

In the
United States Court of Appeals
for the **Federal Circuit**

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

Plaintiffs-Appellees,

v.

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

Defendant-Appellant.

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.

PETITION FOR REHEARING *EN BANC*

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2018-2420

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Amended Certificate of Interest

- 1. The full name of every party or amicus represented in the case by the attorney.**

Plaintiffs-Appellees Chrimar Holding Company LLC and Chrimar Systems, Inc., dba CMS Technologies, Inc.

- 2. The name of the real party in interest if the party named in the caption is not the real party in interest.**

The Plaintiffs-Appellees named are the real parties in interest.

- 3. The corporate disclosure statement prescribed in Federal Rule of Appellate Procedure 26.1.**

Chrimar Systems, Inc. is a wholly owned subsidiary of Chrimar Holding Company LLC. No publicly held corporation owns 10% or more of Chrimar Holding Company LLC.

- 4. The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this Court.**

The following attorneys appeared for Plaintiffs-Appellees in the underlying case or are expected to appear for them in this Court:

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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.

This Court's decision in *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, consolidated appeal Nos. 2018-1499 (lead), -1500, -1503, and -1984, may affect the pending appeal. The following matters involve patents-at-issue in the underlying lawsuit:

Patent Trial and Appeal Board

- *Cisco Systems, Inc. v. Chrimar Systems Inc., et al.*, Case No. 18-01508 ('012 patent);
- *Cisco Systems, Inc. v. Chrimar Systems Inc., et al.*, Case No. 18-01511 ('760 patent);
- *Hewlett Packard Enterprise Company, et al. v. Chrimar Systems, Inc. et al.*, Case No. 19-00032 ('012 patent); and
- *Hewlett Packard Enterprise Company, et al. v. Chrimar Systems, Inc. et al.*, Case No. 19-00033 ('760 patent).

District court

- *Chrimar Systems, Inc., et al. v. Fortinet, Inc.*, No. 3:16-cv-00897 (N.D. Cal.);
- *Chrimar Systems, Inc., et al. v. NETGEAR*, No. 3:16-cv-00624 (N.D. Cal.);
- *Chrimar Systems, Inc., et al. v. Juniper Networks, Inc.*, No. 3:16-cv- 00558 (N.D. Cal.);
- *Chrimar Systems, Inc., et al. v. Ruckus Wireless Inc.*, No. 3:16-cv-00186 (N.D. Cal.);
- *Chrimar Systems, Inc., et al. v. Fanvil Technology Co., Ltd.*, No. 6:18-cv-00093 (E.D. Tex.);
- *Chrimar Systems, Inc., et al. v. Anixter Inc.*, No. 6:18- cv-00248 (E.D. Tex.);

- *Cisco Systems Inc. v. Chrimar Systems, Inc.*, No. 2:15-cv-12565 (E.D. Mich.);
- *Hewlett-Packard Company v. Chrimar Systems, Inc.*, No. 2:15-cv-12569 (E.D. Mich);
- *Hewlett-Packard Company v. Chrimar Systems, Inc.*, No. 2:15- cv-10814 (E.D. Mich);
- *Cisco Systems, Inc. v. Chrimar Systems, Inc.*, No. 2:15-cv-10817 (E.D. Mich);
- *Cisco Systems, Inc. v. Chrimar Systems, Inc.*, No. 2:14-cv-10290 (E.D. Mich); and
- *Hewlett-Packard Company v. Chrimar Systems, Inc.*, No. 2:14-cv- 10292 (E.D. Mich)

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STATEMENT OF COUNSEL

This petition asks this Court to convene en banc to consider the so-called “*Fresenius / Simmons* preclusion principle”—perhaps the most criticized Federal Circuit legal doctrine that panels of this Court are currently required to apply.

Based on my professional judgment, I believe the panel decision is contrary to the following precedents of the Supreme Court: *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293 (2015); *Clay v. United States*, 537 U.S. 522 (2003).

Also, under Federal Rule of Appellate Procedure 35(b)(2), I believe that the panel decision “conflicts with the authoritative decisions of other United States Courts of Appeals that have addressed the issue” of whether rulings of another branch of government may negate the judgment of an Article III court: *Qualcomm, Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999).

Furthermore, I believe this petition raises one or more precedent-setting questions of exceptional importance: whether an infringer under a final damages judgment can avoid preclusion, and thus seek vacatur of that judgment, based on a later USPTO unpatentability outcome.

NONPRECEDENTIAL DECISIONS ARE REVIEWABLE EN BANC

This en banc petition seeks review of a panel decision designated as nonprecedential. A Federal Circuit Rule 35 Practice Note states that en banc review of nonprecedential decisions is “rarely appropriate.” This is that rare case.

