

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 IN OPPOSITION TO
PETITION FOR WRIT OF CERTIORARI**

— ♦ —

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QUESTIONS PRESENTED

While this patent case was pending on appeal, the Federal Circuit affirmed inter partes review (“IPR”) decisions invalidating all patent claims on which the Petitioners based their infringement claims. The Federal Circuit then applied issue preclusion to vacate and remand this case for dismissal.

1. Did the Federal Circuit correctly hold that a case on direct appeal was pending and not sufficiently final to prevent the application of issue preclusion?
2. Did the Federal Circuit correctly apply issue preclusion to vacate and remand this case for dismissal in light of IPR decisions invalidating the patent claims on which the suit was based?

RULE 29.6 STATEMENT

ALE USA Inc. is a wholly owned subsidiary of ALE Holding (France). No publicly traded company owns 10% or more of ALE Holding.

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ALE USA Inc. (“ALE”) hereby opposes the petition for a writ of certiorari filed by Chrimar Systems, Inc. and Chrimar Holding Company, LLC (collectively, “Chrimar”).

OPINIONS AND ORDERS

The opinion in the parties’ first appeal to the Federal Circuit (Pet. App. 29a–59a) is unreported and may be found at *Chrimar Holding Co. v. ALE USA Inc.*, Nos. 2017-1848, 2017-1911, 732 Fed. Appx. 876, 2018 U.S. Dist. LEXIS 12256 (Fed. Cir. May 8, 2018).

The decision of the Federal Circuit affirming the final written decisions of the Patent and Trial Appeal Board (“Board”) of the United States Patent and Trademark Office (“USPTO”) that held all asserted claims invalid (hereinafter, the “IPR decisions”) is unreported and may be found at *Chrimar Sys. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984, 777 Fed. Appx. 518, 2019 U.S. App. LEXIS 28106 (Fed. Cir. Sept. 19, 2019) (Pet. App. 84a). The Court’s denial of Chrimar’s petition for a writ of certiorari regarding that decision is unreported and may be found at *Chrimar Sys. v. Juniper Networks, Inc.*, No. 19-829, 140 S. Ct. 1121, 2020 U.S. LEXIS 1147 (Feb. 24, 2020).

The decision under review in the petition (Pet. App. 1a–9a) is unreported and may be found at *Chrimar Systems, Inc. v. ALE USA Inc.*, No. 2018-2420, 785 Fed. Appx. 854, 2019 U.S. App. LEXIS 28105 (Fed. Cir. Sept. 19, 2019).

The April 22, 2020 final judgment of the United States District Court for the Eastern District of Texas pursuant to the mandate of the Federal Circuit is unreported and may be found at Dkt. No. 508, *Chrimar Sys., Inc. v. Alcatel-Lucent Enterprise USA Inc.*, C.A. No. 6:15-cv-00163-JDL (Opp. App. 9a–10a).

The May 1, 2020 cancellation of the asserted claims of U.S. Patent No. 8,155,012 (“the ’012 patent”) and U.S. Patent No. 8,942,107 (“the ’107 patent”) may be found at Opp. App. 1a–4a. The May 7, 2020 cancellation of the asserted claims of U.S. Patent No. 9,019,838 (“the ’838 patent”) may be found at Opp. App. 5a–6a. The May 8, 2020 cancellation of the asserted claims of U.S. Patent No. 8,902,760 (“the ’760 patent”) may be found at Opp. App. 7a–8a.

INTRODUCTION

Chrimar petitions for certiorari based on a nonprecedential decision after being denied panel rehearing and denied rehearing en banc per curiam. Pet. App. 1a–9a, 85a–86a. Chrimar’s petition should be denied for at least four reasons. First, the patent claims on which Chrimar based its assertions of patent infringement have all been canceled by the USPTO following the Federal Circuit’s affirmance of IPR decisions and the Court’s denial of certiorari. Opp. App. 1a–8a; *Chrimar Systems Inc. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984, 2019 U.S. App. LEXIS 28106 (Fed. Cir. Sept. 19, 2019) (Pet. App. 84a), *cert. denied*, No. 19-829, 140 S.Ct. 1121 (Feb. 24, 2020). Chrimar therefore no longer has a legally protectable interest and lacks standing to appeal. *See Lujan v. Defenders*

of Wildlife, 504 U.S. 555, 560 (1992) (requiring a “legally protected interest” to maintain constitutional standing).

Second, there is no circuit split regarding preclusion principles applicable to this case. Chrimar argues that the Federal Circuit’s reliance on preclusion principles outlined in *Fresenius USA, Inc. v. Baxter Int’l, Inc.* conflicts with how other circuits apply preclusion principles from the Restatement (Second) of Judgments (“Restatement”). Pet. 4. However, there is no conflict—the Federal Circuit applied guidance from the Court and the Restatement to the patent-specific circumstances in *Fresenius* and this case. *See infra* Part II. Chrimar has not shown any case in which another court of appeals would have reached a different result than that reached here. Instead, Chrimar twists preclusion principles to argue in the abstract for a novel preclusion rule in which a judgment in a case pending on direct appeal trumps a final judgment in another case in order to allow a plaintiff to recover on patent claims that no longer exist.

