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A.C. Aukerman and the Federal Circuit: What is the Standard of Review for a Summary Judgment Ruling on Laches or Equitable Estoppel

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A.C. AUKERMAN AND THE FEDERAL CIRCUIT: WHAT IS THE STANDARD OF REVIEW FOR A SUMMARY JUDGMENT RULING ON LACHES OR EQUITABLE ESTOPPEL?

Standards are not self-actualizing . . . . The formulations do not say much until the appeals court, in discussion and application, gives them life.[1]

I. INTRODUCTION

In patent infringement suits, alleged infringers have long had available the equitable defenses of laches and equitable estoppel.[2] In 1992 the Court of Appeals for the Federal Circuit—the sole appellate court for patent cases[3]—sought to redefine and to clarify these defenses in *A.C. Aukerman Co. v. R.L. Chaides Construction Co.*[4] Sitting en banc, the Court sought not only to redefine the elements of equitable estoppel[5] but also to clarify the presumption of laches

1. STEVEN ALAN CHILDRESS & MARTHA S. DAVIS, FEDERAL STANDARDS OF REVIEW § 1.01, at 1-2 (2d ed. 1992).

2. *See* Gill v. United States, 160 U.S. 426 (1896); Lane & Bodley Co. v. Locke, 150 U.S. 193 (1893); Leggett v. Standard Oil Co., 149 U.S. 287 (1893); Wollensak v. Reiher, 115 U.S. 96 (1885); Mahn v. Harwood, 112 U.S. 354 (1884); 6 DONALD S. CHISUM, CHISUM ON PATENTS § 19.01, at 19-5, § 19.05, at 19-388 (1998); ROBERT L. HARMON, PATENTS AND THE FEDERAL CIRCUIT 340-50 (3d ed. 1994); Michael Barclay et al., *Equitable Defenses in Patent Cases*, 456 PLI/Pat 639, 666-93 (1996).

3. *See infra* notes 206-12 and accompanying text. Pursuant to 28 U.S.C. § 1338(a), federal district courts have original and exclusive jurisdiction "of any civil action arising under any Act of Congress relating to patents." *Id.*

4. 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

5. Under *Jamesbury Corp. v. Litton Indus. Prods., Inc.*, 839 F.2d 1544, 1553-55 (Fed. Cir. 1988), *cert. denied*, 488 U.S. 828 (1988), and subsequent Federal Circuit case law, one of the elements of equitable estoppel is unreasonable delay. However, the Court in *A.C. Aukerman* expressly overruled these cases on that point: "Unlike laches, equitable estoppel does not require the

arising from a prolonged delay in the filing of a patent infringement suit.[6] Additionally, in *A.C. Aukerman*, the Court set forth its standard of review for summary judgment rulings on these equitable defenses. With regard to this standard, the Federal Circuit stated:

> On appeal the standard of review of the conclusion of laches [or equitable estoppel] is abuse of discretion. . . .
>
> If the decision on laches [or equitable estoppel] is made on summary judgment, there must, in addition, be no genuine issues of material fact, the burden of proof of an issue must be correctly allocated, and all pertinent factors must be considered.[7]

Thus, the standard of review is a two-pronged test, employing first "de novo" and then "abuse of discretion" standards. Once the Federal Circuit has determined that there are no genuine issues of material fact under the "de novo" prong,[8] it then reviews, under the "abuse" prong, the district court's conclusion that the defendant met its burden in establishing the elements of a defense.

Nevertheless, stating that the Federal Circuit reviews a district court's conclusion under an abuse of discretion standard does not

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passage of an unreasonable period of time in filing suit." *Id.* at 1041-42.

6. For example, a number of pre-*Aukerman* Federal Circuit cases expressly state that although laches is an affirmative defense, the burden of persuasion on the issue of laches shifts to the patentee once the defendant establishes that the patentee delayed more than six years in filing suit. *See, e.g.*, Meyers v. Brooks Shoe, Inc., 912 F.2d 1459, 1461 (Fed. Cir. 1990); Sun Studs, Inc. v. ATA Equip. Leasing, Inc., 872 F.2d 978, 993 (Fed. Cir. 1989); *Jamesbury Corp.*, 839 F.2d at 1551-52; Hottel Corp. v. Seaman Corp., 833 F.2d 1570, 1572 (Fed. Cir. 1987); Bott v. Four Star Corp., 807 F.2d 1567, 1576 (Fed. Cir. 1986); Mainland Indus., Inc. v. Standal's Patents Ltd., 799 F.2d 746, 748 (Fed. Cir. 1986); Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 741-42 (Fed. Cir. 1984).

However, in *A.C. Aukerman*, the Federal Circuit clarified that a delay of more than six years merely creates a *rebuttable* presumption that does not shift the burden of persuasion: "[A]t all times, the defendant bears the ultimate burden of persuasion of the affirmative defense of laches." *Id.* at 1037-38.

7. *A.C. Aukerman*, 960 F.2d at 1039.

8. Often the Federal Circuit finds that there are genuine issues of material fact precluding summary judgment and thus reverses the grant of summary judgment before reaching the "abuse" prong. *See, e.g.*, Gasser Chair Co. v. Infanti Chair Mfg. Corp., 60 F.3d 770 (Fed. Cir. 1995); Stark v. Advanced Magnetics, Inc., 29 F.3d 1570 (Fed. Cir. 1994); Meyers v. Asics Corp., 974 F.2d 1304 (Fed. Cir. 1992); *A.C. Aukerman*, 960 F.2d at 1039.

necessarily inform litigants and appellate lawyers as to how the Federal Circuit conducts its review.[9] One must instead look to Federal Circuit case law surrounding summary judgment rulings on laches or equitable estoppel to determine what "discretion" means in this context. An appellate lawyer must understand the discretionary limits of the district court in order to articulate, on appeal, how the district court has or has not transgressed these limits.[10]

The primary objectives in this comment therefore are (1) to examine the Federal Circuit's application of this standard of review for a summary judgment ruling on laches or equitable estoppel and (2) to assess the fairness of this standard as applied. During the course of this inquiry, a number of questions arise. Does the Federal Circuit, under the abuse prong, tend to rubber stamp a district court's holding or does it engage in more stringent review? In other words, what are the contours of the district court's discretion? Is the Federal Circuit's approach desirable given Supreme Court case law[11] and the justifications for vesting a district court with discretion?[12]

To answer these and related questions, one needs a basic understanding of laches and equitable estoppel as well as a preliminary understanding of the review process in general. Also, one needs a familiarity with the abuse of discretion standard in addition to the other federal standards of review. Parts II, III, and IV of this comment attempt to provide the reader with this necessary background information.

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9. *See, e.g.*, RUGGERO J. ALDISERT, WINNING ON APPEAL: BETTER BRIEFS AND ORAL ARGUMENT § 5-10, at 67 (1992) ("As a jural concept discretion admits of some lack of precision, and formal definitions of the concept mark only the beginning and not the attainment of understanding.").

10. *See id.* at 72.

11. *See, e.g.*, General Elec. Co. v. Joiner, 118 S. Ct. 512 (1997) (opining that the hallmark of abuse of discretion review as applied to a district court's decision to exclude scientific evidence is true deference and not a more stringent level of review); Koon v. United States, 518 U.S. 81 (1996) (applying abuse of discretion standard for review of discretionary criminal sentencing decisions); Cooter & Gell v. Hartmarx Corp., 496 U.S. 384 (1990) (applying abuse of discretion standard to a district court's Rule 11 determinations), *superseded by rule on other grounds as stated in* Photocircuits Corp. v. Marathon Agents, Inc., 162 F.R.D. 449 (E.D.N.Y. 1995).

12. *See infra* Part VI.

After laying this groundwork, Part V reviews *A.C. Aukerman*, its standard of review, and all subsequent case law in which the Federal Circuit has affirmed a trial court's ruling under the abuse prong. Finally, after exploring how the Federal Circuit applies its standard, Parts VI and VII attempt to determine whether this application is desirable.

II. DEFENSES OF LACHES AND EQUITABLE ESTOPPEL: AN OVERVIEW

According to *A.C. Aukerman*, a laches defense is available to a defendant accused of infringing a patent when the patentee has inexcusably delayed for an unreasonable amount of time in filing an infringement suit and, as a result, has caused material prejudice to the alleged infringer.[13] Additionally, under *A.C. Aukerman*, equitable estoppel is available as a defense if the patentee has affirmatively communicated to the alleged infringer that it will not enforce its patent rights against said alleged infringer, and the alleged infringer has subsequently relied on this communication to its own detriment.[14]

Whether an equitable defense applies in an individual case depends on the particular facts of the case and falls to the sound discretion of the trial judge.[15] No mechanical rules govern a laches or equitable estoppel determination.[16] Consequently, even when the alleged infringer has sufficiently established the elements of a defense, the court may still decline to apply an equitable defense if it believes that equity so requires.[17] Moreover, the court may make

13. *See A.C. Aukerman*, 960 F.2d at 1032-33.

14. *See id.* at 1042-43.

15. *See id.* at 1028, 1032, 1041 (citing Jamesbury Corp. v. Litton Indus. Prods., Inc., 839 F.2d 1544, 1551, 1553 (Fed. Cir. 1988); Bott v. Four Star Corp., 807 F.2d 1567, 1576 (Fed. Cir. 1986); Leinoff v. Louis Milona & Sons, Inc., 726 F.2d 734, 741 (Fed. Cir. 1984)); *see also* PATRICIA N. BRANTLEY, PATENT LAW HANDBOOK 1996-97 Edition 159 ("[T]he application of laches is discretionary.").

16. *See A.C. Aukerman*, 960 F.2d at 1032 ("With its origins in equity, a determination of laches is not made upon the application of 'mechanical rules.'").

17. The court in *A.C. Aukerman* stated:

> Laches remains an equitable judgment of the trial court in light of all the circumstances. Laches is not *established* by undue delay and prejudice. Those factors merely lay the foundation for the trial court's exercise of discretion. Where there is evidence of other factors which would make it inequitable to recognize the defense despite undue de-

this determination during a defendant's pre-trial summary judgment motion on laches or equitable estoppel.[18]

Federal patent statutes do not create a time limit on the period in which a patentee is allowed to bring an infringement suit.[19] Since there is no statute of limitations, courts routinely apply the equitable doctrines of laches and estoppel as a way of balancing the equities.[20] Nevertheless, 35 U.S.C. § 286, based in law rather than equity, limits a patentee's recovery of infringement damages to those damages stemming from acts committed within the six-year period prior to the filing date of the infringement suit.[21] Although § 286 does not otherwise preclude a patentee's right to maintain an action, it does render unrecoverable any damages accruing more than six years before filing of the suit. Moreover, even within this six-year period, 35 U.S.C. § 282, based in equity, can further limit the recovery of accrued pre-filing damages when a laches or equitable estoppel defense appropriately applies to the underlying facts of the case.[22] Most

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lay and prejudice, the defense may be denied.

