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

SUPPLEMENTAL BRIEF FOR PETITIONER

JEFFREY A. LAMKEN
Counsel of Record
ROBERT K. KRY
KENNETH E. NOTTER III
MOLOLAMKEN LLP
The Watergate, Suite 500
600 New Hampshire Ave., N.W.
Washington, D.C. 20037
(202) 556-2000
jlamken@mololamken.com

Counsel for Petitioner

WILSON-EPES PRINTING CO., INC. – (202) 789-0096 – WASHINGTON, D.C. 20002

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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The government agrees with petitioner that "the court of appeals erred." U.S. Br. 8. *Kessler*, it confirms, "is not an invitation for the lower courts to * * * fashion[ ] new rules of preclusion, 'unmoored from the two guideposts of issue preclusion and claim preclusion.'" *Id.* at 15. Yet that is exactly what the Federal Circuit did here.

The government's reasons for nonetheless urging denial of review are unpersuasive. The government tries to dismiss the issue as unimportant because, in certain cases, expansive understandings of claim or issue preclusion might potentially yield the same results. U.S. Br. 16-18. That speculation about possible alternative grounds does

not change the fact that the Federal Circuit expressly relies on *Kessler* to determine the outcome in cases like this. Nor is this an issue that arises only rarely. *Id.* at 19-20. Dozens of cases have now invoked the Federal Circuit's concededly erroneous view that *Kessler* is a novel third species of preclusion that applies solely in patent cases. That list has only grown since the petition was filed.

Finally, the government's vehicle arguments are insubstantial. U.S. Br. 21. Given the district court's fee order, there is not even a colorable argument that the issue is moot. And the accusation that petitioner engaged in unreasonable litigation conduct in unrelated aspects of the case has no conceivable relevance to the legal standards that actually inform this Court's review.

I. THE GOVERNMENT AGREES THAT THE FEDERAL CIRCUIT'S INTERPRETATION OF *KESSLER* IS WRONG

The government leaves no doubt about its view of the merits. It agrees with petitioner that "the court of appeals erred in treating *Kessler* v. *Eldred*, 206 U.S. 285 (1907), as a freestanding basis for precluding petitioner's claims." U.S. Br. 8.

This Court's precedents compel that conclusion. Time and again, this Court has instructed lower courts not to invent patent-specific procedural rules without guidance from Congress or to devise novel preclusion doctrines unmoored from traditional claim and issue preclusion. Pet. 15-19. The Federal Circuit's *Kessler* doctrine defies both instructions. The Federal Circuit applies that doctrine for the very purpose of "'fill[ing] the gap' left by claim and issue preclusion." Pet. App. 20a. The government agrees that rationale is flawed: "*Kessler* is not an invitation for the lower courts to * * * fashion[ ] new rules of preclusion, 'unmoored from the two guideposts of issue preclusion and claim preclusion.'" U.S. Br. 15 (quoting *Lucky Brand*

Dungarees, Inc. v. *Marcel Fashions Grp., Inc.*, 140 S. Ct. 1589, 1595 (2020)).

The government takes issue with the petition's description of *Kessler* as "an early instance of non-mutual issue preclusion." U.S. Br. 11. In its view, *Kessler* is "best understood as resting on *mutual* preclusion principles" because it permits the defendant from the prior action to assert its own claim to protect the judgment's preclusive effects. *Id.* at 12. That distinction makes no difference. Under either view, the relevant point is that *Kessler* does not authorize courts to invent new preclusion doctrines unmoored from traditional claim or issue preclusion. That is what the Federal Circuit did.

The government urges that *Kessler* retains "independent force" because it allows manufacturers to assert their own equitable cause of action. U.S. Br. 12-13. But the government acknowledges that *Kessler*'s equitable remedy applies only when "customer[s] could invoke *non-mutual issue preclusion* as a defense." *Id.* at 13 (emphasis added). The fact that *Kessler* provides an equitable remedy for manufacturers does not mean the remedy operates without regard to the limits on claim and issue preclusion.

Nor is it relevant that *Kessler* reflects "a pragmatic rather than hyper-technical view of the issue-preclusive effect of a prior judgment." U.S. Br. 13. That is just an argument about the proper scope of issue preclusion. It is not a rationale for inventing a new third species of preclusion, as the Federal Circuit has done.

The Federal Circuit treats *Kessler* as a freestanding preclusion doctrine that applies notwithstanding—indeed, to *overcome*—the traditional limits on claim and issue preclusion. The government agrees that the Federal Circuit erred in treating *Kessler* as a springboard to create that

new third category of preclusion. That error warrants the Court's review.

II. The Question Is Important

The government's attempts to downplay the importance of the Federal Circuit's error are unconvincing.