Third, the unique facts of this case render the petition an unattractive vehicle for analyzing the issues presented. The Federal Circuit correctly determined that ALE’s case remained pending on appeal and thus subject to the issue-preclusive effect of the IPR decisions. Further, Chrimar waived the basis for the petition by not presenting its arguments regarding an alleged circuit split in the application of Restatement principles and that *Fresenius* was “wrongly decided” until after the Federal Circuit had issued its opinion. In addition, ALE did not fully

litigate invalidity based on prior art, and thus, even if Chrimar's novel preclusion rule was found tenable in the abstract, it would not apply here. Moreover, the court below did not reach the merits of ALE's other appeal issues. Thus, even if the Court were to grant certiorari on the questions presented, ALE would prevail on other issues that would eliminate Chrimar's basis for arguing that the case was final.

Finally, Chrimar's argument for a novel preclusion rule undermines the patent policy behind the IPR process. In *Oil States Energy Servs., LLC v. Greene's Energy Grp, LLC*, the Court found the IPR process constitutional and noted that "inter partes review protects the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope." 138 S. Ct. 1365, 1374 (2018). As a result of decisions by this Court, the Federal Circuit, and the Patent Trial and Appeal Board ("Board") of the USPTO, Chrimar's asserted patent claims have no legitimate scope. App. 4a, 9a; *Chrimar*, 2019 U.S. App. LEXIS 28106 (Pet. App. 84a), *cert. denied*, 140 S.Ct. 1121. To allow Chrimar to recover on those claims solely from ALE unfairly transfers monopoly power to Chrimar that it did not earn.

STATEMENT OF THE CASE

In 2015, Chrimar sued ALE alleging that its Power-over-Ethernet ("PoE") standard-compliant products infringed the '012 patent, the '107 patent, the '838 patent, and the '760 patent (collectively, the "patents-in-suit"). Pet. App. 2a, 31a–33a. After stipulating to infringement based on the district court's claim constructions, ALE tried its defenses

and counterclaims regarding improper inventorship, breach of contract, and fraud to a jury in October 2016. Pet. App. 34a, 36a. The jury found in Chrimar’s favor on those issues and awarded damages totaling \$324,558.34. Pet. App. 36a. ALE did not try any prior art invalidity issue to the jury. Pet. App. 36a.

Contemporaneously with ALE’s preparations for trial, third parties petitioned the Board for *inter partes* reviews of the same patent claims at issue in this case. Only after the October 2016 ALE trial did the Board institute IPRs on the patents-in-suit. R. 692–695¹ (’107 patent IPR Institution December 22, 2016), R. 697–700 (’760 patent IPR Institution January 4, 2017), R. 702–705 (’838 patent IPR Institution January 4, 2017), R. 707–709 (’012 patent IPR Institution January 25, 2017).

The district court entered a judgment consistent with the jury’s verdict on February 27, 2017. R. 257–261. ALE filed a notice of appeal on March 28, 2017 and completed its briefing to the Federal Circuit by October 2017. Among other issues, ALE appealed the basis for the damages and ongoing royalty award and several of the court’s claim constructions. Pet. App. 36a–37a. The Board issued final written decisions invalidating all asserted claims in three of the four patents-in-suit between ALE’s submission of its appeal briefs and oral argument. R. 449, R. 534, R. 605. The Federal Circuit heard oral argument in ALE’s first appeal on April 6, 2018. Subsequently, the Board issued its final written decision on the ’760 patent, which was the

¹ The designation “R.” refers to the joint appendix entries in the record from Federal Circuit Case No. 18-2420.

only patent-in-suit to implicate all of ALE's accused PoE products. R. 699 (issued April 26, 2018). Collectively, the four IPR decisions held invalid each patent claim that Chrimar had asserted against ALE in light of prior art.

On May 8, 2018, the Federal Circuit issued its opinion vacating the district court's claim construction order with respect to the term "adapted" in the '012 patent and remanded this case for further proceedings. Pet. App. 59a. That opinion noted the existence of the IPR decisions but did not address their effect on this case. Pet. App. 34a–35a; *see also* Pet. App. 2a, 8a ("The Board's unpatentability decisions had not existed at the time of the rulings that were challenged on appeal, and we were not asked to rule on the effect of those intervening decisions.").

On remand, and at its first opportunity to address the effect of the IPR decisions on this case, ALE advised the district court that it would seek a stay of the proceedings during pendency of Chrimar's appeal of the IPR decisions. R. 1082–1083. Chrimar opposed a stay, and instead issued a partial covenant not to sue ALE on the '012 patent and moved to dismiss the case. Pet. App. 2a–3a. ALE filed motions requesting severance and a stay of the ongoing royalties or to set the ongoing royalty rate to zero, a stay of the proceedings as a whole, and for relief from the judgment pursuant to Federal Rule of Civil Procedure 60(b). Pet. App. 2a; R. 335–336. ALE also opposed Chrimar's motion to dismiss on the grounds that ALE had a remaining noninfringement counterclaim and that Chrimar's limited covenant not

to sue did not eliminate the dispute between the parties with respect to the '012 patent because it did not extend to ALE's customers and distributors. Pet. App. 3a. The district court granted Chrimar's motion to dismiss, and denied ALE's motions as moot, thus refusing to substantively consider the impact of the IPR decisions on the case. Pet. App. 3a. On August 24, 2018, the district court issued an amended final judgment, which altered the duration of ongoing royalties to account for the removal of the infringement allegations with respect to the '012 patent, which had a year longer term than the other patents-in-suit. Pet. App. 3a, 12a–17a. The 2018 district court judgment was entered over ALE's objection. *Compare* Pet. 9 (erroneously implying that ALE agreed to the substance of the 2018 district court judgment) *with* R. 874–875 (ALE's objection).

