

No. 13-

IN THE
Supreme Court of the United States

BAXTER INTERNATIONAL INC.
AND BAXTER HEALTHCARE CORPORATION,
Petitioners,

v.

FRESENIUS USA, INC.
AND FRESENIUS MEDICAL CARE HOLDINGS, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

SETH P. WAXMAN
Counsel of Record
THOMAS G. SAUNDERS
THOMAS G. SPRANKLING*
WILMER CUTLER PICKERING
HALE AND DORR LLP
1875 Pennsylvania Ave., NW
Washington, DC 20006
(202) 663-6000
seth.waxman@wilmerhale.com

QUESTION PRESENTED

Fresenius brought a declaratory judgment action challenging the validity of patents owned by Baxter, and Baxter counterclaimed for infringement. The district court held that Baxter's patents were valid and infringed, and entered judgment awarding past damages, an injunction, and a transitional royalty. The U.S. Court of Appeals for the Federal Circuit affirmed in part and reversed in part. The Federal Circuit held that claims 26-31 of U.S. Patent No. 5,247,434 are not invalid. But because it invalidated other claims of Baxter's patents, the court remanded solely for recalculation of the transitional royalty and reconsideration of the injunction. On remand, the district court recalculated the transitional royalty and again entered judgment for Baxter.

While Fresenius's second appeal was pending, the U.S. Patent and Trademark Office cancelled claims 26-31 of the '434 patent based on an ex parte reexamination requested by Fresenius. Over the dissent of four judges who would have granted rehearing en banc, the Federal Circuit held that the PTO's decision required reversal of the judgments against Fresenius.

The questions presented are:

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.

RULE 29.6 STATEMENT

Baxter International Inc. is the parent of Baxter Healthcare Corporation. No other publicly traded company owns 10 percent or more of Baxter Healthcare Corporation's stock. Baxter International Inc. has no parent, and no publicly traded company owns 10 percent or more of its stock.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED	i
RULE 29.6 STATEMENT	ii
TABLE OF AUTHORITIES	vi
OPINIONS BELOW	1
JURISDICTION	2
INTRODUCTION	2
STATEMENT OF THE CASE	4
REASONS FOR GRANTING THE PETI- TION	11
I. THE FEDERAL CIRCUIT’S DECISION CRE- ATES A CIRCUIT SPLIT AND CLASHES WITH CASE LAW FROM EVERY OTHER CIRCUIT.....	12
A. <i>Fresenius II</i> Creates A Circuit Split With The D.C. Circuit’s <i>Qualcomm</i> Ruling.....	12
B. The Federal Circuit’s Rigid Conception Of Finality Contravenes The Case Law Of Every Circuit.....	15
II. THE FEDERAL CIRCUIT’S DECISION PRE- SENTS RECURRING QUESTIONS OF NA- TIONAL IMPORTANCE	17
A. This Case Presents Important Ques- tions Regarding The Finality Of Judi- cial Decisions And The Separation Of Powers	17

TABLE OF CONTENTS—Continued

	Page
B. The Federal Circuit’s Decision Will Increase The Uncertainty, Complexity, And Cost Of Patent Litigation.....	21
1. The Federal Circuit’s decision impacts the growing number of cases subject to parallel proceedings in the PTO	21
2. The Federal Circuit’s decision encourages wasteful and duplicative litigation	23
3. The Federal Circuit’s decision creates opportunities for gamesmanship.....	24
4. The Federal Circuit’s decision discourages district courts from fulfilling their responsibility to adjudicate patent cases.....	26
5. The Federal Circuit’s decision creates uncertainty and undermines the incentive to innovate	27
III. THE FEDERAL CIRCUIT’S DECISION IS INCORRECT AND MISINTERPRETS THIS COURT’S PRECEDENT.....	28
IV. THIS CASE IS AN IDEAL VEHICLE TO REVIEW THE QUESTIONS PRESENTED	32
CONCLUSION	33
APPENDIX A: Opinion of the United States Court of Appeals for the Federal Circuit (July 2, 2013).....	1a

TABLE OF CONTENTS—Continued

	Page
APPENDIX B: Order and Opinions of the United States Court of Appeals for the Federal Circuit regarding Baxter’s Peti- tion for Rehearing En Banc (Nov. 5, 2013).....	69a
APPENDIX C: Order and Opinions of the United States Court of Appeals for the Federal Circuit regarding Baxter’s Peti- tion for Rehearing En Banc (Oct. 26, 2012).....	99a

TABLE OF AUTHORITIES

CASES

	Page(s)
<i>Advanced Connection Technology, Inc. v. Toshiba America Information Systems, Inc.</i> , 2013 WL 6335882 (N.D. Cal. Nov. 27, 2013)	27
<i>Baseball Quick, LLC v. MLB Advanced Media L.P.</i> , 2013 WL 5597185 (S.D.N.Y. Oct. 9, 2013)	27
<i>Block v. ITC</i> , 777 F.2d 1568 (Fed Cir. 1985).....	16
<i>Bullen v. de Bretteville</i> , 239 F.2d 824 (9th Cir. 1956)	16, 17
<i>Checkfree Corp. v. Metavante Corp.</i> , 2014 WL 466023 (M.D. Fla. Jan. 17, 2014)	26
<i>Chicago & Southern Air Lines, Inc. v. Waterman Steamship Corp.</i> , 333 U.S. 103 (1948)	20
<i>Christo v. Padgett</i> , 223 F.3d 1324 (11th Cir. 2000)	16
<i>Clements v. Airport Authority of Washoe County</i> , 69 F.3d 321 (9th Cir. 1995)	16
<i>Credit Acceptance Corp. v. Westlake Services, LLC</i> , 2013 WL 7144391 (C.D. Cal. Dec. 30, 2013)	27
<i>Cromwell v. County of Sac</i> , 94 U.S. 351 (1877).....	19
<i>Employees Own Federal Credit Union v. City of Defiance</i> , 752 F.2d 243 (6th Cir. 1985)	15

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Evolutionary Intelligence, LLC v. Facebook, Inc.</i> , 2014 WL 261837 (N.D. Cal. Jan. 23, 2014)	26
<i>Fresenius Medical Care Holdings, Inc. v. Baxter International, Inc.</i> , 2007 WL 518804 (N.D. Cal. Feb. 13, 2007).....	6
<i>Fresenius USA, Inc. v. Baxter International, Inc.</i> , 582 F.3d 1288 (Fed. Cir. 2009)	4, 6
<i>Fresenius USA, Inc. v. Baxter International, Inc.</i> , 559 U.S. 1070 (2010)	7
<i>Fresenius USA, Inc. v. Baxter International, Inc.</i> , 2011 WL 2160609 (N.D. Cal. May 26, 2011)	7
<i>Hayburn’s Case</i> , 2 U.S. (2 Dall.) 409 (1792).....	21
<i>Henglein v. Colt Industries Operating Corp.</i> , 260 F.3d 201 (3d Cir. 2001)	15
<i>In re Baxter International, Inc.</i> , 678 F.3d 1357 (Fed. Cir. 2012)	8
<i>In re Baxter International, Inc.</i> , 698 F.3d 1349 (Fed. Cir. 2012)	9
<i>In re Swanson</i> , 540 F.3d 1368 (Fed. Cir. 2008)	20
<i>Interconnect Planning Corp. v. Feil</i> , 774 F.2d 1132 (Fed. Cir. 1985)	16
<i>John Simmons Co. v. Grier Bros. Co.</i> , 258 U.S. 82 (1922)	28, 30
<i>Marconi Wireless Co. v. United States</i> , 320 U.S. 1 (1943)	29

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Martin v. DOJ</i> , 488 F.3d 446 (D.C. Cir. 2007)	16
<i>Massaro v. United States</i> , 538 U.S. 500 (2003)	17
<i>Mendenhall v. Barber-Greene Co.</i> , 26 F.3d 1573 (Fed. Cir. 1994)	28, 29, 30
<i>Miller Brewing Co. v. Joseph Schlitz Brewing Co.</i> , 605 F.2d 990 (7th Cir. 1979).....	16
<i>Morrell & Co. v. Local Union 304A of United Food & Commercial Workers</i> , 913 F.2d 544 (8th Cir. 1990).....	16, 17
<i>O'Reilly v. Malon</i> , 747 F.2d 820 (1st Cir. 1984)	15
<i>Pennsylvania v. Wheeling & Belmont Bridge Co.</i> , 59 U.S. (18 How.) 421 (1856)	19
<i>Plaut v. Spendthrift Farm, Inc.</i> , 514 U.S. 211 (1995)	14, 19
<i>Pye v. Department of Transportation of Georgia</i> , 513 F.2d 290 (5th Cir. 1975)	15, 16, 17
<i>Qualcomm Inc. v. FCC</i> , 181 F.3d 1370 (D.C. Cir. 1999).....	<i>passim</i>
<i>Robert Bosch, LLC v. Pylon Manufacturing Corp.</i> , 719 F.3d 1305 (Fed. Cir. 2013) (en banc)	22
<i>Robinette v. Jones</i> , 476 F.3d 585 (8th Cir. 2007)	16
<i>Smith Machinery Co. v. Hesston Corp.</i> , 878 F.2d 1290 (10th Cir. 1989)	16
<i>Stoll v. Gottlieb</i> , 305 U.S. 165 (1938)	17

TABLE OF AUTHORITIES—Continued

	Page(s)
<i>Swentek v. USAIR, Inc.</i> , 830 F.2d 552 (4th Cir. 1987)	15
<i>Syverson v. IBM Corp.</i> , 472 F.3d 1072 (9th Cir. 2007)	16
<i>Ward v. Dixie National Life Insurance Co.</i> , 595 F.3d 164 (4th Cir. 2010)	14
<i>Zdanok v. Glidden Co.</i> , 327 F.2d 944 (2d Cir. 1964)	15, 16, 17
<i>Zillow, Inc. v. Trulia, Inc.</i> , 2013 WL 5530573 (W.D. Wash. Oct. 7, 2013).....	27

ADMINISTRATIVE DECISIONS

<i>Ex parte Baxter International, Inc.</i> , 2010 WL 1048980 (B.P.A.I. Mar. 18, 2010)	8
---	---

DOCKETED CASES

<i>Amstar Corp. v. Envirotech Corp.</i> , Nos. 86-1340, -1360 (Fed. Cir.).....	20
<i>ePlus, Inc. v. Lawson Software, Inc.</i> , Nos. 2013-1506, -1587 (Fed. Cir.)	22
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , No. 03-cv-1431 (N.D. Cal.).....	5, 25
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , No. 2008-1306 (Fed. Cir.).....	7
<i>In re Baxter</i> , No. 2011-1073 (Fed. Cir.).....	8, 20

STATUTES AND RULES

28 U.S.C. § 1254(1).....	2
--------------------------	---

TABLE OF AUTHORITIES—Continued

	Page(s)
Fed. R. Civ. P. 2.....	30
OTHER AUTHORITIES	
<i>A Patent Office Ruling Trumps a Court Ruling?</i> (July 5, 2013), available at http://www.ipnav.com/blog/a-patent-office-ruling-trumps-a-court-ruling/	23
Brinckerhoff, Courtenay, <i>Fresenius Escapes \$25 Million Damages Award, Based on Invalidity of Baxter Patent in Ex Parte Reexamination</i> , PharmaPatents (July 8, 2013), available at http://www.pharmapatentsblog.com/2013/07/08/fresenius-escapes-25-million-damages-award-based-on-invalidity-of-baxter-patent-in-ex-parte-reexamination/	24
Davis, Ryan, <i>5 New Fed. Circ. Rulings That Will Shape Future IP Cases</i> , Law 360 (July 12, 2013), available at http://www.law360.com/articles/456945/5-new-fed-circ-rulings-that-will-shape-future-ip-cases	4
Janicke, Paul M., <i>An Interim Proposal for Fixing Ex Parte Patent Reexamination's Messy Side</i> , 4 HLRe 43 (2013), available at http://www.houstonlawreview.org/wp-content/uploads/2013/03/6-Janicke.pdf	21, 22, 23, 25
King, Thomas, & Jeffery A. Wolfson, <i>PTAB Rearranging the Face of Patent Litigation</i> , 6 Landslide 18 (Nov./Dec. 2013).....	3, 15, 21

TABLE OF AUTHORITIES—Continued

	Page(s)
McKeown, Scott A., <i>Reexamination Strategies Concurrent with Litigation</i> (2011), available at http://patentlawcenter.pli.edu/wp-content/uploads/2011/01/Reexamination-Strategies-Concurrent-with-Litigation1.pdf	26
PTO, <i>Ex Parte Reexamination: Historical Statistics</i> (2012)	22
Quinn, Gene, <i>Industry Insiders Reflect on the Biggest Moments of 2013</i> , IPWatchdog (Dec. 31, 2013), available at http://www.ipwatchdog.com/2013/12/31/industry-insiders-reflect-on-the-biggest-moments-of-2013/id=46866/	3
<i>Restatement (Second) of Judgments</i> (1982)	31
Tamm, Kevin, <i>What is the Federal Circuit's Issue with USPTO Patent Reexamination Proceedings?</i> , 81 U. Cin. L. Rev. 1103 (2013)	28
Wright, Charles Alan, et al., <i>Federal Practice and Procedure</i> (3d ed. 2008)	14

IN THE
Supreme Court of the United States

No. 13-

BAXTER INTERNATIONAL INC.
AND BAXTER HEALTHCARE CORPORATION,
Petitioners,
v.

FRESENIUS USA, INC.
AND FRESENIUS MEDICAL CARE HOLDINGS, INC.,
Respondents.

ON PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

PETITION FOR A WRIT OF CERTIORARI

Baxter International Inc. and Baxter Healthcare Corporation respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The opinion of the court of appeals (App. 1a-68a) is reported at 721 F.3d 1330. The order of the court of appeals denying Baxter's petition for rehearing en banc and the opinions concurring in and dissenting from that denial (App. 69a-98a) are reported at 733 F.3d 1369. The district court's opinion recalculating the transi-

tional royalty on remand is unreported but available at 2012 WL 761712.

JURISDICTION

The court of appeals issued its decision on July 2, 2013. App. 1a-68a. The court denied petitioner's request for rehearing and rehearing en banc on November 5, 2013. *Id.* 69a-70a. On January 14, 2014, the Chief Justice extended the time for filing a petition for a writ of certiorari to and including March 5, 2014. This Court has jurisdiction pursuant to 28 U.S.C. § 1254(1).

INTRODUCTION

Over the dissent of four judges who would have granted rehearing en banc (App. 75a-98a), the Federal Circuit held that, even where the validity of patent claims has already been affirmed on appeal, the PTO's cancellation of those claims in an ex parte reexamination requires reversal of a final district court judgment if *any* issue in the district court case remains subject to appeal. Specifically, the Federal Circuit held that in an appeal from a limited remand on post-verdict remedies, Fresenius could rely on the PTO's reexamination decision to negate both the Federal Circuit's prior judgment that Baxter's claims were not invalid and the judgment of past damages that Fresenius had never appealed. This unprecedented reliance on an administrative decision to reopen a final judgment and reverse a determination by an Article III court creates a circuit split, threatens the finality of judicial decisions, raises grave constitutional concerns, and diminishes the stability of the patent system.

Federal judges and commentators alike have recognized the significance of the Federal Circuit's decision in this case. Three dissenters from the denial of

rehearing en banc noted that “[w]ell-established law recognizes finality in situations like the one presented here—where the merits are conclusively decided—even though other issues may remain.” App. 81a. They warned that “the majority creates a circuit split on this important issue” (*id.* 84a) by adopting a “view of finality [that] is significantly out of step with the law as it stands today” (*id.* 80a).

A fourth dissenter wrote separately to highlight the constitutional problems created by the Federal Circuit’s “ruling that an executive branch agency can override the judgments of Article III courts.” App. 94a. She warned that the court had weakened the incentive to innovate “by reducing the reliability of the patent grant, even when the patent has been sustained in litigation.” *Id.* 95a. She also noted “the gamesmanship and abuses that are now facilitated, with no balancing benefit to the public.” *Id.* 96a.

One attorney observed that the panel’s ruling “‘sent shockwaves through the patent litigation ranks’” and “‘may prove ... to be a watershed moment in U.S. patent law.’”¹ An article in the magazine of the ABA’s Intellectual Property Section noted that the decision “is far out of step with well-established [finality] principles in the regional circuits” and is “unlikely to be the last word on inconsistent judgments” between the patent office and the courts.² Another litigator commented

¹ Quinn, *Industry Insiders Reflect on the Biggest Moments of 2013*, IPWatchdog (Dec. 31, 2013), available at <http://www.ipwatchdog.com/2013/12/31/industry-insiders-reflect-on-the-biggest-moments-of-2013/id=46866> (quoting Scott McKeown).

² See King & Wolfson, *PTAB Rearranging the Face of Patent Litigation*, 6 *Landslide* 18, 22 (Nov./Dec. 2013).

that “[t]here are cases that have long-term, real-world effects, and [*Fresenius II*] is one of those.”³

In short, the Federal Circuit’s decision in this case creates a circuit split, presents important and recurring questions regarding the finality of judicial decisions and the relationship between judicial and administrative proceedings, and disrupts the settled expectations of patent owners. The petition for a writ of certiorari should be granted.

STATEMENT OF THE CASE

1. Hemodialysis machines are used to cleanse toxins from the blood when a person’s kidneys fail to function properly. A254.⁴ As a patient’s blood is pumped through the machine, a semi-permeable membrane allows toxins to pass from the blood into a mixture known as dialysate. A1338. Like the kidneys, a hemodialysis machine also removes fluid from the bloodstream so it can be drained away, a process known as ultrafiltration. *Id.* Numerous parameters must be carefully controlled for a hemodialysis machine to perform its intended functions. *See generally Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1292 (Fed. Cir. 2009) (*Fresenius I*).

Baxter was the first to invent a hemodialysis machine with a touch screen that a clinician could use to

³ See Davis, 5 *New Fed. Circ. Rulings That Will Shape Future IP Cases*, Law 360 (July 12, 2013), available at <http://www.law360.com/articles/456945/5-new-fed-circ-rulings-that-will-shape-future-ip-cases> (quoting Gregory Castanias).

⁴ “A” refers to the court of appeals appendix.

control and adjust these parameters.⁵ At the time, there was concern that touch screens were too unreliable for safe use with a hemodialysis device. A319; A333. Baxter also invented a user interface that permitted users to monitor and control a hemodialysis machine in ways that were impossible with earlier interfaces, as well as particular means for controlling dialysate parameters and for delivering dialysate and anticoagulant. *See* A32.

Baxter filed a patent application in 1991 and proceeded to commercialize its invention. A1; A263. Nine years later, its competitor, Fresenius, launched its own infringing device in an effort to stay competitive. A307-308; A1611.

2. Fresenius filed this action in 2003, seeking a declaratory judgment that its 2008K hemodialysis machine did not infringe any valid claim of certain patents owned by Baxter. A84. Baxter counterclaimed, asserting that Fresenius infringed U.S. Patent No. 5,247,434 (the '434 patent) and four other Baxter patents relating to hemodialysis machines.⁶

In 2005, the district court entered partial summary judgment against Fresenius, holding that it infringed the '434 patent. A1345-1347. Shortly before trial, Fresenius stipulated that it infringed nearly all of the remaining claims asserted against it. *See* Dkt. 755, No. 03-cv-1431 (N.D. Cal. June 15, 2006).

⁵ For simplicity, this petition refers to Baxter's predecessor, Althin, as Baxter.

⁶ U.S. Patent No. 6,284,131; U.S. Patent No. 5,744,027; U.S. Patent No. 5,326,476; and U.S. Patent No. 5,486,286.

In 2006, a trial was held on the issue of validity. The jury found that all asserted claims of Baxter's patents-in-suit were invalid, but the district court granted Baxter judgment as a matter of law, holding that no reasonable jury could invalidate Baxter's claims. *See Fresenius Medical Care Holdings, Inc. v. Baxter Int'l, Inc.*, 2007 WL 518804, at *5-13 (N.D. Cal. Feb. 13, 2007).

The case then proceeded to trial on damages, at which a second jury awarded Baxter over \$14.2 million for past damages. A2198. The district court entered final judgment in Baxter's favor on November 7, 2007. A997. Baxter then moved for a permanent injunction, which the district court granted. A1005-1006. At Fresenius's request, however, the court stayed the injunction for nine months and ordered Fresenius to pay Baxter a transitional royalty while it redesigned its infringing machine. A1006-1007.

On appeal to the Federal Circuit, Fresenius challenged the district court's JMOL ruling on validity, permanent injunction, and royalty award. *See* A1372; A1404-1405; A1427-1430; A1435. Fresenius's appeal brief did not address the past damages award. *See id.*

After careful review, the Federal Circuit held that although several of Baxter's claims were invalid, no reasonable jury could find claims 26-31 of the '434 patent invalid. *Fresenius I*, 582 F.3d at 1299-1300. The Federal Circuit accordingly affirmed in part and remanded solely for the district court to review the permanent injunction and reconsider the ongoing royalty in light of the reduction in the number of asserted claims. *Id.* at 1304. The Federal Circuit did not remand for reconsideration of the past damages award that Fresenius had never challenged.

Dissatisfied with the Federal Circuit’s ruling upholding the validity of the ’434 patent claims, Fresenius pursued further review. It filed a petition for rehearing en banc, which was denied. Dkt. 52, No. 2008-1306 (Fed. Cir. Nov. 18, 2009). It then filed a petition for a writ of certiorari, which was also denied. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 559 U.S. 1070 (2010).

With liability and past damages settled, the case returned to the district court for limited proceedings on the injunction and transitional royalty. Fresenius attempted to delay the litigation by requesting a new trial on past damages and moving to stay the case, but the district court denied both motions, noting on the request for a new trial that past damages were final. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 2011 WL 2160609, at *2 (N.D. Cal. May 26, 2011) (“Fresenius did not argue at trial or on appeal that the calculation of past damages depended on the number of patents infringed. The Federal Circuit vacated only the injunction and the royalty award, but did not vacate the damages award[.]”).

On March 16, 2012, the court entered a second final judgment that reconfirmed Fresenius’s liability for the past damages covered by the 2007 judgment and awarded a modified royalty for ongoing infringement. A66-67. Fresenius again appealed to the Federal Circuit. See Nos. 2012-1334, -1335 (Fed. Cir.) (*Fresenius II*).

3. While the appeal in *Fresenius II* was pending, the PTO issued a certificate cancelling claims 26-31 of the ’434 patent as the result of an ex parte reexamination that Fresenius had requested more than two years into the litigation.

The PTO determined in the reexamination that, notwithstanding the Federal Circuit’s decision holding that claims 26-31 of the ’434 patent were not invalid, the claims should be invalidated as obvious under the lower preponderance of the evidence standard applied by the PTO. *Ex parte Baxter Int’l, Inc.*, 2010 WL 1048980, at *12, 14-15 (B.P.A.I. Mar. 18, 2010). On May 17, 2012, a divided panel of the Federal Circuit affirmed, citing the highly deferential standard of review. *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012). Judge Newman dissented on the ground that the PTO’s decision conflicted with the Federal Circuit’s decision in *Fresenius I*. *Id.* at 1369-1370.

Baxter petitioned for panel rehearing and rehearing en banc. In addition to highlighting numerous errors in the panel’s decision, Baxter noted the conflict between the PTO’s decision and *Fresenius I*. The PTO’s opposition to rehearing en banc conceded: “The dissent is correct that judgments of Article III courts may not be overridden by agencies of the Executive Branch.” PTO Opp. to Pet. for Reh’g and Reh’g En Banc, *In re Baxter*, No. 2011-1073, 2012 WL 4667630, at *14 (Fed. Cir. Sept. 10, 2012). But the PTO argued that the reexamination decision did not “render the court’s previous judgment merely advisory” because the parties to the case would continue to be bound by the previous judgment. *Id.* The PTO stated: “If a federal court awards relief to a patent holder against an infringer, a subsequent reexamination decision that the patent is invalid does not disturb the judgment of the court or alter its binding effect on the parties.” *Id.* (emphasis added). The PTO thus predicated its opposition to Baxter’s petition on the understanding that *Fresenius* would remain bound by the judgment of liability affirmed in *Fresenius I*.

Baxter’s petition was denied on October 26, 2012. *In re Baxter Int’l, Inc.*, 698 F.3d 1349 (Fed. Cir. 2012) (App. 99a-109a). Concurring in the denial of rehearing en banc, three judges stressed that although *Fresenius I* did not preclude the PTO from carrying out the reexamination, “[t]hese conclusions do not mean, however, that, when the PTO does act in the context of a reexamination proceeding, its conclusions can alter the binding effect of a prior judgment in a judicial proceeding. They cannot, and the PTO concedes as much[.]” App. 101a. Judge Newman dissented from the denial of rehearing en banc. *Id.* 102a-109a.

On April 30, 2013, the PTO issued a certificate cancelling claims 26-31 of the ’434 patent. *See* App. 8a.

4. Fresenius seized on the invalidation of Baxter’s claims by the PTO to argue in the *Fresenius II* appeal that the Federal Circuit should reverse both the transitional royalty awarded by the district court on remand and the past damages award that Fresenius had never appealed. The panel majority agreed with Fresenius and held that the PTO’s decision mooted all the court proceedings. App. 32a. The majority stated that as long as any aspect of a case remains subject to appeal—even an appeal in which liability is already settled—all prior judicial rulings remain subject to reversal by a decision of the PTO invalidating the underlying patent claims.

Judge Newman dissented. She noted that “the constitutional structure does not permit the executive branch to override judgments of the courts.” App. 35a. She also observed that the majority’s rigid view of finality “is contrary to the precedent of every circuit” (*id.* 48a), which recognizes that judicial decisions on particular issues can be sufficiently final to preclude

relitigation even when other issues remain subject to further review (*id.* 20a-21a).

5. Over the dissent of four judges, the Federal Circuit denied Baxter’s petition for rehearing en banc. Judge O’Malley, joined by Chief Judge Rader and Judge Wallach, warned that the panel majority had relied on “an inapplicable and antiquated view of finality” that “is significantly out of step with the law as it stands today.” App. 80a. Judge O’Malley noted that “Fresenius *did not appeal* the pre-verdict damages awarded by the jury” in *Fresenius I* (App. 76a), and thus “pre-verdict *damages* were not at issue in the first appeal, and were not subject to revision on remand” (*id.* at 77a). Instead, at the conclusion of *Fresenius I*, “infringement, validity, and past damages were fixed between the parties” (*id.*) and “beyond challenge” (*id.* 79a), and “Baxter’s right in the judgment [of past damages] had vested” (*id.* 86a). Accordingly, “[w]hile Baxter lost its *prospective* patent rights because of the PTO action, that executive agency may not undermine a final determination of past liability, damages, and the right to appropriate post-verdict relief in *this* case between *these* parties.” *Id.* 85a.

