

IN THE
Supreme Court of the United States

ALL-TAG SECURITY, S.A., *et al.*,

Petitioners,

v.

CHECKPOINT SYSTEMS, INC.,

Respondent.

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

BRIEF IN OPPOSITION

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QUESTION PRESENTED

1. Whether the Federal Circuit correctly held that the district court abused its discretion in finding this case exceptional where the district court (1) acknowledged that Respondent's case was not frivolous, yet gave no consideration to its substantive strength and (2) did not find that Respondent engaged in any fraud, abuse, or misconduct during the litigation.

PARTIES TO THE PROCEEDINGS

Petitioners' statement that Kobe Properties SARL ("Kobe") was substituted for All-Tag Security S.A. and All-Tag Security Americas, Inc. in the Federal Circuit is wrong. Although Kobe filed a motion to substitute Kobe for All-Tag Security S.A. and All-Tag Security Americas, Inc. (Fed. Cir. No. 12-1085, Docket No. 66), the Federal Circuit denied the relief requested in the motion and only allowed Kobe to be added as a co-defendant. The Federal Circuit ordered that All-Tag Security S.A. and All-Tag Security Americas, Inc. remain as parties. *See* Fed. Cir. No. 12-1085, Docket No. 70.

CORPORATE DISCLOSURE STATEMENT

In accordance with Supreme Court Rule 29.6, Respondent Checkpoint Systems, Inc. makes the following disclosures:

- 1) The parent corporation of Respondent Checkpoint Systems, Inc. is CCL Industries Inc.
- 2) The publicly held companies that own 10% of more of Respondent Checkpoint Systems, Inc.'s stock are: CCL Industries Inc.

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INTRODUCTION

The district court (1) adopted Checkpoint’s claim construction; (2) denied Defendants’ motions for summary judgment on non-infringement; (3) denied Defendants’ *Daubert* motion seeking to preclude Checkpoint’s expert from testifying on infringement; (4) denied Defendants’ motion for a directed verdict; (5) denied Defendants’ motion for judgment as a matter of law; and (6) submitted Checkpoint’s infringement claims to a jury after a 12-day trial.¹ After the jury returned an adverse verdict, the district court turned around and found the case exceptional under 35 U.S.C. § 285. The district court awarded Petitioners \$10.2 million in fees, costs, and interest purportedly based solely on the manner in which Checkpoint litigated the case—despite finding that Checkpoint’s claims were not frivolous, and that Checkpoint did not engage in any misconduct or abuse during the litigation.

The Federal Circuit correctly reversed. This was the Federal Circuit’s third reversal of the district court in this case. In the first, the Federal Circuit correctly held that the district court erroneously entered summary judgment against Checkpoint where contrary evidence “flatly” existed. *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 412 F.3d 1331, 1338 (Fed. Cir. 2005). In the second, the Federal Circuit correctly held that the district court

1. As explained in the “Parties to the Proceeding” section above, Kobe did not become a party to the proceeding until after the district court trial proceedings concluded. Therefore, Checkpoint makes the distinction here between “Petitioners” (Kobe, All-Tag, All-Tag Americas, and Sensormatic) and “Defendants” (All-Tag, All-Tag Americas, and Sensormatic).

erroneously awarded fees under 35 U.S.C. § 285 where the infringement charge was not shown to have been made in bad faith and the fee award was not supported by the record. *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 711 F.3d 1341, 1348 (Fed. Cir. 2013).

Here, in its third reversal of the district court, the Federal Circuit reviewed the district court's exceptional case award under *Octane Fitness* and *Highmark* and correctly held that the district court abused its discretion in awarding fees. App. 10-11. While *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014), requires courts to determine whether a case is "exceptional" by considering the "totality of the circumstances," the district court here ignored the substantive strength of Checkpoint's case—thus failing to consider the totality of the circumstances.

The Petition seeks a writ of certiorari arguing that the Federal Circuit is a "rogue" court creating four "new *Brooks*-like tests." The Petition should be denied.

First, Petitioners state that this is the "*only* Federal Circuit decision" holding that a district court abused its discretion in awarding fees against a patent holder. Pet. 3 (emphasis in original). That alone should end the matter: the question presented is not appropriate for certiorari review.

Second, Petitioners' generic attack on the Federal Circuit as a "rogue" court has no bearing on whether this Court should grant a writ of certiorari. In particular, the various statistics Petitioners cite have no relevance to this case.

Third, Petitioners fail to present any narrow issue for review that would make a writ of certiorari appropriate. Rather, Petitioners simply list purported legal and factual errors without focusing on any question of importance to this Court.

Fourth, Petitioners' legal argument is without merit because Petitioners misstate the holding in *Octane Fitness*. *Octane Fitness* requires courts to consider the "totality of the circumstances," not satisfy a "two-prong" test.

Fifth, the Federal Circuit's opinion here does not conflict with *Octane Fitness* or *Highmark*. The Federal Circuit did not create any new "tests" that must be met to find a case exceptional.

Sixth, Petitioners' remaining arguments involve only questions of evidence and factual findings. Certiorari review is not the appropriate vehicle to re-litigate specific facts.

Even under *Octane Fitness*, a district court does not have unfettered discretion to find a case exceptional. An exceptional case must still be one that stands out from all others as rare and uncommon. A court may not award fees simply as a penalty for losing. Nor may a court conduct a hindsight analysis that contradicts its prior rulings. The Federal Circuit correctly held that the district court abused its discretion in finding this case exceptional because it disregarded these basic principles. Thus, this Court should deny the Petition.

STATEMENT OF THE CASE

Petitioners' Statement of the Case violates Supreme Court Rule 14.1(g) in that it neither (1) sets out the "facts material to consideration of the questions presented" nor (2) contains "the basis for federal jurisdiction in the court of first instance." Sup. Ct. R. 14.1(g). Rather than comply with this Court's Rules, Petitioners' Statement of the Case contains only argument unconnected to any facts pertaining to this case. *See* Stephen M. Shapiro, et al., *Supreme Court Practice*, § 6.30 (10th ed. 2013) ("[T]he Statement of the Case is not the place for argument or editorializing."). Because Petitioners did not do so, Checkpoint sets out the facts material to the consideration of the question presented and incorporates the facts recited in the Federal Circuit's opinion below.² App. 1-11.

I. BACKGROUND OF THE PARTIES.

Checkpoint's U.S. Patent No. 4,876,555 ("the '555 patent") improves anti-theft labels (also called "tags") that are attached to merchandise, and deactivated when the merchandise is purchased. The invention disclosed in the '555 patent reduces the energy needed to deactivate a label by creating a "throughhole" in the middle layer of the label.