En banc even on review of nonprecedential decisions is appropriate, where a panel was forced to apply legal standards that members of the Court have sharply criticized in past decisions. *E.g.*, *Lighting Ballast Control v. Philips Electronics*, 744 F.3d 1272 (Fed. Cir. 2014) (granting *en banc* review of oft-criticized *Cybor* rule after nonprecedential panel opinion). Likewise, the Supreme Court reviews this Court's decisions even when they are nonprecedential. *E.g.*, *Oil States Energy Svcs. v. Greene's Energy Group*, 137 S. Ct. 2239 (2018) (review after Fed. Cir. Rule 36 affirmance); *KSR Intern. Co. v. Teleflex Inc.*, 550 U.S. 398 (2007) (review after nonprecedential opinion).

RELEVANT FACTUAL AND PROCEDURAL BACKGROUND

A jury found patent infringement liability and past damages of \$324,558.34 against Respondent ALE USA Inc. On February 27, 2017, the District Court entered final judgment in Petitioner Chrimar Systems, Inc.'s favor. This Court affirmed on May 8, 2018 (corrected opinion issuing on June 1, 2018). *Chrimar Holding Co., LLC v. ALE USA Inc.*, Nos. 2017-1848, 2017-1911, 2018 U.S. App. LEXIS 12256 (Fed. Cir. May 8, 2018) ("*Chrimar I*"). In *Chrimar I*, this Court remanded one claim construction issue under one of the four litigated patents, but otherwise affirmed all liability and damages issues. This Court expressly held that the partial remand was "immaterial to damages because any damages that would result from the alleged

infringement of the [remanded] '012 patent also results from the infringement of the '107 and '760 patents.” *Id.* at *21.

Meanwhile, after the February 27, 2017 judgment that this Court affirmed in *Chrimar I*, the Patent Trial and Appeal Board (“PTAB”) issued final written decisions in inter partes review proceedings brought by a different party (Juniper Networks). The PTAB held unpatentable the asserted claims, but did so under a lighter burden of proof than exists in federal court. This Court affirmed those determinations without opinion, under a deferential “substantial evidence” appellate review standard. *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984, 2019 U.S. App. LEXIS 28106 (Fed. Cir. Sept. 19, 2019) (“*Chrimar II*”).

In the instant proceedings, on the same day as *Chrimar II*, the same panel of this Court also ordered that the judgment previously affirmed in *Chrimar I* be vacated and remanded for dismissal. *Chrimar Systems, Inc. v. ALE USA Inc.*, No. 2018-2420, 2019 U.S. App. LEXIS 28105 (Fed. Cir. Sept. 19, 2019) (“*Chrimar III*”). This decision (*Chrimar III*) is the subject of the present petition. Here, the panel was constrained to apply what it called the “*Fresenius / Simmons* preclusion principle” to nullify the jury verdict and ensuing judgment. Under this principle, administrative invalidation of patents will nullify an Article III damages judgment at any phase of litigation as long as some aspect of the case remains pending. As the *Chrimar III*

panel decision reveals, the “pending” issues here did not pertain to matters settled in the original judgment, *i.e.*, merits liability, past damages, or the framework for calculating ongoing royalties. Whichever way this Court might have decided appealed issues in *Chrimar III*, those “pending” issues would not, on remand, have affected the proper calculation of anything, even the post-judgment ongoing royalties.

ARGUMENT FOR REHEARING EN BANC

Numerous Judges of this Court have called for en banc resolution of the rules of finality that attach to an Article III judgment, when a later PTAB decision conflicts with that judgment. This case presents an excellent vehicle for the full Court to address this issue. The so-called “*Fresenius / Simmons* preclusion principle” has received sharp criticism from academics and jurists. It is legally incorrect. And, this principle incentivizes unfairness for patentees, motivates gamesmanship by accused infringers, and leads to wasted judicial effort by trial and appeals courts.

I. The Panel Decision Did Not Apply the Restatement (Second) of Judgments Because *Fresenius* Incorrectly Requires Ignoring the Restatement

The panel decision applied the “*Fresenius / Simmons* preclusion principle” to find that this case lacked a final judgment because issues outside the scope of the appellate mandate remained to be determined. This principle compelled the panel to ignore the governing Fifth Circuit standard, under which “a judgment may be final

[for preclusion purposes] even though an appeal is pending or a lower court has yet to fully dispose of the matter from which the issue arises.” *In re Sims*, 479 B.R. 415, 421–22 (Bankr. S.D. Tex. 2012), *aff’d*, 548 F. App’x 247 (5th Cir. 2013) (citing *Prager v. El Paso Nat’l Bank*, 417 F.2d 1111, 1112 (5th Cir. 1969)); *see Pharmacia & Upjohn Co. v. Mylan Pharm., Inc.*, 170 F.3d 1373, 1381 n.4 (Fed. Cir. 1999) (“[B]ecause the application of general collateral estoppel principles, such as finality of judgment, is not a matter within the exclusive jurisdiction of this court, we must apply the law of the circuit in which the district court here sits.”).

