

No. 20-_____

**In the
Supreme Court of the United States**

CHEETAH OMNI LLC,

Petitioner,

v.

AT&T SERVICES, INC,
CIENA CORPORATION, and CIENA
COMMUNICATIONS, INC.,

Respondents.

**On Petition for Writ of Certiorari to the
United States Court of Appeals for the Federal Circuit**

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In *Rodriguez v. Fed. Deposit Ins. Corp.*, __ U.S. __, 140 S. Ct. 713, 717 (2020), the Court held that federal courts may not create their own court-made rules unless it is “necessary to protect uniquely federal interests.”

THE QUESTION PRESENTED IS:

Did the Federal Circuit violate *Rodriguez* when it invoked its own federal common law rule, superseding controlling state contract law, to hold that a patent license—one that does not expressly license a particular patent—nonetheless impliedly licenses that patent merely because it is a continuation of an expressly licensed patent, without examining whether that federal common law rule was necessary to protect uniquely federal interests?

**PARTIES TO THE PROCEEDING BELOW
AND RULE 29.6 STATEMENT**

Petitioner Cheetah Omni LLC has no parent corporation, and no publicly held company holds 10% or more of its stock.

LIST OF PROCEEDINGS

United States Court of Appeals for the Federal Circuit

No. 19-1264

Cheetah Omni LLC v. AT&T Services, Inc., Ciena Communications, Inc., and Ciena Corporation

Judgment entered: February 6, 2020

En banc petition denied: April 8, 2020

United States District Court for the Northern District of Texas Dallas Division

No. 3:17-cv-01993-K

Cheetah Omni LLC v. AT&T Services, Inc, Ciena Communications, Inc., and Ciena Corporation

Judgment entered: October 23, 2018

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PETITION FOR A WRIT CERTIORARI

Cheetah Omni LLC (“Cheetah”) petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The decision of the United States Court of Appeals for the Federal Circuit affirming the district court’s summary judgment appears at 949 F.3d 691 (Fed. Cir. 2020) and is reprinted in the Appendix to the Petition (“App.”) at 1a-10a. The District Court’s summary judgment decision is unreported and is reprinted at App.11a-31a. The Federal Circuit’s order denying the petition for rehearing en banc is unpublished and is reprinted at App.32a-33a.

JURISDICTION

The Federal Circuit entered judgment on February 6, 2020. Cheetah filed a timely petition for rehearing en banc, which the Federal Circuit denied on April 8, 2020. Cheetah invokes the jurisdiction of this Court under 28 U.S.C. § 1254(1) (1988).

INTRODUCTION

Under longstanding Federal Circuit precedent, patent license agreements are interpreted according to state contract law. *McCoy v. Mitsuboshi Cutlery*,

Inc., 67 F.3d 917, 920 (Fed. Cir. 1995) (“Whether express or implied, a license is a contract ‘governed by ordinary principles of state contract law.’”) (quoting *Power Lift, Inc. v. Weatherford Nipple-Up Sys., Inc.*, 871 F.2d 1082, 1085 (Fed. Cir. 1989)).

In 2011, however, the Federal Circuit created a presumption in patent cases that bypasses state contract law: “[W]here . . . parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well.” *General Protecht Grp., Inc. v. Leviton Mfg. Co.*, 651 F.3d 1355, 1361 (Fed. Cir. 2011).

In 2020, just days before this Court decided *Rodriguez v. Fed. Deposit Ins. Corp.*, ___ U.S. ___, 140 S. Ct. 713 (2020), the Federal Circuit decided this case. “[D]eclin[ing] to read *General Protecht* . . . narrowly,” the court extended the presumption to **all** continuation patents. App.8a.

In *Rodriguez*, this Court rejected a federal common law rule—not unlike Federal Circuit’s all-continuation-patents-are-licensed presumption—because (1) it addressed no “unique interest” the federal government could have, and (2) “state law is well equipped to handle disputes involving corporate property rights.” 140 S. Ct. at 717-18. Likewise, the Federal Circuit has identified no unique interest the federal government has in routinely licensing continuation patents and state law is well equipped to handle contract disputes involving patent rights.

Cheetah does not ask the Court to resolve the contract dispute between Cheetah and Respondents.

Instead, like *Rodriguez*, Cheetah asks only that the Court vacate the Federal Circuit decision and remand to the Federal Circuit with instructions to apply state contract law, not federal common law, to the dispute.