Checkpoint's competitor, All-Tag Security S.A. ("All-Tag" or "All-Tag Belgium"), manufactured the accused product in Europe and sold it to customers in the United

2. The jurisdiction of the district court was invoked under 28 U.S.C. § 1338(a) (cases arising under the Patent Act), and under 28 U.S.C. § 1331 (general federal question jurisdiction).

States through All-Tag Security Americas, Inc. (“All-Tag Americas”) and Sensormatic Electronics Corp. (“Sensormatic”). All-Tag was created in 1991 as All-Tag Security A.G. of Switzerland (“All-Tag Switzerland”). C.A. Appx1161:13-19; C.A. Appx1936:8. All-Tag Switzerland developed a label and patented its process under U.S. Patent No. 5,187,466 (“the ‘466 patent”). C.A. Appx1936:9-11. In 1994, All-Tag’s Chairman, Dominique Blieck, and All-Tag’s CEO, Oliver Boels, moved the company from Switzerland to Belgium. All-Tag Belgium “acquired the production assets of the Swiss companies,” “continued to manufacture the same resonant tags which were previously manufactured by All-Tag [Switzerland]” and “basically [] moved the plant from Switzerland to Belgium.” C.A. Appx308; C.A. Appx468:5-14; C.A. Appx1265:10-13.

II. CHECKPOINT’S PRE-SUIT KNOWLEDGE OF ALL-TAG’S LABELS.

Checkpoint became familiar with the structure and operation of All-Tag’s labels through two prior actions it filed before filing the current lawsuit. In 1993, Checkpoint brought an action before the International Trade Commission (“ITC”) against All-Tag Switzerland and other defendants for infringement of U.S. Patent Nos. 4,498,075 and 4,567,473. C.A. Appx2437:20-2438:19; C.A. Appx6802-7066; *also available at In the Matter of Certain Anti-Theft Deactivatable Resonant Tags and Components Thereof*, USITC Inv. No. 337-TA-347, 1994 WL 931908 (Sept. 1994). At the time of the 1993 ITC proceeding, Checkpoint did not yet own the ‘555 patent. C.A. Appx2627:22-2628:14.

Through information disclosed in the ITC proceedings, Checkpoint acquired a detailed understanding of the structure, operation, and manufacturing process of All-Tag's labels. C.A. Appx6869-6874; C.A. Appx7045-7054. The ITC found that All-Tag's labels contained a "hole" (i.e., a "throughhole") between the upper and lower layers and that All-Tag's labels were "manufactured according to a process described in [the '466 patent]." C.A. Appx7045-7046 at ¶¶ 752-766.

In 1995, Checkpoint acquired the '555 patent. C.A. Appx103 at ¶ 13; C.A. Appx1182:7-10. Checkpoint also obtained a European patent that was a counterpart to the '555 patent. C.A. Appx355; C.A. Appx2443:9-23. In 1997, Checkpoint sued All-Tag Switzerland and the Swiss subsidiary of Sensormatic in a Swiss court based on alleged infringement of the European patent and another Swiss patent. C.A. Appx2442:22-2443:22. In 2001, the Swiss court found that All-Tag's labels infringed the European patent and awarded Checkpoint \$2 million in damages. C.A. Appx519-521.

In addition to the above, Checkpoint obtained four opinions from patent counsel that All-Tag's labels infringed the claims of Checkpoint's '555 patent:

- In 1997, Checkpoint's patent counsel in the Swiss litigation advised Checkpoint that All-Tag's labels would be covered by the claims of the '555 patent in the United States similar to the coverage that the corresponding European patent had over All-Tag's labels in Switzerland. C.A. Appx4038:22-4040:15.

- In 1999, Checkpoint received a second opinion from a patent attorney at Akin Gump Strauss Hauer & Feld LLP that All-Tag's labels infringed the '555 patent. C.A. Appx4041:25-4042:24.
- In 2001, just prior to filing the current lawsuit, Checkpoint obtained an opinion from patent counsel at Woodcock Washburn LLP (now BakerHostetler) that All-Tag's labels infringed the '555 patent. C.A. Appx6061-6062 at 172:11-176:1; C.A. Appx6062 at 175:7-12.
- Also in 2001, Checkpoint obtained an opinion from patent counsel at Montgomery McCracken Walker & Rhoads, LLP that All-Tag's labels infringed the '555 patent. C.A. Appx6061-6062 at 172:11-176:1; C.A. Appx6062 at 175:13-16.

III. CHECKPOINT FILES ITS INFRINGEMENT LAWSUIT AGAINST DEFENDANTS.

In 2001, Checkpoint sued All-Tag, All-Tag Americas, and Sensormatic in the Eastern District of Pennsylvania for infringement of the '555 patent. During the case, Defendants unsuccessfully moved for summary judgment against Checkpoint on non-infringement, equitable estoppel, and laches.³ Defendants' non-infringement motion was based on an adoption of Defendants' proposed claim construction. C.A. Appx181; C.A. Appx464:9-15.

3. Defendants also filed a motion for summary judgment on invalidity based on incorrect inventorship, which the district court granted, but which the Federal Circuit subsequently reversed. *Checkpoint Sys., Inc.*, 412 F.3d 1331.

Defendants conceded that if the district court adopted Checkpoint's proffered claim construction, infringement "may involve disputed facts." C.A. Appx181. Defendants' estoppel and laches motions argued that Checkpoint should have sued earlier because Checkpoint "was fully aware...of the All-Tag product and of the All-Tag product structure" through the ITC proceeding. C.A. Appx188. Defendants also sought to use the sales of labels by All-Tag Switzerland to support their laches defense. C.A. Appx308; C.A. Appx468:5-14.

A. The District Court Adopts Checkpoint's Claim Construction And Denies Defendants' Motions For Summary Judgment.

The only disputed infringement issue at trial was whether All-Tag's labels contained a "throughhole." Following briefs and a *Markman* hearing, the district court adopted Checkpoint's claim construction of the "throughhole" element, and denied Defendants' motion for summary judgment on non-infringement. C.A. Appx586; C.A. Appx718. The district court also denied Defendants' motion for summary judgment on equitable estoppel and laches, finding that "genuine issues of material fact remain." C.A. Appx587-588.

B. The District Court Denies Defendants' *Daubert* Motion.

On the first day of trial, Defendants filed a *Daubert* motion to preclude Checkpoint's expert, Dr. Markus Zahn, from testifying on infringement because he had purportedly failed to physically inspect certain All-Tag labels. All-Tag claimed that it changed its manufacturing

process in April 2001 (one month before Checkpoint filed suit) and that Dr. Zahn had only tested labels made prior to April 2001. C.A. Appx556-557. All-Tag also claimed that the “majority” of the labels Dr. Zahn tested were made by All-Tag Switzerland, not All-Tag Belgium. C.A. Appx790:3-8. Defendants proposed a stipulation to concede infringement on labels made before April 2001. C.A. Appx789:10-791:23.

