

No. 19-1124

IN THE
Supreme Court of the United States

CHRIMAR SYSTEMS, INC., DBA CMS TECHNOLOGIES,
INC. CHRIMAR HOLDING COMPANY, LLC. ET AL.,
Petitioner,

v.

ALE USA INC., ET AL.
Respondents.

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

BRIEF OF AMICUS CURIAE THE NAPLES ROUNDTABLE
IN SUPPORT OF PETITIONERS

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INTEREST OF AMICI CURIAE¹

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¹ All parties have consented to the filing of this brief after being notified of *amicus curiae*'s intention to file this brief at least 10 days prior to the filing of this brief. *See* Sup. Ct. R. 37.2(a). No counsel for a party has authored this brief in whole or in part, and no person other than *amicus curiae*, its members, and its counsel has made a monetary contribution to the preparation or submission of this brief. *See* Sup. Ct. R. 37.6.

SUMMARY OF THE ARGUMENT

The Federal Circuit’s self-coined “*Fresenius/Simmons* preclusion principle” is unique to patent law, is contrary to the preclusion principles of other circuits, and is contrary to the Restatement of Judgments. The *Fresenius/Simmons* preclusion principle undermines the finality of prior judicial judgments. Finality of judgments is critical to the purpose of the civil judicial system—namely, conclusively and effectively resolving disputes between parties. Finality is essential to provide closure and certainty to both litigants and society, and prevents waste of judicial resources.

In contrast to the goals of finality, the Federal Circuit’s *Fresenius/Simmons* rule incentivizes defendants to engage in dilatory litigation tactics and other gamesmanship, delaying justice and draining the resources of patentees and the courts. Whenever an administrative patent challenge is pending before the U.S. Patent & Trademark Office (PTO), a defendant in a parallel district court litigation has every incentive under *Fresenius/Simmons* to draw out the litigation by keeping any ancillary issues alive, in the hopes that the agency will cancel the patent and thus wipe out the court’s final judgment of patent validity and infringement. To counteract this gamesmanship, a patentee faces the Hobson’s choice of ceding certain claims and abandoning remedies to which it is entitled in order to quickly end the litigation before any adverse Board decision might strip the patentee of any final judgment it has already won. As a policy, the *Fresenius/Simmons* preclusion principle undermines the role of the judiciary and

strips patentees of important rights granted by the Constitution and federal statutes.

ARGUMENT

I. The Federal Circuit’s Patent-Specific Finality Rule Is Contrary to the Finality Rule of Other Circuits and Its Own Precedent

Finality—as enforced through the “related doctrines of *res judicata* and collateral estoppel”—“fulfill[s] the purpose for which civil courts [have] been established,”—namely, “the conclusive resolution of disputes within their jurisdiction.” *Kremer v. Chemical Constr. Corp.*, 456 U.S. 461, 467 n.6 (1982). Finality is critical for “achieving a healthy legal system.” *Cobbledick v. United States*, 39 U.S. 323, 326 (1939). Determining finality in a practical way is “essential to the achievement of the ‘just, speedy, and inexpensive determination of every action.’” *Brown Shoe Co. v. United States*, 370 U.S. 294, 306 (1962); *Eisen v. Carlisle & Jacquelin*, 417 U.S. 156, 171 (1974) (“Finality is to be given a practical rather than a technical construction.”). A well-constructed, consistent, and certain approach to determining finality thus serves both the “immediate parties” and the “judicial system” as a whole. *Republic Natural Gas Co. v. Oklahoma*, 334 U.S. 62, 69 (1948) (“[T]he considerations that determine finality are not abstractions but have reference to very real interests – not merely those of the immediate parties, but, more particularly, those that pertain to the smooth functioning of our judicial system.”).

The Federal Circuit's *Fresenius/Simmons* rule, applied in the instant case, thwarts the conclusive resolution of disputes. Specifically, the Federal Circuit's rule leaves open to collateral attack by an administrative agency a fully resolved judicial decision on the merits of a patent's validity and infringement, so long as some *other* issue in the case remains pending. All a defendant needs to muster on such other issue is a non-"insubstantial" argument, and thus the entire case remains vulnerable to collateral attack on all issues. App. 5a-9a.

The *Fresenius/Simmons* rule is inconsistent with finality and preclusion principles applied by every other circuit and in the Restatement (Second) of Judgments, as well as the Federal Circuit's own *en banc* precedent involving "finality" for purposes of appellate review.

