

No. 13-1071

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

**RESPONDENTS' BRIEF IN OPPOSITION TO
PETITION FOR A WRIT OF CERTIORARI**

JUANITA R. BROOKS
Counsel of Record
Fish & Richardson P.C.
12390 El Camino Real
San Diego, CA 92130
(858) 678-5070
brooks@fr.com

MICHAEL E. FLOREY
Fish & Richardson P.C.
3200 RBC Plaza
60 South Sixth Street
Minneapolis, MN 55402
(612) 335-5070
florey@fr.com

Counsel for Respondents

QUESTION PRESENTED

The Federal Circuit, an Article III court, invalidated the asserted claims of Baxter’s ’434 patent, rendering them null and void *ab initio*. Baxter did not petition this Court for a writ of certiorari, and the judgment became final. Baxter then sought and continues to seek recovery of damages for invalid claims in a district court case that was still pending when the claims were finally ruled invalid. The parties were still litigating past damages, an injunction, and a transitional royalty, yet Baxter contends that the district court case arrived at a final judgment. The Federal Circuit correctly held that Baxter may not receive damages for infringement of an invalid patent, and nothing in its or this Court’s precedent suggests otherwise.

In addition, the unique posture and special circumstances of this case render it ill-suited for the Court’s review. Given the dramatic decline in the filings of *ex parte* reexamination requests, and the commensurate spike in *inter partes* review requests—a procedure newly available under the America Invents Act, in which Congress expressly sought to “weed[] out” invalid patents like the one in this case—a situation like the one presented here is highly unlikely to arise again. Moreover, Congress empowered the Patent Office in 1981 to invalidate patent claims through reexamination, with oversight and review from the Federal Circuit, to promote innovation by nullifying patents that never should have been issued in the first place. There is no reason to consider overturning decades of precedent concerning issues of finality and the separation of

powers. Conversely, awarding Baxter damages for invalid patent claims would undermine the patent system, deter innovation, and unjustly reward Baxter for an “invention” definitively deemed unworthy of patent protection.

The questions presented are:

1. Whether the Federal Circuit correctly prohibited a patentee from recovering damages for invalid claims.
2. Whether the Federal Circuit correctly vacated the judgment of the district court awarding Baxter damages more than a year after the same court had already held those claims invalid *ab initio*.
3. Whether the Federal Circuit correctly found that the dispute between Baxter and Fresenius had not reached a final judgment when numerous damages issues, including the award of a transitional royalty and the calculation of past damages, remained to be decided.

RULES 14.1(b) AND 29.6 STATEMENT

Fresenius Medical Care Management AG; Fresenius Medical Care AG & Co. KGaA; Fresenius Medical Care Beteiligungsgesellschaft GmbH; Fresenius Medical Care Vermögensverwaltungs GmbH; Fresenius Medical Care US Vermögensverwaltungs GmbH and Co. KG; Fresenius US Zwei Vermögensverwaltungs GMBH and Co. KG; Fresenius Medical Care North America Holdings Limited Partnership; and Fresenius Securities, Inc. own 10% or more of the stock of Fresenius USA, Inc. and Fresenius Medical Care Holdings, Inc.

TABLE OF CONTENTS

	Page
QUESTION PRESENTED.....	i
RULES 14.1(b) AND 29.6 STATEMENT.....	iii
TABLE OF AUTHORITIES.....	vi
INTRODUCTION.....	1
STATEMENT OF THE CASE	3
I. THE TECHNOLOGY AND INVALIDATED PATENT CLAIMS AT ISSUE	3
II. THE PRIOR ART	4
III. THE REEXAMINATION PROCEEDINGS.....	5
IV. THE FIRST DISTRICT COURT LITIGATION AND FIRST APPEAL.....	8
V. THE SECOND DISTRICT COURT LITIGATION AND SECOND APPEAL.....	10
REASONS FOR DENYING THE PETITION.....	14
I. THE FEDERAL CIRCUIT’S RULING IN <i>FRESENIUS II</i> COMPORTS WITH WELL-ESTABLISHED PRINCIPLES OF FINALITY IN LITIGATION.....	16
A. The <i>Fresenius I</i> Judgment Was Not Final	16
B. <i>Fresenius II</i> is Consistent with <i>Simmons, Mendenhall</i> , and Other Similar Cases	19
C. <i>Fresenius II</i> Does Not Conflict with Qualcomm or Otherwise Create a Circuit Split.....	23

TABLE OF CONTENTS—continued

	Page
II. THE FEDERAL CIRCUIT’S RULING DOES NOT PRESENT RECURRING ISSUES OF NATIONAL IMPORTANCE	26
A. <i>Fresenius II</i> Does Not Raise Questions Regarding the Separation of Powers.....	26
B. The Federal Circuit’s Ruling in the Unique Circumstances of This Case Will Not Significantly Impact Patent Litigation.....	28
C. Granting Baxter the Relief It Seeks Would Undermine Basic Premises of Patent Law	33
CONCLUSION	35

TABLE OF AUTHORITIES

	Page(s)
Cases	
<i>In re Baxter Int’l</i> , 698 F.3d 1349 (Fed. Cir. 2012) (O’Malley, J. concurring)	<i>passim</i>
<i>In re Baxter Int’l, Inc.</i> , 678 F.3d 1357 (Fed. Cir. 2012)	6, 7, 27
<i>In re Baxter</i> , No. 2011-1073, 2012 WL 4667630 (Fed. Cir. Sept. 10, 2012)	18
<i>Blonder–Tongue Labs., Inc. v. Univ. of Ill. Found.</i> , 402 U.S. 313 (1971)	21
<i>Bloom Eng’g Co. v. N. Am. Mfg. Co.</i> , 129 F.3d 1247 (Fed. Cir. 1997)	12
<i>Bullen v. de Bretteville</i> , 239 F.2d 824 (9th Cir. 1956)	25
<i>Fortel Corp. v. Phone–Mate, Inc.</i> , 825 F.2d 1577 (Fed. Cir. 1987)	11
<i>Fresenius Med. Care Holdings, Inc. v. Baxter Int’l, Inc.</i> , No. 03–1431, 2007 WL 518804 (N.D. Cal. Feb. 13, 2007)	8
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , 582 F.3d 1288 (Fed. Cir. 2009)	<i>passim</i>

TABLE OF AUTHORITIES—continued

	Page(s)
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , No. 03–1431, 2011 WL 2160609 (N.D. Cal. May 26, 2011)	10
<i>Fresenius USA, Inc. v. Baxter Int’l, Inc.</i> , No. 03–1431, 2012 WL 761712 (N.D. Cal. Mar. 8, 2012).....	10, 11
<i>Koito Mfg. Co. v. Turn–Key–Tech, LLC</i> , 381 F.3d 1142 (Fed. Cir. 2004)	9
<i>KSR v. Teleflex</i> , 550 U.S. 398 (2007)	6
<i>Marconi Wireless Co. v. United States</i> , 320 U.S. 1 (1943)	16, 20, 24
<i>Mendenhall v. Barber-Greene Co.</i> , 26 F.3d 1573	<i>passim</i>
<i>Moffitt v. Garr</i> , 66 U.S. 273 (1861)	2, 13, 14, 27
<i>Morrell & Co. v. Local Union 304A of United Food & Commercial Workers</i> , 913 F.2d 544 (8th Cir. 1990)	25
<i>Peck v. Collins</i> , 103 U.S. 660, 664 (1880)	11