Checkpoint argued that Dr. Zahn did not need to physically inspect the labels made after April 2001 because All-Tag had admitted in response to requests for admissions (“RFAs”) that those labels were made according to U.S. Patent No. 7,023,343 (“the ‘343 patent”). Dr. Zahn found that a product made according to the ‘343 patent would necessarily infringe the ‘555 patent and that the method described in the ‘343 patent was merely “a new way of putting a throughhole in the defendant’s product.” C.A. Appx796:5-8; C.A. Appx797:20-798:5. After reviewing the parties’ submissions and hearing argument on the motion, the trial court denied Defendants’ *Daubert* motion and allowed Dr. Zahn to testify without restriction. C.A. Appx824:21-24.

C. Checkpoint Presents Direct And Circumstantial Evidence Of Infringement And The District Court Denies Defendants’ Directed Verdict Motion.

At trial, Checkpoint presented direct and circumstantial evidence of infringement. Checkpoint’s direct evidence was based on physical tests Dr. Zahn performed on All-Tag labels. C.A. Appx1036:24-1037:3. Dr. Zahn observed and measured the throughhole in All-Tag’s

labels using an optical microscope and an electron scanning microscope. C.A. Appx1078:8-11; C.A. Appx1079:7-1080:1; C.A. Appx1081:4-15; C.A. Appx1082:12-15; C.A. Appx1082:23-1083:9; C.A. Appx1085:22-1086:4. Dr. Zahn further passed colored water through the throughhole in a recorded experiment. C.A. Appx1054:18-1055:5; C.A. Appx1092:9-1093:10.

Checkpoint also presented circumstantial evidence of infringement. Checkpoint served Defendants with RFAs asking Defendants to admit that the All-Tag labels contained a throughhole. C.A. Appx6440-6441. Defendants asserted boilerplate objections and then admitted that All-Tag's labels were made: "generally in accordance with U.S. Patent No. 5,187,466 and as found by the International Trade Commission Investigation No. 337-TA-347 or under [a patent application leading to the '343 patent]." C.A. Appx6440-6441. Defendants made the same admission in 355 separate RFA responses asking about the structure and function of All-Tag's labels. C.A. Appx6411-6484; C.A. Appx2597:18-2599:6.

Based on Defendants' admissions, Dr. Zahn examined the '466 patent and concluded that a product made according to that patent would necessarily contain a throughhole and infringe the '555 patent. C.A. Appx1101:5-25. Dr. Zahn also examined the ITC's findings regarding the existence of a throughhole in All-Tag's labels and the ITC's conclusion that the All-Tag labels were manufactured according to a process described in the '466 patent. C.A. Appx1113:19-1116:17. Finally, Dr. Zahn reviewed the '343 patent and concluded that "there is no difference" between a label created using the method described in the '466 patent and one described in the '343 patent because "[t]hey both

result in a throughhole as a means for deactivation of the label.” C.A. Appx1052:3-11.

At the end of Checkpoint’s case-in-chief, Defendants moved for a directed verdict on the infringement claim for labels made under the ‘343 patent, arguing that Dr. Zahn had not physically inspected those labels. The district court denied Defendants’ motion, holding that “[t]he testimony is sufficient at this point for us to continue the matter.” C.A. Appx1260:5-8.

D. Defendants Present No Affirmative Evidence Of Non-Infringement And The District Court Denies Defendants’ Motion For Judgment As A Matter Of Law.

Defendants limited their defense at trial to arguing that Checkpoint had not satisfied its burden of proof on infringement. C.A. Appx1971:25-1972:15; C.A. Appx1978:12-21; C.A. Appx1979-1980:8. Defendants introduced no affirmative evidence (or even argument) to show that All-Tag’s labels—whether made under the ‘466 or ‘343 patent—lacked the disputed throughhole limitation. Defendants’ expert, Dr. Christopher Rose, conceded that he had not reviewed any All-Tag labels made before April 2001. C.A. Appx2085:18-24; C.A. Appx2087:16-24; C.A. Appx2144:19-21. With respect to labels made after April 2001, Dr. Rose’s opinion was limited to testifying that, “I don’t see how you can say one way or the other, there is or is not a throughhole.” C.A. Appx2076:1-11. Dr. Rose conceded that if the “physical reality” of the All-Tag labels matched the ‘343 and ‘466 patents, “then game over, we’re done [as to infringement of the ‘555 patent].” C.A. Appx2216:17-C.A. Appx2217:22; C.A. Appx2220:1-2223:1.

At the end of all the evidence, Defendants moved for judgment as a matter of law on infringement. C.A. Appx2641:14-2644:22. Defendants argued—now for the third time—that they were entitled to judgment because Dr. Zahn had not physically inspected labels made after April 2001. Defendants also argued that the labels Dr. Zahn inspected before April 2001 were manufactured by All-Tag Switzerland, not All-Tag Belgium. C.A. Appx2643:8-22.

The district court denied the motion for judgment as a matter of law, holding that “the evidence is sufficient to go to the jury on the issue of infringement.” C.A. Appx2676:3-7.

E. After The Jury Finds For Defendants, The District Court Gives Defendants A \$6.6 Million Exceptional Case Award.

After a 12-day jury trial, the jury returned a verdict in favor of Defendants. Four years and eight months after the jury verdict, the district court found the case “exceptional” under 35 U.S.C. § 285, and awarded Defendants approximately \$6.6 million in attorney fees, costs, and interest. The only explanation for the district court’s exceptional case finding came in a footnote stating that “[t]he evidence established that Checkpoint never looked at the accused product in relation to the ‘555 patent.” *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, No. 01-CV-2223, 2011 WL 5237573, at *1 n.1 (E.D. Pa. Nov. 2, 2011).

**IV. AFTER THE FEDERAL CIRCUIT REVERSES,
THIS COURT REMANDS FOR FURTHER
CONSIDERATION IN LIGHT OF *OCTANE
FITNESS* AND *HIGHMARK*.**

The Federal Circuit reversed holding that “[t]he infringement charge was not shown to have been made in bad faith or objectively baseless.” *Checkpoint Sys., Inc.*, 711 F.3d at 1348. This Court granted certiorari, vacated the opinion, and remanded in conjunction with *Octane Fitness, LLC*, 134 S. Ct. 1749, and *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014).⁴ *Kobe Props. SARL v. Checkpoint Sys., Inc.*, 134 S. Ct. 2134 (2014).

The Federal Circuit then remanded to the district court for further consideration in light of *Octane Fitness* and *Highmark*. *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, 572 Fed. Appx. 988 (Fed. Cir. 2014). In its remand order, the Federal Circuit instructed the district court to “consider the guidance from our prior opinion in which we explained that tests or experiments on the actual accused product are not always necessary to prove infringement.” *Id.* at 989.

