

Appeal No. 2018-2420

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

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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.*

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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.

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**BRIEF OF FOURTEEN (14) INVENTOR ASSOCIATIONS  
AS *AMICI CURIAE* IN SUPPORT OF PLAINTIFFS-APPELLEES'  
PETITION FOR REHEARING *EN BANC***

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## CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* certifies the following:

1. The full name of every party or *amicus curiae* represented is:

American Society of Inventors;  
Capital District Inventors and Entrepreneurs Meetup;  
Houston Inventors Association;  
Inventors Association of Arizona, Inc.;  
Inventors Association of New England;  
Inventors' Association of South-Central Kansas, Inc.;  
Inventors Council of Mid-Michigan;  
Inventors' Network;  
The Inventors' Roundtable;  
Inventors Society of South Florida, Inc.;  
Iowa Inventors Group;  
Michigan Inventors Coalition;  
Southwest Missouri Inventors Network; and  
Texas Inventors Association.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

None.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by me are:

None.

4. The names of all law firms and the partners or associates that appeared for the party or *amicus* now represented by me in the trial court or agency or are expected to appear in this Court are:

Christopher J. Lee  
Brian E. Haan  
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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. See Fed. Cir. R. 47. 4(a)(5) and 47.5(b):

None. In addition, counsel has reviewed Plaintiffs-Appellees' Amended Certificate of Interest in this case, but does not have independent knowledge of the specific facts and procedural postures of the cases and proceedings identified by Plaintiffs-Appellees.

Dated: November 4, 2019

/s/ Christopher J. Lee  
Christopher J. Lee

## TABLE OF CONTENTS

	Page
CERTIFICATE OF INTEREST .....	i
TABLE OF CONTENTS.....	iii
TABLE OF AUTHORITIES .....	iv
STATEMENT OF INTEREST OF AMICI CURIAE.....	1
ARGUMENT FOR REHEARING <i>EN BANC</i> .....	3
I. THE “ <i>FRESENIUS/SIMMONS</i> PRECLUSION PRINCIPLE” IS BEING APPLIED INCONSISTENTLY AND UNDULY BROADLY.....	4
A. A Judgment with Determined Liability and Full Scope of Relief Is Final Even Under <i>Fresenius</i> .....	4
B. The Remand Decision in This Case Was Final Under <i>Fresenius</i> .....	5
C. <i>En Banc</i> Guidance is Needed on the Precise Scope of <i>Fresenius</i> In View of the Expansion of the <i>Fresenius/Simmons</i> Doctrine .....	6
II. WITHOUT <i>EN BANC</i> GUIDANCE, EVOLVING APPLICATIONS OF THE “ <i>FRESENIUS/SIMMONS</i> PRECLUSION PRINCIPLE” WILL CONTINUE TO ERODE THE PUBLIC CONFIDENCE IN THE PATENT SYSTEM.....	9
CONCLUSION.....	11

**TABLE OF AUTHORITIES**

	<b>Page</b>
<b>Federal Cases</b>	
<i>Chrimar Holding Co., LLC v. ALE USA Inc.</i> , 732 F. App’x 876 (Fed. Cir. 2018) .....	5, 6, 8
<i>ChriMar Holding Company, LLC v. ALE USA Inc.</i> , No. 17-1848 (Fed. Cir. June 14, 2018) .....	6
<i>Chrimar Systems, Inc. v. ALE USA Inc.</i> , No. 2018-2420, 2019 WL 4509164 (Fed. Cir. Sept. 19, 2019) .....	2, 8, 9
<i>ePlus, Inc. v. Lawson Software, Inc.</i> 789 F.3d 1349 (Fed. Cir. 2015) .....	6, 9
<i>ePlus, Inc. v. Lawson Software, Inc.</i> , 790 F.3d 1307 (Fed. Cir. 2015) .....	3, 5, 8, 9, 10
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , 721 F.3d 1330 (Fed. Cir. 2013) .....	2, 3, 4, 5, 6, 7, 8, 9, 10, 11
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , 733 F.3d 1369 (Fed. Cir. 2013) .....	7
<i>Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC</i> , 138 S. Ct. 1365 (2018) .....	10
<b>Rules</b>	
F.R.A.P. 29 .....	2
Fed. Cir. R. 35 .....	2
<b>Other Authorities</b>	
Douglas J. Kline, <i>Patent Litigation: The Sport of Kings</i> , MIT Tech. Rev., Apr. 28, 2004; Scott D. Eads and Julia E. Markley .....	1
Scott D. Eads and Julia E. Markley, <i>The Sport of Kings: Promise and Perils of 21st Century Patent Litigation</i> , Intellectual Property Litigation Insights, Autumn 2009 .....	1