A. The Federal Circuit's Finality Rule Creates a Circuit Split

Every federal court of appeals—except the Federal Circuit in the special case where a patent is later canceled by the PTO—applies a finality rule for preclusion purposes that attaches to an issue that was finally litigated and decided, even if other issues remain open. Consistent with those other circuits, the Restatement (Second) of Judgments provides: "A judgment may be final in a *res judicata* sense as to a part of an action although the litigation continues as to the rest." Restatement (Second) of Judgments § 13, cmt. e. See *Zdanok v. Glidden Co.* 327 F.2d 944, 955 (2d Cir. 1964) ("Collateral estoppel does not require a judgment which ends the litigation and leaves

nothing for the courts to do but execute judgement, but includes many dispositions which, though not final in that sense, have nevertheless been fully litigated.”) (quoting *Catlin v. United States*, 324 U.S. 229, 233 (1945), and *Lummus Co. v. Commonwealth Oil Ref. Co.*, 297 F.2d 80, 89 (2d Cir. 1961)); *Pye v. Dep’t of Transp. of State of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975) (“To be final a judgment does not have to dispose of all matters involved in a proceeding.”); *Bullen v. DeBretteville*, 239 F.2d 824, 829 (9th Cir. 1956), *overruled on other grounds*, *Lacey v. Maricop Cnty.*, 693 F.3d 896 (9th Cir. 2012) (“The fact that several questions were deferred for later decision does not render the doctrine of res judicata inapplicable. A case remanded for further hearing or over which jurisdiction is retained for some purposes may nonetheless be final as to other issues determined.”); *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990, 996 (7th Cir. 1979) (“To be ‘final’ for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment. ‘Finality’ in the sense of 28 U.S.C. § 1291 is not required.”); *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209–10 (3d Cir. 2001) (“[F]inality for purposes of issue preclusion is a more ‘pliant’ concept than it would be in other contexts.”); *Swentek v. USAIR, Inc.*, 830 F.2d 552, 561 (4th Cir. 1987) *abrogated on other grounds*, *Mikels v. City of Durham, N.C.*, 183 F.3d 323 (4th Cir. 1999) (“Finality for purposes of collateral estoppel is a flexible concept . . .”).

The Federal Circuit’s *Fresenius/Simmons* rule is further at odds with the Restatement and other circuits, in that it permits a defendant to raise, as a

defense on an issue that the defendant had already conclusively lost, the fact of a later-decided agency decision. This is contrary to the well-settled principle of preclusion that, once a judgment is rendered, the cause of action is subsumed into the judgment and may not be challenged using any preexisting defenses. Restatement (Second) of Judgments § 18; *Cromwell v. Cnty of Sac*, 94 U.S. 351, 352–53 (1876) (“The judgment is as conclusive, so far as future proceedings at law are concerned, as though the defences never existed. The language, therefore, which is so often used, that a judgment estops not only as to every ground of recovery or defence actually presented in the action, but also as to every ground which might have been presented, is strictly accurate, when applied to the demand or claim in controversy. Such demand or claim, having passed into judgment, cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever”). See also *Wisconsin v. Pelican Ins. Co.*, 127 U.S. 265, 292–93 (1888) (“The essential nature and real foundation of a cause of action are not changed by recovering judgment upon it; and the technical rules, which regard the original claim as merged in the judgment, and the judgment as implying a promise by the defendant to pay it, do not preclude a court, to which a judgment is presented for affirmative action, (while it cannot go behind the judgment for the purpose of examining into the validity of the claim,) from ascertaining whether the claim is really one of such a nature that the court is authorized to enforce it.”), *overruled on other grounds*, *Milwaukee Cnty v. M.E. White Co.*, 296 U.S. 268, 278 (1935).

After a court has rendered a final judgment of liability (holding that a patent is infringed and not invalid) in a given litigation between parties, a subsequent decision of the PTO to cancel that patent ought not supersede the court's judgment on that issue. Rather, the PTO's cancellation merely renders the patent prospectively invalid in future suits involving different parties. See *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. 421, 431 (1856) (“[I]f the remedy in this case had been and action at law, and a judgment rendered in favor of the plaintiff for damages, the right to these would have passed beyond the reach of the power of congress.”); *Moffitt v. Garr*, 66 U.S. 273, 283 (1861) (“It is a mistake to suppose . . . that . . . moneys recovered on judgments in suits . . . might be recovered back [after a patent is surrendered]. The title to these moneys does not depend upon the patent, but upon the voluntary payment or the judgment of the court.”); *McCullough v. Virginia*, 172 U.S. 102, 123 (1898) (“It is not within the power of a legislature to take away rights which have been once vested by a judgment.”).

Nothing in the patent statute, Title 35 of U.S. Code, gives any retroactive effect to the PTO's cancellation of a patent which would operating against an earlier Article III final judgment. The administrative cancellation of a patent in a reexamination or *inter partes* review is authorized under 35 U.S.C. § 307(a), § 318(b). These provisions merely authorize the PTO to publish a “certificate” canceling any claim found unpatentable. The statute says nothing about any retroactive effect of the “certificate,” reaching back to undo any earlier Article III judgment decided prior to the certificate's

publication. Congress, therefore, did not displace the traditional common law doctrines of res judicata and collateral estoppel as articulated in the Restatement discussed above.

B. The Federal Circuit’s Finality Rule Is Inconsistent With Its Own Precedent

The Federal Circuit’s *Fresenius/Simmons* finality rule is also inconsistent with how the Federal Circuit treats finality for purposes of appeal. In *Robert Bosch, LLC v. Plyon Manufacturing Corp.*, 719 F.3d 1305, 1308 (Fed. Cir. 2013) (en banc), the Federal Circuit held that liability determinations in patent cases can be immediately appealed under 28 U.S.C. § 1292(c) (judgment “final except for an accounting”), even when a jury trial on both damages and willfulness remains. *Bosch*, 719 F.3d at 1316, 1319–20. The Federal Circuit arrived at that conclusion in *Bosch* by reasoning that damages and willfulness determinations are sufficiently “ministerial” to constitute no more than an “accounting” within the meaning of § 1292(c), thus rendering the liability determination “final” for purposes of appeal.