. . . .

Finally, the trial court must, even where the three elements of equitable estoppel are established, take into consideration any other evidence and facts respecting the equities of the parties in exercising its discretion and deciding whether to allow the defense of equitable estoppel to bar the suit.

Id. at 1036, 1043.

18. *See* Russell D. Slifer, Comment, *En Banc Ruling Bursts More than Bubbles in Patent Litigation:* A.C. Aukerman Co. v. R.L. Chaides Construction Co. *and its Impact*, 13 N. ILL. U. L. REV. 335, 336 (1993) ("Although these defenses are available during litigation, their true power rests in a motion for summary judgment . . . ."); *see also* Hon. Robert Holmes Bell, *Summary Judgment in the Federal Courts*, 69 MICH. B. J. 1038 (1990) (reviewing the current trend in federal courts to grant summary judgment more frequently).

19. *See* 3 PETER D. ROSENBERG, PATENT LAW FUNDAMENTALS § 17.06[1][d], at 17-76 (2d ed. 1997).

20. *See id.*

21. The statute provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action." 35 U.S.C. § 286 (1994).

22. Paragraph two of the statute reads:

The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded:

(1) Noninfringement, absence of liability for infringement or unenforceability,

(2) Invalidity of the patent or any claim in suit on any ground

notably, a determination of laches or equitable estoppel is independent of a § 286 determination: "Nothing in section 286 suggests that Congress intended by reenactment of this damage limitation to eliminate the long recognized defense of laches or to take away a district court's equitable powers in connection with patent cases."[23]

Laches, but not equitable estoppel, is a retroactive defense precluding only the recovery of pre-filing damages. Laches does not prevent the patentee either from recovering damages that have accrued after the filing of the complaint or from obtaining an injunction.[24]

A. Use of Laches

To invoke the equitable doctrine of laches, the defendant has the burden of proving two elements: (1) the plaintiff unreasonably and inexcusably delayed in bringing suit from the time it knew or should have known of its claim against the defendant; and (2) the delay operated to materially prejudice the defendant.[25] In determining whether laches is applicable—whether the patentee dealt unfairly with the alleged infringer in delaying suit—the trial judge must consider factors such as (1) the length of the delay, (2) the seriousness of the prejudice, (3) the reasonableness of the excuse, and (4) the conduct of the defendant.[26] As stated previously, no hard and fast rules

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specified in part II of this title as a condition for patentability,

(3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title,

(4) Any other fact or act made a defense by this title.

35 U.S.C. § 282 (1994).

The Federal Circuit noted that the patent laws recodified in 1952 specifically retained the equitable defenses (e.g., laches, estoppel, and unclean hands) in 35 U.S.C. § 282. *See A.C. Aukerman*, 960 F.2d at 1029 (citing P.J. Federico, *Commentary on the New Patent Law*, 35 U.S.C.A. 1, 55 (West 1954)); *accord* J.P. Stevens & Co. v. Lex Tex Ltd., 747 F.2d 1553, 1561 (Fed. Cir. 1984), *cert. denied*, 474 U.S. 822 (1985).

23. *A.C. Aukerman*, 960 F.2d at 1030.

24. *See id.* at 1040 (citing *Leinoff*, 726 F.2d at 741, for the proposition that "laches bars damages for a patent defendant's pre-filing infringement but not for post-filing damages or injunctive relief *unless* elements of estoppel are established") (emphasis added). As the court in *A.C. Aukerman* noted, equitable estoppel completely bars all relief on a claim. *See id.* at 1041.

25. *See id.* at 1032.

26. *See id.* at 1034 (stating that "a district court must weigh all pertinent

govern a laches determination. Hence, even if the defendant is successful in establishing the elements of laches, the trial judge may still deny the application of the doctrine based on the defendant's conduct.

Nonetheless, a delay of more than six years in filing suit creates a rebuttable presumption that such a long delay has solidly established the two basic elements of a laches defense.[27] In order to rebut this presumption, the plaintiff has the burden of producing evidence showing either (1) that its delay was nevertheless reasonable or (2) that its delay in fact did not materially prejudice the defendant.[28] Material prejudice can consist of economic prejudice occurring when the defendant suffers monetary loss by a harmful change in its economic position that an earlier suit could have prevented.[29] Additionally, material prejudice can be evidentiary prejudice—including loss of records and lack of memory—the type of evidentiary prejudice which prevents the defendant from presenting a "full and fair defense on the merits" and undermines the "court's ability to judge the facts."[30] Once the plaintiff, however, has introduced evidence sufficient to "burst the bubble" of presumption—raised genuine issues of fact—then the defendant has the burden of proving both elements of laches by a preponderance of the evidence.[31]

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facts and equities in making a decision on the laches defense").

27. *See id.* at 1037 (explaining that "[w]ithout the presumption, the two facts of unreasonable delay and prejudice might reasonably be inferred from the length of the delay, but not necessarily," however, "[w]ith the presumption, these facts *must* be inferred, absent rebuttal evidence"); *see also* Hemstreet v. Computer Entry Sys. Corp., 972 F.2d 1290, 1293 (Fed. Cir. 1992) (agreeing that unreasonable delay and prejudice must be inferred from the plaintiff's delay of more than six years but finding that the plaintiff had "burst" this presumption by introducing evidence sufficient to raise a genuine issue of fact).

28. *See A.C. Aukerman*, 960 F.2d at 1038.

29. *See id.* at 1033 (citing A.C. Aukerman Co. v. Miller Formless Co., 693 F.2d 697, 701 (7th Cir. 1982); American Home Prods. Corp. v. Lockwood Mfg. Co., 483 F.2d 1120, 1124 (6th Cir. 1973)); *see also* Meyers v. Asics Corp., 974 F.2d 1304, 1308 (Fed. Cir. 1992) (asserting that there must be a nexus between the prejudice suffered by the defendant and the delay in order to prove laches).

30. *A.C. Aukerman*, 960 F.2d at 1033.

31. *See id.* at 1037-38, 1045.

B. Use of Equitable Estoppel

To establish sufficiently an equitable estoppel defense, the alleged infringer has the burden of proving (1) that the patentee has already communicated to the alleged infringer either by its words, silence, or conduct that it would not enforce its patent rights against said alleged infringer; (2) that the alleged infringer has relied on this communication; and (3) that the alleged infringer, because of its reliance, would be materially prejudiced if the court allows the patentee to proceed with its claim.[32] Although laches has a rebuttable presumption based on a lapse of time, no such presumption exists for equitable estoppel.[33] Instead, conduct, rather than time, triggers an estoppel defense. Consequently, the defendant at all times carries the burden of proving the elements of equitable estoppel by a preponderance of the evidence regardless of any delay.[34]

Moreover, only actual evidence—not conclusory statements—can establish reliance, *i.e.*, can establish that the patentee's communication reasonably influenced the defendant to take certain action.[35] Reliance necessarily requires some type of relationship between the patentee and alleged infringer, a relationship whereby affirmative conduct on the part of the patentee lulls the alleged infringer into a false sense of security.[36]

Finally, unlike laches, estoppel serves as a complete bar to recovery.[37] Not only does this defense preclude all past and prospective recovery of damages, but it also renders an injunction unavailable as well.[38]

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32. *See id.* at 1041-43.

33. *See id.* at 1043.

34. *See id.* at 1042-43, 1046 (defining the elements of equitable estoppel and noting that the preponderance-of-the-evidence standard also applies to equitable estoppel, "absent special circumstances, such as fraud or intentional misconduct").

35. *See* Hall v. Aqua Queen Mfg., Inc., 93 F.3d 1548, 1558 (Fed. Cir. 1996).

36. *See A.C. Aukerman*, 960 F.2d 1020 at 1043.

37. *See id.* at 1041 (citing Jamesbury Corp. v. Litton Indus. Prods., Inc., 839 F.2d 1544, 1553 (Fed. Cir. 1988)).

38. *See id.*

III. PURPOSE OF APPELLATE REVIEW AND THE NEED FOR A STANDARD OF REVIEW

Before discussing the different federal standards of review, it is instructive to examine the review process in general. The purpose of appellate review is two-fold: (1) to provide litigants with the opportunity to correct errors made in a lower court and (2) to promote harmony and uniformity among the courts.[39] The error-correcting function of an appellate court, however, is not intended to produce trials that are error-free—only to correct errors that affect the substantial rights of the parties.[40] In addition, the procedural objectives of finality and efficiency influence the appellate process.[41] "Consequently, the law of appeal can be viewed as a fine balance of concern for correctness and uniformity of disposition on one hand, and efficiency and finality on the other."[42]

Considering the objectives of appellate review, a standard or intensity of review is absolutely required.[43] A standard of review is required to promote finality by ensuring that at some point the litigation will come to an end and to promote efficiency by ensuring that judicial resources are conserved.[44]

In order to fulfill these objectives, the standard or intensity of review needs to be adjusted according to the complexity and nature of the issue under consideration.[45] Issues that involve only factual

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39. *See* GENE R. SHREVE & PETER RAVEN-HANSEN, UNDERSTANDING CIVIL PROCEDURE 417 (2d ed. 1994); *see also* MARSHALL HOUTS ET AL., ART OF ADVOCACY-APPEALS § 1.11, at 1-42 to 1-45 (1990) (instructing that there are three types of appeals: (1) appeals to correct error, (2) appeals to make new law, and (3) appeals to amplify or clarify existing law). Harmony and uniformity are generated by a reviewing court when it clarifies existing law or creates new law for lower courts to apply.

40. *See* 28 U.S.C. § 2111 (1994); FED. R. CIV. P. 61.

41. *See* SHREVE & RAVEN-HANSEN, *supra* note 39, at 417.

42. *Id.* at 417-18.

43. Intensity means the degree to which the appellate court will or will not defer to the lower court's decision. *Id.* at 439.

44. *See id.* at 439-40. For example, an appropriate standard of review ensures that at some point the litigation will come to an end, regardless of the lack of certainty surrounding the issues. Likewise, where the trial court is as competent as the appellate court to decide a matter, an appropriate standard of review will result in deference to the trial court's decision and will discourage the number of appeals, thereby promoting judicial efficiency. *See id.*

45. *See id.* at 439.

determinations are best left for the trier of fact, who hears all the evidence, while issues that primarily deal with the application of law may be better suited for an appellate court which specializes in that particular area of the law.[46] Accordingly, the standard of review serves a review-limitation function:[47] It "describes the positive authority the appellate court wields in its review function,"[48] or in other words, the deference that the appellate court will confer on the decisions of a lower court.