## STATEMENT OF INTEREST OF AMICI CURIAE

*Amici* are fourteen (14) inventor associations of members from a wide and diverse spectrum of technologies, industries and backgrounds. *Amici* are non-profit corporations, coalitions and other organizations that provide education and resources to inventors throughout the United States. Some date back to the early 1950s, and many have hundreds of members. Their members range from novice and experienced entrepreneurs to business owners with patent portfolios. *Amici* educate members and their communities on business, legal and technical issues associated with developing, commercializing and protecting their innovation.

Many of *amici*'s members have brought innovative and commercially successful products and services to market. Adequately protecting their innovation is of the utmost importance for these members as is preventing unauthorized use of their intellectual property rights.

Patent litigation—often called a “Sport of Kings”<sup>1</sup>—is expensive, time-consuming, and unpredictable for patent owners. For independent inventors who lack the resources and staying power of the large corporate brethren, protecting their

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<sup>1</sup> See, e.g., Douglas J. Kline, *Patent Litigation: The Sport of Kings*, MIT Tech. Rev., Apr. 28, 2004; Scott D. Eads and Julia E. Markley, *The Sport of Kings: Promise and Perils of 21st Century Patent Litigation*, Intellectual Property Litigation Insights, Autumn 2009 (“the high costs and unusual complexity of the U.S. patent enforcement system have earned the system the nickname ‘the Sport of Kings’”).

innovation through litigation presents substantial financial, business and, oftentimes, personal hardships. The ones that find a way to enforce their patent rights enter the often-murky waters of patent litigation with the hope that the judicial process will be fair, streamlined and predictable, and provide certainty and finality upon conclusion of the process.

*Amici*'s members are concerned that the “*Fresenius/Simmons* preclusion principle,” as pronounced in *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013) and as most recently applied in *Chrimar Systems, Inc. v. ALE USA Inc.*, No. 2018-2420, 2019 WL 4509164 (Fed. Cir. Sept. 19, 2019), is being applied inconsistently and unduly broadly to nullify otherwise final judgments of this Article III court with later rulings by the Patent Office.

*Amici* submit this brief in the hope that it will assist the Court with a fair and informed development of law in this important area. *Amici* have no direct stake in the result of this appeal. No counsel for any party authored this brief in whole or in part, and no such counsel or party, nor any person other than *amici*, its members or their counsel, contributed money that was intended to fund preparing or submitting this brief. This brief reflects the consensus view of *amici*'s members, but not necessarily the view of any individual member.

Pursuant to F.R.A.P. 29 and Fed. Cir. R. 35, *amici* respectfully submit this brief and accompanying motion for leave to file.

### **ARGUMENT FOR REHEARING *EN BANC***

This case is an appropriate vehicle to revisit the “*Fresenius/Simmons* preclusion principle” and its precise scope on the issue of “finality” because *amici* believe that the facts of this case place it solidly outside the scope of the principle set forth in *Fresenius USA*, 721 F.3d at 1341 (“there is no final judgment binding the parties” “where the scope of relief remains to be determined”). Such an inconsistent application of the principle has led to misunderstandings and confusion by litigants and district courts, not to mention significant disagreements among the judges of this Court.