Bosch’s flexible approach to finality for purposes of appeal stands in sharp contrast to the rigid approach demanded of finality in *Fresenius/Simmons* for issue preclusion. That rigid approach, however, is the opposite of what the Restatement articulates: a “more pliant view of finality” with respect to issue preclusion. Restatement (Second) of Judgments § 13, cmt. b. See also *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990, 996 (7th Cir 1979) (“To be

‘final’ for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment. ‘Finality’ in the sense of 28 U.S.C. § 1291 is not required.”); *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209–10 (3d Cir. 2001) (“[F]inality for purposes of issue preclusion is a more ‘pliant’ concept than it would be in other contexts.”).

The disconnect between the Federal Circuit’s positions on finality in *Bosch* on the one hand, versus *Fresenius/Simmons* on the other, illustrates the confusion and inconsistency pervading these issues within the circuit.

II. The Federal Circuit’s Patent-Specific Finality Rule Rewards Dilatory Litigation Tactics

The practical effect of the Federal Circuit’s *Fresenius/Simmons* rule is that accused infringers are motivated to engage in dilatory tactics to keep at least *some* issue alive in district court, in the hopes that a parallel PTO proceeding on the same patent will catch up to and overtake the district court proceeding. See Paul Gugliuzza, *(In)valid Patents*, 92 Notre Dame L. Rev. 271, 308 (2016) (noting that the Federal Circuit’s rule “encourages wasteful procedural maneuvering” and “allows an adjudged infringer a second chance at proving invalidity”).

In the “race to finality” between the district court and PTO, the court is at a significant disadvantage. The district court must decide a multitude of patent issues: validity, infringement, damages, willfulness,

injunctive relief, attorneys' fees, inequitable conduct, misuse, and other equitable remedies. By contrast, the PTO in an *inter partes* review or reexamination need only decide a narrow slice of a single issue: patentability under § 102 or § 103, limited only to prior art consisting of patents and printed publications. See 35 U.S.C. §§ 302, 311(b). Thus, a PTO proceeding can readily overtake a district court litigation even if the PTO proceeding was initiated years after the litigation began.

Exacerbating the PTO's speed advantage over district courts is the ability of a defendant to leverage the *Bosch* decision and thus achieve multiple piecemeal appeals of liability and damages determinations. As discussed above, *Bosch* permits an immediate appeal under 28 U.S.C. § 1292(c) of patent liability determinations when trial on liability is bifurcated from damages and willfulness. Bifurcation of these issues, each with separate appeals and potential remands, will drag out the litigation, and increases the likelihood that the PTO will render its decision on the single issue of patentability before the district court finally disposes of all issues in the litigation.

Unfortunately, in an effort to counter the defendant's strategy of litigation delay, patentees are finding themselves in the difficult position of voluntarily ceding certain claims or abandoning remedies to which they are entitled, in order to quickly end the litigation before the PTO strips the patentee of its favorable judgment in hand. In cases like this, the court has already adjudged the patent to be infringed and not invalid in a final judgment of

liability against the defendant. And yet, the patentee may choose to voluntarily dismiss other legal claims in the same case, or forego equitable remedies, in order to end the case and preserve whatever judgment it has won to date. Forcing patentees into such a Hobson’s choice with respect to available remedies for a defendant’s infringement weakens the patent system, and erodes the rights granted to them by the Constitution. *See, e.g., Nautilus, Inc., v. Biosig Instruments, Inc.*, 572 U.S. 898, 901 (2014) (“Authorized by the Constitution ‘[t]o promote the Progress of Science and useful Arts, by securing for limited Times to . . . Inventors the exclusive Right to their Discoveries,’ Art. I, § 8, cl. 8, Congress has enacted patent laws rewarding inventors with a limited monopoly.”).

If allowed to stand, this very case will serve as an unfortunate blueprint for future infringers to keep their cases alive long enough for a trailing PTO proceeding to catch up and overtake the litigation. Future defendants will be tempted to simply follow Respondent ALE’s footsteps in this case, including:

- filing a “fusillade of post-remand motions” (including three motions in six weeks on the exact same subject);
- opposing (remarkably) Chrimar’s motion to dismiss the ’012 Patent with prejudice—a patent to which ALE received an irrevocable covenant not to sue;
- “re-urging the exact same arguments” from its first two motions (but styled for the first time under Fed. R. Civ. Pro. 60(b)(5)); and

- appealing, in a second appeal, previously decided issues that ALE had not appealed in its first appeal.

Pet. 9-10.

In sum, the Federal Circuit's *Fresenius/Simmons* rule creates perverse incentives for litigants which undermine the proper functioning of the judiciary and patent system.

CONCLUSION

For the reasons above and those stated in the petition, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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