STATEMENT OF THE CASE

In 2013, Cheetah entered into two patent license agreements, one with non-party Fujitsu Networking Corp. (“Fujitsu”) and one with respondent Ciena.¹ Those agreements gave Fujitsu and Ciena express licenses to several patents, but not to the patent-in-suit, U.S. Patent No. 7,522,836 (“the ‘836 patent”), a continuation of one of the expressly licensed patents. JA38-JA84.² Instead, the parties executed separate and more restrictive covenants not to sue (“CNSs”) that included the ‘836 continuation patent. JA466-JA474, JA400-JA408.

In 2017, Cheetah sued AT&T Services, Inc. (AT&T) alleging that parts of its “AT&T Fiber” communications system infringed the ‘836 patent. Fujitsu and Ciena supply certain equipment to AT&T, but they did not make or supply AT&T with the accused communications system. The district court had jurisdiction under 28 U.S.C. § 1338(a). AT&T, with intervenor Ciena, moved for summary judgment arguing that AT&T could not be sued for infringement of the ‘836 continuation patent because, under the Fujitsu and Ciena licenses, AT&T had an implied license to the ‘836 patent. The district court held that the ‘836

¹ Ciena Communications, Inc., and Ciena Corporation, collectively, “Ciena.”

² “JA___” refers to the Joint Appendix page(s) as filed in the Court of Appeals for the Federal Circuit.

patent was implicitly licensed because, under *General Protecht*, as a continuation patent it is presumed to be licensed and Cheetah had failed to rebut the presumption. App.19a-23a.

Cheetah appealed under 28 U.S.C. § 1295(a)(1). The Federal Circuit affirmed, holding that all continuation patents are impliedly licensed under the *General Protecht* presumption unless the patent owner makes a contrary intent clear in the license. App.8a-9a.

REASONS FOR GRANTING THE PETITION

THE FEDERAL CIRCUIT IMPROPERLY ADOPTED A FEDERAL COMMON LAW RULE THAT ALL CONTINUATION PATENTS ARE IMPLIEDLY LICENSED

A. The Federal Circuit’s implied license rule parallels the *Bob Richards* rule rejected in *Rodriguez*

Rodriguez involved an interplay of state corporate law, federal tax law, and federal bankruptcy law. The IRS allows affiliated corporations to file consolidated tax returns. 140 S. Ct. at 716. The IRS has rules on who can file such returns and how to compute consolidated taxes. *Id.* “But when it comes to the distribution of refunds, the regulations say considerably less.” *Id.* The IRS issues one refund and the consolidated filers must decide among themselves how to divide it. *Id.* If disputed, “[n]ormally, courts would turn to state law to resolve questions like these” because “[s]tate law is replete with rules readymade for such tasks. . . .” *Id.*

But some federal courts “crafted their own federal common law rule—one known to those who practice in the area as the *Bob Richards* rule.” *Id.* The *Bob Richards* rule began as a narrow presumption “that, in the absence of a tax allocation agreement, a refund belongs to the group member responsible for the losses that led to it.” *Id.* But then, “*Bob Richards* evolved.” *Id.* at 717. In some circuits, it grew to become “a general rule always to be followed unless the parties’ tax allocation agreement *unambiguously* specifies a different result.” *Id.* (emphasis in original).³

The Court characterized the *Bob Richards* rule as a “federal common law rule.” *Id.* at 716. It explained that federal common law rules are rare. “Judicial lawmaking in the form of federal common law plays a necessarily modest role under a Constitution that vests the federal government’s ‘legislative Powers’ in Congress and reserves most other regulatory authority to the States.” *Id.* at 717. “As this Court has put it, there is ‘no federal general common law.’” *Id.*, citing *Erie R. Co. v. Tompkins*, 304 U.S. 64, 78 (1938).

[B]efore federal judges may claim a new area for common lawmaking, strict conditions must be satisfied. The Sixth Circuit correctly identified one of the most basic: ***In the absence of congressional authorization, common lawmaking must be ‘necessary to protect uniquely federal interests.’***”

Id. at 717 (citations omitted).

