

No. 13-1071

---

---

IN THE  
**Supreme Court of the United States**

---

BAXTER INTERNATIONAL, INC., *ET AL.*,

*Petitioners,*

v.

FRESENIUS USA, INC., *ET AL.*,

*Respondents.*

---

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

---

**BRIEF OF MEDTRONIC, INC. AS  
*AMICUS CURIAE* IN SUPPORT OF PETITIONERS**

---

CHAD HANSON, PH.D.  
*Senior Legal Counsel,  
IP Litigation*  
MEDTRONIC, INC.  
710 Medtronic Parkway  
LC300  
Minneapolis, MN 55432  
(763) 505-2030

JEFFREY A. LAMKEN  
*Counsel of Record*  
LUCAS M. WALKER  
MOLOLAMKEN LLP  
The Watergate, Suite 660  
600 New Hampshire Ave., NW  
Washington, D.C. 20037  
(202) 556-2000  
jlamken@mololamken.com

ANDREW R. DEVOOGHT  
MOLOLAMKEN LLP  
300 North LaSalle Street  
Suite 5525  
Chicago, IL 60654  
(312) 450-6700

*Counsel for Amicus Curiae*

---

---

### **QUESTIONS PRESENTED**

1. Whether an Article III court's final judgment may be reversed based on the decision of an administrative agency.

2. Whether a final determination of liability that has been affirmed on appeal may be reversed based on the decision of an administrative agency merely because an appeal regarding the post-verdict remedy is pending.

## TABLE OF CONTENTS

	Page
Questions Presented .....	i
Interest of <i>Amicus Curiae</i> .....	1
Introduction and Summary of Argument .....	3
Argument .....	6
I.    The Questions Presented Are of Great Importance .....	8
A. This Case Has Serious Implications for How District Courts and Litigants Manage Complex Patent Infringement Suits .....	8
B. The Decision Below Implicates Powerful, Competing Private and Public Interests .....	16
C. The Issue Has Growing Importance and Warrants Immediate Review .....	17
II.  The Sharp Disagreement Within the Federal Circuit Underscores the Need for Review .....	19
A. The Decision Below Is Divisive and Fragile .....	19
B. The Federal Circuit’s Division over This Court’s Precedent Reinforces the Need for Review .....	20
Conclusion .....	22

## TABLE OF AUTHORITIES

	Page(s)
CASES	
<i>Athletic Alts., Inc. v. Prince Mfg., Inc.</i> , 73 F.3d 1573 (Fed. Cir. 1996) .....	7
<i>eBay Inc. v. MercExchange, L.L.C.</i> , 547 U.S. 388 (2006).....	13
<i>Ensten v. Simon, Ascher &amp; Co.</i> , 282 U.S. 445 (1931).....	22
<i>First Nat’l Bank of Cincinnati v. Flershem</i> , 290 U.S. 504 (1934).....	22
<i>George v. Victor Talking Mach. Co.</i> , 293 U.S. 377 (1934).....	22
<i>Hazel-Atlas Glass Co. v. Hartford- Empire Co.</i> , 322 U.S. 238 (1944) .....	22
<i>In re Swanson</i> , 540 F.3d 1368 (Fed. Cir. 2008).....	6, 7
<i>John Simmons Co. v. Grier Bros. Co.</i> , 258 U.S. 82 (1922).....	6, 20, 21, 22
<i>Marconi Wireless Tel. Co. of Am. v. United States</i> , 320 U.S. 1 (1943) .....	22
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 131 S. Ct. 2238 (2011).....	6
<i>Robert Bosch, LLC v. Pylon Mfg. Corp.</i> , 719 F.3d 1305 (Fed. Cir. 2013) .....	13
<i>Versata Software, Inc. v. SAP Am., Inc.</i> , 717 F.3d 1255, 1258 (Fed. Cir. 2013) .....	15
<i>Versata Software, Inc. v. SAP Am., Inc.</i> , No. 2:07-cv-153 (E.D. Tex. Mar. 17, 2014).....	15

## TABLE OF AUTHORITIES—Continued

	Page(s)
STATUTES	
28 U.S.C. § 1292(c)(2).....	13
35 U.S.C. § 282(a) .....	6
35 U.S.C. § 301 .....	7
35 U.S.C. § 301(a)(1).....	7
35 U.S.C. § 302.....	7
35 U.S.C. § 303.....	7
35 U.S.C. § 304.....	7
35 U.S.C. § 305.....	7
35 U.S.C. § 306.....	7
35 U.S.C. § 307.....	7
35 U.S.C. § 307(a) .....	8, 18
35 U.S.C. § 311 .....	7
35 U.S.C. § 311(b).....	7
35 U.S.C. § 312.....	7
35 U.S.C. § 313.....	7
35 U.S.C. § 314.....	7
35 U.S.C. § 314(b).....	10
35 U.S.C. § 315.....	7
35 U.S.C. § 315(a) .....	11
35 U.S.C. § 316.....	7
35 U.S.C. § 316(a)(5).....	7
35 U.S.C. § 316(e) .....	6
35 U.S.C. § 316(a)(11).....	10
35 U.S.C. § 317.....	7
35 U.S.C. § 318.....	7
35 U.S.C. § 318(b).....	8, 18