En banc review can correct that error. Further, it can bring this Court into alignment with the Supreme Court and every other circuit by commanding application of the traditional federal common law of preclusion. Federal courts, including the Fifth Circuit, look to the Restatement to determine a judgment’s preclusive effect, and related issues of finality. *See, e.g., Recover Edge L.P. v. Pentecost*, 44 F.3d 1284, 1295 (5th Cir. 1995) (citing Restatement (Second) of Judgments, § 13); *see also B&B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1303 (2015) (stating the Supreme Court “regularly turns to the Restatement (Second) of Judgments for a statement of the ordinary elements of [preclusion]”); *Clay v. United States*, 537 U.S. 522, 527 (2003) (“[A] federal judgment becomes final for [] claim preclusion purposes when the district court disassociates itself from the case, leaving nothing to be done at the court of first instance save execution of

the judgment.”) (citing Restatement, § 13, comment b); *George v. City of Morro Bay* (*In re George*), 318 B.R. 729, 733 (9th Cir. BAP 2004) (“The Supreme Court treats the *Restatement (Second) of Judgments* (“*Restatement*”) as an authoritative statement of federal res judicata doctrines . . .”). Applying the Restatement’s plain language, an infringer subject to a damages judgment has no right in any forum to relitigate a lost invalidity case, except on direct appeal of the judgment of no invalidity. Restatement (Second) of Judgments, § 17 (claim or defense “extinguished” when within the scope of a “final personal judgment,” which is “conclusive between the parties, except on appeal or direct review”).

Nor does the Restatement leave room for deeming a judgment “nonfinal” for preclusion purposes because of lingering disputes unrelated to liability or damages. Section 13 provides that a “‘final judgment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.” Restatement (Second) of Judgments, § 13. A “sufficiently firm” adjudication is one that is the “‘last word’ of the rendering court.” Restatement (Second) of Judgments, § 13, comment a. Here, such “last word” was the 2017 district court judgment that resolved liability, past damages, and determination of the ongoing royalty. Appeal from that judgment did not obviate finality. Restatement (Second) of Judgments, § 13, comment f; *see also Pharmacia & Upjohn*, 170 F.3d at 1381.

Neither the presence of ongoing royalties, nor the remand of one issue in *Chrimar I* that was “immaterial” to damages, changes the calculus. Continuing litigation on matters not germane to liability or damages should not undermine finality. *See, e.g., Pye v. Dep’t of Transp. of State of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975) (“To be final a judgment does not have to dispose of all matters involved in a proceeding.”). For example, a “judgment concluding an action is not deprived of finality for purposes of res judicata by reason of the fact that it grants or denies continuing relief, that is, requires the defendant, or holds that the defendant may not be required, to perform acts over a period of time.” Restatement (Second) of Judgments, § 13, comment c.

And re-opening one part of a judgment does not affect the preclusive nature of the rest. “A judgment may be final in a res judicata sense as to a part of an action although the litigation continues as to the rest.” Restatement (Second) of Judgments, § 13, comment e; *see also, Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1380 (Fed. Cir. 2014) (O’Malley, dissenting from denial of reh’g en banc) (finality in modern law applied “less strictly for preclusion purposes than for purposes of appeal”).

On this point, in her panel dissent in *Fresenius*, Judge Newman provided examples of every single circuit respecting the finality of judgments for preclusion purposes, “for issues that were litigated and decided.” *Fresenius USA, Inc. v. Baxter*

Int'l, Inc., 721 F.3d 1330, 1355-58 (Fed. Cir. 2013) (Newman, J., dissenting, discussing caselaw from First through Eleventh, D.C. and Federal Circuits). Judge Newman noted that the *Fresenius* panel majority “insist that no appellate judgment is final as to any issue finally decided, if there is a remand on a different aspect of the case.” *Id.* at 1358. Judge Newman concluded that such “doctrinaire approach has been rejected throughout the federal system,” and stands against “heavy and uniform weight” among the circuit courts. *Id.* En banc review can address and eliminate this inter- and intra-circuit split.

Finally, post-judgment administrative invalidation of a patent should not nullify a prior judgment on the ground that the later of two inconsistent judgments has preclusive effect. Under this exception to preclusion, there must have been (1) availability of a preclusion argument in the second (later) action that the holder does not assert, followed by (2) a third action. Here, Chrimar did not waive a preclusion argument at the PTAB (indeed, none was available against Juniper Networks), nor is this a *third* proceeding (since it is still the *first* one). *See Fresenius*, 733 F.3d at 1380 n.8 (O’Malley, J., dissenting from denial of reh’g en banc) (distinguishing Restatement (Second) of Judgments, § 15).