4. This Court had already granted petitions for a writ of certiorari in *Octane Fitness* and *Highmark* when Petitioners filed their first petition (No. 13-788) before this Court.

V. THE DISTRICT COURT AGAIN FINDS THE CASE EXCEPTIONAL, INCREASING THE FEE AWARD TO \$10.3 MILLION, AND THE FEDERAL CIRCUIT AGAIN REVERSES.

On remand, the district court again found the case to be exceptional. The district court stated that Checkpoint could “rely on this Court’s denial of Defendants’ *Daubert* and JMOL motions to indicate the reasonableness of its claims, but doing so is not dispositive.” App. 24. While the district court did “not find that Checkpoint’s claims were frivolous,” it cited Checkpoint’s purported “improper motivation,” inadequate pre-suit investigation, and failure to examine the accused products as reasons for finding the case exceptional. App. 18-24. The district court increased the fee award from \$6.6 million to \$10.3 million. *Checkpoint Sys., Inc. v. All-Tag Sec. S.A.*, No. 01-CV-2223, 2015 WL 7756170 (E.D. Pa. Dec. 2, 2015).

Checkpoint again appealed, and the Federal Circuit again reversed. The Federal Circuit held that a patent-holder exercising its statutory right under the Patent Act to exclude those that infringe a patented invention is not “improper motivation.” App. 7. The Federal Circuit further pointed to the “district court’s finding that Checkpoint had sufficient evidence of infringement to survive summary judgment motions and a *Daubert* challenge and to proceed to a jury trial.” App. 8-9. Finally, the Federal Circuit held that All-Tag’s failure to present evidence that the accused products were different from the tested products, and the district court’s failure to so find, did not support the exceptional case ruling. App. 9-10.

REASONS FOR DENYING THE PETITION

I. PETITIONERS CONCEDE THAT THIS CASE IS UNIQUE, MAKING A WRIT OF CERTIORARI INAPPROPRIATE.

Petitioners state that this case is distinctly unique because—in Petitioners’ words—“it is the *only* Federal Circuit decision *post-Octane Fitness* holding that a district court abused its discretion in awarding fees against a patent holder.” Pet. 3 (emphasis in original). Petitioners requested additional time to file their Petition arguing that “an extension of time will likely result in a more robust record demonstrating the harm of the Federal Circuit’s precedential opinion in this case.” *All-Tag Sec. S.A. v. Checkpoint Sys., Inc.*, No. 17A200 (Aug. 18, 2017), at 2. Petitioners argued that “[a]dditional time will also demonstrate how the Federal Circuit’s precedential opinion in this case has infected the reasoning of the lower courts and will lead to the practical reversal from below of this Court’s decisions in *Octane Fitness* and *Highmark*.” *Id.* Yet, after being granted an extension and filing their Petition, Petitioners do not argue a “more robust record” exists or cite a single decision purportedly “infected” by the Federal Circuit opinion in this case.⁵

5. Petitioners identify two cases “currently pending before the Federal Circuit,” in which litigants have argued that it would be error to award fees without finding the party suffered a “gross injustice.” Pet. 22. Even if Petitioners are correct that this misstates the law (which they are not, *see infra* Section V.B(3)), statements made during a litigant’s argument in a different case can hardly be a basis for certiorari review.

Petitioners claimed in their extension request that “the Federal Circuit further indicated its refusal to apply this Court’s prior rulings” during oral argument in *Octane Fitness*. *Id.* Yet, as Petitioners now acknowledge, the Federal Circuit affirmed the district court’s fee award in *Octane Fitness* with no mention of this case. Pet. 14; *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, Nos. 2016-1047, 2016-1101, 2017 WL 3668968 (Fed. Cir. Aug. 25, 2017). The Federal Circuit did not “refus[e] to apply this Court’s prior rulings,” but rather followed them: “ICON ignores the significant change in law between the *Brooks Furniture* framework and the *Octane Fitness* standard. The district court provided a thorough analysis explaining its conclusion that this case is exceptional under *Octane Fitness*. Because we find no clear error in its factual findings, the district court did not abuse its discretion in finding the case exceptional.”⁶ *Id.* at *2. The outcome of this case made no difference to the result.

Nor is there any circuit split warranting certiorari review. While Petitioners argue, “‘Circuit Split,’ Too,” they cite no divergence between courts in any Circuit. To the contrary, Petitioners concede that that the Circuit Courts of Appeal and the Federal Circuit are in accord. Pet. 36 (“Not one of the *six* Circuit Courts of Appeals which have applied this Court’s *Octane Fitness* Tests to Langham Act cases have superimposed any of these *Four New* Federal Circuit *Brooks*-Like Tests including, strangely enough, the Federal Circuit itself.”) (emphasis in original).

6. While Petitioners argue that there is “confusion” in the Federal Circuit, Judge Hughes’ statement during oral argument in *Octane Fitness* that “we don’t have a baseline yet of what is the new standard” simply underscores why it would inappropriate to grant certiorari. Pet. 14 n.9.

In short, Petitioners’ hypothetical concern with the purported “harm” caused by the Federal Circuit’s opinion in this case has not borne fruit. There is no “robust record” by which to judge the effect of the Federal Circuit’s opinion. For this reason alone, certiorari review is not appropriate. *See McCray v. New York*, 461 U.S. 961, 963 (1983) (certiorari denied where issue requires “further study” in lower courts “before it is addressed by this Court”).

II. PETITIONERS’ GENERIC ATTACK ON THE FEDERAL CIRCUIT IS NOT A BASIS FOR GRANTING A WRIT OF CERTIORARI.

The majority of Petitioners’ argument consists of insults to the Federal Circuit’s integrity, ad hominem attacks on its judges, and statistics that have no relevance or connection to this case. These arguments do not deserve or necessitate any response.

Of the 30 post-*Octane Fitness* Section 285 fee award cases, the Federal Circuit has reversed or vacated a lower court fee award in only four cases, including this one. *See Romag Fasteners, Inc. v. Fossil, Inc.*, 866 F.3d 1330, 1340 (Fed. Cir. 2017); *Large Audience Display Sys., LLC v. Tennman Prods., LLC*, 660 Fed. Appx. 966, 972 (Fed. Cir. Oct. 20, 2016); *Biax Corp. v. Nvidia Corp.*, 626 Fed. Appx. 968, 973 (Fed. Cir. Feb. 24, 2015).⁷ This does not suggest a

7. While Petitioners imply that Judge Newman is leading the Federal Circuit’s purported retreat to the *Brooks*-test, Judge Newman dissented in *Romag*, believing that “[m]y colleagues nonetheless second-guess the district court’s observations and depart from the required deferential review of discretionary rulings.” 866 F.3d at 1343. Petitioners’ attacks on the Federal

rogue court that unfairly treats patent holders, but rather one that has heeded this Court’s “abuse of discretion” and “totality of the circumstances” standards.