Significantly, the particular standard of review "label" or "phrase" used by an appellate court in its review process affects the outcome of the case on appeal: It not only guides the petitioner in framing the issues for appeal but also helps to direct the appellate court in its examination of the trial court's earlier ruling. In fact, most circuits formally require both litigating parties to discuss the appropriate standard of review in the appeals brief,[49] and many judges who offer appellate tips advise that such standards be very carefully addressed on appeal.[50] From an appellant's point of view, knowing the appropriate standard *before* appeal certainly helps an appellant realistically evaluate its chances of success and to avoid long shots. Also, knowing the standard of review in advance of appeal helps all parties frame the issues so that they are better suited for resolution on appeal.[51] From an appellate court's point of view, knowing the standard of review beforehand helps the appeals court focus more quickly on what is important on appeal. All of these considerations help conserve not only time and money for all litigants involved but also judicial and societal resources as well.

Nevertheless, it is important to emphasize that a mere standard of review "label" may not clearly indicate what the appeals court is doing in practice. In reality, the court must actually apply the

46. *See id.*

47. *See* CHILDRESS & DAVIS, *supra* note 1, § 1.02, at 1-9 to 1-10.

48. *Id.* § 1.01, at 1-3.

49. *See, e.g.*, 3D CIR. R. 21(1)(A)(h); 9TH CIR. R. 28-2.5; 11TH CIR. R. 28-26(g).

50. *See* RUGGERO J. ALDISERT, *supra* note 9, at 58 ; CHILDRESS & DAVIS, *supra* note 1, § 1.02, at 1-20 to 1-21.

51. Standards of review "'indicate the decibel level at which the appellate advocate must play to catch the judicial ear.'" CHILDRESS & DAVIS, *supra* note 1, § 1.02, at 1-19 (citation omitted).

standard in order to define it: "'In law as elsewhere words of many-hued meanings derive their scope from the use to which they are put.'"[52]

Thus, for the most part, linguistically defining the standard determines how a reviewing judge will approach the issues on appeal and how an attorney must frame them in order to prevail. Nonetheless, phrasing the standard in a particular way does not necessarily communicate how the appellate court will actually review the issues. "Standards are not self-actualizing . . . . The formulations do not say much until the appeals court, in discussion and application, gives them life."[53]

IV. FEDERAL STANDARDS OF REVIEW: A BRIEF OVERVIEW

Before analyzing how the Federal Circuit has applied the standard of review set forth in *A.C. Aukerman*, it is helpful to survey the different federal review standards.

The four principal standards of review are (1) de novo, (2) clearly erroneous, (3) reasonableness, and (4) abuse of discretion. These standards represent the different levels of deference that an appellate court gives to trial court rulings.[54] "A standard of review is a shorthand way of describing approximately where on a continuum ranging from 100% substitution of judgment to total deference the intensity of review lies for a particular issue."[55] Each standard will briefly be considered in turn.

A. De Novo Standard

In de novo review, the appellate court makes its own determination based only on the record of the court below and freely substitutes its own judgment for that of the trial court.[56] Appellate courts apply the de novo standard mostly to "[q]uestions of statutory intent, sufficiency of a defense, adequacy of jury instructions, admission of evidence, and choice of law."[57] In addition, the grant or denial of

52. *Id.* § 1.02, at 1-16 (citation omitted).
53. *Id.* at 1-2.
54. *See* SHREVE & RAVEN-HANSEN, *supra* note 39, at 439-40.
55. *Id.* at 440.
56. *See id.* at 441.
57. *Id.*

certain motions—such as summary judgment, directed verdict, and judgment as a matter of law—also receives de novo review because such rulings involve judgment "'as a matter of law.'"[58] It is important to note that, depending on its context, a summary judgment ruling may involve more than a single standard of review. For example, the summary judgment ruling itself might be the result of a prior discretionary determination, such as an evidentiary ruling, that is reviewed for abuse of discretion.[59]

While de novo review usually means that the appellate court will make an independent determination of the issue on appeal, it does not mean that the appellate court will retry the entire case to make factual findings.[60] Rather, "de novo" signifies a standard which confers no *particular* deference to the trial court's conclusions. On de novo review, an appellate court may review not only the trial court's conclusions but also its legal analysis as well.[61] Since an appellate court that is engaged in de novo review is not at liberty to engage in factfinding, it will, of necessity, afford deference to a trial court's factual findings.[62]

B. Clearly Erroneous Standard

The clearly erroneous standard—which is applied to findings of fact made by the trial court[63]—gives substantial deference to the trial court's determination.[64] More clearly defined, the appellate court will set aside a trial court's findings only "when . . . the reviewing

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58. *Id.*

59. *See, e.g.*, General Elec. Co. v. Joiner, 118 S. Ct. 512 (1997) (holding that summary judgment was proper where the trial court did not abuse its discretion in excluding expert testimony).

60. *See, e.g.*, Bose Corp. v. Consumers Union, 466 U.S. 485, 514 n.31 (1984) (stating that de novo review does not mean "review of the ultimate judgment itself, in which a reviewing court makes an original appraisal of all the evidence").

61. "Any expertise possessed by the district court will inform the structure and content of its conclusions of law and thereby become evident to the reviewing court." Salve Regina College v. Russell, 499 U.S. 225, 232 (1991).

62. *See, e.g.*, Icicle Seafoods, Inc. v. Worthington, 475 U.S. 709, 713-14 (1986) (stating that if the appellate court believes the trial court's factual findings are clearly erroneous, it must remand to the trial court, rather than making its own factual findings).

63. *See* FED. R. CIV. P. 52.

64. *See* SHREVE & RAVEN-HANSEN, *supra* note 39, at 443.

court on the entire evidence is left with the definite and firm conviction that a mistake has been committed."[65] Furthermore, "conviction that a mistake has been committed" means that the trial judge has done something beyond simply making a choice between two plausible views of the evidence.[66] Nonetheless, an appellate court will necessarily engage in some reweighing of the evidence in order to determine whether or not a trial court has committed clear error.[67] Most appropriately, an "appellate court should affirm factfindings only after careful review of each individual claim and on-record support, since 'Congress surely did not intend Rule 52(a) to constrict as a Victorian corset, binding the courts of appeals to the findings of the district court absent a careful and fitting examination.'"[68]

C. Reasonableness Standard

Appellate courts apply a reasonableness standard, also a deferential standard, to jury verdicts and to determinations made by an administrative agency.[69] Appellate courts show deference to jury findings because "the jury's greater numbers should enhance its factfinding ability and dilute its biases, entitling its findings to greater weight on appeal."[70] Likewise, an administrative agency's expertise in a certain area entitles its findings to carry greater weight on appeal than findings made by a single judge who is not a specialist in that area.[71]

65. United States v. United States Gypsum Co., 333 U.S. 364, 395 (1948).

66. *See, e.g.*, Anderson v. Bessemer City, 470 U.S. 564, 573-74 (1985) ("If the district court's account of the evidence is plausible in light of the record viewed in its entirety, the court of appeals may not reverse it even though convinced that had it been sitting as the trier of fact, it would have weighed the evidence differently."); *see also* United States v. Yellow Cab Co., 338 U.S. 338, 341 (1949) ("[W]here the evidence would support a conclusion either way but where the trial court has decided it to weigh more heavily for the defendants[,] [s]uch a choice between two permissible views of the weight of the evidence is not 'clearly erroneous.'").

67. *See* CHILDRESS & DAVIS, *supra* note 1, § 2.05, at 2-35.

68. *Id.* at 2-36 (footnote omitted).

69. *See* SHREVE & RAVEN-HANSEN, *supra* note 39, at 444-45.

70. *Id.* at 444.

71. *See id.* at 445.

D. Abuse of Discretion Standard

Finally, the abuse of discretion standard cited by the Federal Circuit for its second prong in *A.C. Aukerman* is another deferential standard; and it varies in intensity depending on the nature of the discretionary issue.[72] "[T]here is no such thing as *one* abuse of discretion standard."[73] For example, the standard of review applied to a discretionary decision involving the date set for trial or the grant of a one-day continuance would seemingly not be the same standard applied to a discretionary decision involving the award of attorney fees.[74] Further complicating matters is the fact that even a single issue may deserve a varying standard of review; a "motion for new trial [] may get different deference under 'the' abuse of discretion standard depending on the basis for new trial argued."[75]

In the simplest understanding of the term, therefore, "discretion" refers to the latitude allowed a trial court in making a ruling where fixed rules of law are not rigidly binding.[76] Some courts may employ a broad definition of discretion by focusing on reasonableness[77] and hence by finding abuse "only where no reasonable man would take the view adopted by the trial court."[78] Proceeding with this

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72. *See* United States v. Criden, 648 F.2d 814, 817 (3d Cir. 1981) (denoting that "[t]he mere statement that a decision lies within the discretion of the trial court does little to shed light on its reviewability . . . [and] means merely that the decision is uncontrolled by fixed principles or rules of law") (citing Maurice Rosenberg, *Judicial Discretion of the Trial Court, Viewed from Above*, 22 SYRACUSE L. REV. 635, 636-43 (1971) [hereinafter Rosenberg, *Judicial Discretion*]); Henry J. Friendly, *Indiscretion About Discretion*, 31 EMORY L.J. 747, 762 (1982).

73. CHILDRESS & DAVIS, *supra* note 1, § 4.01, at 4-13.

74. *See id.* at 4-14 to 4-15.

75. *Id.*

76. As eloquently stated by the Court of Appeals for the Eighth Circuit:

> [W]hen we say that a decision is discretionary, or that a district court has discretion to grant or deny a motion, we do not mean that the district court may do whatever pleases it. The phrase means instead that the court has a range of choice, and that its decision will not be disturbed as long as it stays within that range and is not influenced by any mistake of law.

Kern v. TXO Prod. Corp., 738 F.2d 968, 970 (8th Cir. 1984).

77. *See* CHILDRESS & DAVIS, *supra* note 1, § 4.21, at 4-156.

78. Delno v. Market St. Ry., 124 F.2d 965, 967 (9th Cir. 1942); *accord* Verdegaal Bros., Inc. v. Union Oil Co., 750 F.2d 947, 952 (Fed. Cir. 1984) ("If reasonable men could differ as to the propriety of the action taken by the trial

definition, an appellate court gives great latitude to the trial judge and therefore seldom vacates discretionary decisions of the lower court. Cases in this category have involved criminal sentencing,[79] special verdict,[80] and *forum non conveniens*.[81]

At the other end of the discretion spectrum, an appellate court may overrule a lower court's discretionary ruling simply because it would have reached a different conclusion if more than one plausible conclusion could be drawn from the evidence.[82] As a result, even though the decision is committed to the sound discretion of the trial judge, an appellate court following this definition of discretion will refuse to put its stamp of approval on the lower court's ruling even though the lower court's ruling is plausible. Some cases decided in this manner have included those concerning declaratory[83] and default[84] judgments.

Finally, there are courts whose definition and application of the abuse of discretion standard fall in between the two extremes previously discussed. These courts state that a trial court's decision should remain undisturbed unless upon the whole record the reviewing court is left with "'a "definite and firm conviction" that the court below committed a clear error of judgment'" in the conclusion it reached.[85] Courts adopting this definition do more than question whether any "reasonable man would take the view adopted" but stop

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court, then it cannot be said that the trial court abused its discretion.") (quoting *Delno*, 124 F.2d at 967).