These preclusion principles should apply even though Chrimar seeks a preclusion holding in the same case that contains the final judgment.¹ Even the *Fresenius* panel majority called it “correct” to use “well-established principles of res judicata” to inquire when a judgment becomes final enough to be immune to PTAB cancellation during a subsequent appeal in the same case. *Fresenius*, 721 F.3d at 1340-42 (interpreting remand for reconsideration of the ongoing royalty rate as “defeat[ing] preclusion entirely” to make the judgment insufficiently final). It is therefore beyond debate that res judicata principles (embodied in the Restatement) will control what level of finality a judgment in the same case must have to be immune to PTAB cancellation.

II. The *Fresenius* Panel Incorrectly Believed Itself Bound by Inapposite Supreme Court Authority

A second independent reason exists for the Court convening en banc to evaluate the “*Fresenius* / *Simmons* preclusion principle.” The panel majority in *Fresenius* incorrectly believed itself bound to apply *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922). The *Fresenius* panel majority believed that the 1922 *Simmons* decision “demonstrates that the district court *must* apply intervening legal

¹ All of Chrimar’s arguments supporting rehearing hold force, regardless of which specific preclusion doctrine applies, whether it be law of the case, the mandate rule, claim or issue preclusion. *Fresenius*, 733 F.3d at 1383 (Newman, J., dissenting from denial of reh’g en banc) (identifying law of the case as the relevant preclusion doctrine).

developments affecting the asserted patent’s validity, even if the court of appeals already decided the validity issue the other way.” *Fresenius*, 721 F.3d at 1342 (emphasis added). But at least one academic has identified numerous flaws in this conclusion. See Paul R. Gugliuzza, *(In)valid Patents*, 92 Notre Dame L. Rev. 271, 313-14 (2016) (“It is a stretch to claim, as the Federal Circuit has, that *Simmons* is controlling in modern cases involving inconsistent validity decisions by a court and the PTO;” noting several reasons).

Judge O’Malley’s *Fresenius* dissent from denial of rehearing en banc ably explains why *Simmons* (and another case) should not have led mandatorily to the *Fresenius* holding. Judge O’Malley’s words equally explain why the “*Fresenius* / *Simmons* preclusion principle” applied in this case (*Chrimar III*) rests on unsound foundations:

Neither of those cases, however, involved an appeal from a final judgment and completed accounting (*i.e.*, in those cases, no measure of damages had been established). . . . [I]n *Simmons*, the Supreme Court noted the interlocutory nature of the appeal, and stated that the judgment was not “final” because “an accounting,” which at the time was the *only* procedure by which damages for infringement were calculated, “was necessary to bring the suit to a *conclusion upon the merits*.” *Simmons*, 258 U.S. at 89 (emphasis added).

The circumstances here are entirely different. Final judgment was entered, the calculation of past damages had occurred, and appellate review of those determinations had concluded. Baxter’s right in the judgment had vested. In other words, unlike in *Mendenhall* and *Simmons*, a true “accounting” had occurred. . . . Consequently, nothing in either *Mendenhall* or *Simmons* suggests that an administrative

agency's actions can undermine the conclusive resolution of rights by the courts.

Fresenius, 733 F.3d at 1378 (O'Malley, J., dissenting from denial of reh'g en banc).

These same observations apply here. That the Supreme Court in *Simmons* revisited a merits judgment in a case that was still open does not mandate doing so in a case containing a truly final judgment, complete with a calculated damages award.

In short, Judges of this Court (and at least one academic) have raised substantial questions over whether the *Simmons* decision gives support at all for the “*Fresenius / Simmons* preclusion principle.” See also *Fresenius*, 721 F.3d at 1360 (Newman, J., dissenting). This supplies yet further justification for en banc review.

III. The “*Fresenius / Simmons* Preclusion Principle” Violates Separation of Powers By Allowing Administrative Outcomes to Nullify Otherwise Final Article III Judgments

Judges of this Court have also identified a constitutional violation meriting en banc review: allowing an administrative agency decision to nullify a court judgment that has otherwise resolved the merits and damages of a patent infringement suit. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1315 (Fed. Cir. 2015) (O'Malley, J., joined by Wallach, J., dissenting from denial of reh'g en banc) (noting “the constitutional concerns raised by both this case and [*Fresenius*]”); *Fresenius*, 733 F.3d at 1373 n.1 (O'Malley, J., joined by Rader, J. and Wallach, J.) (agreeing there are “constitutional implications” identified by the panel dissent); *Fresenius*, 721 F.3d at 1352-53 (Newman, J., dissenting) (“My colleagues endorse

administrative abrogation of final judicial decisions, despite the constitutional prohibition as explained from the earliest days of the nation in *Hayburn's Case*, 2 U.S. 409, 1 L. Ed. 436, 2 Dall. 409 (1792) (the federal judiciary will not render judgments subject to revision, suspension, modification or other review by executive or legislative branches).”). This case presents a proper vehicle for the Court en banc to address these weighty constitutional questions.