The Court held that the *Bob Richards* rule was improper because the federal government had no unique

³ All emphasis added unless otherwise noted.

interest and because “state law is well equipped to handle disputes involving corporate property rights.” *Id.* at 718. The Court observed: “That cases like the one now before us happen to involve corporate property rights in the context of a federal bankruptcy and a tax dispute doesn’t change much.” *Id.*

A deeper look at *Rodriguez* and the facts present here demonstrates that the same analysis applies to this case. As *Rodriguez* discussed, the *Bob Richards* rule originally “provided that, in the absence of a tax allocation agreement, a refund belongs to the group member responsible for the losses that led to it.” However, the rule evolved beyond applying only when groups lack an allocation agreement and became “a general rule ***always to be followed*** unless the parties’ tax allocation agreement ***unambiguously specifies a different result.***” *Id.* at 717.

Like the *Bob Richards* rule rejected in *Rodriguez*, the Federal Circuit has created a rule that must be followed unless the agreement unambiguously specifies a different result. Specifically, the Federal Circuit held that when a patent “is an expressly licensed patent in the licenses, the licenses also include an implied license to a continuation of [that patent]” unless the parties “make [a contrary] intent clear in the license.” App.8a-9a. In both situations, a federal court created a rule that applied unless a contract “clear[ly]”/“unambiguously” communicated a different result. *Rodriguez*, 140 S. Ct. at 717; App.9a.

Further paralleling the *Bob Richards* rule, the Federal Circuit’s rule began as a narrow exception (applied to a U.S. government contract⁴) but has now

⁴ *AMP Inc. v. United States*, 389 F.2d 448 (Ct. Cl. 1968).

expanded to a rule applied to every continuation patent unless the patent owner meets its “burden” to prove a contrary “intent clear in the license.” App.8a. And like the *Bob Richards* rule, the Federal Circuit’s rule is unnecessary. Paraphrasing *Rodriguez*, “state law is well equipped to handle disputes involving [contract] rights.” That the licenses “happen to involve [intellectual] property rights in the context of a federal [patent] dispute doesn’t change much.”

B. No compelling federal government interest supports a federal common law rule impliedly licensing all continuation patents

The Federal Circuit identified no compelling federal interest in its implied license rule, and none exists.

First, longstanding Federal Circuit precedent establishes that state law applies when interpreting a patent license agreement because that agreement is simply a contract. “Whether express or implied, a license is a contract governed by ordinary principles of state contract law.” *McCoy*, 67 F.3d at 920 (internal quotation marks and citation omitted); *see also, Intellectual Ventures I LLC v. Erie Indem. Co.*, 850 F.3d 1315, 1320 (Fed. Cir. 2017) (“We apply state law to contractual disputes and interpretations of the parties’ patent assignment agreements.”) (footnote omitted); *Intel Corp. v. Negotiated Data Sols., Inc.*, 703 F.3d 1360, 1363 (Fed. Cir. 2012) (applying California law to determine if a patent license included certain patents); *State Contracting & Eng’g Corp. v. State of Fla.*, 258 F.3d 1329, 1339 (Fed. Cir. 2001) (quoting *McCoy*); *Power Lift*, 871 F.2d at 1085 (“A license

agreement is a contract governed by ordinary principles of state contract law.”) (citation omitted).

Second, precedent from this Court confirms that no compelling federal government interest exists in granting automatic licenses to continuation patents. In *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), the Court explained:

Commercial agreements traditionally are the domain of state law. State law is not displaced merely because the contract relates to intellectual property which may or may not be patentable; ***the states are free to regulate the use of such intellectual property in any manner not inconsistent with federal law.***

440 U.S. at 262.

To determine whether Aronson’s royalty contract was “inconsistent with federal law” the Court identified three purposes of the patent system courts should consider:

First, patent law seeks to foster and reward invention; second, it promotes disclosure of inventions to stimulate further innovation and to permit the public to practice the invention once the patent expires; third, the stringent requirements for patent protection seek to assure that ideas in the public domain remain there for the free use of the public.

Id. (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 480-81 (1974)).

Here, it serves no purpose to automatically license continuation patents. The rule hinders and penalizes innovation, it does not “foster and reward” it. The rule disincentivizes inventors from obtaining continuation

patents for their inventions. If continuations are automatically licensed without further compensation, why would an inventor (or a small company like Cheetah) spend thousands of dollars for a continuation patent? The rule takes away the reward.