Allowing Fresenius to escape liability contradicted “decades” of precedent holding “that the preclusion doctrine applies to orders that establish liability but leave open only collateral matters.” App. 81a. In particular, Judge O’Malley highlighted the conflict between the majority opinion and the D.C. Circuit’s decision in *Qualcomm Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999). In *Qualcomm*, the D.C. Circuit held that an intervening act of Congress that eliminated the basis for the court’s original decision had no effect on the case, despite an ongoing remand for the FCC to craft a remedy, because the courts had made a final judicial de-

termination of Qualcomm’s rights and the authority to grant a remedy arose directly from the court’s mandate. *Id.* at 1376. Judge O’Malley warned that by ignoring *Qualcomm*, “the majority creates a circuit split on this important issue.” App. 84a.

Judge O’Malley also discussed the practical impact of the majority decision, which “will interfere with litigants’ ability to access the courts to redress their grievances” (App. 93a) and “goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes” (*id.* 75a). Speaking as a former trial judge, she cautioned that “when trial courts come to understand the fragility of their judgments” in light of the fact that “even years of litigated decisions, which may be affirmed piecemeal, could be rendered meaningless,” they will be less willing to invest time and effort in patent cases. *Id.* 93a.

Judge Newman dissented separately to stress that the majority opinion “is contrary to the purposes of patent law as embodied in the statute and the Constitution.” App. 95a. The decision weakens the incentive to innovate “by reducing the reliability of the patent grant, even when the patent has been sustained in litigation.” *Id.* It also facilitates “gamesmanship and abuses,” “with no balancing benefit to the public.” *Id.* 96a.

REASONS FOR GRANTING THE PETITION

The Federal Circuit’s decision creates a circuit split on the important issues of when a judicial decision becomes binding on the parties and whether an Article III court’s judgment on the merits of a case can be reversed by executive or legislative decree. The Federal Circuit’s holding on these points conflicts with the D.C.

Circuit’s decision in *Qualcomm Inc. v. FCC*, 181 F.3d 1370, 1376 (D.C. Cir. 1999). Under *Fresenius II*, a court’s merits ruling can be modified or negated even after the mandate has been issued, so long as any aspect of the case remains subject to appeal. Under *Qualcomm*, a merits ruling is final once the mandate has issued, regardless of later legal developments. The *Fresenius II* panel’s rigid conception of finality also clashes with case law from other circuits holding that the resolution of an issue can be final and binding between the parties even though further proceedings are required on other issues.

Even apart from this circuit split, the decision below independently warrants the attention of this Court because it presents important and recurring questions of national importance. The Federal Circuit’s incorrect resolution of those questions now governs all patent cases. Permitting this wrongly decided ruling to stand will sanction gamesmanship, squander resources by encouraging litigants to contest validity in both the courts and the PTO, and stifle innovation by undermining the public’s confidence in the patent system.

I. THE FEDERAL CIRCUIT’S DECISION CREATES A CIRCUIT SPLIT AND CLASHES WITH CASE LAW FROM EVERY OTHER CIRCUIT

A. *Fresenius II* Creates A Circuit Split With The D.C. Circuit’s *Qualcomm* Ruling

Four judges of the Federal Circuit correctly observed that *Fresenius II* “creates a circuit split” with the D.C. Circuit’s opinion in *Qualcomm* regarding the finality of judicial decisions. App. 84a; *see also id.* 66a (“There is no basis in fact or law to hold that our decision in *Fresenius I* is any less final than that considered in *QUALCOMM*.”).

Qualcomm held that after the merits of a litigant's suit have been decided by a court of appeals and the appellate mandate has issued, the merits ruling cannot be negated by another branch of government even if a remand to determine the appropriate remedy is still pending. *See* 181 F.3d at 1376, 1378-1379; *see also* App. 84a. Qualcomm had applied for a special license from the FCC, but its application was rejected. 181 F.3d at 1372. On appeal, the D.C. Circuit vacated the portion of the FCC's ruling denying the request and "remand[ed] for further proceedings to remedy" the agency's error. *Id.* at 1373. After the court's mandate issued, Congress withdrew the FCC's statutory authority to grant the license. *Id.* at 1373-1374. The agency then dismissed Qualcomm's suit, reasoning "it no longer had authority to act on it." *Id.* at 1375 (brackets omitted).

In a second appeal, the D.C. Circuit held that the FCC had "no discretion on remand" to reconsider the merits of the license application. *Qualcomm*, 181 F.3d at 1376. Its "sole discretion" had been "to fashion an appropriate remedy" giving Qualcomm the license or some form of "alternative relief." *Id.* at 1376. The D.C. Circuit further held that the intervening legislation did not deprive the FCC of the authority to act because once Qualcomm's entitlement to relief had been decided by the courts, its right to a remedy no longer depended on the underlying statute but arose directly from the court's mandate. *Id.* The D.C. Circuit therefore ordered the FCC to provide Qualcomm with a license. *Id.* at 1377, 1381; *see also* App. 84a ("In other words, the [earlier] decision resolving the merits was *final* despite the remand to fashion an appropriate remedy.").

The holdings of *Qualcomm* and *Fresenius II* conflict. Under *Qualcomm*, a ruling on the merits is final once the court's mandate has issued even if the case is

remanded on a remedy issue. The mandate “carries force beyond a victory in that immediate court.” *Qualcomm*, 181 F.3d at 1378; *see also* 13 Charles Alan Wright et al., *Federal Practice and Procedure* § 3529.1 n.55 (3d ed. 2008) (*Qualcomm* panel rejected the FCC’s ruling because “it would defeat the effect of the court’s final judgment”).⁷ In contrast, under *Fresenius II*, an Article III court’s thoroughly litigated ruling on the merits can be ignored or even negated by another branch of government so long as *any* outstanding remedy issue remains to be resolved. *E.g.*, App. 20a-21a (final judgment exists only when there is “nothing for the court to do but execute the judgment”).

The panel majority tried to distinguish *Qualcomm* on the basis that the original remand was narrower than the remand in *Fresenius I*. App. 30a n.12. But under the panel’s definition of finality, the scope of the remand is immaterial so long as *any* task remains for the lower court on remand.⁸ In any event, *Qualcomm*’s

⁷ *Cf. Ward v. Dixie Nat’l Life Ins. Co.*, 595 F.3d 164, 178 (4th Cir. 2010) (“Were we to accept [defendants’] argument” that the state legislature’s definition of a statutory term that was enacted after the mandate had issued on a Fourth Circuit ruling adopting the opposite definition required the Fourth Circuit’s decision to be overturned, “we would be forced to decide whether the legislature’s action was unconstitutional under *Plaut* [v. *Spendthrift Farm, Inc.*, 514 U.S. 211 (1995)] on the ground that our decision in *Ward I* constituted a ‘final judgment.’”).

⁸ Judge Dyk suggested in his concurrence in the denial of rehearing en banc that the panel decision rested not on the finality of *Qualcomm I* but on the fact that “certain Congressional legislation [w]as inapplicable to an earlier court decision.” App. 74a n.1. But that description contradicts (or at best oversimplifies) the reasoning of the panel decision he himself authored. *See id.* 30a n.12. As Judge Dyk correctly pointed out four months earlier, the congressional legislation was deemed inapplicable “[b]ecause of the finali-

remand “to fashion an appropriate remedy” left numerous issues for the FCC to resolve and was, if anything, more open-ended than the narrow remand in *Fresenius I* to revisit two technical remedy issues.⁹

B. The Federal Circuit’s Rigid Conception Of Finality Contravenes The Case Law Of Every Circuit

The Federal Circuit’s decision is also “far out of step with well-established [finality] principles in the regional circuits.” King & Wolfson, *PTAB Rearranging the Face of Patent Litigation*, 6 *Landslide* 18, 22 (Nov./Dec. 2013). “Well-established law recognizes finality in situations like the one presented here—where the merits are conclusively decided—even though other issues may remain.” App. 81a. Indeed, *every* circuit, including the Federal Circuit, has rejected the *Fresenius II* court’s rigid version of finality. *Id.* 49a.¹⁰

ty of the earlier decision, and the legislative history of the intervening legislation.” Id.

⁹ The only issues open on remand following *Fresenius I* were (1) “whether the royalty rate the district court employed to calculate the size of the post-verdict damages needed to be adjusted to reflect the fewer number of infringed claims” and (2) “whether the scope of the injunction should be adjusted for the same reason.” App. 85a.

¹⁰ Judge Newman’s dissent to the panel’s decision includes a non-exhaustive “sampling” of these cases. App. 49a-55a; *see also* *O’Reilly v. Malon*, 747 F.2d 820, 822-823 (1st Cir. 1984) (per curiam); *Zdanok v. Glidden Co.*, 327 F.2d 944, 954-955 (2d Cir. 1964); *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209-210 (3d Cir. 2001); *Swentek v. USAIR, Inc.*, 830 F.2d 552, 561 (4th Cir. 1987), *abrogated on other grounds as recognized by Mikels v. City of Durham*, 183 F.3d 323, 331-333 (4th Cir. 1999); *Pye v. Department of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975); *Employees Own Fed. Credit Union v. City of Defiance*, 752 F.2d 243, 245

For example, the Second Circuit holds that finality “does not require a judgment ‘which ends the litigation ... and leaves nothing for the court to do but execute the judgment,’ but includes many dispositions which, though not final in that sense, have nevertheless been fully litigated.” *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2d Cir. 1964) (Friendly, J.) (citation omitted). Similarly, the Fifth Circuit has concluded that “[t]o be final a judgment does not have to dispose of all matters involved in a proceeding.” *Pye v. Department of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975). The Eighth Circuit has noted that finality can exist for matters that were “resolved by preliminary rulings or [where] determinations of liability ... have not yet been completed by an award of damages or other relief.” *Morrell & Co. v. Local Union 304A of United Food & Commercial Workers*, 913 F.2d 544, 564 (8th Cir. 1990). And the Ninth Circuit has held that “[t]he fact that several questions were deferred for later decision” does not preclude a holding that the issues that *were* decided were final. *Bullen v. de Bretteville*, 239 F.2d 824, 829 (9th Cir. 1956), *overruled on other grounds by Lacey v. Maricopa County*, 693 F.3d 896 (9th Cir. 2012) (en banc); *see also* App. 81a-82a. “A case remanded for fur-

(6th Cir. 1985); *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990, 996 (7th Cir. 1979); *Robinette v. Jones*, 476 F.3d 585, 589 (8th Cir. 2007); *Morrell & Co. v. Local Union 304A of United Food & Commercial Workers*, 913 F.2d 544, 563-564 (8th Cir. 1990); *Syverson v. International Bus. Machs. Corp.*, 472 F.3d 1072, 1079 (9th Cir. 2007); *Clements v. Airport Auth. of Washoe County*, 69 F.3d 321, 330 (9th Cir. 1995) *Smith Mach. Co. v. Hesston Corp.*, 878 F.2d 1290, 1293 (10th Cir. 1989); *Christo v. Padgett*, 223 F.3d 1324, 1338-1339 (11th Cir. 2000); *Martin v. DOJ*, 488 F.3d 446, 455 (D.C. Cir. 2007); *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132, 1135 (Fed. Cir. 1985); *Block v. ITC*, 777 F.2d 1568, 1571-1572 (Fed Cir. 1985).

ther hearing or over which jurisdiction is retained for some purposes may nonetheless be final as to other issues determined.” *Bullen*, 239 F.2d at 829.

These cases expressly rejected the argument adopted by the Federal Circuit that a decision cannot be final unless all remedy issues have been decided. *Zdanok*, 327 F.2d at 954-955; *Pye*, 513 F.2d at 292; *Morrell*, 913 F.2d at 563; *Bullen*, 239 F.2d at 829. Only review by this Court can resolve the conflict.

II. THE FEDERAL CIRCUIT’S DECISION PRESENTS RECURRING QUESTIONS OF NATIONAL IMPORTANCE

Even without the circuit split, the decision below would still warrant review because of the importance of the questions it presents, the nationwide reach of the Federal Circuit’s erroneous ruling, and the deleterious effect of the decision on patent litigation.

A. This Case Presents Important Questions Regarding The Finality Of Judicial Decisions And The Separation Of Powers

The questions presented in this case regarding the finality of judicial decisions and the interaction between judicial and administrative proceedings go to the heart of the judicial system and the separation of powers. These are fundamental questions that are likely to recur and merit the attention of this Court.

1. This Court has long stressed the importance of finality in judicial proceedings. *E.g.*, *Massaro v. United States*, 538 U.S. 500, 504 (2003) (noting “the law’s important interest in the finality of judgments”); *Stoll v. Gottlieb*, 305 U.S. 165, 172 (1938) (“It is just as important that there should be a place to end as that there should be a place to begin litigation.”). The Federal

Circuit's decision undercuts this interest by allowing everything a court has done on a case to be wiped away as long as *any* issue remains open in a future appeal. This rigid approach injects unnecessary uncertainty into litigation.

The district court and Federal Circuit invested more than a decade resolving the dispute between the parties in this case. Fresenius had a full and fair opportunity to challenge the validity of Baxter's patent claims during this process. Fresenius even selected the forum by initiating the declaratory judgment action challenging Baxter's patents. Ultimately, however, both courts decided that claims 26-31 of the '434 patent were not invalid, and this Court denied certiorari. At that point, the issue of liability was conclusively settled between the parties and should not have been reopened. The Federal Circuit's contrary decision means that a party that has prevailed in the district court and on appeal can still have no assurance that the rights it has fought to vindicate will be settled even as to the opponent that had a full and fair opportunity to litigate against it.

Even more strikingly, the Federal Circuit allowed Fresenius to escape from the final judgment of past damages that Fresenius had never challenged in the first appeal. Fresenius contended at trial that "damages should be calculated based on the value of the technology, not the number of patents or claims infringed." App. 89a. Accordingly, Fresenius did not argue on appeal that it was entitled to relief from the judgment of past damages if some but not all of Baxter's claims were found invalid. The Federal Circuit confirmed this fact when it affirmed in part and remanded solely for further proceedings on the transitional royalty and in-

junction. As to past damages, *nothing* remained to be decided on remand.

The affirmance of the judgment of past damages on appeal meant that Baxter’s right to collect those damages arose directly from the judgment and the Federal Circuit’s mandate and no longer depended on the underlying patent. *See* App. 83a n.5 (“[I]t is black letter law that once a judgment is rendered, the cause of action merges into the judgment and is immune to any pre-existing defenses.”); *Cromwell v. County of Sac*, 94 U.S. 351, 353 (1877) (“Such demand or claim, having passed into judgment, cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever.”); *Pennsylvania v. Wheeling & Belmont Bridge Co.*, 59 U.S. (18 How.) 421, 431 (1856) (“[I]f the remedy in this case had been an action at law, and a judgment rendered in favor of the plaintiff for damages, the right to these would have passed beyond the reach of the power of congress.”). By allowing an administrative decision to undo that final judgment, the Federal Circuit’s ruling undermines the finality not only of judicial determinations that leave open the question of the appropriate remedy, but also *final judgments* that are partially *affirmed on appeal*, as to which further proceedings on remand are entirely collateral.

2. The Federal Circuit’s decision also raises fundamental questions regarding the separation of powers. It is well established that “Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 218 (1995). Similarly, it has “been the firm and unvarying practice” of Article III courts “to render no judgments not binding and conclusive on the parties and none that are subject to later review or

alteration by administrative action.” *Chicago & S. Air Lines, Inc. v. Waterman S.S. Corp.*, 333 U.S. 103, 113-114 (1948).

The idea that the PTO cannot overrule the binding effect on the parties of an Article III court’s decision is so basic that three judges concurred in the denial of rehearing en banc in the appeal from the PTO’s reexamination to emphasize that the PTO’s authority to reexamine a patent “do[es] not mean” that, “when the PTO does act in the context of a reexamination proceeding, its conclusions can alter the binding effect of a prior judgment in a judicial proceeding.” App. 101a; *see also In re Swanson*, 540 F.3d 1368, 1379 n.5 (Fed. Cir. 2008) (“[A]n attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems.”).

The PTO likewise conceded that “a subsequent reexamination decision that the patent is invalid does not disturb the judgment of the court or alter its binding effect on the parties.” PTO Opp. to Pet. for Reh’g and Reh’g En Banc, 2012 WL 4667630, at *14. This concession reflected the PTO’s earlier expressed view that

the doctrine of separation of powers clearly prevents any decision of the PTO from having the effect of overturning any decision of the lower court or [the Federal Circuit] respecting the “validity” of [a] patent. ... Nowhere in that reexamination legislation does Congress provide that any order of the Commissioner in a reexamination proceeding will operate to vacate, modify, revise or overrule in any manner any order entered by a federal court.

Commissioner of Patents and Trademarks Amicus Br., *Amstar Corp. v. Envirotech Corp.*, Nos. 86-1340, -1360, 1986 WL 734249, at *10 (Fed. Cir. Nov. 3, 1986).

The Federal Circuit’s decision not only disregards the PTO’s views on the effect of its own proceedings, but “glosses over” these “significant constitutional and administrative law problems.” King & Wolfson, *PTAB Rearranging* at 22. Yet, by permitting an administrative ruling to negate the binding effect of an Article III decision on the parties, the Federal Circuit effectively transformed the decision in *Fresenius I* into an advisory opinion that could be “revised and controlled” by the Executive branch in violation of centuries-old principles regarding the separation of powers. *Hayburn’s Case*, 2 U.S. (2 Dall.) 409, 411 (1792).

B. The Federal Circuit’s Decision Will Increase The Uncertainty, Complexity, And Cost Of Patent Litigation

The Federal Circuit’s decision establishes binding precedent that will govern all patent cases unless it is reversed by this Court. The resulting increase in uncertainty, complexity, and cost will harm patent owners and the public, encourage gamesmanship, and waste the resources of the federal courts.

1. The Federal Circuit’s decision impacts the growing number of cases subject to parallel proceedings in the PTO

The Federal Circuit’s decision will affect the growing number of cases subject to parallel proceedings in the PTO. “From the effective date of the initial reexamination provisions in 1981 through September of 2012, the PTO saw 12,569 petitions for ex parte reexamination and granted 92% of them.” Janicke, *An In-*

terim Proposal for Fixing Ex Parte Patent Reexamination's Messy Side, 4 HLRe 43, 46 (2013), available at <http://www.houstonlawreview.org/wp-content/uploads/2013/03/6-Janicke.pdf> (citing PTO, *Ex Parte Reexamination: Historical Statistics* (2012)). A remarkable “3,994 of these proceedings, or 32% of the total, involved patents ‘known to be in litigation.’” *Id.* And “ex parte reexamination petitions by parties engaged in infringement litigation are on the rise.” *Id.* at 62.

Litigants have already seized on the rigid view of finality adopted by the Federal Circuit to try to deny previously awarded monetary relief to patent owners. *E.g.*, Appellant Reply Br. 13, 15 & n.5, *ePlus, Inc. v. Lawson Software, Inc.*, Nos. 2013-1506, -1587 (Fed. Cir. Jan. 16, 2014) (citing *Fresenius II* and arguing that already-awarded civil contempt sanctions for violating an injunction premised on a patent later invalidated by the PTO can be overturned).

The effect of *Fresenius II* will be further amplified by the Federal Circuit’s recent en banc decision in *Robert Bosch, LLC v. Pylon Manufacturing Corp.*, 719 F.3d 1305, 1308 (Fed. Cir. 2013) (en banc). *Bosch* held that 28 U.S.C. § 1292(c)(2) permits interlocutory appeals of patent liability judgment before damages are calculated. *Bosch* creates a strong incentive for “district courts to bifurcate liability determinations from damages and willfulness trials” (App. 93a), which increases the time that a final determination of liability remains subject to second-guessing under the holding of *Fresenius II*. *Bosch* will thus multiply the number of cases in which patent validity is decided in the district court and affirmed on appeal, but in which that investment of judicial effort is negated by the subsequent action of the PTO.

The impact of *Fresenius II* is also likely to grow as litigants adjust their behavior in light of the decision. Accused infringers that might have previously decided not to seek reexamination where it was expected to move more slowly than litigation now have every incentive to hedge their bets by instituting parallel proceedings that can trump the judicial proceedings as long as any issue remains open on appeal.

2. The Federal Circuit’s decision encourages wasteful and duplicative litigation

Allowing PTO proceedings not only to control the prospective enforceability of patents but also to negate the binding effect of judicial decisions on the parties “could introduce chaos into patent litigation” and, at a minimum, will “add cost, complexity, and uncertainty to the already complex and costly world of patent litigation.” *A Patent Office Ruling Trumps a Court Ruling?* (July 5, 2013), *available at* <http://www.ipnav.com/blog/a-patent-office-ruling-trumps-a-court-ruling>.

Reexamination was originally designed as an alternative to litigation, but it is increasingly being used in parallel with litigation as a way for accused infringers to get a second bite at the apple. The Federal Circuit’s decision is likely to accelerate this trend. The result will be a wasteful proliferation of duplicative proceedings in which “the accused infringer has two bites at the validity question, with attendant costs and delays, the very opposite of what was envisioned by Congress” when it authorized reexamination. Janicke, *An Interim Proposal*, at 47.

Further, the Federal Circuit’s decision is likely to discourage settlement. In any case, there are certain inflection points such as claim construction, summary

judgment, the verdict, and post-trial motions that clarify the parties' rights and can trigger settlement discussions. But if subsequent developments in collateral administrative proceedings can relieve the losing party from the consequences of these judicial decisions years after the fact, it will encourage parties to roll the dice rather than negotiate a resolution to the suit, prolonging litigation and the burden on the courts.

3. The Federal Circuit's decision creates opportunities for gamesmanship

The Federal Circuit's decision also facilitates "gamesmanship and abuse[]." App. 96a. If "a contrary USPTO decision can override an unfavorable district court decision as long as some aspect of the litigation is pending," accused infringers may have "an incentive to prolong district court proceedings that are not going well, in the hope that a favorable USPTO decision will be rendered in time."¹¹

The facts of this case illustrate the type of behavior that will be encouraged. As the district judge explained when denying a 2007 motion by Fresenius to stay proceedings:

It is difficult to imagine a scenario in which a dilatory motive could be more apparent. ... *Only once Fresenius received an adverse judgment—nearly four years after initiating the litigation before this Court* rather than

¹¹ Brinckerhoff, *Fresenius Escapes \$25 Million Damages Award, Based on Invalidation of Baxter Patent in Ex Parte Reexamination*, PharmaPatents (July 8, 2013), available at <http://www.pharmapatentsblog.com/2013/07/08/fresenius-escapes-25-million-damages-award-based-on-invalidation-of-baxter-patent-in-ex-parte-reexamination>.

seeking the alternative route of reexamination—did it suggest that these proceedings should yield to the reexamination process.

...

Fresenius ... attempt[ed] ... to “game the system” by playing both fields simultaneously. Fresenius chose to litigate this case rather than request a stay when reexamination was sought, presumably believing its best bet was in this Court [T]o allow Fresenius to now derail this litigation would be to sanction the most blatant abuse of the reexamination process.

Order 6-8, Dkt. 889, No. 03-cv-1431 (N.D. Cal. June 6, 2007) (emphasis added).

The prolonged proceedings and attendant uncertainty in this case are, unfortunately, not an exception. A recent article about parallel proceedings noted:

Swanson required ten years for completion from filing the suit to reexamination certificate cancelling the pertinent claims. *Baxter* also needed ten years for resolution. A third instance of parallel proceedings, the *Translogic* cases, saw over nine years pass from suit filing to the eventual denial of rehearing at the Federal Circuit.

Janicke, *An Interim Proposal*, at 60.

Requesting reexamination is in many ways a “can’t lose” proposition for the infringer. In the best case scenario for the infringer, the PTO rules in its favor, allowing the infringer to escape earlier losses in the courts. At a minimum, the infringer ties up the patent-holder in litigation and reexamination while consuming years of a patent’s limited term. App. 40a.

As noted by one practitioner, “[t]he initiation of patent reexamination for patents subject to concurrent litigation can provide strategic benefits *independent of the ultimate outcome of the reexamination*.” McKewon, *Reexamination Strategies Concurrent with Litigation* 1 (2011), available at <http://patentlawcenter.pli.edu/wp-content/uploads/2011/01/Reexamination-Strategies-Concurrent-with-Litigation1.pdf> (emphasis added). “For example, patent reexamination may be sought as a vehicle to stay a district court litigation. Still other defendants initiate patent reexamination concurrent with litigation as a mechanism to leverage more acceptable settlement terms.” *Id.* The Federal Circuit’s decision only encourages this gamesmanship.

4. The Federal Circuit’s decision discourages district courts from fulfilling their responsibility to adjudicate patent cases

To the extent wasteful and duplicative proceedings are avoided, it will only be because the Federal Circuit’s decision encourages district judges to cede the field to the PTO when it comes to determining patent validity. As Judge O’Malley explained, when “years of litigated decisions, which may be affirmed piecemeal, could be rendered meaningless by much later PTO decisions, ... [judicial] stays in the face of reexaminations ... will become inevitable.” App. 93a.

Indeed, Judge O’Malley’s fears have already come to pass. In the less than eight months since the decision, six district courts in four different states have cited *Fresenius II* as support for their rulings granting stays pending patent office reexamination. See *Evolutionary Intelligence, LLC v. Facebook, Inc.*, 2014 WL 261837, at *2 (N.D. Cal. Jan. 23, 2014); *Checkfree Corp. v. Metavante Corp.*, 2014 WL 466023, at *3-4 (M.D. Fla.

Jan. 17, 2014); *Credit Acceptance Corp. v. Westlake Servs., LLC*, 2013 WL 7144391, at *3 (C.D. Cal. Dec. 30, 2013); *Advanced Connection Tech., Inc. v. Toshiba Am. Info. Sys., Inc.*, 2013 WL 6335882, at *1 (N.D. Cal. Nov. 27, 2013); *Baseball Quick, LLC v. MLB Advanced Media L.P.* 2013 WL 5597185, at *1 (S.D.N.Y. Oct. 9, 2013); *Zillow, Inc. v. Trulia, Inc.*, 2013 WL 5530573, at *4 (W.D. Wash. Oct. 7, 2013).

The *Advanced Connection* court expressed concern, shared by “many other district courts,” about the “potential for gamesmanship that arises from the availability of parallel proceedings for resolving the same dispute.” 2013 WL 6335882, at *1. However, given, *inter alia*, “the potential for this case becoming moot” under the rule announced in *Fresenius II*, the court granted the motion to stay. *Id.*

5. The Federal Circuit’s decision creates uncertainty and undermines the incentive to innovate

The Federal Circuit’s decision creates substantial uncertainty for patent owners, thereby eroding the value of patent rights and the incentive to innovate. The value of a patent is only as strong as the ability to enforce it. Yet it is now possible to litigate a patent for years—in this case a decade—through multiple courts only to have those decisions wiped away by the PTO. This uncertainty undermines the confidence and stability needed to encourage investment in new technologies.

