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**UNDERSTANDING PATENT AND COMMERCIAL
WARRANTY LIABILITY STEMMING FROM PENDING
PATENT APPLICATIONS**

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I. INTRODUCTION

Businesses often wonder about the risks associated with pending patent applications; that is, when a patent application has been filed by another entity but an issued patent has not yet been granted.¹ These sorts of analyses always involve a certain amount of speculation, because a pending patent application might become a granted patent, or might not.² Waiting until a patent is granted or the patent application is abandoned is often unappealing, from a business perspective, because the art of business is about strategic positioning and a “wait and see” approach may mean lost opportunities.³ Moreover, patent applicants may mark their products as being “patent pending,” which may prompt inquiries to competing sellers from potential customers, or various threats—overt or veiled—from such patent applicants about their not-yet-patented technology.⁴ What follows is an overview of potential liability stemming from others’ pending patent applications, meant as a guide to addressing these sorts of situations. The hope is that readers can learn when, if ever, a seller can be liable for conduct that occurs *before* a patent is granted that would constitute patent infringement if it would have been committed *after* the patent is granted. Understanding the scope of such potential liability has important implications for commercial transactions, in view of indemnification agreements or implied warranties that may apply by default under the Uniform Commercial Code (the “UCC”), for instance.⁵ As will be seen, there is tremendous ambiguity regarding pre-grant patent infringement liability for sellers under implied warranties against infringement.⁶ This suggests legislative revisions in the long run, as well as the use of customized commercial contract terms to redress this ambiguity in the

¹ See 35 U.S.C. § 292 (2012); see also *Provisional Application for Patent*, USPTO, <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/provisional-application-patent> (last visited Feb. 20, 2018).

² See 35 U.S.C. § 132 (2012).

³ See Stephen Key, *Don't File That Patent Yet. File a Provisional Patent Application First*, FORBES (Jan. 8, 2018, 11:54 AM), <https://www.forbes.com/sites/stephenkey/2018/01/08/dont-file-that-patent-yet-file-a-provisional-patent-application-first/#8d5f13b57fe0>.

⁴ Michael A. Shimokaji, *Inducement and Contributory Infringement Theories to Regulate Pre-Patent Issuance Activity*, 37 IDEA 571, 571 (1997); see also *How To Protect Your Invention When Pitching It*, FORBES (Dec. 6, 2006, 12:10 PM), https://www.forbes.com/2006/12/06/patent-smallbusiness-tradesecret-ent-law-cx_nl_1206nolo.html#403e0864104c.

⁵ See U.C.C. § 2-312(3) (AM. LAW INST. & UNIF. LAW COMM'N 2002) (“Unless otherwise agreed a seller who is a merchant regularly dealing in goods of the kind warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement or the like . . .”).

⁶ See *infra* Section II.C.

short run absent clarifying legislative action.⁷ But first, a discussion of the basic legal framework under both patent laws and the laws of commercial transactions is in order, because much of the ambiguity in these situations arises at the intersection of two very different bodies of law.

A. Some Background About the Patenting Process

The United States has permitted inventions to be patented since the founding of the country.⁸ Today, U.S. patent laws provide that “[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.”⁹ Three basic requirements for patentability are utility, novelty, and non-obviousness.¹⁰ There are three types of patents in the United States: utility, design and plant.¹¹ In common parlance, reference to a “patent” without further qualification generally means a utility patent.

The United States Patent and Trademark Office (the “USPTO”) examines each and every patent application to assess patentability before grant.¹² Examined applications are either rejected or allowed.¹³ When allowed, and after payment of the issue fee, a granted patent can

⁷ See *infra* Part II.

⁸ See U.S. CONST. art. I, § 8, cl. 8 (“The Congress shall have Power . . . [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries . . .”).

⁹ 35 U.S.C. § 101 (2012).

¹⁰ 35 U.S.C. §§ 101–103 (2012). In other countries, “industrial applicability” replaces “utility” and “inventive step” replaces “non-obviousness,” though the principles are generally the same. See, e.g., *Comparative Study on Hypothetical/Real Cases: Inventive Step/Non-obviousness*, TRILATERAL 3 (Nov. 2008), <https://www.trilateral.net/projects/worksharing/study/cases2.pdf> (providing comparisons between the United States, Europe and Japan’s patent laws).

¹¹ See 35 U.S.C. §§ 101, 161, 171 (2012).

¹² See 35 U.S.C. § 131 (2012); see also *General Information Concerning Patents*, USPTO, <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents> (last visited Feb. 27, 2018) (detailing the functions of the USPTO).

¹³ See Manual of Patent Examining Procedure §§ 701–702, 1302.02 (9th ed. Rev. 08.2017, Jan. 2018) [hereinafter MPEP]. The average total pendency (i.e., time to a final disposition of issuance or abandonment) for a patent application in fiscal year 2017 was 24.2 months. *Performance and Accountability Report: FY2017*, USPTO 2, 15, 47 (Nov. 9, 2017), <https://www.uspto.gov/sites/default/files/documents/USPTOFY17PAR.pdf> [hereinafter *Performance and Accountability Report*].

issue.¹⁴ If rejected, the applicant has the opportunity to amend the application and/or submit arguments in favor of patentability.¹⁵ This process is often referred to as patent “prosecution.”¹⁶ The “prosecution history,” or “file wrapper,” for a given patent application contains all communications between the applicant and the patent office and is made publicly available after a patent application is published, or when a patent issues.¹⁷ The USPTO Patent Application Information Retrieval (the “PAIR”) system provides online access to such information.¹⁸ Patent application claims are often narrowed in order to obtain allowance, but, occasionally, they may be narrowed in some respects and broadened in others, or simply broadened.¹⁹ Most importantly, applications can and often do change in scope between the time they are first filed and the time granted patents issue.²⁰ For a business evaluating another party’s pending patent application, this can make it seem like a moving target.

Each year, more than 600,000 new patent applications are filed in the United States, and more than 350,000 applications are allowed.²¹ The general trend has been an increase in the number of patent applications and grants each year.²² One study found that the overall allowance rate, for patent applications filed between 1996 and 2005, was between 55.8% and 71.2%.²³ What these very general statistics

¹⁴ See MPEP, *supra* note 13, §§ 1306, 1309.

¹⁵ See MPEP, *supra* note 13, §§ 714.01–25.

¹⁶ See, e.g., *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 22 (1997).

¹⁷ 37 C.F.R. § 1.11 (2017); see also MPEP, *supra* note 13, §§ 719, 719.01, 724. In this context, “image file wrapper” refers to the online digital file wrapper for a given patent application. MPEP, *supra* note 13, §§ 719, 719.01.

¹⁸ See *Public Patent Application Information Retrieval*, USPTO, <https://portal.uspto.gov/pair/PublicPair> (last visited Dec. 26, 2017).

¹⁹ See MPEP, *supra* note 13, § 2163.05.

²⁰ See Michael Carley et al., *What Is the Probability of Receiving a U.S. Patent?*, 17 *YALE J.L. & TECH.* 203, 205 (2015).

²¹ See *Performance and Accountability Report*, *supra* note 13, at 168; see also *Geographic Patent Type & Count*, USPTO, <https://developer.uspto.gov/visualization/geographic-patent-type-count> (last visited Dec. 14, 2017).

²² See *Performance and Accountability Report*, *supra* note 13, at 168.

²³ Carley et al., *supra* note 20, at 208–09. In this study, the 55.8% figure represents the allowance rate for “progenitor” patent applications, defined as first filings *without* any continuing prosecution action (including an absence of requests for continued examination [RCEs]), while the 71.2% figure represents the percentage of patent application families (i.e., applications sharing a common priority claim) that produce at least one patent. *Id.* at 209–10. This is not the most helpful breakdown of categories, particularly by excluding applications with RCEs from the “progenitor” category. These figures also vary by technology area. *Id.* at 219. Using a different metric, it can be said that in 2015, the number of utility

show is that most patent applications do result in a granted patent, but a substantial number of applications do not. It stands to reason that many abandoned patent applications are abandoned because a patent examiner has rejected them as not being patentable.²⁴ But applicants also abandon patent applications for other reasons, such as a lack of funds or lack of a commercial market for the invention, even when the claimed invention is patentable.²⁵ Applicants may be more willing to explicitly concede the latter than the former.²⁶

While anyone can file a patent application, directed to anything of his or her choosing, the mere filing of a patent application does not mean that a patent will ultimately be granted.²⁷ Patent applicants seek exclusive rights in their inventions, but may not succeed in obtaining those rights in the form of granted patents.²⁸ To take a very simple hypothetical, someone could, very literally, “reinvent the wheel” and attempt to patent the well-known simple machine of a wheel and axle, but such an attempt would invariably fail—one hopes. Indeed, there is a certain percentage of patent applicants who simply do not understand the requirements for patentability.²⁹ There are also some applicants who understand the theoretical framework for patentability yet file patent applications that contravene them through error or less benign motives.³⁰ Such applications may evidence no recognition that the

patents granted by the USPTO was 50.6% of the number of utility patent applications filed that year (bearing in mind that the granted patents correspond to applications that were overwhelmingly filed one or more years earlier). See *U.S. Patent Statistics Chart: Calendar Years 1963 – 2015*, USPTO, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last visited Feb. 28, 2018). Of course, generalized statistics only say so much. Keep in mind the joke about statistical averages: when Jeff Bezos walks into a bar, on average, everyone in the bar is a multi-millionaire.

²⁴ See Carley et al., *supra* note 20, at 207; see also MPEP, *supra* note 13, § 711.03(c).

²⁵ See MPEP, *supra* note 13, § 711.03(c). Abandonment is not “unintentional” (and thus the patent application is not revivable) where, for example, “the applicant does not consider the allowed or patentable claims to be of sufficient breadth or scope to justify the financial expense of obtaining a patent” or where “the applicant does not consider any patent to be of sufficient value to justify the financial expense of obtaining the patent[.]” *Id.*

²⁶ See *id.*

²⁷ See generally Carley et al., *supra* note 20, at 207 (providing a detailed analysis on the percentage of successful patent applications).

²⁸ *Id.*

²⁹ See, e.g., Dana R. Irwin, *Paradise Lost in the Patent Law? Changing Visions of Technology in the Subject Matter Inquiry*, 60 FLA. L. REV. 775, 814 (2008) (explaining the broad spectrum of patentable subject matter).

³⁰ See *Trzaska v. L’Oreal USA, Inc.*, 865 F.3d 155, 162 (3d Cir. 2017) (holding that an employer’s alleged disregard of the Rules of Professional Conduct and threat to terminate a patent attorney’s employment for failure to meet patent application

continued . . .

patent laws permit a limited monopoly in a patented invention only when the applicant satisfies the conditions for patentability by disclosing and enabling a new, useful, and non-obvious technical contribution.³¹

Another crucial thing to understand about the patent system is that examination is an imperfect process. When a new patent application is filed with the USPTO, it is generally assigned to a single examiner, who may or may not be required to have a supervisor sign off on all actions.³² While examiners have technical knowledge relevant to the patent applications they handle, and they generally try to perform their duties to the best of their abilities, every examiner is still a fallible human without a perfect understanding of all the relevant facts or law.³³ Examiners can make mistakes, which sometimes take the form of allowing a patent application that another person would consider unpatentable.³⁴ This highlights how much variability there is in patent examination.³⁵ What one examiner deems patentable, another might not.³⁶ And, of course, the entire set of procedures for appeals from an examiner's rejection of a patent application and the statutorily-defined ability of third parties to challenge the validity or patentability of a granted patent acknowledge that reasonable minds can differ on these questions.³⁷

quotas regardless of patentability raises a colorable claim under the New Jersey Conscientious Employee Protection Act).

³¹ See, e.g., *Brenner v. Manson*, 383 U.S. 519, 534 (1966); *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229–30 (1964); *Pennock v. Dialogue*, 27 U.S. 1, 23 (1829); see also *Irwin*, *supra* note 29, at 812–15.

³² See MPEP, *supra* note 13, §§ 1004, 1005; see also Naira R. Simmons, *Putting Yourself in the Shoes of a Patent Examiner: Overview of the United States Patent and Trademark Office (USPTO) Patent Examiner Production (Count) System*, 17 J. MARSHALL REV. INTELL. PROP. L. 32, 35–36 (2017); *Signatory Authority*, PAT. OFF. PROF. ASS'N, <http://www.popa.org/about/advocacy/signatory-authority-1/> (last visited Dec. 26, 2017).