TABLE OF AUTHORITIES—continued

	Page(s)
<i>Plaut v. Spendthrift Farm, Inc.</i> , 514 U.S. 211, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995).....	13, 16, 24
<i>Pye v. Department of Transp. of Ga.</i> , 513 F.2d 290 (5th Cir. 1975).....	25
<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)	31
<i>Simmons Co. v. Grier Bros. Co.</i> , 258 U.S. 82 (1922).....	<i>passim</i>
<i>Standard Havens Prods., Inc. v. Gencor Indus.</i> , 810 F. Supp. 1072 (W.D. Mo. 1993).....	22
<i>Standard Havens Prods., Inc. v. Gencor Indus.</i> , 953 F.2d 1360 (Fed. Cir. 1991)	22
<i>Standard Havens Prods. v. Gencor Indus., Inc.</i> , 996 F.2d 1236 (Fed. Cir. 1993)	22
<i>Tennant Co. v. Hako Minuteman, Inc.</i> , 878 F.2d 1413 (Fed. Cir. 1989)	11

TABLE OF AUTHORITIES—continued

	Page(s)
<i>Thorpe v. Housing Auth. Of City of Durham,</i> 393 U.S. at 268.....	13
<i>In re Translogic Tech., Inc.,</i> 504 F.3d 1249 (Fed. Cir. 2007)	22
<i>Translogic Tech., Inc. v. Hitachi,</i> 250 Fed. Appx. 988, 2007 WL 2973955 (Fed. Cir. Oct. 12, 2007).....	21, 22
<i>Translogic Tech., Inc. v. Hitachi, Ltd.,</i> 404 F. Supp. 2d 1250 (D. Ore. 2005)	22
<i>Verizon Servs. Corp. v. Vonage Holdings Corp.,</i> 503 F.3d 1295 (Fed. Cir. 2007)	17
<i>Zdanok v. Glidden Co.,</i> 327 F.2d 944 (2d Cir. 1964)	25
 Statutes	
U.S.C. § 315	30
 Other Authorities	
America Invents Act (AIA).....	29, 30, 31
<i>Ex Parte Baxter Int’l, Inc.,</i> 2010 WL 1048980, at *4 (March 18, 2010)	5

TABLE OF AUTHORITIES—continued

	Page(s)
<i>Ex Parte Baxter Int’l, Inc.</i> , 2010 WL 3032865, at *1 (July 20, 2010),	6
Cong. Record at S5409, 9/8/11 Statement of Sen. Schumer	31
Cong. Record at S5433, 9/8/11 Statement of Sen. Grassley	31
Cong. Record at S5374, 9/8/11 Statement of Sen. Whitehouse	31
<i>Janicke, An Interim Proposal for Fixing Ex Parte Patent Reexamination’s Messy Side</i> , 4 HLRe 43 (2013))	29, 30
PTO Website, http://www.uspto.gov/aia_implem entation/statistics.jsp	30
PTO Website, http://www.uspto.gov/patents/stats/e x_parte_historical_stats_roll_up_EO Y2013.pdf	29
U.S. Const., Art. I, sec. 8.....	34

INTRODUCTION

Baxter asks for a rule by which a patent undeniably found to be void could nonetheless be used to force a subsequent damages payment—a rule that neither Congress nor this Court’s precedents have ever contemplated. The Federal Circuit correctly interpreted and applied this Court’s precedent in dismissing the parties’ appeals, holding that Baxter could not recover damages for invalid patent claims. It applied its intervening final judgment in *In re Baxter* to the *non*-final judgment of *Fresenius I*, in which it had remanded to the district court for further adjudication of royalty and injunctive issues. Its dismissal of the appeals comports with this Court’s precedent on finality, as well as the Federal Circuit’s own precedent. *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 88, 91 (1922) (“[A] final decree [is] one that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it...[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”); *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1580 (Fed. Cir. 1994) (“A final judgment is one that ends the litigation on the merits and leaves nothing for the court to do but execute the judgment” (internal quotations omitted)).

Contrary to Baxter’s argument in its Petition, the Federal Circuit did not allow an administrative agency to annul an Article III court’s final judgment, both because the Federal Circuit *itself* concluded the asserted claims were not valid, which became a final judgment when this Court was not asked to review the decision, and because the court’s original judgment was not final. This Court has long recognized

that invalid claims cannot sustain a pending lawsuit based on those claims. *See, e.g., Moffitt v. Garr*, 66 U.S. 273, 283 (1861) (“[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.”).

Moreover, none of the results Baxter conjures in its Petition will likely materialize: the panel decision does not create a circuit split, it will not encourage gamesmanship or wasteful litigation, and it will not deter innovation. Baxter’s *Qualcomm* case is factually and legally distinguishable, as the appellate court there, unlike here, remanded with specific, “ministerial” instructions that concluded the case. Moreover, Fresenius initiated the reexamination in October 2005, well before the June 2006 trial; it was Baxter that engaged in a campaign of delay during that reexamination, which extended over seven-and-a-half years. Furthermore, the Federal Circuit’s ruling will not trigger an explosion of unwarranted *ex parte* reexaminations, not least because *inter partes* reviews, with vastly different timing and estoppel provisions designed to short-circuit scenarios like the instant case, have largely supplanted *ex parte* reexaminations. Finally, awarding Baxter damages for invalid claims would work a grave injustice to Fresenius and stifle future innovation. For all these reasons, Baxter’s petition should be denied.

STATEMENT OF THE CASE

I. THE TECHNOLOGY AND INVALIDATED PATENT CLAIMS AT ISSUE

The purported invention here involves adding a touchscreen interface to a hemodialysis machine. Hemodialysis is an artificial process of cleaning the blood of patients with kidney failure. A hemodialysis machine pumps blood into a device called a hemodialyzer, where waste in the blood seeps across a membrane into a liquid solution called dialysate, which is also pumped into the hemodialyzer by the hemodialysis machine. The machine then pumps the newly-cleaned blood back into the human body and discards the spent dialysate.

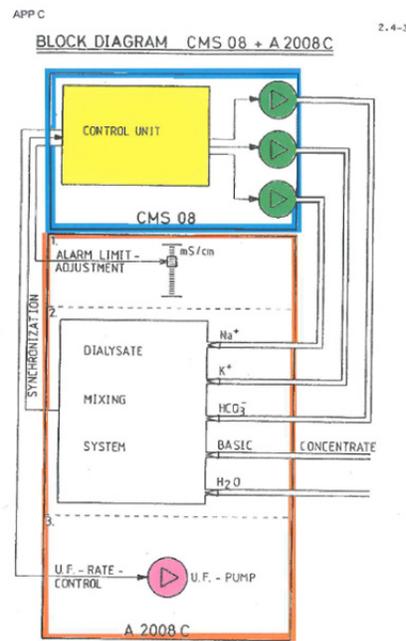
Hemodialysis machines were well-established when Baxter filed its patent application, as was the use of touchscreens to control various types of equipment, including medical equipment. The Baxter patent claims recite adding a touchscreen to the hemodialysis machine as the user input device, allowing a user to monitor, select, and change treatment parameters, including the flow rate and temperature of the dialysate, using the touchscreen. Specifically, claim 26 of Baxter's '434 patent includes a "means for controlling a dialysate parameter" and a "means for delivering the dialysate to a user." The other three asserted claims at issue depend from claim 26 and recite specific user-controlled features, including a time-varying machine-operating parameter (claim 27), a rate of anticoagulant delivery (claim 30), and an alarm limit (claim 31). Baxter initially asserted other, broader patents directed to hemodialysis touchscreen technology, addressed *infra.*, but the

Federal Circuit in *Fresenius I* held invalid all asserted claims of those patents.