79. *See, e.g.*, Koon v. United States, 518 U.S. 81 (1996).

80. *See, e.g.*, Skidmore v. Baltimore & Ohio R.R., 167 F.2d 54 (2d Cir. 1948). For discussion of *Skidmore* as it relates to the issue of affording broad discretion to a trial court's decision, see Rosenberg, *Judicial Discretion*, *supra* note 72, at 651.

81. *See, e.g.*, Piper Aircraft Co. v. Reyno, 454 U.S. 235 (1981).

82. *See, e.g.*, New York Foreign Trade Zone Operators, Inc. v. State Liquor Auth., 34 N.E.2d 316 (N.Y. 1941). For discussion of this case as it relates to the narrow discretion afforded a trial court's decision, see Rosenberg, *Judicial Discretion*, *supra* note 72, at 651-52.

83. *See e.g.*, Long v. Long, 119 N.Y.S.2d. 341 (App. Div. 1953); Rosenwald v. Rosenwald, 73 N.Y.S.2d 710 (App. Div. 1947).

84. *See e.g.*, Bridoux v. Eastern Air Lines, Inc., 214 F.2d 207 (D.C. Cir. 1954).

85. Bandag, Inc. v. Al Bolser's Tire Stores, 750 F.2d 903, 917 (Fed. Cir. 1984) (quoting Playboy Enters., Inc. v. Baccarat Clothing Co., 692 F.2d 1272, 1275 (9th Cir. 1982)).

short of substituting their own judgment for that of the trial court's when more than one conclusion is plausible. Hence, this definition encourages an intermediate approach compared to the other two:

> It could be said, then, that in run-of-the-mill discretionary calls, review applies differently by the context, facts, and factors, but that many times the actual level of deference boils down to one similar to that used for the clearly erroneous rule. As a general proposition, then, abuse of discretion deference is closer to a clear error test than to the jury review test of irrationality.[86]

A point that ought to be made now—but one which will be revisited in Part VII—is that even under an abuse of discretion inquiry, an appeals court may review legal errors without any deference.[87] This is simply part of the appellate body's law-making function:

> [F]requently [the] factors and the relevant considerations [that are to be made by the district court] are to be specified by, and redefined in, the appellate body as part of its law-making function. They may be more like questions of law, rather than exercises of discretion, since the district court's decision should not control broadly how other judges would make this type of decision. That is, the question no longer is an application of personal judgment to supervisory facts and issues, but a broader legal determination of what facts and issue[s] should determine generically this category of overall choice. . . . [A question of] law should be substituted freely on appeal while [a question of] true discretion gets deference—both under an abuse of discretion label.[88]

To recapitulate, federal appellate courts have adopted four principal standards of review—de novo, clearly erroneous, reasonableness, and abuse of discretion. Usually, the nature of the matter reviewed dictates the use of one standard over another.

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86. CHILDRESS & DAVIS, *supra* note 1, § 4.21, at 4-163.
87. *See id.* § 4.01, at 4-10.
88. *Id.* § 4.01, at 4-3 to 4-5 (parentheses and footnotes omitted).

V. THE FEDERAL CIRCUIT'S STANDARD OF REVIEW FOR A SUMMARY JUDGMENT RULING ON LACHES OR EQUITABLE ESTOPPEL

Besides seeking to clarify the defenses of laches and equitable estoppel, the Federal Circuit in *A.C. Aukerman* also sought to define the standard of review for a grant of summary judgment on either defense.[89] The Federal Circuit stated that "[o]n appeal the standard of review of the conclusion of laches [or equitable estoppel] is abuse of discretion . . . [and] [i]f the decision . . . is made on summary judgment, there must, in addition, be no genuine issues of material fact."[90] Thus, according to *A.C. Aukerman,* the standard of review is a two-pronged test. Once the Federal Circuit has determined that there is no genuine issue of material fact,[91] it then reviews under the "abuse" prong the district court's conclusion that the defendant has met its burden of proof in establishing the elements of a defense.

It is under this second prong—the abuse prong—that questions arise: Where on the discretion spectrum does the Federal Circuit's approach fall? Does the Federal Circuit simply "rubber stamp" the trial court's holding? Indeed, the Supreme Court has opined that the hallmark of abuse of discretion review is true deference and not a more stringent level of review.[92]

One approach to answering these questions is to examine cases where one is likely to find that the Federal Circuit was deferential. In other words, the approach would be to examine all case law since *A.C. Aukerman* where the Federal Circuit has *affirmed* a district court's grant of summary judgment on laches or equitable estoppel.[93]

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89. Note that, in general, a denial of summary judgment is interlocutory and nonappealable. *See, e.g.*, Glaros v. H.H. Robertson Co., 797 F.2d 1564, 1573 (Fed. Cir. 1986).

90. A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1039 (Fed. Cir. 1992) (en banc).

91. *See supra* note 8 and accompanying text.

92. *See* General Elec. Co. v. Joiner, 118 S. Ct. 512, 517 (1997).

93. *See, e.g.*, Wanlass v. General Elec. Co., 148 F.3d 1334 (Fed. Cir. 1998) (affirming summary judgment on laches); Scholle Corp. v. Blackhawk Molding Co., 133 F.3d 1469 (Fed. Cir. 1998) (affirming summary judgment on equitable estoppel); Hall v. Aqua Queen Mfg., Inc., 93 F.3d 1548 (Fed. Cir. 1996) (vacating summary judgment on laches and equitable estoppel granted in favor of one defendant while affirming summary judgment on laches granted for seven other defendants); ABB Robotics, Inc. v. GMFanuc Robotics Corp., 52 F.3d 1062 (Fed. Cir. 1995) (affirming summary judgment on equitable

In affirming, did the Federal Circuit give true deference to the district court's conclusion, or did it make a more stringent inquiry? If it made a more stringent inquiry, is this appropriate in light of Supreme Court rulings regarding the application of an abuse of discretion standard?[94] Is this approach desirable given the reasons for vesting a district court with discretion?[95]

A. A.C. Aukerman Co. v. R.L. Chaides Construction

In *A.C. Aukerman Co. v. R.L. Chaides Construction*,[96] the patentee brought suit against the defendant for infringement of its patents relating to a method and device for creating concrete highway barriers.[97] The district court granted summary judgment against the patentee on the grounds that laches and equitable estoppel barred its claims.[98]

On appeal, the Federal Circuit clarified the elements of equitable estoppel and the laches presumption that arises after six years.[99] In particular, it held that unreasonable delay—an element of laches—was not an element of equitable estoppel.[100] Hence, the Federal Circuit expressly overruled prior cases on this point.[101] Also, the Federal Circuit clarified that the laches presumption, which arises after a delay of more than six years in filing a patent suit, is rebuttable and

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estoppel); Technology For Energy Corp. v. Computational Sys., Inc., Nos. 92-1542, 92-1551, 1993 WL 366350, 6 F.3d 788 (Table) (Fed. Cir. Sept. 21, 1993) (affirming summary judgment on laches).

94. *See, e.g.*, *General Elec. Co.*, 118 S. Ct. at 512 (1997) (holding that the abuse of discretion standard applied to a district court's decision to exclude scientific evidence); Koon v. United States, 518 U.S. 81 (1996) (applying abuse of discretion standard for review of discretionary criminal sentencing decisions); Cooter & Gell v. Hartmarx Corp., 496 U.S. 384 (1990) (applying abuse of discretion standard to a district court's Rule 11 determinations), *superseded by rule on other grounds as stated in* Photocircuits Corp. v. Marathon Agents, Inc., 162 F.R.D. 449 (E.D.N.Y. 1995).

95. *See infra* Part VI.

96. 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

97. *See id.* at 1026-27.

98. *See id.* at 1027.

99. *See id.* at 1039-44.

100. *See id.* at 1042.

101. *See id.*

does not shift the burden of persuasion.[102] Accordingly, the Federal Circuit expressly overruled prior cases suggesting otherwise.[103]

In addition, the Federal Circuit defined the standard of review for a summary judgment ruling on laches or equitable estoppel in the following manner:

> On appeal the standard of review of the conclusion of laches [or equitable estoppel] is abuse of discretion. *An appellate court, however, may set aside a discretionary decision if the decision rests on an erroneous interpretation of the law or on clearly erroneous factual underpinnings. If such error is absent, the determination can be overturned only if the trial court's decision represents an unreasonable judgment in weighing relevant factors. . . .*
>
> If the decision on laches is made on summary judgment, there must, in addition, be no genuine issues of material fact, the burden of proof of an issue must be correctly allocated, and all pertinent factors must be considered.[104]

In applying the above standard to the district court's conclusion of laches and equitable estoppel, the Federal Circuit held that summary judgment was improper on both defenses for a number of reasons. For the finding of laches, the Federal Circuit held that the district court had misapplied the presumption by shifting the burden of persuasion to the patentee.[105] Also, the district court had improperly resolved a material issue against the patentee by finding that the defendant's conduct did not disrupt the laches period.[106] In particular, the defendant's conduct changed during the delay period: It began manufacturing its own device and greatly increased the amount of concrete wall it poured.[107] This conduct was a relevant factor in finding the patentee's delay unreasonable, and thus resolving this issue against the patentee was inappropriate on summary judgment.[108]

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102. *See id.* at 1035-58.
103. *See id.* at 1038-39.
104. *Id.* at 1039 (emphasis added).
105. *See id.*
106. *See id.*
107. *See id.*
108. *See id.*

For the finding of equitable estoppel, the Federal Circuit held that the district court had drawn unfavorable inferences against the patentee.[109] Whether the patentee's correspondence and later silence would have led one in the defendant's position to infer that the patentee did not intend to assert its patent rights was a material issue that should not have been resolved against the patentee on summary judgment.[110]

B. Application of the Standard: Cases Affirmed on Appeal

It is no surprise that when the Federal Circuit has reversed or vacated a grant of summary judgment on laches or equitable estoppel,[111] it engaged in plenary review rather than deferring to the district court's conclusions. In these cases the Federal Circuit held that genuine issues of material fact precluded summary judgment. There were either genuine issues regarding the conduct of the parties or genuine issues as to how the inferences should be drawn. Either way, a grant of summary judgement was improper.[112] But what has the Federal Circuit done in those cases where it *affirmed* a grant of summary judgment? Did it simply "rubber stamp" the lower court's determination under the abuse inquiry? In other words, what are the contours of the district court's exercise of this discretion?

The following five cases, instructive on this score, indicate that even when affirming the district court after an abuse inquiry, the Federal Circuit engages in plenary review to determine whether the district court has "abused" its discretion. In other words, it engages in plenary review to determine whether the district court based its conclusion on "an erroneous interpretation of the law or on clearly erroneous factual underpinnings," or unreasonably weighed relevant

109. *See id.*

110. *See id.* at 1039, 1043-44.

