

No. 19-1124

**In The
Supreme Court of the United States**

— ♦ —

**CHRIMAR SYSTEMS, INC. d/b/a CMS
Technologies, Inc., CHRIMAR HOLDING
COMPANY, LLC,**

Petitioners,

v.

**ALE USA INC. f/k/a Alcatel-Lucent
Enterprise USA, Inc.,**

Respondent.

— ♦ —

**ON PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

— ♦ —

**BRIEF OF *AMICUS CURIAE* US INVENTOR, INC.
IN SUPPORT OF PETITIONERS**

— ♦ —

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INTEREST OF *AMICUS CURIAE*¹

US Inventor, Inc. is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its 13,000 inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the “little guy” inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation. Their broad experience with the patent system, new technologies, and creating companies, gives them a unique perspective on the important issues presented in the underlying Petition supported here.

SUMMARY OF THE ARGUMENT

Within a federal system of limited powers and checks and balances, the U.S. Court of Appeals for the Federal Circuit in particular was created with a narrow mandate and carefully defined jurisdiction. In contravention of that mandate, the Court’s *Fresenius* line of precedent, resulting in and now including the decision below, improperly usurps a procedural issue from the regional circuits, in this

¹ Written notice was provided to counsel of record for the parties, pursuant to Rule 37.2(a), and the parties consent to the filing of this brief. No counsel for a party authored this brief in whole or in part, and no entity other than *Amicus Curiae* contributed monetarily to its preparation or submission.

instance the Fifth Circuit, which should control. To accomplish that outcome, the Federal Circuit repeatedly ignores, and bypassed in this matter, its own normal choice of law considerations. The result is a split both within the Federal Circuit itself, and between that court and its fellow federal courts of appeal. Accordingly, this Court should step in to restore the proper balance between the circuits.

ARGUMENT

I. The Federal Circuit Result Conflicts with Both Its Founding Mandate and Regional Circuit Law that Should Control.

This Court recognized in *Markman v. Westview Instruments, Inc.* that “Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate Court for patent cases” for the sake of “desirable uniformity” with respect to the treatment of a given patent. 517 U.S. 370, 390 (1996). The *Markman* opinion went on to cite the legislative history surrounding the Federal Circuit’s creation, “observing that increased uniformity would ‘strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.’” *Id.* (citations omitted). It cannot be disputed that the Federal Circuit’s insistence on going it alone on the issue of finality raised in *Chrimar*, and in prior cases tied back to *Fresenius USA, Inc. v. Baxter International*, 721 F.3d 1330 (Fed. Cir. 2013), operates in exactly the opposite fashion. It rewards adjudged copyists at the expense of patent holders, not for innovation and technical brilliance, but for dogged perseverance in litigation.

It is time for this Court to review the Federal Circuit’s dubious line of precedent that began with *Fresenius*, reared its head again in *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307 (Fed. Cir. 2015),² and continues apace through this appeal. Petitioners correctly identify the flaws in the Federal Circuit’s decision that allowed an after-the-fact administrative ruling applying a lower burden of proof—by non-Article III adjudicators that the Federal Circuit has since determined in its *Arthrex* opinion were appointed unconstitutionally, no less—to undo a final decision awarding a patent owner the damages it was due from proven infringement the court had separately affirmed.

The *Fresenius* decision itself was a split decision with a vigorous dissent from Judge Newman. The denial of rehearing in that appeal also drew four dissenting votes out of the ten Federal Circuit judges who considered it. Decisions applying *Fresenius* continue to trigger strenuous objections, both from within the Federal Circuit itself, as well as from academic observers, as the Petition highlights.

Indeed, two years later the Federal Circuit split five-to-five, resulting in denial of the petition for rehearing in *ePlus*, after a two-to-one panel decision over the dissent of Judge O’Malley. *See* 790 F.3d at 1307; 789 F.3d 1349 (Fed. Cir. 2015). The district court had sanctioned the adjudged infringer for violating an injunction based on infringement of a patent claim that, as here, was later determined by

² Both *Fresenius* and *ePlus* filed certiorari petitions that were denied by this Court.

an agency, the U.S. Patent and Trademark Office,³ under a lower standard of proof than required in an Article III court, to be invalid. The divided panel decision and deadlock on rehearing retroactively wiped out a civil contempt sanction that appeared to be final. Indeed, in the initial appeal to the Federal Circuit, claim 26 of one patent at issue was not the subject of a validity challenge, and the court held that “there remains no serious dispute that Lawson’s customers infringe claim 26.” *ePlus*, 789 F.3d at 1364 (O’Malley, J, dissenting). Judge O’Malley wrote separately to stress that “if we are bound by *Fresenius II* on these facts, I find *Fresenius II* even more troubling than I initially believed.” *Id.* at 1362.

ePlus, *Fresenius*, and the outcome below, in reliance once again primarily on *Fresenius*, contravene the Federal Circuit’s founding mandate. In so doing, a slim majority of the Federal Circuit continues to assume unto itself control over the interpretation of legal principles not assigned to it, without even the slightest nod to the required choice of law analysis. The result is an incorrect view of finality inexplicably applied only for patent cases, in conflict with the uniform view of finality consistently applied by all other federal courts of appeals.