ALE then filed a second appeal requesting that the Federal Circuit review the district court's determinations regarding Chrimar's motion to dismiss and ALE's requests to stay the case and/or modify the ongoing royalties, and requesting that, in the event that the Federal Circuit affirmed the IPR decisions, the Federal Circuit apply issue preclusion to this case. Pet. App. 2a–3a; *compare* Pet. 10 (erroneously arguing that the decision below went “beyond appealed issues to address the effect of administrative agency proceedings” and that “ALE did not appeal the continued vitality of the judgment for past damages”) *with* Pet. App. 2a–3a (summarizing ALE's appeal points to include staying the case as a whole) *and* ALE Non-Confidential Appellant Br. 59 in No. 18-2420 (Fed. Cir.) (requesting application of issue preclusion). The

Federal Circuit heard oral arguments in ALE's appeal and in Chrimar's appeal of the IPR decisions on the same day. Pet. App. 4a. The Federal Circuit then affirmed the IPR decisions and applied issue preclusion to vacate and remand this case for dismissal without deciding the merits of ALE's other appeal issues. Pet. App. 4a, 9a, 84a. Chrimar petitioned for rehearing en banc, which the Federal Circuit denied per curiam on December 13, 2019. Pet. App. 85a–86a. On February 24, 2020, the Court denied Chrimar's petition for certiorari regarding the IPR decisions. *Chrimar*, 140 S. Ct. at 1121. Pursuant to the Federal Circuit's mandate in the second appeal, the district court then entered an amended final judgment on April 22, 2020 dismissing with prejudice Chrimar's infringement claims and awarding ALE \$60,602.84 in costs. Opp. App. 9a–10a.

On May 1, 2020, the Board issued IPR certificates canceling the asserted claims of the '012 and '107 patents. Opp. App. 1a–4a. On May 7 and 8, 2020, the Board issued IPR certificates canceling the asserted claims of the '838 and '760 patents, respectively. Opp. App. 5a–8a.

In the decision below, the Federal Circuit determined that ALE's case was still pending because it was on direct appeal and did not involve the special circumstance of a “fully satisfied and unappealable final judgment.” Pet. App. 4a–5a. The Federal Circuit further held that the pendency of the case did not rest “on the assertion of only insubstantial arguments” but rather that each issue ALE presented on appeal was substantial, including that the district court did not exercise available discretion to stay the

case or terminate royalties, that ALE still had a counterclaim for noninfringement of the '012 patent that required adjudication, and that the mandate rule did not foreclose the district court's consideration of the impact of the IPR decisions on the case. Pet. App. 5a–8a. Given the pending status of ALE's appeal, the Federal Circuit then ruled that “the now-affirmed unpatentability determinations by the Board as to all claims at issue must be given effect in this case” and applied issue preclusion to vacate and remand the case for dismissal. Pet. App. 4a, 9a.

REASONS FOR DENYING THE PETITION

I. Chrimar Lacks Standing to Appeal the Federal Circuit's Judgment

A plaintiff must have constitutional standing throughout a case, which, requires that the plaintiff suffered an injury in fact due to “invasion of a legally protected interest.” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992). In a patent case, only a patentee may bring an action for infringement. 35 U.S.C. § 281. Here, Chrimar lost the patent rights on which it based its suit against ALE as a result of the IPR decisions invalidating all patent claims asserted against ALE, subsequent affirmance of those decisions by the Federal Circuit, denial of Chrimar's petition for certiorari by the Court, and cancellation of those patent claims by the USPTO. R. 449, R. 534, R. 605, R. 699; Pet. App. 84a; *Chrimar*, 140 S. Ct. at 1121; Opp. App. 1a–8a. Thus, Chrimar is no longer a patentee with respect to the asserted claims and does

not have a legally protected interest.² See *Moffitt v. Garr*, 66 U.S. 273, 283 (1862) (legal cancellation of a patent extinguishes the patent and cannot be the foundation for a right asserted thereafter). The Court aptly summarized the consequence of patent cancellation in *Meyer v. Pritchard*:

If we should hear the case and reverse the decree below, we could not decree affirmative relief to the appellants, who were the complainants below, because the patent on which their rights depend has been cancelled. There is no longer any “real of substantial controversy between those who appear as parties to the suit” upon the issues which have been joined, and for that reason the appeal is dismissed . . .

131 U.S. 209, 1877 U.S. LEXIS 1729, *1 (1877) (relying on *Moffitt v. Garr*, 66 U.S. 273). The same is true in this case. After cancellation of its patent rights, Chrimar lacks standing, and this appeal should be dismissed.

² In addition, it is a simple truth that an invalid patent cannot be infringed. See *Commil USA, LLC v. Cisco Sys.*, 135 S. Ct. 1920, 1929 (2015) (“To be sure, if at the end of the day, an act that would have been an infringement . . . pertains to a patent that is shown to be invalid, there is no patent to be infringed.”).

II. There is No Conflict Regarding Preclusion Principles Applicable to This Case

In addition, neither question presented warrants the Court's attention because Chrimar has not raised any actual conflict between the circuit courts of appeals with respect to finality or the application of issue preclusion. Nor does an intra-circuit conflict exist regarding the questions presented that warrants the Court's review, as evidenced by the Federal Circuit's per curiam denial of Chrimar's petition for rehearing. Pet. App. 85a–86a.