A. Other Preclusion Doctrines Are No Reason To Deny Review

The government suggests that courts could rely on expansive interpretations of claim or issue preclusion to reach results similar to those the Federal Circuit reaches under *Kessler*. But the government's alternative theories are foreclosed by precedent and are no basis for denying review.

For example, even though petitioner seeks damages for infringement that occurred *after* the judgment in the prior suit, the government suggests that claim preclusion might apply. U.S. Br. 16-17. The Federal Circuit, however, has repeatedly held that claim preclusion does not bar claims for infringement that postdates the judgment—even in the very cases the government seeks to reconceptualize. See *SimpleAir, Inc.* v. *Google LLC*, 884 F.3d 1160, 1170 (Fed. Cir. 2018) ("[C]laim preclusion does not bar a party from asserting infringement based on activity occurring after the judgment in the earlier suit."); *Brain Life, LLC* v. *Elekta Inc.*, 746 F.3d 1045, 1054 (Fed. Cir. 2014) (similar); *Aspex Eyewear, Inc.* v. *Marchon Eyewear, Inc.*, 672 F.3d 1335, 1342-1343 (Fed. Cir. 2012) (similar). Claim preclusion applies only to claims that *could have been brought* in the prior suit. Pet. 5. This Court and others have there-

fore repeatedly held that claim preclusion does not apply to conduct that postdates the prior judgment.[1]

The government dismisses that principle as a mere "general rule," U.S. Br. 16, but none of its authorities suggests any uncertainty over the point relevant here. The Restatement states only that *whether two suits involve the same claim* is "determined pragmatically," not that claim preclusion can bar claims that did not exist at the time of the prior suit. See *Restatement (Second) of Judgments* § 24(2) (1982). Wright & Miller flatly refutes the government's position: It states that, where "[a] substantially single course of activity * * * continue[s] through the life of a first suit and beyond," "[t]he basic claim-preclusion result is clear: a new claim or cause of action is created as the conduct continues." 18 Charles Wright & Arthur Miller, *Federal Practice and Procedure* § 4409 (3d ed. rev. 2022); see also *Aspex*, 672 F.3d at 1343 (quoting this passage). Finally, *Foster* v. *Hallco Manufacturing Co.*, 947 F.2d 469 (Fed. Cir. 1991), held only that claim preclusion would not apply if the later infringement involved different products—it had no occasion to address whether the timing alone was dispositive. *Id.* at 479-480. The government cannot explain away decision after decision, all of which rest on the Federal Circuit's erroneous view of *Kessler*, by positing an expansive theory of claim preclusion that neither the Federal Circuit nor anyone else accepts.

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[1] See, *e.g.*, *Lucky Brand*, 140 S. Ct. at 1596; *Whole Woman's Health* v. *Hellerstedt*, 136 S. Ct. 2292, 2305 (2016); *Lawlor* v. *Nat'l Screen Serv. Corp.*, 349 U.S. 322, 328 (1955); *TechnoMarine SA* v. *Giftports, Inc.*, 758 F.3d 493, 503 (2d Cir. 2014); *Media Rights Techs., Inc.* v. *Microsoft Corp.*, 922 F.3d 1014, 1024 (9th Cir. 2019); *Stanton* v. *D.C. Ct. of Appeals*, 127 F.3d 72, 78 (D.C. Cir. 1997).

The government fares no better when it tries to reimagine the results in *Brain Life* and *SpeedTrack* as "better explained as an application of issue preclusion." U.S. Br. 17-18. It fails to mention that both cases *expressly rejected* issue preclusion. In *Brain Life*, the court held that issue preclusion did not apply because the patent claims asserted in the second suit had not even been construed in the prior suit. 746 F.3d at 1054-1055. And in *SpeedTrack, Inc.* v. *Office Depot, Inc.*, 791 F.3d 1317 (Fed. Cir. 2015), the district court rejected issue preclusion, and the Federal Circuit relied on *Kessler* only after reiterating that issue preclusion did not apply. *Id.* at 1322, 1328.

The government points out that issue preclusion may sometimes apply where a patent owner asserts one patent claim in the first case and then asserts a different patent claim in the second case *for which infringement of the first claim is a necessary predicate* (for example, a method claim that requires use of the apparatus recited in the previously asserted claim). U.S. Br. 17-18. The government makes no effort to show that *Brain Life* actually involved such facts, only that the court "might have alternatively" relied on issue preclusion "[t]o the extent" the government's description is accurate. *Ibid.* Nor does the government show that those facts are likely to arise in most, or even any substantial portion, of the cases were plaintiffs assert one patent claim in the first case and then a different patent claim against other defendants in the second.