The uncertainty about “finality” has made patent litigation more complicated, protracted and expensive. It has also given accused infringers a platform to engage in dilatory maneuvers to keep otherwise final judgments of this Article III court from becoming “final” “in the hope that they will fare better with the PTO and then be able to unravel the district court judgment against them.” *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1314 (Fed. Cir. 2015) (Moore, J., dissenting from denial of *en banc* rehearing petition).

Without *en banc* review that clarifies the scope of the *Fresenius/Simmons* doctrine, whatever confidence that innovators have had in the patent system will continue to erode. Such erosion will further disincentivize innovators and investors from creating new and useful things and investing in promising technologies of small



businesses and start-up companies that have been a primary driver of this country's economic growth.

**I. THE “*FRESENIUS/SIMMONS* PRECLUSION PRINCIPLE” IS BEING APPLIED INCONSISTENTLY AND UNDULY BROADLY**

**A. A Judgment with Determined Liability and Full Scope of Relief Is Final Even Under *Fresenius***

The majority panel in *Fresenius* held that “cancellation of claims during reexamination would be binding in concurrent litigation,” but a subsequent “cancellation of a patent's claims cannot be used to reopen a final damages judgment ending a suit based on those claims.” 721 F.3d at 1339-40. The panel stated that there can be “no final judgment binding the parties” “*where the scope of relief remains to be determined.*” 721 F.3d at 1341 (emphasis added). “An order that ... leaves open the question of damages or other remedies ... [is] not final ....” *Id.* at 1341-42. Noting that “several aspects of the district court’s original judgment [remained] unresolved [after its earlier remand], including royalties on infringing machines, royalties on related disposables, and injunctive relief,” the *Fresenius* majority panel found that its remand decision was not sufficiently final. *Id.* at 1341.

This so-called “absolute finality” rule of the *Fresenius/Simmons* doctrine has been called into question by at least five judges of this Court who have called for *en*

*banc* review.<sup>2</sup> *Amici* believe that the doctrine has also evolved to encompass judgments that *amici* believe should be “final” even under the legal framework underlying the doctrine. *Amici* believe that the facts of this case, even under the *Fresenius* framework, should have resulted in a finding of final judgment that is immune to a later agency action.

**B. The Remand Decision in This Case Was Final Under *Fresenius***

Unlike in *Fresenius*, the earlier remand decision in this case did not leave any meaningful aspect of the district court’s original judgment unresolved. That panel had affirmed the district court’s judgment on four (4) patents in all respects other than vacating the lower court’s claim construction of one claim term of one patent (“the ’012 patent”) that admittedly had no impact on the finally determined damages. *Chrimar Holding Co., LLC v. ALE USA Inc.*, 732 F. App’x 876, 886, 891 (Fed. Cir. 2018) (“[w]e affirm the district court’s remaining claim constructions and the infringement damages award and the fraud judgment” and “... affirm the judgment of infringement of the ’107, ’838, and ’760 patents.”).

In its remand decision, the panel took pains to inform the parties and the district court that “[t]hat [remand] result does not call for a new trial on damages.”

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<sup>2</sup> See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1309 (Fed. Cir. 2015) (Newman, J., dissenting from denial of *en banc* hearing petition, joined by O’Malley, J. and Wallach, J.); see also *id.* at 1314 (Moore, J., dissenting, joined by O’Malley, J., Reyna, J., and Wallach, J.).

*Id.* at 886. “Given the (affirmed) judgment of infringement of the ’107 and ’760 patents, *the absence of an infringement judgment on the ’012 patent is immaterial to damages* because any damages that would result from the alleged infringement of the ’012 patent also results from the infringement of the ’107 and ’760 patents.” *Id.* (emphasis added).

Defendant-Appellant did not request rehearing on the validity, infringement and damage issues decided favorably to Plaintiffs-Appellees and affirmed by the panel. Nor did it seek a writ of certiorari in the Supreme Court. *See* June 14, 2018 Mandate, *ChriMar Holding Company, LLC v. ALE USA Inc.*, No. 17-1848 (Fed. Cir. June 14, 2018).