While Petitioners feign outrage with the Federal Circuit’s decision to make its opinion here “precedential,” they fail to argue that such designation was improper for any reason. In fact, many of the Federal Circuit non-precedential opinions post-*Octane Fitness* were the result of (1) remands for consideration under *Octane Fitness* and *Highmark* (four non-precedential opinions);⁸ (2) remands where the fee issue was not reached (three non-precedential opinions);⁹ and (3) affirmances of the district court’s exceptional case findings (eight non-precedential opinions).¹⁰ Thus, Petitioners’ argument (if there is one)

Circuit and ad hominem attacks on its judges are not only inappropriate, they are all smoke with no fire.

8. *Honeywell Int’l Inc. v. Nokia Corp.*, 615 Fed. Appx. 688 (Fed. Cir. Sept. 11, 2015); *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 577 Fed. Appx. 995 (Fed. Cir. Sept. 5, 2014); *Checkpoint Sys., Inc.*, 572 Fed. Appx. 988; *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 576 Fed. Appx. 1002 (Fed. Cir. Aug. 26, 2014).

9. *Chaffin v. Braden*, 696 Fed. Appx. 1001 (Fed. Cir. June 23, 2017); *TNS Media Research, LLC v. Tivo Research & Analytics, Inc.*, 616 Fed. Appx. 421 (Fed. Cir. Sept. 16, 2015); *Sealant Sys. Int’l, Inc. v. TEK Global, S.R.L.*, 616 Fed. Appx. 987 (Fed. Cir. June 11, 2015).

10. *ICON Health & Fitness, Inc.*, Nos. 2016-1047, 2016-1101, 2017 WL 3668968; *Parallel Networks, LLC v. Kayak Software Corp.*, 700 Fed. Appx. 1000 (Fed. Cir. July 5, 2017); *Prism Techs. LLC v. T-Mobile USA, Inc.*, 696 Fed. Appx. 1014 (Fed. Cir. June 23, 2017); *AngioScore, Inc. v. TriReme Med., LLC*, 666 Fed. Appx. 884 (Fed. Cir. Nov. 8, 2016); *Site Update Solutions, LLC v. CBS*

regarding the percentage of precedential fee award cases issued by the Federal Circuit is largely a non-sequitur.

III. PETITIONERS FAIL TO PRESENT A NARROW ISSUE FOR REVIEW.

Petitioners seek a writ of certiorari on an inherently generic and overly broad question: Does this case “conflict” with *Octane Fitness* and *Highmark*. Pet. i. Petitioners’ question itself shows why this case does not warrant certiorari review. Stephen M. Shapiro, et al., *Supreme Court Practice*, § 6.25(i) (10th ed. 2013) (“General or indefinite questions, such as whether the court below erred...in deciding the case against petitioner, are wholly inadequate.”). Rather than argue for a focused review of a specific error committed by the Federal Circuit, Petitioners ask the Court to engage in an exhaustive evaluation of the district court’s specific factual findings in this case. That is not a proper basis for certiorari review.

Far from presenting a narrow issue, Petitioners attempt a shotgun approach. Petitioners argue, *inter alia*:

- (1) The Federal Circuit “creat[ed] at least four (4) *new Brooks*-like rigid tests totally at odds with law this Court had clearly established” (Pet. 4) (emphasis in original);

Corp., 639 Fed. Appx. 634 (Fed. Cir. Feb. 1, 2016); *Integrated Tech. Corp. v. Rudolph Techs., Inc.*, 629 Fed. Appx. 972 (Fed. Cir. Oct. 21, 2015); *Lee v. Mike’s Novelties, Inc.*, 608 Fed. Appx. 946 (Fed. Cir. June 23, 2015); *Homeland Housewares, LLC v. Sorensen Research & Dev. Trust*, 581 Fed. Appx. 877 (Fed. Cir. Sept. 8, 2014).

- (2) “The Federal Circuit failed to follow *Octane Fitness* and *Highmark* in *ten (10)* respects” (Pet. 8) (emphasis in original);
- (3) The Federal Circuit “either did not understand or intentionally chose to disregard” “*thirteen (13)* specific supporting *facts*” (Pet. 24-27) (emphasis in original);
- (4) “[T]he Federal Circuit completely ignored at least...three key *findings of fact* of the Trial Court” (Pet. 28) (emphasis in original); and,
- (5) The Federal Circuit failed to give deference to “fifteen (15) *factual findings*” (Pet. 31) (emphasis in original).

By simply throwing up serial lists of purported legal and factual errors, and failing to identify any specific question that might be important to this Court, Petitioners have themselves shown why their writ of certiorari should be denied. *See Yee v. City of Escondido*, 503 U.S. 519, 536 (1992) (Supreme Court Rule 14.1(a) is intended “to focus on the questions the Court has viewed as particularly important.”).

IV. PETITIONERS’ LEGAL ARGUMENT LACKS MERIT.

In *Octane Fitness*, this Court held that “[d]istrict courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.” 134 S. Ct. at 1756. Because courts are to exercise their discretion, there is no

“precise rule or formula” for making an exceptional case determination. *Id.* (quoting *Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 (1994)).

It is curious then that Petitioners spend their time arguing that the Federal Circuit erred by relying on the “*First* Prong of *Octane Fitness*” while the district court relied “solely on the *Second* Prong of *Octane Fitness*.” Pet. 7 (emphasis in original). Petitioners repeat this flawed refrain throughout their Petition:

- Trial Court “did *not* rely *at all* on the *First* Prong of *Octane Fitness* (‘lack of substantive strength’).” Pet. 7 (emphasis in original);
- Trial Court relied “solely on the *Second* Prong of *Octane Fitness*.” Pet. 7 (emphasis in original);
- Federal Circuit “relied upon the *First* Prong of *Octane Fitness* the ‘substantive strength’ of Plaintiff’s litigating position, even though that formed *no* basis whatsoever of the Trial Court’s findings of fact or conclusions of law.” Pet. 8-9 (emphasis in original);
- Trial Court “found six (6) facts virtually identical to the first six of those *Octane Fitness* seven (#1-6), *all* of which concern *only* the *Second* Prong of *Octane Fitness* — ‘unreasonable manner of litigation,’ and *not* the lack of ‘substantive strength’ *First* Prong.” Pet. 13 (emphasis in original);
- Motivation “goes to the *First* Prong of *Octane Fitness* — ‘substantive strength,’ *NOT* the *Second*

Prong — ‘unreasonable manner of litigation.’” Pet. 17 (emphasis in original);

- Federal Circuit’s opinion would “completely eviscerate the *Second* Prong of *Octane Fitness* (“unreasonable manner of litigation’).” Pet. 18 (emphasis in original);
- Federal Circuit “failed to appreciate that the Trial Court’s many factual findings...were *not* in regard to a judgment about ‘lack of substantive strength’ (*First* Prong of *Octane Fitness*) of Plaintiff Checkpoint’s claims but rather in the ‘totality of the circumstances,’ were important factors supporting the determination of ‘unreasonableness of the manner of litigation.’ (*Second* Prong of *Octane Fitness*).” Pet. 32 (emphasis in original).