³³ See Simmons, *supra* note 32, at 33–34 (explaining that patent examiners are not always familiar with the facts and law relevant to the patent under examination).

³⁴ See *id.*

³⁵ E.g., Iain M. Cockburn et al., *Are All Patent Examiners Equal? Examiners, Patent Characteristics, and Litigation Outcomes*, in *PATENTS IN THE KNOWLEDGE-BASED ECONOMY* 19 *passim* (Wesley M. Cohen & Stephen A. Merrill eds., 2003); Ronald J. Mann, *The Idiosyncrasy of Patent Examiners: Effects of Experience and Attrition*, 92 TEX. L. REV. 2149 *passim* (2014); Sean Tu, *Luck/Unluck of the Draw: An Empirical Study of Examiner Allowance Rates*, 2012 STAN. TECH. L. REV. 10 *passim* (2012); Shine Tu, *Invalidated Patents and Associated Patent Examiners*, 18 VAND. J. ENT. & TECH. L. 135 *passim* (2015); Shine Tu, *Patent Examiners and Litigation Outcomes*, 17 STAN. TECH. L. REV. 507 *passim* (2014).

³⁶ See Cockburn et al., *supra* note 35, at 22.

³⁷ Ronald J. Mann & Marian Underweiser, *A New Look at Patent Quality: Relating Patent Prosecution to Validity*, 9 J. EMPIRICAL LEGAL STUD. 1, 12–13

continued . . .

It also bears mentioning that examiners face institutional constraints on how they approach the examination process,³⁸ such as maintaining a given level of productivity. Examiner performance is evaluated such that “quality” of examination actions makes up only thirty-five percent of an examiner’s annual performance ratings.³⁹ There are well-defined legal standards for addressing aspects of patentability, requiring affirmative consideration of certain types of evidence and prohibiting certain kinds of biases or inferences.⁴⁰ But the notion that evaluations of patentability are completely “objective” is a legal fiction.⁴¹ As once explained by Judge Learned Hand when considering how to assess patentability:

There comes a point when the question must be resolved by a subjective opinion as to what seems an easy step and what does not. We must try to correct our standard by such objective references as we can, but in the end the judgment will appear, and no doubt be, to a large extent personal, and in that sense arbitrary.⁴²

All this says nothing about how business people view the patents and patent applications of a competitor, a situation where forms of self-serving bias or a “sour grapes” attitude may come into play, or even an “anti-patent” attitude that looks with disfavor on the patent system as a whole, including all competitor patents.⁴³

If all this makes it seem that the likelihood of any given patent

(2012); *see infra* Part III.

³⁸ *See, e.g.*, Mann & Underweiser, *supra* note 37, at 24–29. Various commentators have also noted how rates of patenting are highly influenced by policy and the ideological outlooks of patent office administrators, not just “objective” technical and scientific merits of inventions recited in patent applications. *See, e.g.*, Robert C. Post, “*Liberalizers*” versus “*Scientific Men*” in the Antebellum Patent Office, 17 *TECH. & CULTURE* 24 *passim* (1976).

³⁹ *Examination Time and the Production System*, USPTO, <https://www.uspto.gov/sites/default/files/Examination%20Time%20and%20the%20Production%20System.pdf> (last visited Feb. 28, 2018).

⁴⁰ *See* Ryan Whalen, *Complex Innovation and the Patent Office*, 17 *CHI.-KENT J. INTELL. PROP.* 226, 235–38 (2018).

⁴¹ *See* *Kirsch Mfg. Co. v. Gould Mersereau Co.*, 6 F.2d 793, 794 (2d Cir. 1925). This old case does not reflect current law but is nonetheless illuminating. *See* *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 17–18 (1966) (setting forth the current standard for obviousness).

⁴² *Kirsch Mfg. Co.*, 6 F.2d at 794.

⁴³ *See, e.g.*, MICHELE BOLDRIN & DAVID K. LEVINE, *AGAINST INTELLECTUAL MONOPOLY* 79–82 (2008), <http://449evine.sscnet.ucla.edu/papers/imbookfinalall.pdf> (arguing that the software industry’s practice of creating defensive “patent thickets” makes it impossible to develop new software without infringing an existing patent); Catherine Beard, *Freedom to Operate 101*, *NZ BUSINESS*, June 2014, at 61.

continued . . .

application being granted is a matter of speculation, then readers have grasped an important characteristic of the patenting process. It is that very characteristic that makes it difficult to know what infringement risks might later arise from pending patent applications.⁴⁴ However, there are analytics companies that mine USPTO data and sell proprietary reports about allowance rates for particular technology centers and even for individual examiners.⁴⁵ Anyone seeking more specific information about the likelihood of allowance of a particular pending patent application might look to such reports, bearing in mind that even these sorts of examiner-specific reports do not take into account the particular subject matter claimed in any given patent application, the scope of available prior art, or any other substantive application-specific facts.⁴⁶

B. Things to Know About Patent Enforcement

Some elementary aspects of patent enforcement and litigation inform the potential risks posed by pending patent applications and are therefore worthy of a brief summary. A U.S. patent grants the owner exclusive rights to make, use, sell, offer for sale, and import the patented invention, and protects the patent owner against contributory infringement and inducement of infringement by others.⁴⁷ These various rights conferred by a patent often allow the patent owner a choice to sue a manufacturer, distributor, retailer, or end user as an infringer, though patent owners who practice the patented invention often choose to sue competitors rather than end users who represent potential customers.⁴⁸ The patent owner is not obligated to have practiced the invention in order to bring an enforcement action, however.⁴⁹ The scope of the rights secured by the patentee is defined by one or more claims recited in the patent.⁵⁰ Intentional copying is *not*

⁴⁴ See AUSTEN ZUEGE, PATENT FREEDOM TO OPERATE SEARCHES, OPINIONS, TECHNIQUES AND STUDIES 68–79 (2017).

⁴⁵ *Id.* at 231–32.

⁴⁶ *Id.*

⁴⁷ 35 U.S.C. § 271 (2012). These exclusive rights are subject to certain limits established by statute and case law, which are beyond the scope of the present article. See ZUEGE, *supra* note 44, at 72–79, 335–44.

⁴⁸ See Colleen V. Chien & Edward Reines, *Why Technology Customers Are Being Sued en Masse for Patent Infringement & What Can Be Done* 8 (Santa Clara Univ. Sch. Of Law Legal Studies Research Papers Series, Working Paper No. 20-13, 2013), http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2318666 [<http://perma.cc/QPZ4-87GT>].

⁴⁹ See 35 U.S.C. §§ 154, 271 (2012).

⁵⁰ See *Read Corp. v. Portec, Inc.*, 970 F.2d 816, 821 (Fed. Cir. 1992), *abrogated in part on other grounds by* *Presidio Components, Inc. v. Am. Tech. Ceramics*

a requirement for infringement, except for plant patent infringement,⁵¹ and there is no “innocent infringement” defense.⁵² Rather, direct infringement for utility and design patents is treated like a strict liability tort,⁵³ and liability can arise whenever an accused product or process falls within one or more claims of the asserted patent.⁵⁴

Remedies available for patent infringement include injunctions and monetary damages.⁵⁵ Willful infringement can provide for enhanced damages, up to treble damages, and in exceptional cases attorney fees can be awarded.⁵⁶ There are limits on the availability of pre-suit damages; for instance, patented articles must have been marked with the patent number or the accused infringer must have been affirmatively put on notice of infringement by the patent owner.⁵⁷

A rather elementary requirement for the enforcement of patent rights is that there be a granted patent.⁵⁸ It is the granted patent that provides its owner with the keys to the courthouse, so to speak, to be able to bring an infringement lawsuit.⁵⁹ This is Important Point #1: *a business cannot be sued for patent infringement (yet) when there is no granted patent.*⁶⁰ This point comes with a number of strong caveats.⁶¹ While there may be no granted patent *now*, a patent may later be issued.⁶² What then? And will damages accrue prior to the grant of a

Corp., 875 F.3d 1369 (Fed. Cir. 2017).

⁵¹ See *Imazio Nursery, Inc. v. Dania Greenhouses*, 69 F.3d 1560, 1566 (Fed. Cir. 1995).

⁵² See *Lifetime Indus., Inc. v. Trim-Lok, Inc.*, 869 F.3d 1372, 1377 (Fed. Cir. 2017); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1523 (Fed. Cir. 1995) (en banc), *rev'd on other grounds*, 520 U.S. 17 (1997).

⁵³ *Hilton Davis Chem. Co.*, 62 F.3d at 1527.

⁵⁴ *Id.* at 1520.

⁵⁵ 35 U.S.C. §§ 283–284, 289 (2012) (allowing recovery for design patent infringements under a unique “total profit” basis).

⁵⁶ 35 U.S.C. §§ 284–285 (2012).

⁵⁷ See 35 U.S.C. §§ 286, 287(a) (2012); see also *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994) (holding that actual notice under § 287(a) “requires the affirmative communication of a specific charge of infringement by a specific accused product or device”). However, marking or actual notice is not required to obtain pre-suit damages under method or process claims. See *Bandag, Inc. v. Gerrard Tire Co.*, 704 F.2d 1578, 1581 (Fed. Cir. 1983). *But see* *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1316–17 (Fed. Cir. 2009) (citing *Am. Med. Sys. V. Med. Eng'g Corp.*, 6 F.3d 1523, 1538–39 (Fed. Cir. 1993)) (noting while assertion of both method and apparatus claims triggers the obligation to mark under 35 U.S.C. § 287(a), the assertion of only the method claims of a patent containing both method and apparatus claims does not).

⁵⁸ See 35 U.S.C. §§ 271, 281 (2012).

⁵⁹ See 35 U.S.C. § 271.

⁶⁰ See *id.*

⁶¹ See *infra* Section I.C.

⁶² See *supra* notes 35–37.

continued . . .

patent?

C. Provisional Rights to Pre-Grant Damages

U.S. patent law provides for “provisional rights” to infringement damages that accrue prior to the issuance of a patent, but with important limitations.⁶³ These provisional rights were first introduced by the American Inventors Protection Act of 1999.⁶⁴ In particular, a “reasonable royalty” (and no more) can be obtained for infringement that occurs between the pre-grant publication of the pending application and the date of issuance of the patent if, and only if, (a) the infringer had “actual notice of the published patent application” *and* (b) “the invention as claimed in the patent is substantially identical to the invention as claimed in the published patent application.”⁶⁵ Treble damages for willful infringement are expressly excluded from the pre-grant “provisional rights,” though attorney’s fees for an “exceptional case” may still be available at a court’s discretion based on the totality of the circumstances.⁶⁶

“Actual notice” for accrual of pre-grant damages is a lower requirement than the notice required for damages to accrue under a granted patent because no affirmative act by the patentee is required in the pre-grant period.⁶⁷ Put another way, pre-grant provisional rights require only actual knowledge of the published application by a third party, while after grant, the patentee often must take affirmative steps to put would-be infringers on notice.⁶⁸ However, there is no

⁶³ 35 U.S.C. § 154(d) (2012).

⁶⁴ American Inventors Protection Act of 1999, Pub. L. 106-113, § 4504, 113 Stat. 1501A-552, 1501A-564 (1999) (codified as amended at 35 U.S.C. § 154 (2012)).

⁶⁵ 35 U.S.C. § 154(d).

⁶⁶ 35 U.S.C. §§ 284–285 (2012). Typical pre-grant conduct by a party “infringing” the “provisional rights” of an eventual patentee seem unlikely to be “exceptional” so as to justify an award of attorney’s fees, given that mere provisional rights are not enforceable and may never become enforceable. *See* 35 U.S.C. § 154(d)(1). However, factors like timing and knowledge could matter. For instance, “infringement” of provisional rights that takes place after a relevant claim is indicated to be allowable but before issuance of a patent might constitute exceptional conduct, if conducted with knowing or willful disregard for the allowance of the relevant claim.

⁶⁷ *Rosebud LMS Inc. v. Adobe Sys. Inc.*, 812 F.3d 1070, 1073–75 (Fed. Cir. 2016).