111. *See, e.g.*, Gasser Chair Co. v. Infanti Chair Mfg. Corp., 60 F.3d 770 (Fed. Cir. 1995); Stark v. Advanced Magnetics, Inc., 29 F.3d 1570 (Fed. Cir. 1994); Meyers v. Asics Corp., 974 F.2d 1304 (Fed. Cir. 1992); A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020 (Fed. Cir. 1992) (en banc).

112. *See* Meyers v. Brooks Shoe Inc., 912 F.2d 1459, 1461-62 (Fed. Cir. 1990) (stating that factual disputes are not to be resolved on summary judgment), *overruled on other grounds by* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1038-39 (Fed. Cir. 1992) (en banc).

factors.[113] This plenary review is therefore a more stringent standard of review than that afforded by true deference and serves to limit a district court's discretion.

1. *Wanlass v. General Electric Co.*

The most recent case in which the Federal Circuit has affirmed the grant of summary judgment on laches is *Wanlass v. General Electric Co.*[114] The patentee in *Wanlass* brought suit against GE for infringement of its single-phase electric motor patent, and the district court ruled in favor of the defendant's summary judgment motion on laches.[115]

On appeal, the Federal Circuit upheld the district court's finding that Wanlass had constructive knowledge of the alleged infringement more than six years prior to filing suit, and therefore the *Aukerman* presumption applied.[116] The Federal Circuit relied upon the following facts to ascertain whether the district court abused its discretion in finding constructive knowledge: (1) there were prior dealings between the parties concerning this invention, namely negotiations for a license and claims of patent invalidity; (2) the defendant engaged in the "open and notorious sale of easily testable products"; and (3) once the plaintiff tested the defendant's products, it easily found infringement.[117]

The Federal Circuit rejected the evidence proffered by the patentee to overcome the presumption of unreasonable delay and prejudice.[118] Specifically, as to the reasonableness of the delay, the court conducted a plenary review of the record and rejected the patentee's arguments that testing defendant's products would have been too burdensome[119] or that the defendant's lack of understanding of the invention justified the delay.[120]

Also, the Federal Circuit stated that the appellants had "fail[ed] to rebut the presumption of prejudice because they did not offer

113. *See A.C. Aukerman*, 960 F.2d at 1039.
114. 148 F.3d 1334 (Fed. Cir. 1998).
115. *See id.* at 1336.
116. *See id.* at 1340.
117. *See id.* at 1339-40.
118. *See id.* at 1340.
119. *See id.* at 1339.
120. *See id.* at 1340.

credible evidence that GE suffered no prejudice."[121] In coming to this conclusion, the Federal Circuit assessed whether the patentee had demonstrated a lack of evidentiary prejudice by pointing to the defendant's policy of disposing of old products.[122] The Court concluded that the patentee had not.[123]

Whatever one's opinion is regarding the Federal Circuit's holding in this case,[124] it is indisputable that the Federal Circuit did not simply defer to the district court's conclusions. In fact, the Federal Circuit barely even mentioned the district court's analysis. Rather, the Federal Circuit weighed the evidence and made its own determination on laches.

2. *Scholle Corp. v. Blackhawk Molding Co.*

In another case on point, *Scholle Corp. v. Blackhawk Molding Co.*,[125] the patentee filed suit against the defendant for making valved bottle caps that allegedly infringed its patent.[126] Defendant in turn filed a motion for summary judgment on equitable estoppel.[127] The district court—finding that the defendant had established all elements of equitable estoppel—granted the motion.[128]

Without providing any analysis, the Federal Circuit began its opinion by stating that there were no genuine issues of material fact; and it would therefore review the equitable estoppel finding under the abuse of discretion prong.[129] Thus, it would determine, under the abuse prong, whether the defendant had failed to satisfy two of the three elements of estoppel as alleged by the patentee.[130] Specifically, the patentee contended that it had not misled the defendant and

121. *Id.*
122. *See id.*
123. *See id.*
124. *See id.* at 1341-43 (Rader, J., dissenting).
125. 133 F.3d 1469 (Fed. Cir. 1998).
126. *See id.* at 1470.
127. *See id.* at 1471.
128. *See id.*
129. *See id.* ("Here, we find no infirmity in the district court's determination that there was no genuine issue of material fact. Accordingly, we turn to the holding of equitable estoppel.").
130. *See id.* at 1472-73.

furthermore that the defendant had not relied on the patentee's conduct.[131]

With its own analysis of the undisputed facts, the Federal Circuit explained how the patentee's conduct was misleading, and why the factors emphasized by the patentee did not bar such a finding.[132] In particular, the patentee had a duty to speak in light of (1) numerous infringement discussions between the parties and (2) the patentee's knowledge that the defendant considered its cap a "non-infringing design-around product."[133] The Federal Circuit also dismissed—though in a more deferential fashion—the patentee's argument that its ongoing litigation with a third party was evidence that its conduct was not misleading, *i.e.*, evidence that it did not intend to waive its patent rights.[134] While acknowledging that ongoing litigation can be a factor in an estoppel defense, the Federal Circuit noted that the district court did not err by affording this factor little weight.[135]

As to the finding of reliance, the Federal Circuit stated that defendant's tardiness in obtaining a written opinion of noninfringement did not refute such a finding, nor did the fact that defendant began test marketing its product before it communicated with the patentee.[136]

While the Federal Circuit's approach in *Scholle* may have been more deferential than that taken in *Wanlass*,[137] its approach nevertheless was plenary in nature. The Federal Circuit did more than merely state that the district court's conclusions were plausible and therefore should not be disturbed.

3. *Hall v. Aqua Queen Manufacturing, Inc.*

In *Hall v. Aqua Queen Manufacturing, Inc.*,[138] the patentee sued eight defendants for infringement of its waterbed patent.[139] On summary judgment, the district court ruled that the patentee's claims

131. *See id.* at 1472.
132. *See id.*
133. *Id.* at 1472.
134. *See id.* at 1472-73.
135. *See id.*
136. *See id.* at 1473.
137. *See id.* at 1472-73 (discussing the ongoing litigation factor).
138. 93 F.3d 1548 (Fed. Cir. 1996).
139. *See id.* at 1552.

were barred for failure to rebut the presumption of laches, which had been established by its delay in filing suit for more than six years.[140]

> The *Aukerman* presumption places a burden of production on the patentee. . . . This burden of production relates to both the excusability of the delay and the lack of prejudice resulting from the delay. Importantly, where the patentee fails to meet this burden of production by coming forward with *either* affirmative evidence of a lack of prejudice *or* a legally cognizable excuse for its delay in filing suit, the two facts of unreasonable delay and prejudice "*must* be inferred."[141]

On appeal, the Federal Circuit found summary judgment to be appropriate for seven defendants because the patentee had presented no evidence that could lead a rational trier of fact to find in its favor.[142] The patentee had failed to offer a legally cognizable excuse for its delay and had failed to offer *any* evidence that the delay was not prejudicial to the defendants.[143] Notably, however, the patentee had offered three excuses for its delay—poverty, inability to find legal representation, and ongoing litigation.[144] Nonetheless, the Federal Circuit, citing numerous case law rather than the district court's conclusions, stated that the first two excuses were not legally cognizable.[145]

With regard to the final excuse—the pendency of ongoing litigation with an outside party—the Federal Circuit stated that the facts of *Hall* justified the district court's conclusion that this excuse was also not legally cognizable.[146] The district court rejected the excuse proffered by the patentee because the patentee had not informed any of the defendants that it planned to sue them next.[147] On this issue, the Federal Circuit stated that, although there is no rigid notice requirement for an "ongoing litigation" excuse, there are times when prior contacts between the parties do require such a notice for the

140. *See id.*
141. *Id.* at 1553-54.
142. *See id.* at 1552-53.
143. *See id.*
144. *See id.* at 1553.
145. *See id.* at 1554.
146. *See id.*
147. *See id.*

excuse to be legally cognizable.[148] The Federal Circuit thought *Hall* to be one such occasion: "Hall contends that such notice was unnecessary.... We are not persuaded."[149]

Finally, the Federal Circuit addressed the patentee's claim that the district court had abused its discretion in applying the laches defense because the equities weighed in favor of the patentee; the patentee asserted that defendants had engaged in willful infringement and therefore ought to be denied the laches defense even if they could establish the elements.[150] In addressing this issue, the Federal Circuit meticulously presented the evidence that undermined the patentee's argument for willful infringement.[151] It pointed to invalidity opinion letters relied on by the defendants and to a lack of evidence regarding an industry-wide conspiracy.[152] "[N]either of Hall's contentions regarding the district court's final weighing of the equities on laches is persuasive. Certainly, the district court's weighing of the equities was within its discretion, *i.e.,* was not manifestly unreasonable."[153]

Again, in *Hall,* as in the previously discussed cases, the Federal Circuit conducted a full analysis regarding the laches defense and came to its own conclusion that the application of laches was appropriate in this case.

4. *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*

In another case, *ABB Robotics, Inc. v. GMFanuc Robotics Corp.*,[154] the patentee brought suit against an alleged infringer of a robot arm patent, and the district court granted defendant's summary judgment motion on equitable estoppel.[155] On appeal, the patentee argued that the three elements of estoppel had not been satisfied; but for each element the Federal Circuit explained why the patentee's arguments were not persuasive.[156] First, the patentee had engaged in

148. *See id.*
149. *Id.*
150. *See id.*
151. *See id.* at 1555.
152. *See id.*
153. *Id.*
154. 52 F.3d 1062 (Fed. Cir. 1995).
155. *See id.* at 1063.
156. *See id.* at 1064-65.

misleading conduct because it discussed the possibility of infringement with the defendant, but neither threatened suit nor did anything further for over five years.[157] Second, the defendant had relied on the patentee's conduct because, even after the defendant asserted that it did not infringe, the patentee continued business relations with the defendant by granting licenses for other patented inventions.[158] Finally, the defendant's reliance was prejudicial because it continued marketing and development in the field of the invention instead of modifying its behavior as it had done for other inventions belonging to the patentee.[159]

Accordingly, after an independent review of the record, the Federal Circuit agreed with the trial court that the defendant had satisfied each element of estoppel and therefore summary judgment had been proper: "Because the trial court *correctly* found that [defendant] proved each of the elements of estoppel and because no other evidence or facts respecting the equities of the parties precludes the application of estoppel in this case, the trial court's grant of summary judgment based on estoppel is affirmed."[160] Thus, in coming to the conclusion that the district court's estoppel determination was "correct," the Federal Circuit did more than simply defer to the district court.