## TABLE OF AUTHORITIES—Continued

	Page(s)
35 U.S.C. § 319.....	7
35 U.S.C. § 321.....	7
35 U.S.C. § 321(b).....	7
35 U.S.C. § 321(c).....	7
35 U.S.C. § 322.....	7
35 U.S.C. § 323.....	7
35 U.S.C. § 324.....	7
35 U.S.C. § 324(c).....	10
35 U.S.C. § 325.....	7
35 U.S.C. § 326.....	7
35 U.S.C. § 326(a)(11).....	10
35 U.S.C. § 326(e).....	6
35 U.S.C. § 327.....	7
35 U.S.C. § 328.....	7
35 U.S.C. § 328(b).....	8, 18
35 U.S.C. § 329.....	7
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) ...	7, 10, 18
§ 18(a)(1).....	7, 18
 ADMINISTRATIVE MATERIALS	
<i>SAP Am., Inc. v. Versata Dev. Grp., Inc.</i> , No. CBM2012-00001 (MPT) (P.T.A.B. June 11, 2013).....	15
U.S. Patent & Trademark Office, <i>AIA</i> <i>Statistics</i> , <a href="http://www.uspto.gov/aia_implementation/statistics.jsp">http://www.uspto.gov/aia_implementation/statistics.jsp</a> .....	18

## TABLE OF AUTHORITIES—Continued

	Page(s)
U.S. Patent & Trademark Office, <i>Inter Parte Reexamination Filing Data—September 30, 2013</i> , <a href="http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf">http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf</a> .....	17
U.S. Patent & Trademark Office, <i>Post Grant Review</i> , <a href="http://www.uspto.gov/aia_implementation/faqs_post_grant_review.jsp">http://www.uspto.gov/aia_implementation/faqs_post_grant_review.jsp</a> .....	18
<b>OTHER AUTHORITIES</b>	
Medtronic, <i>Collaborative Culture of Innovation</i> , <a href="http://www.citizenshipreport.medtronic.com/collaborative-culture-of-innovation/intellectual-property/index.htm">http://www.citizenshipreport.medtronic.com/collaborative-culture-of-innovation/intellectual-property/index.htm</a> .....	2
PricewaterhouseCoopers, <i>2013 Patent Litigation Study</i> , <a href="http://www.pwc.com/en_us/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf">http://www.pwc.com/en_us/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf</a> .....	8, 9

IN THE  
**Supreme Court of the United States**

---

No. 13-1071

---

BAXTER INTERNATIONAL, INC., *ET AL.*,  
*Petitioners,*

v.

FRESENIUS USA, INC., *ET AL.*,  
*Respondents.*

---

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

---

**BRIEF OF MEDTRONIC, INC. AS  
*AMICUS CURIAE* IN SUPPORT OF PETITIONERS**

---

**INTEREST OF *AMICUS CURIAE*<sup>1</sup>**

Medtronic is the world's largest medical technology company. With over 46,000 employees, it has transformed healthcare worldwide, improving outcomes, ex-

---

<sup>1</sup> Counsel of record for both petitioners and respondents were timely notified of the intent to file this brief, and their letters of consent have been filed with the Clerk's office. No counsel for a party authored this brief in whole or in part. No party or counsel for a party made a monetary contribution intended to fund the preparation or submission of this brief, and no person other than *amicus curiae* or its counsel made such a contribution.



panding access, and enhancing value. A leading innovator in the field, Medtronic relies on patents to protect its intellectual property. In fiscal year 2012, for example, Medtronic filed 770 original patent applications in the United States. See Medtronic, *Collaborative Culture of Innovation*, <http://www.citizenshipreport.medtronic.com/collaborative-culture-of-innovation/intellectual-property/index.htm>. As both an owner of intellectual property and a target of infringement lawsuits, Medtronic has a strong interest in, and a balanced perspective on, issues that affect patent litigation.

Medtronic takes no position as to whether the decision below is right or wrong. Its interest instead is in obtaining definitive answers to the questions presented so that it—and others like it—can make informed patent-litigation decisions. The prospect of a decision by the U.S. Patent and Trademark Office (PTO) overturning a judicial determination of a patent’s validity has important implications for the conduct of patent litigation in this country. It creates a potential “race to finality” as litigants seek to ensure that their chosen forum—the PTO or a federal court—finishes first, while the other forum moves more slowly. That race can affect patent disputes at every stage, from where infringement actions are filed, to how they are litigated, to the relief litigants can realistically obtain.

Even if that “race” itself is inevitable, it matters critically where the finish line is located. Both patent holders and those accused of infringement—Medtronic has been both—benefit when the rules governing that question are certain, clear, and stable. So do the district courts that manage complex patent cases. But the decision below gives little assurance of lasting stability or clarity in this area. The Federal Circuit was fractured over the correct

result; there is no guarantee that the decision will not be revisited in coming years, or that its application will not vary in light of fragmented views within the court. But litigants today must make decisions in cases that may still be pending for years. They should be able to make those decisions without fear that the rules will later change—that the finish line will move. Regardless of how the questions presented are ultimately resolved, guidance and stability are needed for patent litigants on both sides of the “v.”