II. THE PRIOR ART

Four separate prior art references, taken alone or in combination, disclose everything in the four asserted claims.

First, the Computer Modeling System 08 (“CMS 08”) Handbook discloses operating instructions for Fresenius’ prior art CMS 08 device, which enabled a user to control various aspects of a hemodialysis machine, including a means for controlling a dialysate parameter and a means for delivering the dialysate to a user. A block diagram from the Handbook, reproduced below, shows the relationship between the computer control system (depicted in blue) and the hemodialysis machine (depicted in orange):



The control unit controlled the concentration and delivery of dialysate dispensed by concentration pumps (depicted in green) to the hemodialysis machine, and then to the hemodialyzer. In addition, the CMS 08 Handbook discloses soliciting time-varying machine-operating parameters from the user, including the ultrafiltration rate.

Second, U.S. Patent No. 4,370,983 to Lichtenstein discloses a medical care system suitable for hemodialysis, including a microcomputer—“a key feature of the system”—and a means for delivering medication to a patient via a pump and pump lines.

Third, the Sarns 9000 Manual provides operating instructions for the Sarns 9000 blood perfusion system operated via touch-screen. The Sarns 9000 Manual discloses soliciting user input about alarm limits for various parameters, including pressure, temperature, and flow rates.

Finally, U.S. Patent No. 4,710,166 to Thompson discloses a computer-controlled drug infusion system for selectively administering various drugs to a patient, including an anticoagulant.

III. THE REEXAMINATION PROCEEDINGS

In response to Fresenius’ filing reexamination proceedings in October 2005, the examiner rejected all four asserted claims as obvious in light of the four references described above, among others. *Ex Parte Baxter Int’l, Inc.*, 2010 WL 1048980, at *4 (March 18, 2010). Baxter appealed, arguing chiefly that the prior art references did not disclose the structure corresponding to the two disputed “means” limitations. But the Board of Patent Appeals and Interferences—in this case, an expanded panel of five administrative patent judges, including the Chief and Vice Chief

Administrative Judges—affirmed, agreeing with the examiner that the various references could be combined to render obvious the asserted claims and that a person of ordinary skill in the art would have been motivated to combine their respective disclosures (thus meeting an even higher test than this Court imposed in *KSR v. Teleflex*). *Id.* at 14. The Board also expressly found that the CMS 08 Handbook disclosed a microprocessor and a concentrate pump, which were the structures Baxter acknowledged corresponded to the “means for controlling a dialysate parameter” and the “means for delivering the dialysate to a user” limitations, as well as a time-varying machine-operating parameter. *Id.* The Board also found that Lichtenstein disclosed the means-for-controlling and means-for-delivering limitations. *Id.* The Board further found that Thompson disclosed soliciting parameters for delivering an anticoagulant, and that the Sarns 9000 Manual disclosed setting alarm limits. *Id.* at *15. The Board rejected Baxter’s request for rehearing. *Ex Parte Baxter Int’l, Inc.*, 2010 WL 3032865, at *1 (July 20, 2010).

The Federal Circuit affirmed in May 2012, after reviewing the Board’s factual findings for substantial evidence and its legal conclusions *de novo*. *In re Baxter Int’l, Inc.*, 678 F.3d 1357 (Fed. Cir. 2012). The court held “the record indicates that both the examiner and Baxter agreed that the corresponding structure disclosed in the specification for the ‘means for controlling’ limitation included a microprocessor and a concentrate pump.” *Id.* at 1363. The panel further held that, in the CMS 08 Manual and in Lichtenstein, “the examiner identified a pump, the same type of structure that Baxter contends is the corresponding structure for the ‘means for delivering the dialysate’ limitation.” *Id.*

Specifically, with respect to the means-for-controlling limitation, the Federal Circuit found that the CMS 08 Manual disclosed a “computer modeling system” with “a processor,” along with programmable “stepper motor driven line pumps.” *Id.* Furthermore, the court found that Lichtenstein disclosed a “micro-computer” programmable to perform hemodialysis. *Id.* With respect to the means-for-delivering limitation, the panel found that the CMS 08 Manual disclosed a “dialysate mixing system” and that “the pumps identified by the examiner in the CMS 08 Manual appear similar in structure and functionality to the ‘concentrate’ pumps and pump lines that Baxter identified as corresponding structure in the ’434 patent for this ‘means plus function’ limitation.” *Id.* at 1364. Moreover, the court held that Lichtenstein discloses “that a pump delivers dialysate through a flow meter into the dialysate side of a dialysis container used in connection with hemodialysis equipment.” *Id.* The panel also found substantial evidence supported the Board’s affirmance of the examiner’s rejection of the dependent claims. *Id.*

Baxter petitioned for rehearing and rehearing *en banc*, but the Federal Circuit denied the petitions in a *per curiam* ruling. *In re Baxter Intern., Inc.*, 698 F.3d 1349 (Fed. Cir. 2012). Baxter did not petition this Court for a writ of certiorari, and on April 30, 2013, more than seven and a half years after Fresenius filed its reexamination request, the Patent Office finally issued a certificate cancelling the asserted claims of the ’434 patent.¹

¹ Throughout the reexamination proceedings, Baxter engaged in dilatory tactics in an ultimately unsuccessful effort to slow the proceedings and “win the race” to final judgment. Baxter re-

IV. THE FIRST DISTRICT COURT LITIGATION AND FIRST APPEAL

Fresenius filed suit in district court in 2003 seeking a declaratory judgment of invalidity and non-infringement of Baxter's '434 patent and four other patents in order to relieve its hemodialysis machines from Baxter's threat of filing an infringement action. *Fresenius Med. Care Holdings, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2007 WL 518804, at *1 (N.D. Cal. Feb. 13, 2007). At trial in July 2006, nine months **after** Fresenius filed its reexamination request on the same patents, a jury found the asserted claims of all four remaining patents invalid.² *Id.* at *2.

However, in February 2007, the district court granted Baxter's motion for judgment as a matter of law that Fresenius had not presented sufficient evidence supporting the jury's invalidity verdict with respect to all four patents. *Id.* at *2, *8-13. Specifically, the district court held that Fresenius had failed to distinctly point out the structure corresponding to the "means-for-controlling" and "means-for-delivering" limitations in the '434 patent. *Id.* at *7. In October 2007, the district court held a second trial on damages in which the jury awarded Baxter \$14.266 million in past damages for infringement of all three remaining asserted patents,³ and in April 2008 the court entered a permanent injunction and

quested four separate extensions of time, filed a response with the examiner after final rejection, petitioned to remand to the examiner, and sought rehearing at the Board.

