

**United States Court of Appeals  
for the Federal Circuit**

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**MOLON MOTOR AND COIL CORPORATION,**  
*Plaintiff-Appellant*

v.

**NIDEC MOTOR CORPORATION,**  
*Defendant-Appellee*

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2019-1071

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Appeal from the United States District Court for the Northern District of Illinois in No. 1:16-cv-03545, Judge Edmond E. Chang.

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Decided: January 10, 2020

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RAYMOND P. NIRO, JR., Niro McAndrews LLC, Chicago, IL, argued for plaintiff-appellant. Also represented by KYLE WALLENBERG.

RUDOLPH A. TELSCHER, JR., Husch Blackwell LLP, St. Louis, MO, argued for defendant-appellee. Also represented by KARA RENEE FUSSNER, STEVEN E. HOLTSHOUSER, BRENDAN G. MCDERMOTT.

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Before LOURIE, REYNA, and HUGHES, *Circuit Judges*.

Opinion for the court filed by *Circuit Judge* LOURIE.

Dissenting opinion filed by *Circuit Judge* REYNA.

LOURIE, *Circuit Judge*.

Molon Motor and Coil Corporation (“Molon”) appeals from the judgment of the U.S. District Court for the Northern District of Illinois in favor of Nidec Motor Corporation (“Nidec”) on Molon’s claim for infringement of U.S. Patent 6,465,915 (“the ’915 patent”). The district court granted summary judgment that Molon is barred from enforcing the ’915 patent against Nidec pursuant to a covenant not to sue that Molon granted in 2006 (“the 2006 Covenant”). Molon argues that the 2006 Covenant was extinguished by a clause in a Settlement, License and Release Agreement that the parties entered into in 2007 (“the 2007 Settlement”). The clause at issue in the 2007 Settlement states that all prior covenants “concerning the subject matter hereof” are “merged” and “of no further force or effect.” Because we agree with the district court that the two agreements concern different subject matter and therefore do not merge, we affirm.

#### BACKGROUND

Molon and Nidec are competitors in the electric motor market. In 2004, Molon filed suit in the Northern District of Illinois against Nidec’s predecessor, Merkle-Korff Industries, Inc. (“Merkle-Korff”), for infringement of U.S. Patent 6,054,785 (“the ’785 patent”). J.A. 76–78 (“the ’5134 litigation”). Merkle-Korff filed counterclaims, including for declaratory judgment of noninfringement, invalidity, and unenforceability with respect to two other patents owned by Molon—the ’915 patent and U.S. Patent 6,617,726 (“the ’726 patent”). J.A. 90–100. Molon moved to dismiss Merkle-Korff’s counterclaims involving the ’915 and ’716 patents, and Merkle-Korff opposed the motion. On February 2, 2006, Molon unilaterally provided Merkle-Korff with the 2006 Covenant, which states:

Molon hereby forever covenants not to sue Merkle-Korff for patent infringement (whether direct, contributory, or by inducement thereof) under either the '915 patent or the '726 patent with respect to any and all products previously or presently made, used or sold by Merkle-Korff in the United States. This covenant extends directly to Merkle-Korff as well as any individual or entity to which Merkle-Korff previously or presently supplies products by way of the manufacture and/or sale thereof in the United States.

J.A. 27. Molon then represented to the court that “[t]his covenant divests the Court of subject matter jurisdiction over Merkle-Korff’s declaratory judgment counterclaims involving the '915 and the '726 patents, and such claims must accordingly be dismissed.” J.A. 28. After dismissal of those counterclaims, the '5134 litigation continued with respect to only the '785 patent.

In early 2007, Molon and Merkle-Korff entered into the 2007 Settlement, after which the parties jointly filed a stipulation of dismissal in the '5134 litigation. J.A. 30–37. In the 2007 Settlement, Merkle-Korff agreed to pay Molon a lump sum payment in exchange for an exclusive license to more than a dozen of Molon’s United States and foreign patents and patent applications—including the '785, '915, and '726 patents—within a narrowly defined exclusive market:

Grant. Molon hereby grants each of the Merkle-Korff Affiliates an exclusive, fully paid-up, royalty free, worldwide, perpetual, irrevocable, retroactive, current and future right and license of all Patent Rights to make, have made, use, sell, offer to sell, lease, import, export, or otherwise commercialize products and/or systems for resale or other transfer: (i) to any of the other Merkle-Korff Affiliates; and/or (ii) to [a third-party company and its

affiliates] (such persons and entities in (i) and (ii) above, collectively the “Kinetek Exclusive Market”). Under said license, the sale, offer to sell, lease, importation, exportation, commercialization and/or other transfer of products and/or systems between two Merkle-Korff Affiliates (as expressly set forth in (i) above), shall in no way permit the transferee Merkle-Korff Affiliate (i.e., the receiving Merkle-Korff Affiliate) to make, have made, use, sell, offer to sell, lease, import, export, or otherwise commercialize such products and/or systems for resale or other transfer to any person or entity outside of the Kinetek Exclusive Market.

JA 31. In addition to the exclusive license rights within the Kinetek Exclusive Market, the 2007 Settlement granted Merkle-Korff in certain instances “the right, but not the duty, to pursue an infringement claim”—i.e., the right to exclude others from using the patents within the Kinetek Exclusive Market. J.A. 32.

The 2007 Settlement contains a “merger” or “integration” clause<sup>1</sup>:

Entire Agreement. This Agreement is an integrated Agreement and constitutes the entire agreement and understanding between and among the Parties with regard to the matters set forth herein and shall be binding upon and inure to the benefit of the administrators, agents, personal representatives, successors, and assigns of each. There are no

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<sup>1</sup> The terms “merger clause” and “integration clause” may be used interchangeably to describe a clause in a written contract that states that there are no representations, promises, or agreements between the parties except those found in the written contract. See Restatement (Second) of Contracts § 216 cmt. e (1981).

representations, promises, or agreements pertaining to the terms or subject matter of this Agreement, whether express or implied, that are not set forth in this Agreement. All prior and contemporaneous conversations, negotiations, possible and alleged agreements, representations and covenants concerning the subject matter hereof, are merged herein and shall be of no further force or effect.

J.A. 35. The 2007 Settlement also expresses the parties' agreement that they cooperated in drafting the agreement, it is not to be interpreted for or against either of them, and it is to be governed by the laws of the State of Illinois. J.A. 34–35.

Merkle-Korff later merged with Nidec. Whether that merger immunizes Nidec from liability that it might have otherwise had prior to the merger raises the issue that is at the heart of this appeal. In the present suit Molon alleges that Nidec is practicing and/or inducing others to practice the '915 patent outside the licensed Kinetek Exclusive Market. *See* J.A. 58–64.

Nidec moved for partial summary judgment on Molon's infringement claim, arguing that Molon is barred from enforcing the '915 patent against Nidec under the 2006 Covenant. Molon responded that the 2006 Covenant was extinguished by the merger clause in the 2007 Settlement. Applying Illinois contract law, the district court granted partial summary judgment in favor of Nidec on Molon's claim for infringement of the '915 patent. J.A. 1–12. Because the merger clause in the 2007 Settlement pertains only to covenants "concerning the subject matter hereof," the court compared the subject matter of the 2006 Covenant to the subject matter of the 2007 Settlement. The court found that the 2006 Covenant gives Nidec a right to avoid suit for patent infringement on two patents, one of which is the '915 patent. J.A. 9. In contrast, the 2007 Settlement is in some ways broader—it is an exclusive license,

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