⁶⁸ *Id.* (“The alleged infringer must also have notice of the claims of the published patent application and the fact that the applicant is seeking a patent covering those claims.”); *see also* *Crown Packaging Tech., Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1316 (Fed. Cir. 2009); *Amsted Indus. Inc. v. Buckeye Steel Castings Co.*, 24 F.3d 178, 187 (Fed. Cir. 1994). There may be an argument,

“constructive notice” that gives rise to pre-grant provisional rights damages.⁶⁹

It is also worth noting that most, but not all, patent applications publish eighteen months from the claimed priority date.⁷⁰ The published application will include certain pre-publication amendments to the application.⁷¹ Applicants can request early publication (i.e., before eighteen months from the priority date),⁷² or republication of a previously published application.⁷³ However, early publication and republication requests are both rare.⁷⁴ Design patent applications and reissue applications are never published before grant.⁷⁵ Moreover, applicants who certify that foreign patent protection is not being sought can make a (revocable) non-publication request that prevents pre-grant publication.⁷⁶ In this context, competitor products may bear cryptic “patent pending” designations for which the contents of the pending application (or applications) are not publicly available.⁷⁷ The “patent

however seemingly trivial, that the requirement in § 154(d) of “actual notice of the published patent application” means knowledge of the published patent application document, and not merely of the application that was published in another form. *See* 35 U.S.C. § 154(d)(1). For instance, if a patent owner sent a copy of a patent application as originally filed to a competitor or cited the application’s serial number (though not its publication number), and that application was published (either earlier or later) in identical form, but that competitor had no knowledge of the published patent application document, the competitor’s “actual knowledge” may not be “of the published application” as required by the statute. *See id.* Here, as well as with regard to substantial identity of claimed inventions as published and as granted, any questions about printing errors in a published patent application document could also be significant. While 35 U.S.C. § 100 provides a few definitions, “published patent application” is not defined by that section. 35 U.S.C. § 100 (2012); 35 U.S.C. § 154(d); *Rosebud*, 812 F.3d at 1073–75. *But see* 35 U.S.C. § 122 (2012).

⁶⁹ *Rosebud*, 812 F.3d at 1073–75.

⁷⁰ 35 U.S.C. § 122(b); 37 C.F.R. § 1.211 (2017).

⁷¹ 37 C.F.R. § 1.215 (2017).

⁷² 35 U.S.C. § 122(b)(1)(A); 37 C.F.R. § 1.219 (2017); MPEP, *supra* note 13, § 1129.

⁷³ 37 C.F.R. § 1.221 (2017); MPEP, *supra* note 13, § 1130.

⁷⁴ *See* Changi Wu, *Publication, Nonpublication, and Early Publication of Patent Application—The Strategy*, AVVO (June 23, 2016), <https://www.avvo.com/legal-guides/ugc/publication-nonpublication-and-early-publication-of-patent-application-the-strategy> (noting that early publication may open the door to third-party pre-issuance submissions and may risk becoming public domain knowledge if a patent is not issued).

⁷⁵ 37 C.F.R. § 1.211(b).

⁷⁶ *See* 35 U.S.C. § 122(b)(2)(B)(i); 37 C.F.R. § 1.213 (2017); MPEP, *supra* note 13, §§ 1122–1123. Publication of a redacted copy of an application is also available in some circumstances. 37 C.F.R. § 1.217 (2017); MPEP, *supra* note 13, § 1132.

⁷⁷ *See* Z. Peter Sawicki & James L. Young, “Patent Pending” – *Is It Real or Fake News?*, ATT’Y L. MAG. (Nov. 2017),

pending” designation has no enforceable legal significance other than to serve as a general “copy . . . at your own risk” warning.⁷⁸ But in a situation where there is no published application, provisional rights to pre-grant damages are not available.⁷⁹ On the other hand, patent applicants can utilize early publication and republication to try to maximize provisional rights damages before a patent is granted.⁸⁰

The question of whether the published pre-grant claims are “substantially identical” to the issued claims involves an inquiry into the scope and extent of any amendments made prior to issuance.⁸¹ District courts have looked at the question of “substantial identity” for pre-grant damages in the same manner as with intervening rights for reissue patents and reexamination certificates that amend claims after grant: as a question of law that involves ascertaining whether the claims are “without substantive change” such that the *scope* of the claims is identical (not just that the same words are used).⁸²

To clarify, claims in a granted patent that were narrowed to overcome rejections based on prior art cited by the patent examiner, after publication of the application, would not be “substantially identical” in this respect.⁸³ This is Important Point #2: *amendments to a pending patent application can preclude accrual of pre-grant provisional rights damages*.⁸⁴ Before examination of the application has begun and before a pending application has been granted, it is a matter of conjecture as to whether the claims will be amended.

<http://www.attorneyatlawmagazine.com/twin-cities/patent-pending-real-fake-news/>.

⁷⁸ *Id.*

⁷⁹ Kevin King et al., *Maximizing Patent Damages: Provisional Rights and Marking*, LAW360 (July 18, 2017), <https://www.law360.com/articles/942436/maximizing-patent-damages-provisional-rights-and-marking>.

⁸⁰ *See id.* Another way to more quickly accrue provisional rights when claim amendments are deemed necessary is to file a continuing application containing the desired claims, together with a prioritized examination request. *See* MPEP, *supra* note 13, at § 708.08(b). Such a new application will then publish with the new (i.e., “amended”) claims. *See id.* Of course, in this scenario, it may be simpler to request republication, or to obtain allowance of a given application and enforce the resultant patent upon issuance, than to file another application merely to seek provisional rights.

⁸¹ King et al., *supra* note 79.

⁸² *See, e.g.,* *Celsis In Vitro, Inc. v. CellzDirect, Inc.*, 21 F. Supp. 3d 960, 964–65 (N.D. Ill. 2014) (citing *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1346–47 (Fed. Cir. 1998)); *see also* 35 U.S.C. §§ 252, 307 (2012).

⁸³ *See* Sharick Naqi, *Comment on Provisional Patent Rights*, 10 Nw. J. TECH. & INTELL. PROP. 595, 595, 597–98 (2012); Portfolio Media Inc., *To Re-Exam or Not to Re-Exam? That is the Question*, LAW360 (Mar. 31, 2011), <https://www.law360.com/articles/233332/to-re-exam-or-not-to-re-exam-that-is-the-question>.

⁸⁴ *See supra* notes 81–82 and accompanying text.

continued . . .

While provisional rights encompass direct infringement, as well as rights related to importation of products made outside the United States by a patented process, provisional rights do not encompass indirect infringement by way of inducement of infringement or contributory infringement.⁸⁵ In this respect, there is a gap in the scope of provisional rights regarding claims to methods of using a product. This means that when that product is imported into the United States from abroad the user can be liable for provisional rights damages but not the supplier who merely induced infringement.⁸⁶ However, the supplier could be liable for inducement of infringement after the patent is granted.⁸⁷ There is also a gap in provisional right liability regarding contributory infringement, allowing a third party to escape pre-grant damages for manufacturing and selling only some of the components of a patented apparatus—even if that third party does so with explicit intent for such components to be assembled into an apparatus covered by the pending patent application claims.⁸⁸

It bears repeating again that if no patent is granted, then the provisional rights to a reasonable royalty from pre-grant publication vanish.⁸⁹ The pre-grant provisional rights only become enforceable upon the issuance of a granted patent.⁹⁰ Additionally, there is a statute of limitations on enforcement of provisional rights.⁹¹ An action to collect damages under pre-grant provisional rights must be brought within six years of the grant of the patent.⁹² However, unlike for damages arising under granted patents, there is no time limit on the period in which provisional rights damages can accrue before grant.⁹³

As a purely practical matter, if a commercial product falls within the claims of a published patent application, but that product is withdrawn from the market upon the grant of a corresponding patent, there may be little incentive for the patent owner to file suit to merely recover the

⁸⁵ Compare 35 U.S.C. § 154(d)(1)(A) (2012), with 35 U.S.C. § 271(b), (c), (f), (g) (2012).

⁸⁶ See § 271(f)(1) (“Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention . . . in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.”) (emphasis added).

⁸⁷ See *id.*

⁸⁸ Compare 35 U.S.C. § 154(d), with 35 U.S.C. § 271(a).

⁸⁹ Compare 35 U.S.C. § 154(d), with 35 U.S.C. § 271(a).

⁹⁰ 35 U.S.C. § 154(d).

⁹¹ 35 U.S.C. § 154(d)(3).

⁹² *Id.*

⁹³ *Id.* Contra 35 U.S.C. § 286 (2012).

provisional pre-grant “reasonable royalty” damages.⁹⁴ Unless product sales can be described as low volume/high value, or the pre-grant damages cover an unusually long time period in which a considerable volume of sales occurred, the enforcement may produce only a Pyrrhic victory in which legal costs exceed the recovery—absent an exceptional case in which attorney fees are awarded.⁹⁵ Then again, it may be difficult for some businesses to quickly shut down production upon the grant of a competitor’s patent, given the sunk-cost investment that may have already been made to begin production in the first instance.⁹⁶

II. POTENTIAL STATE COMMERCIAL LAW LIABILITY

A. The UCC Warranty Against Infringement

Aside from U.S. federal patent laws, laws governing commercial transactions may include warranties to buyers against infringement by the purchased goods. Liability for the sale of infringing products can arise under state law modeled on the UCC. Some form of the UCC has been adopted in every U.S. state.⁹⁷ Section 2-312(3) of the UCC states:

Unless otherwise agreed a seller who is a merchant regularly dealing in goods of the kind warrants that the goods shall be delivered free of the rightful claim of any third person by way of infringement or the like but a buyer who furnishes specifications to the seller must

⁹⁴ See generally Jerry Hausman et al., *Patent Damages and Real Options: Characterization of Noninfringing Alternatives Reduces Incentives to Innovate*, 22 BERKELEY TECH. L.J. 825, 828 (2007) (“Damages calculated under a reasonable royalty approach are typically, but not always, less than the damages calculated under a lost profits approach.”).

⁹⁵ See generally *The Relevance of Reasonable Royalties to Copyright Infringement Remedies*, A.B.A. 1 (Mar. 2012), http://apps.americanbar.org/litigation/committees/intellectual/roundtables/0312_outline.pdf (“Parties seeking to apply the reasonable royalty analysis frequently used in the patent litigation arena have sometimes found themselves successful, and other times frustrated.”).

⁹⁶ See generally *The Evolving IP Marketplace: Aligning Patent Notice and Remedies with Competition*, FTC 5 (Mar. 2011), <https://www.ftc.gov/sites/default/files/documents/reports/evolving-ip-marketplace-aligning-patent-notice-and-remedies-competition-report-federal-trade/110307patentreport.pdf> (“At the time a manufacturer faces an infringement allegation, switching to an alternative technology may be very expensive if it has sunk costs in production using the patented technology.”).

⁹⁷ See Cornell Law Sch. Legal Info. Inst., *Uniform Commercial Code Locator*, CORNELL L. SCH., <https://www.law.cornell.edu/uniform/ucc> (last visited Nov. 21, 2017) (listing the states that have adopted forms of the UCC and noting that Louisiana has not adopted Article 2 of the UCC).

hold the seller harmless against any such claim which arises out of compliance with the specifications.⁹⁸

This provision is referred to as the implied warranty against infringement (“IWAI” or “WAI”). There are five key elements: (1) there is no specific agreement to the contrary (because of the language “[u]nless otherwise agreed”), (2) the seller must be a “merchant regularly dealing in goods of the kind,” (3) the “goods shall be delivered,” (4) the goods shall be delivered free of “the rightful claim of any third person by way of infringement or the like,” and (5) the buyer has not “furnishe[d] specifications to the seller”.⁹⁹

There are also certain requirements (notice, statute of limitations, etc.) imposed upon a buyer seeking to make a valid claim against a seller for a breach of the warranty against infringement under the UCC.¹⁰⁰ The so-called vouch-in provision of UCC section 2-607(5) governs how responsibility for defense of an infringement action is tendered or demanded, so that the seller may assume the buyer’s defense, and when the other party is bound by the infringement defense.¹⁰¹ One unique aspect of this UCC warranty is that it can create liability that extends beyond the original buyer and seller.¹⁰² Depending on state law regarding privity, this could allow a claim by a downstream buyer against the original seller, or could create a daisy-chain of liability with each downstream buyer potentially having a claim against the seller immediately upstream, all the way back to the original seller.¹⁰³

Numerous commentators have lamented various ambiguities in UCC section 2-312.¹⁰⁴ Section 2-312 has been infrequently litigated, so there is little case law elaborating some of its nuances.¹⁰⁵ Comments to

⁹⁸ U.C.C. § 2-312(3) (AM. LAW INST. & UNIF. LAW COMM’N 2002).