The Federal Circuit’s decision also exposes judicial decisions to reversal based on later determinations that are more likely to be infected by hindsight. “[T]he longer litigation or reexamination proceedings go on, the more likely judges and the USPTO [are to] engage

in ‘hindsight,’” meaning that “weaker and weaker references can contribute to a finding of obviousness.” Tamm, *What is the Federal Circuit’s Issue with USPTO Patent Reexamination Proceedings?*, 81 U. Cin. L. Rev. 1103, 1121-1122 (2013). Indeed, it is no accident that in this case the Board of Patent Appeals and Interferences did not render its final decision invalidating Baxter’s claims until *nineteen years* after Baxter’s patent application was originally filed and did not issue the certificate cancelling Baxter’s claims until *two years after the patent had expired*.

Companies that “must be concerned about repeated challenges in the USPTO by past adversarial litigants” and “much-prolonged litigation” will be “less likely to invest in new technologies.” Tamm, *Reexamination Proceedings*, at 1118. Thus, by leaving patent owners exposed to these risks, even with respect to collecting damages from parties that already had a full and fair opportunity to litigate validity, the Federal Circuit’s decision erodes patent rights and diminishes the incentive to invest in and disclose new technologies—to the detriment of patent owners and the public alike.

III. THE FEDERAL CIRCUIT’S DECISION IS INCORRECT AND MISINTERPRETS THIS COURT’S PRECEDENT

The Federal Circuit’s decision not only controls the resolution of important questions, but also locks in a flawed analysis, in part based on the misinterpretation of this Court’s precedent.

1. The Federal Circuit based its decision primarily on two cases that are readily distinguishable: *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922), and *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994).

Both cases “relate solely to court-to-court relations” and “are irrelevant to the constitutional question of whether an administrative agency can override or ignore a prior judicial decision of the same issue.” See App. 42a-43a. *Simmons* and *Mendenhall* therefore do nothing to diminish the Article III problem created by the Federal Circuit’s decision. *Id.* 87a (“[N]othing in either *Mendenhall* or *Simmons* suggests that an administrative agency’s actions can undermine the conclusive resolution of rights by the courts.”).

Further, both cases involved interlocutory decisions in which “no measure of damages had been established” rather than “an appeal from a final judgment and completed accounting.” App. 86a; see also *id.* 59a-60a. In *Mendenhall*, the issue was whether Mendenhall was collaterally estopped from arguing that his patents were valid due to a prior Federal Circuit ruling in a different case that they were invalid (1) that the Supreme Court had declined to review and (2) in which the mandate had already issued. 26 F.3d at 1576-1577. Mendenhall argued that an even earlier Federal Circuit interlocutory ruling that Mendenhall’s patents were not invalid (in a case that was still up on appeal) prevented the application of collateral estoppel. *Id.* at 1580.

The Federal Circuit panel ruled against Mendenhall, “highlight[ing] the interlocutory nature of the appeal.” App. 86a. “The purpose of [the interlocutory appeal statute] is to permit district courts to stay and possibly avoid a burdensome determination of damages.” *Mendenhall*, 26 F.3d at 1581 (emphasis added). Consequently, a district court operating under the statute had “power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case.” *Id.* (quoting *Marconi Wireless Co. v. United*

States, 320 U.S. 1, 47 (1943)). In other words, “the decision was not final *until the conclusion of the accounting*.” *Id.* (emphasis added). Therefore, a decision made on “interlocutory appeal is no more final than the appealed decision itself.” *Id.*¹²

Simmons is even less relevant to the questions at hand. There, a patent-holder argued that a Supreme Court decision holding that its patent was valid and had been infringed presented grounds for the Third Circuit to displace the Circuit’s earlier “interlocutory decree” declaring the patent invalid. 258 U.S. 82, 84-88. This Court agreed, noting that the Third Circuit’s decision “was not a final decree” because the accounting was still pending and “an accounting was necessary to bring the suit to a conclusion on the merits.” *Id.* at 89; *see also* App. 86a.

“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.” App. 86a. “In other words, unlike in *Mendenhall* and *Simmons*, a true ‘accounting’ had occurred.” *Id.* 86a-87a.

Simmons is also distinguishable because it involved a suit in equity. App. 59a n.4; *id.* 87a n.6. Now that the distinction between suits in law and suits in equity has been eliminated, *see* Fed. R. Civ. P. 2, the *Simmons* Court’s statement that “the ordinary rule [is] that there can be but one final decree *in a suit in equity*,” 258 U.S. at 89 (emphasis added), has no applicability

¹² The majority’s contention that “*nothing* in *Mendenhall* suggests that the statutory basis for the first appeal controlled whether it would be given res judicata effect” is simply incorrect. App. 26a (emphasis added). Consequently, so is its bare assertion that “[t]his case is virtually identical to *Mendenhall*.” *Id.*

here. As Judge O'Malley pointed out, “we are no longer operating ‘in equity.’” App. 87a n.6. “Concepts of finality in an [equitable] action where damages were calculated by a special master are irrelevant” to “an action *at law* which included a jury trial on damages.” *Id.*

2. The panel majority also cited several provisions of the *Restatement (Second) of Judgments* in support of its rigid view of finality. See App. 21a, 32a & n.14 (citing §§ 13-15, 27). But the Restatement does not support its position. Sections 14 and 27 both provide that when two pending cases involve the same claim or issue, it is the “final judgment first rendered” that controls. See *Restatement (Second) of Judgments* § 14 cmt. a (1982); see also *id.* § 27 cmt. 1 (“first final judgment rendered”). Here, the first rendered judgment is the Federal Circuit’s affirmation of the district court’s ruling on the validity of Baxter’s claims in 2009. See App. 56a n.3.

The *Restatement* also undercuts the Federal Circuit’s rigid view of finality by making clear that the term “final judgment” can “include[] 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. Factors that indicate a decision may be considered final include: (1) the ruling was not “avowedly tentative”; (2) “the parties were fully heard”; (3) “the court supported its decision with a reasoned opinion”; and (4) “the decision was subject to appeal or was in fact reviewed on appeal.” *Id.* § 13 cmt. g; see also App. 48a-49a. All of these conditions are met here. And if those factors are enough to make a court’s determination preclusive vis-à-vis another court with respect to a particular issue, they certainly should be enough to make that court’s determination sufficiently final to prevent it from being

nullified by an Article I agency determination—a situation where separation of powers concerns come strongly into play (*see supra* Part II.A.2) and favor the primacy of the Article III court’s determination.

IV. THIS CASE IS AN IDEAL VEHICLE TO REVIEW THE QUESTIONS PRESENTED

This case is an ideal vehicle to consider the questions presented. The issues were preserved and fully litigated at every stage of the proceedings. The arguments and counter-arguments were aired in lengthy decisions below. Both parties are represented by experienced counsel. Prominent amici, such as those who supported Baxter below, stand ready to provide this Court with their considered views. It is still early enough to head off the worst of the abuses that the Federal Circuit’s decision will engender. And the case presents two closely related questions—one regarding the final judgment of past damages and the other regarding the final liability determination affirmed on appeal—that allow the Court to provide more comprehensive guidance on the finality of judicial decisions within the confines of a single case.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted.

SETH P. WAXMAN

Counsel of Record

THOMAS G. SAUNDERS

THOMAS G. SPRANKLING*

WILMER CUTLER PICKERING

HALE AND DORR LLP

1875 Pennsylvania Ave., N.W.

Washington, D.C. 20006

(202) 663-6000

seth.waxman@wilmerhale.com

** Admitted to practice in the
State of California. Supervi-
sion by members of the firm
who are members of the Dis-
trict of Columbia Bar.*

MARCH 2014

APPENDIX

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FRESENIUS USA, INC., and Fresenius Medical Care
Holdings, Inc.,
Plaintiffs-Appellants,

v.

BAXTER INTERNATIONAL, INC., and Baxter Healthcare
Corporation,
Defendants-Cross Appellants.

Nos. 2012-1334, 2012-1335
July 2, 2013

OPINION

DYK, Circuit Judge:

Appellants Fresenius USA, Inc. and Fresenius Medical Care Holdings, Inc. (collectively, “Fresenius”) brought a declaratory judgment action against Baxter International, Inc., and Baxter Healthcare Corporation (collectively, “Baxter”), alleging, inter alia, that claims 26–31 of U.S. Patent No. 5,247,434 (“the ’434 patent”) were invalid and not infringed. Baxter counterclaimed for infringement. The district court entered judgment against Fresenius, finding the specified ’434 claims infringed and not invalid. On appeal, the parties did not contest infringement. We affirmed the determination that the claims were not invalid, but remanded to the district court to reconsider its injunction and post-verdict damages.

While the litigation was pending on remand, the United States Patent and Trademark Office (“PTO”) completed a reexamination of the ’434 patent and determined that all asserted claims were invalid. We affirmed the PTO’s determination in the reexamination proceeding, and our mandate issued. Meanwhile the district court entered judgment against Fresenius in the pending infringement proceedings. Both parties appealed. In light of the cancellation of the asserted claims of the ’434 patent, and the fact that the infringement suit remains pending before this court, Fresenius argues that Baxter no longer has a cause of action. We agree. We accordingly vacate the district court’s judgment and remand with instructions to dismiss.

BACKGROUND

The issue in this case is whether the cancellation of the asserted claims of the ’434 patent by the PTO, pursuant to the agency’s statutory reexamination authority, must be given effect in this pending infringement litigation.

Baxter is the owner of the ’434 patent, which is directed to a hemodialysis machine. Hemodialysis machines are used in the place of kidneys to cleanse the blood of toxins. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1291-92 (Fed. Cir. 2009) (“Fresenius I”). When a person’s blood is pumped through the machine, toxins pass from the blood into a solution called dialysate. The relevant claims of the ’434 patent teach the use of a dialysis machine with an integrated touch screen interface. *See* ’434 patent col. 40 ll. 29–68.

I

In 2003, Fresenius, a manufacturer of hemodialysis machines, filed suit in the United States District Court for the Northern District of California seeking declaratory judgments of invalidity and non-infringement with respect to three¹ Baxter patents, including claims 26–31 of the '434 patent, as well as claims of U.S. Patent No. 5,744,027 (“the '027 patent”) and U.S. Patent No. 6,284,131 (“the '131 patent”). *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03–1431, 2007 WL 518804, at *1 (N.D. Cal. Feb. 13, 2007). Baxter counterclaimed for infringement. *Id.* Following claim construction, Fresenius stipulated to infringement of the '434 patent's claims, but asserted that the claims were invalid. *Id.* at *2. A jury returned a verdict in Fresenius' favor, finding the relevant claims of the '434 patent invalid, and also finding certain claims of the '027 and '131 patents invalid. *Id.*

However, in February of 2007 the district court granted Baxter's motion for judgment as a matter of law (“JMOL”), finding that Fresenius had presented insufficient evidence to support the jury's invalidity verdict, and that Fresenius had therefore not proven that the claims of the patents were invalid. *Id.* at *2, *8–13. In October of 2007, the district court proceeded to a jury trial on damages. The jury awarded \$14.266 million to Baxter for infringement of the three asserted patents. In April of 2008, the district court entered a permanent injunction, which it stayed, and awarded

¹ The original complaint included two additional Baxter patents, U.S. Patent No. 5,326,476 (“the '476 patent”) and U.S. Patent No. 5,486,286 (“the '286 patent”). The Court dismissed all claims concerning the '286 patent in 2006. Baxter dismissed the '476 patent claims from the suit prior to the damages trial.

Baxter ongoing post-verdict royalties on infringing machines and related disposables sold by Fresenius. Both parties appealed to this court.²

On September 10, 2009, we reversed-in-part, affirmed-in-part, vacated-in-part, and remanded. *Fresenius I*, 582 F.3d at 1304. We held that the asserted claims of the '027 patent and the '131 patent were invalid, reversing the district court's JMOL decision as to those patents. *Id.* at 1296–1302. However, we agreed that as a matter of law, Fresenius had failed to present sufficient evidence showing that claims 26–31 of the '434 patent would have been obvious. *Id.* at 1302. These claims required a “means for delivering the dialysate to a dialysate compartment of a hemodialyzer,” '434 patent col. 40 ll. 33–35, and Fresenius “failed to present any evidence—let alone substantial evidence—that the structure corresponding to the means for delivering dialysate limitation, or an equivalent thereof, existed in the prior art.” *Fresenius I*, 582 F.3d at 1299. We further held that Fresenius failed to present evidence that a structure required by dependent claim 30, a “means for delivering an anticoagulant to a patient,” existed in the prior art references. *Id.* at 1300.

We therefore affirmed the district court's grant of JMOL with respect to the claims of the '434 patent, reversed with respect to the other two patents, and vacated the district court's injunction and royalty awards. *Id.* at 1302. We “remand[ed] for the district court to revise or reconsider the injunction in light of our rever-

² Fresenius appealed certain of the district court's claim constructions, its grant of JMOL of invalidity, the entry of the permanent injunction, and the royalty award. Baxter cross-appealed the jury's verdict that the claims of the '027 patent, not relevant here, were anticipated. *Fresenius I*, 582 F.3d at 1294.

sal of the district court's grant of JMOL regarding the '027 and '131 patents," and "to consider whether the previous [royalty] award [wa]s proper in light of this court's modification of the district court's judgment." *Id.* at 1303. We noted that, "[i]n particular, ... our decision ... may [have] affect[ed] how the district court weighs [the relevant] factors" in determining the royalty award. *Id.*

On remand, Baxter moved for a final decision on the permanent injunction and ongoing royalty. Fresenius responded that no injunction should issue because it was no longer selling infringing machines, and that the amount of the post-verdict ongoing royalties was unreasonable. Fresenius also sought a new trial for pre-verdict damages for infringement of the '434 patent. In May of 2011, the district court denied Fresenius' motion for a new pre-verdict damages trial. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2011 WL 2160609 (N.D. Cal. May 26, 2011). The district court scheduled further proceedings on the post-verdict royalties, and held an evidentiary hearing in December of 2011. The permanent injunction was no longer an issue at this point because the '434 patent had expired in April of 2011.

On March 8, 2012, the district court awarded Baxter post-verdict damages at a reduced royalty rate. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2012 WL 761712, at *14-16 (N.D. Cal. Mar. 8, 2012). One week later, on March 16, 2012, the district court entered final judgment for Baxter. J.A. 66-67. The district court ordered Fresenius to pay Baxter \$14.266 million plus interest in pre-judgment damages (based on the original jury award), \$9.3 million plus interest in post-verdict royalties on infringing machines, additional royalties on related disposables sold prior to the ex-

piration of the '434 patent, and costs. Fresenius appealed, arguing that a new pre-verdict damages trial was required, while Baxter cross-appealed the district court's reduction of the postverdict royalties. On May 3, 2012, the district court granted Fresenius' motion to stay execution of the new judgment pending this appeal. In granting Fresenius' motion to stay, the court rejected the argument that Baxter was entitled to enforce and execute on the 2007 judgment. The district court explained that "the March 16, 2012 final judgment appears to supercede [sic] the Nov. 7, 2007[,] final judgment." J.A. 995.

II

We now turn to the PTO reexamination proceedings. In 2005, while the district court litigation was pending, Fresenius requested *ex parte* reexamination of claims 26–31 of the '434 patent, which, as noted, are the only claims remaining in the pending infringement litigation. *See In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1360 (Fed. Cir. 2012), *reh'g en banc denied*, 698 F.3d 1349 (Fed. Cir. 2012).

In January of 2006, the PTO agreed that a substantial new question of patentability had been raised in light of new prior art, and granted the request for reexamination. The reexamination proceeded in parallel with the district court litigation. In December 2006, less than a year before the damages trial, the PTO examiner reached an initial determination that the claims would have been obvious. In December of 2007, the PTO examiner reached a final determination rejecting claims 26–31 of the '434 patent. The examiner concluded, *inter alia*, that all structures required by claim 26, including the "means for delivering the dialysate," were present in the prior art, and that the claim would have

been obvious. *See Ex parte Baxter Int'l, Inc.*, No. 2009-006493, 2010 WL 1048980, at *5-6, *8-9, *14 (B.P.A.I. Mar. 18, 2010). The examiner reached this conclusion by relying in part on Lichtenstein, a reference that was not before the PTO during the initial examination.³ The examiner also determined that claim 30 would have been obvious over a combination of references including Lichtenstein and Thompson. Like Lichtenstein, Thompson was not before the PTO during the initial examination. *Ex parte Baxter*, 2010 WL 1048980, at *15, *17. Thus, as we stated in *In re Baxter*, “in this case, the patent examiner relied on new prior art that had not been raised [in the initial examination or] in the prior district court proceeding.” 678 F.3d at 1365.⁴

In March of 2010, the Board of Patent Appeals and Interferences affirmed the examiner’s determination that the relevant claims would have been obvious in light of prior art overlooked in the initial examination, including Lichtenstein and Thompson. *See Ex parte Baxter*, 2010 WL 1048980. Baxter challenged the examiner’s analysis of the prior art, but as the Board not-

³ For example, the examiner concluded that “it would have been prima facie obvious ... to have modified the ... dialysis machine of Lichtenstein, to utilize a touch screen ... for delivery of treated or treatment fluids to a patient,” and found that “Lichtenstein further evidences that the [prior art machines] are standard variations” on medical devices of the claimed type. Final Office Action in Ex Parte Reexamination, U.S. Pat. No. 5,247,434 (P.T.O. Dec. 14, 2007), at 8, 9.

⁴ Lichtenstein was not presented to the district court in relation to claim 26’s “means for delivering dialysate,” and the district court’s analysis of claim 26 did not discuss Lichtenstein. *See Fresenius*, 2007 WL 518804, at *7-8. Thompson was apparently never presented to the district court at all.

ed, Baxter never argued in the reexamination proceeding that Lichtenstein failed to teach the “means for delivering the dialysate” required by claim 26, *id.* at *14, nor that Thompson failed to teach claim 30’s “means for delivering an anticoagulant,” *id.* at *15, even though those were the very elements of the claims that Baxter had successfully argued were missing from the prior art in the district court infringement litigation.

After the Board denied rehearing, Baxter appealed to this court. We affirmed the PTO’s determination that the rejected claims would have been obvious over the prior art. *See In re Baxter*, 678 F.3d at 1366. We explained that this determination was not inconsistent with our holding in the infringement litigation because, unlike the district court in the infringement litigation, the examiner “sufficiently identified the corresponding structure recited in [claim 26 of] the ’434 patent,” i.e., the means for delivering the dialysate, and could “identif[y] the structures in the prior art” that would have rendered the asserted claims unpatentable. *Id.* at 1364–65. Furthermore, the examiner “based [the] rejections on prior art references that were not squarely at issue during the trial on the invalidity issues, such as Lichtenstein and Thompson.” *Id.* at 1365. Rehearing en banc was denied, *In re Baxter Int’l, Inc.*, 698 F.3d 1349 (Fed. Cir. 2012), our mandate issued on November 2, 2012, and Baxter did not petition for certiorari. The PTO terminated the reexamination and issued a certificate cancelling claims 26–31 of the ’434 patent. *See Ex Parte Reexamination Certificate*, U.S. Pat. No. 5,247,434 C1 (P.T.O. Apr. 30, 2013).

III

At various points in the district court infringement litigation, the district court declined to stay the litigation pending the PTO reexamination. In June of 2007, the district court recognized the potential impact of the PTO proceedings on the infringement suit, acknowledging “that the PTO has already made initial, non-final determinations that the subject claims in the patents-in-suit are invalid,” J.A. 1015, and stating that “if all the claims are invalidated, as the PTO’s initial non-final determinations might imply, there will be no issues to try,” J.A. 1012. However, the district court concluded that “it is also possible that the PTO’s [initial] determination will have no ultimate bearing on the damages determination in this case, as the PTO’s initial actions were non-final and non-binding, and the PTO is free to reconsider its initial determinations.” *Id.* Because it was possible that the examiner’s determination would change by the time it became final, the district court denied a stay. J.A. 1015. In 2011, the district court again denied a stay, for similar reasons. *See Fresenius*, 2011 WL 2160609, at *1 (“[T]he effect on this litigation of any final action on the reexamined ’434 patent is far from clear.”).

The issue became central when the district court entered final judgment for Baxter on March 16, 2012, while Baxter’s appeal of the PTO’s reexamination decision was pending before us. On May 17, 2012, we affirmed the PTO’s rejection of the ’434 patent’s claims in *In re Baxter*. In the present appeal, the parties dispute the effect of the PTO’s cancellation of those claims on the infringement litigation, as well as issues related to damages.

We have jurisdiction under 28 U.S.C. § 1295(a)(1).

DISCUSSION

As noted earlier, the question in this case is whether, under the reexamination statute, the cancellation of claims by the PTO is binding in pending district court infringement litigation.

I

To understand the scope of the relatively recent statutory grant of reexamination authority, it is useful to first review the history and scope of the PTO's reissue authority. This is so because the reexamination statute provides that reexamined claims "have the same effect [in pending litigation] as that specified in § 252 of this title for reissued patents." 35 U.S.C. § 307(b).

The reissue statute, originally enacted in 1832, codified the Supreme Court's holding that even in the absence of a statutory provision authorizing reissue, where an innocent mistake had been made in granting a patent, "[a]ll would admit that a new patent, correcting the error, ... ought to be issued." *Grant v. Raymond*, 31 U.S. 218, 242, 6 Pet. 218, 8 L.Ed. 376 (1832). In the course of the reissue proceeding, "the Patent Office [i]s authorized to deal with all [the patent's] claims ... and might declare them to be invalid." *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 612, 18 S.Ct. 443, 42 L.Ed. 875 (1898). The patentee was required to surrender the original patent in order to obtain a reissued patent, and the original patent became inoperative.⁵

⁵ The first version of the reissue statute provided that an original patent was surrendered and canceled upon application for reissue. See generally *McCormick*, 169 U.S. 606, 18 S.Ct. 443. The statute was revised in 1870 to provide that surrender and cancella-

Prior to 1928, reissuance of a patent extinguished all pending claims based on that patent, because the original patent was “thereby canceled in law.” *See* II Anthony W. Deller, Walker on Patents § 319 (1937). Supreme Court decisions construing the reissue statute “uniformly held that if a reissue is granted, the patentee has no rights except such as grow out of the reissued patent. He has none under the original. That is extinguished.” *Peck v. Collins*, 103 U.S. 660, 664, 26 L.Ed. 512 (1880). Moreover, it was well-established that when a claim was canceled pursuant to reissue, pending suits based on that claim fell. *Moffitt v. Garr*, 66 U.S. 273, 283, 1 Black 273, 17 L.Ed. 207 (1861). As explained in *Moffitt*,

in case of a surrender and reissue, ... the pending suits fall with the surrender. A surrender of the patent to the Commissioner within the sense of the provision, means an act which, in judgment of law, extinguishes the patent. It is a legal cancellation of it, and hence can no more be the foundation for the assertion of a right after the surrender, than could an act of Congress which has been repealed. It has frequently been determined that suits pending, which rest upon an act of Congress, fall with the repeal of it. The reissue of the patent has no connection with or bearing upon antecedent suits; it has as to subsequent suits. *The antecedent suits depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment, the suits fail.*

tion took place upon completion of the reissue proceeding. *See id.* at 610–12, 18 S.Ct. 443 (holding that if a reissue application is rejected or abandoned, the original claims are not extinguished).

Id. (emphasis added).⁶ Thus, under the pre-1928 statute, “[t]he grant of a reissue extinguished all causes of action which had arisen under the original patent.” P.J. Federico, *Intervening Rights in Patent Reissues*, 30 Geo. Wash. L.Rev. 603, 604–05 (1962); *see also Abercrombie & Fitch Co. v. Baldwin*, 245 U.S. 198, 209–10, 38 S.Ct. 104, 62 L.Ed. 240 (1917) (upon reissuance, a “patentee los[t] all in the way of an accounting under the original patent”); II Anthony W. Deller, Walker on Patents § 319 (1937) (stating that, prior to 1928, “no damages or profits could ordinarily be recovered, for any infringement of a surrendered patent committed prior to its cancellation”).

In 1928, Congress crafted an exception to the rule that “all rights [a patentee] had in and under the original patent are forfeited *ab initio* upon the grant of the

⁶ The Supreme Court repeatedly applied the *Moffitt* rule after the 1870 statutory amendment mentioned in note 5, *supra*. *See Allen v. Culp*, 166 U.S. 501, 505, 17 S.Ct. 644, 41 L.Ed. 1093 (1897) (holding that the original patent “becomes inoperative” on reissue); *Reedy v. Scott*, 90 U.S. 352, 364, 23 Wall. 352, 23 L.Ed. 109 (1874) (“[T]he effect of the surrender is to extinguish the patent, and hence it can no more be the foundation for the assertion of a right than can a legislative act which has been repealed without any saving clause of pending actions.”). In *Meyer v. Pritchard*, 131 U.S. App’x CCIX (1877), the Supreme Court held that the cancellation of a patent mooted the appeal:

[s]ince the appeal in this case, the appellants ... have surrendered the patent upon which the suit was brought.... If we should hear the case and reverse the decree below, we could not decree affirmative relief to the appellants ... because the patent upon which their rights depend has been cancelled. There is no longer any “real or substantial controversy between those who appear as parties to the suit” upon the issues which have been joined, and for that reason the appeal is dismissed.

reissue.” S.Rep. No. 70–567, at 1 (1928). Congress amended the reissue statute to authorize actions for infringement of the original claims to continue after reissue, but *only* “to the extent that [the reissued patent’s] claims are substantially identical with the original patent.” See Pub.L. No. 501, 45 Stat. 732, 732 (codified at 35 U.S.C. § 64 (1928)). The Senate Report accompanying the 1928 amendment explained that this change was meant

simply to correct an almost unbelievable and inequitable situation. Under the present law if a patentee applies for a reissue, no matter for what purpose, all rights he had in and under the original patent are forfeited *ab initio* upon the grant of the reissue.

S.Rep. No. 70–567, at 1 (1928); *see also* H.R.Rep. No. 70–1435, at 1–2 (1928) (similar).

As a result of the 1928 amendment, the reissue statute now states in relevant part,

every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but *in so far as the claims of the original and reissued patents are substantially identical, such surrender shall not affect any action then pending nor abate any cause of action then existing*, and the reissued patent, to the extent that its claims are substantially identical with the original patent, shall constitute a continuation thereof and have effect continuously from the date of the original patent.

35 U.S.C. § 252 (emphasis added). Thus, while

[p]rior to 1928 one could not recover for past infringement of a reissued patent, even if the claims were unchanged.... the 1928 amendment expressly overruled this interpretation, and authorized the reissue of patents to correct errors while enabling recovery for past infringement of claims “identical” to those in the original patent.

Slimfold Mfg. Co. v. Kinkead Indus., Inc., 810 F.2d 1113, 1115 (Fed. Cir. 1987).

But the 1928 amendment did nothing to change the rule that suits based on cancelled claims must be dismissed. Upon reissue, original claims that are *not* reissued in identical form became unenforceable. *See Kaufman Co. v. Lantech, Inc.*, 807 F.2d 970, 976 (Fed. Cir. 1986) (“[T]he patentee has *no* rights [in a non-identical claim] to enforce before the date of reissue because the original patent was surrendered and is dead.”); *Seattle Box Co. v. Indus. Crating & Packing, Inc.*, 731 F.2d 818, 827 (Fed. Cir. 1984) (“The statute does not allow the claims of the original patent some other form of survival. The original claims are dead.”). It follows that “[s]urrender of the original patent does not affect any pending action or abate any cause of action to the extent, *but only to the extent*, that the claims of the original and reissue patents are identical.” 4A Donald S. Chisum, *Chisum on Patents* § 15.05 (2013) (emphasis added).

