

No. 20-1394

In The
Supreme Court of the United States

PERSONALWEB TECHNOLOGIES, LLC,

Petitioner,

v.

PATREON, INC., et al.,

Respondents.

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

**BRIEF FOR *AMICUS CURIAE*
CFL TECHNOLOGIES LLC
IN SUPPORT OF PETITIONER**

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INTEREST OF AMICUS CURIAE¹

Amicus is CFL Technologies LLC (“CFLT”), the assignee of certain patents issued to the late prolific inventor, Ole K. Nilssen (“Nilssen”). During a career spanning 50 years, Nilssen contributed greatly to the development of energy-saving devices, while assembling a patent portfolio of over 230 patents. These patented inventions include the first successful configuration of the compact fluorescent light bulb or “CFL,” the often spiral-shaped bulb that can be screwed into a regular household lamp socket, and which widely replaced conventional Edison-type incandescent light bulbs. Nilssen’s improvements brought us much of the past decades’ needed progress in reducing carbon emissions to fight global warming.

Prior Litigation. In 2006, a district court held several Nilssen patents unenforceable for inequitable conduct, on grounds largely unrelated to the statutory requirements of patentability, such as a temporary underpayment of patent maintenance fees. *Nilssen v. Osram Sylvania, Inc.*, 440 F.Supp.2d 884 (N.D. Ill. 2006), *aff’d*, 504 F.3d 1223 (Fed. Cir. 2007). The affected

¹ The parties have consented to the filing of this brief. Counsel for all parties have been given notice of the *amicus curiae*’s intention to file this brief as required by Supreme Court Rule 37.2(a). No counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the preparation of this brief. No person other than *amicus curiae* made a monetary contribution to its preparation or submission.

patents include some that relate to and cover CFLs. *See id.*

The inequitable conduct determination in *Osram* led licensees of Nilssen’s CFL-related patents to stop paying royalties, and prospective licensees lost interest in contracting with him. CFLT brings its views here as *Amicus Curiae* because of the preclusion effect of *Osram*. That decision propagated into multiple additional litigation losses (*i.e.*, infringers “getting away with it”), including loss of an action against General Electric Company (“GE”). *See CFL Techs. LLC v. GE*, Nos. 18-1444-RGA & 14-1445-RGA, 2021 U.S. Dist. LEXIS 53894, *3 (D. Del. Mar. 23, 2021). Once Nilssen exhausted appellate remedies in the *Osram* matter, Nilssen was forced to agree to a voluntary dismissal with prejudice of his complaint against GE, before GE had even answered the complaint. *See id.*; *Nilssen v. General Electric Co.*, No. 06 C 4155, 2011 U.S. Dist. LEXIS 172216, *1-6 (N.D. Ill. May 3, 2011). Nilssen also had to pay millions in attorneys’ fees to Osram and GE (among others), all because his cases were resolved based on inequitable conduct law, as it existed at the time. *See, e.g., Nilssen v. Osram Sylvania, Inc.*, 528 F.3d 1352, 1358 (Fed. Cir. 2008) (noting that a finding of inequitable conduct is a sufficient condition for fee shifting); *Nilssen v. General Electric Co.*, 2011 U.S. Dist. LEXIS 172216 at *13.

Therasense. In 2011, things took a turn for the better when the Federal Circuit issued its *en banc* decision in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011), which changed inequitable

conduct law to align more closely with its equitable origins. The Federal Circuit “tightened the standards for finding [inequitable conduct] in order to redirect a doctrine that has been overused to the detriment of the public.” *Therasense*, 649 F.3d at 1290. In view of this Court’s precedent on claim and issue preclusion (discussed further below), Nilssen had a chance once again to reap the rewards of his invention efforts through licensing his once-deemed “unenforceable” patents, even if much of the damage already done was irreversible. But he died in 2012, before he could bring that effort to fruition.