² Prior to trial in 2006, the district court dismissed all asserted claims of one of the five asserted patents.

³ Prior to the damages trial in 2007, Baxter dismissed one of the four remaining asserted patents.

awarded Baxter an ongoing royalty on infringing machines and associated disposable products.

Both parties appealed, and on September 10, 2009, the Federal Circuit reversed-in-part, affirmed-in-part, vacated-in-part, and remanded. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009) (“*Fresenius I*”). The panel reversed the district court’s JMOL with respect to two of the asserted patents, rendering them invalid, but affirmed JMOL with respect to the asserted claims of the ’434 patent, holding that Fresenius failed to present substantial evidence that “the structure corresponding to the means for delivering dialysate limitation, or an equivalent thereof, existed in the prior art” or 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 (citing *Koito Mfg. Co. v. Turn-Key-Tech, LLC*, 381 F.3d 1142, 1151 (Fed. Cir. 2004)). The court then vacated the injunction and royalty awards and remanded for the district court to “revise or reconsider the injunction in light of our reversal of the district court’s grant of JMOL” regarding the two invalid 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. The court noted that its decision “may affect how the district court weighs [the relevant] factors” in determining the royalty award.” *Id.* The court did not expressly indicate one way or the other whether past damages were to be recalculated.

V. THE SECOND DISTRICT COURT LITIGATION AND SECOND APPEAL

On remand, the parties disputed the transitional royalty rate, and Fresenius sought a new trial for past damages. In May 2011, the district court denied Fresenius' motion for a new trial and instead conducted an evidentiary hearing on a transitional royalty in December 2011. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2011 WL 2160609 (N.D. Cal. May 26, 2011). In March 2012, the district court entered judgment for Baxter, awarding its original past damages, along with a reduced transitional royalty rate on post-verdict sales of hemodialysis machines and associated disposables. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, No. 03-1431, 2012 WL 761712, at *14-16 (N.D. Cal. Mar. 8, 2012). Fresenius appealed the denial of a new trial on past damages, and Baxter cross-appealed the reduction in transitional royalty. In May 2012, the district court granted Fresenius' request to stay execution of the judgment pending appeal, thereby rejecting Baxter's attempt to collect on the 2007 judgment and holding that "the March 16, 2012 final judgment appears to supercede [sic] the Nov. 7, 2007[,] final judgment." A995.

On July 2, 2013, the Federal Circuit, having already finally invalidated the asserted claims of the '434 patent more than a year earlier, vacated the district court's judgment and remanded with instructions to dismiss the case. The panel majority examined the history of the reissue and reexamination procedures, noting that originally, "reissuance of a patent extinguished all pending claims based on that patent, because the original patent was 'thereby canceled in law.'" App. 11a (citations omitted). Further-

more, “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.’” *Id.* (quoting *Peck v. Collins*, 103 U.S. 660, 664 (1880)). While a 1928 amendment allowed a patentee to recover damages for infringement of a claim that survived a reissue proceeding intact, that “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.” App. 14a (citations omitted).

When Congress enacted the reexamination statute in 1980, the panel held, it preserved this fundamental rule. “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.” App. 17a (citing *Bloom Eng’g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997); *Tenant Co. v. Hako Minuteman, Inc.*, 878 F.2d 1413, 1417 (Fed. Cir. 1989); *Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577, 1581 (Fed. Cir. 1987)). Furthermore, the panel held, “[a]s 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.” App. 17a.

Turning to the issue of finality, the panel majority held that “[i]n this case, there is no question of reopening a final court judgment, because no such judgment has been entered.” App. 20a. The panel al-

so concluded that “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.” *Id.* In order for a judgment to be final for purposes of preventing an intervening parallel proceeding, the panel held, “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 the merits and leaves nothing for the court to do but execute the judgment.” App. 20a-21a (quoting *Mendenhall*, 26 F.3d at 1580 (internal quotations omitted)). As the panel explained, the court’s remand in *Fresenius I* left the district court numerous substantive aspects of the case to adjudicate, including ongoing royalties⁴ and an injunction. App. 21a.

The panel majority explained that *Mendenhall*—where, like here, an intervening invalidity judgment by the Federal Circuit extinguished the patentee’s right to recover damages, even though the Federal Circuit had previously held the same patents not invalid—stands for the proposition that “[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 inva-

⁴ In this case, the ongoing royalties far outstripped the past damages amount, at one point exceeding \$70 million.

lid.” App. 25a-26a (quoting *Mendenhall*, 26 F.3d at 1578). The panel also discussed *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 42 S.Ct. 196, 66 L.Ed. 475 (1922), where “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.” App. 23a.

Finally, the panel majority considered and rejected Baxter’s argument that vacating a damages award premised on an invalid patent “offends the separation of powers,” citing the Supreme Court’s ruling in *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 115 S.Ct. 1447, 131 L.Ed.2d 328 (1995), 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.” App. 28a (citing *Plaut*, 514 U.S. at 226). Specifically, the panel majority held, “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.’” App. 28a-29a (citing *Thorpe*, 393 U.S. at 282). The panel also cited this Court’s ruling in *Moffitt*, 66 U.S. at 283, for the proposition that 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.” App. 29a. The panel majority also distinguished *QUALCOMM, Inc. v. FCC*, 181 F.3d 1370, 1380 (D.C. Cir. 1999), explaining that there, the mandate issued by the appellate

court was not, like here, for further proceedings, but instead for “specific, immediate relief for a party, that is, the judiciary had entered ‘a final judgment entitling QUALCOMM to a preference.’” App. 30a n. 12 (citing *QUALCOMM*, 181 F.3d at 1380 n. 7).

The Federal Circuit denied Baxter’s subsequent petition for rehearing and rehearing *en banc*. Concurring with the rehearing denial, Judge Dyk, joined by Judge Prost, noted that the dissents “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.” App. 71a. Judge Dyk reiterated the applicability of *Moffitt*, *Simmons*, and *Mendenhall*, and their holding that “a judgment of infringement is only final when a judgment has been entered that would irrevocably allow execution and payment.” App. 72a (citing *Moffitt*, 66 U.S. at 283). Judge Dyk further noted that Judge O’Malley’s dissent “confuses two distinct concepts of finality” and that “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*.” *Id.*

REASONS FOR DENYING THE PETITION

The Federal Circuit’s ruling in *Fresenius II* is consistent with long-standing principles of finality in litigation expressed in this Court and in its own precedent. Under those principles, unless a judgment “ends the litigation on the merits and leaves nothing for the court to do but execute the judgment,” it is not final. *Mendenhall*, 26 F.3d at 1580. Here, the Federal Circuit’s mandate in *Fresenius I* ordered the district court to adjudicate numerous substantive is-

sues, including injunctive and monetary relief. As such, the judgment was not final, and it was extinguished by the later-arising, and truly final, invalidation of Baxter's claims in *In re Baxter*.

