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

REPLY FOR PETITIONER

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CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Personal-Web Technologies, LLC, states that the corporate disclosure statement included in the petition remains accurate.

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REPLY FOR PETITIONER

Respondents nowhere deny that this Court has repeatedly told the lower federal courts not to invent patent-specific procedural rules or to devise novel preclusion doctrines that stray beyond the traditional bounds of claim and issue preclusion. The Federal Circuit's so-called *Kessler* doctrine commits both of those sins: It is a novel, third species of preclusion that applies *solely* to patent cases. Respondents try to distinguish the doctrine as a "substantive equitable rule of patent law." Br. in Opp. 22 (emphasis omitted). But they cannot avoid this Court's precedents through creative labeling. The *Kessler* doctrine is a patent-specific rule that precludes parties from

litigating claims based on the outcome of prior litigation. If that is not a preclusion doctrine, the concept has no meaning.

Respondents urge that the fact that this Court has not cited *Kessler* for nearly 70 years proves the law is settled. That is revisionist history. After this Court decided *Blonder-Tongue* in 1971, no published appellate decision cited *Kessler* for nearly 45 years (save for one case interpreting Michigan law). Once the Federal Circuit decided *Brain Life* in 2014, however, *Kessler* litigation exploded: More than two dozen cases have cited *Kessler* since. That history hardly bespeaks "settled law." It shows that the Federal Circuit broke new ground in a major way and that its modern reimagining of *Kessler* has run amok.

Respondents assert that the Federal Circuit's approach is compelled by this Court's *Kessler* decision itself. That merits argument is both premature and wrong. *Kessler* relied squarely on issue-preclusion principles and announced no new rule that would sweep beyond the modern bounds of non-mutual issue preclusion. The Federal Circuit's *Kessler* doctrine is wholly that court's own handiwork. This Court should grant review.

I. WHETHER *KESSLER* IS A FREESTANDING PRECLUSION DOCTRINE IS AN IMPORTANT QUESTION

This Court's precedents could hardly be clearer. The Court has repeatedly told lower courts not to adopt unique procedural rules for patent cases. See *SCA Hygiene Prods. Aktiebolag* v. *First Quality Baby Prods., LLC*, 137 S. Ct. 954, 964 (2017) ("[P]atent law is governed by the same * * * procedural rules as other areas of civil litigation."); *eBay Inc.* v. *MercExchange, LLC*, 547 U.S. 388, 391-394 (2006). The Court has also repeatedly told lower courts not to devise novel preclusion doctrines that stray beyond traditional claim and issue preclusion. See *Lucky*

Brand Dungarees, Inc. v. *Marcel Fashions Grp., Inc.*, 140 S. Ct. 1589, 1595 (2020) (rejecting "standalone category of res judicata, unmoored from the two guideposts of issue preclusion and claim preclusion"); *Taylor* v. *Sturgell*, 553 U.S. 880, 904 (2008).

The Federal Circuit's *Kessler* doctrine violates both principles. It is a patent-specific preclusion doctrine that allows infringers to escape liability even if they cannot satisfy the requirements of either claim or issue preclusion. Pet. App. 20a. Indeed, according to the Federal Circuit, the whole point of the doctrine is to "'fill[ ] the gap' left by claim and issue preclusion." *Ibid.*

Respondents attempt to avoid this Court's precedents by recharacterizing *Kessler* as a "substantive equitable rule of patent law" rather than a preclusion doctrine. Br. in Opp. 22 (emphasis omitted). Relabeling the doctrine cannot obscure its plain effect. *Kessler* precludes patent owners from pursuing infringement claims *based on the outcome of prior litigation*. If that is not a preclusion doctrine, nothing is. That the doctrine applies only to patent cases is a defect, not a feature.

The Federal Circuit has never doubted *Kessler*'s status as a preclusion doctrine. In *Brain Life, LLC* v. *Elekta Inc.*, 746 F.3d 1045 (Fed. Cir. 2014), the court explained that "the *Kessler* Doctrine * * * *precludes* some claims that are not otherwise barred by claim or issue preclusion" and "fills the gap between these *preclusion* doctrines." *Id.* at 1055-1056 (emphasis added). The court reiterated below that *Kessler* supplements "the two *traditional* pillars of preclusion law." Pet. App. 20a (emphasis added). The Federal Circuit's *Kessler* doctrine conflicts irreconcilably with this Court's admonitions that courts should not invent novel preclusion doctrines that stray beyond claim and

issue preclusion—much less doctrines that apply in patent cases alone.