⁹⁹ *Id.*

¹⁰⁰ *See* U.C.C §§ 2-607(3)–(6), 2-725 (AM. LAW INST. & UNIF. LAW COMM’N 2002).

¹⁰¹ U.C.C. § 2-607(5).

¹⁰² *Id.*

¹⁰³ *See* Bryan K. Anderson & Ezekiel Rauscher, *Implied Warranty of Noninfringement Depends on State*, LAW360 (June 9, 2015), <https://www.law360.com/articles/663016/IMPLIED-WARRANTY-OF-NONINFRINGEMENT-DEPENDS-ON-STATE>; *see also* U.C.C. § 2-318 (AM. LAW INST. & UNIF. LAW COMM’N 2002).

¹⁰⁴ *See, e.g.*, Karen E. Sandrik, *Warranting Rightful Claims*, 72 LA. L. REV. 873, 891–98 (2012) (citing William F. Dundine, Jr., *Warranties Against Infringement Under the Uniform Commercial Code*, 36 N.Y. ST. B.J. 214, 214 (1964)); Anderson & Rauscher, *supra* note 103.

¹⁰⁵ The UCC warranty against infringement comes up infrequently in reported cases partly because patent owners often avoid suing competitors’ customers. *See* P. Patrick Cella et al., *Exploration of Warranties under Article 2 of the Uniform Commercial Code*, 23 IDC Q. 1, 1, 4 (2013). Even when patent owners are legally

UCC section 2-312 provide no guidance regarding later-granted patent rights.¹⁰⁶ While some elements of UCC section 2-312 are relatively unambiguous in typical scenarios, others are ambiguous in ways unique to the question of pre-grant patent infringement liability.¹⁰⁷ We turn to the areas that are least straightforward in the context of pending patent applications, specifically when a product is sold that falls within the scope of pre-grant claims of a pending patent application that are granted in a substantially identical form after those products are delivered to and accepted by a buyer.

B. Key Limitations of the UCC Warranty Against Infringement

It should first be noted that UCC Article 2 covers “goods” and not services.¹⁰⁸ Therefore, patent applications with claims to processes or methods may be entirely outside the scope of section 2-312. But close questions can arise with respect to software and computer-implemented inventions, for instance, which may be “goods” that are patented only under method or process claims.¹⁰⁹

Another area of much uncertainty is the scope of a “rightful claim” of infringement. There are multiple cases from different jurisdictions

entitled to sue competitors’ customers as infringers who “use[]” the patented invention, businesses may prefer to try to capture future sales to those customers after suing a direct competitor that is manufacturing, selling and/or importing infringing products. *See id.* at 4–6. But this rule of thumb does not always hold, for instance, when a patent owner engages in forum shopping and names a customer as a defendant to secure a desired venue, or when the patent owner does not practice the patent and therefore does not have an interest in customer perceptions. *See id.*

¹⁰⁶ U.C.C. § 2-312 (AM. LAW INST. & UNIF. LAW COMM’N 2002). Amendments to the UCC were proposed in 2003 that would have impacted these scenarios, but those proposed amendments were rejected and withdrawn in 2011. *See* U.C.C. § 2-312 (AM. LAW INST. & UNIF. LAW COMM’N 2003) (withdrawn 2011). As discussed *infra* Section II.D, a treaty on the international sale of goods more explicitly addressed this issue.

¹⁰⁷ *See, e.g.,* Joel Rothstein Wolfson, *An Intellectual Property Lawyer’s Reading of UCC 2-312*, 126 BANKING L.J. 141, 143, 150–51 (2009).

¹⁰⁸ U.C.C. § 2-105(1)–(4) (AM. LAW INST. & UNIF. LAW COMM’N 2002). Courts assess infringement of apparatus and method claims differently. *See, e.g.,* Joy Techs., Inc. v. Flakt, Inc., 6 F.3d 770, 773–76 (Fed. Cir. 1993).

¹⁰⁹ There is no uniform view of when, if ever, software is a “good” subject to Article 2 of the UCC, though commoditized software is likely to be considered a “good” under the UCC. *See, e.g.,* Rottner v. AVG Techs. USA, Inc., 943 F. Supp. 2d 222, 229–31 (D. Mass. 2013); *see also* Andrew Rodau, *Computer Software: Does Article 2 of the Uniform Commercial Code Apply?*, 35 EMORY L.J. 853, 874–75 (1986). “Goods” sold that have no substantial non-infringing use in view of method claims of a patent present an interesting question here, which may be better addressed with regard to the timing of delivery (as discussed *infra* Section II.C) rather than through a categorical goods versus not-goods dichotomy.

continued . . .

dealing with this point, but no definitive standard has yet to emerge, with past cases retaining a certain vagueness about when a claim crosses the threshold of being “rightful”—an undefined term coined in the UCC without any clear analog elsewhere in the UCC or patent law.¹¹⁰ What can be said is that a “rightful claim” exists in a middle ground, something less stringent than a definitive finding of infringement,¹¹¹ but also at least having an adequate, non-frivolous basis,¹¹² and, in some jurisdictions, being of a substantial nature that casts a “substantial shadow” with a significant and adverse effect on the buyer’s ability to use the goods that is reasonably likely to subject the buyer to litigation.¹¹³ The trouble is that these standards all require some connection to the merits of the patent infringement claim, even if that analysis stops somewhere short of a complete adjudication of the merits of the infringement case.¹¹⁴ State courts may be reluctant to immerse themselves in such issues, wholly apart from federal preemption concerns.¹¹⁵ For that matter, parties may loathe to litigate a UCC warranty claim that first requires a potentially lengthy and costly assessment of the merits of the underlying patent infringement claim.

Some courts have also held that contributory infringement and inducement of infringement under 35 U.S.C. § 271(b) and (c) are outside the scope of UCC section 2-312, because those particular forms of patent infringement result from conduct of the buyer after the time when the goods are “delivered.”¹¹⁶ These past cases generally dealt with situations in which a component or material was supplied to a buyer who then combined that component or material with other things to create an infringing product.¹¹⁷ Such rulings represent a significant

¹¹⁰ See Sandrik, *supra* note 104, at 891–98 (citing William F. Dundine, Jr., *Warranties Against Infringement Under the Uniform Commercial Code*, 36 N.Y. St. B.J. 214, 214 (1964)).

¹¹¹ 84 Lumber Co. v. MRK Techs., Ltd., 145 F. Supp. 2d 675, 680 (W.D. Pa. 2001).

¹¹² *Id.*; see *Cover v. Hydramatic Packing Co.*, 83 F.3d 1390, 1394 (Fed. Cir. 1996).

¹¹³ *EZ Tag Corp. v. Casio Am., Inc.*, 861 F. Supp. 2d 181, 184 (S.D.N.Y. 2012); *Phoenix Sols., Inc. v. Sony Elecs., Inc.*, 637 F. Supp. 2d 683, 695–97 (N.D. Cal. 2009); *Pac. Sunwear of Cal., Inc. v. Olaes Enter., Inc.*, 84 Cal. Rptr. 3d 182, 194 (Cal. Ct. App. 2008); *Sun Coast Merch. Corp. v. Myron Corp.*, 922 A.2d 782, 796–98 (N.J. Super. Ct. App. Div. 2007).

¹¹⁴ See *Cover*, 83 F.3d at 1394; *EZ Tag Corp.*, 861 F. Supp. 2d at 184; *Phoenix Sols., Inc.*, 637 F. Supp. 2d at 695–97; *84 Lumber Co.*, 145 F. Supp. 2d at 680; *Pac. Sunwear of Cal., Inc.*, 84 Cal. Rptr. 3d at 194; *Sun Coast Merch. Corp.*, 922 A.2d at 796–98.

¹¹⁵ See Sandrik, *supra* note 104, at 878–79.

¹¹⁶ *E.g.*, *Chemtron, Inc. v. Aqua Prods., Inc.*, 830 F. Supp. 314, 315–16 (E.D. Va. 1993); *Motorola, Inc. v. Varo, Inc.*, 656 F. Supp. 716, 718–19 (N.D. Tex. 1986).

¹¹⁷ *Chemtron, Inc.*, 830 F. Supp. At 315; *Motorola, Inc.*, 656 F. Supp. At 717.

narrowing of upstream seller liability under the UCC warranty against infringement.

C. Applying the UCC Warranty to Pending Patent Applications

When it comes to goods delivered *before* a patent is granted that subsequently infringe (or would infringe) a later-granted patent, the applicability of the “goods shall be delivered free of the rightful claim of any third person by way of infringement or the like” provision of the UCC section 2-312 warranty against infringement is less clear and does not appear to have yet been litigated in any reported case.¹¹⁸ There are clear tensions between policy that provides buyers with reasonable certainty that purchased goods can be enjoyed free of patent infringement claims, and the specific wording of provisions of the UCC that discuss the warranty only at the time of tender of delivery of the goods.¹¹⁹ Unlike infringement of other types of intellectual property, such as copyrights and trademarks, the pre-grant examination and publication process associated with patents and patent applications makes the assessment of a warranty against infringement at the time of tender a matter of guesswork.¹²⁰ It is therefore worthwhile to probe typical scenarios to further understand when and where the UCC

¹¹⁸ See 3 RICHARD W. DUESENBERG ET AL., SALES & BULK TRANSFERS UNDER THE UNIFORM COMMERCIAL CODE § 5.04[4] (Matthew Bender 2017) (noting that “the language of the statute is not altogether clear” regarding infringement claims arising subsequent to sale and discussing analogous case law decided prior to the Uniform Commercial Code).

¹¹⁹ Compare U.C.C. § 2-725(2) (AM. LAW INST. & UNIF. LAW COMM’N 2002) (“[B]reach of warranty occurs when tender of delivery is made, except that where a warranty explicitly extends to future performance of the goods and discovery of the breach must await the time of such performance the cause of action accrues when the breach is or should have been discovered.”), with *Am. Container Corp. v. Hanley Trucking Corp.*, 268 A.2d 313, 318 (N.J. Super. Ct. Ch. Div. 1970) (“The purchaser of goods warranted as to title has a right to rely on the fact that he will not be required, at some later time, to enter into a contest over the validity of his ownership.”).

¹²⁰ Trademark and copyright registrations are entirely optional. See, e.g., 15 U.S.C. § 1125(a) (2012) (discussing liability in a civil action for misrepresentation of origin or ownership with no mention of an initial requirement of registration by the individual claiming damages); 17 U.S.C. §§ 102(a), 408(a) (2012) (stating how copyright protection arises, and that copyright registration is not necessary to receive such protection). For that matter, trademark and copyright registrations do not involve applicant-drafted “claims” as with utility patents, which removes much ambiguity present with respect to patent applications. See *Federal Copyright Registration*, SUNSTEIN, <https://sunsteinlaw.com/practices/copyright-portfolio-development/copyright-pointers/federal-copyright-registration/> (last visited Mar. 30, 2018); *Trademark process*, USPTO, <https://www.uspto.gov/trademarks-getting-started/trademark-process#step1> (last visited Mar. 30, 2018).

warranty against infringement applies with respect to pending patent applications.

In a situation where goods are delivered before a patent application has published with a relevant claim substantially identical to one in a later-granted patent (following the “provisional rights” framework discussed above), there may be reason to say that the goods were “delivered” before a “rightful claim” arose, thereby rendering the UCC warranty against infringement inapplicable.¹²¹ This is because not even “provisional” rights accrue to the eventual patent owner in these situations.¹²²

There would be a chilling effect if competitors and other third parties were forced to treat *all* pre-grant patent claims as creating a “rightful claim,” when many times such pending claims represent applicant overreaching and will be rejected by the USPTO as unpatentable, requiring significant narrowing amendment(s) in order to have a chance of patentability.¹²³ Moreover, even though federal patent law generally treats direct infringement like a strict liability tort, that does not necessarily provide a compelling reason to hold sellers liable under state commercial law for products delivered to buyers before a patent is issued or an application is published, when the sellers had no way to determine what the patent applicant is even seeking to protect, *and* when federal patent laws deny even “provisional rights” to the (eventual) patentee before publication.¹²⁴ In other words, even though no liability exists at the time the goods are delivered to the buyers, later-arising liability for sellers under the UCC would be contrary to the spirit of prior court decisions holding that only liability *at the time of delivery* is actionable.¹²⁵ This is further supported by UCC section 2-725(2), which provides that:

A breach of warranty occurs when tender of delivery is made, except that where a warranty explicitly extends to future performance of the goods and discovery of the

¹²¹ U.C.C. § 2-312 (AM. LAW INST. & UNIF. LAW COMM’N 2002).