IV. Expanding the “*Fresenius* / *Simmons* Preclusion Principle” Has Deepened the Circuit Split

Finally, the panel decision here expanded *Fresenius* and thus deepened a circuit split. Whereas in *Fresenius*, a panel of this Court found finality lacking because of an appellate command to recalculate post-judgment ongoing royalties, the instant *Chrimar III* decision found finality lacking *even though* ongoing royalties were not subject to a rate recalculation. As noted before, the *Chrimar I* panel found it “immaterial” to royalty calculations that claim interpretation under one of four adjudged patents required a remand. *Chrimar I*, 2018 U.S. App. LEXIS 12256, at *21.

This expansion of *Fresenius* deepens the circuit split already identified by several Judges of this Court. *See, e.g., ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1370 (Fed. Cir. 2015) (O’Malley, J., dissenting) (“[T]he majority opinion further deepens the circuit split between our court’s approach to finality and that of our sister circuits, as identified by Judge Newman in her dissent in *Fresenius II*, 721

F.3d at 1355-59 (Newman, J., dissenting).”). This expansion of *Fresenius* also deepens the circuit split on the constitutional Separation of Powers question. Namely, in *Qualcomm, Inc. v. FCC*, 181 F.3d 1370, 1372 (D.C. Cir. 1999), the legislative branch attempted through legislation to subvert an earlier appellate court remand order to the FCC. But constitutional Separation of Powers forbade another branch’s interference with a final appellate court judgment. The D.C. Circuit’s rule, if applied here, would have led to the opposite outcome in the instant proceedings.

Qualcomm, but not *Fresenius*, is consistent with Supreme Court authority. Supreme Court decisions have recognized several kinds of “unconstitutional restriction[s] upon the exercise of judicial power.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (1995). Two concern the effect of judgments once they have been rendered: “Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch,” *id.*, because to do so would make a court’s judgment merely “an advisory opinion in its most obnoxious form,” *Chicago & Southern Air Lines, Inc. v. Waterman S. S. Corp.*, 333 U.S. 103, 113 (1948). And Congress cannot “retroactively command[] the federal courts to reopen final judgments,” because Article III “gives the Federal Judiciary the power, not merely to rule on cases, but to *decide* them, subject to review only by superior courts in the Article III hierarchy.” *Plaut*, 514 U.S., at 218-219 (emphasis in original).

The unifying constitutional principle among these restrictions is that neither branch—whether legislative or executive—can properly interfere with or nullify an Article III final judgment. Yet that is what the “*Fresenius / Simmons* preclusion principle” allows. This Court should convene to evaluate the principle against these constitutional limits.

V. A Post-2014 Supreme Court Decision Undermines *Fresenius*

Since the 2014 denial of rehearing en banc in *Fresenius*, at least one Supreme Court decision has come down that justifies renewed scrutiny of the “*Fresenius / Simmons* preclusion principle.” In *B&B Hardware*, 135 S. Ct. at 1303, the Supreme Court clarified that it “regularly turns” to the Restatement (Second) of Judgments for the elements of preclusion under federal common law. As discussed in detail above, neither the *Fresenius* panel nor the present *Chrimar III* panel correctly applied the Restatement elements on preclusion. Doing so would have led to the opposite appellate outcome.

VI. Conclusion—Criticism of *Fresenius* Should Lead to En Banc Review

Judges of this Court and elsewhere, and academics, have all sharply criticized the *Fresenius* decision. See e.g., *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07cv153-RSP, 2014 U.S. Dist. LEXIS 54640, at *10 (E.D. Tex. Apr. 21, 2014) (“To hold that later proceedings before the PTAB can render nugatory that entire [judicial] process, and the time and effort of all of the judges and jurors who have

evaluated the evidence and arguments would do a great disservice to the Seventh Amendment and the entire procedure put in place under Article III of the Constitution.”); Michael Greve, *Exceptional, After All and After Oil States: Judicial Review and the Patent System*, Bos. U.J. Sci. & Tech. L., at 32-33 (forthcoming 2019) (available at <http://dx.doi.org/10.2139/ssrn.3381076>) (criticizing *Fresenius* “absolute finality” rule as “doubly problematic,” and noting that “[i]nfringement actions threaten to become a farce if the Article III action is merely a trial run for subsequent administrative proceedings”); Gugliuzza, *(In)valid Patents*, 92 Notre Dame L. Rev. at 308 (*Fresenius*’s “absolute finality rule encourages wasteful procedural maneuvering, allows an adjudged infringer a second chance at proving invalidity, and threatens separation of powers by permitting an administrative agency to effectively nullify court judgments.”); Peggy P. Ni, *Rethinking Finality in the PTAB Age*, 31 Berk. Tech. L.J. 557 (2016) (“[T]he incentive to prolong district court litigation so that alleged infringers may potentially receive a favorable PTO decision of invalidity increases gamesmanship, a result that harms the public and patent holder.”).