A. There is No Conflict in the Application of Preclusion Principles by the Federal Circuit with Other Circuit Courts of Appeals

Chrimar argues that there is a conflict between the circuit courts of appeals with respect to when a case is sufficiently “final” to avoid the preclusive effect of a final judgment in another case. Pet. 4. There is no such conflict. The *Fresenius* preclusion principle established by the Federal Circuit, and relied on in this case, applies general preclusion principles to the patent case-specific circumstances of the court of appeals' affirmance of a judgment from the Board invalidating all patent claims while a district court case is still pending. *See generally Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013). This principle has not been “adopted” by other courts of appeals because only the Federal Circuit has

jurisdiction over patent appeals. 28 U.S.C. § 1295(a)(1); *see* Pet. 4 (arguing the principle has “been adopted by no other court”). In other words, no other court of appeals has needed to address how preclusion principles should be applied to these patent case-specific circumstances because the other courts do not hear patent appeals.

Here, the Federal Circuit relied on its prior holding in *Fresenius* to hold that this case remained pending because it was on direct appeal and thus not sufficiently final to avoid the issue-preclusive effect of the Federal Circuit’s affirmance of the IPR decisions. Pet. App. 4a–6a. Chrimar claims that the Federal Circuit did not apply Restatement principles. Pet. 13. However, while the *Fresenius* finality standard necessarily originates from patent-specific circumstances, the Federal Circuit relied on precedent from the Court and the principles of finality embodied in the Restatement to express that standard. *See Fresenius*, 721 F.3d at 1340–1345 (finality discussion citing to *Moffitt v. Garr*, 66 U.S. 273 (1862), *Catlin v. U.S.*, 324 U.S. 229 (1945), Restatement (Second) of Judgments § 13, *G.&C. Merriam Co. v. Saalfield*, 241 U.S. 22 (1916), *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922), and *Marconi Wireless Tel. Co. v. U.S.*, 320 U.S. 1 (1943)). In reliance on the principles outlined in the Restatement, the Federal Circuit concluded that a judgment would be final and therefore immune to the effect of a final judgment of invalidity if there had been a final damages judgment already paid. *Fresenius*, 721 F.3d at 1372–1373 (citing *Moffitt* for the proposition that title to monies already recovered on judgments in suits does not depend upon the

patent). On the other hand, the Federal Circuit held that the *Fresenius* case was not sufficiently final to be immune to the effect of the final judgment in the USPTO proceedings. *Id.* at 1341. Specifically, the Federal Circuit concluded that to rise to that level of finality, “the litigation must be entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment . . . one that ‘ends the litigation on the merits and leaves nothing for the court to do but execute the judgment.’” *Id.* (quoting *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1580 (1994), which in turn quotes *Catlin v. U.S.*, 324 U.S. at 233). In *Fresenius*, the remand decision from the first appeal left several aspects of the district court’s judgment unresolved and therefore did not leave the district court with nothing more to do but execute the judgment. *Id.* (citing Restatement (Second) of Judgments § 13(b)). In addition, the Federal Circuit relied on the Court’s decision in *Simmons* to hold that the existence of an interim appellate decision on invalidity does not change the basic rule. *Id.* at 1373. This Court in *Simmons* held that a patent case remanded solely for an accounting on state law unfair competition claims remained pending such that an intervening decision on validity had to be given effect because there was no “final decree . . . that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it.” *Simmons*, 258 U.S. at 88.

Further, Chrimar’s argument to render a judgment on direct appeal final for purposes of avoiding preclusion based on an intervening final judgment selectively ignores and misapplies Restatement principles. *See* Pet. 13–16 (Chrimar’s

argument). Specifically, the Restatement's requirement of finality provides:

The rules of res judicata are applicable only when a final judgment is rendered. However, for purposes of issue preclusion (as distinguished from merger and bar), "final judgment" includes any prior adjudication of an issue *in another action* that is determined to be accorded conclusive effect.

Restatement (Second) of Judgments § 13 (emphasis added). While the Federal Circuit correctly applied that principle to find the final judgment regarding the IPR decisions to preclude Chrimar from recovering on its patent claims in this case, Chrimar argues that within the district court case, the prior judgment should prevent any modification to liability throughout the appeal process. Pet. 14. However, § 13 applies only from one action to another action and the comments specifically acknowledge that a change in circumstances may allow a party to apply to the rendering court for a modification of or to set aside the terms of a judgment. Restatement (Second) of Judgments § 13, comment c (citing § 73) and comment f (acknowledging that a "judgment ceases to be final if it is in fact set aside by the trial court"); *see also id.* § 27 (issue preclusion may apply "in a subsequent action between the parties"). Further, the Restatement specifies that "[a] valid and final personal judgment is conclusive between the parties, **except on appeal or other direct review,**" thus in direct opposition to Chrimar's position. Restatement

(Second) of Judgments § 17 (emphasis added). The Restatement also contemplates modification or setting aside a judgment where “events have occurred subsequent to the judgment that warrant modification of the contemplated kind; or [t]here has been such a substantial change in the circumstances that giving continued effect to the judgment is unjust.” Restatement (Second) of Judgments §73. Each of these Restatement principles supports the Federal Circuit’s determination that this case was not sufficiently final to prevent giving effect to the affirmance of the IPR decisions in this case.