In addition, the idiosyncratic posture of this case does not warrant this Court's attention, as its unique facts are unlikely to recur. *Ex parte* reexamination requests of the sort Fresenius filed in 2005 have plummeted, just as *inter partes* review requests—with entirely different standards for the timing of filings and their preclusive effect—have surged after enactment of the AIA, which Congress implemented to eliminate invalid patents like Baxter's.

Neither does the Federal Circuit's ruling transgress the separation of powers, as an Article III court simply gave deference to an intervening final judgment by another Article III court—in this case, the same court.

Finally, nothing about the *Fresenius II* ruling incentivizes gamesmanship or wasteful litigation. Irrespective of the ruling in *Fresenius II*, defendants in patent cases will continue to avail themselves of reexamination, a procedure created by Congress to remove invalid patents like Baxter's from circulation. In contrast, granting Baxter the relief it seeks—*i.e.*, the ability to recover damages for invalid patent claims—would overturn centuries of patent law precedent, encourage parties with invalid claims to press to recover damages, undermine the public's confidence in the patent system, reward delay, and work a grave injustice to Fresenius.

I. THE FEDERAL CIRCUIT'S RULING IN *FRESENIUS II* COMPORTS WITH WELL-ESTABLISHED PRINCIPLES OF FINALITY IN LITIGATION

A. The *Fresenius I* Judgment Was Not Final

This Court and the Federal Circuit have held for more than a century that interim judgments requiring a lower court to adjudicate ongoing issues are not final and must yield to intervening judgments that are. *Simmons*, 258 U.S. at 88, 91 (“a final decree [is] one that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it...[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”); *Plaut*, 514 U.S. at 226 (“[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”); *Marconi Wireless Co. v. United States*, 320 U.S. 1, 47 (1943) (“[T]he 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”); *Mendenhall*, 26 F.3d at 1580 (“[a] final judgment is one that ‘ends the litigation on the merits and leaves nothing for the court to do but execute the judgment’”). In simple terms, a final judgment is one that ends the litigation: “[a]bsent a final judgment **ending the litigation**, the issue of liability is not barred from reconsideration.” *Mendenhall*, 26 F.3d at 1581 (emphasis added). This Court and the Federal Circuit have rejected the possibility of multiple “final judgments” within an ongoing case. *Simmons*, 258

U.S. at 89 (citing “the ordinary rule that there can be but one final decree in a suit in equity”); *Mendenhall*, 26 F.3d at 1580 (“Mendenhall presents a variation of its argument that proceedings here are too far advanced for redetermination of liability by attempting to invoke a novel kind of *res judicata* within a case.”).

The district court litigation at issue in *Fresenius I* never arrived at final judgment. The 2009 appeal decided only that Fresenius had not met its burden of establishing that the ’434 patent was invalid because Fresenius’ expert had failed to specifically identify the corresponding structure in the prior art. As a result, the Court remanded the case for recalculation of royalties and injunctive relief in light of the invalidation of two of the three Baxter patents upon which the damages award and injunction had been premised. *Fresenius I*, 582 F.3d at 1304. On remand, Fresenius sought a new trial as to past damages, because where a jury renders a general damages verdict for multiple patents and liability is affirmed on fewer than all of those patents, a new damages trial is “the normal rule.”⁵ *Verizon Servs. Corp. v. Vonage Holdings Corp.*, 503 F.3d 1295, 1310 (Fed. Cir. 2007). In addition, Baxter requested a

⁵ Baxter argues repeatedly that “the Federal Circuit did not remand for reconsideration of the past damages award,” which it characterizes as “settled.” Pet. at 6, 7; *see also id.* at 10, 18, 19, 30. However, the *Fresenius I* ruling and subsequent mandate were silent on the issue of past damages. In fact, in his Report and Recommendation denying Baxter’s motion seeking to hold Fresenius in contempt for not paying the past damages award on remand, Magistrate (now District) Judge Chen held Fresenius’ motion for a new damages trial raised a “reasonable argument that there was no implicit ruling prohibiting recalculation of damages.” A1680-89 at A1688.

post-verdict royalty from the district court, which conducted an evidentiary hearing in connection therewith. In the wake of that hearing and subsequent ruling, both parties appealed. In short, the Federal Circuit's remand instructed the district court to determine numerous issues, and both parties actively litigated those issues. The result of *Fresenius I* was anything but a final judgment that "end[ed] the litigation on the merits and le[ft] nothing for the court to do but execute the judgment." *Mendenhall*, 26 F.3d at 1580. In addition, the district court itself recognized that the original judgment was no longer operative, had been superseded by intervening rulings, and therefore could not have been final. Indeed, the district court denied Baxter's execution motion, ruling that the "March 16, 2012 final judgment appears to supercede [sic] the November 7, 2007 final judgment." A994-95. Baxter did not appeal the district court's denial of its motion to execute.

Baxter asserts that the rehearing denial concurrence in *In re Baxter*, and the PTO's rehearing opposition in that case, support its position. Pet. at 8-9. But the concurrence and opposition simply state the unremarkable proposition that claim cancellation by the PTO cannot be used to reopen or undo the *res judicata* effect of a **final** judgment that has ended a litigation. *In re Baxter Int'l*, 698 F.3d 1349, 1351 (Fed. Cir. 2012) (O'Malley, J. concurring) ("[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."); 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) ("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.”). In this case, the “prior judgment” at issue was not final, and neither was the “relief” awarded by the Federal Circuit in *Fresenius I*. Once the Federal Circuit affirmed the invalidity of the asserted claims in *In re Baxter*, **that** final judgment barred the award of any relief and overrode the court’s prior judgment. As the panel majority held, “the cancellation of a patent’s claims cannot be used to reopen a final damages judgment ending a suit based on those claims.” App. 19a.

B. *Fresenius II* is Consistent with *Simmons*, *Mendenhall*, and Other Similar Cases

Baxter also contends that the Federal Circuit’s ruling in *Fresenius II* “locks in a flawed analysis, in part based on the misinterpretation of this Court’s precedent.” Pet. at 28. Baxter argues that the court’s reliance on *Mendenhall* is misplaced because it “involved interlocutory decisions” while the instant case concerns “an appeal from a final judgment and completed accounting.” *Id.* at 29 (quoting O’Malley, J. dissenting, App. 86a). However, as the panel majority explained, “nothing in *Mendenhall* suggests that the statutory basis for the first appeal controlled whether it would be given *res judicata* effect within the continuing litigation.” App. 26a-27a. While the district court judgment appealed in *Fresenius I* may have been “final” for purposes of appeal, it was no more “final” than the interlocutory ruling appealed in *Mendenhall*, and therefore equally non-binding in the face of an intervening final judgment extinguishing it. Indeed, in discussing *Mendenhall*, the panel majority explained that it was applying its own final judgment in *In re Baxter*: “[b]ut 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." App 20a.