### **INTRODUCTION AND SUMMARY OF ARGUMENT**

Medtronic has no position on the *merits* of the central issue here—the point at which a judicial decision upholding the validity of patent claims becomes sufficiently final to withstand the PTO’s cancellation of the claims. But it emphatically believes that the petition should be granted so that, whatever the correct answer, this Court can decide it. The issue has profound implications for how patent infringement actions are conducted in this country. Only this Court can provide needed direction to ensure that parties and district courts can make informed litigation decisions based on certain, clear, and stable rules.

I. A. In the decision below, a fractured Federal Circuit held that a PTO decision invalidating the patent-in-suit will overtake an infringement suit in an Article III court, even where a judgment and damages award for the patent holder has been affirmed on appeal, so long as some component of the infringement action remains in dispute. In other words, until absolute finality is achieved—until *all* issues (including purely remedial questions) are conclusively resolved—an Article III court’s decisions and judgments remain subject to reversal in light of an intervening contrary determination from

the PTO. That rule profoundly affects how district courts and parties approach patent litigation.

The Federal Circuit's ruling may dictate the earliest of decisions in infringement litigation: where to bring suit. It encourages patent holders to bring suit in the handful of "rocket docket" jurisdictions that promise a speedy trial and final judgment. Conversely, alleged infringers may bring preemptive declaratory judgment actions in other jurisdictions, where slower-paced dockets afford more time for PTO proceedings to conclude. Docket speed may eclipse other considerations—such as the location of the parties, evidence, and witnesses—when parties decide where to sue.

The Federal Circuit's approach affects other important decisions during the course of litigation. For example, it may encourage district courts to stay cases in light of the increased likelihood that judicial efforts will be superseded by rulings from the PTO. Such stays may avoid wasted effort where the PTO ultimately invalidates a patent. But they can also delay relief for plaintiffs with valid patents. Absent such stays, moreover, the necessity of achieving absolute finality may limit district courts' case-management options.

Even the availability of relief is affected. Patent holders may feel compelled to abandon certain forms of relief to expedite finality—particularly where, as here, the Federal Circuit affirms a damages judgment but remands for reconsideration of prospective relief. That may help patent holders protect judgments against potential adverse PTO action, but it may also result in the surrender of relief Congress has authorized.

B. The issue's importance is underscored by the competing private and public interests at stake. Judge Dyk observed that the decision below prevents the "peculiar

result” of requiring defendants to pay damages for infringing patents that the PTO has conclusively deemed invalid. The dissenting judges highlighted countervailing concerns: The decision departs from the usual rules of litigation by allowing defendants to reopen validity issues that they already fully (but unsuccessfully) litigated in court. It may also allow defendants to prevail based on prior art and arguments that they failed to present to the district court, in tension with the usual rules of forfeiture and waiver. Allowing alleged infringers multiple opportunities to defeat liability may also undermine the reliability of patents and weaken the incentive to innovate.

C. The issue is recurring and of growing importance. Patents are commonly challenged through both litigation and reexamination proceedings at the PTO. And the America Invents Act creates new mechanisms for PTO review, providing additional opportunities for parallel judicial and administrative proceedings. Because those mechanisms—like the *ex parte* reexamination in this case—can lead to cancellation of patent claims, they will only increase the frequency with which the issue in this case arises. In the face of existing law, parties and courts are regularly making litigation decisions in suits that may continue through the system for years.

II. A. Notwithstanding the issue’s importance, the Federal Circuit is fractured over its proper resolution. Only two of the court’s 12 judges affirmatively voiced agreement with the result in this case. Four judges wrote in opposition to the panel decision, and two did not participate. That threatens instability, not merely because the Federal Circuit may find it necessary to revisit the issue in the near future, but also because the rule’s application may prove unpredictable in individual cases in light of the fractured support the rule enjoys. That un-

predictability is costly for litigants who must make decisions now, and for whom a course reversal years from now would be profoundly disruptive. This Court’s review would allow courts and parties to make important litigation decisions based on certain, clear, and stable rules.

B. The nature of the disagreement within the Federal Circuit underscores the need for this Court’s intervention. The court’s judges took polar-opposite views of this Court’s decision in *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922). Some found *Simmons* directly “controlling,” while others found it “inapposite” and “entirely different.” Only this Court can conclusively resolve that conflict over the meaning and effect of its own precedent.

#### ARGUMENT

This case involves a commonplace of American patent law: Parallel proceedings before the Article III courts and the U.S. Patent and Trademark Office (PTO) concerning the same patent claims. Such proceedings often lead to different rulings on the claims’ validity. That occurs in part because the two proceedings are governed by different standards. In a civil action for patent infringement, “[a] patent shall be presumed valid,” 35 U.S.C. §282(a), and the alleged infringer bears the burden of establishing invalidity “by clear and convincing evidence,” *Microsoft Corp. v. i4i Ltd. P’ship*, 131 S. Ct. 2238, 2242 (2011). By contrast, in proceedings before the PTO there is no presumption of validity and the standard for proving unpatentability is a lower “preponderance of the evidence.” *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008) (ex parte reexamination); see also 35 U.S.C. §316(e) (inter partes review); *id.* §326(e) (post-grant review).<sup>2</sup> Claim construction is likewise governed by dif-

---

<sup>2</sup> The Patent Act provides several mechanisms for the PTO to reconsider the validity of issued patents. The details of each are not par-

ferent rules, with the PTO standard again having a greater tendency to invalidate patent claims.<sup>3</sup> As a result, judicial proceedings are typically more favorable for patent holders, while PTO proceedings are typically more favorable to alleged infringers.