II

Under the reissue statute, the PTO “had no power to revoke, cancel, or annul” a previously issued patent unless a reissue proceeding had been initiated by the patentee. *McCormick*, 169 U.S. at 612, 18 S.Ct. 443; *see*

also *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985). In 1980, Congress authorized ex parte reexamination to address this deficiency in the reissue statute. See Patent Act of 1980, Pub.L. No. 96-517, 94 Stat. 3015 (1980) (codified as amended at 35 U.S.C. §§ 301-307). Like reissuance, ex parte reexamination is a curative proceeding meant to correct or eliminate erroneously granted patents. See *In re Etter*, 756 F.2d 852, 858 (Fed. Cir. 1985) (en banc); see also *In re Freeman*, 30 F.3d 1459, 1468 (Fed. Cir. 1994). Congress subsequently enacted additional provisions authorizing the PTO to conduct inter parties reexaminations, and more recently, inter partes review. See *Abbott Labs. v. Cordis Corp.*, 710 F.3d 1318, 1325 (Fed. Cir. 2013) (discussing inter partes reexamination and inter partes review); Leahy-Smith America Invents Act (“AIA”), Pub.L. No. 112-29, § 6(a), 125 Stat. 284, 299–304 (2011) (to be codified at 35 U.S.C. §§ 311-319).

The reexamination statute thus authorized the PTO to reconsider patents of “doubtful” validity, and to cancel “defectively examined and therefore erroneously granted patent[s].” *Patlex*, 758 F.2d at 602, 604; see also *In re Swanson*, 540 F.3d 1368, 1378 (Fed.Cir.2008) (describing “Congress’ purpose of allowing for a reexamination procedure to correct examiner errors”).

When a claim is determined to be invalid in reexamination, the reexamination statute requires the Director of the PTO to cancel a claim that is “finally determined to be unpatentable”:

In a reexamination proceeding under this chapter, when the time for appeal has expired or any appeal proceeding has terminated, *the Director will issue and publish a certificate canceling any claim of the patent finally deter-*

mined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent any proposed amended or new claim determined to be patentable.

35 U.S.C. § 307(a) (emphasis added); *see also* 35 U.S.C. § 306 (providing patentees with appeal rights from any PTO reexamination “decision adverse to the patentability” of one or more claims).

Even if the claim is amended during reexamination to render the claim valid, no suit can be maintained for the period prior to the validating amendment. To ensure that “a person practicing a patented invention would not be considered an infringer for the period between issuance of an invalid patent and its conversion through reexamination to a valid patent,” H.R.Rep. No. 96-1307, at 8 (1980), 1980 U.S.C.C.A.N. 6460, 6467, Congress made section 252, which limits the enforcement of reissued claims, applicable to reexamined claims. *See id.* It did so by enacting section 307(b) of the reexamination statute, which provides that

[a]ny proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding *will have the same effect as that specified in section 252 [35 U.S.C. § 252] for reissued patents* on the right of any person who [infringed] anything patented by such proposed amended or new claim, ... prior to issuance of a [reexamination] certificate.

35 U.S.C. § 307(b) (emphasis added).

We have accordingly many times held that the reexamination statute restricts a patentee’s ability to

enforce the patent’s original claims to those claims that survive reexamination in “identical” form. *See, e.g., Bloom Eng’g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997) (“Unless a claim granted or confirmed upon reexamination is identical to an original claim, the patent can not be enforced against infringing activity that occurred before issuance of the reexamination certificate.”); *Tennant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989) (similar); *Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577, 1581 (Fed. Cir. 1987) (similar).

As with the reissue statute, the language and legislative history of the reexamination statute show that Congress expected reexamination to take place concurrent with litigation, and that cancellation of claims during reexamination would be binding in concurrent infringement litigation.⁷ In *Slip Track Systems, Inc. v. Metal Lite, Inc.*, for example, we concluded that the cancellation of claims during reexamination would preclude maintenance of a stayed interference suit involving the same claims. 159 F.3d 1337 (Fed. Cir. 1998). We explained that

the reexamination, if carried to completion, is likely to result in the cancellation of all of the claims of [Slip Track’s] patent [over the inter-

⁷ *See generally* Mark D. Janis, *Rethinking Reexamination: Toward a Viable Administrative Revocation System for U.S. Patent Law*, 11 Harv. J.L. & Tech. 1, 82 (1997) (“[A] final decision in a reexamination striking down claims binds courts in pending and future litigation.”); *see also* Steven M. Auvil, Note, *Staying Patent Validity Litigation Pending Reexamination: When Should Courts Endeavor To Do So?*, 41 Clev. St. L.Rev. 315, 326–37 (1993) (discussing the effect of cancellation, which “renders the claims unenforceable in the pending litigation” (i.e., in concurrent district court suits)).

fering patent]. That in turn *will require a dismissal of the interfering patents suit*, since a necessary condition for such an action is the existence of two valid and interfering patents.

Id. at 1340 (emphasis added). Likewise, in a stayed infringement proceeding, “if the [patentee’s] claims were canceled in the reexamination, [it] would eliminate the need to try the infringement issue.” *Id.* at 1342. In either situation, “a necessary condition for such an action is the existence of [a] valid ... patent[].” *Id.* at 1340; *see also Gould v. Control Laser Corp.*, 705 F.2d 1340, 1342 (Fed.Cir.1983) (noting that “[o]ne purpose of the reexamination procedure is to eliminate trial of that issue (when the claim is canceled)”). This effect of the cancellation of a patent pursuant to the statute is “no insult to ... Article III.” *See Patlex*, 758 F.2d at 604. In sum, under either the reissue or reexamination statute, if the PTO confirms the original claim in identical form, a suit based on that claim may continue, but if the original claim is cancelled or amended to cure invalidity, the patentee’s cause of action is extinguished and the suit fails.

III

Baxter wisely agrees that in general, when a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot. However, Baxter argues that the cancellation of the asserted claims cannot be given effect at this point in the present litigation, because the validity of the ’434 patent and Fresenius’ liability for infringement of that patent were conclusively decided in 2007. Baxter argues that the district court’s 2007 judgment is “final” and “binding” on the parties in this case, and therefore has *res judicata*

effect within the pending litigation: “the liability determination and Past Damages Award are now final and Fresenius is precluded from relitigating those issues.” Appellee’s Br. 19.

Baxter is correct that under “well-established principles of res judicata,” see *In re Baxter*, 698 F.3d at 1350-51 (Fed. Cir. 2012) (O’Malley, J., concurring in denial of rehearing en banc), the cancellation of a patent’s claims cannot be used to reopen a final damages judgment ending a suit based on those claims. As the Supreme Court’s decision in *Moffitt* made clear, “[i]t is a mistake to suppose ... that ... moneys recovered on judgments in suits ... might be recovered back [after a patent is cancelled]. The title to these moneys does not depend upon the patent, but upon ... the judgment of the court.” 66 U.S. at 283; see also *In re Swanson*, 540 F.3d at 1379 n. 5 (observing that “an attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems”).⁸ Fresenius does not argue otherwise.

It is important here to distinguish between different concepts of finality. “Definitions of finality cannot automatically be carried over from appeals cases to preclusion problems.” See 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, *Federal Practice and Procedure* § 4432 (2d ed. 2002). We are also not dealing with finality for purposes of determining the potential res judicata effect of this infringement litiga-

⁸ As previously stated in *In re Construction Equipment Co.*, 665 F.3d 1254, 1256 n. 2 (Fed. Cir. 2011), “[w]e express no opinion on whether [an infringer] might or might not be entitled to seek abrogation of [an] injunction” after the underlying patent has been cancelled.

tion on another suit. We are concerned instead with whether the judgment in this infringement case is sufficiently final so that it is immune to the effect of the final judgment in the PTO proceedings, as affirmed by this court in *In re Baxter*.

In this case, there is no question of reopening a final court judgment, because no such judgment has been entered. To be sure, the district court entered a judgment in November of 2007. But while the district court in 2007 entered a judgment final for purposes of appeal, and that judgment might have been given preclusive effect in another infringement case between these parties, it was not sufficiently final to preclude application of the intervening final judgment in *In re Baxter*, and in any event, we set the district court's judgment aside in the first appeal in the infringement case.⁹ See *Fresenius I*, 582 F.3d at 1302-03.

It is also clear that our remand decision in *Fresenius I* was not sufficiently final to prevent the application of *In re Baxter* in the pending suit. "To rise to that level, the litigation must be entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment ... one that 'ends the litigation on

⁹ The district court repeatedly and correctly *rejected* Baxter's post-remand arguments that the November 7, 2007 judgment was final and enforceable. The court refused to authorize execution of the 2007 judgment after remand, denying Baxter's motion to confirm that the 2007 judgment on damages was "final and immediately enforceable," and stating that "there is presently no effective final judgment." *Fresenius USA, Inc. v. Baxter, Int'l, Inc.*, No. 03-CV-1431 (N.D. Cal. Sept. 20, 2011), ECF No. 1117. In 2012, the district court again refused to authorize execution of the 2007 judgment, stating that it was no longer effective and had been superseded. See *Fresenius Med. Care Holdings, Inc. v. Baxter, Int'l, Inc.*, No. 03-CV1431 (N.D. Cal. May 3, 2012), ECF No. 1157.

the merits and leaves nothing for the court to do but execute the judgment.’ ” *Mendenhall v. Barber–Greene Co.*, 26 F.3d 1573, 1580 (1994) (quoting *Catlin v. United States*, 324 U.S. 229, 233, 65 S.Ct. 631, 89 L.Ed. 911 (1945)). Our remand to the district court in *Fresenius I* did not end the controversy between the parties, or leave “nothing for the court to do but execute the judgment.” To the contrary, we left several aspects of the district court’s original judgment unresolved, including royalties on infringing machines, royalties on related disposables, and injunctive relief. Looking to general res judicata principles governing the preclusive effect of a judgment, it is well-established that where the scope of relief remains to be determined, there is no final judgment binding the parties (or the court):

Finality will be lacking if an issue of law or fact essential to the adjudication of the claim has been reserved for future determination, or if the court has decided that the plaintiff should have relief against the defendant of the claim but the amount of the damages, or the form or scope of other relief, remains to be determined.

Restatement (Second) of Judgments § 13(b) (1982) (emphases added). “An order that establishes liability but leaves open the question of damages or other remedies ... [is] *not final for purposes of preclusion under traditional analysis.*” 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice and Procedure § 4432 (emphasis added) (2d ed. 2002) (citing *G. & C. Merriam Co. v. Saalfeld*, 241 U.S. 22, 28, 29, 36 S.Ct. 477, 60 L.Ed. 868 (1916)). “Reversal and remand for further proceedings on the entire case defeats preclusion entirely until a new final judgment is entered by the trial court or the initial judgment is restored by further appellate proceedings.” *Id.*

Nor does the existence of an interim appellate decision on invalidity change the basic rule. The Supreme Court's decision in *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922), demonstrates that the district court must apply intervening legal developments affecting the asserted patent's validity, even if the court of appeals already decided the validity issue the other way. There, the Third Circuit reversed a district court finding of infringement. *Id.* at 84, 42 S.Ct. 196. The Third Circuit held that the patentee's claim was invalid because it had been improperly broadened on reissue. *Id.* The appellate mandate instructed the district court to modify its decree in accordance with the decision on appeal, and to award costs to the infringer. *Id.* The suit remained pending in the district court for an accounting of damages for unfair competition. While the case was pending, the Supreme Court held in another case involving the same patent, "in direct opposition to the decision of the [Third] Circuit," that the reissued claim was not invalid, because it had not been broadened on reissue. *Id.* at 85, 42 S.Ct. 196. In light of this intervening decision, the district court vacated the invalidity judgment it had entered based on the Third Circuit's decision and awarded the patentee damages and an injunction. *Id.* at 86, 42 S.Ct. 196. But the Third Circuit reversed, holding that the intervening Supreme Court decision did not affect the patentee's rights. *Id.* at 87, 42 S.Ct. 196. The Supreme Court reversed the Third Circuit, holding that the Third Circuit had no basis for refusing to give effect to its intervening decision on the claim's validity, because the appellate mandate had not ended the case. *Id.* at 91, 42 S.Ct. 196. The Supreme Court explained,

[t]he decree entered pursuant to the decision of the appellate court ... evidenced a quasi-definitive decision adverse to plaintiffs, which, if nothing occurred to prevent, would in due course be carried into the final decree. But ... there was nothing to take the case out of the ordinary rule that there can be but one final decree in a suit in equity.

Id. at 89, 42 S.Ct. 196. “[A] final decree [is] one that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it.” *Id.* at 88, 42 S.Ct. 196. Because “[t]he suit was still pending ... [i]t was eminently proper that the decree in the present suit should be made to conform to [the intervening Supreme Court] decision.” *Id.* at 91, 42 S.Ct. 196; *see also Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1, 47–48, 63 S.Ct. 1393, 87 L.Ed. 1731 (1943) (“Although the interlocutory decision of [the trial court] on the question of validity and infringement was appealable, ... the decision was not final until the conclusion of the accounting. Hence the court did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case.” (internal citations omitted)). Thus, in *Simmons*, even though there had been an appellate decision entirely resolving the patent infringement claims, because there had not yet been a final judgment on the unfair competition claims, the Supreme Court’s intervening decision was binding as to the infringement claims.

In *Simmons*, it was the patentee who benefited from the lack of finality, but the same rule applies when the beneficiary is the alleged infringer. Our decision in *Mendenhall*, 26 F.3d 1573, is on point, and is directly inconsistent with Baxter’s argument. *Mendenhall*

holds that a decision finding a patent not invalid but remanding for further damages proceedings is not a final judgment. In that case Mendenhall had asserted its patents in concurrent suits against two alleged infringers, Cedarapids and Astec. *Id.* at 1576–77. The *Astec* litigation produced a verdict that the patents were not invalid, which this court affirmed on appeal, but we remanded “for determination of damages and other issues.” *Id.* at 1576. While *Astec* was pending on remand, the asserted patents were ruled invalid by the district court in the concurrent *Cedarapids* suit. *Id.* at 1577. On appeal in that suit, we “finally adjudged invalid” all asserted claims of both patents; certiorari was denied. *Id.*

When we invalidated the patents in *Cedarapids*, the *Astec* case was still pending before the district court for the determination of damages and other issues. Astec moved to vacate the unfavorable liability judgment in district court, but the district court denied the motion. On appeal from the *Astec* litigation, Astec argued that the *Cedarapids* decision barred Mendenhall from recovering for infringement, because its patents had been invalidated. *Id.* at 1580. Mendenhall argued that we could not give effect to *Cedarapids*’ intervening invalidation of the patents, because doing so would conflict with our affirmance and appellate mandate in the first *Astec* appeal. *Id.*

We agreed with Astec and disagreed with Mendenhall. First, we observed that the issue on appeal was not whether the panel decision in *Astec* “should be overturned,” but whether Astec could assert a “defense which arose subsequently,” that is, that Mendenhall’s patents were legally unenforceable. *Id.* We explained that the subsequent invalidation of the

asserted patents was a distinct issue not yet considered on appeal, and that our prior mandate in *Astec*

did not rule that the patents were “valid” ... but rather ruled that *Astec* failed to establish the merits of its defenses.... Thus, this court did not “overturn” its prior *Astec* rulings respecting validity by the *Cedarapids* judgment of invalidity, and it does not do so here by recognizing the overriding defense of collateral estoppel.

Id.

We then rejected Mendenhall’s contention that “proceedings here are too far advanced for redetermination of liability.” *Id.* We held that because there had been no final judgment in the *Astec* case, we were not barred from applying the *Cedarapids* judgment to the pending appeal:

the judgment of this court on liability in *Astec* resulted in a remand for further proceedings. It was not the final judgment in the case. To rise to that level, the litigation must be entirely concluded so that Mendenhall’s cause of action against *Astec* was merged into a final judgment.

Id. (citing Restatement (Second) of Judgments § 13 (1982)). The invalidation of the asserted patent in the concurrent *Cedarapids* litigation represented “intervening controlling authority,” 26 F.3d at 1583, giving *Astec* an “overriding defense” that the asserted patents were invalid and unenforceable. *Id.* at 1580. In light of that development,

[f]or this court to affirm the findings of infringement and the willfulness of conduct against one appellant, increase damages

against the other, and uphold injunctions against both, appears anomalous in the extreme in connection with patents this court has just held invalid.

Id. at 1578. We concluded that “[b]ecause the Mendenhall patents are invalid, the plaintiffs cannot now enjoin or recover damages from these defendants. The liability judgments together with the awards of damages and the permanent injunctions ... are reversed.” *Id.* at 1584.

This case is virtually identical to *Mendenhall*. The intervening decision invalidating the patents unquestionably applies in the present litigation, because the judgment in this litigation was not final.¹⁰

Baxter, however, seeks to distinguish *Mendenhall* on the grounds that the first *Mendenhall* appeal was taken as an interlocutory appeal under section 1292(c)(2), whereas the first appeal here was taken under section 1295, which provides for appeals from “final” judgments. *See* 28 U.S.C. § 1292(c)(2) (authorizing interlocutory appeals of final judgments in patent cases); 28 U.S.C. § 1295 (authorizing appeals from “final” judgments). But nothing in *Mendenhall* suggests that the statutory basis for the first appeal controlled whether it would be given res judicata effect within the

¹⁰ *See also Luminous Unit Co. v. Freeman-Sweet Co.*, 3 F.2d 577, 579–80 (7th Cir. 1924) (holding that a district court had to give effect to a cancellation that became effective after the district court entered a decree for the patentee on validity and infringement, but before the entry of final judgment in the suit); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 Fed.Appx. 988 (Fed. Cir. 2007) (nonprecedential) (reversing district court judgment in favor of the patentee, and remanding for dismissal, in light of our affirmation of the PTO’s determination that the claims were invalid).

continuing litigation. To the contrary, the point made in *Mendenhall* was that because there had been no final judgment for res judicata purposes, the patentee was improperly “attempting to invoke a novel kind of *res judicata* within a case.” 26 F.3d at 1580–81.

Baxter also argues that *Mendenhall*’s holding should apply only where the patent has been invalidated by a district court. Baxter argues that because different standards apply in a PTO reexamination and a validity proceeding before the district court, the patent’s invalidation in a reexamination does not have collateral estoppel effect. But there is no basis for distinguishing between the effects of a final, affirmed court decision determining invalidity and a final, affirmed PTO decision determining invalidity on a pending litigation. The latter is binding not because of collateral estoppel, but because Congress has expressly delegated reexamination authority to the PTO under a statute requiring the PTO to cancel rejected claims, and cancellation extinguishes the underlying basis for suits based on the patent.

Under Baxter’s different standards theory, the cancellation of claims by the PTO could never affect district court litigation, contrary to the statute. As the Supreme Court held in *Moffitt*, “unless [a patent] exists, and is in force at the time of trial and judgment, the suits fail.” 66 U.S. at 283. Baxter’s problem is that it no longer has a viable cause of action in the pending case.

IV

Baxter next argues that under *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995), allowing a PTO determination to control the outcome of pending litigation is unconstitutional, be-

cause it offends the separation of powers. But *Plaut* lends no support to such an assertion where, as here, the suit is not over and there has been no final judgment.

In *Plaut*, the Supreme Court made clear that the power to issue a final judgment and thereby conclusively resolve a case resides in the judicial branch; coordinate branches cannot retroactively compel a case to be reopened. *Id.* at 218–19, 115 S.Ct. 1447. But *Plaut* also unambiguously stated that

[w]hen a new law makes clear that it is retroactive, an appellate court *must apply that law in reviewing judgments still on appeal* that were rendered before the law was enacted, and must alter the outcome accordingly.

Id. at 226, 115 S.Ct. 1447 (emphasis added). *Plaut* thus recognized “[t]he general rule ... that an appellate court must apply the law in effect at the time it renders its decision,” *Thorpe v. Hous. Auth. of the City of Durham*, 393 U.S. 268, 281, 89 S.Ct. 518, 21 L.Ed.2d 474 (1969), which is the principle that controls here.¹¹ The Su-

¹¹ See also *Harper v. Va. Dep’t of Taxation*, 509 U.S. 86, 97, 113 S.Ct. 2510, 125 L.Ed.2d 74 (1993) (“When this Court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given full retroactive effect in all cases still open on direct review and as to all events, regardless of whether such events predate or postdate our announcement of the rule.”); *Bradley v. Sch. Bd. of City of Richmond*, 416 U.S. 696, 711, 94 S.Ct. 2006, 40 L.Ed.2d 476 (1974) (when a case is pending on review “a court is to apply the law in effect at the time it renders its decision, unless doing so would result in manifest injustice or there is statutory direction or legislative history to the contrary”); *id.* at 713 n. 17, 94 S.Ct. 2006; *Thorpe*, 393 U.S. at 282, 89 S.Ct. 518; *United States v. Schooner Peggy*, 1 Cranch 103, 110, 2 L.Ed. 49 (1801).

preme Court has held that this reasoning applies “where the change [i]s constitutional, statutory, or judicial,” because the general principle “applies with equal force where the change is made by an administrative agency acting pursuant to legislative authorization.” *Thorpe*, 393 U.S. at 282, 89 S.Ct. 518 (remanding for the application of new rules issued by HUD while the case was pending before the Court). Our decisions giving effect to the PTO’s cancellation of claims asserted in pending suits are fully consistent with our duty to “apply the law in effect at the time [we] render[a] decision.” *Bradley*, 416 U.S. at 711, 94 S.Ct. 2006. The general principle stated in *Moffitt*, *Thorpe*, and *Plaut* controls regardless of whether the plaintiff’s cause of action is “extinguished” by the repeal of a statute or by the PTO’s cancellation of a claim pursuant to reexamination. *Moffitt* invoked this very principle to explain why pending suits based on cancelled claims must fail:

[a cancelled patent] can no more be the foundation for the assertion of a right after [its] surrender, than could an act of Congress which has been repealed.... [U]nless it exists, and is in force at the time of trial and judgment, the suits fail.

66 U.S. at 283.

It is also quite clear that we have not reached the stage at which *Plaut* precludes reopening a case. We have held that a new statute enacted even after a final decision on appeal is applicable in a pending case, so long as our mandate ending the litigation has not yet issued. *GPX Int’l Tire Corp. v. United States*, 678 F.3d 1308, 1312 (Fed. Cir. 2012) (“Unlike *Plaut*, where Congress attempted to undo a final judgment, this case [i]s still pending on appeal, ... our mandate ha[s] not yet is-

sued.” (internal citations omitted)).¹² Our sister circuits have done likewise. *See, e.g., Bryant v. Ford Motor Co.*, 886 F.2d 1526, 1528–31 (9th Cir. 1989) (vacating a prior mandate in light of superseding legislation, where the current mandate had not yet issued); *T.S. Alphin and Alphin Aircraft, Inc. v. Henson*, 552 F.2d 1033, 1034–35 (4th Cir. 1977) (similar). There is no basis to read *Plaut* to impose restrictions on reopening before there has been a final judgment ending the case, that is, “a judicial decision [that] becomes the last word of the judicial department with regard to a particular case or controversy.” *Plaut*, 514 U.S. at 227, 115 S.Ct. 1447.

Finally, Baxter argues that giving effect to the cancellation in this suit gives the reexamination statute an improperly “retroactive” effect on the enforceability of its patent. According to Baxter, “[i]f Congress intended for affirmed determinations of validity to be set aside ... it would have drafted the reexamination statute to provide for such a result.” Appellee’s Br. 24. But it could hardly be clearer that Congress meant for cancellation to terminate pending suits. When it amended the pertinent statutory language in 1928, Congress acknowledged that cancelled claims were void *ab initio*. It did not overrule the application of

¹² Baxter cites *QUALCOMM, Inc. v. FCC*, 181 F.3d 1370, 1380 (D.C. Cir. 1999), for the proposition that a court cannot “reconsider its prior affirmed judgment based on a change in law, even though, like here, the [*QUALCOMM*] case was remanded on a remedy issue.” Appellee’s Suppl. Auth. 1. But *QUALCOMM* involved very different circumstances: in that case, the appellate mandate in question was “not simply ‘for further proceedings,’ ” but ordered specific, immediate relief for a party, that is, the judiciary had entered “a final judgment entitling *QUALCOMM* to a preference.” 181 F.3d at 1380 n. 7. Because of the finality of the earlier decision, and the legislative history of the intervening legislation, the legislation was construed to be inapplicable.

that principle to cancelled claims, but rather modified the rule to allow continuation of pending suits under circumstances inapplicable here. And in 1980, it made that provision applicable to reexamination.

V

In closing, it is appropriate to say a few words about the dissent, which reiterates a view, expressed by Judge Newman in various other cases, that PTO reexamination cannot affect pending infringement suits. The dissent candidly acknowledges that this position has been consistently rejected.¹³ As discussed above, the statute requires that a final PTO decision affirmed by this court be given effect in pending infringement cases that are not yet final. Baxter, as a general matter, does not argue otherwise. The dissent's claim that the earlier judgment in *Fresenius I* is a final, binding judgment for purposes of res judicata is incorrect, as discussed at length earlier in this opinion.

The dissent, however, cites the Restatement (Second) of Judgments and various cases recognizing that even an interim court decision can have collateral estoppel effect (though it does not operate as res judicata, that is, claim preclusion). The argument appears to be that the PTO was barred from invalidating the claims during reexamination (and that we were in turn barred from affirming the PTO's determination) because the

¹³ See Dissent at 1353–54; *In re Baxter*, 698 F.3d at 1351 (Newman, J., dissenting from denial of rehearing en banc); *In re Construction*, 665 F.3d at 1257 (Newman, J., dissenting); see also *In re Swanson*, 540 F.3d at 1377; *Ethicon, Inc., v. Quigg*, 849 F.2d 1422, 1429 n. 3 (Fed. Cir. 1988) (“[A] court’s decision upholding a patent’s validity is not ordinarily binding on another challenge to the patent’s validity, in either the courts or the PTO.” (internal citations omitted)).

PTO was bound by collateral estoppel arising from the interim decision in *Fresenius I*, which had found the asserted claims not invalid. This identical argument was considered and (properly) rejected in *In re Baxter*. See 678 F.3d at 1365; see also, e.g., *Ethicon*, 849 F.2d at 1429 n. 3 (holding that “[t]he doctrine of collateral estoppel does not prevent the PTO from completing the reexamination,” if a district court finds the patent not invalid).

