

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Plasmacam, Inc. v. Cncelectronics, LLC

No. 2021-1689, United States Court of Appeals for the Federal Circuit (February 3, 2022)

SUMMARY

In a patent infringement suit, the Federal Circuit held that it had appellate jurisdiction over an order enforcing a disputed settlement agreement because the order required specific performance (execution of the agreement) and was therefore an appealable injunction or final judgment. The court reversed the district court's enforcement of the settlement, finding clear error in limiting the "Covered Products" definition to past and current products; the record showed the parties had agreed on January 21 to a broader definition encompassing all components (including future products) manufactured, sold, or offered for sale by CNC. The case addresses contract formation and mutual assent in settlement agreements, applying Texas or federal common law, and clarifies that an order compelling execution of a settlement agreement is appealable under 28 U.S.C. § 1292(a)(1) or § 1295(a)(1).

CASE DETAILS

COURT	United States Court of Appeals for the Federal Circuit
WRITING FOR THE COURT	Dyk; Newman; Reyna
JURISDICTION	Federal
DECIDED	February 3, 2022
DOCKET	2021-1689
DISPOSITION	reversed_and_remanded
PROCEDURAL POSTURE	Appeal from the United States District Court for the Eastern District of Texas in No. 4:19-cv-00037-ALM, Judge Amos L. Mazzant, III. The district court granted Plasmacam's motion to enforce its version of the settlement agreement and ordered CNC to execute it. CNC appeals.
STANDARD OF REVIEW	The Fifth Circuit reviews construction of an unambiguous contract's terms de novo, but ascertaining whether the parties mutually assented to contract terms is a factual question reviewed for clear error.
PRECEDENTIAL VALUE	Published
PARTIES	CNCElectronics, LLC, Fourhills Designs, LLC, Thomas Lee Caudle, Martha Jane Caudle v. Plasmacam, Inc.

TOPICS

appellate jurisdiction

contract interpretation

contracts

patent infringement

patent law

PRACTICE AREAS

Patent Litigation

Appellate Practice

Contract Law

QUESTIONS PRESENTED

1. Whether the Federal Circuit has appellate jurisdiction over the district court's order enforcing the settlement agreement.
2. Whether the district court erred in its interpretation of the 'Covered Products' term of the settlement agreement.

HOLDINGS

1. The court has jurisdiction either under 28 U.S.C. § 1292(a)(1) as an injunction because the order required specific performance (execution of the settlement agreement), or alternatively as a final judgment under 28 U.S.C. § 1295(a)(1) because the order evinced a clear intent to end the case.
2. The district court clearly erred in limiting the Covered Products to only past and current products plus updates and bug fixes, because the parties had agreed on January 21 that the definition would be 'all components manufactured, sold or offered for sale by CNC which incorporate digital torch height control.'

KEY QUOTATIONS

“The record reflects that during negotiations after the initial agreement, the parties disagreed regarding which products the covenant not to sue would cover. However, the record also establishes that Plasmacam ultimately agreed to CNC’s proposed Covered Products definition on January 21. J.A. 777 (“PlasmaCAM has agreed to your change in paragraph 2 (the definition of covered products.)”). That definition applied the covenant not to sue to “all components manufactured, sold or offered for sale by CNC which incorporate digital torch height control.” J.A. 771.” (9)

“The district court’s sole basis for disregarding this explicit agreement was that Plasmacam “‘gave’ [CNC] the Covered Products language in exchange for other proposed changes,” i.e., the Covered Products concession was contingent on CNC’s agreement to Plasmacam’s proposal regarding the mutual release. J.A. 10. There is no support in the record for any such qualification of the agreement.” (10)

FACTUAL BACKGROUND

The parties settled a patent infringement suit but disputed the terms of the settlement agreement. The key dispute was the definition of 'Covered Products' in the covenant not to sue. Plasmacam initially proposed limiting Covered Products to current components, while CNC demanded coverage for all past, present, and future products. After negotiations, Plasmacam agreed on January 21 to CNC's definition of 'all components manufactured, sold or offered for sale by CNC which incorporate digital torch height control.' However, the district court later adopted a narrower definition from Plasmacam's reply brief, which excluded future products except updates and bug fixes.

