No. 20-1394

In The
Supreme Court of the United States

PERSONALWEB TECHNOLOGIES, LLC,

Petitioner,

v.

PATREON, INC. et al.,

Respondents.

On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit

SUPPLEMENTAL BRIEF OF RESPONDENTS

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SUPPLEMENTAL BRIEF

Petitioner PersonalWeb Technologies, LLC ("PersonalWeb") concedes that the judgment in this case—that a voluntary dismissal of prejudice of a patent infringement claim against a manufacturer bars a suit against its customers on the same products—does not warrant this Court's review. Supplemental Brief of Petitioner ("Supp. Br.") 9. PersonalWeb nonetheless contends that this Court should grant review to use this case as a vehicle to address the validity of a longstanding decision of this Court—*Kessler* v. *Eldred*, 206 U.S. 285 (1907)—that, as the United States observes, directly decided that only *adjudications* of infringement claims in favor of manufacturers permit equitable actions to prohibit the patentee from bringing customers suits on the same products. Brief of United States ("U.S. Br.") at 8. A poorer vehicle for doing so could hardly be conjured; PersonalWeb's attack on *Kessler* is unfounded; the underlying infringement claims are moot; and this Court should not intervene on behalf of a petitioner that has engaged in an array of bad-faith conduct throughout this litigation that the district court sanctioned in a broad attorney's fees award.

While Respondents believe that the United States Court of Appeals for the Federal Circuit correctly extended *Kessler* to cover voluntary dismissals with prejudice, see Brief in Opposition ("Opp.")

at 27-32, this question—which this Court would have to decide before reaching any question of *Kessler*'s validity—is not remotely worthy of this Court's review. PersonalWeb's claim of a "mountain" of cases applying *Kessler* generally is wrong, see Opp. at 32 & Appendix, but PersonalWeb does not dispute that the voluntary-dismissal issue hardly ever arises. It identifies only one other case in which *Kessler* was held to bar a subsequent customer suit based on a voluntary dismissal with prejudice. See Supp. Br. 8 n.4 (citing *CFL Techs. LLC* v. *Gen. Elec. Co.*, No. 18-cv-1444, 2021 WL 1105335, at *1, *3 (D. Del. Mar. 23, 2021)). Of the other two identified cases involving voluntary dismissals, *Seven Networks, LLC* v. *Motorola Mobility LLC*, No. 3:21-cv-1036, 2022 WL 426589, at *4 (N.D. Tex. Feb. 10, 2022), held that *Kessler* did not apply to willing licensees. *Red Rock Analytics, LLC* v. *Apple Inc.*, No. 6:21-cv-346, 2021 WL 5828368, at *2-6 (W.D. Tex. Dec. 8, 2021), rejected a *Kessler* bar at the motion to dismiss stage because the products were not the same. The reason for the scarcity of cases is that, while sometimes non-practicing entities abusively sue customers *first* to put pressure on manufacturers to settle on their behalf,[1] no rea-

[1] See Fed. Trade Comm'n, Patent Assertion Entity Activity: An FTC Study (Oct. 2016), https://www.ftc.gov/reports/patent-assertion-entity-activity-ftc-study at E-2 (last visited

sonable plaintiff would follow the strategy PersonalWeb pursued here: dismissing infringement claims against the manufacturer with prejudice and then turning around and suing customers on the exact same products.[2]

Nor is the issue likely to recur frequently in the future because, as the United States and the Federal Circuit noted, the parties to a voluntary dismissal agreement can always carve out future suits against customers and will do so in light of the Federal Circuit's ruling if that is the parties' intent. U.S. Br. 20-21; Appendix 25a-26a; Opp. 30-32. Additionally, as the United States points out, the same result would be reached under traditional claim preclusion principles. U.S. Br. 16-17.[3] Not

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April 26, 2022) (identifying customer suits as one of "the abusive practices of patent assertion entities (PAEs) that are a drag on innovation, competition, and our economy").