The rule also does nothing to promote disclosure of inventions.⁵ By applying for and obtaining the *parent patent*, the inventor fulfills the disclosure goal. No further disclosure benefit results from courts giving away an inventor's continuation patents. Nor does a continuation patent hinder the public's right to practice the invention after the parent patent expires. A continuation patent expires on the same date as its parent—20 years from the filing date of the parent patent application. 35 U.S.C. § 154(b). And in a patent license agreement, the licensee can include language specifying that future continuation patents are licensed. There is no compelling interest of patent law that requires the Federal Circuit to usurp state law.

Continuation patents issue only after passing the “stringent requirements for patent protection,” *Ar- onson*, 440 U.S. at 262, and so do not take ideas from the public domain. Giving away continuation patents through automatic licensing does not “assure that ideas in the public domain remain there for the free use of the public.” *Id.* Thus, leaving the parties to their negotiated bargain with respect to continuation patents is not “inconsistent with federal law.”

⁵ Arguably the rule encourages non-disclosure. Why disclose aspects of an invention that would support a continuation patent if the continuation patent will become licensed automatically without further compensation?

In *Kewanee*, the Court held that patent law did not preempt state trade secret law, because “the patent policy of encouraging invention is not disturbed by the existence of another form of incentive to invention.” 416 U.S. 484. Likewise, applying state law to decide if a license agreement includes continuation patents does not disturb the patent policy of encouraging invention. Paraphrasing *Aronson*, “[e]nforcement of [Cheetah’s license] agreement is even less offensive to federal patent policies than state law protecting trade secrets.” 440 U.S. at 266.

Third, the opinion challenged in this Petition tacitly confirms there is no compelling federal government interest in the rule because it reaffirms that the parties’ “mutual intent” ultimately controls the contract terms. App.8a-9a. The Federal Circuit stated that while its rule is “presumed,” the parties may “contract around the presumption of an implied license if it did not ‘reflect their intentions.’” App.8a. The Federal Circuit even establishes a methodology for determining whether the “presumption” of its rule does not reflect the parties’ “intentions.” App.8a-9a. The burden of proof is “properly placed on the patent owner [] to specifically carve out” patents that it “intended to exclude” from the patent license contract. App.9a.

The Federal Circuit’s confirmation that the parties’ intent ultimately controls tacitly confirms the rule relates only to contract *interpretation*, a classic state law question. Said another way, by holding that the parties can “contract around” its “presumpti[ve]” interpretation rule, the Federal Circuit has decided that a contract that excludes continuations from a license “regulate[s] the use of such intellectual property in [a] manner not inconsistent with federal law,”

Aronson, 440 U.S. at 262, *i.e.*, there is no compelling federal policy in excluding such continuations.

Beyond the fact that there is no compelling federal interest in interpreting the scope and intent of patent license agreements, this Court pointed out in *Rodriguez* (regarding tax allocation agreements) that state law is “replete with rules readymade” to address those issues. *Id.* The same is true here.

The Cheetah license agreements say they “shall be governed by and construed in accordance with the laws of the State of Texas.” JA417, ¶ 8.2; JA483, ¶ 7.2. Texas courts “are hesitant to imply terms into contracts.” *Barrow-Shaver Resources Co. v. Carrizo Oil & Gas, Inc.*, 590 S.W.3d 471, 489 (Tex. 2019). Fujitsu and Ciena knew of the ‘836 patent and could have included a license to the ‘836 patent in the license agreement. App.6a. They did include the ‘836 patent in the contemporaneous covenants but chose not to license it. *Id.* Texas has “long held that courts will not rewrite agreements to insert provisions parties could have included or to imply restraints for which they have not bargained.” *Tenneco Inc. v. Enterprise Products Co.*, 925 S.W.2d 640, 646 (Tex. 1996).

Texas is not unique in its hesitancy to imply restraints into contracts. The law in other states reflects a similar hesitancy. *See., e.g., Frankel v. Bd. of Dental Exam'rs*, 46 Cal. App. 4th 534, 545 (1996) (“[C]ourts cannot make better agreements for parties than they themselves have been satisfied to enter into or rewrite contracts because they operate harshly or inequitably. . . . Parties have the right to make such agreements. The law refuses to read into contracts anything by way of implication except upon grounds of obvious necessity.”); *Heyman v. CBS, Inc.*, 178 Conn. 215, 227 (1979)

(“A term not expressly included will not be read into a contract unless it arises by necessary implication from the provisions of the instrument. . . It is hornbook law that courts do not rewrite contracts for the parties.”) (citations omitted); *Tech. Aid Crystal, Inc. v. Volkswagen of Am., Inc.*, No. 278,908, 2008 WL 2357643, at *4 (Mich. Ct. App. June 10, 2008) (“[W]e will not read into an agreement terms that have not been placed there by the parties.”).