PROCEDURAL HISTORY

Plasmacam sued CNC for patent infringement. The parties reached a settlement but disputed the terms. The district court granted Plasmacam's motion to enforce its version of the settlement agreement, and CNC appealed.

DISPOSITION

reversed_and_remanded

REMAND INSTRUCTIONS

Remand for the district court to enter an appropriate order utilizing the January 21 agreed definition of Covered Products.

CASES CITED

- Hewlett-Packard Co. v. Quanta Storage, Inc., 961 F.3d 731 (5th Cir. 2020)
- McCoy v. La. State Bd. of Educ., 345 F.2d 720 (5th Cir. 1965)
- Union Oil Co. of Cal. v. Leavell, 220 F.3d 562 (7th Cir. 2000)
- Police Ass'n of New Orleans v. City of New Orleans, 100 F.3d 1159 (5th Cir. 1996)
- Saber v. FinanceAmerica Credit Corp., 843 F.2d 697 (3d Cir. 1988)
- Resolution Tr. Corp. v. Ruggiero, 994 F.2d 1221 (7th Cir. 1993)
- Cohen v. Bd. of Trs. of the Univ. of Med. and Dentistry of N.J., 867 F.2d 1455 (3d Cir. 1989)
- Supreme Fuels Trading FZE v. Sargeant, 689 F.3d 1244 (11th Cir. 2012)
- Firestone Tire & Rubber Co. v. Risjord, 449 U.S. 368 (1981)
- Negron Gaztambide v. Hernandez Torres, 145 F.3d 410 (1st Cir. 1998)
- Olcott v. Del. Flood Co., 327 F.3d 1115 (10th Cir. 2003)
- Pandrol USA, LP v. Airboss Ry. Prods., Inc., 320 F.3d 1354 (Fed. Cir. 2003)
- United States v. F. & M. Schaefer Brewing Co., 356 U.S. 227 (1958)
- Novamedix, Ltd. v. NDM Acquisition Corp., 166 F.3d 1177 (Fed. Cir. 1999)
- Gjerlov v. Schuyler Labs., Inc., 131 F.3d 1016 (Fed. Cir. 1997)
- Cedyco Corp. v. PetroQuest Energy, LLC, 497 F.3d 485 (5th Cir. 2007)
- Woodson v. Surgitek, Inc., 57 F.3d 1406 (5th Cir. 1995)
- Bender v. Williamsport Area Sch. Dist., 475 U.S. 534 (1986)
- Crowell v. CIGNA Grp. Ins., 410 F. App'x 788 (5th Cir. 2011)
- O'Shaughnessy v. Young Living Essential Oils, L.C., 810 F. App'x 308 (5th Cir. 2020)
- Trans-Western Petroleum v. United States Gypsum Co., 830 F.3d 1171 (10th Cir. 2016)
- J.D. Fields & Co., Inc. v. U.S. Steel Int'l, Inc., 426 F. App'x 271 (5th Cir. 2011)
- Motten v. Chase Home Fin., 831 F. Supp. 2d 988 (S.D. Tex. 2011)
- Baylor Univ. v. Sonnichsen, 221 S.W.3d 632 (Tex. 2007)
- In re Golden Oil Co., 262 F. App'x 625 (5th Cir. 2008)

- Sweeney v. Cross, 476 S.W.2d 464 (Tex. Civ. App. 1972)
- T.O. Stanley Boot Co. v. Bank of El Paso, 847 S.W.2d 218 (Tex. 1992)
- Gerdes v. Mustang Exploration Co., 666 S.W.2d 640 (Tex. App. 1984)
- Angelou v. African Overseas Union, 33 S.W.3d 269 (Tex. App. 2000)
- Hallmark v. Hand, 885 S.W.2d 471 (Tex. App. 1994)
- McCulley Fine Arts Gallery, Inc. v. "X" Partners, 860 S.W.2d 473 (Tex. App. 1993)

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