5. *Technology for Energy Corp. v. Computational Systems, Inc.*

Finally, in *Technology for Energy Corp. v. Computational Systems, Inc.*,[161] the patentee of a vibration monitoring device filed suit against the defendant for patent infringement. The defendant moved for summary judgment on the issue of laches, and the district court granted its motion.[162]

On appeal, the patentee asserted that the defendant did not establish the elements of laches.[163] Namely, the patentee argued that the district court improperly imputed knowledge of infringement to

157. *See id.* at 1064.
158. *See id.*
159. *See id.* at 1065.
160. *Id.* (emphasis added).
161. Nos. 92-1542, 92-1551, 1993 WL 366350, 6 F.3d 788 (Table) (Fed. Cir. Sept. 21, 1993).
162. *See id.* at *1.
163. *See id.* at *7.

the patentee and failed to take the patentee's financial situation into account.[164] Furthermore, the patentee contended that the district court's decision was based on an erroneous factual underpinning and that the defendant had failed to establish reliance.[165]

The Federal Circuit explained that the district court did not abuse its discretion in finding unreasonable delay, even if the district court's decision rested on an erroneous factual underpinning, as claimed by the patentee.[166] Specifically, the Court stated that there was enough evidence to support a finding that the patentee knew of the infringement at least four years before filing suit.[167] Also, the patentee's financial situation in no way prohibited it from bringing an earlier infringement suit.[168]

Moreover, the Federal Circuit was "convinced" that the defendant had met its burden in establishing prejudice because it considerably expanded its business operations during the delay period after obtaining advice from outside counsel on infringement.[169]

This opinion, an unpublished one, is by far the most deferential of all the opinions previously discussed. Nevertheless, the Federal Circuit was "convinced" that the elements of laches had been established, despite the fact that the district court's decision quite possibly rested on an erroneous factual determination. The fact that this was an unpublished opinion may explain the lack of analysis conducted by the Court as compared to the other cases.

C. Conclusion

Accordingly, when the Federal Circuit has affirmed a summary judgment ruling on laches or equitable estoppel under an abuse inquiry, it has done so only after making an independent determination of whether the elements of a defense have been properly established. In each case discussed above, the Federal Circuit did not merely "rubber stamp" the district court's conclusions by stating that these

164. *See id.*
165. *See id.*
166. *See id.*
167. *See id.* The Court did not provide any analysis as to why this four-year delay was unreasonable, except to the extent that there was no excuse at all.
168. *See id.*
169. *See id.* at *8.

conclusions were plausible and therefore should not be disturbed. Rather, the Federal Circuit engaged in some form of plenary review—reweighing of the evidence—to make its own determination regarding the application of laches or equitable estoppel. This form of review ensures that the district court's legal conclusion is not plagued by an erroneous view of the law, a clearly erroneous assessment of the evidence, or an unreasonable judgment in weighing relevant factors. Consequently, the contours of a district court's exercise of discretion do not appear to be indiscriminate or unaccountably broad. Whether this degree of deference—or lack thereof—is both legitimate and desirable is a topic to be considered in the next section. What justifications are there for the Federal Circuit's approach? In order to answer this question, one must first consider the overall justifications for an abuse of discretion standard as compared to a de novo standard.

VI. ABUSE OF DISCRETION VERSUS DE NOVO: JUSTIFICATION FOR THE STANDARD

A. Justification for Abuse of Discretion Review

Our legal system confers discretionary power on trial judges for several reasons. The most obvious reason arises from the very nature of the relationship between a trial judge and the parties in a dispute. A trial judge has a superior opportunity to observe the evidence[170] and the credibility of witnesses firsthand and thus is able more accurately to "get a feel for the case."[171] Also, the trial court may have an institutional advantage over the appellate court in terms of the

170. Evidence can include that which might be inadmissible at trial, such as evidence presented in settlement conferences and other pretrial activities.

171. Cone v. West Virginia Pulp & Paper Co., 330 U.S. 212, 216 (1947); *see also* United States v. Criden, 648 F.2d 814, 817-18 (3d Cir. 1981) (describing the importance of trial court discretion when the decision depends on direct observation of the litigation); Friendly, *supra* note 72, at 759 (discussing the deference given to the trial court's factual determinations on appellate review); Maurice Rosenberg, *Appellate Review of Trial Court Discretion*, 79 F.R.D. 173, 182-83 (1975) [hereinafter Rosenberg, *Appellate Review*] (describing the "you are there" reason for appellate deference to the trial court's ruling in appropriate circumstances); Rosenberg, *Judicial Discretion*, *supra* note 72, at 663 (noting that the trial judge observes and perceives more than an appellate court and therefore has much discretion in many areas).

volume of cases that it routinely decides which involve a particular issue.[172]

Another reason arises from the impracticability of devising a single rule of law to cover all possible scenarios of a given situation which a trial judge will confront.[173] The Supreme Court found this to be a particularly compelling reason for using an abuse of discretion standard in reviewing a trial court's award of attorney fees under the Equal Access to Justice Act (EAJA).[174] In that instance, the Supreme Court asked whether the question in issue is amenable to generalization or is instead diverse and "likely to profit from the experience that an abuse-of-discretion rule will permit to develop."[175]

Although surely more secondary in nature, other reasons for limiting appellate review are cited by legal scholars: judicial economy, finality, and morale.[176] Appellate courts already have more cases than they can expeditiously handle, and letting the final word rest in the hands of the trial court helps to establish a certain sense of order and finality. A litigant expecting an appellate court to uphold the trial court's ruling on appeal is less likely to challenge every unfavorable decision; hence, when discord arises, the trial judge can more quickly restore order and tranquility.[177] Likewise, limiting appellate review assists in preserving the morale of trial judges. A trial judge who fears that "appellate Big Brothers" are watching with a critical eye and are prepared to overrule every trial court decision can become dispirited.[178]

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172. *See, e.g.*, Koon v. United States, 518 U.S. 81, 98-99 (1996) (dealing with a trial court's criminal sentencing discretion). For example, the Court remarked that since a clear majority of Guidelines cases are disposed of in district courts (93.9% of Guidelines cases were never appealed in 1994), district courts have an institutional advantage over appellate courts. *See id.*

173. *See, e.g.*, Friendly, *supra* note 72, at 760; Rosenberg, *Appellate Review*, *supra* note 171, at 181; Rosenberg, *Judicial Discretion*, *supra* note 72, at 662 ("Many questions that arise in litigation are not amenable to regulation by rule because they involve multifarious, fleeting, special, narrow facts that utterly resist generalization . . . .").

174. *See* Pierce v. Underwood, 487 U.S. 552 (1988).

175. *Id.* at 562.

176. *See* Rosenberg, *Judicial Discretion*, *supra* note 72, at 660-62.

177. *See id.* at 661-62.

178. *See id.* at 661. The concern of demoralizing trial judges by appellate review was aptly presented by Judge Magruder in *The Trials and Tribulations of an Intermediate Appellate Court*:

Perhaps more to the point than any of the other reasons for vesting the adjudicator with discretion is the rationale that flexibility of the law best carries out policy goals. Lee Decker proffers such an explanation in his analysis of Rule 11 sanctions.[179] The principle purpose of Rule 11 is to deter conduct that will frustrate the aims of Rule 11, which are "to secure the just, speedy, and inexpensive determination of every action."[180] Decker notes that parties would more likely appeal a denial of Rule 11 sanctions if Rule 11 determinations were subject to de novo review rather than abuse of discretion review.[181] A litigant who carries the heavy burden of proving that the trial court committed "clear error" is more likely to be discouraged from appealing than one who seeks an appeal under de novo review.[182] Thus, unlike the appeal incentives that de novo review may possibly create, the prospect of an abuse of discretion review may actually prevent unnecessary and costly litigation.[183]

B. Justification for De Novo Review

Countervailing considerations give rise to several reasons for applying a de novo standard. First, a litigant in a trial court faces a single judge whose assessments may be uniquely biased or colored. Appellate review, on the other hand, consists of a panel of judges rather than one single judge. This collegiality of an appellate panel helps to "curtail decisions based on impermissible factors."[184]

> As to the trial judges, we must always bear in mind that they may be as good lawyers as we are, or better. They are under the disadvantage of often having to make rulings off the cuff, so to speak, in the press and urgency of a trial proceeding .... Hence, we should approach our task of judicial review with a certain genuine humility. We should never unnecessarily try to make a monkey of the judge in the court below, or to trespass on his feelings or dignity and self-respect.

44 CORNELL L.Q. 1, 3 (1958).

179. *See* D. Lee Decker, Note, *Appellate Review of Rule 11 Issues—De Novo or Abuse of Discretion?* Thomas v. Capital Security Services, Inc., 1989 BYU L. REV. 877.

180. FED. R. CIV. P. 1; *see also* FED. R. CIV. P. 11 advisory committee's note (describing the 1983 amendment which seeks to remedy abuses by "building upon and expanding" courts' abilities to award expenses).

181. *See* Decker, *supra* note 179, at 887.

182. *See id.*

183. *See id.*

184. Friendly, *supra* note 72, at 757 ("I am not thinking of the rare cases of

In addition, an appellate panel typically has more time and resources at its disposal for adjudicating disputes, which usually become more sharply focused on appeal.[185] Still another reason for recommending de novo review is tradition: History favors de novo review because the right to appeal has long been part of our nation's judicial process even though the Constitution does not explicitly guarantee this right.[186]

Finally, de novo review can promote uniformity and predictability in the application of laws that an abuse of discretion standard cannot.[187] De novo review breeds uniformity by providing an appellate court with the opportunity to review the record anew and to reverse the trial court on any inconsistency it finds in applications of the law. With over 500 trial judges in the federal circuit courts of appeal as of 1982 and limited Supreme Court review,[188] clearly uniformity and predictability are of concern in discretionary matters. Nevertheless, complete uniformity is understandably an unattainable goal since the thirteen circuit courts of appeal each have an uncertain number of panels, which are themselves inconsistent in applying the law.

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venality or of prejudice in its most pejorative sense, but rather of the subconscious mind-set from which few judges are immune.").

185. *But see id.* Judge Friendly points out that, in reality, appellate courts are often as crunched for time as trial courts and therefore may not have more time available for research and deliberations than that available at the trial level. *See id.*

186. *See id.* at 756; Rosenberg, *Judicial Discretion*, *supra* note 72, at 641-42 ("[U]nreviewable discretion offends a deep sense of fitness in our view of the administration of justice. We are committed to the practice of affording a two-tiered or three-tiered court system, so that a losing litigant may obtain at least one chance for review of each significant ruling made at the trial-court level.").

187. *See* KENNETH CULP DAVIS, DISCRETIONARY JUSTICE: A PRELIMINARY INQUIRY 107 (1969) (discussing how the widening of discretion on appeal can help to "locate the optimum degree of binding effect of precedents"); *see also* Friendly, *supra* note 72, at 758 ("[T]he most basic principle of jurisprudence [is] that 'we must act alike in all cases of like nature.'") (quoting Ward v. James, 1 Q.B. 273, 294 (C.A. 1966), which is quoting Lord Mansfield in Rex v. Wilkes, 98 Eng. Rep. 327, 335 (1770)).

