failed to draw reasonable inferences in plaintiff's favor).

¹¹⁹ *E.g.*, *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992) ("a patentee may be able to preclude application of the laches defense with proof that the accused infringer was itself guilty of misdeeds toward the patentee"); *see also* *Symbol Techs., Inc. v. Proxim Inc.*, No. Civ. 01-801-SLR, 2004 WL 1770290, at *4 (D. Del. July 28, 2004) ("An infringer cannot cloak its activities in secrecy and simultaneously accuse the patent holder of failing to adequately protect its rights.") (citing *Fromson v. W. Litho Plate & Supply Co.*, 670 F.Supp. 861, 868-69 (E.D. Mo. 1987), *rev'd on other grounds* by 853 F.2d 1568 (Fed. Cir. 1988)).

¹²⁰ 398 F. Supp. 2d 902 (N.D. Ill. 2005).

denied the defendant's laches motion, noting that the defendant had falsely assured the plaintiff of non-infringement and prevented the plaintiff from learning more about the defendant's product.¹²¹ By contrast, the plaintiff in *Ultimax Cement* alleged that the defendant had assured him that the defendant was not infringing the plaintiff's patented rapid-hardening cement.¹²² Nevertheless, the *Ultimax Cement* court granted the defendant's laches motion over the plaintiff's allegation of false assurances of noninfringement.¹²³ Although other factors were present in *Ultimax Cement*,¹²⁴ it is unclear why the court in that case declined to view the defendant's assurances of non-infringement in the light most favorable to the plaintiff.

B. Proposed Solution

¶39 As discussed, the Federal Circuit's articulation of the laches defense in *General Electric* and *Fedders* leaves unanswered the scope of the doctrine, and district courts have, at times, struggled to apply the doctrine in light of these decisions. One way to articulate a patentee's duty and provide additional guidance to courts and litigants is to collapse the various aspects of the laches inquiry into a single formulation. This formulation might read as follows:

Based on information that is available to the patentee relating to specific products either on sale or in development, the patentee must act in a manner reasonably calculated to discover infringing and potentially infringing uses of the patented invention in markets into which a reasonable person in the patentee's position would have reason to believe that his invention might have application.

¶40 It is suggested that this formulation may assist in clarifying the boundaries of the laches defense. First, this formulation addresses the issues of actual and constructive notice by making clear that a patentee's duty to investigate is triggered only when information relating to potentially infringing products becomes publicly known.¹²⁵ This may resolve the tension created by *General Electric*'s holding that patentees must re-test

¹²¹ *Id.* at 910 (plaintiff alleged that he received "false assurances of non-infringement from defendant and that his attempts to gain more information on the [allegedly infringing] product were rebuffed by defendant"); see also *Symbol Techs.*, 2004 WL 1770290, at *4 ("[T]he infringer's activities are relevant to whether the patentee's conduct was reasonable, including the infringer's efforts to maintain the secrecy of its processes and its denials of infringement."); *Aguayo v. Universal Instruments Corp.*, 356 F. Supp. 2d 699, 752 (S.D. Tex. 2005) ("It was not unreasonable for plaintiffs to rely on Universal's denial that the CVS+ infringed in forgoing investigation into whether the PSV, which Universal identified as the successor to the CVS+, infringed.").

¹²² *Ultimax Cement Mfg. v. CTS Cement Mfg. Corp.*, SA CV 02-578 AHS, 2004 U.S. Dist. LEXIS 29580, at *50 (C.D. Cal. Dec. 6, 2004).

¹²³ *Id.*

¹²⁴ For example, the plaintiff in the case had demonstrated his invention to defendant personally. *Id.* at *48-49.

¹²⁵ Such a formulation is akin to the novelty inquiry under 35 U.S.C. § 102(a)-(b), which denies patentability to inventions that are described in printed publications either before the date of invention or more than one year prior to the filing of a patent application. 35 U.S.C. § 102(a)-(b) (2006). See, e.g., *In re Hall*, 781 F.2d 897 (Fed. Cir. 1986) (denying patentability where invention at issue was described in publicly-available doctoral thesis more than one year prior to patent application filing date).

products for infringement even after an initial round of testing discloses no infringement and nothing existing in the record suggests that the patentee had any subsequent reason to suspect infringement.¹²⁶ Second, this formulation would impose on patentees a duty only to investigate suggestive information that relates to the existence of specific *products* – as opposed to knowledge that relates only to the mere existence of *competitors*. By doing so, the formulation prevents patentees from having to investigate a competitor’s products simply because those products are from a competitor.¹²⁷

