

In the
United States Court of Appeals
for the Federal Circuit

CHRIMAR SYSTEMS, INC. d/b/a CMS Technologies, Inc.,
and CHRIMAR HOLDING COMPANY, LLC

Plaintiffs-Appellees,

v.

ALE USA INC. f/k/a Alcatel-Lucent Enterprise USA, Inc.,

Defendant-Appellant.

On Appeal from the United States District Court
for the Eastern District of Texas, No. 6:15-cv-00163-JDL.
The Honorable John D. Love, Judge Presiding.

Appeal No.: 2018-2420.

**BRIEF OF AMICUS CURIAE US INVENTOR, INC. IN SUPPORT
OF APPELLEE'S PETITION FOR REHEARING EN BANC**

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4 November 2019

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4 and Fed. R. App. P. 26.1(a), *Amicus Curiae* US Inventor, Inc. states the following:

- (1) The full name of every party represented in the case by Larkin Hoffman is US Inventor, Inc.
- (2) The name of the real party in interest is US Inventor, Inc.
- (3) US Inventor, Inc. has no parent corporation, and no publicly held corporation owns 10% or more of its stock.
- (4) The names of all law firms and the partners and associates that have appeared for the part in the lower tribunal or this court and who are not already listed on the docket for the current case: David P. Swenson and the firm of Larkin Hoffman Daly Lindgren, Ltd.
- (5) The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal: none.

Dated: 4 November 2019

/s/ David P. Swenson
David P. Swenson
Counsel for Amicus Curiae

TABLE OF CONTENTS

TABLE OF CONTENTS	iii
TABLE OF AUTHORITIES	iv
STATEMENT OF AUTHORSHIP & FUNDING	1
IDENTITY & INTEREST OF <i>AMICUS CURIAE</i>	1
INTRODUCTION	2
ARGUMENT	3
CONCLUSION.....	8
CERTIFICATE OF COMPLIANCE.....	9

TABLE OF AUTHORITIES

Federal Cases

<i>Aspex Eyewear, Inc. v. Zenni Optical, Inc.</i> , 713 F.3d 1377, 1380 (Fed. Cir. 2013)	4
<i>Dana v. E.S. Originals</i> , 343 F. 3d 1320, 1323 (Fed. Cir. 2003).....	3
<i>Dow Chemical Co. v. Nova Chemicals Corp.</i> , 803 F.3d 620 (Fed. Cir. 2015)	5
<i>ePlus, Inc. v. Lawson Software, Inc.</i> , 789 F.3d 1349 (Fed. Cir. 2015).....	5
<i>Fresenius USA, Inc. v. Baster Int'l, Inc.</i> 582 F.3d 1288, 1294 (Fed. Cir. 2009).	6
<i>Fresenius USA, Inc. v. Baxter International</i> , 721 F.3d 1330 (Fed. Cir. 2013)	passim
<i>John Simmons Co. v. Grier Bros. Co.</i> , 258 U.S. 82 (1922).....	5
<i>Katz v. Lear Siegler, Inc.</i> , 909 F.2d 1459 (Fed. Cir. 1990)	4
<i>Laboratory Corp. v. Chiron Corp.</i> , 384 F. 3d 1326, 1329-1330 (Fed. Cir. 2004)	4
<i>Markman v. Westview Instruments, Inc.</i> , 517 U.S. 370, 390 (1996).....	3, 7
<i>XY, LLC v. Trans Ova Genetics</i> , 890 F.3d 1282 (Fed. Cir. 2018).....	5, 6, 7

Other Authorities

King & Wolfson, “PTAB Rearranging the Face of Patent Litigation,” 6 No. 2 Landslide 18 (2013)	5
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STATEMENT OF AUTHORSHIP & FUNDING

Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(E), *Amicus Curiae*

US Inventor, Inc. states that no party or its counsel authored this brief in whole or part; no party or its counsel contributed money intended to fund preparing or submitting the brief; and, no person other than *Amicus*, its members or counsel contributed money intended to fund preparing or submitting this brief.

IDENTITY & INTEREST OF AMICUS CURIAE

US Inventor, Inc. is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its 13,000 inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the “little guy” inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation. Their broad experience with the patent system, new technologies, and creating companies, gives them a unique perspective on the important issues presented in the underlying petition.

Appellee Chrimar Systems, Inc. has consented to the filing of this brief, Appellant ALE USA Inc. declined to consent to the filing of this brief.

INTRODUCTION

It is time for the Federal Circuit to reconsider its dubious line of precedent that began with *Fresenius USA, Inc. v. Baxter International*, 721 F.3d 1330 (Fed. Cir. 2013), and continues through this appeal. Petitioner Chrimar Systems, Inc. correctly identifies the flaws in the panel result that allowed an after-the-fact administrative decision applying a lower burden of proof—by non-Article III adjudicators that this Court has since determined in its *Arthrex* opinion were appointed unconstitutionally, no less—to undo a final decision awarding a patent owner the damages it was due from proven infringement, affirmed by this Court.