The argument has even less merit here. Even if collateral estoppel were implicated, both the Restatement and numerous cases have held that an interim decision in one suit (here, *Fresenius I*) cannot prevail over a final judgment on the same issue in another suit (here, *In re Baxter*). See Restatement (Second) of Judgments, §§ 14, 27 (1982).¹⁴ That is the explicit teaching of the Supreme Court’s decision in *Simmons*, and our decision in *Mendenhall*, discussed earlier. There is no basis for departing from that established rule. In light of the cancellation of Baxter’s remaining claims, Baxter no longer has a viable cause of action against Fresenius. Therefore, the pending litigation is moot. We vacate the district court’s judgment and remand with instructions to dismiss.

VACATED AND REMANDED. Costs to Fresenius.

¹⁴ Indeed, even where two *final* court judgments conflict, the settled rule is that the later judgment, not the earlier, has preclusive force going forward. See Restatement (Second) of Judgments § 15 (1982) (Comment (b)); see also *id.* (Comment (c)) (stating that this rule “governs the effect of a judgment by way of merger, bar, or issue preclusion”); see generally Ruth B. Ginsburg, *Judgments in Search of Full Faith and Credit: The Last-in-Time Rule for Conflicting Judgments*, 82 Harv. L.Rev. 798 (1969).

NEWMAN, Circuit Judge, dissenting.

The court today authorizes the Patent and Trademark Office, an administrative agency within the Department of Commerce, to override and void the final judgment of a federal Article III Court of Appeals. The panel majority holds that the entirety of these judicial proceedings can be ignored and superseded by an executive agency's later ruling.

This holding violates the constitutional plan, for “Judgments, within the powers vested in courts by the Judiciary Article of the Constitution, may not lawfully be revised, overturned or refused faith and credit by another Department of Government.” *Chi. & S. Air Lines, Inc. v. Waterman S.S. Corp.*, 333 U.S. 103, 113, 68 S.Ct. 431, 92 L.Ed. 568 (1948).

These judicial proceedings started with trial in the district court and the district court's final judgment, then appeal to the Federal Circuit and our appellate final judgment, followed by denial of rehearing and denial of rehearing en banc, followed by issuance of this court's mandate, followed by denial of certiorari.¹ This court remanded to the district court for the purpose of reviewing post-judgment damages, and the district court did so. That decision is the subject of this appeal.

My colleagues now hold that this entire litigation and decisional panoply is negated by the later decision

¹ The panel majority misstates or misunderstands the position of this dissent. I do not propose that “PTO reexamination cannot affect pending infringement suits,” as the majority describes the dissent, maj. op. 1349. I propose that the final decision in a patent infringement suit cannot be overturned by a later decision on reexamination. I propose that to hold otherwise violates the rules of finality of judgments, and violates the constitutional plan.

of the Patent and Trademark Office of the issue of validity. My colleagues hold that the prior final adjudication by this court of validity and infringement is irrelevant, and that the later decision by the PTO overrides and displaces our prior adjudication, depriving the parties to that adjudication of their binding judgments.

This holding violates the rules of finality, for judgments of Article III courts are “final and conclusive upon the rights of the parties,” *Gordon v. United States*, 117 U.S. 697, 702, 1864 WL 11666 (1864); *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 226, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995) (same).

I respectfully dissent.

I

THE CONSTITUTIONAL PLAN

An agency of the executive branch cannot override or revise or ignore, or deny faith and credit to, the judgment of an Article III court.

The record of history shows that the Framers crafted this charter of the judicial department with an expressed understanding that it 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—with an understanding, in short, that a judgment conclusively resolves the case because a ‘Judicial Power’ is one to render dispositive judgments.

Plaut, 514 U.S. at 218–19, 115 S.Ct. 1447 (internal quotations omitted, emphasis in original).

My colleagues hold that a PTO reexamination decision, made after final adjudication of patent validity in the district court and the Federal Circuit, negates the prior judicial decision. However, the constitutional structure does not permit the executive branch to override judgments of the courts. The Constitution “prohibits one branch from encroaching on the central prerogatives of another.” *Miller v. French*, 530 U.S. 327, 342, 120 S.Ct. 2246, 147 L.Ed.2d 326 (2000).

This allocation of authority is not casual or perfunctory; it is “an inseparable element of the constitutional system of checks and balances.” *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 58, 102 S.Ct. 2858, 73 L.Ed.2d 598 (1982). The Court has explained:

[T]he doctrine of separation of powers is a *structural safeguard* rather than a remedy to be applied only when specific harm, or risk of specific harm, can be identified. In its major features (of which the conclusiveness of judicial judgments is assuredly one) it is a prophylactic device, establishing high walls and clear distinctions because low walls and vague distinctions will not be judicially defensible in the heat of interbranch conflict.

Plaut, 514 U.S. at 239, 115 S.Ct. 1447 (emphasis in original).

The issue is not whether patents can be reexamined in PTO proceedings; of course they can. However, the constitutional framework requires that when there has been a prior judicial determination of the issue of patent validity, the conclusiveness of judicial rulings resolves the determination. Adjudications by the Judicial Branch bind all three branches of government.

“Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch.” *Plaut*, 514 U.S. at 218, 115 S.Ct. 1447.

The reasons are not simply a matter of the neat organization of government. “Article III, § 1 preserves to litigants their interest in an impartial and independent federal adjudication of claims within the judicial power of the United States....” *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 850, 106 S.Ct. 3245, 92 L.Ed.2d 675 (1986). No statute, no constitutional interpretation, holds that an executive agency is not bound by a judicial decision. The Court reiterated in *Miller v. French*, 530 U.S. at 343, 120 S.Ct. 2246, that “an effort by a coequal branch to ‘annul a final judgment’ is ‘an assumption of Judicial power’ and therefore forbidden,” quoting *Plaut*, 514 U.S. at 224, 115 S.Ct. 1447.

The PTO can neither invalidate, nor revive, a patent whose validity the court has adjudicated. Such administrative authority would render the court’s judgment no more than “advisory.” Article III courts are not permitted to render advisory opinions. *Gordon*, 117 U.S. at 702; see *Sierra Club v. Morton*, 405 U.S. 727, 732 n. 3, 92 S.Ct. 1361, 31 L.Ed.2d 636 (1972) (“Congress may not confer jurisdiction on Art. III federal courts to render advisory opinions ... because suits of this character are inconsistent with the judicial function under Art. III.”).

Article III courts “render no judgments not binding and conclusive on the parties and none that are subject to later review or alteration by administrative action.” *Chi. & S. Air Lines*, 333 U.S. at 113–14, 68 S.Ct. 431. This court’s ruling places itself and the PTO in conflict with the Constitution. The system of reexami-

nation was designed for a quite different purpose, a purpose that did not incur constitutional conflict.

The purpose of the system of reexamination is to provide a mechanism for remedying errors in the initial PTO examination. During PTO reexamination patent claims can be revised and amended, an action not available in the courts. However, when the issue of validity of the claims has already been resolved in litigation, subsequent redetermination by the PTO is directly violative of the structure of government.

The system of patent reexamination was adopted in order to simplify or avoid litigation, not to increase the litigation burden. At the legislative hearings, Patent Commissioner Diamond explained:

Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided.

Patent Reexamination: Hearing on S. 1679 Before the Senate Comm. on the Judiciary, 96th Cong. 15–16 (1979) (“Senate Hearings”).

Reexamination’s proponents saw three principal benefits to the pending legislation, as summarized in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985):

First, the new procedure could settle validity disputes more quickly and less expensively than the often protracted litigation involved in such cases.

Second, the procedure would allow courts to refer patent validity questions to the expertise of the Patent Office. *See Senate Hearings* at 1, wherein Senator Bayh said that reexamination would be “an aid” to the trial court “in making an informed decision on the patent’s validity.”

Third, reexamination would reinforce “investor confidence in the certainty of patent rights” by affording the PTO a broader opportunity to review “doubtful patents.” 126 Cong. Rec. 29,895 (1980) (statement of Rep. Kastenmeier).

Id. at 602. Senator Birch Bayh stressed the benefits of relieving the burdens of litigation on parties and courts:

Reexamination would allow patent holders and challengers to avoid the present costs and delays of patent litigation ... Patent reexamination will also reduce the burden on our over-worked courts by drawing on the expertise of the Patent and Trademark Office.

126 Cong. Rec. 30,364 (1980).

The legislative record is extensive, and consistent, on the purpose of reduction in burden and expense of the administrative action compared with litigation, by enabling the PTO to correct errors in examination of the patent. Representative Hollenbeck testified:

As a result of the provision for reexamination, the potential conflict can be settled by the Patent Office itself in far shorter time and at far smaller expense to the challenger or to the patent holder than would be the case if the only recourse was through the court system.

126 Cong. Rec. 29,901 (1980). These goals were again recited in the House Report accompanying enactment of the reexamination statute:

Reexamination will permit efficient resolution of questions about the validity of issued patents without recourse to expensive and lengthy infringement litigation.... The reexamination of issued patents could be conducted with a fraction of the time and cost of formal legal proceedings and would help restore confidence in the effectiveness of our patent system.... It is anticipated that these measures provide a useful and necessary alternative for challengers and for patent owners to test the validity of United States patents in an efficient and relatively inexpensive manner.

H.R.Rep. No. 96-1307(I) at 3-4 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462-63. The entirety of the legislative record stresses reexamination as an alternative to litigation, not a dominating sequel to litigation.

The record shows the concern of the innovation community about the burdens of reexamination proceedings, and apprehension about the tactical opportunities for harassment. Commissioner Diamond responded to these concerns, pointing out the balance of benefits and burdens, and that the reexamination statute

carefully protects patent owners from reexamination proceedings brought for harassment or spite. The possibility of harassing patent owners is a classic criticism of some foreign reexamination systems and we made sure it would not happen here.

Hearings on H.R. 6933, 6934, 3806 & 215, *Industrial Innovation & Patent & Copyright Law Amendments*, 96th Cong., 2d Sess. 594 (1980).

With this recognition of the potential for abuse, if the proponents of reexamination had expected and intended the tactical gaming and harassment endorsed by the panel majority—such as here illustrated, where the Baxter patent was tied up in litigation and reexamination until the patent expired—surely some mention would have been made of this departure from the simplification and economy for which reexamination was intended.²

² The majority criticizes the district court's denial of Fresenius' request to stay the infringement trial after Fresenius requested reexamination, after receiving an adverse summary judgment of infringement. Maj. op. 1335. The majority neglects to mention the district court's concern for Fresenius' abuse of the reexamination process, the district court stating:

“Parties should not be permitted to abuse the process by applying for reexamination after protracted, expensive discovery or trial preparation.” *Freeman v. Minnesota Mining and Manufacturing Co.*, 661 F.Supp. 886, 888 (D. Del. 1987) (citations omitted). To do so would be to allow a party to use reexamination as “a mere dilatory tactic.” *Id.*

It is difficult to imagine a scenario in which a dilatory motive could be more apparent.... Fresenius should not have waited until it had had a trial, had litigated motions for judgment as a matter of law and for a new trial on the merits, and *then* had a favorable PTO action to request a stay. Any irreparable harm that Fresenius will suffer will be of its own making, attempting, as it did, to “game the system” by playing both fields simultaneously.... [T]o allow Fresenius to now derail this litigation would be to sanction the most blatant abuse of the reexamination process. The express purpose of the reexamination pro-

Instead, my colleagues announce that “Congress expected reexamination to take place concurrent with litigation, and that cancellation of claims during reexamination would be binding in concurring infringement litigation.” Maj. op. 1339. No hint can be found in the legislative record for an expectation of concurrent proceedings; no hint of an intent that a PTO reexamination decision would override a prior judicial decision rendered in either prior or concurrent litigation. There is no authority for the majority’s creative revision of the historical record.

The panel majority also errs in its understanding of the role of reexamination, which was well understood by the PTO, as stated in an amicus brief filed in response to an Order of the Federal Circuit in pending litigation:

Indeed, the doctrine of separation of powers clearly prevents any decision of the PTO from having the effect of overturning any decision of the lower court or [the Federal Circuit] respecting the ‘validity’ of the Eis patent.... Nowhere in that reexamination legislation does Congress provide that any order of the Commissioner in a reexamination proceeding will operate to vacate, modify, revise or overrule in any manner any order entered by a federal court. It is axiomatic, in view of the separation of powers doctrine, that a decision of the PTO, as part of the Executive Branch of the govern-

cedure is to shift the burden from the courts by reducing costly and time-consuming litigation.

Order at *6–8, *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, No. 03–CV–1431 SBA (N.D. Cal. June 6, 2007) (citations omitted, emphasis in original).

ment, does not and cannot frustrate or derogate in any way judgments of the courts as part of the Judicial Branch.

Amstar Corp. v. Envirotech Corp., Nos. 1986–1340, –1360 (Fed. Cir. 1986), *Amicus Curiae Br. for the Comm’r of Patents & Trademarks*, 1986 WL 734249, at *9–10.

The reexamination statute does not provide that a PTO reexamination decision will override the judicial decision. It must be assumed that the legislators did not violate the rules of either separation of powers or judicial finality. *See INS v. St. Cyr*, 533 U.S. 289, 300 n. 12, 121 S.Ct. 2271, 150 L.Ed.2d 347 (2001) (We must “not lightly assume that Congress intended to infringe constitutionally protected liberties or usurp power constitutionally forbidden it.”). The role of patent reexamination is not to alter a final adjudication by the courts.

If it were intended that PTO reexamination would override prior judicial decisions, it is inconceivable that no one would have mentioned it in the legislative process. If it were contemplated, through patent reexamination, to negate the “conclusiveness of judicial judgments,” *Plaut*, 514 U.S. at 239, 115 S.Ct. 1447, this departure from the constitutional plan would have occasioned comment.

My colleagues attempt to avert the constitutional challenge presented by their ruling, by suggesting that here there was no final decision, citing as authority *John Simmons Co. v. Grier Brothers Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922), and *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994). These are my colleagues’ only authority for their assault on the principles of separation of powers. However, these cases, which relate solely to court-to-court

relationships, are irrelevant to the constitutional question of whether an administrative agency can override or ignore a prior judicial decision of the same issue. The issue here presented is not the relationship between different courts, but between the branches of government.

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. (2 Dall.) 408, 409 (1792) (the federal judiciary will not render judgments subject to revision, suspension, modification, or other review by executive or legislative branches). The courts understand this principle of constitutional government, *e.g.*, *Town of Deerfield, N.Y. v. FCC*, 992 F.2d 420, 428 (2d Cir. 1993) (“A judgment entered by an Article III court having jurisdiction to enter that judgment is not subject to review by a different branch of the government....”); *United States v. Johnston*, 258 F.3d 361, 373 (5th Cir. 2001) (Higginbotham, J., concurring) (“It is axiomatic that only an Article III judge can be vested with the power to conduct a dispositive review of the judgment of another Article III court.”); *Taylor v. United States*, 181 F.3d 1017, 1024 (9th Cir. 1999) (“Inasmuch as judicial jurisdiction implies the power to hear and determine a case, once court decisions achieve finality they may not be revised, overturned or refused faith and credit by another Department of Government.”); *Georgia Association of Retarded Citizens v. McDaniel*, 855 F.2d 805, 810 (11th Cir. 1988) (The principle of separation of powers “protects judicial action from superior legislative review, a regime that would be obviously inconsistent with due process of law and subversive of the judicial branch of government.”); *Co-bell v. Norton*, 263 F.Supp.2d 58, 65 n. 4 (D.D.C. 2003)

(“The appropriations provision at issue attempts to undermine the finality of an order issued by the judicial branch, which may constitute an unwarranted invasion of the authority vested in the federal courts by Article III of the U.S. Constitution.”).

By authorizing PTO reexamination to override a prior judicial adjudication of patent validity, this court has created a constitutional violation that should have been avoided. *See NLRB v. Catholic Bishop of Chi.*, 440 U.S. 490, 500–01, 99 S.Ct. 1313, 59 L.Ed.2d 533 (1979) (courts are required to choose any reasonable construction of a statute that would eliminate the need to confront a contested constitutional issue); *Hooper v. California*, 155 U.S. 648, 657, 15 S.Ct. 207, 39 L.Ed. 297 (1895) (courts must resort to “every reasonable construction ... in order to save a statute from unconstitutionality”).

Here only one constitutionally permissible outcome is available. Just as this court’s adjudication of the validity of claims 26–31 of the ‘434 patent can not be relitigated between Baxter and Fresenius in another court, neither can it be overridden by the PTO on reexamination at Fresenius’ initiative. *See Chi. & S. Air Lines*, 333 U.S. at 113, 68 S.Ct. 431; *United States v. O’Grady*, 89 U.S. (22 Wall.) 641, 648, 22 L.Ed. 772 (1874) (“[I]t is quite clear that Congress cannot subject the judgments of the Supreme Court to the reexamination and revision of any other tribunal or any other department of the government.”).

II

FINALITY

This court’s judgment in *Fresenius USA, Inc. v. Baxter International, Inc.*, 582 F.3d 1288 (Fed. Cir.

2009) finally resolved the issue of patent validity. The finality created by judicial decisions is essential to an effective legal system. “It ‘has found its way into every system of jurisprudence, not only from its obvious fitness and propriety, but because without it, an end could never be put to litigation.” *San Remo Hotel. L.P. v. City & Cnty. of S.F., Cal.*, 545 U.S. 323, 336–37, 125 S.Ct. 2491, 162 L.Ed.2d 315 (2005) (quoting *Hopkins v. Lee*, 19 U.S. (6 Wheat.) 109, 114, 5 L.Ed. 218 (1821)). In *Southern Pacific Railroad v. United States*, 168 U.S. 1, 18 S.Ct. 18, 42 L.Ed. 355 (1897) the Court reiterated:

[A] right, question, or fact distinctly put in issue, and directly determined by a court of competent jurisdiction, as a ground of recovery, cannot be disputed in a subsequent suit between the same parties or their privies.... This general rule is demanded by the very object for which the civil courts have been established, which is to secure the peace and repose of society by the settlement of matters capable of judicial determination.

Id. at 48–49, 18 S.Ct. 18. Patent validity is “capable of judicial determination,” *id.*, and validity of the ’434 patent was so determined, by final decision and mandate of this court, from which certiorari was requested and denied.

Judicial repose is fundamental to a nation governed by law. In *Federated Department Stores, Inc. v. Moitie*, 452 U.S. 394, 101 S.Ct. 2424, 69 L.Ed.2d 103 (1981) the Court discussed the public policy served by finality:

Public policy dictates that there be an end of litigation; that those who have contested an issue shall be bound by the result of the contest,

and that matters once tried shall be considered forever settled as between the parties.

Id. at 401, 101 S.Ct. 2424 (citations omitted). The Federal Circuit has not been faithful to this principle. In *In re Construction Equipment*, 665 F.3d 1254 (Fed. Cir. 2011) this court upheld the PTO's invalidation based on reexamination of a patent that had been litigated and held valid eleven years earlier, the reexamination having been initiated by a party to the prior litigation. And in *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008) this court upheld the PTO's invalidation of claims of a patent that had been held valid by the Federal Circuit in prior litigation, although the court acknowledged that "an attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems." *Id.* at 1379 n. 5.

The loser in this tactical game of commercial advantage and expensive harassment is the innovator and the public, for it is now notorious that any invention of commercial value is ripe for not only protracted litigation but consecutive reexamination until the patent falls, or the patent or the patentee expires. The stability that is the foundation of the rule of law is lost, along with the patent-supported incentive to create and produce new things to public benefit.

The Court discussed the role of judicial finality in *Southern Pacific Railroad*:

[E]nforcement [of judicial finality] is essential to the maintenance of social order; for the aid of judicial tribunals would not be invoked for the vindication of rights of person and property if, as between parties and their privies, conclusiveness did not attend the judgments of such

tribunals in respect of all matters properly put in issue, and actually determined by them.

168 U.S. at 49, 18 S.Ct. 18 (citations omitted). The panel majority's holding today violates this "essential" precept, for although the validity of the '434 patent was conclusively adjudicated in the district court and the Federal Circuit, in proceedings in which Fresenius fully participated, my colleagues treat that conclusive adjudication as if it never happened.

In *San Remo Hotel* the Court again reviewed the rule of full faith and credit to judicial rulings:

The general rule implemented by the full faith and credit statute—that parties should not be permitted to relitigate issues that have been resolved by courts of competent jurisdiction—predates the Republic.

545 U.S. at 336, 125 S.Ct. 2491. The issue of validity of Baxter's '434 patent was raised, litigated, and decided, with full participation of the accused infringer; it cannot be relitigated. See *Marrese v. Am. Acad. of Orthopaedic Surgeons*, 470 U.S. 373, 390–91, 105 S.Ct. 1327, 84 L.Ed.2d 274 (1985) ("[A] party is precluded from asserting a claim that he had a 'full and fair opportunity' to litigate in a prior action.").

On enactment of the initial reexamination statute, the PTO embodied the legislative purpose in MPEP § 2286 (4th ed. rev. 7, July 1981), that

it is the policy of the Office that it will not "re-litigate" in a reexamination proceeding an issue of patentability which has been resolved by a federal court on the merits after a thorough consideration of the prior art called to its attention in an adversary context.

That policy gave way to aberrant guidance from the Federal Circuit, in *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 (Fed. Cir. 1988) (“To the extent MPEP § 2286 states that the PTO is bound by a court’s decision upholding a patent’s validity, it is incorrect.”). It is time to restore not only the constitutional obligation, but also the legislative purpose.

The panel majority argues that the rules of finality do not apply here because the Federal Circuit, with its final judgment, included a remand to the district court to assess post-judgment damages. The courts of the nation have dealt with a variety of circumstances in which a final judgment included a remand to the district court. Here, all of the issues on appeal were finally adjudicated by the Federal Circuit; the remand authorized the district court to determine only post-judgment royalties. The remand had no relation to any issue in reexamination; validity had been finally resolved in the courts.

The majority invokes what it calls “traditional” notions of finality, maj. op. 1341–42, proposing that “tradition” means that if anything whatsoever remains to be done after final judgment, the final judgment is not final, and any issue of that judgment can be redecided. The majority proposes that the final adjudication of patent validity can be redecided by the courts and thus by the PTO, because of the remand to assess post-judgment damages. This theory is contrary to the precedent of every circuit. All circuits impose finality and preclusion as to issues that were finally decided in full and fair litigation. The Restatement summarizes the general rule:

[Preclusion requires] that the decision to be carried over was adequately deliberated and

firm, even if not final in the sense of forming a basis for a judgment already entered. Thus preclusion should be refused if the decision was avowedly tentative. On the other hand, that the parties were fully heard, that the court supported its decision with a reasoned opinion, that the decision was subject to appeal or was in fact reviewed on appeal, are factors supporting the conclusion that the decision is final for the purpose of preclusion.

Restatement (Second) of Judgments § 13 cmt. g (1982). The courts often cite the reasoning in *Lummus Co. v. Commonwealth Oil Refining Co.*, 297 F.2d 80 (2d Cir. 1961):

Whether a judgment, not “final” in the sense of 28 U.S.C. § 1291, ought nevertheless be considered “final” in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review. “Finality” in the context here relevant may mean little more than that the litigation of a particular issue has reached such a stage that a court sees no really good reason for permitting it to be litigated again.

Id. at 89.

All of the circuits have applied preclusion and estoppel for issues that were litigated and decided, as the particular facts have warranted. Following is a sampling; starting with the First Circuit, in *O'Reilly v. Malon*, 747 F.2d 820 (1st Cir. 1984) the court stated:

Whether a judgment, not ‘final’ in the sense of 28 U.S.C. § 1291, ought nevertheless be considered ‘final’ in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review.

Id. at 822–23 (quoting *Lummas Co.*, 297 F.2d at 89). The Second Circuit in *Zdanok v. Glidden Co.*, 327 F.2d 944 (2d Cir. 1964) stated that

collateral estoppel does not require a judgment which ends the litigation and leaves nothing for the court to do but execute the judgment, but includes many dispositions which, though not final in that sense, have nevertheless been fully litigated.

Id. at 955 (citations omitted).

The Third Circuit, applying these principles, explained that issue preclusion is a “pliant” concept, as in *Henglein v. Colt Industries Operating Corp.*, 260 F.3d 201 (3d Cir. 2001):

Preliminarily, we observe that much of the Plans’ argument rests upon a concept of “finality” that is unduly rigid. In *Dyndul v. Dyndul*, 620 F.2d 409 (3d Cir. 1980) (per curiam), we commented that finality for purposes of issue preclusion is a more “pliant” concept than it would be in other contexts.

Id. at 209–10 (citations omitted).

When an issue has been finally decided it cannot be reopened, although other issues remain open. The Fourth Circuit, in *Swentek v. USAIR, Inc.*, 830 F.2d

552 (4th Cir. 1987), stressed the common sense of issue preclusion and collateral estoppel:

We do not think the trial judge was required to direct entry of judgment under Rule 54(b) and await the appeal of Swentek's privacy and battery claims before assigning the prior jury determinations preclusive effect.... Finality for purposes of collateral estoppel is a flexible concept and "may mean little more than that the litigation of a particular issue has reached such a stage that a court sees no really good reason for permitting it to be litigated again."

Id. at 561 (citations omitted).

In *Pye v. Department of Transportation of Georgia*, 513 F.2d 290, 292 (5th Cir. 1975) the Fifth Circuit rejected the argument that a state court judgment "is not final and therefore cannot be res judicata, since the amount of compensation has not been determined," stating: "To be final a judgment does not have to dispose of all matters involved in a proceeding" (citations omitted). The court in *Pye* held that lack of determination of the amount of compensation does not negate finality for purposes of preclusion. *Id.* Analogy may be drawn to determination of the royalty for Fresenius' post-judgment infringement.

In *Employees Own Federal Credit Union v. City of Defiance*, 752 F.2d 243 (6th Cir. 1985), the Sixth Circuit stated:

[F]or purposes of issue preclusion (as distinguished from merger and bar), "final judgment" includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.

Id. at 245 (citation omitted). The court, in discussing “general principles of res judicata,” stated that an “adverse judgment” following a “full and fair opportunity to litigate” is preclusive; “[o]ne bite at the apple is enough.” *Id.*

The Seventh Circuit in *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990 (7th Cir. 1979), agreed that collateral estoppel does not require § 1291 finality:

To be “final” for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment. “Finality” in the sense of 28 U.S.C. § 1291 is not required.

Id. at 996. The Eighth Circuit in *Robinette v. Jones*, 476 F.3d 585 (8th Cir. 2007) found finality for issue preclusion purposes where the quantum of damages had not yet been determined, the court stating:

[T]he finality requirement for issue preclusion has become less rigorous. Recent decisions have relaxed traditional views of the finality requirement in the collateral estoppel context by applying the doctrine to matters resolved by preliminary rulings or to determinations of liability that have not yet been completed by an award of damages or other relief, let alone enforced.

Id. at 589 (citation omitted).