Baxter also argues that in *Mendenhall*, "the decision was not final until the conclusion of the accounting." Pet. at 29-30 (quoting *Mendenhall*, 26 F.3d at 1581 (quoting *Marconi*, 320 U.S. at 47)). The same, however, is true here, where, because the Federal Circuit remanded for further adjudication of royalty rates and injunctive relief, the accounting had not reached its conclusion before the asserted claims were finally invalidated.⁶

Similarly, Baxter regards *Simmons* as inapposite because it, too, involved an interlocutory rather than a final judgment. Pet. at 30. However, in *Simmons*, like here, an earlier appellate court ruling had resolved all patent liability issues, while the district court considered damages issues. *Simmons*, 258 U.S. at 84. But a subsequent ruling by this Court about the validity of the same patent extinguished the district court proceedings. *Id.* at 85-87, 91. As the panel majority held, *Simmons* "demonstrates that the district court must apply intervening legal developments affecting the asserted patent's validity, even if

⁶ In fact, in this case it was not a mere accounting but also a re-determination of multiple rates and a reconsideration of whether the royalty base included unpatented single-use disposables like dialyzers and tubing sold during the transition period for use with infringing machines sold previously.

the court of appeals already decided the validity issue the other way.” App. 22a. The Federal Circuit’s judgment in *In re Baxter* is just such an intervening legal development.

This Court’s ruling in *Blonder–Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313 (1971), further supports the Federal Circuit’s ruling in *Fresenius II*. There, the patentee filed suit in numerous district courts, one of which found its patent invalid; the Eighth Circuit affirmed, and this Court denied cert. *Id.* at 314-15. Earlier, the patentee had filed suit in a different district court, and sought to enforce his patent despite the intervening final invalidity ruling. *Id.* at 316-17. This Court held that once patent claims have been declared invalid, the patent owner is estopped from asserting those claims unless the patent owner can demonstrate that it did not have “a fair opportunity procedurally, substantively and evidentially to pursue his claim the first time.” *Id.* at 333. This Court further noted that “the holder of a patent should not be insulated from the assertion of defenses and thus allowed to exact royalties for the use of an idea that is not in fact patentable or that is beyond the scope of the patent monopoly granted.” *Id.* at 349-50. Here, too, Baxter unquestionably enjoyed a full and fair opportunity to defend its claims before the examiner, the Board of Patent Appeals and Interferences, and the Federal Circuit.

Another Federal Circuit case with facts similar to the instant case provides further support for the court’s ruling in *Fresenius II*. In *Translogic Tech., Inc. v. Hitachi*, 250 Fed. Appx. 988, 2007 WL 2973955 (Fed. Cir. Oct. 12, 2007) (non-precedential), the patent owner had prevailed at the district court on the issues of validity and infringement, had re-

ceived an award of damages, and also had a permanent injunction entered in its favor. *Translogic Tech., Inc. v. Hitachi, Ltd.*, 404 F. Supp. 2d 1250 (D. Ore. 2005). While the defendant's appeal of the district court's judgment was pending, the Federal Circuit affirmed a reexamination decision finding the same asserted claims invalid. *In re Translogic Tech., Inc.*, 504 F.3d 1249 (Fed. Cir. 2007). Although the patent owner, like Baxter, received a favorable judgment, the Federal Circuit, like in *Fresenius II*, vacated the district court's judgment and remanded for dismissal. *Translogic*, 2007 WL 2973955, at *1 ("In light of this court's decision in *In re Translogic Tech., Inc.*, this court vacates the district court's decision and remands this case to the district court for dismissal.").

In addition, in *Standard Havens Prods. v. Gencor Indus., Inc.*, 996 F.2d 1236 (Fed. Cir. 1993) (non-precedential), the patent owner had prevailed on liability in district court, the Federal Circuit affirmed, and then remanded for reconsideration of damages and injunctive relief. *Standard Havens Prods., Inc. v. Gencor Indus.*, 953 F.2d 1360, 1376 (Fed. Cir. 1991). On remand, the district court declined to stay the proceedings in light of an ongoing reexamination. *Standard Havens Prods., Inc. v. Gencor Indus.*, 810 F. Supp. 1072, 1074 (W.D. Mo. 1993). The Federal Circuit reversed both the denial of the stay motion and the re-imposition of the injunction because "the district court incorrectly concluded that the reexamination decision can have no effect on this infringement suit even if the reexamination decision becomes final." *Standard Havens*, 996 F.2d 1236, 1993 WL 172432 at *1 (emphasis added).

Thus, the Federal Circuit correctly interpreted this Court's and its own precedent.

C. *Fresenius II* Does Not Conflict with *Qualcomm* or Otherwise Create a Circuit Split

Baxter also argues that *Fresenius II* “creates a circuit split” with the D.C. Circuit’s opinion in *Qualcomm* regarding the finality of judicial decisions.” Pet. at 12 (citing rehearing dissent at 84a; 66a). But *Qualcomm* is a fact-specific decision concerning the intricacies of regulatory practice before the Federal Communications Commission. See generally *Qualcomm Inc. v. FCC*, 181 F.3d 1370 (D.C. Cir. 1999). The case did not involve a claim for damages and has no relevance to whether Baxter can legally continue to seek damages based on cancelled patent claims.⁷

Qualcomm was a unique case in which the FCC misread the D.C. Circuit’s mandate, which provided Qualcomm the relief it sought—a preference—and sought to summarily end the litigation in its entirety on remand. 181 F.3d at 1377 *Id.* But the FCC misread the mandate, and refused on remand to provide the preference to Qualcomm. *Id.* at 1376. In the meantime, Congress revoked the FCC’s authority to grant preferences on a prospective basis. *Id.* at 1374. The FCC then dismissed Qualcomm’s preference petition due to a perceived lack of authority. *Id.* at 1375.

Qualcomm challenged the dismissal in a second, separate appeal. The D.C. Circuit ruled that “the FCC misinterpreted the mandate in *Freeman Engi-*

⁷ In fact, Baxter saw no reason even to mention *Qualcomm* in its appellate briefing, submitting the case only as supplemental authority following oral argument. [Appeal Docket No. 62.]

neering to assign it more than a ministerial role with regard to the grant of a pioneer's preference to QUALCOMM." 181 F.3d at 1377. The *Qualcomm* court reasoned that "[h]ad the FCC acted 'forthwith' in accordance with the...mandate, QUALCOMM would have been granted its pioneer's preference before Congress advanced the sunset date in the 1997 Budget Act." *Id.* Relying on the fact that Congress did not retroactively withdraw the FCC's authority to award preferences, the D.C. Circuit merely ordered the FCC to do what it erroneously had failed to do in response to the prior mandate, *i.e.*, award a preference. *Id.* at 1381. As the panel majority correctly observed, the D.C. Circuit:

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.

App. 30a n.12.