The *Fresenius* decision itself was a split decision with a vigorous dissent from Judge Newman. The denial of rehearing in that appeal also drew four dissenting votes out of ten judges of this Court who considered it. Decisions applying *Fresenius* continue to trigger strenuous objections, both from judges of this Court, as well as from the academic community, as highlighted by the Petition.

Fresenius and the outcome here, based on it, contravene the Federal Circuit’s founding mandate. In so doing, this Court assumes unto itself control over the interpretation of legal principles not assigned to it, without even the slightest nod to the required choice of law analysis. The result is an incorrect view of finality solely for patent cases before this Court, in conflict with the uniform view of finality consistently applied by all other federal Courts of Appeals.

ARGUMENT

The U.S. Supreme Court recognized in *Markman v. Westview Instruments, Inc.* that “Congress created the Court of Appeals for the Federal Circuit as an exclusive appellate Court for patent cases” for the sake of “desirable uniformity” with respect to the treatment of a given patent. 517 U.S. 370, 390 (1996). The *Markman* opinion went on to cite the legislative history surrounding the Federal Circuit’s creation, “observing that increased uniformity would ‘strengthen the United States patent system in such a way as to foster technological growth and industrial innovation.’” *Id.* (citations omitted). It cannot be disputed that the Federal Circuit’s insistence on going it alone on the issue of finality raised in *Chrimar*, and prior cases tied back to *Fresenius*, operates in exactly the opposite fashion. It rewards adjudged copyists at the expense of patent holders, not for innovation and technical brilliance, but for dogged perseverance in litigation.

For its part, outside of *Fresenius* and its ilk, the Federal Circuit normally takes care to address and respect the limits of its mandate on such issues. In *Dana v. E.S. Originals*, for example, the Court began its analysis of a question of collateral estoppel by noting that “[o]n procedural issues not unique to this circuit’s exclusive jurisdiction, we apply the law of the regional circuit, which in this case is the Eleventh Circuit.” 342 F.3d 1320, 1323 (Fed. Cir. 2003). Ten years later, citing *Dana*, the Court again began by stating that “[s]ince the criteria of collateral

estoppel are not unique to patent issues, on appellate review we are guided by the precedent of the regional circuit,” and again applied Eleventh Circuit law. *Aspex Eyewear, Inc. v. Zenni Optical, Inc.*, 713 F.3d 1377, 1380 (Fed. Cir. 2013).

In *Laboratory Corp. v. Chiron Corp.*, this Court highlighted as problematic its own failure to analyze the choice of law underlying a prior decision relied upon by the appellees in that appeal, *Katz v. Lear Siegler, Inc.*, 909 F.2d 1459 (Fed. Cir. 1990), but concluded that the absence of a choice of law analysis there was apparently at worst a harmless oversight because “the application of the abuse of discretion standard was not controversial,” and was “recognized to be generally applied by federal courts of appeals” 384 F.3d 1326, 1329-1330 (Fed. Cir. 2004). In deciding *Laboratory Corp.*, however, the Court stressed that, “[i]n this case, the decision whether to follow Federal Circuit or Third Circuit law is critical,” in other words where a “material difference” exists between the two. *Id.* Ultimately, the Court did apply its own law, after carefully determining that the appeal involved an issue intimately related to its exclusive patent jurisdiction. *Id.*

In the panel’s decision here, as in *Katz*, it waltzes right past any analysis of the choice of law before ruling against Chrimar based solely on its own precedent. But unlike *Katz*, and instead analogous to *Laboratory Corp.*, the choice of law question here is “critical,” and there appear to be “material difference[s]” between this Court’s *Fresenius* line of cases and every other circuit in America.

The panel relies on *Fresenius*, as well as *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282 (Fed. Cir. 2018), and a couple of cases in the same line of precedent between the two, *Dow Chemical Co. v. Nova Chemicals Corp.*, 803 F.3d 620 (Fed. Cir. 2015), and *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015). The panel tiptoes through its precedent to pluck out exclusively other decisions that also omit any consideration of the key choice of law question.¹

Judge Newman's dissent in *Fresenius* catalogued that every single federal circuit court treats finality differently than the Federal Circuit does, or at least sixty-percent of its members as of the denial of rehearing in *Fresenius*. See *Fresenius*, 721 F.3d at 1355-58 (Newman, J., dissenting); see also 773 F.3d 1369 (Fed. Circ. 2013) (order denying rehearing). One commentator noted at the time that “[t]he *Fresenius* opinion is unlikely to be the last word on inconsistent judgements between the PTAB and the courts,” emphasizing “particularly that the Federal Circuit’s application of res judicata in *Fresenius* is *far out of step with well-established principles in the regional circuits.*” King & Wolfson, “PTAB Rearranging the Face of Patent Litigation,” 6 No. 2 Landslide 18 (2013) (emphasis added). Curiously, in the initial appeal of this matter four years earlier heard by