---

ticularly relevant; accordingly, we review them only briefly. Ex parte reexamination—the oldest mechanism and the one involved in this case—allows any person (including the patent holder) to request reexamination based on “prior art consisting of patents or printed publications which that person believes to have a bearing on the patentability of any claim of a particular patent.” 35 U.S.C. § 301(a)(1); see generally *id.* §§ 301-307. A third-party requester’s participation is limited, however, to a single written reply. *Id.* §§ 302, 304. The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (AIA), created additional procedures. In the inter partes review proceeding (which replaced the former inter partes reexamination), a challenger and a patent holder litigate a patent’s validity before the PTO’s Patent Trial and Appeal Board. See generally 35 U.S.C. §§ 311-319. Among other things, the parties may take limited discovery. *Id.* § 316(a)(5). The patent’s validity can be challenged, however, “only on a ground that could be raised under section 102 or 103,” such as obviousness or non-novelty, and (as in ex parte reexamination) “only on the basis of prior art consisting of patents or printed publications.” *Id.* § 311(b). Post-grant review allows validity challenges based on any ground that could be raised in a civil action, and is not limited to patents and publications, but is available only within nine months of the patent grant. *Id.* § 321(b)-(c); see generally *id.* §§ 321-329. The AIA also created a “transitional” mechanism allowing entities accused of infringement to challenge the validity of certain “covered business method patents.” AIA § 18(a)(1) (codified at 35 U.S.C. § 321 note). That mechanism, which is available until 2020, generally follows the same procedures as post-grant review. *Ibid.*

<sup>3</sup> Before the PTO, “claims are given their broadest reasonable interpretation,” *Swanson*, 540 F.3d at 1377-1378 (punctuation omitted), whereas courts generally give claims a “narrower meaning,” *Athletic Alts., Inc. v. Prince Mfg., Inc.*, 73 F.3d 1573, 1581 (Fed. Cir. 1996). Giving a claim its broadest reasonable construction substantially increases the likelihood that it will be found unpatentable because it reads on prior art.

That creates a “race to finality” to determine which proceeding will control. The finish line on the PTO side is clear enough: If the PTO finds any patent claim unpatentable and its ruling is affirmed on appeal, the PTO will then “issue and publish a certificate canceling [that] claim.” 35 U.S.C. §307(a); accord *id.* §§318(b), 328(b). Cancellation can moot pending litigation based on the claim. See Pet. App. 18a.

The issue here concerns the finish line on the Article III side: When does a judicial decision upholding the validity of patent claims become sufficiently final to withstand the PTO’s cancellation of those claims? The answer to that question is of profound importance to patent holders, companies accused of infringement, and the federal judiciary alike.

## **I. THE QUESTIONS PRESENTED ARE OF GREAT IMPORTANCE**

### **A. This Case Has Serious Implications for How District Courts and Litigants Manage Complex Patent Infringement Suits**

The question here—when a judicial decision is sufficiently final to preclude later PTO determinations from overturning it—profoundly affects the litigation of patent disputes, from commencement to conclusion.

1. The issue may prove determinative for one of the first decisions litigants must make: forum selection. It is no secret that the speed with which cases move through the federal courts varies with geography. Nationwide, the median time from the filing of a complaint to trial in patent cases is about 2.5 years. PricewaterhouseCoopers, *2013 Patent Litigation Study* 21, [http://www.pwc.com/en\\_us/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf](http://www.pwc.com/en_us/us/forensic-services/publications/assets/2013-patent-litigation-study.pdf). But the differences among individual district courts are substantial. For example, in

the 15 districts with the most active patent dockets, the average time-to-trial ranges from 0.97 years (in the Eastern District of Virginia) to 3.67 years (in the Northern District of Illinois). *Id.* at 22. Indeed, the two districts with the shortest time-to-trial average about a year. But the median time-to-trial in the next-fastest district is approximately *eight months* longer, a 66% difference. See *ibid.*

---

**Median Time-to-Trial in Patent Cases, 1995-2012**

District	Time-to-trial (in years)
E.D. Va.	0.97
W.D. Wis.	1.07
M.D. Fla.	1.74
D. Del.	1.94
S.D. Tex.	2.00
E.D. Tex.	2.19
C.D. Cal.	2.34
N.D. Tex.	2.42
S.D. Fla.	2.50
D. Minn.	2.66
D.N.J.	2.70
N.D. Cal.	2.72
S.D.N.Y.	2.95
D. Mass.	3.63
N.D. Ill.	3.67

*Source: PricewaterhouseCoopers, 2013 Patent Litigation Study 22.*

---

The decision below places considerable pressure on patent holders to bring infringement actions in “rocket docket” jurisdictions that offer the speediest path to trial



and absolute finality. The promise of a quick resolution may trump other considerations (such as the location of the parties, evidence, and witnesses) that might otherwise counsel a different venue. The convenience of litigating near home or near the witnesses means little to a patent holder if a longer wait for trial allows time for the PTO to cancel its patent claims.