¹²² 35 U.S.C. § 154(d) (2012) (giving the circumstances where provisional rights arise).

¹²³ Mark A. Lemley & Bhaven Sampat, *Is the Patent Office a Rubber Stamp?*, 58 EMORY L.J. 181, 182 (2008).

¹²⁴ Even if, for instance, the patent applicant provided the text of an unpublished claim to the seller, this would still seem inadequate, given that patent claims can have terms with special meanings that can be ascertained only through review of the entire patent application and the prosecution history. *See, e.g., Phillips v. AWH Corp.*, 415 F.3d 1303, 1304 (Fed. Cir. 2005) (en banc) (describing the difficulty in understanding a term and the resources often used to ascertain the meaning as used in the claim).

¹²⁵ *See supra* note 116 and accompanying text.

breach must await the time of such performance the cause of action accrues when the breach is or should have been discovered.¹²⁶

And yet, in contrast, some cases suggest a broad policy underlying the UCC that “[t]he purchaser of goods warranted as to title has a right to rely on the fact that he will not be required, at some later time, to enter into a contest over the validity of his ownership.”¹²⁷ This broader and more general policy objective suggests that sellers should be liable under the UCC warranty against infringement even in situations in which liability arises “by surprise” when a patent later issues, creating a downstream infringement claim.¹²⁸ This would allow buyers to rely on good faith purchases.¹²⁹ Moreover, assigning liability to the original seller even before a patent issues avoids a “hot potato” situation, in which goods covered by a patentable claim of a pending patent application are resold over and over again until some unfortunate downstream buyer is left holding the now-infringing goods when the patent eventually issues.¹³⁰ Thus, there are pragmatic policy reasons, supported by case law,¹³¹ which suggest that the absence of a granted patent or even the absence of provisional rights at the time of delivery should still fall under the implied warranty against infringement.

In another situation where “infringing” goods are delivered after a patent application is published with claims that are substantially identical to those in the later-granted patent, then the availability of “provisional rights” under federal patent law suggests that a “rightful claim” exists at the time of delivery under UCC section 2-312 if the seller was aware of the published patent application.¹³² This is a less ambiguous scenario, in that federal patent law explicitly provides provisional rights.¹³³ But given that the federal provisional rights are

¹²⁶ U.C.C. § 2-725(2) (AM. LAW INST. & UNIF. LAW COMM’N 2002) (emphasis added).

¹²⁷ *Yttro Corp. v. X-Ray Mktg. Ass’n, Inc.*, 559 A.2d 3, 5 (N.J. Super. Ct. App. Div. 1989) (quoting *Am. Container Corp. v. Hanley Trucking Corp.*, 268 A.2d 313, 318 (N.J. Super. Ct. Ch. Div. 1970)).

¹²⁸ *See id.* (suggesting that statutory warranty of title should include infringement by any third party).

¹²⁹ The concept of good faith purchases arises under other provisions of the UCC and under other bodies of law, and is the subject of much disagreement. *See* Alan Schwartz & Robert E. Scott, *Rethinking the Laws of Good Faith Purchase*, 111 COLUM. L. REV. 1332, 1333–38 (2011).

¹³⁰ Anderson & Rauscher, *supra* note 103.

¹³¹ *See supra* notes 127–29.

¹³² 35 U.S.C. § 154(d) (2012); U.C.C. § 2-312(3) (Am. Law Inst. & Unif. Law Comm’n 2002); *see* Sandrik, *supra* note 104.

¹³³ 35 U.S.C. § 154(d).

only enforceable once a patent issues,¹³⁴ sellers might still avoid provisional rights liability if no patent ever issues. If the UCC warranty against infringement is interpreted to track underlying intellectual property rights as closely as possible, then there is a strong argument that the UCC warranty against infringement should only establish a “rightful claim” against the seller if a patent has issued by the time a warranty against infringement claim is formally made. While such an approach might encourage buyers to delay bringing warranty against infringement claims, and certainly undercuts the ability to fully and completely ascertain seller liability at the time of delivery, it nonetheless balances those concerns by avoiding enlargements or reductions in the provisional rights granted to patent owners by federal patent laws. It seems that some ambiguity around the timing of a warranty claim is an acceptable burden if it means that substantive liabilities are clearly defined in relation to those established by the underlying intellectual property rights.

To the extent that damages under provisional rights would be available but for evidence that the seller knew of the published application at the time of delivery, the question is a closer one. Under federal patent law, provisional rights do not attach in the absence of knowledge of the published application by the infringer.¹³⁵ Sellers are able to search for and review publicly available published patent application claims to ascertain potential risk.¹³⁶ But the patent laws do not place any duty on sellers to conduct such searches *for pending patent applications*.¹³⁷ Therefore, in the absence of actual knowledge by the seller, there is a strong argument that there is no rightful claim under the UCC warranty against infringement. The mere placement of a “patent pending” notice on goods by the patent applicant would not seem sufficient here, in that the words “patent pending” do not apprise the public of the scope of patent rights sought by the applicant.¹³⁸ A

¹³⁴ *Id.*

¹³⁵ 35 U.S.C. §154(d)(1)(B); *see also* *Rosebud LMS Inc. v. Adobe Sys. Inc.*, 812 F.3d 1070, 1075 (Fed. Cir. 2016) (interpreting §154(d)’s “actual notice” requirement to include actual knowledge of the published patent application).

¹³⁶ *Search for Patents*, USPTO, <https://www.uspto.gov/patents-application-process/search-patents> (last updated May 24, 2017, 2:06 PM).

¹³⁷ In contrast, it might be said that the patent laws placed an implied duty on parties to do so with regard to granted patents, in view of the strict liability nature of direct patent infringement. *See* *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1527 (Fed. Cir. 1995) (en banc), *rev’d on other grounds*, 520 U.S. 17 (1997).

¹³⁸ Indeed, in a global marketplace, the “patent pending” designation does not even apprise competitors of the jurisdictions in which patent protection is sought. *See* *Sawicki & Young*, *supra* note 77. A patent application pending in another country may not permit the applicant to ever enforce patent rights in the United

notice that includes a patent application publication number would be a different situation, though, again, federal laws require actual notice rather than constructive notice provided by patent (application) marking, which suggests that such marking would only be effective if the seller of the goods later accused of infringement actually saw the marking.¹³⁹ If the buyer, but not the seller, had actual knowledge of the published patent application, provisional rights damages would be available against the buyer, though there is an argument that fairness should not permit a buyer to pass infringement liability on to the seller when the buyer was aware of the liability risk and did not inform the seller.¹⁴⁰ It would be reasonable for courts to fashion an equitable estoppel under such a scenario to limit the warranty against infringement.

In a situation in which goods are delivered after a patent application has been published, but the claims undergo significant amendments before a patent is later granted (whether those amendments are made before or after delivery of the goods), “provisional rights” are not available under federal law.¹⁴¹ Such a scenario is analogous to situations where goods are delivered when there is no published patent application, and the same ambiguities arise.¹⁴²

In any event, these points are untested and courts have not yet offered guidance on UCC claims arising from a warranty against infringement stemming from pre-grant delivery of goods.¹⁴³ Regardless of how courts eventually decide such issues, the UCC does provide a four-year statute of limitations on warranty claims, which runs from breach when tender of delivery is made, regardless of the aggrieved party’s lack of knowledge of the breach.¹⁴⁴ This means that long delays between delivery of goods and the eventual grant of a patent (which do sometimes occur)¹⁴⁵ could act as a bar to a UCC warranty claim that

States—though priority claims to earlier-filed foreign patent applications is possible. 35 U.S.C. §§ 119, 361 (2012).

¹³⁹ This outside chance of putting infringers on notice might be enough to encourage the practice by patent applicants. Further, in such a situation a reasonable inference based on evidence that the seller had access to the goods would seem to be sufficient to state a claim that would survive a motion to dismiss under Rule 12(b)(6) of the Federal Rules of Civil Procedure. *Cf. Rosebud*, 812 F.3d at 1074–75 (interpreting the “actual notice” requirement of § 154(d) to mean “personal information or knowledge” rather than “affirmatively acting to provide notice”).

¹⁴⁰ A treaty closes this loophole for the international sale of goods. *See* discussion *infra* Section II.D.

¹⁴¹ 35 U.S.C. § 154(d) (2012).

¹⁴² *Id.*

¹⁴³ *See* 3 DUESENBERG ET AL., *supra* note 118, § 5.04[4].

¹⁴⁴ U.C.C. § 2-725 (AM. LAW INST. & UNIF. LAW COMM’N 2002).

¹⁴⁵ *Id.*

continued . . .

would otherwise be rightful.

Lastly, it must be underscored that UCC section 2-312 deals with an *implied* warranty that is imposed by default when the parties are silent on the matter.¹⁴⁶ The implied warranty against infringement can, however, be disclaimed by agreement of the parties.¹⁴⁷ This is Important Point #3: *sellers should consider including a specific term regarding any warranty against infringement in sales contracts*. Parties can more explicitly assume warranty liabilities, disclaim them entirely, or arrive at a middle-ground position.¹⁴⁸ General disclaimers might be effective,¹⁴⁹ but most jurisdictions will likely require a specific disclaimer explicitly directed to the warranty against infringement.¹⁵⁰ Disclaiming the implied warranty against infringement will not always be the right approach because some sellers may want to give buyers the assurance that it applies. But the pros and cons of a disclaimer should be weighed for all important and going transactions.

Aside from a complete waiver, or the drafting of customized warranty and indemnification provisions, the parties can also reduce the statute of limitations period to three years.¹⁵¹ From the seller's perspective, a shorter statute of limitations can limit the scope of potential for warranty against infringement claims based on later-issuing patents, especially when the patent applicant pursues follow-on continuing patent applications that may issue many years after a priority patent application is filed. Ultimately, the inclusion of disclaimers regarding the warranty against infringement and other modifications of default UCC provisions will rest on the relative bargaining power of the parties and their individual objectives.¹⁵²

Quite frankly, though, the ambiguity of the UCC on the points raised above suggest that a clarifying revision to UCC section 2-312(3) would be helpful. Absent such revisions to the UCC, and state laws implementing the UCC, businesses and their legal counsel engaged in commercial transactions in the United States should consider overriding the implied warranty against infringement of the UCC with customized contract terms that address the liability that the seller assumes, if any, for delivery of goods (or services) that may later give rise to a claim of

¹⁴⁶ U.C.C. § 2-312 (AM. LAW INST. & UNIF. LAW COMM'N 2002).

¹⁴⁷ *Id.*; see *MAS Corp. v. Thompson*, 302 S.E.2d 271, 275 (N.C. Ct. App. 1983).

¹⁴⁸ See *MAS Corp.*, 302 S.E.2d at 275; U.C.C. § 2-316 (AM. LAW INST. & UNIF. LAW COMM'N 2002); U.C.C. § 2-312.

¹⁴⁹ *E.g.*, *Landis & Staefa (UK) Ltd. V. Flair Int'l Corp.*, 60 F. Supp. 2d 14, 23 (E.D.N.Y. 1999).

¹⁵⁰ *Cf.* U.C.C. § 2-316(2) (enumerating requirements for exclusion or modification of implied warranties of merchantability and fitness).

¹⁵¹ U.C.C. § 2-725(1) (AM. LAW INST. & UNIF. LAW COMM'N 2002).

¹⁵² See *id.*

patent infringement.

D. International Commercial Law Considerations

UCC provisions apply only to activities between parties in the United States.¹⁵³ What about sales that cross international borders? The United Nations Convention on Contracts for the International Sale of Goods (“CISG” or “Vienna Convention”)¹⁵⁴ includes a provision similar to the UCC warranty against infringement.¹⁵⁵ More than eighty nations have signed on to the CISG.¹⁵⁶ The United States has ratified the CISG, with a reservation opting out of Paragraph 1(b) of Article 1.¹⁵⁷ CISG Article 42 provides:

(1) The seller must deliver goods which are free from any right or claim of a third party based on industrial property or other intellectual property, of which at the time of the conclusion of the contract the seller knew or could not have been unaware, provided that the right or claim is based on industrial property or other intellectual property:

(a) under the law of the State where the goods will be resold or otherwise used, if it was contemplated by the parties at the time of the conclusion of the contract that the goods would

¹⁵³ See U.C.C. § 1-301 (AM. LAW INST. & UNIF. LAW COMM’N 2001).

