

INGURAN, LLC v. ABS GLOBAL, INC., Appeal No. 22-1385 (Fed. Cir. July 5, 2023).
Before Lourie, Bryson, and Reyna. Appealed from W.D. Wis. (Judge Conley).

Background:

ABS is a "bull stud" that sells frozen bovine semen drawn from its own bulls. Inguran owns a patent directed to a method for sorting domestic animal sperm cells in order to preselect the gender of the animal's offspring. Using its patented technology, Inguran provides bull semen-processing services to companies like ABS so that those companies can sell "sexed semen straws": semen samples that consist predominantly of either male or female sperm cells.

ABS and Inguran entered into a contractual relationship for sorting semen. The relationship between the parties eventually deteriorated, and Inguran brought a claim against ABS alleging that ABS used a cell-sorting system that directly infringed Inguran's patent. A jury found direct infringement, and awarded a lump sum for past infringement based off a calculated royalty rate in a hypothetical negotiation.

Later, Inguran discovered that ABS had begun selling or licensing its infringing cell-sorting systems to third parties, and teaching those parties how to use the technology so that they could produce their own sexed straws. Inguran brought a new suit against ABS, asserting induced infringement based on ABS's selling or licensing of its systems to third parties.

ABS filed a motion to dismiss the induced infringement claims on the grounds that the claims were precluded by the earlier judgment issued in the first lawsuit. The district court agreed, reasoning that the judgment in the first lawsuit "is reasonably interpreted to cover straws produced by third parties using [the cell-sorting] technology as licensed by ABS," and dismissed the claims of induced infringement. Inguran appealed.

Issue/Holding:

Did the district court err in holding that Inguran's induced infringement claims in the second lawsuit were precluded by the final judgment issued in the first lawsuit? Yes, reversed.

Discussion:

Under Seventh Circuit law, there are three elements to claim preclusion:

- (1) an identity of the parties or their privies in the first and second lawsuits;
- (2) an identity of the cause of action; and
- (3) a final judgment on the merits in the first suit.

The issue here was whether there was "identity of the cause of action." The Federal Circuit has held that a "cause of action" is based on the transactional facts from which the case arises.

The Federal Circuit explained that "claim preclusion requires that the claim either was asserted, or could have been asserted, in the prior action" on the basis of the same transactional facts. The court held that Inguran could not have brought a claim of induced infringement in the first lawsuit because the evidence needed to establish induced infringement did not come to light until after final judgment was entered in the first lawsuit. Accordingly, the court held that Inguran was not precluded from bringing an induced infringement claim, and the district court abused its discretion by interpreting its initial order in a way that expanded the scope of the order to cover subsequent acts of induced infringement.