[2] PersonalWeb's claim that it did so because suing Amazon was uneconomic, Supp. Br. 10, is false and disingenuous. The original suit against Amazon, if successful, would have enabled PersonalWeb to seek damages for all use of Amazon S3. The individual customer suits here would have enabled PersonalWeb to seek to recover only the small fraction of damages attributable to each particular customer's use.

[3] The very treatise on which PersonalWeb relies refutes its contrary, rigid view of claim preclusion (Supp. Br. 5). Traditional claim-preclusion doctrine defines a "claim" based on the nature of the controversy and the interests of efficiency and repose balanced against the risk of unjust forfeiture. See 18 Charles Wright & Arthur Miller, *Federal Practice and Procedure* § 4409 (3d ed. rev. 2022) ("[T]he special needs of some

only is the decision below unimportant to patent litigation practice, but the Federal Circuit's ruling on voluntary dismissals is now insignificant even to Respondents in this case. The final judgment on claim construction in a related case forecloses PersonalWeb's underlying infringement claims, as it tacitly concedes; indeed, as discussed below, the infringement claims are now moot. See *infra* at __; U.S. Br. 21-22.

The presence of this independent question makes this case an especially poor vehicle to resolve any question concerning *Kessler*; if this Court were to agree with the United States and PersonalWeb that *Kessler* cannot be extended to voluntary dismissals with prejudice, it would not reach the other *Kessler*-related questions that PersonalWeb suggests are important for review. This Court should not waste its scarce resources to decide an unimportant question.

Regardless, as the United States convincingly demonstrates, there is no reason for this Court to reconsider *Kessler* or the Federal Circuit's treatment of it. As did Respondents, Opp. at 15-22, the United States refutes PersonalWeb's claim that *Kessler* was merely an early instance of non-mu-

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substantive systems may justify rules that accelerate future claims into a single present action," such that "continuing conduct generates a new claim only if the plaintiff can show fact differences that give rise to new issues.").

tual issue preclusion. U.S. Br. 9-14. Thus, PersonalWeb's claim (Petition 14-15) that the Federal Circuit "repurpos[ed]" or "reinvent[ed]" *Kessler* vanishes. *Kessler* did not create a patent-specific procedural rule or a novel species of claim preclusion, but recognized an equitable cause of action to effectuate the manufacturer's judgment rights against the patentee (which as the United States points out are based on mutuality principles). Opp. at 15-22; U.S. Br. 12-14. PersonalWeb never acknowledges or contests the equitable basis of the *Kessler* rule, another reason that this case is a poor vehicle for its reconsideration.

Furthermore, as the United States observes, *Kessler* is a salutary doctrine even with the advent of non-mutual issue preclusion; after the question whether a product infringes is resolved in a suit against the manufacturer, it prevents duplicative customer strike suits on the same products that would necessitate expensive case-by-case litigation of issue preclusion by individual customer defendants. And it protects the manufacturer from losing customers who will shift to other suppliers to avoid litigation costs and risks. U.S. Br. 13-14; Opp. Br. 22-23. Not only is *Kessler* a just application of equitable principles, but there is no "superspecial justification" to overrule a judge-made rule implementing the Patent Act under principles of *stare decisis*. See *Kimble* v. *Marvel Entm't, LLC*, 576 U.S. 446, 456, 458 (2015); Opp. 25-26.

PersonalWeb quarrels with the Federal Circuit's decisions in *Brain Life, LLC* v. *Elekta Inc.*, 746 F.3d 1045 (Fed. Cir. 2014) and *SpeedTrack, Inc.* v. *Office Depot, Inc.*, 791 F.3d 1317 (Fed. Cir. 2015), and the United States' characterization of those cases. Supp. Br. 6. But *Brain Life* and *SpeedTrack* (like *Kessler*) involved actual adjudications of infringement. PersonalWeb's (unfounded) arguments concerning those cases are more appropriately considered, if at all, in a future case that likewise involves prior adjudicated judgments in favor of the manufacturer. If PersonalWeb is correct that there is an avalanche of new *Kessler* decisions, the Court will not wait long before it is presented with a more suitable case.