In short, liability and damage issues were decided and then affirmed by the Court. There was nothing left for the district court to do upon remand on the ultimate liability or damage issues, unlike in *Fresenius USA*, 721 F.3d at 1342 (“[a]n order that ... leaves open the question of damages or other remedies ... [is] not final ....”).

**C. *En Banc* Guidance is Needed on the Precise Scope of *Fresenius* In View of the Expansion of the *Fresenius/Simmons* Doctrine**

In *ePlus, Inc. v. Lawson Software, Inc.* 789 F.3d 1349, 1369 (Fed. Cir. 2015), the majority panel applied the holding of *Fresenius* in the context of a modified injunction after its earlier remand. It held that the modified injunction and related contempt award should be vacated under *Fresenius* because the injunction was not

“final,” pointing to its remand “for the district court to consider what changes are required to the terms of the injunction.” *Id.* at 1353 (internal quotations omitted).

In her dissent, Judge O’Malley noted that the facts of that case presented “substantial, important distinctions” from the facts of *Fresenius*, and sounded alarm over what she believed to be an improper expansion of *Fresenius*. Judge O’Malley stated that the majority panel’s reliance on the remand directing the district court to consider potential changes to the injunction was misguided because the district court’s exercise of its “inherent continuing equitable powers to prospectively adjust an injunction” did not alter the finality in this Court’s decision on the validity and infringement of the patent claim that formed the basis for the injunction. *Id.* at 1365.

Stating that “the majority today narrows even further the already stingy version of finality set forth in *Fresenius II*<sup>3</sup>,” Judge O’Malley stated that the majority panel’s application of *Fresenius* to that case was “*even more concerning than [she] first believed.*” *Id.* at 1369 (emphasis added).

In this case, *amici* believe that the majority panel takes an even more expansive view of *Fresenius*. Unlike in *Fresenius* where the district court was directed to recalculate the post-verdict portion of the royalty award on remand, *see Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1374 (Fed. Cir. 2013),

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<sup>3</sup> “*Fresenius II*” refers to *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

liability and damage issues had been finally decided in Plaintiffs-Appellants' favor before the final decision on the Patent Office's decision. There was nothing left for the district court to do on the ultimate liability and damages issues on remand. Similarly, unlike in *ePlus*, there was no issue on appeal or remand relating to injunctive relief in this case.

Thus, liability and the full scope of relief – the finality test used in *Fresenius* – had been fully and finally determined by this Court—well before the final decision on the concurrent Patent Office proceedings. Much of the post-remand district court litigation, instead, was on Defendant-Appellant's unsuccessful and time-consuming maneuvers.

The majority panel suggests that there remain unanswered questions “that might arise about application of the *Fresenius/Simmons* preclusion principle to a case that has been kept alive only on insubstantial grounds.” *Chrimar*, 2019 WL 4509164, at \*2. Based on *Fresenius* and *ePlus*, amici submit that this case is one such case that had been kept alive only on insubstantial grounds insufficient to invoke the *Fresenius/Simmons* preclusion principle.

Left to stand, that doctrine will now apply to even decisions of this Court that finally determine liability and the full scope of relief sought by the patentee as is the case here. *Chrimar*, 732 F. App'x at 886 (the case was remanded by this Court on an isolated issue “*that is immaterial to damages.*”). Such an application represents a

significant and unjustified expansion which goes far beyond the very *Fresenius* case giving rise to the principle.

**II. WITHOUT *EN BANC* GUIDANCE, EVOLVING APPLICATIONS OF THE “*FRESENIUS/SIMMONS* PRECLUSION PRINCIPLE” WILL CONTINUE TO ERODE THE PUBLIC CONFIDENCE IN THE PATENT SYSTEM**

Again, the majority panel left open the “questions that might arise about application of the *Fresenius/Simmons* preclusion principle to a case that has been kept alive only on insubstantial grounds.” *Chrimar*, 2019 WL 4509164, at \*2. What constitute such “insubstantial grounds” is the precise issue that this Court should review *en banc*. If the current expansion of the *Fresenius/Simmons* principle is left unchecked or at least unclarified, the perceived breadth of the principle, not to mention the uncertainty over its scope, will only encourage accused infringers to “scrap and fight to keep underlying litigation pending in the hope that they will fare better with the PTO,” *ePlus*, 790 F.3d at 1314, creating further uncertainty and complexity in patent litigation.