Later Litigation. CFLT subsequently acquired several Nilssen CFL-related patents and, in 2018, asserted those patents against prior litigation adversaries of Nilssen, *i.e.*, Osram and GE, in the Delaware District Court (“Delaware Litigation”). *See CFL Techs.*, 2021 U.S. Dist. LEXIS 53894 at *4. Mindful of claim preclusion and its underlying policy favoring repose, CFLT did not attempt to reopen cases decided before *Therasense*. Instead, CFLT brought new actions (subject to a six-year limit on pre-filing damages under 35 U.S.C. § 286), arguing the change-in-law exception to issue preclusion in accordance with this Court’s decisions, such as *B&B Hardware, Inc. v. Hargis Industries*, 575 U.S. 138, 154 (2015) (“Issues are not identical [for issue preclusion purposes] if the second action involves application of a different legal standard, even though the factual setting of both suits may be the same.” (quoting 18 C. Wright, A Miller, & E. Cooper, *Federal Practice & Procedure* § 4417, p. 449 (2d ed.

2002)), and *Commissioner v. Sunnen*, 333 U.S. 591, 599-600 (1948) (“[C]ollateral estoppel must be used with its limitations carefully in mind so as to avoid injustice. It must be confined to situations where the matter raised in the second suit is identical in all respects with that decided in the first proceeding and where the controlling facts and applicable legal rules remain unchanged.”). Osram moved to dismiss CFLT’s 2018 complaint on grounds of claim preclusion, issue preclusion and the “*Kessler* doctrine,” ostensibly relying on *Kessler v. Eldred*, 206 U.S. 285 (1907).²

CFLT initially prevailed on all three preclusion theories. *First*, the district court rejected argument that claim preclusion applied because “an infringement action is not the same cause of action as a previous action if the accused products did not exist at the time of the previous suit.” *CFL Techs. LLC v. Osram Sylvania, Inc.*, No. 1:18-cv-01445-RGA, 2019 U.S. Dist. LEXIS 113402, *8 (D. Del. July 9, 2019) (“*Sylvania*”). *Second*, on the matter of issue preclusion, the court determined that, because the law of inequitable conduct was changed by *Therasense*, and the new *Therasense* law would have required a different result than in the 2006 *Osram* decision, issue preclusion did not bar the enforcement of CFLT’s patents. *Id.* at *11-21. *Third*, the court rejected *Kessler*-based arguments since Osram had previously prevailed only on the merits of the inequitable conduct issue (not infringement). *Id.* at *9-11. The *Sylvania* court reasoned that the *Kessler*

² GE did not independently move to dismiss.

doctrine was limited to situations in which accused infringers were previously adjudicated not to infringe. *Id.* at *10.

At the time of the *Sylvania* decision, the District Court for the Northern District of California, in *In re PersonalWeb Technologies, LLC*, had recently held that a mere dismissal with prejudice gave rise to *Kessler* preclusion. No. 18-md-02834-BLF, 2019 U.S. Dist. LEXIS 56804, *56-60 (N.D. Cal. Apr. 2, 2019). But the *Sylvania* court found its reasoning unpersuasive. 2019 U.S. Dist. LEXIS 113402 at *11, n.3.

The Federal Circuit’s PersonalWeb Decision.

On June 17, 2020, in a case giving rise to the present proceeding, the Federal Circuit indirectly undermined CFLT’s district court victory by changing the “*Kessler* doctrine” again, this time to negate the reasoning used by the *Sylvania* district court to deny the motion to dismiss. *See In re PersonalWeb Techs. LLC*, 961 F.3d 1365 (Fed. Cir. 2020). Hence, the decision subject to the present cert petition emboldened both Osram and GE to file new summary judgment motions. *See CFL Techs. LLC v. GE*, 2021 U.S. Dist. LEXIS 53894 at *1. In its ruling on these new motions, the *Sylvania* court held that the Federal Circuit’s *PersonalWeb* decision (*i.e.*, the one on review here) “clarified” prior holdings and that *Kessler* is not limited to prior adjudications of infringement. *Id.* at *6-7. Even though the prior inequitable conduct holdings from the *Osram* matter could not have occurred under *Therasense* standards, and CFLT’s complaints against Osram and GE were brought to recover for infringing acts after *Therasense*

was decided, *Kessler* was found to bar CFLT's claims because it "fills the gap left by claim and issue preclusion." *Id.* at *9 (citing *PersonalWeb*, 961 F.3d at 1376).