Chrimar argues that “having won a damages judgment, Chrimar’s right to collect those damages from a single party arises directly from the judgment and no longer depends on the underlying patent” and cites to *Cromwell* and *Wheeling*. Pet. 23. Neither case supports Chrimar’s quest for a novel preclusion rule enabling it to recover on cancelled patent claims. In *Cromwell*, the issue concerned whether a judgment in a prior concluded action should operate as a bar or estoppel in a later action. *Cromwell v. County of Sac*, 94 U.S. 351, 352–353 (1877). Here, this is the only case between Chrimar and ALE. See Pet. 17 (admitting this is still the first proceeding). *Wheeling* concerned the impact of an Act of Congress passed after a Supreme Court decree, which had ordered that a bridge built by the defendants be removed. *Pa. v. Wheeling & Belmont Bridge Co.*, 59 U.S. 421, 429 (1856). The Court held that the portion of the prior decree regarding an award of costs was unaffected by the subsequent law but the continuing relief ordered in equity enjoining the defendants against reconstruction of the bridge could no longer be

enforced. *Id.* at 435–436. Rather than support Chrimar, the rationale in *Wheeling* directly supports ALE’s position on appeal. The prior decree in *Wheeling* issued from the Supreme Court and therefore was unquestionably final without any opportunity for further appeal, unlike the judgment in this case. It also occurred prior in time to the Act of Congress that changed the legal landscape. Yet, even this decree was modifiable as to the portion of ongoing equitable relief ordered. ALE argued to the district court and to the Federal Circuit that the equitable award of ongoing royalties could be and should be modified in light of the IPR decisions—a position supported by the *Wheeling* rationale.

In addition, despite Chrimar’s arguments otherwise, there is no conflict between how the Federal Circuit and the Fifth Circuit determine finality. *See* Pet. 13–18 (Chrimar’s arguments). The Fifth Circuit cases cited by Chrimar do not hold that a judgment in a case on direct appeal is final and unmodifiable within the case. Rather, those cases apply collateral estoppel or issue preclusion from one case to another case. *See, e.g., Recoveredge, L.P. v. Pentecost*, 44 F.3d 1284, 1290 (5th Cir. 1995) (“According to the doctrine of collateral estoppel, or issue preclusion, ‘when an issue of ultimate fact has once been determined by a valid and final judgment, that issue cannot again be litigated between the same parties in any future lawsuit.’” (quoting *Ashe v. Swenson*, 397 U.S. 436, 443 (1970))). For example, *In re Sims* is an unpublished affirmance of a bankruptcy decision applying collateral estoppel from a state court judgment to the bankruptcy case. *In re Sims*, 479 B.R. 415, 420 (Bankr. S.D. Tex. 2012), *aff’d*, 548

F. Appx. 247 (5th Cir. 2013). Similarly, in *Prager v. El Paso Nat'l Bank*, the Fifth Circuit held that a New Mexico judgment operated as a bar to relitigation of the same issue in federal district court so long as the New Mexico judgment was not changed on appeal. 417 F.2d 1111, 1112 (5th Cir. 1969). Thus, the Fifth Circuit recognized that the prior judgment could be modified on appeal and no longer serve as a bar to the second case. In *Pye v. Dep't of Transp. of State of Ga.*, the Fifth Circuit affirmed the application of res judicata to district court issues that had been fully litigated in prior Georgia state court proceedings. 513 F.2d 290, 291 (5th Cir. 1975). Rather than support Chrimar's position, these Fifth Circuit cases reinforce that the Federal Circuit correctly applied the final judgment affirming the IPR decisions to preclude Chrimar's recovery in this pending case.

Nor does Chrimar establish an actual conflict with the D.C. Circuit. Chrimar falsely frames its questions presented as raising constitutional concerns regarding allowing an administrative agency to usurp the role of Article III courts and cites *Qualcomm, Inc. v. FCC*. Pet. 24–26. Here, the Federal Circuit—an Article III court—reviewed the IPR decisions and did not alter those final judgments. Pet. App. 84a. This Court subsequently denied Chrimar's petition for certiorari. *Chrimar*, 140 S. Ct. 1121. The USPTO did not dictate to an Article III court what to do—the USPTO constitutionally undertook reconsideration of Chrimar's patent claims and determined that they had been improvidently granted. See *Oil States*, 138 S.Ct. at 1373 (reconsideration of patent rights by the USPTO does not violate Article III). The Federal Circuit then

determined that the intervening IPR decisions had to be given effect in this pending case pursuant to well-established law regarding issue preclusion. Pet. App. 4a, 9a. Moreover, *Qualcomm* is inapposite. In *Qualcomm*, the D.C. circuit held that its decision remanding a case was not superseded by later legislation where the remand to the FCC was for specific, immediate relief for a party. *Qualcomm Inc. v. FCC*, 181 F.3d 1370, 1375–1376 (D.C. Cir. 1999). In other words, the D.C. Circuit drew a distinction regarding finality between the *Qualcomm* case where the remand left “nothing left to do but execute on the judgment” and other cases, such as the ALE case, where the appeals court remanded “for further proceedings.” See also *Fresenius*, 721 F.3d at 1346 n.12 (distinguishing *Qualcomm*). The D.C. Circuit and the Federal Circuit thus apply the same principles of finality. Here, the ALE case was remanded after the first appeal for substantive proceedings regarding the ’012 patent infringement claim and not merely for specific, immediate relief to Chrimar. Pet. App. 59a.³

Chrimar has thus not shown any relevant case where a court of appeals refused to give effect to an intervening final judgment in a case on direct appeal. That is not surprising. Both the Court and the principles outlined in the Restatement (Second) of

³ ALE’s appeal below concerned, *inter alia*, the district court’s refusal to undertake the “further proceedings” encompassed by the Federal Circuit’s mandate. Compare Pet. 13 (erroneously arguing the Federal Circuit relied on “issues outside the scope of the appellate mandate” in determining this case lacked finality) with Pet. App. 47a (remanding for further proceedings on infringement of the ’012 patent).