This Court has adhered to the proverbial “race to the finish line” of finality in addressing conflicting outcomes from concurrent litigation in the district court and the Patent Office. “We held that the cancellation of a patent requires that non-final judgments be set aside because the ‘cancelled claims [a]re void *ab initio*.’” *ePlus*, 789 F.3d at 1358 (citing *Moffitt v. Garr*, 66 U.S. 273, 283 (1861) (“unless [the patent] exists, and is in force at the time of trial and judgment, the suits fail.”)).

As is apparent in the Court’s decisions and dissenting opinions in *Fresenius* and *ePlus*, this “race to the finish line” is not as straight-forward or clear-cut as it may sound. That is because one panel’s characterization of remand instructions as “substantial” or “insubstantial” can easily re-stagger the “race” positions of the district court and Patent Office proceedings near the finish line and serve to pick the ultimate “winner” and “loser.”

In this divided appellate court, at least on the *Fresenius/Simmons* doctrine, the prospect of having years of expensive litigation go to waste, based on seemingly unpredictable and panel-specific applications of the *Fresenius/Simmon* doctrine, only adds to the conundrum that Justice Gorsuch found many innovators face:

After much hard work and no little investment you devise something you think truly novel. Then you endure the further cost and effort of applying for a patent, devoting maybe \$30,000 and two years to that process alone. At the end of it all, the Patent Office agrees your invention is novel and issues a patent. The patent affords you exclusive rights to the fruits of your labor for two decades. But what happens if someone later emerges from the woodwork, arguing that it was all a mistake and your patent should be canceled? Can a political appointee and his administrative agents, instead of an independent judge, resolve the dispute?

*Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1380 (2018) (Gorsuch, J., dissenting)<sup>4</sup>. Here, the patentee did all of that and then much

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<sup>4</sup> *In Oil States*, the Supreme Court addressed the “narrow” issue of whether a political appointee’s agents in an executive agency, instead of an Article III judge, can cancel patents. *Id.* at 1379 (“[w]e address the constitutionality of *inter partes*

more to protect its patented innovation -- only to find out that the years of protracted litigation, the district court's final judgment on liability and damages, and this Court's affirmance on those issues no longer matter.

Patent litigation is expensive and risky enough even with clear rules for the "race to the finish." Without *en banc* guidance on the precise contour of finality, innovators will continue to turn away from the United States patent system. As Judge Newman noted in her dissent in *Fresenius II*, "[t]he loser in this tactical game of commercial advantage and expensive harassment is the innovator and the public" as a result of the loss of "the patent-supported incentive to create and produce new things to public benefit." 721 F.3d at 1354.

### CONCLUSION

For these reasons, *amici* respectfully request that the Court grant rehearing *en banc* to address these issues.

Respectfully submitted,

/s/ Christopher J. Lee

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review only"). It did not address the validity or scope of the *Fresenius/Simmons* doctrine.



## CERTIFICATE OF COMPLIANCE

This brief complies with the word count limitation of Fed. R. App. P. 29(b)(4), and contains 2,581 words, exclusive of the portions exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b).

The 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.

November 4, 2019

*/s/ Christopher J. Lee*

\_\_\_\_\_  
Christopher J. Lee

One of the Attorneys for *Amici Curiae*

### 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 Lee Sheikh Megley & Haan LLC, Counsel for *Amici Curiae*, to print this document. I am an employee of Counsel Press.

On November 4, 2019, Lee Sheikh Megley & Haan LLC authorized me to electronically file the foregoing Brief of Fourteen (14) Inventor Associations as *Amicu Curiae* In Support of Plaintiffs-Appellees' 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:

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After acceptance, eighteen paper copies will be filed with the Court within the time provided in the Court’s rules.

/s/ Rose E. Olejniczak  
Rose E. Olejniczak

Dated: November 4, 2019