The Federal Circuit’s decision to create its own rules for interpreting patent license contracts is “an unconstitutional assumption of powers” by the Court. *Erie R.*, 304 U.S. at 79. Without examination, or even consideration, of state contract law principles, the Federal Circuit created a federal rule that flouts the express agreement reached by the parties.

In striking down the *Bob Richards* rule, this Court emphasized that the parties had a tax allocation agreement, and therefore “[n]ormally, courts would turn to state law to resolve questions like these.” *Rodriguez*, 140 S. Ct. at 716. Likewise, the Federal Circuit normally would turn to state law to interpret patent licenses, “[w]hether express or implied.” *McCoy*, 67 F.3d at 920. The Federal Circuit has identified no reason the federal government has a unique interest in a rule that continuation patents are impliedly licensed.

C. The question presented is of considerable importance

The Federal Circuit’s codification and extension of its implied license rule likely negatively affects thousands of existing license agreements. Many agreements—like Cheetah’s—license specific patents

without licensing all continuation patents. The parties would now be surprised to learn that, after the Federal Circuit’s *Cheetah* decision, continuations of those licensed patents may also be licensed—contrary to the intent of the parties.

Drafters of license agreements 10 or 15 years ago, who drafted their agreements under laws of particular states (often even identifying a particular state’s law as controlling, just as *Cheetah* did) could never have foreseen this rise of a federal common law rule that retroactively rewrites their agreements. Those drafters operated under the well-established Federal Circuit precedent that state law controls the interpretation of patent license agreements. *McCoy*, 67 F.3d at 920; *Intellectual Ventures*, 850 F.3d at 1320; *Intel*, 703 F.3d at 1363; *State Contracting*, 258 F.3d at 1339; *Power Lift*, 871 F.2d at 1085. Unlike the states, the Federal Circuit does not have a well-established body of law for interpreting patent licenses. That has revealed itself in the Federal Circuit’s changing implied license rules.

Originally, the Federal Circuit had no presumptive implied license rule. Instead, the Federal Circuit’s predecessor, the Court of Claims, required an erstwhile licensee to (1) “define the property right” granted to the licensee and (2) show how the licensor “is attempting to derogate or detract from that right.” *AMP Inc. v. United States*, 389 F.2d 448, 453 (Ct. Cl. 1968).

This exception, arising in a federal contract case, has expanded markedly over the years. In 1997, the Federal Circuit noted, “judicially implied licenses are rare under any doctrine.” *Wang Labs., Inc. v. Mitsubishi Elecs. Am., Inc.*, 103 F.3d 1571, 1581

(1997). In 2009, the Federal Circuit explained: “Legal estoppel refers to a narrow[] category of conduct encompassing scenarios where a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted.” *TransCore v. Elec. Transaction Consultants Corp.*, 563 F.3d 1271, 1279 (Fed. Cir. 2009) (citation and internal quotation marks omitted).

In 2011, the narrow exception became a broad presumption, applying to “continuations [that] issue from patents that previously have been licensed as to certain products.” *General Protecht*, 651 F.3d at 1361. In *Cheetah*, the presumption changed to a rule that **every** continuation patent is impliedly licensed unless the patent owner “make[s] [a contrary] intent clear in the license.” App.9a (citation omitted). This expanding federal common law rule frustrates the intent of parties who, like *Cheetah*, relied on state law to govern their agreements, both expressly in their contracts and by operation of longstanding Federal Circuit precedent.

Rather than decide this case under Texas law as precedent requires, the Federal Circuit adopted and applied a federal common law rule identifying no unique federal government interest in such a rule. Issues of federalism, such as those raised here, are important and this Court should address them.

CONCLUSION

Cheetah does not ask the Court to decide the contract dispute between *Cheetah* and Respondents. Instead, like *Rodriguez*, the Court should vacate the Federal Circuit’s judgment and remand to the Federal

Circuit with instructions to apply state contract law,
not federal common law, to the dispute.

Respectfully submitted,

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