The court reversed and remanded the district court’s summary judgment determination that a settlement agreement between Compaq and Unova released Hewlett-Packard (HP) from liability for infringement of various smart battery patents owned by Unova. HP was the only one of several named defendants involved in the present appeal. The agreement did not contemplate releasing HP from liability even though it released Compaq and its “parents.” HP’s later acquisition of Compaq did not change the interpretation that the settlement agreement should not protect HP.

In May 2001, Unova and Compaq executed a settlement and cross license. The agreement stated that it would apply to Compaq’s “parents.” After Hewlett-Packard (HP) purchased Compaq in May 2002, Unova included HP in a suit for infringement of its smart battery patents. HP defended with the settlement agreement, and the district court accepted the defense.

First, the [district] court concluded that the release found in section 3.1 of the settlement agreement applies to Hewlett-Packard because it broadly refers to Compaq’s “parents” and nowhere limits that phrase to Compaq’s parents at the time of the agreement. . . . Second, the [district] court determined that the release, unlike the licenses and covenants not to sue found in sections 4.1-4.4, is not restricted to Compaq-branded products. . . . Third, the [district] court concluded that the release plainly covers conduct that began before May 4, 2001, the date of the settlement agreement, and continued thereafter.

The court disagreed with this interpretation of the settlement agreement.

Reading the settlement agreement as a whole, we can only conclude that Unova and Compaq did not intend to release Hewlett-Packard from liability for infringement arising from events that occurred before it became Compaq’s parent. . . . The release provision is written in the present tense — “Unova . . . hereby releases Compaq, its parents, and its Subsidiaries” — and refers to acts of past infringement; thus, it most naturally does not refer to Compaq’s future parents.

The court further stated that its interpretation was buttressed by the agreement’s covenant-not-to-sue and license provisions, which only dealt with Compaq branded products.

Those provisions expressly apply only to Compaq-branded products and so, even as Compaq’s parent, Hewlett-Packard does not enjoy the benefits of the covenant-not-to-sue and license provisions for the manufacture and sale of non-Compaq-branded products. It would be rather unusual for Unova to release Hewlett-Packard from liability for acts of infringement that occurred before it became Compaq’s parent, but to reserve the right to sue Hewlett-Packard for identical acts of infringement that occurred after it became Compaq’s parent.

Finally, the court did not consider whether extrinsic evidence should be admitted because it found the intent of the agreement clear on its face.