New PTO review procedures created by the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (AIA), reinforce the attraction of rocket docket. The *ex parte* reexamination proceedings in this case lasted about 5 years, from 2005 to 2010. Pet. App. 6a-8a. (The claims were then cancelled in 2013, after the Federal Circuit affirmed the PTO's invalidity ruling. *Id.* at 8a.) But the AIA prescribes tighter timeframes for *inter partes* review and post-grant review proceedings. Once a challenger requests *inter partes* review of a patent and the patent holder responds, the PTO must "determine whether to institute an *inter partes* review \* \* \* within 3 months." 35 U.S.C. §314(b). The Patent Trial and Appeal Board must then issue a final decision within 1 year (subject to a potential 6-month extension). *Id.* §316(a)(11). Post-grant review follows the same schedule. *Id.* §§324(c), 326(a)(11).

Thus, instead of the 5 years they took here, PTO proceedings under the AIA may conclude in 2 years or less. In those circumstances, a patent holder in Minnesota (average time-to-trial 2.66 years) will likely find the rocket docket across the border in the Western District of Wisconsin (average time-to-trial 1.07 years) much more attractive than it otherwise would. Suing in Minnesota makes it extraordinarily likely that any PTO proceedings will overtake the judicial action; bringing suit in Wisconsin makes it a closer contest. It may be impossible to

achieve absolute finality before the PTO cancels the patent claims, as the decision below requires, in the many districts where it takes years just to reach trial.

Alleged infringers, on the other hand, have incentives to sue preemptively in districts with slower dockets. Many patent infringement suits—including this one—begin with an alleged infringer seeking a declaratory judgment of non-infringement and invalidity. See Pet. App. 3a. That approach can bring significant strategic advantages: For example, a Minnesota company accused of infringement might seek declaratory relief in Minnesota, rather than wait to be sued in a rocket docket jurisdiction, so as to provide breathing room for PTO reexamination proceedings.<sup>4</sup>

Such forum-selection strategies are not by any means improper. Litigants appropriately consider a variety of factors when deciding where and when to sue. The point is that forum-selection strategy may come to be dominated by considerations affecting timing and finality rather than the merits. If that is to happen, it is imperative that the rules governing finality be certain, clear, and stable.

2. The issue also profoundly affects how district courts manage litigation. Patent cases can be notoriously complex, requiring district courts to grapple with the intricacies of different fields of technology. Moreover, many patent cases involve multiple experts on each side, addressing diverse topics as claim construction, obvious-

---

<sup>4</sup> An alleged infringer cannot seek inter partes review of a patent after filing a civil action challenging the patent's validity, and any civil action filed after seeking inter partes review is automatically stayed. 35 U.S.C. § 315(a). But an alleged infringer can seek ex parte reexamination before or after filing suit, as Fresenius did here. See Pet. App. 3a, 6a. Although slower, reexamination can still catch up with lengthy litigation, as happened here.

ness and other validity issues, infringement, and damages. Understandably, courts may be less willing to dedicate already scarce judicial resources to those difficult and time-consuming matters when they anticipate that their efforts may be nullified by a later PTO decision.

The facts of this case illustrate the potential impact. Starting in 2003, the district court conducted claim construction; held a jury trial on liability; granted judgment as a matter of law on validity; held a second jury trial on damages; crafted a permanent injunction; calculated post-verdict royalties; and ultimately entered final judgment for Baxter in 2008. Pet. App. 3a-4a. After the Federal Circuit affirmed, reversed, vacated, and remanded the case in 2009, the district court denied a motion for a new trial; held a new evidentiary hearing regarding post-verdict royalties; calculated a reduced royalty; and entered another final judgment for Baxter in 2012. *Id.* at 5a. Along the way, the court twice (in 2007 and 2011) denied a stay in light of the pending reexamination, as it was unclear what effect the PTO's decision would have on the litigation. *Id.* at 9a. The PTO then cancelled Baxter's claims in April 2013, after Fresenius had appealed the district court's second final judgment. Pet. App. 8a. That cancellation, the Federal Circuit held, rendered "moot" everything the district court had done in the preceding 10 years. *Id.* at 32a.

District courts will be understandably reluctant to press forward when proceedings before the PTO could, with relative ease, make years of effort "all for naught." Pet. App. 93a n.9 (O'Malley, J., dissenting from denial of rehearing en banc). Judge O'Malley's prediction that "stays in the face of reexaminations \* \* \* will become inevitable" may prove true. *Id.* at 93a; see Pet. 26-27 (collecting cases granting stays in light of decision below).

Even if a district court is skeptical that the PTO will find a patent invalid, the prospect of finding 10 years' effort wasted after two trials, two judgments, and two appeals will often counsel hesitation.

That is not to say that timely stays of judicial proceedings in favor of PTO reexaminations are necessarily bad. They can conserve scarce judicial resources, not to mention the parties' resources. But they are not costless. If the PTO ultimately finds the patent valid, the patent holder will have suffered considerable delay in vindicating its rights. For example, a stay could prevent entry of an otherwise appropriate injunction, subjecting the patent holder to continued "irreparable injury," *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). A stay could also delay proceedings (such as claim construction hearings) that often facilitate mutually beneficial settlement.