Judge Moore also explained why a dual track system of parallel validity litigation that permits PTAB nullification of final judgments encourages “gamesmanship” by infringement defendants. Defendants can (and do) seek

administrative outcomes absolving them of their patent infringement liabilities under final Article III judgments.

More generally, there are problems with a system which permits defendants to snatch victory from the already closed jaws of defeat. Whether these problems are to be resolved by the Supreme Court through its precedent on finality or through Congress, this sort of gamesmanship ought to be curtailed. I have no problem with the dual track system Congress has created, but for at least a subset of cases, defendants are abusing the process by doing both. This is wasteful of judicial, executive, and party resources, and it is just plain unfair. Congress intended the IPR/CBM/reexam route to be an alternative to district court litigation of certain validity issues, not duplicative of them.

Eplus, 790 F.3d at 1315 (Moore, J., dissenting from denial of reh’g en banc, joined by O’Malley, J., Reyna, J., and Wallach, J.). This case exemplifies the very same problems.

Unless the full Court intervenes, ALE and others like it in the future will be allowed to make contentions otherwise precluded under the Restatement that a post-judgment patent cancellation decision abates their previously-adjudged Article III liability. Future panels (like the one that decided the present appeal) will have no choice but to apply the “*Fresenius / Simmons* preclusion principle.” When forced to do so, such panels will have to deviate from the otherwise well-settled federal common law of preclusion that applies in every other circuit.

As numerous Judges of this Court already recognize, the time has come to harmonize the Federal Circuit with Supreme Court precedent and the Restatement,

unsplit the circuits, restore constitutional validity to our system of parallel track patentability litigation, and eliminate the waste and gamesmanship that current precedent incentivizes. Chrimar respectfully requests that its petition for rehearing en banc be granted.

Dated: October 21, 2019

Respectfully submitted,

/s/ Robert P. Greenspoon

Robert P. Greenspoon

(post-paneling appearance submitted
October 10, 2019)

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ADDENDUM

NOTE: This disposition is nonprecedential.

**United States Court of Appeals
for the Federal Circuit**

**CHRIMAR SYSTEMS, INC., DBA CMS
TECHNOLOGIES, INC., CHRIMAR HOLDING
COMPANY, LLC,**
Plaintiffs-Appellees

v.

**ALE USA INC., FKA ALCATEL-LUCENT
ENTERPRISE USA, INC.,**
Defendant-Appellant

2018-2420

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

Decided: September 19, 2019

JUSTIN SCOTT COHEN, Thompson & Knight LLP, Dallas, TX, argued for plaintiffs-appellees. Also represented by JAMES MICHAEL HEINLEN, RICHARD L. WYNNE, JR.

LEISA TALBERT PESCHEL, Jackson Walker LLP, Houston, TX, argued for defendant-appellant. Also represented by CHRISTOPHER NEEDHAM CRAVEY.

Before TARANTO, CLEVINGER, and HUGHES, *Circuit Judges*.

TARANTO, *Circuit Judge*.

Chrimar Systems, Inc., owns four related patents, U.S. Patent Nos. 8,155,012, 8,942,107, 8,902,760, and 9,019,838, that address the identification and tracking of electronic equipment over an Ethernet network. In 2015, Chrimar sued ALE USA Inc., alleging infringement of those patents. After claim construction, ALE stipulated to infringement of the asserted claims of all four patents but pressed several defenses and counterclaims. A jury trial returned a verdict in favor of Chrimar, and the district court entered a judgment awarding Chrimar damages and post-verdict ongoing royalties.

ALE appealed to this court. We affirmed on all issues presented to us except for the construction of a claim term in the '012 patent, which we reversed, and we remanded for further proceedings. *Chrimar Holding Co., LLC v. ALE USA Inc.*, 732 F. App'x 876 (Fed. Cir. 2018). We noted in our opinion (as amended on June 1, 2018) that the Patent Trial and Appeal Board of the Patent and Trademark Office had recently issued final written decisions deeming unpatentable all the claims at issue in this case, but we did not address any issue that those decisions might raise. *Id.* at 881 n.2.