¹⁵⁴ United Nations Convention on Contracts for the International Sale of Goods, Apr. 11, 1980, 1489 U.N.T.S. 3 [hereinafter CISG].

¹⁵⁵ *Id.* art. 42; Allen M Shinn, Jr., *Liabilities Under Article 42 of the U.N. Convention on the International Sale of Goods*, 2 MINN. J. GLOBAL TRADE 115, 131 (1993); see also Henry D. Gabriel, *A Primer on the United Nations Convention on the International Sale of Goods: From the Perspective of the Uniform Commercial Code*, 7 IND. INT’L & COMP. L. REV. 279, 286 (1997); see generally Joseph J. Schwerha IV, *Warranties Against Infringement in the Sale of Goods: A Comparison of U.C.C. § 2-312(3) and Article 42 of the U.N. Convention on Contracts for the International Sale of Goods*, 16 MICH. J. INT’L L. 441, 442 (1995) (comparing the warranty of infringement under the UCC and CISG and providing a framework for deciding when to use which law). A useful compendium of resources related to CISG article 42 is maintained by the Pace Law School Institute of International Commercial Law. See, e.g., Pace Inst. of Int’l Commercial Law, *Annotated Text of CISG Article 42*, PACE L. SCH., <https://www.cisg.law.pace.edu/cisg/text/e-text-42.html> (last visited Dec. 26, 2017).

¹⁵⁶ *Status: United Nations Convention on Contracts for the International Sale of Goods (Vienna, 1980)*, UNITED NATIONS COMM’N ON INT’L TRADE L., http://www.uncitral.org/uncitral/en/uncitral_texts/sale_goods/1980CISG_status.html (last visited Nov. 22, 2017).

¹⁵⁷ *Id.*

be resold or otherwise used in that State; or

(b) in any other case, under the law of the State where the buyer has his place of business.

(2) The obligation of the seller under the preceding paragraph does not extend to cases where:

(a) at the time of the conclusion of the contract the buyer knew or could not have been unaware of the right or claim; or

(b) the right or claim results from the seller's compliance with technical drawings, designs, formulae or other such specifications furnished by the buyer.¹⁵⁸

Like the UCC, the CISG also imposes certain requirements for a party to invoke the warranty against infringement provisions.¹⁵⁹ And, significantly, the CISG also allows buyers and sellers to “exclude the application of this Convention or, subject to Article 12, derogate from or vary the effect of any of its provisions.”¹⁶⁰ In other words, parties can opt out of the CISG just as with the UCC.

Article 42(1) is actually much clearer than UCC section 2-312 when it comes to liabilities for sales and deliveries of goods that occur when a patent application is merely pending, requiring that “at the time of the conclusion of the contract the seller knew or could not have been unaware” of the infringement claim.¹⁶¹ Liability for “provisional rights” to pre-grant damages under a published application could still apply.¹⁶² But the CISG language diverges from the strict liability basis for patent infringement under U.S. law, and instead requires actual or imputed knowledge of infringement.¹⁶³ More broadly, CISG Article 42 provides an “innocent infringement” defense in the international

¹⁵⁸ CISG, *supra* note 154, art. 42.

¹⁵⁹ *Id.* art. 43; *see also id.* art. 44 (“Notwithstanding the provisions of paragraph (1) of article 39 and paragraph (1) of article 43, the buyer may reduce the price in accordance with article 50 or claim damages, except for loss of profit, if he has a reasonable excuse for his failure to give the required notice.”).

¹⁶⁰ *Id.* art. 6; *cf. id.* art. 12 (relating to requirements that certain agreements be in writing).

¹⁶¹ *Id.* art. 42(1).

¹⁶² *See* 35 U.S.C. § 154(d)(1), (4) (2012); *see also supra* notes 63–66 and accompanying text.

¹⁶³ *Compare* *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512, 1527 (Fed. Cir. 1995) (en banc), *rev'd on other grounds*, 520 U.S. 17 (1997) (noting that “[i]nfringement is, and should remain, a strict liability offense”), *with* CISG, *supra* note 154, art. 42(1) (requiring that “at the time of the conclusion of the contract the seller knew or could not have been unaware” of the infringement claim).

commercial warranty context that is otherwise unavailable under U.S. patent law—and not explicitly provided by the UCC.¹⁶⁴ Commentary on the CISG indicates that Article 42 was intended to preclude liability under a patent application that had not been published.¹⁶⁵ The CISG would therefore seem to preclude all seller liability in situations where a patent application remains unpublished and no patent has yet issued, regardless of any “patent pending” notice on commercially-available products.

Furthermore, a buyer who “knew or could not have been unaware of” infringement at the conclusion of the contract has no warranty claim against the seller under the CISG.¹⁶⁶ There is no comparable escape clause available to sellers under the UCC.¹⁶⁷ One example of a buyer aware of an unpublished patent application who may have no CISG warranty claim is an inventor or former employee of the patent applicant who goes to work for a competitor, or starts his or her own competing business, and then seeks to buy products from a third party knowing that current or future patent infringement liability is likely because of confidential knowledge of the pending patent application obtained via work for the former employer. In such a scenario, the buyer would have no warranty claim under the CISG.¹⁶⁸

Assuming that a seller knew or should have known about a published patent application, and that the buyer did not know or was

¹⁶⁴ *Hilton Davis Chem. Co.*, 62 F.3d at 1527; CISG, *supra* note 154, art. 42(1).

¹⁶⁵ U.N. Conference on Contracts for the Int’l Sale of Goods, *Commentary on the draft Convention for the International Sale of Goods, prepared by the Secretariat*, 37, U.N. Doc. A/CONF.97/19 (1991) (“Paragraph (1) introduces an additional limitation on the liability of the seller in that the seller is liable to the buyer only if at the time of the conclusion of the contract the seller knew or could not have been unaware of the existence of the third-party claim if that claim was based on a patent application or grant which had been published in the country in question. However, for a variety of reasons it is possible for a third party to have rights or claims based on industrial or intellectual property even though there has been no publication. In such a situation, even if the goods infringe the third party’s rights, article 40(1) [later becoming Article 42(1)] provides that the seller is not liable to the buyer.”); *see also* Pace Inst. of Int’l Commercial Law, *Legislative history of CISG article 42: Match-up with 1978 draft to assess relevance of Secretariat Commentary*, PACE L. SCH. (July 12, 1999), <https://www.cisg.law.pace.edu/cisg/text/matchup/matchup-d-42.html>.

¹⁶⁶ CISG, *supra* note 154, art. 42(2)(a).

¹⁶⁷ Pace Inst. of Int’l Commercial Law, *Checklist on the CISG*, PACE L. SCH., <https://www.cisg.law.pace.edu/cisg/biblio/kritzer2.html> (last updated June 11, 2004). However, courts might fashion an equitable estoppel in such a situation to limit seller liability under the UCC. *Cf.* 3 DUESENBERG ET AL., *supra* note 118, § 2.04[7] (noting that some courts have applied equitable estoppel in other UCC contexts despite the statute’s silence on the matter, e.g., the statute of frauds).

¹⁶⁸ Pace Inst. of Int’l Commercial Law, *supra* note 167.

reasonably unaware of that published patent application, the seller's warranty liability to the buyer under “provisional rights” in the United States should resemble that discussed above with respect to the UCC.

There does not appear to have been a single reported case in the United States under Article 42 of the CISG at the time of writing.¹⁶⁹ This means that relatively little guidance is available on proper interpretation of that Article, though the CISG benefits from being much less ambiguous than the UCC regarding potential liability stemming from pending patent applications.

E. Custom Warranties and Indemnifications

Apart from UCC or CISG provisions that may apply by default, buyers and sellers can craft their own agreements with customized provisions governing a warranty or indemnification relating to patent infringement.¹⁷⁰ Established businesses, whether as buyers or sellers, often do have their own preferred sales contracts that allocate liabilities in a desired manner should patent infringement arise.¹⁷¹ Such contracts can extend beyond just the “goods” covered by the UCC and CISG to include services.¹⁷² However, do these custom-drafted provisions address—or even contemplate—the situation in which a patent issues after the delivery of goods?

As one example, contract terms with language regarding “any good

¹⁶⁹ See Pace Inst. of Int’l Commercial Law, *3,000 Cases 10,000 Case Annotations, UNCITRAL Digest Cases for Article 42 Plus Added Cases for This Article*, PACE L. SCH., <https://www.cisg.law.pace.edu/cisg/text/digest-cases-42.html> (last updated Oct. 22, 2013). *But see* Memorandum Order, *Tex. Instruments, Inc. v. Linear Tech. Corp.*, No. 2:01-CV-00004-DF, 2002 U.S. Dist. LEXIS 5669, at *2–4 (E.D. Tex. Jan. 15, 2002) (severing third parties defending against a claim under article 42 before any substantive rulings on the claim). Article 42 has, however, been litigated in other jurisdictions. *Digest of Case Law on the United Nations Convention on Contracts for the International Sale of Goods*, UNITED NATIONS COMM’N ON INT’L TRADE L. 209–10 (2016), http://www.uncitral.org/pdf/english/clout/CISG_Digest_2016.pdf [hereinafter *Digest of Case Law*].

¹⁷⁰ *Digest of Case Law*, *supra* note 169, at 33; Darin Klemchuk, *Warranty Against Infringement: UCC Section 2-312*, KLEMCHUK LLP (July 4, 2017), <http://www.klemchuk.com/warranty-against-infringement-ucc-section-2-312>.

¹⁷¹ Michael J. Meurer, *Allocating Patent Litigation Risk Across the Supply Chain*, 25 TEX. INTELL. PROP. J. (forthcoming 2018) (manuscript at 2 n.6) (on file with Review of Litigation).

¹⁷² See John P. McMahon, *Applying the CISG Guides for Business Managers and Counsel*, PACE L. SCH., <http://www.cisg.law.pace.edu/cisg/guides.html> (last updated May 25, 2010); *see also Construction Law Survival Manual*, FULLERTON & KNOWLES, <http://www.fullertonlaw.com/uniform-commercial-code> (last visited Feb. 26, 2018).

that becomes the subject of a claim for patent or other proprietary right infringement” would seem to encompass later-arising claims of patent infringement, even when the goods are delivered before a relevant patent issues. In contrast, a contract term that specifies that the seller “makes no warranty against infringement claims that arise after delivery and acceptance” of the goods would preclude some claims, though additional language addressing “provisional rights” would be necessary to fully address seller concerns—short of a total rejection of any warranty against infringement. Moreover, language following the CISG that exempts a seller from a warranty claim where “the buyer knew or could not have been unaware of the right or claim of a third party based on industrial property or other intellectual property”¹⁷³ will help avoid situations in which buyers knowingly push infringement liability onto sellers via a commercial law warranty. Of course, the sky is the limit when it comes to possible customized contractual provisions regarding infringement warranties and indemnities.

The impact of possible downstream patent infringement liability to a seller will vary depending on the type of goods. For instance, consumables or other goods with short useful lifespans delivered while a patent application is pending and immediately put into use may no longer be in use—or even in existence—by the time a patent later issues.¹⁷⁴ In contrast, durable goods will more likely still be in use (or ready for use or further sale) when a patent issues, making the warranty and indemnification issues surrounding pending patent applications more acutely significant.¹⁷⁵ Other considerations such as the availability of non-infringing substitutes, likely costs associated with product redesigns, regulatory approval requirements, sunk costs of capital equipment for manufacturing, manufacturing lead times, seasonal sales fluctuations, sensitivities to negative publicity, generalized risk-aversion, typical length and elasticity of sales relationships and other factors, can all influence buyer and seller views on specific warranty and indemnification provisions in commercial

¹⁷³ See CISG, *supra* note 154, art. 42(2); see also Pace Inst. of Int’l Commercial Law, 2012 *UNCITRAL Digest of Case Law on the United Nations Convention on the International Sale of Goods*, PACE L. SCH., <https://www.cisg.law.pace.edu/cisg/text/digest-cases-42.html> (last updated July 30, 2012).

¹⁷⁴ See generally *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998); Yuri Eliezer, *Can I Infringe on a Patent Application That Is Currently Pending?*, SMARTUP LEGAL (July 8, 2015), <https://www.smartuplegal.com/learn-center/can-i-infringe-on-a-patent-application-that-is-currently-pending/> (explaining that patent infringement cannot happen while a patent is pending).