In *John Morrell & Co. v. Local Union 304A of United Food & Commercial Workers*, 913 F.2d 544 (8th Cir. 1990), the court held that preclusion can apply “to matters resolved by preliminary rulings or to determinations of liability that have not yet been completed by

an award of damages or other relief.” *Id.* at 564 (citation omitted). The court observed that “[b]oth parties presented abundant evidence on the issue at trial, and both had strong incentives to litigate the issue fully. Furthermore, the jury’s verdict addressed the exact issue which the arbitrator chose to reconsider.” *Id.*

So it is here. Fresenius and Baxter both had “strong incentives to litigate” validity, and did so through trial and appeal. The district court’s judgment and our judgment on appeal “addressed the exact issue which the [PTO] chose to reconsider.” The PTO cannot override this court’s judgment, although post-judgment damages remained to be resolved.

The Ninth Circuit in *Syverson v. International Business Machines Corp.*, 472 F.3d 1072 (9th Cir. 2007) held that preclusion arose as to issues that were finally decided, although other aspects of the merits had been remanded:

[T]he proper query here is whether the court’s decision on the issue as to which preclusion is sought is final.

Id. at 1079 (internal citation omitted). *See Clements v. Airport Auth. of Washoe Cnty.*, 69 F.3d 321, 330 (9th Cir. 1995) (“Where the plaintiffs have had a full and fair opportunity to actually litigate the issue and did in fact litigate it, they cannot ordinarily be prejudiced by subsequently being held to the prior determination.”).

The Tenth Circuit in *Smith Machinery Co. v. Hesston Corp.*, 878 F.2d 1290, 1293 (10th Cir. 1989) discussed the “conclusive effect” as to the “specific issue” for which estoppel or law of the case preclusion was sought:

Courts also require a prior final judgment, at least on the specific issues sought to be foreclosed from relitigation, before a party may invoke collateral estoppel or law of the case.

Id. at 1293 (citing) *Employees Own*, 752 F.2d at 245 (“relaxation of final judgment rule in collateral estoppel context appropriate in civil case when prior decision is ‘sufficiently firm to be accorded conclusive effect.’”).

The Eleventh Circuit in *Christo v. Padgett*, 223 F.3d 1324 (11th Cir. 2000) mentioned the “widely recognized” rule of issue preclusion:

The Christos argue that the July 13 order cannot have preclusive effect because it was not a final judgment. Technically, the Christos’ assessment of the July 13 order is correct.... [However] [i]t is widely recognized that the finality requirement is less stringent for issue preclusion than for claim preclusion.

Id. at 1338–39 (citations omitted).

The D.C. Circuit in *Martin v. Department of Justice*, 488 F.3d 446 (D.C.Cir.2007) discussed issue preclusion based on a district court’s adjudication:

It is well established that a lower court judgment may have preclusive effect despite the lack of appellate review. “For purposes of issue preclusion ... ‘final judgment’ includes any prior adjudication of an issue in another action that is determined to be sufficiently firm to be accorded conclusive effect.”

Id. at 455 (citations omitted, ellipse in original).

All of the circuits follow this approach, as did the Federal Circuit. In *Interconnect Planning Corp. v. Feil*, 774 F.2d 1132 (Fed. Cir. 1985) this court stated:

Considering the finality issue, for collateral estoppel to arise the prior decision need not have been final in the sense of 28 U.S.C. § 1291 but, in the words of the Restatement, the prior adjudication must have been “sufficiently firm to be accorded conclusive effect.”

Id. at 1135.

In *Block v. U.S. International Trade Commission*, 777 F.2d 1568 (Fed. Cir. 1985) this court summarized the criteria for purposes of issue preclusion:

One important factor that is considered in determining the finality of a decision for the purposes of preclusion is whether the decision was ever subject to appeal. In *Lummus Co.*, 297 F.2d at 89, Judge Friendly stated that whether a “non-final” judgment “ought nonetheless be considered ‘final’ in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review.”

Id. at 1571–72 (citations omitted).

Despite this heavy and uniform weight, my colleagues 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. That doctrinaire approach has been rejected throughout the federal system, and

explicitly with respect to damages, for post-judgment damages was the issue here on remand.³

Finality for preclusion purposes when the issue of damages remained for determination, has been considered in several factual contexts, as discussed *supra*. In *Zdanok* the court stated that “[t]he mere fact that the damages of the [first] plaintiffs have not yet been assessed should not deprive that ruling of any effect as collateral estoppel it would otherwise have,” for the decision was “final on the hotly contested issue of liability.” 327 F.2d at 955. *See also, e.g., Metromedia Co. v. Fugazy*, 983 F.2d 350 (2d Cir. 1992):

The mere fact that the damages awarded to the plaintiff have not been yet calculated, though normally precluding an immediate appeal, ... does not prevent use of a final ruling on liability as collateral estoppel.

Id. at 366 (citation omitted); *In re Docteroff*, 133 F.3d 210, 215–16 (3d Cir. 1997) (“[A]pplication of collateral

³ My colleagues seek support in the Restatement (Second) of Judgments, maj. op. 1347, but there is none to be found. Both provisions cited (but not quoted) by the panel majority state the principle, universally understood, that “when two actions are pending which are based on the same claim, or which involve the same issue, it is the final judgment first rendered in one of the actions which becomes conclusive in the other action.” Restatement (Second) of Judgments § 14 cmt. a (1982); *see* § 27 cmt. l (“If two actions which involve the same issue are pending between the same parties, it is the first final judgment rendered in one of the actions which becomes conclusive in the other action, regardless of which action was brought first.”). The “final judgment first rendered” in this matter is the final judgment of validity and infringement rendered in 2009, *see Fresenius I*. That final judgment is “conclusive.” § 14 cmt. a; § 27 cmt. l. That is the final judgment that the court now holds is negated by the later ruling of the administrative agency.

estoppel does not require the type of finality urged by Docteroff.... The [prior] judgment is sufficiently final. Indeed, there is nothing which would even suggest that that court has any intention of revisiting the issue of liability, that its findings are unreliable” although a “trial on damages” had yet to occur.); *In re Nangle*, 274 F.3d 481, 484–85 (8th Cir. 2001) (collateral estoppel may apply “to matters resolved by preliminary rulings or to determinations of liability that have not yet been completed by an award of damages or other relief, let alone enforced”); *B. Willis, C.P.A., Inc. v. BNSF Ry. Corp.*, 531 F.3d 1282, 1301 n. 24 (10th Cir. 2008) (“While the entire eminent domain proceeding is not yet final, because the state courts are still considering the amount of compensation to which Willis is entitled for the easement, that fact is of no moment [to the preclusion analysis] because the claims that Willis asserts in this federal action do not implicate the adequacy of the compensation award.”).

Here, Fresenius contested liability and lost, by declaratory action brought in the district court, and on appeal to the Federal Circuit. All that remained on remand was an updating of the post-judgment royalty. The judgment of validity of the '434 patent was not subject to redetermination, and was final in all aspects relevant to the PTO reexamination proceedings. The remand for post-judgment royalty had no impact on patent validity.

The panel majority states that this court’s final judgment of validity and infringement, including damages to the date of judgment—adjudged by this court in 2009—was not “final” because the district court declined to grant Baxter’s motions for execution of past damages during the remand for determination of post-judgment damages. On Baxter’s first motion, filed on

August 16, 2011, the district court explained that the motion was “premature” because Fresenius had requested a new trial on past damages and the court had scheduled a hearing on this issue for December 2, 2011. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, No. 03–CV–1431 (N.D. Cal. Sept. 20, 2011), ECF No. 1117. The district court denied Fresenius’ motion for a new trial on past damages, stating “Nothing in the mandate in this case indicates that damages for infringement was an issue for remand.” Order at *4, *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, No. 03–CV–1431 PJH, 2011 WL 2160609 (N.D. Cal. May 26, 2011). Neither validity nor infringement was involved in this motion for a new trial.

After the district court adjudicated the post-judgment royalties on remand, Fresenius filed the appeal now before us, on this question, and requested that execution be delayed during the appeal, offering to file a supersedeas bond. Meanwhile, the patent had expired. The district court accepted the bond offer, and stayed execution of the judgment pending appeal. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, No. 03–CV–1431 (N.D. Cal. May 3, 2012), ECF No. 1157. None of these events overtook this court’s final adjudication of validity and infringement in 2009. These aspects were not at issue in the remand.

The panel majority irrelevantly states that “[r]eversal and remand for further proceedings on the entire case defeats preclusion entirely until a new final judgment is entered by the trial court or the initial judgment is restored by further appellate proceedings,” citing *G. & C. Merriam Co. v. Saalfeld*, 241 U.S. 22, 28, 29, 36 S.Ct. 477, 60 L.Ed. 868 (1916). There was no “reversal and remand for further proceedings on the entire case,” *id.* Validity, infringement, and pre-judgment

damages were finally decided, and were neither reversed nor remanded; the remand related only to post-judgment remedy.

The Federal Circuit’s final judgment in 2009 was not “an interim appellate decision on invalidity,” *maj. op.* 1342; it was the final decision of validity and infringement. These issues received no further attention, on denial of certiorari. Validity was finally adjudicated, and finally resolved. The judgment of validity is binding not only on the courts and the parties, but also on the PTO.

As mentioned *supra*, the majority relies on *John Simmons Co. v. Grier Brothers Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922) and *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994). *Simmons* is inapposite, and *Mendenhall* relates to litigation in the courts.

Simmons concerned a reissue patent in which there were conflicting decisions by the Third Circuit and the Supreme Court on the same patent, and the district court, which on remand was assessing damages on an unrelated unfair competition claim, chose to follow the Supreme Court on the patent question and thus vacated its own prior decision. The Supreme Court approved, commenting that final judgment had not been reached.⁴ *Simmons* raises an interesting question of the relationships among the courts, and stands alone on

⁴ The *Simmons* court ruled that there “was not a final decree” because “[t]he prayer for relief based upon infringement of patent and that based upon unfair competition in trade were but parts of a single suit in equity” and “there can be but one final decree in a suit in equity.” 258 U.S. at 89, 42 S.Ct. 196. *But see* 1938 Fed. R. Civ. Pro. (Rule 2) (abolishing the distinction between suits at law and equity).

the generalization for which it is cited by my colleagues. *Simmons* does not hold that executive branch agencies are not required to respect a final judicial decision of the same issue.

Mendenhall, too, concerns court-to-court relationships. *Mendenhall*'s statement that "the decision was not final until the conclusion of the accounting," 26 F.3d at 1581, neither bars issue preclusion, nor relieves the PTO of its obligation to separation-of-powers principles.

We need not here explore all of the possible circumstances and relationships in which questions of preclusion might arise. It cannot be debated that issue preclusion can apply although other issues may be unresolved. The Court has explained that both fairness to litigants and judicial economy are served by precluding the relitigation of matters that have been fully litigated, *see Taylor v. Sturgell*, 553 U.S. 880, 128 S.Ct. 2161, 171 L.Ed.2d 155 (2008):

By precluding parties from contesting matters that they have had a full and fair opportunity to litigate, these two doctrines [of claim and issue preclusion] protect against the expense and vexation attending multiple lawsuits, conserve judicial resources, and foster reliance on judicial action by minimizing the possibility of inconsistent decisions.

Id. at 892, 128 S.Ct. 2161 (citations omitted).

The only issue considered on PTO reexamination is patent validity. However, here validity of the Baxter patent claims at issue had already been finally decided in litigation between Baxter and Fresenius. "Once a judicial decision achieves finality, it 'becomes the last

word of the judicial department.” *Miller*, 530 U.S. at 344, 120 S.Ct. 2246 (quoting *Plaut*, 514 U.S. at 227, 115 S.Ct. 1447). As stated in *Clements*:

Vindication of this public interest is at its zenith in the realm of issue preclusion. It is the failure to adhere closely to basic issue preclusion that is most likely to lead directly to the inconsistent results that tend to undermine confidence in the judicial process.

69 F.3d at 330. My colleagues err in discarding these venerable considerations.

The great weight of jurisprudence and the Constitution-based proscription of executive override of judicial decision negate the panel majority’s relapse into “tradition.” Separation-of-powers and the principles of preclusion are not contrary to tradition.

III

OTHER ARGUMENTS

A. The Mandate Rule

Baxter’s ’434 patent was issued on September 21, 1993. In 2003 Fresenius filed a declaratory judgment action, seeking declaration of invalidity and noninfringement of three Baxter patents including claims 26–31 of the ’434 patent. That suit proceeded through discovery, motions, trials, and decision. On February 13, 2007 the district court entered final judgment that the three Baxter patents are valid and infringed, and assessed damages to the date of judgment. The district court’s final judgment is reported at *Fresenius USA, Inc. v. Baxter International, Inc.*, No. 03–CV–1431 SBA, 2007 WL 518804 (N.D. Cal. Feb. 13, 2007).

On appeal, the Federal Circuit ruled on September 10, 2009 that claims 26–31 of the '434 patent are valid and infringed, and that the two other Baxter patents in suit are invalid. The court remanded to the district court to assess post-judgment remedy. The mandate issued on November 25, 2009. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009).⁵

In 2005 Fresenius had filed with the PTO a request for reexamination of the '434 patent. Fresenius cited references and provided argument that claims 26–31 are invalid on the ground of obviousness. On March 18, 2010—nearly four months after our mandate issued—the PTO Board of Patent Appeals and Interferences held that claims 26–31 of the '434 patent are invalid. This decision was appealed to the Federal Circuit, and this court affirmed. This court justified its conflict with its 2009 decision by stating that it was applying different standards of review—although obviousness is a question of law. That mandate issued on November 2, 2012. *In re Baxter Int'l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012); *reh'g en banc denied*, 698 F.3d 1349 (Fed. Cir. 2012).

The panel majority incorrectly states that: “We affirmed the PTO’s determination in the reexamination proceeding and our mandate issued. Meanwhile the district court entered judgment against Fresenius in the pending infringement proceedings.” Maj. op. 1332. That is incorrect. The infringement proceedings were

⁵ On remand, the district court declined to stay the damages proceeding until completion of the ongoing PTO reexamination; the court stating that “the effect on this litigation of any final action on the reexamined '434 patent is far from clear.” Order at *2, *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03–1431 PJH, 2011 WL 2160609 (N.D. Cal. May 26, 2011).

over in the district court and on appeal to the Federal Circuit, including petitions for rehearing and for certiorari. The Federal Circuit’s final judgment and mandate issued in 2009. There were no infringement proceedings pending when we affirmed the PTO’s reexamination decision in 2012; and that affirmation makes no mention of any pending infringement proceeding.

The remand to assess post-judgment royalty did not affect the final adjudication of validity. When validity was finally decided by the Federal Circuit in 2009, this was “the last word of the judicial department with regard to [the] particular ... controversy.” *Plaut*, 514 U.S. at 227, 115 S.Ct. 1447. When the mandate includes a remand to consider a specific issue, other issues cannot be reopened. *See, e.g., Amado v. Microsoft Corp.*, 517 F.3d 1353, 1360 (Fed. Cir. 2008) (on any subsequent appeal in the same case, “any issue within the scope of the judgment [previously] appealed from—not merely those issues actually raised—” cannot be reconsidered); *Engel Indus., Inc. v. Lockformer Co.*, 166 F.3d 1379, 1383 (Fed. Cir. 1999) (“[I]ssues actually decided—those within the scope of the judgment appealed from, minus those explicitly reserved or remanded by the court—are foreclosed from further consideration.”); *Laitram Corp. v. NEC Corp.*, 115 F.3d 947, 951 (Fed. Cir. 1997) (“Upon return of its mandate, the district court cannot give relief beyond the scope of that mandate.”).

The district court so recognized, and after our remand to determine post-judgment damages, the district court rejected Fresenius’ request to reopen the entire issue of damages, stating: “Nothing in the mandate in this case indicates that damages for infringement was an issue for remand, and nothing suggests that this court should consider new evidence.” Order at *4, *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, No. 03–1431

PJH, 2011 WL 2160609 (N.D. Cal. May 26, 2011). *See Sprague v. Ticonic Nat'l Bank*, 307 U.S. 161, 168, 59 S.Ct. 777, 83 L.Ed. 1184 (1939) (an appellate court's "mandate is controlling as to matters within its compass").

B. The Flawed Statutory Analogy

My colleagues now reject the mandate rule, the rules of issue preclusion and estoppel, and all other rules of finality, stating the position that since the matter of postjudgment royalty was receiving attention on remand, there is no finality, and thus no obligation on the PTO to respect finality of adjudication. In support of this theory my colleagues draw analogy to statutory change, stating that "We have held that a new statute enacted even after a final decision on appeal is applicable in a pending case, so long as our mandate ending the litigation has not yet issued." Maj. op. 1346. The majority cites *GPX International Tire Corp. v. United States*, 678 F.3d 1308, 1312 (Fed. Cir. 2012) as authority for the argument that a PTO reexamination decision is like a newly enacted law, and overrides a prior final judicial determination.

I again note that the mandate ending this litigation had indeed issued—contrary to the majority's statements. *GPX Tire* supports not my colleagues' argument, but the contrary position. In *GPX Tire* the court confirmed that after the mandate has issued the court's decision is final, and is not subject to the "new statute," whatever the content of the new statute. *Id.* at 1310.

As discussed in *QUALCOMM Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999), after a final judgment has been rendered, that judgment cannot be altered by legislative change, even if an aspect of the case was pending on remand when the legislation was enacted. The

QUALCOMM court explained that allowing newly enacted legislation to disturb a court's decision would "pose a constitutional question of whether Congress could change the result of a final judicial decision." *Id.* at 1375 (citing *Plaut*, 514 U.S. at 240, 115 S.Ct. 1447).

The *QUALCOMM* court elaborated that "the separation of powers doctrine embedded in the Constitution protects the final judgments of Article III courts from legislative interference," *id.* at 1379; the court warning that: "By passing retroactive legislation affecting a case already finally adjudicated, Congress had circumvented the fundamental principle that the judicial power includes the authority to render dispositive judgments, and had thus violated the principle of separation of powers." *Id.* (citations omitted).

The separation of powers doctrine protects judicial rulings, and the public, from executive as well as legislative interference. The panel majority attempts to blunt the force of the *QUALCOMM* reasoning, arguing that in *QUALCOMM* "the appellate mandate in question was not 'simply for further proceedings,' but ordered specific, immediate relief for a party." Maj. op. 1346 n. 12. The remand in *QUALCOMM* instructed the FCC to conduct further proceedings to determine whether to grant Qualcomm a "pioneer's preference" and to identify any "alternative relief." *Id.* at 1377. This "vague" remand instruction "recognized that alternative relief remained to be identified...." and did not decide the issue of Qualcomm's preference "per se." *Id.*

Similarly, the remand in our *Fresenius* decision was not for generalized further proceedings in the district court; the remand was specifically to apply a royalty to *Fresenius*' post-judgment infringement. The

remand did not require, and did not permit, redetermination of the issues that had been finally decided.

The majority attempts to distinguish the *QUALCOMM* decision on its facts, stating that there “the judiciary had entered ‘a final judgment entitling *QUALCOMM* to a preference,’” maj. op. 1346 n. 12, and that “[b]ecause of the finality of the earlier decision ... the legislation was construed to be inapplicable.” *Id.* But the *QUALCOMM* judgment left both the merits of Qualcomm’s “pioneer preference” and other “alternative relief” to be decided on remand, 181 F.3d at 1377; this judgment certainly would not be “final” under the majority’s standard: The *QUALCOMM* judgment did not “end[] the litigation on the merits and leave[] nothing for the court to do but execute the judgment.” Maj. op. 1341 (quoting *Mendenhall*, 26 F.3d at 1580). Moreover, the *QUALCOMM* judgment left “the scope of relief ... to be determined.” Maj. op. 1341. There is no basis in fact or law to hold that our decision in *Fresenius I* is any less final than that considered in *QUALCOMM*.

The strained analogy of a PTO reexamination decision to statutory change does not overcome the finality of judgment of issues that had already been finally decided by the court.

C. The Flawed Reissue Analogy

I comment on the majority’s analogy to patent reissue law. The majority states that the reissue statute authorizes the PTO to ignore final judicial rulings, citing the “intervening rights” provision. The majority proposes that since “the reexamination statute provides that reexamined claims ‘have the same effect [in pending litigation] as that specified in § 252 of this title for reissued patents.’ 35 U.S.C. § 307(b),” this means

that PTO reexamination is liberated from the Constitution. Maj. op. 1136 (brackets in original).

This theory not only misstates the reexamination statute, but taints the reissue statute. Reexamination section 307(b) states:

§ 307(b). Any proposed amended or new claim determined to be patentable and incorporated into a patent following a reexamination proceeding will have the same effect as that specified in section 252 of this title for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation for the same, prior to issuance of a certificate under the provisions of subsection (a) of this section.

Section 307(b) provides for intervening rights, which arise when there is an “amended or new claim” resulting from the reexamination. In this case, however, there is no amended or new claim. The relevance of the panel majority’s argument is obscure, for the intervening rights provision of the reissue statute does not authorize the PTO to review, override, or deny full faith and credit to judicial rulings.

Both reissue and reexamination are remedial in nature, and both protect persons who relied on earlier forms of changed claims. In *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, 672 F.3d 1335 (Fed. Cir. 2012) the court explained that

claims that emerge from reexamination do not create a new cause of action that did not exist

before. We therefore reject Aspex’s argument that the issuance of [amended and new claims] had the effect of negating the res judicata effect of the prior litigation [of the original claims].

Id. at 1341–42 (internal citations omitted). The “res judicata effect” in Aspex tracks the issue preclusion effect in this case. The panel majority’s extensive analysis of the reissue statute neglects to mention that the claims here at issue were unchanged during reexamination, and that since 1928 such claims retained their original effect upon reissue of the patent. The proposal that reissue law supports the dominance of a PTO reexamination decision over a prior adjudication in the courts is a needless distraction.

SUMMARY

The court’s ruling that PTO reexamination overrides the prior adjudication of patent validity is contrary to the legislative purposes of reexamination, offensive to principles of litigation finality and repose, and violative of the Constitution. The judicial decision of patent validity is not available for review, revision, or annulment by the PTO. When the issue of patent validity has been litigated and finally decided in the courts, this binds not only other courts, the parties, and the public; it binds the other branches of government. From the court’s contrary decision, I respectfully dissent.

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FRESENIUS USA, INC., and Fresenius Medical Care
Holdings, Inc.,
Plaintiffs-Appellants,

v.

BAXTER INTERNATIONAL, INC., and Baxter Healthcare
Corporation,
Defendants-Cross Appellants.

Nos. 2012-1334, 2012-1335
Nov. 5, 2013

OPINION

Before RADER, Chief Judge, NEWMAN, LOURIE,
DYK, PROST, MOORE, O'MALLEY, REYNA,
WALLACH, and TARANTO, Circuit Judges.²⁰

DYK, Circuit Judge, with whom PROST, Circuit
Judge, joins, concurring in the denial of the petition for
rehearing en banc.

O'MALLEY, Circuit Judge, with whom RADER, Chief
Judge, and WALLACH, Circuit Judge, join, dissenting
from the denial of the petition for rehearing en banc.

NEWMAN, Circuit Judge, dissenting from the denial
of the petition for rehearing en banc.

²⁰ Circuit Judges CHEN and HUGHES did not participate.

PER CURIAM.

A combined petition for panel rehearing and rehearing en banc was filed by defendants-cross appellants, and a response thereto was invited by the court and filed by plaintiffs-appellants. The petition for rehearing was referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc, response and briefs of amici curiae were referred to the circuit judges who are authorized to request a poll of whether to rehear the appeal en banc. A poll was requested, taken, and failed.

Upon consideration thereof,

IT IS ORDERED THAT:

- (1) The petition of defendants-cross appellants for panel rehearing is denied.
- (2) The petition of defendants-cross appellants for rehearing en banc is denied.
- (3) The mandate of the court will issue on November 12, 2013.

DYK, Circuit Judge, with whom PROST, Circuit Judge, joins, concurring in the denial of the petition for rehearing en banc.

The court today rightly denies the petition for rehearing en banc. We write to briefly comment on the dissents to the denial of rehearing.

As discussed in the panel majority opinion, Judge Newman's view is simply inconsistent with longstanding authority. Judge O'Malley does not entirely agree with Judge Newman, *see* O'Malley, J., dissenting opin-

ion at 1372, but argues that there is in fact a final judgment here. The dissents share one characteristic, however. They urge that a plaintiff should be allowed to secure damages for infringement of a patent that has been conclusively found invalid by the PTO.

Nothing in the statute or common sense supports the peculiar result urged by the dissents. The result in this case reflects a choice made by Congress and recently reaffirmed in the America Invents Act § 6, Pub.L. No. 112–29, 125 Stat. 284 (2011). A patentee’s right to damages for infringement is “founded on the validity of his patent.” *Worden v. Searls*, 121 U.S. 14, 25, 7 S.Ct. 814, 30 L.Ed. 853 (1887). As the panel majority pointed out, so long as the judgment in the infringement action is not final, “the language and legislative history of the reexamination statute show that Congress expected ... that cancellation of claims during reexamination would be binding in concurrent infringement litigation.” *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1339 (Fed. Cir. 2013).

What constitutes a final judgment in this context was addressed by the Supreme Court in *Moffitt v. Garr*, where the Court interpreted the reissue statute, which has the same effect on pending litigation as does the reexamination statute. 66 U.S. 273, 282–83, 1 Black 273, 17 L.Ed. 207 (1861); 35 U.S.C. § 307(b). The Court held that the surrender of a patent (the equivalent of invalidation) “is a legal cancellation of [the patent], and hence can no more be the foundation for the assertion of a right after the surrender, than could an act of Congress which has been repealed.” *Id.* at 283. Unless the patent remained in force “at the time of ... judgment, the suit[] fail[s].” *Id.* This is in contrast to situations where the patentee has collected on a judgment because “moneys *recovered* on judgments in suits” could

not be “recovered back” after surrender. *Id.* (emphasis added). *Moffitt* thus makes clear that a judgment of infringement is only final when a judgment has been entered that would irrevocably allow execution and payment.

In arguing that the judgment here is final, Judge O’Malley confuses two distinct concepts of finality: (1) the preclusive effect, if any, of the original decision in *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009) (*Fresenius I*), and (2) *Fresenius I*’s immunity to the preclusive effect of the PTO’s decision affirmed in *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012). While *Fresenius I* may have been sufficiently final to be given collateral estoppel effect in another infringement litigation, we decided in *In re Baxter* it was not entitled to collateral estoppel effect in the PTO proceedings. *See* 678 F.3d at 1364–65. In any event, the potential preclusive effect of the *Fresenius I* decision in another infringement case cannot immunize *Fresenius I* from the effect of the final decision in *In re Baxter*. This is made clear by both Supreme Court authority and our own authority.

In *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922), the Supreme Court held that an intervening decision on validity was binding on a pending case where liability had been resolved but a final decree had not yet been entered. The district court there originally found infringement and entered judgment. *Id.* at 84, 42 S.Ct. 196. The Third Circuit reversed, concluding the asserted claim was invalid, and remanded to the district court to determine the amount of damages with respect to an unfair competition claim that had been joined to the infringement claim. *Id.* The Third Circuit’s determination with respect to the infringement claim was final in all respects.