Even if a district court does not stay the case entirely, looming PTO proceedings may still constrain case-management options. For example, district courts sometimes bifurcate complex patent cases into liability and damages phases, staying discovery and trial on damages until after liability is decided. See *Robert Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1308 (Fed. Cir. 2013) (en banc). The alleged infringer may then take an immediate appeal on liability before trial on damages. *Id.* at 1309; see 28 U.S.C. §1292(c)(2). That approach can streamline complicated cases by reducing the number of issues litigated at one time. But "bifurcations [also] drag out the litigation." Pet. App. 93a (O'Malley, J., dissenting from denial of rehearing en banc). That increases the risk that a later PTO decision will overtake the litigation, making bifurcation a less attractive option.

The point is not that the Federal Circuit majority's or the dissent's rule is superior. It is that, whatever rule is selected, it profoundly affects how patent issues are litigated in the federal system. It may well be appropriate for one tribunal to stay its hand and defer to another that is closer to the finish line. But to make informed decisions on that score, courts and litigants need to be certain where the finish line is. Until this Court resolves the question, that certainty will be lacking.

3. The decision below also has serious implications for the final stage of patent litigation: the relief a victorious patent holder receives. Typically, that relief will include past damages and prospective relief such as a permanent injunction or ongoing royalties. But the decision below may prompt plaintiffs to abandon relief to which they are otherwise entitled so as to achieve absolute finality more quickly.

This case again illustrates the point. On Fresenius's first appeal, the Federal Circuit upheld the validity of Baxter's '434 patent and left its damages award (which Fresenius did not appeal) undisturbed. See Pet. App. 4a-5a & n.2; Pet. 6. The court remanded solely for reconsideration of the injunction and post-verdict royalties in light of its invalidation of other patents. Pet. App. 4a-5a. Had Baxter then waived its request for post-verdict royalties on remand, that could have ended the case before the PTO cancelled the '434 patent claims—securing Baxter's \$14.3 million damages judgment.<sup>5</sup>

---

<sup>5</sup> Fresenius sought a new damages trial on remand and appealed the denial of that motion, Pet. App. 5a-6a, which might have kept the case alive even if Baxter had not cross-appealed on royalties. But Fresenius did not challenge damages on its first appeal, and the district court held that the mandate rule precluded reopening the issue. See *id.* at 63a (Newman, J., dissenting). To the extent the decision

That is not an abstract possibility. At least one patent holder has already forfeited relief in light of the decision below. In *Versata Software, Inc. v. SAP America, Inc.*, the Federal Circuit affirmed a damages judgment in favor of Versata, but vacated and remanded with respect to injunctive relief. 717 F.3d 1255, 1258 (Fed. Cir. 2013), cert. denied, 134 S. Ct. 1013 (2014). Shortly thereafter, the Patent Trial and Appeal Board issued a final decision finding the relevant patent claims invalid; if affirmed, that decision could lead to the claims' cancellation. See *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, No. CBM2012-00001 (MPT) (P.T.A.B. June 11, 2013) (Paper #70). To allow the court case to become final before that could happen, Versata on remand "dismiss[ed] all claims for injunctive relief with prejudice \* \* \* thereby moot[ing] the sole issue remanded to th[e] [District] Court." Mem. Order 2, *Versata Software, Inc. v. SAP Am., Inc.*, No. 2:07-cv-153 (E.D. Tex. Mar. 17, 2014) (ECF Doc. #611).

Surrendering relief may help protect a damages judgment, but it comes at a cost. For example, in this case Baxter might have abandoned its request for post-verdict royalties, only to have the Federal Circuit *uphold* the patent on appeal from the PTO reexamination proceeding. Or the dissents' finality rule might have prevailed instead of the panel majority's. In either case, Baxter would have received its \$14.3 million in damages, but it would have lost out on \$9.3 million in royalties to which it was otherwise entitled. Baxter would have, in effect, amputated a healthy limb to save a healthy patient.

---

below might allow or encourage an infringer to keep a case on life support by filing a baseless appeal on an issue it neglected to appeal previously, that would heighten the importance of the issues presented.

Such dilemmas, calculated risks, and trade-offs will always exist in complex patent litigation. This Court's review will not eliminate them. But a decision from this Court would help litigants confronted with difficult choices make informed decisions, with a full appreciation of the risks, under a stable regime.

**B. The Decision Below Implicates Powerful, Competing Private and Public Interests**

The importance of the questions presented is underscored by the weighty private and public interests on both sides. For example, Judge Dyk defended the decision below by invoking the unfairness he believed would otherwise prevail. He opined that the majority's rule prevents the "peculiar result" of allowing a patent holder "to secure damages for infringement of a patent that has been conclusively found invalid by the PTO." Pet. App. 71a (Dyk, J., concurring in denial of rehearing en banc). "Nothing in the statute or common sense," he urged, justifies such an inequitable rule. *Ibid.* That is a valid concern. Allowing recovery on an invalid patent would appear to defy the point of having multiple avenues for challenging validity.