Judgments have made clear that both a district court and a court of appeals may reverse, modify, or set aside a district court judgment. *See* Restatement (Second) of Judgments §§ 28, 73. For example, in *Deposit Bank v. Frankfort*, the Court noted that where the judgment or decree of the federal court determines a right under a federal statute, that decision is “final until reversed in an appellate court, or modified or set aside in the court of its rendition.” 191 U.S. 499, 520 (1903); *see also* *Wheeling*, 59 U.S. at 435–436. In addition, Federal Rule of Civil Procedure 60(b) specifically provides for modification of judgments. *See* Fed. R. Civ. P. 60(b). ALE requested that the district court here modify the judgment pursuant to Rule 60(b), but the district court did not recognize it had the discretion to do so. Pet. App. 7a.

B. There is No Intra-Circuit Conflict Warranting the Court’s Review

Chrimar has not cited any Federal Circuit case that failed to follow the preclusion principles outlined in *Fresenius*. While Chrimar cites *Versata Computer Indus. Sol’ns, Inc. v. SAP AG*, there was no final judgment of invalidity from the Board to have an issue-preclusive effect in that appeal. Pet. 21 (citing *Versata*, 564 Fed. App’x 600 (Fed. Cir. 2014)); *see* *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07-cv-153-RSP, 2014 U.S. Dist. LEXIS 54640, *7 (E.D. Tex. Apr. 21, 2014) (Board had issued non-final decision that the asserted claims were invalid).

There is thus no actual conflict within the Federal Circuit warranting the Court’s review. Instead, Chrimar cites pre-*Oil States* dissents from a

minority of Federal Circuit judges. Pet. 16–17, 19. In *Oil States*, the Court affirmed the congressional policy of protecting the public from invalid patents and the constitutionality of the IPR process. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S.Ct. 1365, 1373–74 (2018). Regardless of pre-*Oil States* views on the constitutionality of giving effect to affirmed IPR decisions in district court cases, the Federal Circuit denied Chrimar’s petition for rehearing en banc per curiam. Pet. App. 85a–86a. The Federal Circuit was thus unified in concluding that this case did not warrant further review. In addition, the concerns expressed by pre-*Oil States* dissents are not present in this case. See *infra* Parts III.A–III.B. Moreover, the Court has consistently denied certiorari to cases arguing that *Fresenius* was wrongly decided. See, e.g., *Baxter Int’l, Inc. v. Fresenius USA, Inc.*, 572 U.S. 1115 (2014); *ePlus, Inc. v. Lawson Software Inc.*, 136 S. Ct. 1166 (2016).

Chrimar also cites dicta from lower courts and academic literature arguing that *Fresenius* was wrongly decided. Pet. 27. While Chrimar may find advocates for different outcomes than available when the *Fresenius* preclusion principle is applied, the appropriate place for those advocates to seek redress is Congress, not the Court.

III. The Unique Facts of the Case Render Chrimar’s Petition an Unattractive Vehicle for Analyzing the Issues Presented

This unicorn case has facts and a procedural posture unlikely to repeat often, which makes it a

particularly unattractive vehicle for analyzing the issues presented. Third parties, not ALE, petitioned for inter partes reviews of the asserted patent claims. ALE neither participated in the IPRs nor tried prior art invalidity to a jury. Pet. 6. While ALE's appeal from the 2017 district court judgment was pending, the Board issued final written decisions invalidating the asserted patent claims. R. 449, R. 534, R. 605, R. 699. On remand to the district court to adjudicate liability regarding the '012 patent infringement claim, ALE requested that the district court give effect to the IPR decisions by, at a minimum, staying the case while Chrimar appealed the final judgments invalidating its claims. Pet. App. 2a; R. 335–336. The district court ignored ALE's requests and entered its 2018 judgment, which ALE appealed. Pet. 3a. In most cases with similar facts, the district court would have stayed the case in light of IPR decisions invalidating all asserted patent claims, and these issues would never reach the Federal Circuit or this Court. In addition, Chrimar failed to raise its argument that the *Fresenius* decision was wrongly decided in its merits briefing to the Federal Circuit and therefore waived the right to make such arguments to the Court. Thus, even if the Court is inclined to address the questions presented, this is not the case in which to do so.