¶41 Third, the “reasonably calculated to discover” component of the formulation ensures that patentees – regardless of the industry in which they participate or the complexity of the product at issue – are not excused from testing potentially infringing products merely because doing so would require a labor-intensive and costly disassembly of the product in question.¹²⁸ Finally, the proposed formulation places a limit on the scope of a patentee’s duty to police infringement in that a patentee would not be required to test *every* possible product that might incorporate his invention.¹²⁹ Instead, a patentee would only be required to test those products that might *foreseeably* incorporate his patented invention.¹³⁰

¶42 This formulation also addresses patent trolls and their strategy of lying in wait until a target company with significant financial resources appears in the marketplace.¹³¹ By obligating patentee-patent trolls to police markets into which a reasonable patent troll would expect to find his patented inventions, this formulation would obligate patent trolls to police the numerous markets in which they might find infringers. Because patent trolls by nature seek targets in a wide range of obscure markets, this formulation has the advantage of preventing patent trolls seeking to avoid a target’s laches defense from arguing that they did not expect to find their target in a particular market.¹³² By forcing patent trolls to police broader markets with vigor, patent trolls would then identify infringers more quickly. In turn, patent trolls who sought to avoid a laches defense would be forced to initiate litigation more quickly without the lying-in-wait period that often characterizes such actions.¹³³ Further, because the litigation would be initiated

¹²⁶ *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1342-43 (Fed. Cir. 1998) (Rader, J., dissenting).

¹²⁷ *See Itron, Inc. v. Benghiat*, 169 F. Supp. 2d 1073, 1097 (D. Minn. 2001); *see also Odetics, Inc. v. Storage Tech. Corp.*, 919 F. Supp. 911, 920 (E.D. Va. 1996) (“[T]his lack of direct competition between Odetics and Storagetek is insufficient to excuse Odetics’ [sic] failure to investigate the Storagetek product . . .”).

¹²⁸ *See supra* Part III.A.2.a and associated notes (discussing sliding-scale testing burden imposed under *Gen. Elec.* and *Fedders*).

¹²⁹ *Cf. Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1465 (Fed. Cir. 1998).

¹³⁰ Placing a reasonable limit on the scope of the market that a patentee must survey also serves to conserve a patentee’s resources for research and development; “[b]y placing an extra incentive on patentee, [the *General Electric*] decision will prompt patentees to over-invest in patent enforcement.” *Gen. Elec.*, 148 F.3d at 1343 (Rader, J. dissenting).

¹³¹ *See Barker, supra* note 12, at 7 (“[C]orporate patent trolls purchase patents and do not enforce them until the relevant industry has grown up around the patent.”).

¹³² *Cf. Overstock.com v. Furnace Brook, LLC*, 420 F. Supp. 2d 1217, 1223 (D. Utah 2005) (describing patent trolls as “lurk[ing] in the shadows”) (citing 151 CONG. REC. 75, E1160-01 (daily ed. June 8, 2005) (statement of Rep. Berman)).

¹³³ *See id.* (characterizing patent trolls as lying in wait until “step[ping] out of the shadows” and filing infringement suits) (citing 151 CONG. REC. 75, E1160-011 (daily ed. June 8, 2005) (statement of Rep. Berman)).

more quickly, fewer dollars would be at stake, which in turn would lessen the “tax” that patent trolls exact on firms in the marketplace.¹³⁴

¶43 The formulation above does not consider patentees’ financial capabilities in defining the degree of their duty to investigate. The Federal Circuit made clear in *Hall* that lack of financial resources did not excuse delay in filing suit,¹³⁵ and, similarly, a lack of financial resources should not excuse a failure to investigate allegedly infringing products. From an equitable standpoint, individual patentees derive the same bundle of legal rights from their patents as do multi-national corporations, and it would be incongruous to accord small inventors the same bundle of rights as large, well-funded corporations without also holding the small inventors to the same duties as their larger competitors.¹³⁶

IV. CONCLUSION

¶44 While it is clear that patentees must police the marketplace for infringement, the question of how scrupulously patentees must do so is a difficult one, as evidenced by the Federal Circuit’s contradictory conclusions on similar facts in *General Electric* and *Fedders*. Despite reaching differing final results, *General Electric* and *Fedders* make plain that patentees have a duty to patrol the marketplace and that this duty is triggered by actual or constructive knowledge of infringing activity.¹³⁷