Summary of Amicus' Interest. In view of the foregoing, *Amicus Curiae* CFLT is interested in this matter because, in its pre-*PersonalWeb* incarnation, the *Kessler* doctrine presented absolutely no concern, as it had been confined to situations in which there was a prior determination of non-infringement. Neither Osram nor GE were adjudicated non-infringers, which is why CFLT originally won the *Kessler* arguments. But the result of *PersonalWeb*, if permitted to stand, dramatically upsets the legal landscape governing preclusion, with far reaching impact on many litigants who relied on preclusion law as handed down by this Court, not as modified beyond recognition by the Federal Circuit.

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SUMMARY OF ARGUMENT

CFLT agrees with Petitioner's arguments that: (1) there is no basis for a "free-standing preclusion doctrine that applies when claim and issue preclusion do not," (Pet. at 3; *see also id.* at 14-20, 27), in view of the Court's decision in *Lucky Brand Dungarees, Inc. v. Marcel Fashions Group, Inc.*, wherein this Court refused to recognize "a standalone category of res judicata unmoored from the two guideposts of issue preclusion and claim preclusion," 140 S.Ct. 1589, 1595 (2020); (2) there is no continuing need for *Kessler* in view of

this Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, wherein this Court abrogated the mutuality requirement for issue preclusion in patent cases, 402 U.S. 313, 350 (1971) (cited at Pet. at 6, 7, 14, 21-24, 27); and (3) *Kessler*, at the very least, ought not to apply to voluntary dismissals with prejudice (Pet. at 29-32). CFLT can add additional perspective as a litigant directly harmed by *In re PersonalWeb*, bringing one additional reason not addressed by Petitioner that supports this Court's review. Namely, *Kessler*, as applied at the Federal Circuit, allows infringers to reap an extraordinary windfall through the improper use of equity to generate and expand legal rights, rather than proper use of equity to protect legal rights that already exist.

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ARGUMENT

The question presented in the petition is of critical importance to patent owners well beyond PersonalWeb, as well as to the patent system as a whole. Federal Circuit precedent has transformed the equitable remedy of *Kessler* into substantive defensive rights untethered from their equitable origins. In effect, the Federal Circuit has fashioned a *sui generis* preclusion doctrine to deprive inventors of relief from trespassers who infringe upon their rights, without the traditional limitations that cabin issue preclusion and claim preclusion. In the case of *Amicus*, *Kessler* has been applied in a manner that perpetuates obsolete legal doctrine by barring the enforcement of patents once held

unenforceable under law that has since been abrogated. Nothing in the Patent Act justifies such judicial expansion of patent defenses. *See* 35 U.S.C. § 282 (listing of statutory patent defenses).

I. *KESLER* IS AN EQUITABLE DOCTRINE THAT CREATED NO NEW SUBSTANTIVE RIGHTS.

Rarely invoked over the 100-plus years of its existence, the *Kessler* doctrine harkens back to the Court’s 1907 decision in *Kessler v. Eldred*, 206 U.S. 285. In *Kessler*, the Court recognized a “limited trade right” in goods that a vendor proved in litigation not to infringe. In a legal world that did not yet recognize non-mutual issue preclusion,³ equity prevented the losing patentee from bringing later suit against the vendor’s customer based on the same adjudged non-infringing goods.

More particularly, in *Kessler*, the manufacturer (Kessler) obtained a judgment of non-liability (based on a finding of non-infringement of the asserted patent) in a suit brought by the patentee (Eldred). 206 U.S. at 287-88. Notwithstanding the non-infringement determination in favor of Kessler, Eldred later sued Kessler’s customer for the same types of products previously held not to infringe. *Kessler*, 206 U.S. at 288. Kessler then brought suit against Eldred to enjoin patent infringement suits by Eldred against Kessler’s

³ *See, e.g., Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 320-50 (1971).

customers. *See id.* at 290; *see also Speedtrack, Inc. v. Office Depot*, 791 F.3d 1317, 1323 (Fed. Cir. 2015); *Brain Life, LLC v. Elekta Inc.*, 746 F.3d 1045, 1056 (Fed. Cir. 2014). The Court decided two main issues in *Kessler*.