Even if claim or issue preclusion might provide an alternative ground for decision in some fraction of cases, that speculative possibility does not undermine the need for review. The Federal Circuit's *Kessler* doctrine permits courts to dismiss suits *whether or not* claim or issue preclusion applies. Indeed, in the Federal Circuit's view, the doctrine's whole *raison d'être* is to "'fill[] the gap' left by

claim and issue preclusion." Pet. App. 20a. The fact that other preclusion doctrines may, contrary to Federal Circuit precedent, provide an alternative ground for decision in some unknown fraction of cases is no reason to deny review of the categorical rule the Federal Circuit actually relies on in cases like this.

B. The Question Frequently Recurs

The government urges that, even taking the Federal Circuit's rationales at face value, the *Kessler* issue does not recur often enough to warrant review. U.S. Br. 19-20. That effort to downplay the issue fails.

The government's assertion that the Federal Circuit has "directly relied on *Kessler* only three times," U.S. Br. 19, is incorrect. Even apart from *Brain Life*, *SpeedTrack*, and this case, the Federal Circuit has repeatedly grappled with *Kessler*. In *SimpleAir*, the court analyzed the scope of *Kessler* and then remanded for the district court to apply its reasoning. 884 F.3d at 1169-1171. In *Mentor Graphics Corp.* v. *EVE-USA, Inc.*, 851 F.3d 1275 (Fed. Cir. 2017), the court refused to apply *Kessler* after interpreting the doctrine not to apply to licensees. *Id.* at 1301. The Federal Circuit should not be fine-tuning the scope of an illegitimate third branch of preclusion that should not exist in the first place. The government also ignores the Federal Circuit's unpublished application of *Kessler* in *Xiaohua Huang* v. *Huawei Technologies Co.*, 787 F. App'x 723, 726 n.1 (Fed. Cir. 2019). That disposition confirms that the Federal Circuit considers *Kessler* settled law.

The government likewise ignores the dozens of recent district court cases citing *Kessler*. See Pet. 19-20 n.2 (list-

ing 20 examples).[2] That avalanche has not abated. Since the research reflected in the petition from last year, there have been at least *six* new *Kessler* cases.[3] Three of them involved voluntary dismissals, just like this case.[4]

That mountain of cases is no surprise. Contrary to the government's contention, the Federal Circuit's *Kessler* doctrine does not apply only in "narrow circumstances," and certainly is not limited to claims for infringement postdating the prior judgment. U.S. Br. 19-20. It also applies where a plaintiff alleges new claims against different defendants, as in *Brain Life* and *SpeedTrack*. Even claims for infringement postdating the prior judgment are hardly a "narrow circumstance." Post-judgment infringement is possible, even likely, any time the first litigation concludes before the patent expires.

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[2] See also *XpertUniverse, Inc.* v. *Cisco Sys., Inc.*, No. 17-cv-3848, 2019 WL 3413309, at *5 (N.D. Cal. July 29, 2019); *ViaTech Techs., Inc.* v. *Microsoft Corp.*, No. 17-cv-570, 2019 WL 3241131, at *6 (D. Del. July 18, 2019); *AVM Techs., LLC* v. *Intel Corp.*, No. 15-cv-33, 2017 WL 1754020, at *1-2 (D. Del. Apr. 28, 2017); *SKC Kolon PI, Inc.* v. *Kaneka Corp.*, No. 16-cv-5948, 2017 WL 3476995, at *3 (C.D. Cal. Mar. 13, 2017); *Adaptix, Inc.* v. *Amazon.com, Inc.*, No. 5:14-cv-1385, 2015 WL 4999944, at *8-9 (N.D. Cal. Aug. 21, 2015); *Tech. Props. Ltd.* v. *Canon, Inc.*, No. 14-cv-3640, 2015 WL 4090099, at *3-5 (N.D. Cal. June 24, 2015).

[3] See *Seven Networks, LLC* v. *Motorola Mobility LLC*, No. 3:21-cv-1036, 2022 WL 426589, at *4 (N.D. Tex. Feb. 10, 2022); *Red Rock Analytics, LLC* v. *Apple Inc.*, No. 6:21-cv-346, 2021 WL 5828368, at *2-6 (W.D. Tex. Dec. 8, 2021); *JG Techs., LLC* v. *United States*, 156 Fed. Cl. 691, 713 (Fed. Cl. 2021); *Corning Inc.* v. *Wilson Wolf Mfg. Corp.*, No. 20-cv-700, 2021 WL 5013613, at *9-10 (D. Minn. Oct. 28, 2021); *CFL Techs. LLC* v. *Gen. Elec. Co.*, No. 18-cv-1444, 2021 WL 1105335, at *2-6 (D. Del. Mar. 23, 2021); *Uniloc 2017, LLC* v. *Ubisoft, Inc.*, No. 19-cv-1150, 2021 WL 1255605, at *6 (C.D. Cal. Mar. 18, 2021).