See id. Nonetheless, when the Supreme Court decided in a separate case that the asserted patent claim was *not* invalid, that intervening judgment was held binding in the Third Circuit litigation. *Id.* at 85, 91, 42 S.Ct. 196. The Supreme Court explained that the Third Circuit’s original appellate mandate had not ended the case because it was not “a final decree ... that finally adjudicate[d] upon the entire merits, leaving nothing further to be done except the execution of it.” *Id.* at 88, 42 S.Ct. 196. Thus, even though the questions of infringement and validity had been resolved, the judgment was not immune to the effect of the subsequent decision by the Supreme Court because it had not ended litigation on all issues. *Id.* at 91, 42 S.Ct. 196.

In *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1580 (Fed. Cir. 1994), this court held likewise that a final judgment of infringement and no invalidity had to be overturned in light of a subsequent ruling of invalidity because the case as a whole was not final. The court originally affirmed the judgment of infringement and no invalidity but remanded “for determination of damages and other issues.” *Id.* at 1576. While the case was back in the district court, the asserted claims were held invalid in a separate appeal. *Id.* at 1577. The infringer then sought relief from the original determination on the basis of the intervening ruling. *Id.* at 1576. The patentee argued that the “proceedings ... [we]re too far advanced for redetermination of liability.” *Id.* at 1580. We nonetheless gave effect to our adjudication of invalidity because “the [original] judgment of this court on liability ... resulted in a remand for further proceedings. It was not the final judgment in the case.” *Id.* We explained that for a judgment to be immune to a subsequent determination of invalidity “the litigation must be entirely concluded so that [the patentee’s] cause of

action against [the infringer] was merged into a final judgment.” *Id.* (citing Restatement (Second) of Judgments § 13 (1982)). Otherwise, we explained, the intervening adjudication of invalidity forms an “overriding defense” that precludes enforcement of the now-invalid patent claims. *Id.*

In both *Simmons* and *Mendenhall* the courts had rendered final decisions on infringement liability potentially sufficient to create collateral estoppel; yet the decisions were held not sufficiently final to bar the preclusive effect of a final judgment in another case. If we were to hold that our judgment in *Fresenius I* is immune to a subsequent adjudication of invalidity, we would contravene controlling Supreme Court authority in *Simmons* and controlling Federal Circuit authority in *Mendenhall*.¹

¹ *QUALCOMM, Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999) is not to the contrary. That case did not hold that an interim determination was immune to the effect of a later final decision in another proceeding. It simply construed certain Congressional legislation as inapplicable to an earlier court decision. *See* 181 F.3d at 1378–81.

Judge O’Malley’s reliance on *Bosch v. Pylon Manufacturing Corp.*, 719 F.3d 1305 (Fed. Cir. 2013) (en banc), is misplaced. That decision concerned whether a district court’s decision was sufficiently final to be appealable under 28 U.S.C. § 1292(c)(2), a very different question than the one presented here. That section allows appeals in cases that “would otherwise be appealable ... and [are] final except for an accounting.” *Id.* It does not speak to the effect of such judgments outside the context of appealability.

O'MALLEY, Circuit Judge, with whom RADER, Chief Judge, and WALLACH, Circuit Judge, join, dissenting from the denial of the petition for rehearing en banc.

The panel majority's decision in this case goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes. It does so by creating a new regime wherein a district court's final adjudication can be undone by later decisions of the Patent and Trademark Office ("PTO"). While I do not believe—as the panel dissent does—that the PTO had no authority to assess the patentability of the patents in suit or impact the patent owner's ability to enforce those patents against other putative infringers, I believe the PTO's actions cannot, and should not be permitted to, dislodge the judgment for past infringement awarded to Baxter.¹

In this case: (1) the district court resolved all issues of validity, infringement, past damages, and the right to post-verdict relief; (2) our court affirmed the resolution of these issues on appeal; and (3) the United States Supreme Court denied Fresenius' petition for a writ of certiorari. Following the denial of cert, neither the district court, nor this court, could disturb Baxter's entitlement to damages for infringement. But, according to the majority, the PTO could—and did—erase Baxter's adjudicated right to be compensated for that infringement. Under no reasonable application of the law, however, could the PTO's actions eradicate that judg-

¹ I do agree with the panel dissent (and the Court of Appeals for the District of Columbia in *QUALCOMM Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999)) that the panel majority's decision has constitutional implications arising from principles dating back to *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 177, 2 L.Ed. 60 (1803). See *QUALCOMM*, 181 F.3d at 1379–80.

ment. For the reasons below, I dissent from this refusal to consider this case en banc.

I. BACKGROUND

Fresenius filed suit in district court seeking declaratory judgments of invalidity and non-infringement with respect to three of Baxter's patents. Baxter counter-claimed for infringement, and, after Fresenius stipulated to infringement, Baxter prevailed on the issue of validity. Ultimately, a jury awarded Baxter \$14.266 million, and the district court entered judgment in accordance with that verdict. The court then assessed the need for, and proper form of, injunctive relief. It determined that an injunction was appropriate, but delayed entry of that injunction for nine months to allow Fresenius a reasonable period of time in which to design around Baxter's patented invention. To protect Baxter in the interim, the district court imposed an obligation on Fresenius to pay a royalty to Baxter on any post-verdict sales of infringing machines and related goods. Both parties appealed portions of that judgment to this court.

In Fresenius' first appeal to this court, it challenged the district court's: (1) grant of judgment as a matter of law on the issue of validity; (2) entry of a permanent injunction; (3) choice of royalty used for post-verdict sales; and (4) claim construction. *See Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1293–94 (Fed. Cir. 2009) (“*Fresenius I*”). Fresenius *did not appeal* the pre-verdict damages awarded by the jury. *Id.* In *Fresenius I*, we invalidated asserted claims from two of the three patents at issue, but did not disturb either the finding of infringement as to the third patent—U.S. Patent No. 5,247,434 (“the ’434 patent”)—or the pre-verdict damages award. *Id.* at 1294–

1302. We also found that the district court acted within its discretion to grant a permanent injunction against Fresenius’ continued infringement. We remanded the matter to the district court, however, for the limited purpose of considering two discrete issues in light of our decision: (1) the continuing propriety and scope of any permanent injunction; and (2) the proper measure of any royalty to be paid on post-verdict sales pending the effective date of that injunction.² *Id.* at 1302. In other words, infringement, validity, and past damages were fixed between the parties. Even the trial court’s authority to award post-verdict relief had been confirmed. Without question, pre-verdict *damages* were not at issue in the first appeal, and were not subject to revision on remand. Our mandate issued, and Fresenius petitioned for a writ of certiorari, which the Court denied. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 559 U.S. 1070, 130 S.Ct. 2120, 176 L.Ed.2d 726 (2010).

During the limited remand that followed *Fresenius I*, the trial court recalculated the post-verdict royalty award as directed, reducing the royalty percentages for the sales of both the infringing machines and the related goods. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1341 (Fed. Cir. 2013) (“*Fresenius II*”). Injunctive relief was no longer at issue because the ’434

² As to the measure of royalty, we said, “[i]n particular, we note that our reversal of JMOL may affect the district court’s consideration of the putative royalty rate that would result from a hypothetical negotiation between Baxter and Fresenius.” *Fresenius I*, 582 F.3d at 1303. And, while affirming the district court’s entry of permanent injunction, we “nonetheless” vacated the injunction and remanded for the district court to “revise or reconsider the injunction” in light of our reversal of JMOL on two of the patents in suit. *Id.* at 1304.

patent had expired.³ *See id.* at 1333. The district court again entered judgment, both confirming its rulings as to the questions presented on remand and reaffirming the earlier, already affirmed, judgment in Baxter’s favor. Both parties again appealed to this court.

While that appeal was pending, our court affirmed a PTO decision that the relevant claims of the ’434 patent were unpatentable. *See In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1358 (Fed. Cir. 2012). *In re Baxter* dealt with a parallel reexamination proceeding that Fresenius initiated three years after it filed the district court suit against Baxter seeking a declaratory judgment that the ’434 patent was invalid. *See Fresenius I*, 582 F.3d at 1293; *In re Baxter*, 678 F.3d at 1360.⁴

In affirming the PTO’s determination, we noted that, although the PTO’s decision differed from the district court’s resolution of the issue of validity and our affirmance of that resolution, our decision “[was] not about the relative primacy of the courts and the PTO, about which there can be no dispute.” *In re Baxter*, 678 F.3d at 1365 (emphasis added). We merely concluded that, under the lesser burden of proof and broader claim construction the PTO employs, its conclusion as to the patentability of the ’434 patent was neither unsupported nor unauthorized. *See id.* at 1364–65. When this court denied en banc rehearing in *In re Baxter*, moreover, four members of this court concurred in

³ The patent at issue expired in April 2011. The post-verdict award thus covered a finite period which was bookended by the date of the verdict and the expiration of the patent.

⁴ The district court entered its post-remand judgment on March 16, 2012, two months before we issued our decision in *In re Baxter*. Thus, while both appeals were pending at the same time, *In re Baxter* was ahead of this case in the queue.

order to reaffirm the unremarkable proposition that PTO actions in a reexamination proceeding cannot alter the binding effect of a prior judgment in a judicial proceeding. See *In re Baxter Int'l, Inc.*, 698 F.3d 1349, 1351 (Fed. Cir. 2012). Indeed, the PTO itself conceded that, “if a federal court awards relief to a patent holder against an infringer, a subsequent reexamination decision that the patent is invalid does not alter [that judgment’s] binding effect on the parties [to the litigation].” *Id.* (quoting PTO Response from request for rehearing en banc) (alteration omitted).

Our court then turned to the appeal in this case. The panel majority here concluded that, because we affirmed the PTO’s decision that claims 26–31 of the ’434 patent are unpatentable in *In re Baxter* before we had the chance to review the district court’s recalculation of post-verdict royalties, the entirety of the “pending litigation” had been rendered moot. The panel majority vacated all aspects of the district court’s judgment, and instructed the district court to dismiss the case. *Id.* at 1347.

II. FINALITY

Once the Supreme Court denied Fresenius’ petition for certiorari following our decision in *Fresenius I*, Fresenius’ liability for infringement, its failure to prove invalidity, and its responsibility for past damages were firmly established and beyond challenge. The only live issues remaining in the case related to *post-verdict* relief. And, even the live issues regarding post-verdict relief did not concern the right to such relief—which was established; the remand only asked that the court reconsider the scope of and formula used for such relief. All other aspects of the case had been conclusively resolved. Importantly, those remaining calculations were

ones for the court to undertake because they fell within its equitable authority to award prospective relief in the form of an injunction, a compulsory license, or some combination thereof. See *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1314–15 (Fed. Cir. 2012) (noting that injunctions and royalty-bearing licenses in lieu of an injunction are equitable remedies). As such, the PTO action could not render the “pending” litigation moot as the panel majority held.

The panel majority concluded, however, that the issues of infringement, validity, and past damages in *Fresenius I* were not sufficiently final to avoid obliteration by the result in *In re Baxter*. It did so by relying on an inapplicable and antiquated view of finality. In particular, the majority stated that it is well established, under the traditional view of finality, that when the scope of *damages* remains to be determined, there is no binding final judgment on the parties. *Fresenius II*, 721 F.3d at 1341–42 (citing Restatement (Second) of Judgments § 13(b) (1982) and 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice and Procedure § 4432 (2d ed. 2002)). But *damages* were not still at issue when the action was remanded to the district court, and were not at issue when the PTO rendered the decision which the panel majority gives such broad-sweeping effect. And, the panel majority’s view of finality is significantly out of step with the law as it stands today. See 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice and Procedure § 4432 (2d ed. 2002) (“[R]ecent cases have suggested that preclusion may be appropriate if the order is sufficiently firm”).

In *Fresenius I*, our rulings regarding the ’434 patent were unequivocal and left nothing for the district court to do regarding the merits. The district court

was only asked to reconsider the scope of post-verdict relief. Well-established law recognizes finality in situations like the one presented here—where the merits are conclusively decided—even though other issues may remain. *See* 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, *Federal Practice and Procedure* § 4432 (2d ed. 2002) (“If an appellate court terminates the case by final rulings as to some matters only, preclusion is limited to those matters actually resolved by the appellate court....”); *see also* Restatement (Second) of Judgments § 13(b), (comment e) (1982) (“A judgment may be final in a *res judicata* sense as to a part of an action although litigation continues as to the rest.”).

Indeed, the district court lacked the power to disturb the resolution of the *merits* on remand. For that matter, *this court* lacked the power post-remand to affect the merits. For decades, courts have ruled that the preclusion doctrine applies to orders that establish liability but leave open only collateral matters. For example, the Second Circuit has held that “[c]ollateral estoppel does not require a judgment which ends the litigation and leaves nothing for the court to do but execute judgment, but includes many dispositions which, though not final in that sense, have nevertheless been fully litigated.” *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2d Cir. 1964) (quoting *Catlin v. United States*, 324 U.S. 229, 233, 65 S.Ct. 631, 89 L.Ed. 911 (1945) and *Lummus Co. v. Commonwealth Oil Ref. Co.*, 297 F.2d 80, 89 (2d Cir. 1961)). The regional circuit from which this case originates agrees: “[t]he fact that several questions were deferred for later decision does not render the doctrine of *res judicata* inapplicable. A case remanded for further hearing or over which jurisdiction is retained for some purposes may nonetheless be final

as to other issues determined.” *Bullen v. De Bretteville*, 239 F.2d 824, 829 (9th Cir. 1956) *overruled on other grounds*, *Lacey v. Maricopa Cnty.*, 693 F.3d 896 (9th Cir. 2012).

The Second Circuit’s *Zdanok* decision, authored by Judge Henry Friendly, is instructive. In the first action in that case, the Second Circuit reversed the trial court’s determination, entered judgment for the plaintiffs, and remanded to the district court to determine the scope of damages. 327 F.2d at 947. The Supreme Court declined to review that decision. *Id.* On remand, a second action involving new plaintiffs against the same defendants was consolidated with the first. *Id.* at 947–48. On a second appeal, the Second Circuit held that the new plaintiffs were entitled to preclude relitigation of liability, even though damages in the first action remained unresolved. *Id.* at 954–55.

The unreviewability of the merits in *Fresenius I* is even firmer than in *Zdanok*. In *Fresenius I*, past damages had already been resolved, and the only live issue related to post-verdict relief. In other words, while the scope of (though not the right to) post-verdict relief may have been uncertain, *Fresenius* and *Baxter* fully litigated the merits *including past damages*. The finality of those issues should not be disturbed lightly.⁵ *Cf.*

⁵ The concurrence asserts that *Worden v. Searls*, 121 U.S. 14, 7 S.Ct. 814, 30 L.Ed. 853 (1887) stands for the proposition that a patentee’s right to damages is founded on the validity of the patent. Concurrence at 2. In doing so, the concurrence misunderstands *Worden*. That case merely stands for the proposition that the right to fines for violation of a preliminary injunction is founded on that injunction, which in turn is predicated on the validity of the patent. *Worden*, 121 U.S. at 25, 7 S.Ct. 814 (“[Plaintiff’s right to fines and damages were] founded on his right to the injunction, and that was founded on the validity of [the] patent”). Indeed,

Moffitt v. Garr, 66 U.S. 273, 283, 1 Black 273, 17 L.Ed. 207 (1861) (“It is a mistake to suppose ... that ... moneys recovered on judgments in suits ... might be recovered

Moffitt v. Garr contradicts the concurrence’s assertion. *Moffitt* held that title to damages depends on the *judgment* of the court. See *Moffitt*, 66 U.S. at 283. And it is black letter law that once a judgment is rendered, the cause of action merges into the judgment and is immune to any pre-existing defenses, such as invalidation (or cancellation—a different concept contrary to the concurrence’s assertions) of the claims of the patent. See Restatement (Second) of Judgments § 18; see also *Wisconsin v. Pelican Ins. Co.*, 127 U.S. 265, 292–93, 8 S.Ct. 1370, 32 L.Ed. 239 (1888) (“The essential nature and real foundation of a cause of action are not changed by recovering judgment upon it; and the technical rules, which regard the original claim as merged in the judgment, and the judgment as implying a promise by the defendant to pay it, do not preclude a court, to which a judgment is presented for affirmative action, (while it cannot go behind the judgment for the purpose of examining into the validity of the claim,) from ascertaining whether the claim is really one of such a nature that the court is authorized to enforce it”), *overruled on other grounds*, *Milwaukee Cnty. v. M.E. White Co.*, 296 U.S. 268, 278, 56 S.Ct. 229, 80 L.Ed. 220 (1935); *Cromwell v. Cnty. of Sac*, 94 U.S. 351, 352–53, 4 Otto 351, 24 L.Ed. 195 (1876) (“The judgment is as conclusive, so far as future proceedings at law are concerned, as though the defences never existed. The language, therefore, which is so often used, that a judgment estops not only as to every ground of recovery or defence actually presented in the action, but also as to every ground which might have been presented, is strictly accurate, when applied to the demand or claim in controversy. Such demand or claim, having passed into judgment, cannot again be brought into litigation between the parties in proceedings at law upon any ground whatever”). Thus, while the PTO’s cancellation of the patent renders it prospectively invalid, the cancellation cannot render a prior *judgment* for damages invalid. See *Pa. v. Wheeling & Belmont Bridge Co.*, 59 U.S. 421, 431, 18 How. 421, 15 L.Ed. 435 (1856) (“[I]f the remedy in this case had been an action at law, and a judgment rendered in favor of the plaintiff for damages, the right to these would have passed beyond the reach of the power of congress”).

back [after a patent is cancelled].”); *McCullough v. Virginia*, 172 U.S. 102, 123, 19 S.Ct. 134, 43 L.Ed. 382 (1898) (“It is not within the power of a legislature to take away rights which have been once vested by a judgment.”).

Under these circumstances, *QUALCOMM*, is directly on point, and the majority should not have dismissed it out of hand. Indeed, by doing so, the majority creates a circuit split on this important issue. In that case, Qualcomm had applied for a license with the FCC, which the Commission denied. *See QUALCOMM*, 181 F.3d at 1372. On appeal, the United States Court of Appeals for the District of Columbia reversed the FCC’s decision and remanded to the Commission to “fashion the appropriate remedy.” *Id.* at 1376. Notably, because the preferential license at issue had been granted to another party in the interim, the D.C. Circuit recognized that some alternative remedy might be needed to make Qualcomm whole for the harm caused by the improper denial of its original license request. *Id.* at 1376–77. Meanwhile, Congress withdrew the FCC’s authority to grant the type of license at issue, and the Commission dismissed Qualcomm’s application, claiming it no longer had authority to act. *Id.* at 1374–75. On appeal, the D.C. Circuit explained that its remand merely assigned a ministerial role to the FCC and did not allow it to disturb the merits of its judgment. *Id.* at 1377. In other words, the decision resolving the merits was *final* despite the remand to fashion an appropriate remedy.

As in *QUALCOMM*, this court’s mandate established that Baxter was entitled to a remedy because infringement—and the right to damages—were established and litigated to finality. Indeed, even the right to post-judgment relief was established. The only

question was the scope of that post-judgment remedy—a mere ministerial act of re-calculating prospective relief. While Baxter lost its *prospective* patent rights because of the PTO action, that executive agency may not undermine a final determination of past liability, damages, and the right to appropriate post-verdict relief in *this* case between *these* parties.

The panel majority attempts to distinguish *QUALCOMM* in a footnote, stating that, because the D.C. Circuit had ordered “specific” relief on remand in that case, it is inapplicable here. *Fresenius II*, 721 F.3d at 1346 n. 12. According to the majority’s reasoning, our remand in *Fresenius I* was not specific enough; it claims that the matter would have been sufficiently final to avoid being undermined by later PTO action only if we ourselves had determined the scope of the post-verdict relief to which Baxter was entitled. But this effort to distinguish *QUALCOMM* falls flat. Indeed, the remand in *QUALCOMM* was even broader than our directive to the district court here. In *QUALCOMM*, the FCC was charged with fashioning “an appropriate remedy,” such that the question of whether Qualcomm could be given a license *or could only be afforded some alternative remedy* was left entirely to the FCC. Here, the only questions left open on remand were whether the royalty rate the district court employed to calculate the size of the post-verdict damages needed to be adjusted to reflect the fewer number of infringed claims and whether the scope of the injunction should be adjusted for the same reason. *QUALCOMM* is not distinguishable.

The majority relies on two cases to support its decision: *Simmons Co. v. Grier Brothers Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922), and *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994). Nei-

ther 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). In *Mendenhall*, we highlighted the interlocutory nature of the appeal:

A judgment on an appeal under [28 U.S.C.] § 1292(c)(2) allowing interlocutory appeals of liability judgments in patent cases does not end the litigation. The purpose of § 1292(c)(2) is to permit district courts to stay and possibly *avoid a burdensome determination of damages*. This provision for *interlocutory appeal* does not render a district court decision on fewer than all issues in the case a final decision.

26 F.3d at 1580–81 (emphases added and citations omitted). We also noted in *Mendenhall* that the district court “did not lack power at any time prior to entry of its final judgment at the close of the accounting to reconsider any portion of its decision and reopen any part of the case.” *Id.* at 1581 (quoting *Marconi Wireless Telegraph Co. of America v. United States*, 320 U.S. 1, 47, 63 S.Ct. 1393, 87 L.Ed. 1731 (1943)). Likewise, in *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, 42 S.Ct. 196 (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. See *Bosch, LLC v. Pylon Mfg. Corp.*, 719 F.3d 1305, 1313 (Fed. Cir. 2013) (en banc) (defining an “accounting” as used in 28 U.S.C. § 1292(c)(2) as including any calculation of an infringer’s profits or a patentee’s damages, including a trial on damages). The only remaining issues related to post-verdict relief. The district court, in fact, lacked the power to reopen the case to reassess Baxter’s entitlement to pre-verdict damages. See *Marconi*, 320 U.S. at 47, 63 S.Ct. 1393. Consequently, nothing in either *Mendenhall* or *Simmons* suggests that an administrative agency’s actions can undermine the conclusive resolution of rights by the courts.⁶

As we have held, an *adjudged infringer* may face both an injunction and a *compulsory* license. See *Paice LLC v. Toyota Motor Corp.*, 504 F.3d 1293, 1314 (Fed. Cir. 2007) (“Under some circumstances, awarding an ongoing royalty for patent infringement in lieu of an injunction may be appropriate.”). An injunction and

⁶ Even setting the critical distinctions between this case and *Simmons* aside, the panel majority’s reliance on the 1922 decision in *Simmons* cannot be justified today. *Simmons* involved a suit in equity, where the damages calculation involved only a calculation of an infringer’s profits and was preserved for resolution by a special master after the court’s liability determinations were made. *Simmons*, thus, predates the merger of law and equity and the changes in the law which guaranteed patentees and putative infringers the right to a jury trial and authorized patentees to collect a broader range of damages. See *Bosch*, 719 F.3d at 1314–17. Thus, while the *Simmons* Court did state that “the ordinary rule [is] that there can be but one final decree in a suit in equity,” we are no longer operating “in equity.” This was an action *at law* which included a jury trial on damages. Concepts of finality in an action where damages were calculated by a special master are irrelevant.

compulsory license are both inherently prospective. While we may at times improperly use the term “damages” as a shorthand term to encompass the concept of the right to some prospective *monetary* relief, that cannot change the equitable character of that relief. For instance, in *Paice*, we rejected the argument that there was a Seventh Amendment right to have a jury determine any post-verdict royalty rate. 504 F.3d at 1315–16. There, we emphasized the difference between an ongoing royalty and damages. We agreed with the general proposition that a determination of damages carries a right to a jury trial, but stressed the well-established principle that “not all monetary relief is properly characterized as ‘damages.’” *Id.* at 1316 (citing *Root v. Ry.*, 105 U.S. 189, 207, 15 Otto 189, 26 L.Ed. 975 (1881); *Bowen v. Massachusetts*, 487 U.S. 879, 910, 108 S.Ct. 2722, 101 L.Ed.2d 749 (1988)). Had our remand intended to require that the trial court reconsider “damages” and not merely prospective equitable relief, we would have been required to remand the matter for a new trial, which we did not.

Indeed, Fresenius did request a new trial to determine damages after our remand, which the district court correctly denied. *See Fresenius USA, Inc. v. Baxter Int’l Inc.*, Civ. No. 4:03-cv-1431, ECF No. 1095 (N.D.Cal. May 5, 2011). Fresenius argued that a new trial on pre-verdict damages was warranted because the jury returned a single, generalized verdict covering asserted claims on three patents, two of which were subsequently invalidated by this court. *Id.* In denying the motion, the district court noted that Fresenius did not argue at trial or on appeal that the past damages award depended on the number of patents infringed, all of which covered the same technology and shared a common specification. *Id.* In fact, Fresenius and its

experts contended throughout the litigation that damages should be calculated based on the value of the technology, not the number of patents or claims infringed. *See id.* at ECF No. 447, Ex. 1 (N.D.Cal. May 5, 2011) (Fresenius’ damages expert report demonstrating that its damages theory was based on the key claimed feature, not the number of patents). As the district court understood, we knew that only one of the three asserted patents remained after our decision in 2009, and we did not vacate the past damages award or direct the court on remand to conduct a new damages trial. *See id.*, at ECF 1095 (“Plainly, the Federal Circuit knows how to vacate a damages award and remand for a new trial on damages.”). The district court was correct to note that “[t]he mandate rule requires that the district court follow an appellate decree as the law of the case.” *Id.* (quoting *Cardiac Pacemakers, Inc. v. St. Jude Med., Inc.*, 576 F.3d 1348, 1356 (Fed. Cir. 2009)).⁷

⁷ The panel majority points to the trial court’s refusal to let Baxter execute on the earlier judgment until after the court’s resolution of the issues sent to it via our remand in support of its view that the earlier judgment must not have been truly final. The panel majority’s attempt to place any weight on that fact suffers from three flaws. First, our court *did not* vacate the original final judgment in *Fresenius I*. Had we intended to do so, we would have. Second, even if the trial court thought our order had the effect of vacating all aspects of its original judgment, the court would have been wrong. It would be unheard of for this court to defer to a trial court’s incorrect view of the *legal* effect of *our own* order. Third, the reluctance to allow Baxter to execute on the earlier judgment has no bearing on whether that judgment was final for preclusion purposes. Given its unwillingness to revisit the damages award, it appears that the district court considered those aspects of its multi-year dealings with the litigation unchallengeable by Fresenius and not open to unraveling by any collateral activity by the PTO.

III. BOSCH

The panel majority rightly anticipated—and attempted to forestall—criticism from those who would find the concepts of finality employed here wildly divergent from those employed by our court in *Bosch*, 719 F.3d 1305. In *Bosch*, this court held, en banc, that liability determinations in patent cases are final for purposes of immediate appeal under 28 U.S.C. § 1292(c), even when a jury trial on both damages and willfulness remains. *See id.* at 1316, 1319–20. There, we concluded that damages and willfulness determinations are sufficiently “ministerial” to constitute no more than an “accounting” within the meaning of § 1292(c), thus rendering the liability determination a “final” judgment for purposes of appeal.