Chief among the problems with this case is that it is moot. The district court in the underlying multidistrict court litigation granted summary judgment of noninfringement on at least two independent grounds for each asserted patent claim. Opp. 13. PersonalWeb no longer suggests that any ruling by this Court could resurrect its claims. Supp. Br. 10-11. Rather, PersonalWeb maintains that there is no "threshold question" of mootness because "more than $700,000" of the district court's approximately $5 million fee award was "based on PersonalWeb's *Kessler* and claim preclusion positions." Supp. Br. 10-11.

The district court has already ruled that its exceptional case finding would stand independent of

either preclusion issue, because "PersonalWeb's unreasonable litigation tactics alone . . . would have been sufficient to find this case exceptional." *In re PersonalWeb Techs., LLC Patent Litig.*, No. 18-md-2834, 2020 WL 5910080, at *7 (N.D. Cal. Oct. 6, 2020). Thus, PersonalWeb does not assert here that it would be entitled to vacatur of the exceptional case ruling if this Court reverses on the *Kessler* issue. Instead, it contends that reversal would entitle it to further proceedings only concerning the district court's separate order awarding fees, and potentially a $700,000 reduction in the award.

But this, too, is incorrect, for two reasons. First, the district court conducted a general inquiry to ensure that the fees it awarded would not have been incurred "but for" PersonalWeb's misconduct; it did not analyze how each dollar spent related to each of the five reasons[4] it ruled the case exceptional. *In re PersonalWeb Techs., LLC Patent Litig.*, No. 18-md-2834, 2021 WL 796356, at *2-4 (N.D. Cal. Mar. 2, 2021), *appeal docketed*, No. 21-1860 (Fed. Cir. Apr. 16, 2021). Second, PersonalWeb's specious argument that claim preclusion applied to the period before it filed the first case against Amazon, rather

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[4] The four others being the filing of false declarations, changes in litigating positions, pursuit of the case after claim construction made its infringement theory baseless, and abuse of the MDL process. See *In re PersonalWeb, LLC Patent Litig.*, 2020 WL 5910080, at *20.

than the date of the judgment, accounted for the bulk of the claimed damages period. PersonalWeb abandoned that argument before the Federal Circuit, and it has not asked the Court to review any aspect of the district court's judgment of claim preclusion. So even assuming that $700,000 of the award was attributable solely to PersonalWeb's *Kessler* and claim preclusion position, PersonalWeb has not even challenged the full basis for that portion of the award.

As the United States explained, treating the fee award against PersonalWeb as a reason to grant review of the underlying decision would be "anomalous." U.S. Br. 22. PersonalWeb argues that this is an irrelevant "moral judgment" about its "unrelated conduct not before the Court." Supp. Br. 11. But PersonalWeb's continuing abuse of the federal court system should bear on whether it receives discretionary review from this Court in place of thousands of other more deserving petitioners. PersonalWeb's investors have forced it into a receivership for their benefit to prevent collection of the judgment. *Brilliant Digital Entm't, Inc.* v. *PersonalWeb Techs. LLC*, Case No. 21VECV00575 (Super. Ct. of Cal., Cnty. of L.A. filed Apr. 27, 2021). Ongoing proceedings there and at the district court have revealed that, having achieved a means to avoid the judgment, PersonalWeb's principals have not turned over control of PersonalWeb to the receiver but have continued to operate it for more

than a year. Respondents maintain that it does not advance any interest of this Court to support PersonalWeb's abuse of the patent system or its attempt to evade a federal court judgment.

CONCLUSION

For the foregoing reasons, and those stated in the brief in opposition, the petition for a writ of certiorari should be denied.

Respectfully submitted,

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