First, this Court decided “whether, by bringing a suit against one of Kessler’s customer’s, Eldred violated **the right of Kessler**.” *Kessler*, 206 U.S. at 288-89 (emphasis added); *see also Speedtrack*, 791 F.3d at 1326 (“[T]he Supreme Court in *Kessler* focused exclusively on the manufacturer’s rights. . .”). As a result of the previous non-infringement determination, there was no question or discussion that “Kessler had the right to manufacture, use and sell the [accused product] before the court” and that the previous judgment “settled finally and everywhere” Kessler’s rights relative to Eldred’s patent. *Id.* at 288. Then-traditional notions of issue and claim preclusion protected Kessler from **direct** suits by Eldred.⁴ But the absence of

⁴ Indeed, such protection (for post-judgment sales) requires nothing more than a basic application of **mutual** issue preclusion, which had been long recognized by the Court. *See, e.g., Russell v. Price*, 94 U.S. 606, 608 (1877) (“It is undoubtedly settled law that a judgment of a court of competent jurisdiction, upon a question directly involved in one suit, is conclusive as to that question in another suit **between the same parties**.” (emphasis added)). Similarly, traditional notions of claim preclusion barred a second suit against Kessler’s pre-judgment sales. *See, e.g., Southern Pacific R.R. Co. v. United States*, 168 U.S. 1, 49 (1897) (“[The] general rule [of claim preclusion] is demanded by the very object for which civil courts have been established, which is to secure the peace and repose of society by the settlement of matters capable of judicial determination. Its enforcement is essential to the maintenance of social order; for, the aid of judicial tribunals would not be invoked for the vindication of rights of person and

non-mutual issue preclusion at the time left a loophole for Eldred to pursue Kessler’s customers for infringement.⁵

As a result, this Court observed that “[t]he judgment in the previous case fails of the full effect which the law attaches to it [*i.e.*, claim and issue preclusion] if [customers of the adjudicated non-infringer may be sued],” and that “[n]o one wishes to buy anything, if with it he must buy a law suit.” *Kessler*, 206 U.S. at 289. Were suits against Kessler’s customers to be successful, “the result will be practically to destroy Kessler’s judgment right.” *Id.* at 289-90. Thus, “[l]eaving entirely out of view any rights which Kessler’s customers have

property, if, as between parties and their privies, conclusiveness did not attend the judgments of such tribunals, in respect of all matters properly put in issue and actually determined by them.”).

⁵ Prior to 1971, “the judge-made doctrine of mutuality of estoppel[] ordain[ed] that unless other parties (or their privies) in a second action are bound by a judgment in a previous case, neither party (nor his privy) in the second action may use the prior judgement as determinative of an issue in the second action.” *Blonder-Tongue Labs. v. University of Illinois Found.*, 402 U.S. 313, 516-17 (1971). Indeed, “*Kessler* ‘was handed down by the United States Supreme Court in the heyday of the federal mutuality of estoppel rule.’” *Brain Life*, 746 F.3d at 1057 (quoting *MGA, Inc. v. General Motors Corp.*, 827 F.2d 729, 733 (Fed. Cir. 1987)). The Federal Circuit previously recognized that “[t]he Supreme Court . . . may have created the *Kessler* doctrine as an exception to the strict mutuality requirement that existed at that time, rather than to espouse a specific doctrine of substantive patent law.” *Brain Life*, 746 F.3d at 1057. In effect, the *Kessler* doctrine has been “compared to defensive collateral estoppel.” *MGA*, 827 F.2d at 734. The Federal Circuit also has noted that the “viability [of the *Kessler* doctrine] may be of less value now than it was at the time it was handed down.” *Brain Life*, 746 F.3d at 1058.

or may have, it is ***Kessler's right*** that those customers should, in respect of the articles before the court in the previous judgment, be let alone by Eldred, and it is Eldred's duty to let them alone." *Id.* at 289 (emphasis added). Accordingly, Kessler's rights included "the right to sell his wares freely without hindrance from Eldred. . . ." *Id.* In other words, Kessler's judgment right included freedom from wrongful interference. *See Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*, 232 U.S. 413, 418 (1914) ("It will be observed that the equity thus sustained [in *Kessler*] sprang from the decree between the parties and that ***the decision went no further than to hold it to be a wrongful interference with Kessler's business*** to sue his customers for using and selling the lighter which Kessler had made and sold to them, and which was the same as that passed upon by the court in the previous suit. . . . The trade right [derived from *Kessler*] is ***merely*** the right to have that which it lawfully produces freely bought and sold without restraint or interference." (emphasis added)).