[4] See *Seven Networks*, 2022 WL 426589, at *4; *Red Rock*, 2021 WL 5828368, at *2-6; *CFL Techs.*, 2021 WL 1105335, at *1, *3.

The government's demand for *still more* cases ignores the Federal Circuit's exclusive jurisdiction. Because the Federal Circuit decides patent issues conclusively for the entire country, there is no reason to expect more published appellate decisions once that court weighs in. In those circumstances, five precedential decisions since *Brain Life* is actually quite a few. And for every district court decision on *Kessler*, there are surely many more cases where plaintiffs decline to press a claim in the face of adverse Federal Circuit precedent.

The Federal Circuit will not fix the error itself: It blames *this Court* for the current state of affairs. In the Federal Circuit's view, that court must persist in its expansive interpretation of *Kessler* "unless and until the Supreme Court overrules" the decision. *SpeedTrack*, 791 F.3d at 1329. The government agrees that the Federal Circuit is wrong. Now is the time to correct the error.

C. The Voluntary Dismissal Posture of This Case Favors Review

The government urges that review is not warranted to address the Federal Circuit's application of *Kessler* to the specific context of voluntary dismissals. U.S. Br. 20-21. But petitioner never claimed that the voluntary dismissal question *independently* warrants review. Cf. Cert. Reply 9-10. That posture merely makes this case a particularly good vehicle for addressing the broader question of whether *Kessler* is a freestanding preclusion doctrine at all. Pet. 29-32.

The government suggests that PersonalWeb voluntarily dismissed its first lawsuit because of an unfavorable claim construction ruling. U.S. Br. 20. In fact, that ruling resolved most of the disputed claim terms in PersonalWeb's favor. Dkt. 140 in No. 6:11-cv-00658 (E.D. Tex. Aug. 5, 2013). The only evidence of record shows that

PersonalWeb dismissed the case because it learned that the amount of damages at stake made the suit uneconomic. C.A. App. 599-600.

In any case, the government's speculation is irrelevant. The government urges that courts sometimes give interlocutory rulings like the original claim construction ruling *issue preclusive* effects following a voluntary dismissal. U.S. Br. 20. But the courts below did not rely on any issue preclusive effects of that earlier claim construction ruling. They did not rely on that ruling at all. And the government offers no analysis to suggest that the ruling, even if preclusive, would have any practical impact on this litigation whatsoever.

The government repeats the court of appeals' assertion that parties can modify the preclusive effect of a voluntary dismissal in a settlement agreement. U.S. Br. 20-21. But while parties can control preclusive effects *as between themselves*, the government never explains how they can restrict the rights of non-parties who may invoke *Kessler* as a defense in future litigation. Pet. 32. The *Kessler* issue is thus especially important in this context.

III. THIS CASE IS AN APPROPRIATE VEHICLE

The government finally urges that this case is a poor vehicle because the Federal Circuit's more recent claim construction ruling allegedly forecloses petitioner's infringement claims. U.S. Br. 21. But this controversy unquestionably remains live: PersonalWeb has a direct financial stake in the *Kessler* issue because the district court awarded more than $700,000 in attorney's fees based on PersonalWeb's *Kessler* and claim preclusion positions. See *In re PersonalWeb Techs., LLC Pat. Litig.*, No. 18-md-02834, 2021 WL 796356, at *9, *13, *18 (N.D. Cal. Mar. 2, 2021). That financial penalty plainly forecloses any finding of mootness. Cert. Reply 11.

The government does not dispute that "this case is not * * * moot in the technical Article III sense," but nonetheless urges that "a threshold question about mootness would complicate the Court's review." U.S. Br. 21-22. Not so. "Threshold questions" of mootness complicate review only if they have some substance. The question here does not: In light of the $700,000 fee award, there is not even a colorable basis for claiming mootness.

Finally, the government urges the Court to deny review because the district court deemed petitioner's litigation conduct "unreasonable in various ways wholly unrelated to *Kessler*." U.S. Br. 22. That is not a legitimate basis for denying review. This Court does not grant or deny certiorari based on moral judgments about a petitioners' unrelated conduct not before the Court. This case presents an important legal question that satisfies the Court's ordinary criteria for certiorari. Sup. Ct. R. 10. That is the proper focus for the Court's consideration.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

JEFFREY A. LAMKEN
Counsel of Record
ROBERT K. KRY
KENNETH E. NOTTER III
MOLOLAMKEN LLP
The Watergate, Suite 500
600 New Hampshire Ave., N.W.
Washington, D.C. 20037
(202) 556-2000
jlamken@mololamken.com

Counsel for Petitioner

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