Kessler's equitable roots are beside the point. In *eBay*, the Court rejected a patent-specific injunction standard even though equitable standards governed, explaining that "a major departure from *the long tradition of equity practice* should not be lightly implied." 547 U.S. at 391-392 (emphasis added). In *SCA*, the Court rejected a patent-specific laches doctrine even though it was equitable. 137 S. Ct. at 960. In *Taylor*, the Court rejected a novel preclusion doctrine despite an appeal to "trial courts' sense of justice and equity." 553 U.S. at 899. And it strains credulity to think the Court would have reached a different result in *Lucky Brand* if only the Second Circuit had characterized its ruling as a "substantive equitable rule of trademark law." See 140 S. Ct. at 1595.

Respondents point to other "bespoke equitable defenses in patent cases," such as patent exhaustion and inequitable conduct. Br. in Opp. 23-25. But most if not all their examples are simply applications of standard equitable principles to patent disputes. They do not single out patent disputes for concededly different treatment the way the *Kessler* doctrine does. In any case, none of those doctrines has anything to do with preclusion. None of them implicates this Court's specific admonitions against novel *preclusion* doctrines.

II. The Issue Is Ripe For Review

The question is ripe for this Court's review. Since the Federal Circuit created the modern *Kessler* doctrine in 2014, courts have applied it dozens of times. Pet. 19-20 & nn.1-2. The Federal Circuit has had ample opportunity to change course, but has pronounced its hands tied. See *SpeedTrack, Inc.* v. *Office Depot, Inc.*, 791 F.3d 1317, 1329 (Fed. Cir. 2015) ("[W]e must follow *Kessler* unless and

until the Supreme Court overrules it * * * ."), cert. denied, 577 U.S. 1063 (2016).

This Court's failure to cite *Kessler* for nearly 70 years hardly shows "the law is settled." Br. in Opp. 26. To the contrary, it underscores the need for this Court's guidance following the Federal Circuit's recent reanimation of the doctrine. After this Court decided *Blonder-Tongue Laboratories, Inc.* v. *University of Illinois Foundation*, 402 U.S. 313 (1971), no appellate court cited *Kessler* in a published decision for nearly 45 years, apart from the Federal Circuit's lone decision construing Michigan law in *MGA, Inc.* v. *General Motors Corp.*, 827 F.2d 729 (Fed. Cir. 1987), cert. denied, 484 U.S. 1009 (1988). The only reasonable inference is that courts understood *Blonder-Tongue* to have rendered *Kessler* obsolete: With a general rule of non-mutual issue preclusion, there was no longer any need for a special rule in patent cases. Pet. 23-24. After the Federal Circuit decided *Brain Life* in 2014, however, *Kessler* litigation exploded: Dozens of cases have cited the doctrine over the past seven years. Pet. 19-20 & nn.1-2. The Federal Circuit has repurposed *Kessler* as a new, third pillar of preclusion law. The Court should not stand by while that court rewrites preclusion law in its name.

Respondents argue that "this Court has rejected other petitions" raising the issue. Br. in Opp. 2-3. But the Court denied review in *SpeedTrack* in January 2016. *SpeedTrack, Inc.* v. *Office Depot, Inc.*, 577 U.S. 1063 (2016). At that point, *Brain Life* was less than two years old, and only a handful of cases had cited the decision. The importance of the issue is much clearer now. Nor did this Court deny review in *Sowinski* v. *California Air Resources Board*, No. 20-1339. Cf. Br. in Opp. 2-3. The petitioner in that case *voluntarily dismissed* the petition. See Mot. to Dismiss in No. 20-1339 (June 4, 2021).

If the Court has any uncertainty over whether the decision below warrants review, it should call for the views of the Solicitor General, as it often does in patent cases. See, *e.g.*, *Am. Axle & Mfg., Inc.* v. *Neapco Holdings LLC*, No. 20-891 (May 3, 2021); *Hikma Pharms. USA Inc.* v. *Vanda Pharms. Inc.*, 139 S. Ct. 1368 (2019); *Tex. Advanced Optoelectronic Sols., Inc.* v. *Renesas Elecs. Am., Inc.*, 139 S. Ct. 861 (2019); *HP Inc.* v. *Berkheimer*, 139 S. Ct. 860 (2019); *Ariosa Diagnostics, Inc.* v. *Illumina, Inc.*, 139 S. Ct. 445 (2018); *RPX Corp.* v. *ChanBond LLC*, 139 S. Ct. 306 (2018); *Samsung Elecs. Co.* v. *Apple Inc.*, 137 S. Ct. 2320 (2017). The Solicitor General's input is particularly valuable in this context because the Federal Circuit's exclusive jurisdiction prevents this Court from relying on circuit conflicts as the traditional barometer of an issue's importance.