A. Only Chrimar Fully Litigated the Issue of Invalidity Based on Prior Art

Chrimar advocates for the application of Restatement principles but selectively ignores their requirements in arguing that ALE should be

precluded by the 2017 district court judgment from applying the issue-preclusive effect of the IPR decisions to this case. Pet. 14. Preclusion principles demand that the issue have been “actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment” before that determination may be deemed conclusive between the parties in a subsequent action. Restatement (Second) of Judgments § 27. None of those requirements are met in this case for the purpose of applying issue preclusion against ALE. ALE did not try prior art invalidity to the jury. Pet. 6 (“The only defense ALE tried was invalidity on the basis that Chrimar allegedly failed to name the correct inventor. . .”). The only basis of invalidity tried to the jury by ALE was improper inventorship under 35 U.S.C. § 102(f), which is a different statutory defense than prior art invalidity. *Compare* 35 U.S.C. §§ 102(a), 102(b), 103 (prior art invalidity statutory bases) *with* 35 U.S.C. § 102(f) (derivation or improper inventorship). Prior art invalidity was thus not essential to either of the 2017 or 2018 judgments entered by the district court in this case and therefore preclusion should not apply against ALE.

In addition, ALE did not participate in the IPR proceedings. Pet. 7. Chrimar cites several dissents in *Fresenius* as alleged support for the application of its novel preclusion rule here. Pet. 16–20. However, the dissenting opinions expressed in *Fresenius* and cited by Chrimar relied on the fact that *Fresenius* had both tried prior art invalidity to the jury resulting in a district court judgment and was a party to the reexamination at issue. *See Fresenius*, 721 F.3d at 1332–33, 1349 (Judge Newman’s dissent); *Fresenius*

USA, Inc. v. Baxter Int'l, Inc., 733 F.3d 1369, 1373–1374 (dissent from denial of the petition for rehearing en banc). Any policy concern raised regarding a defendant gaming the system by fighting the same battle in two forums simply does not apply to this case. Here, unlike the pre-*Oil States* decisions relied on by *Chrimar*, the Federal Circuit was united that this case did not warrant further review. Pet. App. 85a–86a.

On the other hand, *Chrimar* fully litigated against challenges to the validity of its patent claims in the IPR proceedings and lost. R. 449, R. 534, R. 605, R. 699. Prior art invalidity was thus an essential part of the final judgments of the Board in the IPR decisions, which were affirmed by the Federal Circuit. Pet. App. 84a. The Court has made clear that issue preclusion applies when the same issue is before a court and an administrative agency:

Both this Court's cases and the Restatement make clear that issue preclusion is not limited to those situations in which the same issue is before two *courts*. Rather, where a single issue is before a court and an administrative agency, preclusion also often applies. Indeed, this Court has explained that because the principle of issue preclusion was so “well established” at common law, in those situations in which Congress has authorized agencies to resolve disputes, “courts may take it as given that Congress has legislated with the

expectation that the principle [or issue preclusion] will apply ‘except when a statutory purpose to the contrary is evident.’”

B&B Hardware, Inc. v. Hargis Indus., 135 S. Ct. 1293, 1303 (2014) (citations omitted). In the America Invents Act, Congress delegated to the USPTO the authority to reconsider the grant of patent rights in IPR proceedings. *Oil States*, 138 S. Ct. 1378. Thus, there is nothing counter to Restatement principles or the Court’s precedent to the application of issue preclusion against Chrimar. Indeed, this Court has repeatedly upheld the application of the issue-preclusive effect of a final judgment of prior art invalidity from one case or USPTO proceeding to pending cases. *See, e.g., Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 349–350 (1971) (estoppel may be applied against a patentee when the patent has been declared invalid); *Simmons*, 258 U.S. 82, 91–92 (1922); *see also Moffitt v. Garr*, 66 U.S. 273, 283 (finding surrender during reissue to apply to a pending action because legal cancellation extinguishes the patent). The Federal Circuit’s application of issue preclusion against Chrimar in this case followed that precedent.

B. This Case Remained Pending and Not Final

In addition to the fact that prior art invalidity was not an essential part of the 2017 district court judgment and that there has been no subsequent action between ALE and Chrimar, Chrimar’s argument that the 2017 district court judgment

represents the “first final judgment rendered” and therefore trumps the IPR decisions suffers from multiple other factual and logical flaws. Pet. 14; *see also* Restatement (Second) of Judgments § 27 (requiring that the determination be essential to the judgment for issue preclusion to apply in a subsequent action between the parties). First, the 2017 district court judgment was vacated in part in the first appeal and superseded by the August 24, 2018 district court judgment. Pet. App. 12a–17a. Both the Federal Circuit’s opinion in the first appeal and the 2018 district court judgment were entered after the IPR decisions. *See* R. 449, R. 534, R. 605, R. 699 (last to issue final written decision on April 26, 2018). The IPR decisions were therefore the first in time “final” decisions regarding prior art invalidity.

In addition, Chrimar argues that the 2017 district court judgment was the “last word” that “resolved liability, past damages, and determination of the ongoing royalty.” That is patently false. The Federal Circuit remanded the case in the first appeal based on a changed claim construction that impacted liability regarding the ’012 patent. Pet. App. 59a. As a result of the various patents-in-suit having different terms, the district court removed reference to the ’012 patent and changed the duration of ongoing royalties in the 2018 judgment to eliminate an entire year of royalties. *Compare* Pet. App. 16a (2018 judgment) *with* R. 260 (2017 judgment).