¶45 However, the decisions diverge on the questions of how and to what degree patentees must police the industry to avoid a laches defense in an infringement action. Under *General Electric*, patentees must inspect essentially all products into which their inventions might be incorporated, must test all of a competitor’s products that might infringe, and may not necessarily rely on assurances of non-infringement.¹³⁸ This holding creates problems in that it (1) imposes on patentees an ill-defined and practically unlimited duty to police markets; (2) fails to articulate what level of testing is sufficient; and (3) charges patentees with testing and re-testing potentially infringing products in a market, even where doing so would be prohibitively expensive. In addition, *General Electric* concluded that patentees may not necessarily rely on a defendant’s assurance of non-infringement,¹³⁹ which places a significant burden on patentees and fails to hold defendants – who have breached their duty not to infringe – accountable for their representations.¹⁴⁰ Thus, while the *General Electric* decision places an emphasis on holding patentees accountable for policing their inventions, it also provides room for infringers to market patented inventions and later mount a successful laches defense.

¹³⁴ See Nocera, *supra* note 12.

¹³⁵ *Hall v. Aqua Queen Mfg., Inc.*, 93 F.3d 1548, 1554 (Fed. Cir. 1996).

¹³⁶ See *supra* note 103 (discussing illogic of considering a patentee’s financial strength when evaluating whether testing of competitors’ products is too burdensome).

¹³⁷ *Wanlass v. Gen. Elec. Co.*, 148 F.3d 1334, 1338 (Fed. Cir. 1998); *Wanlass v. Fedders Corp.*, 145 F.3d 1461, 1465-66 (Fed. Cir. 1998).

¹³⁸ *Gen. Elec.*, 148 F.3d 1340.

¹³⁹ See *Gen. Elec.*, 145 F.3d at 1341-42 (Rader, J., dissenting) (opining that patentee’s initial contact with defendant “lulled him into the belief that [the defendant] was not interested in his technology and would not infringe”).

¹⁴⁰ See *id.* at 1343 (Rader, J., dissenting) (noting the “fundamental principle that the public has a duty to avoid infringement”); *cf.* *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992) (noting maxim that “He who seeks equity must do equity”).

¶46 By contrast, *Fedders* held that patentees need not police all potentially infringing products in a market¹⁴¹ and that monitoring an entire industry's products was an unreasonable burden to place on a patentee.¹⁴² Nevertheless, *Fedders*, like *General Electric*, fails to specify the minimum number of products that a patentee must test for infringement in order to defeat a laches motion,¹⁴³ and patentees might point to *Fedders* for the proposition that testing more than a few products is too burdensome.

¶47 In the wake of these diverging decisions, district courts have not yet found a consistent way to evaluate laches motions and, like the Federal Circuit, have reached different results on similar facts.¹⁴⁴ Furthermore, the increasing prevalence of patent trolls and their tactics of acquiring previously unenforced patents and then filing infringement suits on unsuspecting market participants underscores the need to clarify the contours of the laches doctrine so as to provide a clearer way to deal with patent trolls.

¶48 The formulation proposed in this Article provides additional refinement of the scope of the duty to patrol. Nevertheless, until the Federal Circuit clarifies its laches jurisprudence and definitively sets forth patentees' obligations to patrol the marketplace for infringement, courts will struggle to find a consistent approach to laches cases, and patentees will remain uncertain about what steps they must take to protect potential infringement damages from a laches defense.

¹⁴¹ *Fedders*, 145 F.3d at 1466.

¹⁴² *Id.* at 1465.

¹⁴³ *Fedders*, 145 F.3d 1462; *Gen. Elec.*, 148 F.3d 1334.

¹⁴⁴ *E.g.*, compare *PSN Ill., Inc. v. Ivoclar Vivadent, Inc.*, 398 F. Supp. 2d 902, 910 (N.D. Ill. 2005) (allegations that defendant made assurances of non-infringement defeated defendant's laches motion), with *Ultimax Cement Mfg. v. CTS Cement Mfg. Corp.*, SA CV 02-578 AHS, 2004 U.S. Dist. LEXIS 29580, at *49-50 (allegations that defendant made assurances of non-infringement did not defeat defendant's laches motion).