Qualcomm thus fundamentally differs from this case. The Court's decision in *Fresenius I* did not award Baxter *any* specific relief, and cancellation of patent claims *is* retroactive, rendering a claim void *ab initio*. In *QUALCOMM*, unlike here, the D.C. Circuit in its own words remanded to the district court to act solely in a "ministerial role," 181 F.3d at 1377, the very essence of finality under *Simmons*, *Plaut*, *Marconi*, *Mendenhall*, and other cases. In *QUALCOMM*, unlike here, no further briefing or evidentiary hearings concerning royalty rates, royalty bases, disposable sales, and injunctive relief were necessary to conclude the case definitively. Instead, as the panel majority held, in *QUALCOMM*, unlike

here, the appellate court “ordered specific, immediate relief for a party.” App. 30a n.12. Baxter argues that *QUALCOMM* stands for the proposition that a “merits ruling cannot be negated by another branch of government even if a remand to determine the appropriate remedy is still pending.” Pet. at 13. Not so: in *QUALCOMM*, there was no remand to “determine” anything. Instead, the FCC had specific, ministerial instructions about how to bring the case to finality, but failed to do so.⁸

Baxter also cites four other circuit court cases, *Zdanok v. Glidden Co.*, 327 F.2d 944, 955 (2d Cir. 1964), *Pye v. Department of Transp. of Ga.*, 513 F.2d 290, 292 (5th Cir. 1975), *Morrell & Co. v. Local Union 304A of United Food & Commercial Workers*, 913 F.2d 544, 564 (8th Cir. 1990), and *Bullen v. de Bretteville*, 239 F.2d 824, 829 (9th Cir. 1956), whose rulings on finality supposedly conflict with *Fresenius II*. Pet. at 15-17. Yet all four cases concern finality for the purposes of collateral estoppel and its effect on ongoing litigation between parties, not for the purposes of extinguishing an ongoing case in light of intervening developments in another.⁹ *Fresenius* concedes that principles of collateral estoppel could proscribe it from challenging in a future district court action the Federal Circuit’s liability ruling in *Fresenius I*, but those principles in no way inhibit

⁸ Baxter also argues that, under *Fresenius II*, judgments are not final “so long as any outstanding remedy issue remains to be resolved.” Pet. at 14. But in *QUALCOMM*, *no* issues had to be “resolved”; the FCC simply had to give effect mechanically to the appellate court’s final judgment.

⁹ Likewise, the numerous cases cited by Judge Newman concern collateral estoppel, not an intervening final judgment.

the intervening final judgment in *In re Baxter* from terminating the district court case in its entirety.

II. THE FEDERAL CIRCUIT’S RULING DOES NOT PRESENT RECURRING ISSUES OF NATIONAL IMPORTANCE

A. *Fresenius II* Does Not Raise Questions Regarding the Separation of Powers

Nothing in *Fresenius II* raises questions regarding the separation of powers. *Baxter* frames the issue by claiming “the PTO cannot overrule the binding effect on the parties of an Article III court’s decision,” Pet. at 20, and that *Fresenius II* improperly “permit[ed] an administrative ruling to negate the binding effect of an Article III decision on the parties.” *Id.* at 21. But in this case, *the Federal Circuit*, an Article III court, affirmed in *In re Baxter* the invalidity of claims that had narrowly escaped an invalidity ruling in *Fresenius I* only because of *Fresenius*’ expert’s failure to specifically identify the corresponding structure in the prior art, a requirement unique to means-plus-function claims. The Federal Circuit acted according to its express authority, furnished by Congress, to examine, review, and, if appropriate, confirm Patent Office reexamination rulings.

The panel majority provided an exhaustive review of the legislative history of the reissue and reexamination statutes, as well as Supreme Court and Federal Circuit cases dealing with those statutes. App. 10a-18a. That review reveals that Congress has always intended, and the courts have consistently recognized, that original claims cancelled through amendment and claims cancelled in reexam-

ination cannot support continuation of a pending lawsuit:

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.

App. 18a. As the Supreme Court explained in *Moffitt*, a patent must remain in force at all times during a lawsuit in order for the patent owner to maintain the suit: “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.” *Id.* at 283 (emphases added).

Indeed, as the panel majority correctly observed in affirming the Board decision in *In re Baxter*, “Congress has provided for a reexamination system that permits challenges to patents by third parties, even those who have lost in prior judicial proceedings.” *In re Baxter*, 678 F.3d at 1365. And as Judge O'Malley noted in concurring with the court's denial of Baxter's rehearing petition in *In re Baxter*:

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 reexamining that same patent. And, it concludes that, despite a final court judgment reaching a contrary con-

clusion as between the patent holder and one alleged infringer, the PTO is free to conclude that the patent is, indeed, invalid.

In re Baxter Intern., Inc., 698 F.3d 1349, 1350-51 (Fed. Cir. 2012) (O'Malley, J. concurring). Thus, Judge O'Malley acknowledged that the Patent Office has constitutional authority to invalidate claims that, like here, survived district court litigation, however narrowly. Patent claims are not found to be valid in district court, and a party's failure to invalidate claims during litigation by clear and convincing evidence does not render them valid, bar the Patent Office from invalidating them during reexamination, or proscribe the Federal Circuit from affirming such an invalidation. Conversely, had the judgment in *Fresenius I* truly been final, with all liability, damages, and injunctive issues definitively settled, a subsequent invalidation of the asserted claims by the Patent Office and an affirmance by the Federal Circuit would not have unraveled that final judgment. However, because the judgment in the first appeal was *not* final, the Federal Circuit properly dismissed the appeal in *Fresenius II*.

B. The Federal Circuit's Ruling in the Unique Circumstances of This Case Will Not Significantly Impact Patent Litigation

Baxter presents a parade of horrors it expects to result from *Fresenius II*, including an "increase in uncertainty, complexity, and cost" in patent litigation. Pet. at 21. However, the idiosyncratic nature of this case, coupled with the dramatic reduction in *ex parte* reexamination filings and the concomitant rise

in *inter partes* review requests, renders highly unlikely a repetition of this fact pattern or anything resembling it.

The intricate details of this case, set out in detail *supra*, make it an atypical example of parallel district court and reexamination proceedings. Due to Baxter's numerous delays, the reexamination proceedings in this case stretched over the course of more than seven years, including the reexamination itself, the appeal to the Board, and the ultimate appeal to the Federal Circuit. In particular, the extended length of the reexamination proceedings is not typical of *ex parte* reexamination practice and is unlikely to recur in the future. Moreover, despite Fresenius' repeated requests that the district court stay the litigation while the reexamination proceeded, and notwithstanding Judge Dyk's suggestion to the same effect, *see Fresenius I*, 582 F.3d at 1305 (Dyk, J. concurring), the district court steadfastly refused to stay the case.

In addition, *ex parte* reexamination requests have fallen precipitously since the enactment of the America Invents Act ("AIA") and the *inter partes* review procedure to which it gave rise. According to the Patent Office website, while there were 759 *ex parte* requests filed in 2011 and 787 in 2012, there were only 305 filed in 2013.¹⁰ This sharp drop of

¹⁰ See PTO Website, http://www.uspto.gov/patents/stats/ex_parte_historical_stats_roll_up_EOY2013.pdf Baxter cites a law review article in which Prof. Paul Janicke claims, citing 2012 PTO data, that "ex parte reexamination petitions by parties engaged in infringement litigation are on the rise." Pet. at 21-22 (citing Janicke, *An Interim Proposal for Fixing Ex Parte Patent Reexamination's Messy*

more than 60% between 2012 and 2013 coincides with the availability, beginning in September 2012, of *inter partes* review, of which 983 were filed within the first 15 months of the procedure's effective date.¹¹ It also reflects a seven-fold increase in the filing fee for *ex parte* reexamination, which Congress raised from \$2,520 to \$17,750. This trend will only accelerate in the future, as more and more issued patents become subject to *inter partes* review, a faster procedure much more friendly to a patent challenger than *ex parte* reexamination.