On remand, both parties filed motions with the district court in July 2018. ALE sought certain relief based on the Board's unpatentability decisions—which Chrimar was in the process of appealing to this court. As relevant here, ALE moved variously for a stay of the ongoing royalties, for a stay of the proceedings as a whole, and for relief from the judgment under Federal Rule of Civil Procedure 60(b)(5). Chrimar, for its part, moved to dismiss the count of its complaint that alleged infringement of the '012 patent (which

Chrimar had narrowed to claim 31 and possibly also claims 35, 43, and 60), and it provided ALE a covenant not to sue ALE on that patent. ALE opposed Chrimar's motion on the ground that ALE had an unadjudicated, live counterclaim for noninfringement of the '012 patent because the covenant did not extend to ALE's customers and distributors.

In August 2018, the district court ruled as follows on the motions presented. It dismissed Chrimar's '012-infringement count, and it ruled that ALE no longer had any counterclaim left, which, in any event, was mooted by the covenant not to sue and could not be considered in light of this court's mandate. And the court concluded that, with the '012 patent out of the case, there was nothing left in the case to stay, which, in any event, could not be done in light of this court's mandate. The court's amended final judgment included the continuing order to pay ongoing royalties, but only on the three remaining patents (having expiration dates in April 2019), not the '012 patent (having an expiration date in March 2020). We were informed at oral argument that, pursuant to the parties' agreement, ALE has not paid any money under the judgment—neither damages nor ongoing royalties nor any other amount.

ALE timely appealed to this court. In May 2019, after briefing was complete, Chrimar moved to terminate the appeal. It attached to the motion (a) a formal disclaimer of claims 31, 35, 43, and 60 of the '012 patent, dated May 12, 2019, and filed in the PTO under 35 U.S.C. § 253, and (b) a new declaration from Chrimar's president, dated May 14, 2019, that now included ALE's suppliers, customers, and distributors within the covenant not to sue for infringement of the '012 patent.

Meanwhile, Chrimar's appeals of the Board's decisions proceeded. We heard those appeals the same day as we heard ALE's appeal in this case. In a separate order issued today, we have affirmed the Board's determination of unpatentability of all the claims of the '012, '107, '838, and

'760 patents relevant to this case. *Chrimar Systems, Inc. v. Juniper Networks, Inc.*, Nos. 2018-1499, 2018-1500, 2018-1503, 2018-1984 (Fed. Cir. Sept. 19, 2019).

Our affirmance of the Board's decisions of unpatentability of the patent claims at issue in the present case has "an immediate issue-preclusive effect on any pending or co-pending actions involving the patent[s]." *XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018). This is such a case under *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013), and related cases. It does not involve the special circumstance of a "fully satisfied and unappealable final judgment" like the one in *WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1072 (Fed. Cir. 2019).

A case is "pending," *XY, LLC*, 890 F.3d at 1294, when it is not yet final in the sense that "the litigation [is] entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment . . . one that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment," *Fresenius*, 721 F.3d at 1341. Such finality generally does not exist when a direct appeal is still pending. *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1579–80 (Fed. Cir. 1994) (invalidity judgment may be raised "at any stage of the affected proceedings"); *id.* at 1583–84; *see WesternGeco*, 913 F.3d at 1070–72; *Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, 803 F.3d 620, 628 (Fed. Cir. 2015); *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358 (Fed. Cir. 2015); *Fresenius*, 721 F.3d at 1344, 1347.

A case is generally to be considered as a whole in judging its pendency. In *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922), the patent claims had been held invalid in a completed appeal and the case had been remanded only for proceedings on a separate, state-law claim. While the state-law proceedings were pending, the Supreme

Court held the patent claims valid in another case. The Court then ruled that this new holding had to be applied to the first case, reviving the patent claims. *Id.* at 88–91. *Simmons* involved applying a decision that upheld validity to revive a patent claim that had been adjudicated invalid in another, still-pending case. But its understanding of the finality principle applies as well in the more familiar situation presented in this case and in the line of authorities cited above, where the issue is application of a holding of invalidity (unpatentability) to patent claims that had been upheld in another, still-pending case.

This case is still pending. And we cannot say that its pendency rests on the assertion of only insubstantial arguments. We therefore have no occasion to address questions that might arise about application of the *Fresenius/Simmons* preclusion principle to a case that has been kept alive only on insubstantial grounds.

ALE asked the district court to modify the ongoing royalty portion of the judgment, at least by staying the running of the obligation. A district court has authority and discretion to modify continuing relief when circumstances change. See *System Federation No. 91, Ry. Employees' Dept., AFL-CIO v. Wright*, 364 U.S. 642, 646–67 (1961); *ePlus*, 789 F.3d at 1355 (“[A] continuing decree of injunction directed to events to come is subject always to adaptation as events may shape the need.”) (quoting *United States v. Swift & Co.*, 286 U.S. 106, 114–15 (1932)). We have not been shown any authority declaring that, if asked, a district court may not or should not at least consider staying ongoing royalties in light of new Board unpatentability decisions like the ones at issue here. ALE could reasonably request this relief.