Second, this Court addressed whether Kessler could invoke equitable relief to enjoin suits against its customers. It decided that an action at law for wrongful interference would not have provided an adequate remedy (*e.g.*, "it would be difficult to prove in an action at law the extent of the damage inflicted"). *Kessler*, 206 U.S. at 289-90. Although lacking an "exact precedent" to address the circumstances of the case, the Court afforded Kessler a remedy in equity to bar Eldred from suing customers of Kessler. *Id.* at 290; *see also*

Speedtrack, 791 F.3d at 1326 (“*Kessler* sought to **prevent** patent owners from undermining adverse final judgments by **relitigating** infringement claims **against customers** who use the products at issue.” (emphasis added)). Put differently, an injunction was necessary to protect, as a practical matter, *Kessler*’s right to sell those products which had been adjudicated not to infringe in the previous action. This had the effect of modern day non-mutual issue preclusion, which, had it existed at the time, could have been invoked by *Kessler*’s customers in the first place to bar *Eldred*’s serial litigation over the same products and patent.

Thus, the footprint of *Kessler* is as follows: (1) a prior adjudication of non-infringement in favor of an accused patent infringer; (2) a later suit against the vindicated accused infringer’s customer(s); and (3) an equitable remedy for the vindicated accused infringer to enjoin suit against its customer(s). As discussed above, *Kessler*’s “judgment right” rested on nothing more than traditional issue and claim preclusion doctrines existing at the time, invocable by *Kessler* if *Eldred* were to relitigate against *Kessler* directly. Accordingly, *Kessler* did not create new substantive preclusion rights; rather, it approved an equitable remedy to protect *Kessler*’s preexisting legal rights.

Indeed, *Kessler* created no new substantive right because equity generally provides no power to generate new substantive rights:

A federal court has the power to grant equitable relief . . . but this power is circumscribed by the venerable principal that “equity follows the law,” *Hedges v. Dixon County*, 150 U.S. 182, 192 . . . (1893). **Equity**, in other words, **may not be used to create new substantive rights**. See, e.g., *Norwest Bank of Worthington v. Ahlers*, 485 U.S. 197, 206-07 . . . (1988). However, when a substantive right exists, an equitable remedy may be fashioned to give effect to that right if the prescribed legal remedies are inadequate.

E. Tenn. Natural Gas Co. v. Sage, 361 F.3d 808, 823 (4th Cir. 2004) (emphasis added).⁶ “[W]herever the rights or the situation of parties are clearly defined and established by law, equity has no power to change or unsettle those rights or that situation. . . .” *Hedges*, 150 U.S. at 192.⁷

⁶ See also *Montgomery Ward & Co. v. Pacific Indem. Co.*, 557 F.2d 51, 58 n.9 (3d Cir. 1977) (“[W]e may not create a substantive right even as a matter of equitable power of the court. . . .”).

⁷ CFLT notes that the Federal Circuit has stated that, in *Kessler*, “[t]he Court did not rely on traditional notions of claim or issue preclusion in crafting this [equitable injunctive relief] protection for Kessler.” *Brain Life*, 746 F.3d at 1056. This is correct in the sense that judicial equity power “craft[ed] th[e] protection” for Kessler. After all, Kessler was not a party to the suit against its customers and had no occasion to directly raise claim or issue preclusion as defenses.