The increasing prevalence of *inter partes* review at the expense of *ex parte* reexamination, in turn, will mean faster resolution of such Patent Office proceedings with estoppel effects in litigation. Specifically, *inter partes* reviews are designed to conclude and be appealable to the Federal Circuit within 18 months of filing—far less time than the five years the *ex parte* reexamination in this case languished at the PTO. In addition, *inter partes* review includes stringent stay and estoppel procedures that restrict both the use in the procedure of references previously presented in litigation and vice versa. See 35 U.S.C. § 315.¹² Thus, the unique posture of this case,

Side, 4 HLRe 43, 46 (2013)). But as set forth above, the 2013 data reflect the dramatic decline spurred by the AIA.

¹¹ See PTO Website, http://www.uspto.gov/aia_implementation/statistics.jsp

¹² See also Janicke, *An Interim Proposal*, at 59-60 (“Other procedures exist for the PTO to review issued patents, including *inter partes* review and post grant review. These are **some-what less troublesome than *ex parte* reexamination** and are generally beyond the scope of this Article. They **involve rather strict statutory time limits** on when a litigant party can petition for review, and they also **impose statutory estoppels** on what those petitioners can later argue in court proceedings.”)

in which the reexamination extended for many years and in which the same or similar prior art was presented both in district court and before the Patent Office, will become increasingly rare.

More generally, Congress’s plain intention in enacting the AIA was to remove weak patents from circulation. *See, e.g.*, Cong. Record at S5409, 9/8/11 Statement of Sen. Schumer (AIA “streamlines review of patents to ensure that the poor-quality patents can be weeded out through administrative review rather than costly litigation.”); *Id.* at S5433, 9/8/11 Statement of Sen. Grassley (AIA “will strengthen patent quality and reduce costs and will curb litigation abuses and improve certainty for investors and innovators.”); *Id.* at S5374, 9/7/11 Statement of Sen. Whitehouse (“Unfortunately, numerous poor-quality patents have issued in recent years, resulting in seemingly endless litigation that casts a cloud over patent ownership.”). Baxter’s invalid claims in this case, directed to adding aspects of a touchscreen to a hemodialysis machine, unquestionably qualify as the very sort of poor-quality patent Congress wished to eliminate through the AIA.

Baxter also argues that *Robert Bosch, LLC v. Pylon Manufacturing Corp.*, 719 F.3d 1305, 1308 (Fed. Cir. 2013) (en banc), in which the Federal Circuit reaffirmed the propriety of the long-standing practice of some district courts to bifurcate liability from damages issues, will “further amplify[y]” the effects of *Fresenius II*. Pet. at 22. But *Bosch* did nothing to alter existing practices, and there is no reason to as-

For those reasons, such proceedings will very likely be utilized less often and when used *will seldom generate the kinds of clashes described herein.*” (emphasis added))

sume that in its wake, accused infringers will pursue parallel proceedings any more frequently.

Finally, Baxter contends that *Fresenius II* will “encourage[] district judges to cede the field to the PTO when it comes to determining patent validity” by staying cases pending resolution by reexamination. Pet. at 26. This argument lacks merit for several reasons. First, staying district court cases in situations like this strongly *benefits* the patent system; had the court stayed the initial litigation in this case, as *Fresenius* requested and Judge Dyk suggested, the PTO and Federal Circuit would have proceeded to invalidate the asserted claims, and the appeals in *Fresenius I* and *II* would not have been necessary. Baxter acknowledges as much when it concedes that *Fresenius II* may well mean that “wasteful and duplicative proceedings are avoided.” *Id.* Second, even assuming that thwarting inefficiency by staying cases involving invalid patents somehow harms the patent system, Baxter cites no statistics indicating any increase in the number of stays issued in the wake of the ruling over the baseline of such stays. Instead, it can identify only six cases in eight months that have cited *Fresenius II* in support of entering a stay. Pet. at 26-27. Third, as noted earlier, Baxter’s concerns are particularly ill-founded, given the increasing prevalence of faster-moving *inter partes* reviews and their automatic stay and estoppel provisions.

Furthermore, the Federal Circuit’s ruling does not, as Baxter suggests, “encourage gamesmanship.” Pet. at 21. *Fresenius* requested reexamination of the ’434 patent in October 2005, well before trial in June 2006. *Fresenius* prevailed at trial, and did not even face potential liability until the district court’s JMOL

grant in February of 2007. By December 2007, the PTO had issued a final rejection of all asserted claims. In truth, it was Baxter that undertook an expansive campaign to delay conclusion of the reexamination by requesting repeated extensions of time, filing a response with the examiner after she had issued a final rejection, petitioning to remand to the examiner, and seeking rehearing at the Board of Patent Appeals. Yet despite its slow pace, the reexamination achieved precisely the result intended by Congress – it eliminated invalid patent claims from the realm of commerce. Fresenius did nothing wrong in pursuing and achieving this just result.

C. Granting Baxter the Relief It Seeks Would Undermine Basic Premises of Patent Law

Baxter suggests that the panel should have simply ignored the Federal Circuit's precedential decision in *In re Baxter* invalidating all asserted claims and instead heard the parties' appeals on the merits of the damages issues. The case would then likely have returned to the district court for a new trial to set damages and royalties for invalidated patent claims, all based on the incorrect legal premise that the case had gone to final judgment.

But awarding Baxter damages on the basis of invalid claims, of course, would be both unjust to Fresenius and corrosive to the patent system. Claimed inventions that are neither novel nor non-obvious cannot form the basis for recovery. Baxter had a full and fair opportunity to overcome the prior art before the examiner, the Board, and the Federal Circuit, but it failed to do so. Rewarding Baxter for

invalid claims and delay does not comport with basic patent law, let alone fundamental notions of justice.

Instead, the PTO and the Federal Circuit acted according to longstanding precedent and in keeping with clear congressional intent to remove invalid patents from circulation, thereby unleashing the inventive potential of others. Baxter contends that *Fresenius II* “diminishes the incentive to invest in and disclose new technologies.” Pet. at 28. On the contrary, awarding a patent-holder damages for invalid claims would devastate the willingness and ability of true innovators to conceive, refine, and develop new products, contrary to the Constitution’s mandate “[t]o **promote** the Progress of Science and useful Arts. . .” U.S. Const., Art. I, sec. 8 (emphasis added). If new technology can be thwarted by old, invalid patents, then solo inventors and companies alike will lack any incentive to innovate.

CONCLUSION

Fresenius respectfully requests that the Court deny Baxter's Petition.

Respectfully submitted,

JUANITA R. BROOKS
Counsel of Record
Fish & Richardson P.C.
12390 El Camino Real
San Diego, CA 92130
(858) 678-5070
brooks@fr.com

MICHAEL E. FLOREY
FISH & RICHARDSON P.C.
3200 RBC Plaza
Minneapolis, MN 55402
(612) 335-5070
florey@fr.com

Counsel for Respondents

April 2014