³ The agency decision in *ePlus* was made by the Board of Patent Appeals and Interferences (PBAI) within the PTO, while the agency decision in this matter was made by the Patent Trial and Appeal Board (PTAB), which replaced the BPAI in 2012.

II. To Reach the Incorrect Outcome Below, the Federal Circuit Wrongly Ignored Its Own Precedent on Choice of Law.

Outside of *Fresenius* and its ilk, the Federal Circuit usually takes great care to address and respect the limits of its mandate on such issues. In *Dana v. E.S. Originals*, for example, the court began its analysis of a question of collateral estoppel by noting that “[o]n procedural issues not unique to this circuit’s exclusive jurisdiction, we apply the law of the regional circuit, which in this case is the Eleventh Circuit.” 342 F.3d 1320, 1323 (Fed. Cir. 2003). Ten years later, citing *Dana*, the court again began by stating that “[s]ince the criteria of collateral estoppel are not unique to patent issues, on appellate review we are guided by the precedent of the regional circuit,” and again applied Eleventh Circuit law. *Aspex Eyewear, Inc. v. Zenni Optical, Inc.*, 713 F.3d 1377, 1380 (Fed. Cir. 2013).

In *Laboratory Corp. v. Chiron Corp.*, the Federal Circuit highlighted as problematic its own failure to analyze the choice of law underlying a prior decision relied upon by the appellees in that appeal, *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459 (Fed. Cir. 1990), but concluded that the absence of a choice of law analysis there was apparently at worst a harmless oversight because “the application of the abuse of discretion standard was not controversial,” and was “recognized to be generally applied by federal courts of appeals” 384 F.3d 1326, 1329-1330 (Fed. Cir. 2004). In deciding *Laboratory Corp.*, however, the court stressed that, “[i]n this case, the decision whether to follow Federal Circuit or Third Circuit law is critical,” in other words where a

“material difference” exists between the two. *Id.* (emphasis added). Ultimately, the Federal Circuit did apply its own law, after carefully determining that the appeal involved an issue intimately related to its exclusive patent jurisdiction. *Id.*

In its decision below, as in *Katz*, however, it waltzes right past any analysis of the foundational and dispositive choice of law question before ruling against Chrimar based solely on its own precedent. But unlike *Katz*, and instead analogous to *Laboratory Corp.*, the choice of law question here is “critical,” and there appear to be “material difference[s]” between the court’s *Fresenius* line of cases and every other circuit in America.

The Federal Circuit relies on *Fresenius*, as well as *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282 (Fed. Cir. 2018), and a couple of cases in the same line of precedent between the two, *Dow Chemical Co. v. Nova Chemicals Corp.*, 803 F.3d 620 (Fed. Cir. 2015), and *ePlus, Inc. v. Lawson Software*. The court’s reasoning tiptoes through its precedent to pluck out exclusively other decisions that also omit any consideration of the key choice of law question.⁴

Judge Newman’s dissent in *Fresenius* catalogued that every regional circuit court treats finality differently than the Federal Circuit does, or

⁴ The Federal Circuit attempts to bolster its unsubstantiated choice of its own law by relying on the inapposite 1922 Supreme Court decision in *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922), are flawed and already have been debunked in multiple dissents, as well as by Petitioner here.

at least half of its members as of the denial of en banc rehearing in *ePlus*. See 790 F.3d at 1309-15; see also *Fresenius*, 721 F.3d at 1355-58 (Newman, J., dissenting); 773 F.3d 1369 (Fed. Cir. 2013) (order denying rehearing). One commentator noted at the time that “[t]he *Fresenius* opinion is unlikely to be the last word on inconsistent judgments between the PTAB and the courts,” emphasizing “particularly that the Federal Circuit’s application of res judicata in *Fresenius* is **far out of step with well-established principles in the regional circuits.**” King & Wolfson, “PTAB Rearranging the Face of Patent Litigation,” 6 No. 2 *Landslide* 18 (2013) (emphasis added). Curiously, in the initial appeal of this matter four years earlier heard by nearly the same panel,⁵ in contrast to the later analysis of finality, the legal discussion started by stating that “[f]ollowing the procedural law of the Ninth Circuit, we review the district courts grant or denial of JMOL de novo.” *Fresenius USA, Inc. v. Baxter Int’l, Inc.* 582 F.3d 1288, 1294 (Fed. Cir. 2009).

