

WHAT TO DO IF YOUR CLIENT MAY INFRINGE  
BOTH OF TWO INTERFERING PATENTS?

By

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I. Introduction

What should you do if you suspect that your client may be held to infringe both of two interfering patents? And does it make any difference whether you have a non-infringement argument as to one or both of those patents and/or an invalidity argument as to one or both of those patents?

The short answer to these questions is that you should read Xerox Corp. v. Nashua Corp., 314 F. Supp. 1187, 166 USPQ 344 (SDNY 1970).<sup>3</sup>

II. Xerox Corp. v. Nashua Corp.

Xerox Corp. v. Nashua Corp. (hereinafter "Xerox") does not present the relatively simple situation outlined in the introduction, but it clearly tells you what to do in that situation: Interplead the owners of the two patents.<sup>4</sup>

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<sup>2</sup> Copyright 2004 by Charles L. Gholz.

<sup>3</sup> Cited approvingly in 27-314 California Forms of Pleadings and Practice--Annotated at § 314.44 pages 2 and 4. Criticized in Patent Law Perspectives § 7.1 at page 1.

<sup>4</sup> FRCP 22, Interpleader, reads as follows:

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(1) Persons having claims against the plaintiff may be joined as defendants and required to interplead when their claims are such that the plaintiff is or may be exposed to double or multiple liability. It is not ground for objection to the joinder that the claims of the several claimants or the titles on which their claims depend do not have a common origin or are not identical but are adverse to and independent of one another, or that the plaintiff avers that the plaintiff is not liable in whole or in part to any or all of the claimants. A defendant exposed to similar liability may obtain such interpleader by way of cross-claim or counterclaim. The provisions of this rule supplement and do not in any way limit the joinder of parties permitted in Rule 20.

(2) The remedy herein provided is in addition to and in no way supersedes or limits the remedy provided by Title 28, U.S.C. §§ 1335, 1397, and 2361. Actions under those provisions shall be conducted in accordance with these rules.

28 USC 1335 reads as follows:

(a) The district courts shall have original jurisdiction of any civil action of interpleader or in the nature of interpleader filed by any person, firm, or corporation, association, or society having in his or its custody or possession money or property of the value of \$500 or more, or having issued a note, bond certificate, policy of insurance, or other instrument of value or amount of \$500 or more, or providing for the delivery or payment or the loan of money or property of such amount or

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value, or being under any obligation written or unwritten to the amount of \$500 or more, if

(1) Two or more adverse claimants, of diverse citizenship as defined in section 1332 of this title, are claiming or may claim to be entitled to such money or property, or to any one or more of the benefits arising by virtue of any note, bond, certificate, policy or other instrument, or arising by virtue of any such obligation; and if

(2) the plaintiff has deposited such money or property or has paid the amount of or the loan or other value of such instrument or the amount due under such obligation into the registry of the court, there to abide the judgment of the court, or has given bond payable to the clerk of the court in such amount and with such surety as the court or judge may deem proper, conditioned upon the compliance by the plaintiff with the future order or judgment of the court with respect to the subject matter of the controversy.

(b) such an action may be entertained although the titles or claims of the conflicting claimants do not have a common origin, or are not identical, but are adverse to and independent of one another.

28 USC 1397 reads as follows:

Any civil action of interpleader or in the nature of interpleader under section 1335 of this title may be brought in the judicial district in which one or more of the claimants reside.

In Xerox, Xerox had sued Nashua for infringement of the '006 patent. Nashua denied infringement, counterclaimed against Xerox for a declaratory judgment that the '006 patent was invalid, and sought to interplead RCA, alleging that RCA's '359 patent interfered with Xerox's '006 patent. Nashua specifically asked the court to "adjudge the validity of the patent owned by each [i.e., by Xerox and RCA]." <sup>5</sup> Xerox and RCA both denied that their patents interfered, "although on different grounds." <sup>6</sup> Accordingly, both Xerox and RCA moved to dismiss Nashua's interpleader counterclaim.

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28 USC 2361 reads as follows:

In any civil action of interpleader or in the nature of interpleader under section 1335 of this title, a district court may issue its process for all claimants and enter its order restraining them from instituting or prosecuting any proceeding in any State or United States court affecting the property, instrument or obligation involved in the interpleader action until further order of the court. Such process and order shall be returnable at such time as the court or judge thereof directs, and shall be addressed to and served by the United States marshals for the respective districts where the claimants reside or may be found.