The countervailing concerns raised by the dissents are likewise valid. In their view, the decision below departs from the ordinary rules of litigation. Judge Newman opined that the majority's rule improperly allows defendants to reopen "issues that were finally decided in full and fair litigation," in derogation of our system's usual rule that "'one bite at the apple is enough.'" Pet. App. 48a, 52a (Newman, J., dissenting) (brackets omitted). There is similarly some tension with traditional rules of forfeiture and waiver. Fresenius escaped a damages judgment despite not appealing damages, *id.* at 76a, 88a-89a (O'Malley, J., dissenting from denial of rehearing en

banc), avoiding liability because the PTO cancelled Baxter's patent claims based on prior art and arguments that Fresenius "never presented to the district court at all," *id.* at 7a n.4 (panel opinion). It is incongruous to require a party to pay damages on an invalid patent, but it is equally incongruous to overturn a previously affirmed judgment on liability and damages on grounds no party ever raised in court. *Cf. id.* at 79a (O'Malley, J., dissenting from denial of rehearing en banc).

The decision below also implicates important public interests. Judge Newman worried that, "by ignoring the rules of finality" as she saw them, "[t]he panel decision destabilizes issued patents" and "weaken[s] th[e] incentive" to innovate. Pet. App. 95a, 96a (Newman, J., dissenting from denial of rehearing en banc). Others, however, would likely argue that barring recovery on invalid patents strengthens the overall integrity of the patent system. The competing views on such fundamental issues reinforce this case's importance and the need for this Court's review.

### **C. The Issue Has Growing Importance and Warrants Immediate Review**

A growing number of patents are subject to parallel administrative and judicial proceedings. As petitioners note, 32% of ex parte reexamination proceedings involve patents known to be in litigation. Pet. 21-22. The rate for inter partes reexamination (since replaced by inter partes review) was more than twice as high—76%. U.S. Patent & Trademark Office, *Inter Parte Reexamination Filing Data—September 30, 2013*, [http://www.uspto.gov/patents/stats/inter\\_parte\\_historical\\_stats\\_roll\\_up\\_EOY2013.pdf](http://www.uspto.gov/patents/stats/inter_parte_historical_stats_roll_up_EOY2013.pdf). And the number of reexamination filings has risen steadily for years. See *ibid.*



The 2011 enactment of the America Invents Act promises even more parallel proceedings and concomitant races to finality. The Act adds several new avenues for challenging issued patents before the PTO: inter partes review, post-grant review, and covered business method patent review. See p. 7 n. 2, *supra*. Those options have proven attractive, with the PTO receiving nearly 1,000 inter partes review filings and 140 covered business method patent review filings since the procedures became available in September 2012. U.S. Patent & Trademark Office, *AIA Statistics*, [http://www.uspto.gov/aia\\_implementation/statistics.jsp](http://www.uspto.gov/aia_implementation/statistics.jsp).<sup>6</sup>

Those new mechanisms all end the same way as the ex parte reexamination here: If the PTO determines that a claim is not patentable and the Federal Circuit affirms that conclusion on appeal, the PTO “shall issue and publish a certificate canceling [the] claim.” 35 U.S.C. §§ 318(b) (inter partes review), 328(b) (post-grant review); see AIA § 18(a)(1) (covered business method patent review follows post-grant review procedures); accord 35 U.S.C. § 307(a) (ex parte reexamination); Pet. App. 8a. And claim cancellation is what matters under the decision below. Pet. App. 32a. As a result, the decision in this case will have profound consequences for an ever-increasing array of PTO procedures.

The cost of delaying review is significant. Patent suits are often litigated for years. (This suit was brought in 2003.) District courts and litigants must make strategic and practical decisions in cases pending today that may

---

<sup>6</sup> There are not yet significant post-grant review filings because that procedure is generally available only for patents issued under the AIA’s new “first-inventor-to-file” provisions, which took effect March 16, 2013. See U.S. Patent & Trademark Office, *Post Grant Review*, [http://www.uspto.gov/aia\\_implementation/faqs\\_post\\_grant\\_review.jsp](http://www.uspto.gov/aia_implementation/faqs_post_grant_review.jsp).

still have implications a decade from now. See pp. 8-16, *supra*. They should be able to make those decisions with the benefit of certain, clear, and stable rules articulated by this Court in place of the instability and inconsistency the current regime threatens.

## **II. THE SHARP DISAGREEMENT WITHIN THE FEDERAL CIRCUIT UNDERSCORES THE NEED FOR REVIEW**

### **A. The Decision Below Is Divisive and Fragile**

Despite the importance of the issue at stake, the Federal Circuit was deeply divided on its proper resolution. Of the court's 12 judges, just two—those comprising the panel majority—wrote in support of the decision below. See Pet. App. 1a (panel majority by Dyk, J., joined by Prost, J.); *id.* at 70a (Dyk, J., joined by Prost, J., concurring in denial of rehearing en banc). By contrast, four judges voiced strident opposition to the decision on constitutional grounds and called for it to be reheard (and overturned) en banc. See *id.* at 33a (Newman, J., dissenting); *id.* at 75a & n.1 (O'Malley, J., joined by Rader, C.J., and Wallach, J., dissenting from denial of rehearing en banc); *id.* at 94a (Newman, J., dissenting from denial of rehearing en banc). Additionally, the court's two newest judges did not vote on the petition for rehearing. See *id.* at 69a n.20 (“Circuit Judges CHEN and HUGHES did not participate.”).