¹ As Petitioner ably points out, the panel's efforts to bolster its unsubstantiated choice of the Court's own law by relying on the inapposite 1922 Supreme Court decision in *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922), are flawed and already have been debunked by judges of this Court in multiple dissents.

nearly the same panel,² in contrast to the later analysis of finality, the legal discussion started by stating that “[f]ollowing the procedural law of the Ninth Circuit, we review the district courts grant or denial of JMOL de novo.” *Fresenius USA, Inc. v. Baster Int'l, Inc.* 582 F.3d 1288, 1294 (Fed. Cir. 2009).

The other precedential decision relied upon most prominently by the *Chrimar* panel was *XY, LLC*. This again was a two-to-one decision that drew another vigorous dissent from Judge Newman. *See* 890 F.3d at 1298-1302. In *XY*, the decision actually included a “Standards of Review” section, which set forth that, aside from the royalty calculation, “[w]e review each of the other issues in this appeal under the law of the regional circuit, the Tenth Circuit.” *Id.* at 1290. Yet the list of “other issues” that followed excluded the collateral estoppel question addressed in Part III.A of the Discussion. And there, the Court abruptly switched gears with no explanation and no analysis of the choice of law, and mentioned as essentially an afterthought that “[t]he instant case is a straightforward application of this court’s and Supreme Court precedent.” *Id.* at 1294. Except that it is not. Rather, a divided Federal Circuit merely continues to extend a flawed line of its own precedent on this issue, continuously citing back to its same, prior decisions, all untethered to any legitimate choice of law analysis in the thread of opinions.

² Judge Gajarsa authored the 2009 opinion, but was replaced by Judge Prost on the panel in 2013.

The bottom line here is that a decision like the *Chrimar* panel decision, and the unexamined perpetuation of this inappropriately self-authenticating body of precedent, threaten to undermine the public's faith in the United States patent system, especially when it seems to serve as a one-way ratchet to the detriment of inventors and patent holders. None of this comports with the notion of "increased uniformity" that Congress and the Supreme Court in *Markman* cited as meant to "strengthen the United States patent system in such a way as to foster technological growth and industrial innovation." *Markman*, 517 U.S. at 390. Indeed, this *Chrimar* outcome, along with the preceding *XY, LLC* split panel decision, as well as both the split panel decision and six-to-four denial of rehearing decision in *Fresenius*, all illuminate a complete lack of uniformity on this question of finality.

Worse yet, this decision offers a roadmap that will encourage accused infringers who very often have disproportionately-greater resources to avail themselves of any conceivable avenue to prolong litigation and appeals, far beyond the point where any plausible hope remains for a positive result in that action, so long as some parallel route still exists in the PTO that could lead to invalidation. This can include through the efforts of an unrelated third party at the PTAB. In particular, solo inventors and small entities, which make up the membership of *Amicus Curiae US Inventor* and many similar inventor groups around the country, will be discouraged and disincentivized, as well as prohibited by the ever-

increasing costs, from participating in the patent system and the intended innovation and growth, if even their rare victories are overturned in this fashion.

CONCLUSION

The Federal Circuit is split both internally on this question of finality; and, as Judge Newman and the commentators have identified, it is split externally from the rest of the federal judiciary. All of which should compel the full Court to grant Chrimar's Petition for Rehearing *En Banc*, and review the panel's decision. At the very least, the underlying *Fresenius* body of precedent should be reconsidered in light of a full, proper analysis of the choice of law involved, which this Court inexplicably has circumvented to the apparent detriment of patent holders.

Respectfully submitted,

Dated: 4 November 2019

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CERTIFICATE OF COMPLIANCE

This brief complies with the word count limitation of Fed. Cir. R. 35(g), and contains 1,794 words, exclusive of the portions exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b).

This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed R. App. P. 32(a)(6) because this brief has been prepared in a proportionally-spaced typeface using Microsoft Word 2010 in 14-point Times New Roman type.

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PROOF OF SERVICE

I hereby certify that on this 4th day of November 2019 I caused copies of the foregoing **BRIEF OF AMICUS CURIAE US INVENTOR, INC. IN SUPPORT OF APPELLEE'S PETITION FOR REHEARING EN BANC** to be served by electronic means via the Court's CM/ECF system on all counsel registered to receive electronic notices.

Dated: 4 November 2019

/s/ David P. Swenson

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