For similar reasons, ALE also could reasonably request a stay of the case in light of the Board’s decisions. As a general matter, a district court has a range of discretion

about whether to stay a case before it in light of other proceedings that might simplify resolution of the case. *See, e.g., Murata Machinery USA v. Daifuku Co.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016); *Landis v. North American Co.*, 299 U.S. 248, 254–55 (1936) (holding that a decision to stay proceedings “calls for the exercise of judgment, which must weigh competing interests and maintain an even balance”). ALE does not contend that the Board’s decisions themselves have preclusive effect before judicial review has occurred or the time for judicial review has run without a request for judicial review. But it does contend that, even before that time, the Board’s decisions should at least be considered in an equitable determination whether to stay the case—presumably along with other considerations, such as the stage of the case and ALE’s own choices about where to challenge the patent claims at issue. Without addressing the ultimate merits of that contention, we conclude that, at least under present case law, there is nothing insubstantial about ALE’s argument for a stay of the case.

The district court denied the relief requested. It did not, for example, terminate the royalties and leave Chrimar to recover damages for the period at issue through a follow-on lawsuit if the patent claims survived judicial review. ALE was reasonable in appealing the district court’s denial of relief. It had a substantial argument that the district court did not exercise available discretion because, in denying the requested stay, it did not recognize that it had discretion. In these circumstances, we do not decide whether ALE would have had a reasonable basis to appeal had the district court recognized its discretion and exercised it upon consideration of relevant circumstances and policies.

In addition, ALE had a substantial argument to the district court that it still had a counterclaim for noninfringement of the ’012 patent even if Chrimar’s affirmative count asserting infringement of that patent was to be

dismissed. The procedural history presented to us provides a substantial basis for ALE's contention that it had not dropped or forfeited its counterclaim, and the limited record presented to us provides a substantial basis for uncertainty about whether no case or controversy remained in light of the covenant not to sue that Chrimar gave to ALE in the district court. Without declaring ALE's contention meritorious, we think that ALE could reasonably press those contentions both in the district court and on appeal. We note that only after the briefing was complete on appeal did Chrimar take additional steps—filing a statutory disclaimer and a broader covenant not to sue—to strengthen its argument that there was no longer a case or controversy over infringement of the '012 patent.

Finally, in all of the foregoing respects, we see nothing insubstantial about ALE's contention that our 2018 mandate did not foreclose the district court's consideration of the arguments ALE made. The Board's unpatentability decisions had not existed at the time of the rulings that were challenged on appeal, and we were not asked to rule on the effect of those intervening decisions. In these circumstances, ALE had a substantial argument when the case returned to the district court that any effect of the Board's decisions, in the respects ALE invoked them, was for the district court to decide, with consideration of the issue not foreclosed by our mandate. *See Standard Oil Co. of Cal. v. United States*, 429 U.S. 17, 18–19 (1976); *Engel Industries, Inc. v. Lockformer Co.*, 166 F.3d 1379, 1383 (Fed. Cir. 1999); *Prism Technologies LLC v. Sprint Spectrum L.P.*, 757 F. App'x 980, 982–83 (Fed. Cir. 2019).

We reiterate that we do not decide whether ALE is correct on the merits of the just-discussed contentions. We decide only that this case remains pending and that its pending status is not the result of an abuse of the judicial process in the form of presentation of insubstantial arguments. As a result, the now-affirmed unpatentability

determinations by the Board as to all claims at issue must be given effect in this case. Accordingly, the motion to terminate the appeal is denied, the final judgment and award of costs are vacated, and the case is remanded to the district court for dismissal.

Each party shall bear its own costs.

VACATED & REMANDED FOR DISMISSAL

CERTIFICATE OF SERVICE

I, Rose E. Olejniczak, being duly sworn according to law and being over the age of 18, upon my oath deposes and states that:

Counsel Press was retained by FLACHSBART & GREENSPOON, LLC, Attorneys for Chrimar Systems, Inc. and Chrimar Holding Company, LLC, to print this document. I am an employee of Counsel Press.

On October 21, 2019, FLACHSBART & GREENSPOON, LLC, authorized me to electronically file the foregoing Petition for Rehearing *En Banc* with the Clerk of the Federal Circuit using the CM/ECF System, which will serve e-mail notice of such filing on the following attorneys:

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Within the time provided for in the Court's rules, I will cause 18 paper copies of the brief to be filed with the Court, via Federal Express.

/s/ Rose E. Olejniczak
Rose E. Olejniczak

CERTIFICATE OF COMPLIANCE

This petition complies with the type-volume limitations of Fed. Cir. R. 35(b)(2) and 40(b) because it contains 3,851 words.

This petition complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because it has been prepared in a proportionally spaced typeface using Microsoft Word 2016 in fourteen (14) point Times New Roman font.

Dated: October 21, 2019

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