Like the article predicted, as discussed in the preceding section, *Fresenius* was not the last word, and the Federal Circuit’s split on the issue evolved from six-to-four to an even five-to-five in *ePlus*. See *supra* at 3. Notably there too, the decision in the first *ePlus* appeal reviewing a denial of JMOL observed that the issue “requires us to apply the law of the Fourth Circuit here, . . .” *ePlus Inc. v. Lawson Software, Inc.*, 700 F.3d 509, 516 (Fed. Cir. 2012). But in the second appeal nullifying the injunction,

⁵ Judge Gajarsa authored the 2009 opinion, but was replaced by Judge Prost on the panel in 2013.

the same panel omitted any mention of choice of law, and launched straight into a discussion of its own *Fresenius* precedent. See *ePlus*, 789 F.3d at 1358. Even more strangely, the opinion explicitly recognized that “[t]his case is not distinguishable on the ground that the basis for the injunction has been removed as the result of a PTO proceeding rather than a court judgment.” *Id.* at 1358.

ePlus thus raised two intriguing questions, neither of which the panel endeavored to reason through in reaching its result. First, it failed to explain how an agency determination based on a lower burden of proof is indistinguishable from the action of an Article III court. Second, and more troubling, especially if the *ePlus* panel believed there was nothing unique about the competing decision coming from an agency, and having the same generic effect as a court judgment, why did that panel’s earlier resort to Fourth Circuit law not continue to apply to these non-patent-based procedural questions? This Court should grant Chrimar’s Petition in order to bring the Federal Circuit back in line with the regional circuit courts on such matters, and to keep the Federal Circuit within its mandate.

The other precedential opinion most prominently relied on below was *XY, LLC*. This again was a two-to-one result with another vigorous dissent from Judge Newman. See 890 F.3d at 1298-1302. In *XY*, the opinion actually did include a “Standards of Review” section, which set forth that, aside from the royalty calculation, “[w]e review each of the other issues in this appeal under the law of the regional circuit, the Tenth Circuit.” *Id.* at 1290. Yet the list of “other issues” that followed excluded

the collateral estoppel question addressed in Part III.A of the Discussion. And there, the court abruptly switched gears with no explanation and no analysis of the choice of law, and mentioned as essentially an afterthought that “[t]he instant case is a straightforward application of this court’s and Supreme Court precedent.” *Id.* at 1294. Except that it was not. Rather, a divided Federal Circuit merely extended further a flawed line of its own precedent on this issue, continuously citing back to its same, prior decisions, all untethered to any legitimate choice of law analysis in the thread of opinions.

The bottom line here is that decisions like the one below, and the unexamined perpetuation of this inappropriately self-authenticating body of precedent, threaten to undermine the public’s faith in the United States patent system, especially when it seems to serve as a one-way ratchet to the detriment of inventors and patent holders. None of this comports with the notion of “increased uniformity” that Congress and this Court in *Markman* cited as meant to “strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.” *Markman*, 517 U.S. at 390. Indeed, this outcome for Petitioner, along with the preceding *XY, LLC* split panel decision, as well as both the split panel decisions and divided rehearing denials in *Fresenius* and *ePlus*, all illuminate a complete lack of uniformity on this question of finality.

Unless overturned, this decision will join the *ePlus* outcome in emboldening accused infringers, who most-often start with disproportionately-greater resources. It will encourage them to avail themselves

of any conceivable avenue to prolong litigation and appeals, far beyond the point where any plausible hope remains for a positive result in that action, so long as a parallel avenue still exists in an agency (the PTO) that could lead to invalidation. This can include through the efforts of an unrelated third party at the PTAB, as happened here thanks to Juniper. Above all, solo inventors and small entities, such as the membership of *Amicus Curiae* US Inventor, and many similar inventor groups around the country, will be discouraged and disincentivized. Ever-increasing costs will bar the door to participating in the patent system and the intended innovation and growth, if even their rare, hard-fought, and otherwise seemingly-final victories can be negated in retroactive fashion like this.

CONCLUSION

As Judges Newman, O'Malley, and Moore of the Federal Circuit have repeatedly stressed and explained at great length in their compelling dissents, joined by colleagues that now add up to half of the court, the Federal Circuit is deeply divided on this question of finality. The Federal Circuit is also split from the rest of the federal judiciary, as commentators have pointed out and criticized. All of which should compel this Court to grant Chrimar's Petition for a Writ of Certiorari. The Federal Circuit's ongoing *Fresenius* line of precedent should be corrected to comport with otherwise uniform nationwide precedent on this point. In the process, the Court should take into account the full, proper analysis of the underlying choice of law question involved, whereby in this decision and other similar matters, the Federal Circuit has

circumvented its own requirement to defer to regional circuits, to the detriment of patent holders.

Respectfully submitted,

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