Such district court shall hear and determine the case, and may discharge the plaintiff from further liability, make the injunction permanent, and make all appropriate orders to enforce its judgment.

<sup>5</sup> 314 F. Supp. at 1188, 166 USPQ at 345.

<sup>6</sup> 314 F. Supp. at 1189, 166 USPQ at 345.

The judge said that “Nashua’s invocation of interpleader in this case is novel..., [but] not without appeal”<sup>7</sup>:

Rule 22(1) of the Federal Rules of Civil Procedure authorizes an interpleader action where (1) two or more persons have claim against the interpleading party, and (2) as a result, the interpleading party is or may be exposed to multiple liability. It is no longer required that the claims be of common origin or that the interpleading party be a wholly neutral stakeholder. The rule does not even require a “stake” or “fund” as such. The action will lie where all that is involved is the threat of multiple liability on what is in fact but a single claim or obligation. While the patent situation is more complex than the normal interpleader situation, its complexity alone does not foreclose interpleader.<sup>8</sup>

Nevertheless, the court did not “decide whether interference between patents provides a proper circumstance for interpleading the patent owners”<sup>9</sup> on the ground that:

the mere assertion by Nashua in its counterclaim that plaintiff’s patent ‘006 and RCA’s patent ‘539 interfere, an

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<sup>7</sup> 314 F. Supp. at 1189, 166 USPQ at 345.

<sup>8</sup> 314 F. Supp. at 1189, 166 USPQ at 345; footnotes omitted.

<sup>9</sup> 314 F. Supp. at 1189, 166 USPQ at 345.

allegation vigorously denied by both patent owners, is not by itself sufficient to warrant interpleader. *Nashua* postulates a situation where two different courts may hold that the two patents do interfere, but the courts may differ as to which has priority, in which event it asserts it would “have double liability because the two courts were in disagreement on the issue of priority.” But whether two patents do or do not interfere is “a mixed question of law and fact, depending upon the construction of specifications and claims and the scientific or other facts which determine the meanings of those claims, and their effect.” The court has before it only the two patents (submitted not by *Nashua*, but by *RCA*); it does not have any background information relating to the patents or even the file wrappers in the patent office. The denials of interference by the patentees are not without substance. Moreover, each patent carries with it not only a presumption of validity, but a further presumption of the absence of interference,<sup>9</sup> or, stated differently, a “presumption in favor of their diversity.”<sup>10</sup> On the meager papers before the court there is not a sufficient showing of interference to overcome those presumptions, the postulated situation envisaged by *Nashua*

remains no more than a conjectural view of possible conflicting holdings.<sup>10</sup>

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<sup>9</sup>Cf. *IBIS Enterprises, Ltd. v. Spray-Bilt, Inc.*, 220 F. Supp. 65, 76, 139 USPQ 81, 89-90 (S.D. Fla. 1963), modified on other grounds, 350 F.2d 99, 146 USPQ 686 (5<sup>th</sup> Cir. 1965); *Dooley Improvements, Inc. v. Central Hanover Bank & Trust Co.*, 28 F. Supp. 531, 534, 41 USPQ 698, 701 (D.D.C. 1939).

<sup>10</sup> *Norton v. Jensen*, 90 F. 415, 421 (9th Cir. 1898).

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The narrow question presented here is not whether Nashua may challenge the one patent or the other, but whether it may force RCA and Xerox to fight the issue out before Nashua decides which patent to challenge. The court holds only that the involved and complex issues raised by a claim of patent interference should not be resolved on the mere averment in a pleading for interpleader which upon the face of the record meets with substantial challenge.<sup>11</sup>

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<sup>10</sup> 314 F. Supp. at 1189-90, 166 USPQ at 345-46 some footnotes omitted.

<sup>11</sup> 314 F. Supp. at 1191, 166 USPQ at 346.

### III. Comments

The district court's analysis is strikingly similar to the Federal Circuit's analysis in Medichem S.A. v. Rolobo S.L., 353 F. 3d at 928, 69 USPQ2d 1283 (Fed. Cir. 2003), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 86 JPTOS 464, 494-96 (2004). Basically, proof of the existence of an interference-in-fact between the two patents should be a condition precedent to the granting of a motion to interplead the owners of the two patents,<sup>12</sup> and the district court should define the interfering subject matter by a count.