¹⁷⁵ See *id.*

contracts.¹⁷⁶

There are other “loopholes” to infringement liability that should also be considered when allocating infringement liability under sales agreements.¹⁷⁷ For instance, in the absence of enforceable provisional rights, export of previously-manufactured products covered by a later-granted patent for use or sale in another jurisdiction is generally permissible (assuming there is no patent in that other jurisdiction), and the mere warehousing or destruction of previously-manufactured products covered by a patent (but not used or offered for sale) does not constitute infringement.¹⁷⁸ Buyers already operating internationally may be positioned to take advantage of this “export loophole,” though other buyers could potentially warehouse affected products until export opportunities arise.

Given the current state of the law surrounding implied warranties against infringement, custom-drafted commercial contract language has the advantage of potentially resolving all ambiguities under the UCC and CISG with respect to later-arising infringement of pending patent applications. This is Important Point #4: *both buyers and sellers should review sales contracts to assess how warranty and indemnification provisions assign liability when goods or services become the subject of infringement allegations based on a patent that issues after delivery and acceptance.* There is no right or wrong way to weigh the many considerations at play here, but potential later-arising patent infringement liability should at least be one such consideration.

¹⁷⁶ See Steven Kelley & David Allgeyer, *Warranties, Remedies, and Related Peccadilloes: Steps to Successful Contract Negotiation*, ACC DOCKET, 44, 50, 54 (2011); Austin Champion, *Drafting Effective Intellectual Property Indemnity Provisions*, HARPER BATES CHAMPION (Jan. 19, 2016), <https://www.harperbates.com/news/drafting-effective-intellectual-property-indemnity-provisions>; Paul Humbert, *Contract negotiation: How to analyze and negotiate warranties*, INT’L ASS’N FOR CONTRACT & COM. MGMT. (Nov. 6, 2017, 3:39:19 PM), <http://journal.iaccm.com/contracting-excellence-journal/contract-negotiation-how-to-analyze-and-negotiate-warranties>; *Negotiations: Sunk Costs*, KARRASS (Nov. 5, 2010); <https://www.karrass.com/en/blog/negotiations-sunk-costs/>.

¹⁷⁷ See ZUEGE, *supra* note 44, at 72–79 (discussing shop rights, importation of a product produced abroad by a patented method, temporary presence, and prior use defenses).

¹⁷⁸ *Johns Hopkins Univ. v. Cellpro, Inc.*, 152 F.3d 1342, 1366 (Fed. Cir. 1998) (“Mere possession of a product which becomes covered by a subsequently issued patent does not constitute an infringement of that patent until the product is used, sold, or offered for sale in the United States during the term of the patent.”).

III. CHALLENGING A PENDING PATENT APPLICATION

A. Overview

A common question arises whenever a business encounters a competitor's pending patent application of concern: "How can we try to prevent this patent application from being granted?" There are indeed mechanisms to try to challenge pending patent applications, but such mechanisms are limited. Patent examination is conducted on an *ex parte* basis, and the USPTO and legislators have shown little interest in adopting full-fledged *inter partes* patent application proceedings before a patent is granted.¹⁷⁹ Without question, *inter partes* examination of pending patent applications would be a more complex and contentious process (and would be more expensive) than the current *ex parte* regime.¹⁸⁰ But certain limited opportunities are available to third parties wishing to make pre-grant submissions to the USPTO in an effort to prevent the allowance of a particular patent application. These options are worth entertaining, given the landscape, discussed above, in which most patent applications result in a granted patent.

At present, there are only two formal mechanisms to challenge the patentability or pending patent applications in the United States: protests and third-party pre-issuance submissions.¹⁸¹ There is an

¹⁷⁹ The USPTO conducted two "Peer to Patent" (P2P) pilot programs, one from June 2005 to June 2007 and another in fiscal year 2011. Press Release, USPTO, USPTO Launches Second Peer To Patent Pilot in Collaboration with New York Law School (Oct. 19, 2010) (on file with USPTO), <https://www.uspto.gov/about-us/news-updates/uspto-launches-second-peer-patent-pilot-collaboration-new-york-law-school>; *Peer Review Pilot FY2011*, USPTO, <https://www.uspto.gov/patent/initiatives/peer-review-pilot-fy2011> (last updated Aug. 10, 2011). In this opt-in program, "citizen-experts" identified prior art. Naomi Allen et al., *First Pilot Final Results*, PEER TO PATENT 2 (June 2012), <http://www.peertopatent.org/wp-content/uploads/sites/2/2013/11/First-Pilot-Final-Results.pdf>. However, this was still not an *inter partes* examination program, and did not involve adversarial or otherwise hostile party involvement. Following the second pilot program the initiative appears to have been abandoned by the USPTO. See Lisa Larrimore Oullette, Pierson, *Peer Review, and Patent Law*, 69 VAND. L. REV. 1825, 1839–40 (2016).

¹⁸⁰ See generally H. Dickson Burton & Allen C. Turner, *Inter Partes and Post-Grant Review and Ex-Parte Re-Examination*, LEXOLOGY (Oct. 23, 2015), <https://www.lexology.com/library/detail.aspx?g=ac84ba8d-a6ce-4ef9-ad76-29411b2a1d34> (comparing the proceedings for challenging the validity of granted patents and their respective advantages and disadvantages).

¹⁸¹ 35 U.S.C. § 122(c), (e) (2012); 37 C.F.R. §§ 1.290–.291 (2017); MPEP, *supra* note 13, §§ 1134, 1441.01, 1901; see generally Austen Zuege, *Strategic Third-Party Submissions Against Patent Applications*, INTELL. PROP. TODAY, Dec. 2012, at 26, 26 (providing a procedural overview of third-party pre-issuance submissions).

“informal” mechanism available as well.¹⁸² Additionally, in some circumstances, inventorship of a pending patent application can be disputed via a derivation proceeding.¹⁸³ These various procedures are discussed in turn.

B. Protests

Protests can be filed against pending patent applications, with a listing of information relevant to patentability and a concise statement of relevance that can include arguments against patentability, but only in extremely limited circumstances.¹⁸⁴ Protests can only be filed prior to publication of the pending application, or with the applicant’s consent after publication and prior to allowance.¹⁸⁵ The protestor is not able to participate after the initial filing of the protest.¹⁸⁶ Of course, filing a protest before an application publishes is usually impossible, given that the very existence of the application is usually not public information and the contents of the application are likely unknown.¹⁸⁷

Situations in which an applicant would consent to a protest are difficult to imagine. The only meaningful scenario in which protests are available is for reissue applications, which are based on a previously-granted patent.¹⁸⁸ So, protests end up being a kind of a technicality, available only in rare situations—though potentially important in those circumstances.¹⁸⁹

¹⁸² ZUEGE, *supra* note 44, at 387–88.

¹⁸³ *Derivation Proceeding*, USPTO, <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/derivation-proceeding> (last updated May 9, 2017).

¹⁸⁴ 35 U.S.C. § 122(c); 37 C.F.R. § 1.291; MPEP, *supra* note 13, §§ 1901–1907.07(a).

¹⁸⁵ 35 U.S.C. § 122(c); 37 C.F.R. § 1.291(b).

¹⁸⁶ MPEP, *supra* note 13, § 1901.07.

¹⁸⁷ *See* 35 U.S.C. § 122(a). Current USPTO practice is to identify an application serial number for unpublished continuing applications in the continuity data for published parent applications in the PAIR system, but not to provide public access to such unpublished application documents. *See* MPEP, *supra* note 13, § 101. In such a scenario, a potential protestor might be aware of the existence of a continuing application of interest without knowing its specific contents. *See id.* Another notable exception is for applications based on a Patent Cooperation Treaty application (*e.g.*, a national phase entry application), in which the contents of an unpublished applicant can be surmised, though the U.S. application serial number will likely remain unknown. *See id.* § 1893.

¹⁸⁸ MPEP, *supra* note 13, § 1441.01.

¹⁸⁹ *See id.* §§ 1441.01, 1901.04.

C. Pre-Issuance Submissions

Third-party pre-issuance submissions were introduced by the America Invents Act in 2011.¹⁹⁰ Like “observations” in some other jurisdictions,¹⁹¹ these pre-issuance submissions resemble protests but are available in a wider range of situations, albeit based on a slightly narrower scope of information. In particular, submissions must be received by the USPTO prior to the *later* of either (a) six months after publication or (b) the date a first rejection is given or mailed.¹⁹² This window of opportunity is significant, but also rather short. After the initial submission, there is no further third-party involvement,¹⁹³ and the USPTO does not permit arguments as to patentability or the submission of unpublished materials (i.e., only patents, published patent applications, and “printed publications” are accepted).¹⁹⁴

Most potential third-party submitters want to know: is it strategically worthwhile to make a pre-issuance submission? The answer to this question naturally varies, depending especially on the availability and quality of prior art that might be submitted.¹⁹⁵ But a more general concern is what examiners actually do with third-party submissions. Are they ever effective? As of September 2014, for applications with office actions after receipt of a proper third-party submission, the submission was relied upon by the examiner 12.96% of the time.¹⁹⁶ From the standpoint of a potential submitter, that seems like

¹⁹⁰ Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 8, 125 Stat. 284, 315 (2011).

¹⁹¹ See Stéphanie Celaire, *Third Party Observations: A Weapon to Integrate in Your IP Strategy?*, REGIMBEAU (May 13, 2013), https://www.regimbeau.eu/REGIMBEAU/GST/COM/PUBLICATIONS/2013%205%20Observation%20de%20tiers_STC_EN.pdf (providing an overview of laws governing pre-issuance observations around the world).

¹⁹² 35 U.S.C. § 122(e)(1)(B) (2012).

¹⁹³ MPEP, *supra* note 13, § 1134.01(II)(B)(3).

¹⁹⁴ *Id.* § 1134.01(III).

¹⁹⁵ Kirby B. Drake, *Pre-Issuance Patent Submissions - A New Way to Participate in Patent Prosecution*, KLEMCHUK LLP BLOG (Oct. 23, 2015), <http://www.klemchuk.com/339-preissuance-patent-submissions-a-new-way-to-participate-in-patent-prosecution/>.

¹⁹⁶ *Compare Preissuance Submission Statistics*, USPTO 5 (Sept. 26, 2014), https://www.uspto.gov/sites/default/files/patents/init_events/preissuance_submission_statistics1.pdf, and *Submission of Observations from Third Parties*, JAPAN PAT. OFF. (Apr. 7, 2017), https://www.jpo.go.jp/tetuzuki_e/t_tokkyo_e/submission.htm (stating that December 2013 data from the Japan Patent Office indicates that information regarding prior art contained in third-party pre-issuance observations was utilized in reasons for refusal (i.e., in office actions) approximately 73% of the time), with *Supplementary Publication 4/2016 – Official Journal EPO*, EUR. PAT. OFF., <https://www.epo.org/law-practice/legal-texts/official->

a disappointingly low number. And yet, more promisingly, one independent study showed that approximately 40% of pre-issuance submissions were successful (with approximately 20% leading to abandonment), and an earlier internal USPTO survey of examiners indicated that 52% of those surveyed found pre-issuance submissions useful to either a moderate or great extent.¹⁹⁷

Interviews conducted with USPTO staff in 2013 suggested that a common problem with many submissions is that submitters are often well-versed in (and passionate about) the relevant technology but are unfamiliar with patents and the patenting process, and therefore they fail to present submitted information in a manner useful to examiners.¹⁹⁸ Indeed, numerous examiners commented in that survey that the quality of the concise statements of relevance for submitted information is important to them.¹⁹⁹ Submitters need not be registered patent attorneys or agents, but feedback from USPTO personnel and anecdotal accounts by patent attorneys (the present author included) suggests that experienced patent practitioners are more likely than non-practitioners to prepare pre-issuance submissions in a way that results in examiner reliance on the submitted information as the basis for a rejection.²⁰⁰

However, from a strategic perspective, the limited ability of a third

journal/2016/etc/se4/p91.html (last updated Sept. 29, 2016) (asserting that European Patent Office (“EPO”) examiners are required to comment on all third-party observations submitted under Article 115 of the European Patent Convention, though statistics do not appear to be available regarding the percentage of cases in which third-party observations are used as the basis for a rejection in the EPO).

