

Keywords: Compulsory counterclaim, declaratory judgment, “further relief”

General: A counterclaim for patent infringement is compulsory under Fed. R. Civ. P. 13(a) to a declaratory judgment action seeking a declaration of non-infringement. The “further relief” provision of 28 U.S.C. § 2202 does not provide an exception to the compulsory counterclaim rule.

Polymer Industrial Products Co. v. Bridgestone/Firestone Inc.
68 U.S.P.Q.2d 1626 (Fed. Cir. 2003)
Decided October 20, 2003

I. Facts

Plaintiff Polymer Industrial Products Co. (“Pipco”) filed suit alleging infringement of its ‘331 patent by Bridgestone/Firestone (“B/F”) based on B/F’s Skim-1 turn-over bladder product. Turn-over bladders are used in the manufacture of tires. B/F subsequently introduced the Skim-2 bladder and amended its answer to include a counterclaim for a declaration of non-infringement of the ‘331 patent by the Skim-2 bladder. Pipco never amended its complaint to allege infringement of the ‘331 patent by the Skim-2 bladder.

At trial, a jury concluded that both the Skim-1 and Skim-2 bladders infringed the ‘331 patent. Additionally, B/F’s infringement was determined to be willful. Apparently, the jury questionnaire was not clear on whether damages were awarded for infringement by the Skim-1 bladder, the Skim-2 bladder or both. The damage award was doubled by the district court, and that decision was affirmed by the Federal Circuit.

Subsequently, Pipco filed an infringement action against B/F alleging infringement of the ‘331 patent by the Skim-2 bladder. B/F moved to dismiss for failure to state a claim under Fed. R. Civ. P. 12(b)(6) and that motion was granted by the district court. This appeal followed.

II. Issues

- A. Was Pipco’s counterclaim for infringement a compulsory counterclaim?
- B. Was Pipco’s counterclaim allowable as an exception to the compulsory counterclaim rule under the “further relief” provision of 28 U.S.C. § 2202?

III. Discussion

- A. Yes. The statute establishing declaratory relief is 28 U.S.C. § 2201:

Creation of remedy. In a case of actual controversy within its jurisdiction, any court of the United States, upon the filing of an appropriate pleading, may declare the rights and other legal relations of any interested party seeking such declaration, whether or not further relief is or could be sought. Any such declaration shall have the force and effect of a final judgment or decree and shall be reviewable as such.

28 U.S.C. § 2201.

After noting that the law of the regional circuit governs procedural issues, the Federal Circuit observed that the district court had dismissed Pipco's claim because that claim was a compulsory counterclaim to B/F's declaratory action in the prior litigation. In reaching this conclusion, the district court relied on Fed. R. Civ. P. 13(a), which states that:

A pleading shall state as a counterclaim any claim which at the time of serving the pleading the pleader has against any opposing party, if it arises out of the transaction or occurrence that is the subject matter of the opposing party's claim and does not require for its adjudication the presence of third parties of whom the court cannot acquire jurisdiction. But the pleader need not state the claim if (1) at the time the action was commenced the claim was the subject of another pending action, or (2) the opposing party brought suit upon the claim by attachment or other process by which the court did not acquire jurisdiction to render a personal judgment on that claim, and the pleader is not stating any counterclaim under this Rule 13.

Fed. R. Civ. P. 13(a).

The district court additionally relied on a Federal Circuit case indicating that a claim for infringement is a compulsory counterclaim to an action for a declaration of non-infringement.

The Federal Circuit noted that Pipco's subsequent claim for infringement based on the Skim-2 product had many connections to B/F's prior claim for declaratory relief. Specifically, the court noted that (1) the same issues of law and fact were involved, (2) the same evidence would be examined for both claims and (3) there existed a logical relationship between the claims. The court then summarized cases examining the nature of a counterclaim for infringement with respect to an action for a declaration of non-infringement, concluding that all courts that had considered the issue had found such a counterclaim to be compulsory. Next, the court noted that even procedural issues were subject to Federal Circuit resolution "where there is an essential relationship between this court's exclusive statutory mandate and [the] procedural issue." The court concluded that Pipco had waived a compulsory counterclaim by not amending its complaint in the prior litigation to include a claim that the Skim-2 bladder infringed the '331 patent.

B. No. Pipco argued that its counterclaim should not be barred as compulsory, claiming an exception under a further provision of the declaratory judgment statute:

Further relief. Further necessary or proper relief based on a declaratory judgment or decree may be granted, after reasonable notice and hearing, against any adverse party whose rights have been determined by such judgment.

28 U.S.C. § 2202.

Pipco argued that the compulsory counterclaim rule should not apply to its claim of infringement because it was entitled to “further relief” under 28 U.S.C. § 2002. No explanation for Pipco’s belief is given in the opinion. The Federal Circuit summarily dismissed Pipco’s argument, stating that no connection exists between the “further relief” provision of the declaratory judgment statute and the compulsory counterclaim provision of Fed. R. Civ. P. 13(a).

IV. Conclusion

This opinion raises a lot of questions. Did Pipco have a reasonable basis for believing it was entitled to further relief on its claim for infringement? The case law and statutes considered by the court in its opinion seem fairly clear. What happened between the parties after the conclusion of the first litigation? In view of the seeming clarity of the law, why didn’t B/F move for sanctions based on frivolousness? To me, the most important takeaway from this case is that details matter in litigation, just like they do in prosecution. If the jury questionnaire awarding damages to Pipco in the first action had been clear about what was included or if a lawyer on Pipco’s team had been careful to mop up the details by filing an express count of infringement against the Skim-2 product in the first litigation, a lot of time and trouble could have been saved.

May, 2004
BDB