The district court in Xerox was concerned that:

The interpleader counterclaim serves to force parties into costly litigation and to complicate the underlying infringement proceeding, while its very threat may provide a bludgeon for the infringing party to use in defense or settlement negotiations. Moreover, forcing RCA and Xerox to assert claims of interference, which each disavows, would circumvent the requirements of the statutory interference procedure set up by Congress, under which only owners of alleged interfering patents may maintain suits with respect thereto.<sup>13</sup> Even though that limitation may not be an absolute bar to non owners achieving the same result through interpleader, the

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<sup>12</sup> See also Bell Telephone Laboratories, Inc. v. Hughes Aircraft Co., 185 USPQ 660 (D.Del. 1975).

congressional judgment embodied in the interference statute should not be circumvented by an infringer or licensee without at least a substantial showing of harm from conflicting suits.

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<sup>13</sup>35 U.S.C. § 291 (1964).<sup>13</sup>

However, I think it much more likely that the filing of the interpleader motion will induce one or both of the owners of the allegedly interfering patents to file an application to reissue its allegedly interfering patent, thereby restoring jurisdiction to the Patent and Trademark Office (and ultimately to the Trial Section of the Board of Patent of Appeals and Interferences),<sup>14</sup> allowing the issues to be decided by what Judge Lourie called “the optimal tribunal.”<sup>15</sup>

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<sup>13</sup> 314 F. Supp. at 1190-91, 166 USPQ at 346; some footnotes omitted. Note that the first footnote 13 is part of the quoted text and that the second footnote 13 is mine.

<sup>14</sup> Another possibility is that a defendant being sued on only one of the two interfering patents happened to find the other interfering patent in a prior art search. In that situation, the defendant should quickly and quietly see if it can obtain a patent license or assignment from that other patentee including the right to conduct and pay for a reissue and interference. The defendant would have as a bargaining chip the argument that the other interfering patent has a cloud over it that needs to be removed. However, if any claim covers any of its own products, the prospective seller might well not want to risk losing its putative 102(g) defense.

<sup>15</sup> Eli Lilly & Co. v. Board of Regents of the University of Washington, 334 F.3d 1264, 1274, 67 USPQ2d 1161, 1168 (Fed. Cir. 2003). See also Eli Lilly & Co. v. Ardigm

Someone contemplating bringing an interpleader action should also consider the Hilmer conundrum. Under the two In re Hilmer CCPA opinions,<sup>16</sup> the 102(e) or 102(g) prior art date of a patent only runs from its U.S. filing date, not from its foreign priority date. However, under 35 USC 119 the claims of a patent are entitled to a [valid] foreign priority date. This leads to situations in which two applications, at least one of which claims foreign priority, are not prior against one another, even though claiming the same invention. If the PTO issues both applications without an interference (as is likely in spite of 35 USC 101 and In re Oguie, 517 F.2d 1182, 186 USPQ 227 (CCPA 1975)), either or both patents may be asserted against perplexed third party defendants who may not be able to force either patent owner into an interference or a 35 USC 291 action.

Finally, is it possible to file a civil action of interpleader even though one or both of the owners of the allegedly interfering patents has not threatened the plaintiff with sufficient vigor to justify a declaratory judgment action? While the Xerox court's statement that "the congressional judgment embodied in the interference statute [i.e., 35 USC 291] should not be circumvented by an infringer or licensee without at least a

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Corp., \_\_\_ F.3d \_\_\_, \_\_\_, \_\_\_ USPQ2d \_\_\_, \_\_\_ (Fed. Cir. 2004), which explains yet another reason for preferring that at least one interference issue (inventorship) be decided by the board rather than by a district court.

<sup>16</sup> 359 F.2d 859, 149 USPQ 480 (CCPA 1996); and 424 F.2d 1108, 165 USPQ 255 (CCPA 1970).

substantial showing of harm from conflicting suits”<sup>17</sup> suggests that the answer is no, it is certainly not a holding in that regard.<sup>18</sup>

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<sup>17</sup> 314 F. Supp at 1190-91; 166 USPQ at 346; emphasis supplied.

<sup>18</sup> According to Neifeld, Viability of the Hilmer Doctrine, 81 JPTOS 544 (1999), at page 554:

that defense [i.e., that the asserted patent interferes with and is invalid over the licensed patent] is not likely to be effective. Cf. Xerox Corporation v. Nashua Corporation, 314 F. Supp. 1187, 166 USPQ 344 (D.C. S.N.Y. 1970). Moreover, asserting that defense requires the defendant either to wait to be sued or to have grounds to file a declaratory judgement action[,] neither of which is a very desirable situation.

However, Dr. Neifeld cites no authority for the proposition that “asserting that defense requires the defendant either to wait to be sued or to have grounds to file a declaratory judgement action....”