¹⁹⁷ Sarah Kapelner et al., *An Assessment of the Impact of Pre-Issuance Submissions on the Patent Examination Process*, WORCESTER POLYTECHNIC INST. 119 (Dec. 19, 2013), https://web.wpi.edu/Pubs/E-project/Available/E-project-122013-161237/unrestricted/FINAL_PAPER_pdf_version.pdf (noting this was a very limited survey); Braden Katterheinrich & Nicholas Anderson, *The 3rd-Party Submissions Most Likely to Succeed at USPTO*, LAW360 (Oct. 27, 2017, 10:37 AM), <https://www.law360.com/articles/976912/the-3rd-party-submissions-most-likely-to-succeed-at-uspto>.

¹⁹⁸ Kapelner et al., *supra* note 197, at 171 (citing an interview with an anonymous USPTO manager); *see also* Katterheinrich & Anderson, *supra* note 197.

¹⁹⁹ *See generally* Kapelner et al., *supra* note 197, at 117–29 (noting that forty-seven of the ninety-three examiners responded that concise explanations were helpful in identifying pertinent parts of submissions, many of those surveyed providing responses explaining why).

²⁰⁰ *See* 25 U.S.C. § 122(e) (2012) (stating that “[a]ny third party” may make a submission); Rule Implementing Third Party Submissions Provision of Leahy-Smith America Invents Act, 77 Fed. Reg. 42,150, 42,154 (July 17, 2012) (to be codified at 37 C.F.R. pts. 1, 41) (explaining that the submitter may be any member of the public or an attorney or representative of a party); Katterheinrich & Anderson, *supra* note 197 (identifying factors correlating with success, such as use of a claim chart instead of a narrative format and concluding that examiners are more likely to rely on “submitted references that are of the type most commonly used at the USPTO”).

continued . . .

party to elaborate on submitted cited prior art and the absence of any requirement for examiners to affirmatively respond to submissions may caution against “wasting” the best possible prior art.²⁰¹ After all, the applicant is generally free to amend the claims to distinguish the submitted prior art, which may result in a patent being granted, albeit with narrower claims.²⁰² This is Important Point #5: *a well-drafted and well-timed pre-issuance submission can urge rejection and possible narrowing amendments, but in high-stakes situations it may be better to hold back some or all known prior art for use in another context.*

An ideal scenario for a pre-issuance submission is where there is an abundance of non-cumulative prior art available, so that some prior art can be submitted and other prior art held back for potential later use. Another scenario where pre-issuance submissions makes sense is where forcing a narrowing amendment to eliminate reasonable royalty damages under pre-grant provisional rights is important, while the subsequent grant of a patent with narrowed claims would be acceptable. For instance, a submission of prior art that is identical or highly similar to a third-party’s product (or process) can either force narrowing claim amendments or can help build a case that any later-granted claims must not read on the submitted art—and, by extension, that the similar or identical product/process of the third-party submitter does not infringe.²⁰³ In that way, the submitted prior art acts as both a sword and a shield. Such an approach may be viable when dealing with pending claims that are highly ambiguous yet are supported only by the disclosure of embodiments that are significantly different from the third-party’s product/process.

²⁰¹ See MPEP, *supra* note 13, § 1134.01 (stating that the statute requires a “concise” and not “verbose description” and that the third-party filer “will not receive any further communications from the Office relating to the submission” aside from notification of receipt).

²⁰² See John J. Penny & Rory P. Pheiffer, *Evaluating the Effectiveness of Third Party Preissuance Submissions*, NUTTER (Nov. 2, 2015), <https://www.nutter.com/ip-law-bulletin/evaluating-the-effectiveness-of-third-party-preissuance-submissions> (concluding that filing a third-party submission is risky because it could lead to applicants amending their claims in ways that increase their chances of success); Katterheinrich & Anderson, *supra* note 197.

²⁰³ *Contra* Peters v. Active Mfg. Co., 129 U.S. 530, 538–39 (1889) (“That which infringes, if later, would anticipate, if earlier.”), *superseded by statute*, Act to Revise and Codify the Laws Relating to Patents and the Patent Office, ch. 950, 66 Stat. 792, 797 (codified as amended at 35 U.S.C. § 102 (2012)). Strictly speaking, there is no “practicing the prior art” defense to patent infringement. *In re Omeprazole Patent Litig.*, 536 F.3d 1361, 1377 (Fed. Cir. 2008) (“It is well-established . . . that ‘practicing the prior art’ is not a defense to infringement.”). But from a pragmatic perspective, a reasonable belief that sale of goods constitutes “practicing the prior art” equates to a belief that either a finding of non-infringement or a determination of invalidity is likely.

D. Informal Submissions

The informal method of challenging a pending patent application is to submit prior art to the applicant's attorney, or to the applicant herself. Prosecuting attorneys, plus the inventor(s) and possibly certain other persons involved with a given patent application, are under a duty to disclose material prior art to the USPTO.²⁰⁴ Therefore, any prior art they receive from a third party must be disclosed to the USPTO to fulfill that duty of disclosure.²⁰⁵ The consequence of not doing so is a potential finding of inequitable conduct, which may render any resultant patent unenforceable.²⁰⁶

One convenient way to make such disclosures to an applicant's attorney is to pre-fill a USPTO-supplied information disclosure statement ("IDS") form with all relevant prior art information and send it to the applicant's attorney.²⁰⁷ The IDS form includes space in which to identify "Pages, Columns, Lines where Relevant Passages or Relevant Figures Appear" for each of the listed references,²⁰⁸ which can be used to point the examiner to important teachings that might otherwise be easy to overlook. If the IDS is altered to remove one or more references or the identifications of particularly relevant passages

²⁰⁴ 37 C.F.R. § 1.56(c) (2017); MPEP, *supra* note 13, § 2001.

²⁰⁵ MPEP, *supra* note 13, § 2001.06(a).

²⁰⁶ See 35 U.S.C. § 282(b)(1) (2012); *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290–91 (Fed. Cir. 2011) (en banc) (stating that unenforceability requires findings of both (a) but-for materiality of withheld information and (b) that the patentee acted with the specific intent to deceive the USPTO). A finding of unenforceability renders all claims of the patent unenforceable; this is not a claim-by-claim analysis like invalidity. *Therasense, Inc.*, 649 F.3d at 1288. However, a patentee can cure a failure to disclose and avoid unenforceability by submitting the information with a request for supplemental examination. 35 U.S.C. § 257(c)(1) (2012); 37 C.F.R. § 1.601–.625 (2017); MPEP, *supra* note 13, § 2802. Supplemental examination may be requested at any time during the life of a patent, but in order for it to be an effective cure for inequitable conduct, supplemental examination must be requested *before* an unenforceability defense is raised by an accused infringer. § 257(c)(2)(A); see also *Therasense, Inc.*, 649 F.3d at 1290–91. Additionally, it may be possible to cure inequitable conduct through a reissue application, because the America Invents Act removed the limitation on reissue that the defect sought to be cured was "without any deceptive intention." See 35 U.S.C. § 251(a) (2012); see also MPEP, *supra* note 13, § 1448 ("[USPTO] will not comment upon duty of disclosure issues which are brought to the attention of the Office in reissue applications except to note in the application, in appropriate circumstances, that such issues are no longer considered by the Office during its examination of patent applications.").

²⁰⁷ *Information Disclosure Statement by Applicant – PTO/SB/08a*, USPTO, https://www.uspto.gov/sites/default/files/patents/process/file/efs/guidance/updated_IDS.pdf (last visited Feb. 27, 2018).

²⁰⁸ *Id.*

are altered before submission to the USPTO, that may constitute inequitable conduct if it conceals relevant information with an intent to deceive.²⁰⁹ In general, the strategic considerations for the informal submission of prior art to the applicant's attorney are the same as those for a formal pre-issuance submission.

E. Derivation Proceedings

Another procedure of note when considering a challenge to a pending patent application is a derivation proceeding.²¹⁰ This is a patent office trial "to determine whether (i) an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner's application, and (ii) the earlier application claiming such invention was filed without authorization."²¹¹ In essence, derivation proceedings govern disputes over inventorship and the misappropriation of another's invention.²¹² In certain circumstances, this may be the most suitable way to challenge a competitor's pending patent application.

F. Other Options?

If none of the pre-issuance procedures discussed above are legally available, or if due to strategic considerations none appear suitable, then a third party will need to await either abandonment or grant of the pending application.²¹³ After grant, a number of other procedures are available to challenge an issued patent. These include post-grant review, *inter partes* review, proceedings for covered business methods, and *ex parte* reexamination, all conducted at the USPTO, as well as declaratory judgment actions in court.²¹⁴ The drawback to all such post-

²⁰⁹ *Therasense, Inc.*, 649 F.3d at 1290–91. Supplemental examination or reissue might be effective to cure such inequitable conduct if pursued before an unenforceability defense is raised by an accused infringer. See *supra* note 206 and accompanying text.

²¹⁰ 35 U.S.C. § 135 (2012). Interference proceedings have been eliminated for new patent applications, but constitute another type of proceeding that can apply to a dwindling number of older patent applications. See MPEP, *supra* note 13, § 2301.04.

²¹¹ *Derivation Proceeding*, *supra* note 183.

²¹² See *id.*

²¹³ See Zuege, *supra* note 181, at 26.

²¹⁴ See 28 U.S.C. § 2201 (2012); 35 U.S.C. §§ 291, 302, 311, 321 (2012); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329 (2011); see also 35 U.S.C. § 301(1) (2012); 37 C.F.R. § 1.501 (2017) (informally referred to as the "poor man's reexam"); Theodore C. McCullough, *Prior Art and Its Uses: A Primer*, GROKLaw (Apr. 17, 2006, 12:25 PM),

grant activities is cost.²¹⁵ Pre-issuance submissions are generally much less costly to prepare and file.²¹⁶

IV. CONCLUSION

Pending patent applications can present a great deal of uncertainty to third parties attempting to ascertain potential infringement liability. The UCC and CISG each provide warranties against infringement enforceable against a seller of goods by default, but the UCC is particularly ambiguous with respect to liability for the delivery of goods while a patent application is still pending.²¹⁷ Revisions to the UCC that more clearly delineate the scope of the warranty against infringement for delivery of goods would provide much more certainty to both buyers and sellers.

However, in the meantime, buyers and sellers can negotiate specific terms for warranties against infringement, up to and including the complete elimination of such warranties or the assumption of a full and unequivocal indemnity against all infringement.²¹⁸ The warranty against infringement is relatively rarely litigated, in large part because patent owners usually prefer to sue competitors (sellers) than customers (buyers) but also because sellers will often either intentionally disclaim all warranties against infringement or will assume full indemnification of buyers against patent infringement.²¹⁹

But agreements should be drafted and reviewed with the understanding that patent owners may still be entitled to sue customers (buyers) and warranty against infringement issues could still arise with respect to pending patent applications. Practitioners should scrutinize commercial contracts with an eye toward scenarios in which a patent issues after tender of delivery, and draft and review contracts with the same considerations in mind. These contract provisions take on

<http://www.groklaw.net/articlebasic.php?story=20060414004039219#note16>.

²¹⁵ Post-grant proceedings typically cost in the six-figure range, and litigation into the seven-figure range. AM. INTELL. PROP. L. ASS'N, 2017 REPORT OF THE ECONOMIC SURVEY I-112-17, I-161-66 (2017). *Ex parte* reexamination remains the least costly post-grant procedure, with costs to the requester more typically in the five-figure range. *Id.* at I-91, I-97.

²¹⁶ Cost data for pre-issuance submissions is not available, but the submission requirements are less onerous than *ex parte* reexamination and the official fees are lower (and potentially non-existent for a limited number of submitted documents). *See Zuege, supra* note 181, at 28.

²¹⁷ U.C.C. § 2-312 (AM. LAW INST. & UNIF. LAW COMM'N 2002).

²¹⁸ *See, e.g.,* Blake D. Morant, *Contracts Limiting Liability: A Paradox with Tacit Solutions*, 69 TUL. L. REV. 715, 716-17 (1995).

²¹⁹ *See, e.g.,* Sun Coast Merch. Corp. v. Myron Corp., 922 A.2d 782, 794-95 (N.J. Super. Ct. App. Div. 2007).

heightened importance in view of (a) the likelihood of any given patent application being granted, (b) the very limited opportunities to intervene in the examination of pending patent applications, and (c) the relatively high cost of post-grant challenges to issued patents (including patent litigation defense).²²⁰

²²⁰ See, e.g., Carley et al., *supra* note 20, at 215; Doug Harvey, *Reinventing the U.S. Patent System: A Discussion of Patent Reform Through an Analysis of the Proposed Patent Reform Act of 2005*, 38 TEX. TECH L. REV. 1133, 1164 (2006).