II. THE FEDERAL CIRCUIT HAS IMPROPERLY INVOKED *KESSLER* TO CREATE NEW SUBSTANTIVE RIGHTS.

In at least two recent instances, the Federal Circuit improperly expanded *Kessler*'s equitable principles to create substantive rights untethered to the *Kessler* fact pattern. In *Brain Life*, the Federal Circuit invoked *Kessler* to hold that a previous non-infringement determination for apparatus claims barred subsequent litigation against the same defendant (as opposed to its customer) over method claims in the same patent for post-judgment acts of infringement. 746 F.3d at 1055-59. In *PersonalWeb*, for the first time, the Federal Circuit held that *Kessler* precluded later actions even though the previous litigation did not involve actual litigation of any ultimate dispositive liability issue (e.g., non-infringement). 961 F.3d at 1376-79. *Kessler* preclusion there triggered from a stipulated dismissal with prejudice. *Id.* at 1372.

In both *Brain Life* and *PersonalWeb*, the Federal Circuit barred litigation over issues that had never been decided or actually litigated, and which could not have been barred by traditional application of issue preclusion. *See, e.g.*, Restatement of Judgments (2d) § 27 (issue preclusion requires that “an issue of fact or law [be] actually litigated. . .”). Those cases also had the effect of barring suits over infringement acts postdating the previous judgments, in tension with traditional principles of claim preclusion. *See, e.g., Brain Life*, 746 F.3d at 1056 (“[T]raditional notions of claim preclusion do not apply when a patentee accuses new

acts of infringement, *i.e.*, post-final judgment, in a second suit – even where the products are the same in both suits.”). Those decisions improperly created new substantive preclusion rights in conflict with this Court’s recent *Lucky Brand* decision. *See* 140 S.Ct. at 1595 (“[T]his Court has never explicitly recognized . . . a standalone category of res judicata, unmoored from the two guideposts of issue preclusion and claim preclusion. Instead, our case law indicates that any such preclusion . . . must, at a minimum satisfy the strictures of issue preclusion or claim preclusion.”). The Federal Circuit’s interpretation and application of the *Kessler* doctrine violates numerous recognized limitations on the judicial creation or expansion of substantive rights.

III. THE FEDERAL CIRCUIT’S EXPANSION OF EQUITY IS IMPROPER.

Even if the Federal Circuit’s application of *Kessler* were to be more properly thought of as an exercise of equitable powers, it still has gone too far. This Court disapproves of major deviations from equity practice. For example, in *eBay Inc. v. MercExchange, LLC*, this Court reversed the Federal Circuit for adopting an injunction standard unique to patent cases, stating that “a major departure from the long tradition of equity practice should not be lightly implied.” 547 U.S. 388, 391 (2006) (internal quotations omitted). The Court held similarly in *Grupo-Mexicano v. Alliance Bond Fund, Inc.*:

We do not question the proposition that equity is flexible; but in the federal system, at least, that flexibility is confined within the broad boundaries of traditional equitable relief. To accord a type of relief that has never been available before – and especially (as here) a type of relief that has been specifically disclaimed by longstanding judicial precedent – is to invoke a “default rule,” . . . not of flexibility but of omnipotence. When there are indeed new conditions that might call for a wrenching departure from past practice, Congress is in a much better position than we both to perceive them and to design the appropriate remedy.

527 U.S. 308, 322 (1999).

Here, the Federal Circuit has crafted an improperly omnipotent “gap-filling” doctrine to bar patent suits that it believes, as a matter of policy, ought not proceed. That is for Congress, not the courts. Arrogating to itself such power disturbs the carefully calibrated balance in the patent system that is designed to encourage innovation by supplying rewards. Federal Circuit holdings give district courts a reason never authorized by Congress to let an entity steal and profit from innovative ideas belonging to others, upon a *failure* of proof that traditional preclusion doctrines apply. Compounding matters, unlike traditional issue and claim preclusion doctrines, the elements for *Kessler* preclusion under the Federal Circuit’s watch have become a moving target (as the Delaware Litigation involving *Amicus* shows). That court has never clearly

articulated any limits, which seem to be ever-expanding. The only element of proof required to establish *Kessler* preclusion, as applied by the Federal Circuit, seems to be the failure to meet the elements of claim and issue preclusion. This “wrenching departure from past practice” puts a thick thumb on the scales in favor of copyists, disturbing Congress’s intent.

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CONCLUSION

The Writ of Certiorari should be granted.

Respectfully submitted,

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