III. Respondents' Merits Arguments Are Unavailing

Unable to contest importance, respondents insist that this Court's decision in *Kessler* compelled the Federal Circuit's decision. Br. in Opp. 15-21. That merits argument is no basis for denying review. If the Court grants the petition, there will be time enough to consider whether this Court's 114-year-old decision compels the Federal Circuit's novel doctrine, despite this Court's many modern precedents rejecting patent-specific procedural rules and novel preclusion doctrines. In any case, respondents' merits arguments fail.

A. Contrary to respondents' contentions, *Kessler does* rest on issue-preclusion principles. The Court explained that the prior judgment in that case "found for Kessler on the *issue* of noninfringement." *Kessler* v. *Eldred*, 206 U.S. 285, 285 (1907) (emphasis added). "[I]t was alleged by the plaintiff and denied by the defendant that the cigar lighters manufactured by Kessler infringed each and all of the

claims of the Chambers patent," and "[o]n the *issue* thus joined there was final judgment for Kessler." *Id.* at 288 (emphasis added). The Court thus clearly relied, not just on the existence of a prior judgment, but on the fact that the judgment resolved the *issue* of infringement against the plaintiff.

Nor is it true that "Kessler affirmatively disclaimed reliance on issue preclusion" in his brief. Br. in Opp. 17. Kessler urged that he had "put in issue *the question of infringement*" in the prior suit and that "[t]he court found for [him]." Appellant's Br. in No. 196, at 4 (Jan. 23, 1907) (emphasis added). A "judgment * * * *on the issue of validity or infringement*," he argued, precludes a patent owner from "su[ing] * * * for infringement of the same patent by use of the same article." *Id.* at 12 (emphasis added). Kessler urged that "no patentee has ever before attempted to follow the customer after he had been beaten by the manufacturer *on an issue of validity or infringement*." *Id.* at 18 (emphasis added). Kessler thus expressly framed his arguments in *issue-preclusion* terms.

To be sure, Kessler responded to the argument that there was a "want of mutuality" by emphasizing that he was "not rely[ing] upon any estoppel between Eldred and his customers, but upon the estoppel between Eldred and himself." Appellant's Br. in No. 196, at 8. This Court similarly "express[ed] no opinion" on whether a *customer* could invoke the prior judgment as a defense. *Kessler*, 206 U.S. at 288. Those qualifications show that neither Kessler nor the Court embraced the *full scope* of non-mutual issue preclusion later recognized in *Blonder-Tongue*: *Kessler* permitted a manufacturer to invoke a judgment he had obtained to enjoin suits against his customers to protect the manufacturer's *own* interests, without deciding whether customers could also invoke the prior judgment

despite the lack of mutuality. But the relevant point remains: *Kessler* relied on the *issue-preclusive* effect of a prior judgment that decided the *issue* of non-infringement. The Court may not have embraced the full scope of *Blonder-Tongue* by eliminating the mutuality requirement altogether, but it did not announce any rule that extended *beyond Blonder-Tongue*.

Respondents' assertion that "[t]here is no colorable reading of *Kessler* as an issue preclusion case" would come as a surprise to the Federal Circuit. Br. in Opp. 19. In *MGA*, that court held that "the *Kessler* doctrine * * * may be compared to *defensive collateral estoppel*, to give preclusive effect to the *issue* of noninfringement." 827 F.2d at 734 (emphasis added). The court invoked *Kessler* to decide whether the plaintiff was "collaterally estopped from relitigating the *issue* of infringement" under Michigan law. *Id.* at 733 (emphasis added). That case stood as the Federal Circuit's definitive interpretation of *Kessler* for the next 25 years.

Respondents are thus wrong to suggest that *Kessler* was not an issue-preclusion case. At a minimum, the decision is readily susceptible to that reading, and the Court should prefer an interpretation that harmonizes *Kessler* with modern preclusion law over one that results in an anomalous third species of preclusion.

B. If *Kessler* does compel the Federal Circuit's modern doctrine, the Court should overrule the precedent. Respondents invoke *stare decisis*, Br. in Opp. 25-26, but they ignore the reasons set forth in the petition why *stare decisis* plays a limited role here.

First, *Kessler* was not a statutory decision. It was an exercise of this Court's common-law-making authority. This Court has traditionally been more willing to recon-

sider prior decisions when the Court itself bears sole responsibility for any error. Pet. 26-27.

Second, the legal landscape has changed dramatically. *Blonder-Tongue* undermined the rationale for *Kessler* as a freestanding preclusion doctrine, and at the very least substantially eroded the need for the doctrine. That too is a reason to reconsider the decision. Pet. 26-27.