Despite the very liberal view of finality we employed in that context, the panel majority declares that we must employ the stingiest view of that concept when deciding at what point parties may rely on litigated determinations of their rights. Specifically, as long as any act, even the post-verdict recalculation which we asked the trial court to consider on remand in this case, remains, no aspect of the litigation can be “final” for preclusion purposes.

The panel majority purports to justify this chasm between the sweeping rule it lays down here and the one the court established in *Bosch* by stating that “[d]efinitions of finality cannot be automatically carried over from appeals to preclusion problems,” citing to Wright, Miller, and Cooper. *See Fresenius II*, 721 F.3d at 1340–41. While this principle is true *today*, however, it was not “traditionally” true. *See* 18A Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, *Federal Practice and Procedure* § 4432 (2d ed. 2002) (“*Traditionally*, finality was identified for purposes of pre-

clusion in *much the same way* as it was identified for purposes of appeal.”) (emphasis added). Yet it is “traditional” and outdated principles of finality to which the panel majority asserts we must cling. And, more importantly, while it is true *today* that notions of finality for purposes of appeal and preclusion will sometimes differ, that is because finality often may be applied *less* strictly for preclusion purposes than for purposes of appeal, *not more so*. See *Miller Brewing Co. v. Joseph Schlitz Brewing Co.*, 605 F.2d 990, 996 (7th Cir. 1979) (“To be ‘final’ for purposes of collateral estoppel the decision need only be immune, as a practical matter, to reversal or amendment. ‘Finality’ in the sense of 28 U.S.C. § 1291 is not required.”); see also *Zdanok*, 327 F.2d at 955; *Henglein v. Colt Indus. Operating Corp.*, 260 F.3d 201, 209–10 (3d Cir. 2001) (“[W]e commented that finality for purposes of issue preclusion is a more ‘pliant’ concept than it would be in other contexts.”); *Swentek v. USAIR, Inc.*, 830 F.2d 552, 561 (4th Cir. 1987) *abrogated on other grounds*, *Mikels v. City of Durham, N.C.*, 183 F.3d 323 (4th Cir. 1999) (“Finality for purposes of collateral estoppel is a flexible concept....”); *Pye v. Dep’t of Transp. of Georgia*, 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.”); *Syverson v. Int’l Bus. Mach. Corp.*, 472 F.3d 1072, 1079 (9th Cir. 2007) (same). Thus, while the principle the panel majority cites—that finality for preclusion purposes sometimes differs from finality for purposes of appeal—is correct, in these circumstances that principle mandates a conclusion which is the direct opposite of that which the panel majority draws.⁸

⁸ In its criticism of the panel dissent’s finality analysis, the panel majority cites the Restatement of Judgments for the propo-

The question we must decide is at what point a court judgment may be deemed binding on the parties to that judgment. For preclusion purposes, that question turns on the questions decided, the firmness of those decisions, and whether they are open to revision. *See Lummus*, 297 F.2d at 89 (“Whether a judgment, not ‘final’ in the sense of 28 U.S.C. § 1291, ought nevertheless be considered ‘final’ in the sense of precluding further litigation of the same issue, turns upon such factors as the nature of the decision (i.e., that it was not avowedly tentative), the adequacy of the hearing, and the opportunity for review.”). None of the critical questions regarding Fresenius’ liability for its past infringement of Baxter’s patents remained undecided or open to debate when the PTO cancelled the ’434 patent. While Baxter lost its right to bring an infringement action against anyone else once the PTO acted and we affirmed that decision, its right to enforce its judgment in *Fresenius I* was inviolate.

sition that, when two final court judgments conflict, the later judgment, not the earlier one, has preclusive effect going forward. *See Fresenius II*, 721 F.3d at 1347 n. 14 (citing Restatement (Second) of Judgments § 15 (1982)). With this citation, the panel majority implies that the Restatement would command that the decision in *In re Baxter* controls over that in *Fresenius I* because it came later in time. But the scenario envisioned by the section of the Restatement upon which the panel majority relies is wholly inapplicable to the situation here. The Restatement section the panel majority cites actually explains that “[w]hen in two actions inconsistent final judgments are rendered,” because the party who could have relied on the res judicata effect of the first judgment failed to assert it, “it is the later, not the earlier, judgment that is accorded conclusive effect in a *third action* under the rules of res judicata.” Restatement (Second) of Judgments § 15 (1982) (emphasis added). Baxter consistently has relied on the preclusive effect of the first judgment here, and there is no third action.

IV. IMPLICATIONS

The majority opinion here, coupled with this court's *Bosch* decision, will interfere with litigants' ability to access the courts to redress their grievances in a meaningful way and will drastically limit the case management options available to district court judges. *Bosch* created an incentive for district courts to bifurcate liability determinations from damages and willfulness trials—and all other remedial determinations. Courts will be tempted to try to limit the time and resources spent on patent cases by seeking an interlocutory review of their claim construction and liability determinations. In all but those cases where liability determinations in favor of an alleged infringer are affirmed, however, such bifurcations will drag out the litigation, causing multiple appeals and probably multiple remands. Where that occurs, after the panel opinion in this case, even years of litigated decisions, which may be affirmed piecemeal, could be rendered meaningless by much later PTO decisions. And, when trial courts come to understand the fragility of their judgments, stays in the face of reexaminations—which the PTO grants over 92% of the time—will become inevitable.⁹

We should be striving to make trial courts more accessible to litigants, not less so; more streamlined and efficient, not less so; and more fair, not substantially

⁹ While stays might well be appropriate in the face of a reexamination, those determinations should be made on a case-by-case basis, not thrust on district courts out of fear that the effort they put into the cases before them will be for naught. The district judges in this case invested nine years in resolving the dispute between Baxter and Fresenius, issued multiple thorough and careful opinions, and conducted two jury trials. Our panel majority renders that all for naught.

less so. The panel majority decision in this case is, in my view, both incorrect and ill-advised.

V. CONCLUSION

For these reasons, I believe that our remand to determine the scope of post-verdict relief does not undermine the finality of our determination affirming infringement, validity, past damages, and the right to post-verdict relief between Fresenius and Baxter in *Fresenius I*. Our mandate issued, and the Supreme Court denied the petition for certiorari in that case. Those issues are final. While our decision in *In re Baxter* eliminated any prospective rights Baxter may have against third parties, it does not extinguish Baxter's vested rights in the final judgment on the merits of this case against Fresenius.

I respectfully dissent.

NEWMAN, Circuit Judge, dissenting from denial of the petition for rehearing en banc.

The errors in the court's ruling that an executive branch agency can override the judgments of Article III courts, on the same issue and the same premises between the same parties, were discussed in my dissent from the court's ruling and reported at 721 F.3d at 1347–1365. However, Article III judgments are “final and conclusive upon the rights of the parties,” *Gordon v. United States*, 117 U.S. 697, 702, 1864 WL 11666 (1864). A system of override by an administrative agency interferes with the power and obligation of the courts to “render dispositive judgments.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 219, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995). Instead of finality after full litigation, full trial in the district court, and full ap-

peal in the Court of Appeals, now the question of patent validity remains open, vulnerable to contrary disposition, unconstrained by any form of estoppel or restraint flowing from the finality of adjudication.

The court now declines en banc review. I write to stress the concern that this ruling is not only in violation of the Constitution, precedent, and the Federal Rules, but is contrary to the purposes of patent law as embodied in the statute and the Constitution.

The system of patents is founded on providing an incentive for the creation, development, and commercialization of new technology—“to promote the progress of science and useful arts”—achieved by providing a period of exclusivity while requiring disclosure of new technology. The court has weakened that incentive, by reducing the reliability of the patent grant, even when the patent has been sustained in litigation. This loss cannot be underestimated, especially for technologies that incur heavy development costs yet are readily copied. *Amicus curiae* the Biotechnology Industry Organization describes the effect of this ruling on biotech products:

Biotechnology products typically require close to a decade of development work and a fully capitalized investment that can approach \$1.2 billion. Biotechnology companies rely heavily on patents to protect such substantial investments of time, resources, and capital. Devaluation of patent assets leads to a reduced incentive for companies to research, develop, and commercialize new biotechnology products that heal, feed, and fuel the world.

Other technologies are affected by the same principles, to varying degrees depending on the cost of development and the ease of copying.

The panel decision destabilizes issued patents, by ignoring the rules of finality. No public purpose is served by a regime in which commercially valuable innovations can be tied up in a succession of judicial and administrative proceedings until, as here, the patent expires. The Baxter patent in this case was immobilized in litigation or reexamination for eleven years. I emphasize the gamesmanship and abuses that are now facilitated, with no balancing benefit to the public.

Here the District Court for the Northern District of California rendered a final judgment of patent validity, infringement, and damages to the date of judgment. The Federal Circuit affirmed, leaving only the calculation by the district court of post-judgment damages. After this affirmation, the PTO issued a contrary reexamination decision on the question of obviousness—a matter of law—and the Federal Circuit affirmed the contrary PTO result, with no attempt to distinguish its prior judgment.

My concern is with the unconstrained free-for-all that this court has created, for PTO records show pervasive duplication of litigation and reexamination of the same patents.¹ The ensuing instability replaces innovation incentive with litigation cost, along with adverse

¹ The PTO statistical report for the period through September 30, 2012 states that of 1,919 patents that have undergone *inter partes* reexamination since inception of that system in 1999, at least 1,272 (66%) were also involved in district court litigation. Of 12,569 patents that have undergone *ex parte* reexamination since inception in 1981, at least 3,994 (32%) were involved in litigation. See [http:// www. uspto. gov/ patents/ stats/](http://www.uspto.gov/patents/stats/).

effect on the patent based incentive for technological advance. Such gaming of a system designed to provide investment incentive through property rights, warrants thoughtful remediation, not facilitation.

In these post-mortem comments on the relation between litigation and PTO reexamination, both Judge Dyk and Judge O'Malley misstate my position on the role of reexamination. I was one of the initiators of the reexamination system, the product of the Carter Commission on which I served. My concern is its abuse. I have never opined that there are no circumstances in which the PTO may reexamine a patent that has been through litigation, and I have intentionally avoided discussion of speculative situations. Here, this court's final decision followed full litigation, and no reason is offered for departure from the law of the case, in favor of subsequent PTO reexamination on the same issues and evidence, requested by a party litigant.

Also contrary to Judge Dyk's assertion, I do not suggest that a court's final decision is always "immune" from review, for it is undisputed that Article III courts have the power to revisit their final judgments in appropriate circumstances. *See* Fed. R. Civ. P. 60 ("Relief From a Judgment or Order"). However, routinely subjecting Article III judgments to agency override is a different matter. In *Fresenius II* this court ruled that the PTO's reexamination decision "must be given effect," 721 F.3d at 1332, even if a contrary decision had previously been reached in the district and circuit courts and was final for purposes of preclusion, estoppel, and stare decisis.

In distinction from the procedure here ratified, where this court holds that neither the PTO nor this court is bound by this court's prior decision, the princi-

ples of judicial finality are respected in every other circuit, as summarized at 721 F.3d at 1347 *et seq.* As the Court stated in *Montana v. United States*, 440 U.S. 147, 153, 99 S.Ct. 970, 59 L.Ed.2d 210 (1979), “a right, question or fact distinctly put in issue and directly determined by a court of competent jurisdiction ... cannot be disputed in a subsequent suit between the same parties or their privies.” If the law of this court is to differ from the law of the land, we should confirm en banc the court’s intention to divest Article III courts of finality in patent cases. Neither “statute nor common sense” supports this theory. Nor does the newly enacted America Invents Act, cited by Judge Dyk as “reaffirming” congressional intent that Article III courts are subject to override by the PTO. Concurring Op. at 1370 (“The result in this case reflects a choice made by Congress and recently reaffirmed in the America Invents Act...”). No such congressional choice can be found, nor any reaffirmation of the ruling in this case.

I respectfully dissent.

APPENDIX C

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FRESENIUS USA, INC., and Fresenius Medical Care
Holdings, Inc.,
Plaintiffs-Appellants,

v.

BAXTER INTERNATIONAL, INC., and Baxter Healthcare
Corporation,
Defendants-Cross Appellants.

Nos. 2012-1334, 2012-1335
October 26, 2012

ORDER

O'MALLEY, Circuit Judge, with whom RADER, Chief Judge, and LINN, Circuit Judge, joins, concurs in the denial of the petition for rehearing en banc.

NEWMAN, Circuit Judge, dissents from the denial of the petition for rehearing en banc.

ON PETITION FOR PANEL REHEARING AND
REHEARING EN BANC

PER CURIAM.

A combined petition for panel rehearing and rehearing en banc was filed by Appellant, and a response thereto was invited by the court and filed by Appellee. The petition for rehearing was considered by the panel that heard the appeal, and thereafter the petition for

rehearing en banc and the response were referred to the circuit judges who are authorized to request a poll of whether to rehear the appeal en banc. A poll was requested, taken, and failed.

Upon consideration thereof,

IT IS ORDERED THAT:

- (1) The petition of Appellant for panel rehearing is denied.
- (2) The petition of Appellant for rehearing en banc is denied.
- (3) The mandate of the court will issue on November 2, 2012.

O'MALLEY, Circuit Judge, concurring, with whom RADER, Chief Judge, and LINN, Circuit Judge join.

I concur in the denial of the request for rehearing en banc. I do so, however, premised on my understanding that the panel opinion does not, as the dissent claims and the petition for rehearing en banc assumes, endorse “administrative nullification of a final judicial decision.” *In re Baxter, Int’l Inc.*, 678 F.3d 1357, 1366 (Fed.Cir.2012) (Newman, J., dissenting). Nothing in this opinion, or in those on which it relies, alters the governing legal principles of res judicata or abandons the concept of finality those principles further.

The majority here concludes—rightly in my view—that a prior court decision in which a party has failed to prove a patent invalid does not bar the Patent and Trademark Office (PTO) from subsequently reexamin-

ing that same patent. And, it concludes that, despite a final court judgment reaching a contrary conclusion as between the patent holder and one alleged infringer, the PTO is free to conclude that the patent is, indeed, invalid. That proposition is an unremarkable one.

In a court proceeding, a patent is not found “valid.” A judgment in favor of a patent holder in the face of an invalidity defense or counterclaim merely means that the patent challenger has failed to carry its burden of establishing invalidity by clear and convincing evidence in that particular case—premised on the evidence presented there. *See Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n. 3 (Fed. Cir. 1988). If the PTO later considers the validity of that same patent, it does so based on the evidence before it and under the lesser burden of proof that applies in reexamination proceedings. As the majority notes, Congress granted the PTO the right to act within the realm of its authority. *In re Baxter, Int’l Inc.* 678 F.3d at 1365.

These conclusions do not mean, however, that, when the PTO does act in the context of a reexamination proceeding, its conclusions can alter the binding effect of a prior judgment in a judicial proceeding. They cannot, and the PTO concedes as much in its response to the petition for rehearing en banc when it states that “[i]f a federal court awards relief to a patent holder against an infringer, a subsequent reexamination decision that the patent is invalid does not disturb the judgment of the court or alter its binding effect on the parties.” PTO Response at 14. This concession is consistent with, and dictated by, well-established principles of res judicata. *See San Remo Hotel, L.P. v. City & Cnty. of S.F.*, 545 U.S. 323, 336 n. 16, 125 S.Ct. 2491, 162 L.Ed.2d 315 (2005) (“Under res judicata, a final judgment on the merits of an action precludes the par-

ties or their privies from relitigating issues that were or could have been raised in that action.”); *see also* *Reed v. Allen*, 286 U.S. 191, 198–99, 52 S.Ct. 532, 76 L.Ed. 1054 (1932) (“[the] well-established doctrine of res judicata [was] conceived in the light of the maxim that the interest of the state requires that there be an end to litigation—a maxim which comports with common sense as well as public policy.”); *Foster v. Hallico Mfg. Co., Inc.*, 947 F.2d 469, 475–76 (Fed. Cir. 1991) (“The principles of law denominated ‘res judicata’ embody the public policy of putting an end to litigation.”).

The dissent’s fears, and the premise of the petition for rehearing en banc are unfounded. Well-established principles of res judicata will govern the continuing relationship between the parties to any court proceeding and will dictate whether the PTO’s reexamination ruling will have any impact on them going forward. Reassured by this fact, I concur in the denial of the request for rehearing en banc in this matter.

NEWMAN, Circuit Judge, dissenting from denial of the petition for rehearing en banc.

Baxter requests rehearing en banc, for the court holds that a final judgment of this court, after trial and appeal, has no preclusive effect on administrative agency review of the same issue on the same evidence—and also has no preclusive effect on our judicial redetermination of the same issue on the same evidence. Thus the loser in the initial adjudication need only seek reexamination of the patent that was finally adjudged to be infringed, and the agency is authorized to start again, again encumbering the patent. This principle is critically at odds with the tenets of repose and conclusiveness of judicial determination:

This general rule is demanded by the very object for which civil courts have been established, which is to secure the peace and repose of society by the settlement of matters capable of judicial determination. Its enforcement is essential to the maintenance of social order; for the aid of judicial tribunals would not be invoked for the vindication of rights of person and property if, as between parties and their privies, conclusiveness did not attend the judgments of such tribunals in respect of all matters properly put in issue, and actually determined by them.

Southern Pac. R.R. v. United States, 168 U.S. 1, 49, 18 S.Ct. 18, 42 L.Ed. 355 (1897).

Nonetheless, the Federal Circuit today again endorses this departure from established judicial and administrative process. This departure directly confronts the Constitution, for “[j]udgments, within the powers vested in courts by the Judiciary Article of the Constitution, may not lawfully be revised, overturned or refused faith and credit by another Department of Government.” *Chi. & S. Air Lines, Inc. v. Waterman S.S. Corp.*, 333 U.S. 103, 114, 68 S.Ct. 431, 92 L.Ed. 568 (1948). I respectfully dissent.¹

¹ I take note of my concurring colleague’s support for this inaction, offering the hope that “res judicata will govern.” However, res judicata did not govern, and the court’s refusal to reconsider the issue assures that res judicata will not govern.

DISCUSSION

The court holds that the Federal Circuit's final decision of patent validity, upon full trial and appeal,² is of no effect on subsequent redetermination of patent validity by the Patent and Trademark Office, and of no effect on the Federal Circuit's subsequent review of that redetermination. However, issues that have been litigated and finally adjudicated, are finally decided. As the Court reiterated in *Marrese v. American Academy of Orthopaedic Surgeons*, 470 U.S. 373, 390–91, 105 S.Ct. 1327, 84 L.Ed.2d 274 (1985), “a party is precluded from asserting a claim that he had a ‘full and fair opportunity’ to litigate in a prior action.” There is no issue in this case of previously unavailable information, or fraud, or any other reason for discarding the finality of the final adjudication. See *San Remo Hotel, L.P. v. City & Cnty. of San Francisco*, 545 U.S. 323, 336 n. 16, 125 S.Ct. 2491, 162 L.Ed.2d 315 (“Under res judicata, a final judgment on the merits of an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action”). Relitigation in the guise of inter partes reexamination is not liberated from these constraints.

My concern is not with the principle of patent reexamination and the useful purposes for which it was designed; my concern is that reexamination is inappropriate for redetermination of issues that have been finally determined in judicial proceedings. Since only valuable patents on successful inventions are litigated, the court has created an additional burden and disincentive to

² *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. C 03–1431 SBA, 2007 WL 518804 (N.D. Cal. Feb. 13, 2007), *aff'd*, *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288 (Fed. Cir. 2009).

inventors, for reexamination after a patent has been sustained in court is a multiplier of cost, delay, and uncertainty, in direct negation of the principles of *res judicata*.

The patent here at issue is for an invention that Baxter commercially developed and is marketing. The patent was granted in 1993. The litigation was initiated by Fresenius in 2003 by declaratory action. The action was decided by the district court in 2007, sustaining patent validity, and the appeal to the Federal Circuit was decided in 2009, sustaining patent validity. *See* n.2 *supra*. A reexamination request was filed by Fresenius in 2005, and in 2010 the Board of Patent Appeals and Interferences, stating that “the agency is not bound by the court’s determination,” BPAI Op. at 26, decided the same issues of patent validity on the same evidence, to contrary result.³

The appeal is again in the Federal Circuit, with this court deferring to the PTO’s decision as “substantially” supported, and refusing to recognize our own final decision three years earlier on the same evidence. Although patent validity is a question of law, the court declines *de novo* review, refuses to be bound by our prior decision, and authorizes the agency to overrule the court, all without a nod to finality, or correctness, or *res judicata*, or the Constitution.

Finality is central to legal systems, and “ ‘has found its way into every system of jurisprudence, not only from its obvious fitness and propriety, but because

³ *Ex parte Baxter Int’l, Inc.*, No. 2009–006493, 2010 WL 1048980 (B.P.A.I. Mar. 18, 2010) (“*BPAI Op.*”); *Ex parte Baxter Int’l, Inc.*, No. 2009–006493, 2010 WL 3032865 (B.P.A.I. July 20, 2010) (rehearing denied).

without it, an end could never be put to litigation.” *San Remo Hotel*, 545 U.S. at 336–37, 125 S.Ct. 2491 (quoting *Hopkins v. Lee*, 19 U.S. (6 Wheat.) 109, 114, 5 L.Ed. 218 (1821)). Those who bring inventions into commerce depend on the repose created by final judgments. Patents are increasingly litigated, perhaps due to the importance of today’s technologies, but after the litigation is done, the prevailing party is entitled to rely on the final judgment. “Public policy dictates that there be an end of litigation; that those who have contested an issue shall be bound by the result of the contest, and that matters once tried shall be considered forever settled as between the parties.” *Federated Dep’t Stores, Inc. v. Moitie*, 452 U.S. 394, 401, 101 S.Ct. 2424, 69 L.Ed.2d 103 (1981) (quoting *Baldwin v. Traveling Men’s Ass’n*, 283 U.S. 522, 525, 51 S.Ct. 517, 75 L.Ed. 1244 (1931)).

The Constitution and the Court leave no doubt that final judgments are final. Even if a court errs in its judgment, that does not deprive the decision of its finality. See *Johnson v. Watkins*, 101 F.3d 792, 795 (2d Cir.1996) (“the occasional permanent encapsulation of a wrong result is a price worth paying to promote the worthy goals of ending disputes and avoiding repetitive litigation”). Patent rights, like other commercial and property rights, are not immune from this fundamental judicial principle. In *Gordon v. United States*, 117 U.S. 697, 702, 1864 WL 11666 (1865) the Court reiterated that judgments of Article III courts are “final and conclusive upon the rights of the parties.”

Here, the parties are the same in the litigation and the reexamination. In the earliest days of this nation, it was established that “Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch.” *Plaut v. Spendthrift Farm, Inc.*, 514

U.S. 211, 218, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995) (citing *Hayburn's Case*, 2 U.S. (2 Dall.) 409 (1792)). The Court has reinforced these principles as the complexity of the administrative state has increased, and has stressed that "Article III, § 1 safeguards the role of the Judicial Branch in our tripartite system by barring congressional attempts 'to transfer jurisdiction [to non-Article III tribunals] for the purpose of emasculating' constitutional courts." *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833, 850, 106 S.Ct. 3245, 92 L.Ed.2d 675 (1986) (brackets in original, citations omitted).

The judicial power as established in Article III is "an inseparable element of the constitutional system of checks and balances." *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 58, 102 S.Ct. 2858, 73 L.Ed.2d 598 (1982). Patent reexamination is not an exception to the constitutional structure. Its review of patentability clarifies the patent grant, but not without cognizance of any intervening litigation. The intent was that a reexamination system could avoid litigation; not that it could overturn the result of litigation. See Patent Reexamination: Hearing on S. 1679 Before the Senate Comm. on the Judiciary, 96th Cong. 15–16 (1979) (statement of Comm'r Sidney Diamond)

Reexamination would eliminate or simplify a significant amount of patent litigation. In some cases, the PTO would conclude as a result of reexamination that a patent should not have issued. A certain amount of litigation over validity and infringement thus would be completely avoided.

See also, e.g., 126 Cong. Rec. 30,364 (1980) (statement of Sen. Bayh) ("Reexamination would allow patent hold-

ers and challengers to avoid the present costs and delays of patent litigation.... Patent reexamination will also reduce the burden on our overworked courts by drawing on the expertise of the Patent and Trademark Office.”); 126 Cong. Rec. 29,901 (1980) (statement of Rep. Hollenbeck) (“As a result of the provision for reexamination, the potential conflict can be settled by the Patent Office itself in far shorter time and at far smaller expense to the challenger or to the patent holder than would be the case if the only recourse was through the court system.”).

My colleagues state that the Federal Circuit is justified in refusing to be bound by our own final decision of the same issue, by purporting to apply a different standard of review. However, patent validity is a question of law; law is not subject to deferential determination. *See Beachcombers, Int’l, Inc. v. WildeWood Creative Prods., Inc.*, 31 F.3d 1154, 1163 (Fed. Cir. 1994) (claims must be interpreted the same way at the PTO as they are in the courts). It is time for this court to confront its conflicting precedent, founded in *Standard Havens Products, Inc. v. Gencor Industries, Inc.*, 996 F.2d 1236, 1993 WL 172432 (Fed. Cir. May 21, 1993), where this court held that “contrary to the assumption of the trial court, the reexamination proceeding ‘would control’ the infringement suit.” *Id.* *See also In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007); *Translogic Tech., Inc. v. Hitachi, Ltd.*, 250 Fed.Appx. 988 (Fed. Cir. 2007). The message has not escaped practitioners, *see, e.g.*, Gregory V. Novak, *Concurrent Reexaminations as a Strategic Patent Litigation Defense Tool*, Practising Law Institute Intellectual Property Course Handbook, at 818–23 (Sept–Nov 2010); Wayne B. Paugh, *The Betrayal of Patent Reexamina-*

tion: An Alternative to Litigation, Not a Supplement, 19 Fed. Cir. B.J. 177 (2009–2010).

These departures from the constitutional requirements of judicial authority require attention, for the holding that reexamination can override the finality of final adjudication is having enlarged impact.⁴ The PTO grants most requests for reexamination, *see* USPTO Reexamination Filing Data—June 30, 2012, <http://www.uspto.gov/patents/stats/index.jsp> (granting 92% of ex parte and 94% of inter partes reexamination requests), and a patent in reexamination carries a “stigma of uncertainty regarding entitlement to the patent,” *Bruning v. Hirose*, 161 F.3d 681, 685 (Fed. Cir. 1998).

It is time for the court to resolve the concerns and conflicts it has created.

⁴ My concurring colleague deems it “unremarkable” that the PTO is authorized to overturn a ruling finally decided between the same parties in litigation. Such a weighty matter should not be so casually dismissed. “Deciding whether a matter has in any measure been committed by the Constitution to another branch of government, or whether the action of that branch exceeds whatever authority has been committed, is itself a delicate exercise in constitutional interpretation, and is a responsibility” entrusted to the courts. *Baker v. Carr*, 369 U.S. 186, 211, 82 S.Ct. 691, 7 L.Ed.2d 663 (1962).