Petitioners have the law wrong because *Octane Fitness* did not create a two-prong test. It expressly disavowed such tests as overly rigid and inflexible. 134 S. Ct. at 1756. While *Octane Fitness* held that an “exceptional case” is “one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated,” *Octane Fitness* did not hold that these are two “prongs” that must be separately examined to find a case exceptional. 134 S. Ct. at 1756.

To be sure, a lawsuit need no longer be both objectively baseless and brought in subjective bad faith to be found exceptional. Yet, nothing in *Octane Fitness* holds that a court must, or should, ignore the substantive strength of

a party's litigation position when considering the manner in which it litigated the case. When *Octane Fitness* provided examples of “nonexclusive” factors that courts could consider, it did not arbitrarily divide those factors between two “prongs” and require courts to consider them independently. Nothing in *Octane Fitness* compels that conclusion—which, in fact, would run counter to this Court's direction that district courts consider the “totality of the circumstances.”

V. THE FEDERAL CIRCUIT'S OPINION DOES NOT CONFLICT WITH *OCTANE FITNESS* OR *HIGHMARK*.

A. Petitioners' “Top Ten” List Misstates Both The Federal Circuit's Opinion And The Record.

Petitioners' list of the purported “Top Ten Fundamental Legal Errors of the Federal Circuit” misstates the Federal Circuit's opinion and the record. Pet. 8-10.

The first five on Petitioners' list simply argue that the Federal Circuit failed to consider or improperly assessed record evidence in the case. Pet. 8. Even if Petitioners were correct about their nitpicking of the record (which they are not, *see infra* Section VI), certiorari should be denied because the Federal Circuit correctly held that the district court abused its discretion by basing its ruling on an erroneous view of the law.

Petitioners continue their “Top Ten” list by arguing that the Federal Circuit “erroneously” imposed various limitations not found in *Octane Fitness*. Pet. 9-10. Petitioners simply invent errors that do not exist. For

example, Petitioners argue that the Federal Circuit “erroneously required a finding of ‘lack of substantive strength of litigation position’ to support an ‘exceptional’ case finding.” Pet. 9. In reality, the Federal Circuit used the phrase “substantive strength” only once—when it quoted *Octane Fitness*. App. 5. Petitioners argue that the Federal Circuit “erroneously required ‘litigation misconduct’...to support a finding of ‘unreasonable manner of litigation.’” and “erroneously...referr[ed] to a litigation misconduct standard.” Pet. 9. In reality, the Federal Circuit opinion did not use the word “misconduct” or refer to a “litigation misconduct” standard. Petitioners argue that the Federal Circuit limited the “motivation” factor only to “patent trolls.” Pet. 9. In reality, no such limitation appears in the Federal Circuit’s opinion.¹¹ See *infra* Section V.B(1).

B. The Federal Circuit Did Not Create Four New “Tests” To Find A Case Exceptional.

Petitioners confuse consideration of factors *relevant* to an exceptional case determination for “tests” that *must* be met to find a case exceptional. The Federal Circuit held that the district court abused its discretion because it failed to consider factors relevant to the “totality of the circumstances.” The Federal Circuit did not create any new “test” that must be met to find a case exceptional. Therefore, Petitioners’ argument that the Federal

11. The “Tenth” item in Petitioners’ “Top Ten” list argues that the Federal Circuit “implied” that the district court imposed a fee award as a penalty for Checkpoint’s failure to win at trial. Pet. 9. This is no error, let alone a “fundamental” one. A section 285 fee award is not a penalty for failure to win a patent infringement suit. *Octane Fitness*, 134 S. Ct. at 1753.

Circuit’s opinion “conflicts” with *Octane Fitness* and *Highmark* fails.

- (1) The Federal Circuit held that motivation to harass or burden may be relevant to an exceptional case finding, not that motivation was limited to “patent trolls.”**

Petitioners argue that the Federal Circuit created a “*Brooks-Like Test*” “limiting this Court’s *non*-exclusive ‘motivation’ factor *only* to ‘harassing’ or ‘burdening’ a defendant by ‘a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one’s claims’ (*i.e.*, ‘patent trolls’).” Pet. 15 (emphasis in original). Petitioners misstate the Federal Circuit’s opinion.

The Federal Circuit did not hold that “motivation” was limited to “patent troll” actions, but rather that “‘motivation’ to harass or burden an opponent *may be relevant* to an ‘exceptional case’ finding.” App. 8 (emphasis added). While “patent troll” actions may serve as an example, the Federal Circuit never suggested that this is a test, requirement, or limitation to finding a case exceptional.

Petitioners concede that a patent-holder’s motivation to implement its statutory patent right by bringing an infringement suit is not improper. Pet. 17 (noting that this principle is “obvious and unremarkable”). Petitioners claim, however, “that principle goes to the *First* Prong of *Octane Fitness* — ‘substantive strength,’ *NOT* the *Second* Prong — ‘unreasonable manner of litigation.’”

Pet. 17. Petitioners cite no authority to support this argument—for good reason; it is contrary to a “totality of the circumstances” analysis. Under a “totality of the circumstances” approach, the substantive strength of a party’s claims will nearly always be relevant to determining a party’s motive in filing a patent infringement suit.

A business has every right to protect its competitive advantage by preventing competitors from using patented inventions to compete against it in the market. A patentee can enforce its patent to its full extent against any infringers, whether they are competitors or not, and regardless of potential for business disruption, so long as the asserted claims are not frivolous. Nothing in the patent laws precludes a party from bringing a lawsuit just because it could interfere with a competitor’s business.¹² All patent lawsuits will, in varying degrees, interfere with an infringing competitor’s business. Yet, a competitor-versus-competitor suit is far from rare or exceptional.

(2) The Federal Circuit held that falsity, fraud, or bad faith may be relevant to an exceptional case finding, not that any of them are necessary to find a case exceptional.

Petitioners argue that the Federal Circuit required “falsity, or fraud or bad faith” in order to find a case exceptional. Pet. 20. Again, the Federal Circuit imposed

12. Patent misuse and antitrust claims may provide protection for competitors when a patent claim is improperly used to restrain competition, but Section 285 is neither the proper vehicle nor remedy for such claims.

no such requirement. Rather, the Federal Circuit simply deemed that factor relevant to the “totality of the circumstances.” This is completely consistent with *Octane Fitness*, which held that “a case presenting either subjective bad faith or exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award.” 134 S. Ct. at 1757. Here, Checkpoint’s case was not brought in subjective bad faith nor was it exceptionally meritless.