C. At a minimum, the Court should rein in the Federal Circuit's extravagant application of *Kessler* to voluntary dismissals. Br. in Opp. 29. Voluntary dismissals are paradigmatic dispositions that decide no issues at all. Pet. 31. Applying *Kessler* in that context makes no sense.

Respondents contend that "[a]ccording preclusive effect to a voluntary dismissal" is consistent with "centuries-old common-law principles." Br. in Opp. 27-29. But the authorities they cite hold only that voluntary dismissals are decisions *on the merits*—a traditional requirement for *claim* preclusion. See *Brownback* v. *King*, 141 S. Ct. 740, 748 (2021) ("To trigger the doctrine of res judicata or claim preclusion a judgment must be 'on the merits.'" (alterations and quotation marks omitted)). None of those authorities casts doubt on the settled principle that voluntary dismissals have no *issue*-preclusive effects. Pet. 5. Where a defendant cannot satisfy the requirements of claim preclusion for a voluntary dismissal—for example, because its conduct post-dates the prior proceeding—there is no justification for applying *Kessler* to bar the claims anyway.

Respondents urge that few cases have addressed *Kessler*'s application to voluntary dismissals. Br. in Opp. 30. Whether or not the voluntary dismissal question is independently worthy of review, the Court should consider that issue if it is inclined to review the broader *Kessler*

question. Doing so will ensure the Court has before it all appropriate options for disposition of the case.

Finally, respondents insist that the issue is unimportant because "parties can agree to limit the preclusive effect of a voluntary dismissal." Br. in Opp. 31. But they never explain why an agreement would bind a defendant in a future suit who was not a party to the agreement. Pet. 32. And while they claim (without citing anything) that it is "common" for defendants to agree to such settlements, Br. in Opp. 32, the fact remains that the defendant's agreement is necessary and may or may not be forthcoming, Pet. 32. Applying *Kessler* to voluntary dismissals thus forces plaintiffs to keep litigating claims they would rather discontinue, clogging up court dockets for no good reason.

IV. Respondents' Mootness Arguments Are No Impediment To Review

Respondents insist that this case is a poor vehicle because the Federal Circuit recently affirmed an unfavorable claim construction ruling in a related decision, and this dispute will allegedly "soon become moot" as a result. Br. in Opp. 33 (citing *In re PersonalWeb Techs. LLC*, No. 20-1566, 2021 WL 3557196 (Fed. Cir. Aug. 12, 2021)). The Federal Circuit's claim construction ruling, of course, has nothing to do with the *Kessler* question presented by this petition, and will not impair this Court's review in any way. Regardless, respondents' claims of potential mootness are both speculative and unfounded.

First, the outcome of the litigation remains unknown. PersonalWeb plans to file a petition for rehearing or rehearing en banc at the Federal Circuit by the September 13 deadline. See Fed. Cir. R. 40(d). It has months to seek this Court's review after that, if necessary. Respondents' prediction that this case will "soon become moot" is merely their own rosy prediction of their prospects.

The case will not become moot regardless. Last year, the district court awarded respondents their attorney's fees after concluding that this was an "exceptional case" under 35 U.S.C. §285. *In re PersonalWeb Techs., LLC Patent Litig.*, No. 18-md-02834, 2020 WL 5910080 (N.D. Cal. Oct. 6, 2020), appeal pending, No. 21-1858 (Fed. Cir.). One of the principal bases for that award was a finding that PersonalWeb's claims "were clearly barred based on existing Federal Circuit precedent on the *Kessler* doctrine and thus, were objectively unreasonable when brought." *Id.* at *5. The court relied heavily on the very Federal Circuit opinion that is the subject of this petition. *Ibid.* The court ultimately awarded over $4.5 million in fees, including over $700,000 specifically for work on *Kessler* and claim preclusion. *In re PersonalWeb Techs., LLC Patent Litig.*, No. 18-md-02834, 2021 WL 796356, at *9, *13, *18 (N.D. Cal. Mar. 2, 2021).

Needless to say, if this Court reverses the Federal Circuit's decision in this case, the district court would have to reconsider that award. PersonalWeb thus has a direct financial stake in this petition notwithstanding the later claim construction ruling. That stake precludes any finding of mootness. See *Minnesota* v. *Dickerson*, 508 U.S. 366, 371-372 n.2 (1993) (rejecting mootness argument in light of "collateral legal consequences" of decision); *Adjusta-Cam, LLC* v. *Newegg, Inc.*, 626 F. App'x 987, 989-991 (Fed. Cir. 2015) (addressing fee order on the merits even though underlying dispute "had become moot due to cancellation of the asserted claims"); *Life Partners, Inc.* v. *Life Ins. Co. of N. Am.*, 203 F.3d 324, 325-326 (5th Cir. 1999) (similar).

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

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