188. *See* Friendly, *supra* note 72, at 758.

VII. JUSTIFICATION FOR THE STANDARD AS APPLIED

Based on the foregoing discussion regarding the justifications behind the de novo and abuse standards, it is clear why equitable defenses, such as laches and equitable estoppel, are committed to the sound discretion of the trial judge—(1) the close relationship between the trial judge and the parties and (2) the unique facts of each case that are necessary to establish the elements of the equitable defense. Regardless, there are several compelling justifications for limiting the contours of this discretion—particularly on summary judgment—and for permitting the Federal Circuit to engage in plenary review of the record for ascertaining whether an abuse has been committed.

A. Position of the Appellate Court

A major justification offered for applying an abuse of discretion standard in the laches and equitable estoppel contexts is the district court's intimate familiarity with the case and its evidence.[189] On summary judgment, however, the district court usually does not have available any more evidence than the appellate court will have on appeal. For instance, on summary judgment the district court does not weigh the testimony of witnesses for credibility, nor does it make findings of fact.[190] Moreover, the argument that trial courts are generally more familiar than appellate courts with the question at issue because they hear more cases dealing with that issue—an argument made by the Court in *Koon*[191]—does not apply to patent cases since there is only one appellant court for patent cases—the Court of Appeals for the Federal Circuit. In fact, Congress created the Federal Circuit as the sole appellate court for patent cases in order to harmonize patent law decisions among district courts.[192] Understandably, the Federal Circuit is actually *more familiar* than the district courts with patent law questions raised on appeal because of its specialization in patent law and the sheer number of cases it reviews on appeal.

189. *See supra* Part VI.

190. *See, e.g.*, 10 CHARLES ALAN WRIGHT ET AL., FEDERAL PRACTICE AND PROCEDURE § 2712, at 574-78 (2d ed. 1983).

191. *See supra* note 172 and accompanying text.

192. *See infra* notes 206-12 and accompanying text.

B. Goals of the Equitable Defenses and of Summary Judgment

The purposes of laches and equitable estoppel—even in a summary judgment context—also support a more searching standard of review. As stated in *A.C. Aukerman*, the primary purpose of laches is finality: "[Laches] assures that old grievances will some day be laid to rest . . . [which] [i]nevitably . . . means that some potentially meritorious demands will not be entertained[,] . . . [b]ut there is justice too in an end to conflict and in the quiet of peace."[193] The primary principle governing equitable estoppel, on the other hand, is ethicality, *i.e.*, morality: "'The vital principle is that he who by his language or conduct leads another to do what he would not otherwise have done, shall not subject such person to loss or injury by disappointing the expectations upon which he acted.'"[194]

To this end, to achieve both finality and ethicality, a district court must view the facts of the case and make a discretionary decision regarding laches or equitable estoppel. However, when this decision is made on summary judgment, the contours of this discretion are altered by the very fact that this is a summary judgment proceeding.

The primary goal of summary judgment is to determine expeditiously the merit of claims and defenses so that unmeritorious claims do not bring about unnecessary expense and delay to the defending party.[195] Since a grant of summary judgment denies a litigant its day in court as a matter of law, such litigant ought to be afforded an opportunity for the correction of legal errors and of decisions based on erroneous facts. Therefore, the Supreme Court has made clear that the appropriate standard of review for a grant of summary judgment is de novo.[196] Anything less than de novo review could have the deleterious effect of eliminating meritorious claims.[197]

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193. A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1029 (Fed. Cir. 1992) (en banc) (citation omitted).

194. Mahoning Inv. Co. v. United States, 3 F. Supp. 622, 629 (Ct. Cl. 1933) (quoting Dickerson v. Colgrove, 100 U.S. 578, 580 (1879)).

195. *See* FED. R. CIV. P. 56 advisory committee's note.

196. *See* United States v. Diebold, Inc., 369 U.S. 654, 655 (1962). Indeed, the Federal Circuit has also acknowledged that the appropriate standard of review for all summary judgment rulings is de novo. *See, e.g.*, Cohen v. United States, 995 F.2d 205, 207 & n.9 (Fed. Cir. 1993) (stating that "[t]he question of the propriety of summary judgment itself is subject to complete and independ-

Likewise, when a laches or equitable estoppel determination is made on summary judgment, a litigant—who has lost its day in court—ought to have the opportunity for review under the more searching, de novo, standard. To be sure, summary judgment rulings involving laches or equitable estoppel are potentially prone to factual errors since these defenses are highly fact-intensive and since fact-finding that involves the resolution of factual disputes is entirely inappropriate on summary judgment.[198]

Moreover, even though a reviewing court typically affords great deference to factual matters,[199] this does not mean that the Federal Circuit owes any more deference to a laches or equitable estoppel determination than is owed to other summary judgment rulings.[200] Summary judgment rulings that involve issues arguably more factual in nature than laches or estoppel—such as negligence[201] or the reasonableness of a police officer's actions[202]—are reviewed on a de

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ent review by the Federal Circuit"); Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 1245 (Fed. Cir. 1993) (holding that "[i]n reviewing a grant or denial of summary judgment, [the Federal Circuit] must make an independent determination as to whether the standards of Rule 56(c) have been met").

197. "The purpose of Rule 56 is to avoid an unnecessary trial, but it must be used carefully because an improper grant of summary judgment 'may deny a party a chance to prove a worthy case.'" Meyers v. Brooks Shoe, Inc., 912 F.2d 1459, 1461 (Fed. Cir. 1990) (citations omitted), *overruled on other grounds by* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1038-39 (Fed. Cir. 1992) (en banc).

198. *See* Anderson v. Liberty Lobby, Inc., 477 U.S. 242, 248 (1986); SHREVE & RAVEN-HANSEN, *supra* note 39, at 348; *see also Meyers*, 912 F.2d at 1461 ("The district court cannot engage in fact-finding on a motion for summary judgment."), *overruled on other grounds by* A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020, 1038-39 (Fed. Cir. 1992) (en banc).

199. *See supra* notes 63-68 and accompanying text.

200. Discretionary choices are left "not to [a court's] inclination, but to its judgment; and its judgment is to be guided by sound legal principles." United States v. Burr, 25 F. Cas. 30, 35 (C.C.D. Va. 1807) (No. 14,692d) (Marshall, C.J.).

201. *See, e.g.,* Vandelune v. 4B Elevator Components Unlimited, 148 F.3d 943 (8th Cir. 1998); Copeland v. K MART Corp., No. 97-35333, 1998 WL 560759 (9th Cir. Sept. 2, 1998); Rodman Indus., Inc. v. G & S Mill, Inc., 145 F.3d 940 (7th Cir. 1998); Camacho v. Du Sung Corp., 121 F.3d 1315 (9th Cir. 1997); King v. Crossland Sav. Bank, 111 F.3d 251 (2d Cir. 1997).

202. *See* Hunter v. Bryant, 502 U.S. 224 (1991).

novo basis. At the very least, a summary judgment ruling concerning laches or equitable estoppel is not *more* fact-intensive than those dealing with negligence or reasonableness.

C. Uniformity and Predictability

One of the principal reasons for affording full appellate review of certain determinations is to foster uniformity and predictability in the application of laws.[203] When given an opportunity to review the record anew with little or no deference to the trial court, the appellate court can make consistent and independent rulings and thereby clarify the law.[204] All the same, the Court in *Koon* noted that de novo review of fact-intensive issues would not completely alleviate disparity and lack of uniformity in criminal sentencing, simply because too many appellate courts are involved.[205]

For patent infringement litigation, the situation is radically different since only one appellate court, the Federal Circuit, hears all patent appeal cases. To be sure, Congress passed the Federal Courts Improvements Act of 1982,[206] creating the Federal Circuit, to cure the lack of uniformity in patent law.[207] Prior to passage of this Act, the regional appellate courts heard patent cases on appeal. Since some circuits appeared to favor the patentee over the infringer or *vice versa*,[208] this arrangement led to forum shopping and unpredictability

203. *See* Pierce v. Underwood, 487 U.S. 552, 585 (1988) (White, J., dissenting); Friendly, *supra* note 72, at 758.

204. *See* Decker, *supra* note 179, at 890-91.

205. *See* Koon v. United States, 518 U.S. 81, 99 (1996) (citing Cooter & Gell v. Hartmarx Corp., 496 U.S. 384, 405 (1990) (citing Mars Steel Corp. v. Continental Bank N.A., 880 F.2d 928, 936 (7th Cir. 1989))).

206. 28 U.S.C. §§ 1292-1295 (1994).

207. *See* S. REP. NO. 97-275, at 3 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 13 (acknowledging that the lack of Supreme Court review for most patent cases due to its full docket supports forming a centralized appellate court to clarify the law); Ellen E. Sward & Rodney F. Page, *The Federal Courts Improvement Act: A Practitioner's Perspective*, 33 AM. U. L. REV. 385, 387-88 (1983).

208. For example, the Eighth Circuit, over a period of nearly twenty years, invalidated 88% of the patents that it reviewed. *See* Coe A. Bloomberg, *In Defense of the First-to-Invent Rule*, 21 AIPLA Q.J. 255, 262 & nn.46-47 (1993) (citing GLORIA KOENIG, PATENT INVALIDITY: A STATISTICAL AND SUBSTANTIVE ANALYSIS, app. 13, tbl. 13c (1974)).

in the area of patent rights[209]—an area in which Congress has since determined a critical need for uniformity.[210] This need for uniformity and predictability stems from the special requirements concerning technological innovation and business planning.[211] Judge Newman of the Federal Circuit stated with clarity the need for uniformity in patent laws and also the need for a single court for patent appeals:

> A centralized court that understands the processes of invention and innovation, and the economic and scientific purposes of a patent system, would be expected to apply a more consistent interpretation of the standards of patentability and the other complex provisions of the patent statute. With a consistent nationwide application of the law, I would hope for and expect a greatly enhanced degree of predictability of the outcome of patent litigation. The predictability that patents improvidently granted will be held invalid is of no less interest to us as manufacturers and purveyors of goods than the predictability that patents will be held valid if they represent proper protection of a valuable investment in innovative technology. As in all contested situations, a more predictable outcome may encourage the contestants to avoid litigation.[212]

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209. *See* COMMISSION ON REVISION OF THE FEDERAL COURT APPELLATE SYSTEM, STRUCTURE AND INTERNAL PROCEDURES: RECOMMENDATIONS FOR CHANGE (1975), *reprinted in* 67 F.R.D. 195, 361-62, 369-71 (1976).

210. *See* S. REP. NO. 97-275, at 3 (1981), *reprinted in* 1982 U.S.C.C.A.N. 11, 13.