(3) The Federal Circuit did not hold that courts could award fees only where necessary to prevent a party from suffering a “gross injustice.”

Petitioners argue that “the Federal Circuit held that a fee award is *only* sustainable where it is necessary ‘to prevent a party from suffering a ‘gross injustice.’” Pet. 21 (emphasis in original). Again, the Federal Circuit did no such thing. The Federal Circuit simply repeated the legislative purpose of Section 285, as summarized by this Court in *Octane Fitness*, that the provision was intended to “address ‘unfairness or bad faith in the conduct of the losing party or some other equitable consideration of similar force,’ which made a case so unusual as to warrant fee-shifting.” *Octane Fitness*, 134 S. Ct. 1743 (quoting *Park-In-Theatres, Inc. v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951)). Indeed, remedying a “gross injustice” has always been the purpose of Section 285—even before *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005). See, e.g., *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324, 1329 (Fed. Cir. 2003) (“In the context of fee awards to prevailing accused infringers, we have observed that § 285 is limited to circumstances

in which it is necessary to prevent ‘a gross injustice’ to the accused infringer...”). Petitioners’ argument is a hyper-technical parsing of the Federal Circuit’s opinion. Nothing in the opinion created a new “test” for finding a case exceptional.

(4) The Federal Circuit did not create a new “test” regarding the statutory presumption of patent validity.

Petitioners argue that the Federal Circuit created a “new” presumption that an assertion of a duly granted patent is made in good faith. Pet. 22 (emphasis in original). In *Brooks Furniture*, the Federal Circuit held that because there is a presumption that the assertion of infringement of a duly granted patent is made in good faith, the underlying improper conduct and characterization of the case as exceptional must be established by clear and convincing evidence. See *Octane Fitness*, 134 S. Ct. at 1754 (quoting *Brooks Furniture*, 393 F.3d at 1382). In *Octane Fitness*, this Court held that patent litigants need not establish their entitlement to fees under Section 285 by clear and convincing evidence because Section 285 “imposes no specific evidentiary burden” and “patent-infringement litigation has always been governed by a preponderance of the evidence standard.” 134 S. Ct. at 1758. Nothing in *Octane Fitness*, however, negated the presumption in *Brooks Furniture* that the assertion of infringement of a duly granted patent is made in good faith. Indeed, this has been the case since long before *Brooks Furniture*. *Spring Window Fashions LP v. Novo Indus., L.P.*, 323 F.3d 989, 999 (Fed. Cir. 2003); *Golan v. Pingel Enter., Inc.*, 310 F.3d 1360, 1371 (Fed. Cir. 2002); *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1369 (Fed. Cir. 1998), *cert denied*, 526 U.S. 1130 (1999).

The presumption exists because a patent has a statutory presumption of validity. 35 U.S.C. § 282. “That presumption takes away any need for a plaintiff to prove his patent is valid to bring a claim.” *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1928 (2015). Petitioners cite no authority to the contrary. There is none because Petitioners’ argument would render the statutory presumption of validity illusory.

VI. PETITIONERS’ REMAINING ARGUMENTS INVOLVE ONLY QUESTIONS OF EVIDENCE AND FACTUAL FINDINGS, WHICH DO NOT WARRANT CERTIORARI REVIEW.

The Federal Circuit correctly held that the district court abused its discretion by basing its ruling on an erroneous view of the law. The Federal Circuit, therefore, did not need to reach much of the evidence and factual findings that Petitioners seek to re-litigate now. Nevertheless, none of the myriad of purported facts that Petitioners throw against the wall would warrant granting certiorari review in this case. *United States v. Johnston*, 268 U.S. 220, 227 (1925) (“We do not grant a certiorari to review evidence and discuss specific facts.”); *Texas v. Mead*, 465 U.S. 1041, 1043 (1984) (quoting *Johnston*); *NLRB v. Hendricks Cnty. Rural Elec. Membership Corp.*, 454 U.S. 170, 176 n.8 (1981) (improvident grant of cross-petition that presented “primarily a question of fact, which does not merit Court review”); *see also* Sup. Ct. R. 10 (“A petition for a writ of certiorari is rarely granted when the asserted error consists of erroneous factual findings or the misapplication of a properly stated rule of law.”).

Even if this Court were to re-review the record evidence, Petitioners’ “facts” regarding Checkpoint’s purported “improper motivation,” “inadequate pre-suit investigation,” and “failure to examine actual accused product” misstate the record and do not change the result here.¹³

A. The Federal Circuit Correctly Held That The District Court Abused Its Discretion In Finding That Checkpoint Filed Suit With “Improper Motivation.”

Petitioners cite “*thirteen (13)* specific supporting *facts*” purportedly showing that Checkpoint’s motivation was not to pursue its patent rights but to make All-Tag incur large legal fees to drive it out of business. Pet. 24-25 (emphasis in original). Most of these thirteen are not “specific supporting *facts*,” but simply conclusions or non-sequiturs. *See, e.g.*, Pet. 24 (“Checkpoint brought suit in bad faith,” “Checkpoint brought suit with the improper motive of crippling Defendant’s business,” “Checkpoint brought this action, not to protect its patent rights, *but* to harm Defendant’s business,” “Checkpoint was an \$834 million company listed on the NYSE,” etc.) (emphasis in original).

The remaining “facts”—even if accepted as true—do not show that Checkpoint filed its patent infringement suit with “improper motivation.” *See supra* Section

13. Petitioners make a number of factual misstatements in their Petition. Pursuant to Supreme Court Rule 15.2, Respondent points out those misstatements where relevant to consideration of the question presented.

V.B(1). Regarding the purported statements attributed to Mr. Austin, the district court clearly erred in assessing the evidence.¹⁴ Mr. Austin directly denied making the statements attributed to him and no documents corroborated All-Tag’s self-serving testimony. C.A. Appx2454:22-2455:15; C.A. Appx2536:20-2538:2. In fact, while the district court cited oral testimony from All-Tag’s Chairman, Mr. Blieck, and CEO, Mr. Boels, Mr. Blieck’s contemporaneous notes from his meeting with Mr. Austin make no mention of the supposed threats. C.A. Appx7152-7153. Mr. Blieck further testified that immediately after the meeting, Mr. Blieck and Mr. Boels gave Mr. Austin a tour of All-Tag’s factory and took him out to lunch. C.A. Appx1292:6-20.