Moreover, the district court entered the 2018 judgment over the objection of ALE, who requested multiple times on remand that the IPR decisions be given effect in the district court case, including by

moving to set the ongoing royalty rate to zero, moving for a stay, and moving under Federal Rule of Civil Procedure 60(b) for modification before and after entry of the 2018 judgment. Pet. App. 2a; R. 335–336, R. 1082–83; *compare* Pet. 9–10 (erroneously stating ALE moved for the first time under Rule 60(b) in the renewed motion to stay) *with* R. 338–339 (ALE moving in the alternative under Rule 60(b) in the original motion to stay). The 2018 district court judgment was the judgment on direct appeal to the Federal Circuit when issue preclusion from the IPR decisions was applied. To implement Chrimar’s novel preclusion rule would be to erroneously hold that neither the district court nor the circuit court of appeals has authority to apply an intervening change in legal circumstances (Chrimar’s loss of the patent rights on which it based the case) to a pending case. *See* Restatement (Second) of Judgments § 28 (acknowledging exceptions to preclusion, including “where a new determination is warranted in order to take account of an intervening change in the applicable legal context or otherwise to avoid inequitable administration of the laws,” “because it was not sufficiently foreseeable at the time of the initial action that the issue would arise in the context of a subsequent action,” and where the burden has shifted); Fed. R. Civ. P. 60 (allowing for relief from a final judgment).

C. Even if the Court Grants Certiorari, ALE Would Prevail on Alternate Grounds Not Yet Reached by the Federal Circuit

Even if the Court grants the petition and reverses on the questions presented, ALE would still prevail on the alternative grounds that the district court abused its discretion in refusing to stay the case (or to set the ongoing royalty rate to zero) or in granting the motion to dismiss on an insufficient covenant not to sue. Pet. App. 2a–3a. ALE argued below that the district court improvidently raced to issue a judgment in 2018 when there were still pending issues regarding infringement of the '012 patent and the effect of the IPR decisions on the case that required adjudication. *Id.* The Federal Circuit noted that it had not previously considered the impact of IPR decisions in the first appeal. Pet. App. 2a, 8a. Without addressing the merits of ALE's arguments, the Federal Circuit found that each of ALE's arguments was substantial and "not a result of an abuse of the judicial process," including that its prior mandate did not foreclose consideration of the IPR decisions. Pet. App. 5a–8a. Should the Court grant certiorari and revisit the *Fresenius* preclusion principle, remand to the Federal Circuit would still be necessary to determine the merits of ALE's appeal arguments, which undermine any finality argued to be attributable to the 2018 district court judgment. Pet. App. 2a–3a. If ALE were to succeed on either appeal issue, the case would need to be remanded further to the district court for adjudication of the remaining issue(s).

D. Chrimar Waived its Argument that the Federal Circuit Wrongly Decided *Fresenius*, Thus Making the Unpublished Opinion an Exceptionally Poor Vehicle

Chrimar's entire petition rests on the premise that the Federal Circuit did not correctly apply Restatement principles and thus wrongly decided *Fresenius*. Pet. 13, 18. However, in its merits briefing below, Chrimar failed to raise that argument. Chrimar made no mention whatsoever of the Restatement in its appellee brief. *See generally* Chrimar Appellee Br. in No. 18-2420 (Fed. Cir.). Instead of arguing *Fresenius* was wrongly decided, Chrimar relied on *Fresenius* to argue that the district court did not abuse its discretion in denying ALE's stay request as moot and attempted to distinguish the facts of this case from *Fresenius*. *Id.* at 10, 23–25 n.7, 48. Chrimar only raised the argument that *Fresenius* was wrongly decided in its petition for rehearing and therefore waived the argument. Pet. App. 85a–86a; *see Haas v. Peake*, 544 F.3d 1306, 1308 (Fed. Cir. 2008) (argument in petition for rehearing waived where petitioner failed to raise argument in his brief on appeal). Thus, the unpublished opinion on review before the Court does not contain analysis of the arguments raised in the petition. That weighs against granting certiorari. *See Cutter v. Wilkinson*, 544 U.S. 709, 718 n.7 (2005) (refusing to consider arguments not addressed by the court of appeals because this is “a court of review, not of first view”); *see also U.S. v. Oakland Cannabis Buyers' Coop*, 532 U.S. 483, 494 (2001) (declining to consider

constitutional issues not addressed by the court of appeals).

IV. Chrimar's Novel Preclusion Rule Undermines Patent Policy

The petition should also be denied because Chrimar seeks to have the Court bless a novel preclusion rule that undermines patent policy. Chrimar unabashedly argues that ALE should have to pay damages and ongoing royalties on invalid patents. Pet. 12. This is not a case where a judgment has been entered and executed on—ALE has paid no money to Chrimar. Rather, during the pendency of this case, the USPTO reconsidered its grant of patent rights to Chrimar and cancelled Chrimar's rights. Opp. App. 1a–8a. At its core, Chrimar is not arguing to apply general principles of finality or issue preclusion to this case, but rather for a rule that an unassailable finality exists as to parts of a district court judgment in a case on appeal in order to thwart the legal consequences of IPR proceedings that it lost. “[I]nter partes review protects the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope.” *Oil States*, 138 S. Ct. at 1374. As a member of the public, ALE also deserves to benefit from the USPTO’s reconsideration of Chrimar’s patent grants. Any rule that discounts the change in legal circumstances in this case and allows Chrimar to assert unearned monopoly power solely against ALE sanctions an unjust result counter to patent policy.

CONCLUSION

The Court should deny the petition for a writ of certiorari.

Respectfully submitted,

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