211. *See Court of Appeals for the Federal Circuit, 1981: Hearings on H.R. 2405 Before the Subcomm. on Courts, Civil Liberties, and the Admin. of Justice of the House Comm. on the Judiciary*, 97th Cong., 1st Sess. 6 (1981) (statement of Hon. Howard T. Markey, Chief Judge, United States Court of Customs and Patent Appeals) (commenting that the Act would eliminate the uncertainty in patent law adjudication); *see id.* at 50 (statement of Julius Jancin, Jr., President-elect, American Patent Law Association) (commenting that a uniform law on patents will foster technology and add certainty in attorney decisionmaking and advice).

212. The Honorable Pauline Newman, *The Federal Circuit: Judicial Stability or Judicial Activism?*, 42 AM. U. L. REV. 683, 687 (1993) (quoting *Federal Courts Improvement Act of 1981—S. 21 and State Justice Act of 1981—S. 537: Hearings on S. 21 and S. 537 Before the Subcomm. on Courts of the Senate Comm. on the Judiciary*, 97th Cong., 1st Sess. 232 (1981)).

D. Substantial Consequences of Equitable Defenses

Lastly, the financial and economic implications involved in most patent infringement suits provide one final justification for the Federal Circuit's present approach to review. Even the Supreme Court has noted that decisions with substantial consequences need more intensive review.[213] Patent litigation typically runs into tens of thousands of dollars, and the award or loss of damages therefrom typically runs into the millions.[214] Equally important, the loss of patent rights could have a significant impact on an entire industry;[215] therefore, the effect of granting a summary judgment motion on laches and equitable estoppel is just "the sort of decision that ordinarily has . . . substantial consequences."[216]

E. Legitimization of the Federal Circuit's Approach

1. *Cooter & Gell v. Hartmarx Corp.*

In *Cooter & Gell v. Hartmarx Corp.*,[217] the Supreme Court addressed the issue of the appropriate standard of review for Rule 11 sanctions under the Federal Rules of Civil Procedure. The Court concluded that a district judge's determination on all Rule 11 issues

213. *See* Pierce v. Underwood, 487 U.S. 552, 562-63 (1988) (acknowledging that the unusually high award of attorney's fees militated against using an abuse of discretion standard but ultimately adopting the deferential standard).

214. *See, e.g.*, Genentech, Inc. v. Wellcome Found. Ltd., 14 U.S.P.Q.2d 1363, 1373 (D. Del. 1990) (Burroughs Wellcome claimed to have spent more than $2.5 million in the lawsuit); *Federal Circuit Rejects Appeal of $12 Million Judgment in Suit over PET Process*, ANDREWS INTELL. PROP. LITIG. REP., June 4, 1997, at 9.

215. Many commentators acknowledge that the future of the biotechnology industry is largely dependent on its ability to both acquire and defend proprietary rights. *See, e.g.*, Christopher Anderson, *US Patent Application Stirs Up Gene Hunters*, 353 NATURE 485, 486 (1991); Rebecca S. Eisenberg, *Patents and the Progress of Science: Exclusive Rights and Experimental Use*, 56 U. CHI. L. REV. 1017 (1989); Adam L. Streltzer, Comment, *U.S. Biotechnology Intellectual Property Rights as an Obstacle to the UNCED Convention on Biological Diversity: It Just Doesn't Matter*, 6 TRANSNAT'L LAW. 271, 276-84 (1993).

216. *Pierce*, 487 U.S. at 563.

217. 496 U.S. 384 (1990), *superseded by rule on other grounds as stated in* Photocircuits Corp. v. Marathon Agents, Inc., 162 F.R.D. 449 (E.D.N.Y. 1995).

should be reviewed for abuse of discretion.[218] At the time of this opinion, the circuit courts were split on the issue of the appropriate standard of review for a district court's Rule 11 legal conclusions.[219] In the midst of this uncertainty, petitioner Cooter & Gell called for the adoption of a three-tiered standard of review like that adopted in the Ninth Circuit.[220] In resolving the issue, the Court likened Rule 11 determinations to the EAJA determinations examined in *Pierce v. Underwood*.[221] The Court noted that "EAJA [determinations] require[] an inquiry similar to the Rule 11 inquiry whether a pleading is 'well grounded in fact' and legally tenable."[222] Accordingly, the Court found that not only did the *Pierce* factors[223] provide strong support for adopting an abuse of discretion standard, but also the policy goal behind Rule 11—deterrence of sham litigation—further

218. *See Cooter*, 496 U.S. at 405.

219. For example, the Court of Appeals for the Ninth Circuit "reviews findings of historical fact under the clearly erroneous standard, the determination that counsel violated Rule 11 under a *de novo* standard, and the choice of sanction under an abuse-of-discretion standard." *Id.* at 399 (citing Zaldivar v. Los Angeles, 780 F.2d 823, 828 (9th Cir. 1986)). The Court of Appeals for the District of Columbia, on the other hand, followed an abuse of discretion standard for "the determination whether a filing had an insufficient factual basis or was interposed for an improper purpose, but review[ed] *de novo* the question whether a pleading or motion is legally sufficient." *Id.* (citing International Bhd. of Teamsters v. Association of Flight Attendants, 864 F.2d 173, 176 (D.C. Cir. 1988); Westmoreland v. CBS, Inc., 770 F.2d 1168, 1174-75 (D.C. Cir. 1985)).

Yet a majority of the circuits follow an abuse of discretion standard for *all* Rule 11 issues. *See id.* at 399-400 (citing, for example, Kale v. Combined Ins. Co., 861 F.2d 746, 757-58 (1st Cir. 1988); Teamsters Local Union No. 430 v. Cement Express, Inc., 841 F.2d 66, 68 (3d Cir. 1988); Stevens v. Lawyers Mut. Liab. Ins. Co., 789 F.2d 1056, 1060 (4th Cir. 1986)). For an excellent discussion of the standard of review for Rule 11 sanctions, see GEORGENE M. VAIRO, RULE 11 SANCTIONS: CASE LAW PERSPECTIVES AND PREVENTIVE MEASURES § 8.04 (2d ed. 1992).

220. *See Cooter*, 496 U.S. at 399.

221. *See id.* at 403-04; *see also* Pierce v. Underwood, 487 U.S. 552 (1988) (ruling that the appropriate standard of review of attorney fees awarded under the Equal Access to Justice Act (EAJA) was abuse of discretion).

222. *Cooter*, 496 U.S. at 403.

223. These factors include (1) the better position of the trial court in deciding certain matters; and (2) the fact that some issues are "little susceptible . . . of useful generalization" because they are so fact-intensive. *See id.* at 403-04 (citation omitted).

justified the adoption of an abuse of discretion standard.[224] Since a district court is quite familiar with the litigation practices of its local bar, it is in a better position than an appellate court to ascertain whether a sanction would serve as a general deterrent to future sham litigation.[225] Furthermore, in considering the *Pierce* factors, the Court indicated that, as in EAJA determinations, district courts handle Rule 11 determinations better because they are the direct recipients of the evidence.[226] Moreover, courts of appeal need not "invest time and energy in the unproductive task of determining"[227] what the law formerly was at the time the attorney filed the pleading papers. Having appeals courts engage in such a task fails "'to produce the normal law-clarifying benefits that come from an appellate decision on a question of law.'"[228]

Further, the Court stated that even though the issue before it was "whether the court of appeals must defer to the district court's *legal* conclusions in Rule 11 proceedings,"[229] an abuse of discretion standard would not contravene such an analysis:

> Of course, this standard would not preclude the appellate court's correction of a district court's legal errors, . . . or relying on a materially incorrect view of the relevant law . . . . An appellate court would be justified in concluding that, in making such errors, the district court abused its discretion.[230]

Consequently, the Supreme Court held that in light of the purposes and policies behind Rule 11, the appropriate standard to adopt in reviewing all aspects of a Rule 11 determination is abuse of discretion.[231] But in so holding, it provided a caveat: "A district court would necessarily abuse its discretion if it based its ruling on an erroneous view of the law or on a clearly erroneous assessment of the evidence."[232]

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224. *See id.* at 404.
225. *See id.*
226. *See id.* at 403.
227. *Id.*
228. *Id.* at 404 (citation omitted).
229. *Id.* at 401 (emphasis added).
230. *Id.* at 402.
231. *See id.* at 405.
232. *Id.*

Hence, the Supreme Court reveals that, in conducting an "abuse" inquiry, it is appropriate for the Federal Circuit to make its own determination as to whether the trial court applied the correct legal standards and justifiably weighed the evidence. All of these determinations are made in the name of "abuse of discretion."

2. *Koon v. United States*

Furthermore, the Supreme Court has reiterated in a recent case, *Koon v. United States,*[233] that the discretion owed to a district court's legal conclusion may depend on the issue on appeal. In *Koon*, the Court was faced with resolving the standard of review afforded to discretionary criminal sentencing decisions. There the Court stated:

> That the district court retains much of its traditional discretion does not mean appellate review is an empty exercise. . . . The deference that is due depends on the nature of the question presented. The district court may be owed no deference . . . [when] the appellate court . . . [is] in as good a position to consider the question as the district court was in the first instance.[234]

Then the Court went on to say:

> Little turns, however, on whether we label review of [a question of law] abuse of discretion or *de novo*, for an abuse-of-discretion standard does not mean a mistake of law is beyond appellate correction. . . . The abuse-of-discretion standard includes review to determine that the discretion was not guided by erroneous legal conclusions.[235]

With these statements, the Court has eloquently clarified that a de novo component is inherent in an abuse of discretion standard of review. Thus, the Federal Circuit's approach—less than true deference—is in line with Supreme Court rulings.

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233. 518 U.S. 81 (1996).
234. *Id.* at 98.
235. *Id.* at 100.

VIII. CONCLUSION

This Comment concludes that, for a summary judgment ruling on laches and equitable estoppel, the Federal Circuit engages in some form of plenary review even under the abuse of discretion standard. Although the "abuse of discretion" label itself does not reveal "how" the Federal Circuit will review a district court's conclusion, a review of the case law on the issue gives "life" to this abuse of discretion standard.

Additionally, this Comment contends that the Federal Circuit's application is both legitimate and desirable. Not only is the application of this standard clearly in keeping with Supreme Court precedent; but also it is desirable given (1) the position of the Federal Circuit, (2) the need for uniformity in patent law, and (3) the substantial consequences of these equitable defenses. Accordingly, the contours of a district court's discretion are not unaccountably broad. Thus, the standard of review that the Federal Circuit has adopted seems to be an appropriate and desirable standard—at least for now. Future demands from industry and technology may well require this standard to evolve further. The legal system and its standards of review are not static creations but organic, living ones; and they must continue responding and developing in order to meet the needs of society.

Whether sitting in corporate boardrooms or tinkering in backyard laboratories, potential litigants in patent disputes and their attorneys can take heart that a district court's summary judgment ruling on laches or equitable estoppel will not go unchecked. The abuse of discretion standard inherently contains its own de novo component. Because of this de novo component, an appellant who has lost its day in court on an issue can effectively have a second bite at the apple.

*Laura M. Burson**

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