Regardless of whether Mr. Austin actually threatened All-Tag before the litigation, the district court cited no evidence tying Mr. Austin’s prospective statements to what actually occurred once the litigation began. The district court never suggested that Checkpoint did anything to run up legal fees outside the norm, and Petitioners never presented such evidence. Petitioners do not argue that they paid anything more than fees normally associated with defending non-frivolous claims in a patent infringement case. While Mr. Austin’s statements (if even made) may have been blunt, they are far from “rare” or

14. Petitioners’ statement that the district court “lived with the case for over a decade” is misleading. Checkpoint filed suit in 2001. In 2002, Defendants moved for summary judgment on invalidity. Over two years later, the district court granted Defendants’ motion and Checkpoint appealed. In June 2004, the Federal Circuit reversed and remanded the case. In January 2007, the parties tried the case. The district court rendered the exceptional case award at issue here in August 2015—over eight years after the trial ended.

“exceptional” in high-stakes business dealings between competitors. That Checkpoint could, and did with the district court’s favorable rulings, take its claim all the way to the jury shows that Checkpoint did not intend to merely threaten All-Tag with a frivolous claim.

Although Petitioners imply that this litigation caused All-Tag’s bankruptcy, they cite nothing in the record to support that conclusion. The district court made no such finding. All-Tag went bankrupt six years after the trial ended; its management reports in the Belgium bankruptcy proceedings cited a number of unrelated reasons for its financial problems, including high transportation costs, fluctuations between the U.S. dollar and the Euro, drastic changes in market conditions, and the delay of its American subsidiary. C.A. Appx4372 at ¶ 110 (English translations available at C.A. Appx4387-4394; C.A. Appx4401-4414). This litigation was not mentioned.

Finally, the district court clearly erred in assessing the evidence regarding whether Checkpoint purportedly “knew” the ‘555 patent was inoperative. All-Tag’s testimony that Actron (the company from whom Checkpoint acquired the ‘555 patent) had unsuccessfully tried to manufacture a label using the ‘555 patent does not mean that the ‘555 patent contained “impossible limitations.” *CFMT, Inc. v. Yieldup Int’l Corp.*, 349 F.3d 1333, 1339 (Fed. Cir. 2003) (“Inoperability” applies primarily to claims with “impossible limitations”). Further, a patent is presumed valid, and thus operative. 35 U.S.C. § 282; *Commil USA, LLC*, 135 S. Ct. at 1928 (“[I]nfringement and validity are separate issues under the Act.”). In this case, the validity of Checkpoint’s patent was confirmed a second time during re-examination proceedings brought by Petitioners. C.A. Appx. 103.

Moreover, nothing required Checkpoint to accept Actron's word that its patent was of "no value" and "inoperative," or to concede disputed facts. Indeed, there was ample evidence to the contrary. First, Checkpoint knew from the ITC and Swiss proceedings that the invention described in the '555 patent worked because All-Tag was making and selling labels with a throughhole. Second, Checkpoint's expert Dr. Zahn physically tested the All-Tag labels and found that they practiced the '555 patent and that they worked. C.A. Appx1136:24-1137:20. Third, Petitioners offered to stipulate that the products All-Tag manufactured prior to 2001 infringed the '555 patent—thus conceding that the '555 patent was operable. C.A. Appx789:10-17. Fourth, the fact that the district court allowed Checkpoint's infringement case to proceed to a jury verdict belies the notion that Checkpoint "knew" (or should have known) its patent was not operative.

B. The Federal Circuit Correctly Held That The District Court Abused Its Discretion In Finding That Checkpoint Conducted An Inadequate Pre-Suit Investigation.

Even if all nine "facts" Petitioners cite regarding Checkpoint's purported inadequate pre-suit investigation were true (Pet. 28-29), it would make no difference in the outcome here because Petitioners—like the district court—fail to connect Checkpoint's pre-suit investigation with the substantive claims Checkpoint brought. Because Petitioners, and the district court, acknowledged that Checkpoint's case was substantively strong, they cannot argue Checkpoint "should have known" that its case was meritless and lacked substantive strength before it filed suit, or that a more robust pre-suit investigation would

have somehow spared them from the costs of defending the litigation. *See Epcon Gas Sys., Inc. v. Bauer Compressors, Inc.*, 279 F.3d 1022, 1035 (Fed. Cir. 2002) (affirming denial of exceptional case motion based on inadequate pre-suit inquiry where infringement evidence was sufficient to preclude summary judgment); *cf Haynes Int'l, Inc. v. Jessop Steel Co.*, 8 F.3d 1573, 1579 (Fed. Cir. 1994) (finding case exceptional where patentee “knew or, on reasonable investigation, should have known, [that the lawsuit] was baseless”).

Regardless, Checkpoint’s general counsel testified that he obtained four opinions from four different patent counsel that the claims of the ‘555 patent covered All-Tag’s labels in the United States—two of which were given just prior to Checkpoint’s lawsuit. C.A. Appx4038:22-4040:15; C.A. Appx4041:25-4042:24; C.A. Appx6061-6062 at 172:11-176:1. Further, Defendants themselves offered to stipulate to infringement on the labels that All-Tag produced prior to April 2001. C.A. Appx789:10-17. Checkpoint filed suit in May 2001, so this encompassed nearly all of the labels that would have been subject to Checkpoint’s pre-suit investigation. Finally, Defendants’ own laches and estoppel motions argued that Checkpoint should have filed suit earlier because Checkpoint was fully aware of All-Tag’s labels and their operation. C.A. Appx188.

C. The Federal Circuit Correctly Held That The District Court Abused Its Discretion In Finding That Checkpoint Failed to Examine The Accused Product.

Petitioners do not dispute that the district court—on three separate occasions—found that Checkpoint’s

evidence of infringement was sufficient to go to the jury. Thus, the district court's finding—eight years after trial—that Checkpoint did not have reasonable infringement evidence contradicts its own prior findings and is based on a clearly erroneous assessment of the evidence. Defendants never presented any evidence that All-Tag's labels—whether made in Belgium or Switzerland, whether made according to the '466 patent or the '343 patent, or whether made before April 2001 or after April 2001—changed in any respect material to infringement. As the Federal Circuit correctly summarized, "All-Tag did not show at trial that All-Tag Switzerland's resonance tags differed from All-Tag Belgium's tags in any respect material to infringement of the '555 patent." *Checkpoint Sys., Inc.*, 711 F.3d at 1346. "[T]here was no evidence that All-Tag's equipment produced tags with throughholes in Switzerland but without throughholes in Belgium." *Id.* Further, "Dr. Rose did not state that the accused tags did not contain a hole as described in the All-Tag manufacturing patents. No All-Tag witness so testified and All-Tag's counsel did not so argue." *Id.* at 1345.

Regardless of whether Checkpoint's infringement evidence ultimately persuaded the jury, the district court clearly understood Checkpoint's litigating position, and allowed Checkpoint's claims to proceed to a jury based on that evidence. Only after the jury returned its verdict did the district court turn around and find that the very positions it had green-lighted and permitted Checkpoint to assert at trial made this case exceptional.

CONCLUSION

The Petition for a writ of certiorari should be denied.

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Respectfully submitted,

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