In light of that sharp division (and absence of two members), the law remains unstable. Revision en banc is possible. There is also the risk of unpredictability in application (and the discovery of unpredicted exceptions) that regrettably can accompany a controversial rule. But a change of course years from now—even if correct as a matter of law—would create considerable disruption for the parties and district courts that must premise innumerable litigation decisions on the finality rule in effect

today. And a later en banc decision still would not provide the certainty litigants need, as the possibility of further review by this Court would remain. Rather than leave courts and litigants in limbo for years over the continued soundness of the split decision below, the Court should grant review and settle the issue once and for all.

**B. The Federal Circuit’s Division over This Court’s Precedent Reinforces the Need for Review**

Review is particularly appropriate because the disagreement below largely centered on this Court’s precedent. In particular, the Federal Circuit fractured over the meaning and potentially controlling effect of this Court’s decision in *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922).

*Simmons* involved parallel infringement actions in Pennsylvania and New York. 258 U.S. at 83-84. In the Pennsylvania case, the Third Circuit held the patent invalid and ordered the infringement claim dismissed, but remanded for further proceedings on a different claim (unfair competition). *Id.* at 84. While that case was on remand, this Court granted review in the New York case and held the patent valid, rejecting the reasoning the Third Circuit had adopted. *Id.* at 85. In response, the Pennsylvania court initially reinstated the infringement claim, but the Third Circuit held that the district court was obligated to follow its prior ruling invalidating the patent. *Id.* at 85-87. This Court reversed. It held that the district court properly modified its ruling to reflect the Court’s decision on validity. *Id.* at 91.

The panel majority found *Simmons* controlling. That case’s “explicit teaching,” it held, is “that the district court must apply intervening legal developments affecting the asserted patent’s validity, even if the court of ap-

peals already decided the validity issue the other way.” Pet. App. 22a, 32a. Judge Dyk reiterated that view upon denial of rehearing, stating that, if the court “were to hold that [its] judgment in *Fresenius I* is immune to a subsequent adjudication of invalidity,” it “would contravene controlling Supreme Court authority in *Simmons*.” *Id.* at 74a (Dyk, J., concurring in denial of rehearing en banc).

Judge O’Malley, however, saw *Simmons* as “entirely different” on the critical question of finality. Pet. App. 86a (O’Malley, J., dissenting from denial of rehearing en banc). In *Simmons*, she said, “the judgment was not ‘final’” because no relief had been entered. *Ibid.* (quoting *Simmons*, 258 U.S. at 89). Here, by contrast, “[f]inal judgment was entered, the calculation of past damages had occurred, and appellate review of those determinations had concluded.” *Ibid.* Unlike in *Simmons*, Judge O’Malley argued, “Baxter’s right in the judgment had vested.” *Ibid.*

Judge Newman likewise found *Simmons* “inapposite.” Pet. App. 59a (Newman, J., dissenting). That case, she argued, “relate[s] solely to court-to-court relationships,” *id.* at 42a-43a—namely district courts’ responsibility to apply intervening precedent of *this Court* in place of earlier, contrary court of appeals precedent. This case, however, concerns the impact of an intervening PTO ruling. Judge Newman therefore observed that “the issue here \* \* \* is not the relationship between different courts, but between the branches of government.” *Id.* at 43a. Accordingly, Judge Newman found *Simmons* “irrelevant to the constitutional question of whether an administrative agency can override or ignore a prior judicial decision of the same issue.” *Ibid.*

The Federal Circuit is thus starkly divided over the significance of this Court’s precedent, with some judges finding it squarely “controlling” and others finding it “entirely different.” *Simmons*, moreover, is more than 90 years old; predates both reexamination and post-grant review; and has received scant attention since its issuance.<sup>7</sup> Only this Court can conclusively resolve the dispute over the meaning of its own precedent. It should do so now and provide the certain, clear, and stable guidance litigants need to navigate the current patent landscape.

### CONCLUSION

The petition should be granted.

---

<sup>7</sup> A Westlaw search reveals that this Court has not cited *Simmons* in nearly 60 years. It has cited *Simmons* only five times in total, usually in string citations, and never in connection with parallel proceedings over the same patent. See *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238, 259 n.16, 270 n.22 (1944); *Marconi Wireless Tel. Co. of Am. v. United States*, 320 U.S. 1, 47-48 (1943); *George v. Victor Talking Mach. Co.*, 293 U.S. 377, 379 (1934) (per curiam); *First Nat’l Bank of Cincinnati v. Flershem*, 290 U.S. 504, 522 (1934); *Ensten v. Simon, Ascher & Co.*, 282 U.S. 445, 455 (1931).

Respectfully submitted.

CHAD HANSON, PH.D.  
*Senior Legal Counsel,  
IP Litigation*  
MEDTRONIC, INC.  
710 Medtronic Parkway  
LC300  
Minneapolis, MN 55432  
(763) 505-2030

JEFFREY A. LAMKEN  
*Counsel of Record*  
LUCAS M. WALKER  
MOLOLAMKEN LLP  
The Watergate, Suite 660  
600 New Hampshire Ave., NW  
Washington, D.C. 20037  
(202) 556-2000  
jlamken@mololamken.com

ANDREW R. DEVOOGHT  
MOLOLAMKEN LLP  
300 North LaSalle Street  
Suite 5525  
Chicago, IL 60654  
(312) 450-6700

*Counsel for Amicus Curiae*

April 2014