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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

TECHNOLOGY PROPERTIES LIMITED
LLC, PHOENIX DIGITAL SOLUTIONS
LLC, and PATRIOT SCIENTIFIC
CORPORATION,

Plaintiffs,

vs.

BARNES & NOBLE, INC.,

Defendant.

Case No. 3:12-cv-03863-VC-PSG

**PLAINTIFFS' OPPOSITION TO
BARNES & NOBLE, INC.'S MOTION
FOR JUDGMENT ON THE
PLEADINGS BASED ON THE
KESSLER DOCTRINE**

Date: March 17, 2015
Time: 10:00 a.m.
Place: Courtroom 5, 4th Floor
Judge: Hon. Paul S. Grewal

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Table of Abbreviations

'336 patent	U.S. Patent No. 5,809,336
'749 patent	U.S. Patent No. 5,440,749
'890 patent	U.S. Patent No. 5,530,890
853 Investigation	U.S. International Trade Commission (ITC) Investigation No. 337-TA-853
877 Case	N.D. California Case No. 5:08-cv-00877-PSG (<i>Acer v. TPL, et al.</i>), which included allegations that Acer infringed the '336, '749 and '890 patents
882 Case	N.D. California Case No. 5:08-cv-00882-PSG (<i>HTC v. TPL, et al.</i>), which included allegations that HTC infringed the '336, '749 and '890 patents
B&N	Defendant Barnes & Noble, Inc.
PDS	Plaintiff Phoenix Digital Solutions LLC; "PDS" also refers collectively to all three Plaintiffs
Plaintiffs	Phoenix Digital Solutions LLC, Technology Properties Limited LLC, and Patriot Scientific Corporation (also referred to collectively as "PDS")

Throughout this brief, all emphasis is added unless otherwise indicated.

Statement of Issue to be Decided

Whether Barnes & Noble's motion should be denied because the *Kessler* doctrine is inapplicable in light of clear congressional intent and binding Federal Circuit precedent that ITC decisions on patent issues do not bind U.S. district courts.

Introduction

Barnes & Noble moves for the same relief that many successful ITC litigants have unsuccessfully sought in the past: that this Court be bound by a patent decision from the ITC. But there is an insurmountable problem with B&N's motion. Congress and the Federal Circuit have made it clear that a patent decision from the ITC does *not* bind a district court on the same issue. For this reason, B&N's motion should be denied.

B&N tries to dress up its emperor with purportedly new (but invisible) clothing: the *Kessler* doctrine. But the *Kessler* doctrine has been the law for over 100 years, and has never operated to bind a U.S. district court based on a patent decision from the ITC. Indeed, the Supreme Court decided *Kessler* as a "gap-filler" to overcome shortcomings with the strict application of *res judicata* and/or collateral estoppel in situations where a patent holder sought to avoid a prior judgment by, for example, suing the customer of a manufacturer who had already defeated a claim of infringement on the same patent. Thus, *Kessler* is just a narrow exception to the general rules of claim and issue preclusion to avoid injustice in specific circumstances.

B&N improperly tries to use the *Kessler* exception to swallow the well-established rule that an ITC patent decision does not bind a district court on the identical issue. In fact, no "gap-filler" is even necessary in this case, because collateral estoppel would normally apply: B&N and PDS were both parties before the ITC regarding infringement of the '336 patent by the same products now at issue now before this Court. But Congress and the Federal Circuit have unequivocally declared that such ITC decisions do *not* bind this Court. B&N's motion must fail.

Relevant Procedural Background

Plaintiffs PDS, TPL and Patriot (collectively "PDS") filed this action against Barnes & Noble on July 24, 2012, alleging infringement of the '336, '749 and '890 patents. On the same day, PDS filed a complaint in the U.S. International Trade Commission, alleging that B&N and

1 about a dozen other respondent groups (including HTC) engaged in unfair trade practices by
 2 importing goods (in B&N's case, Nook tablets) that infringed the '336 patent, in violation of 19
 3 U.S.C. § 1337. Based on PDS's complaint, the ITC instituted Investigation No. 337-TA-853 in
 4 August 2012.

5 Shortly thereafter, B&N chose to avail itself of 28 U.S.C. § 1659 by seeking a mandatory
 6 stay of this action with respect to the '336 patent pending resolution of the 853 Investigation. To
 7 conserve judicial resources, PDS joined B&N in a request for a stay of the entire action (including
 8 the '749 and '890 patents), even though this Court was only required to stay the cause of action on
 9 the '336 patent based on *B&N's* request for a stay – not PDS's. *See* 28 U.S.C. § 1659(a) (“*[A]t*
 10 *the request of a party to the civil action that is also a respondent in the proceeding before the*
 11 *Commission*, the district court *shall stay*, until the determination of the Commission becomes final,
 12 proceedings in the civil action *with respect to any claim that involves the same issues* involved in
 13 the proceeding before the Commission”); *see also* Dkt. No. 12.¹

14 The 853 Investigation proceeded to trial in June 2013, and ALJ James Gildea issued an
 15 initial determination (“ID”) on September 6, 2013. In the ID, Judge Gildea found no violation of
 16 Section 337 by Barnes & Noble and the other respondents, in part because he found no
 17 infringement of the '336 patent based on his (incorrect) claim constructions. In a parallel action
 18 involving HTC (the 882 Case), this Court conducted a thorough claim construction process for
 19 disputed terms in the '336 patent (as well as the '749 and '890 patent). This Court's careful
 20 consideration included multiple rounds of briefing, two *Markman* hearings, and at least four orders
 21 that related to the meaning of claim terms in the '336 patent. *See, e.g.,* 877 Case Dkt. No. 336;
 22 877 Case Dkt. No. 381; 882 Case Dkt. No. 585; 882 Case Dkt. No. 616. In fact, this Court
 23 specifically entertained HTC's arguments that the Court should adopt Judge Gildea's construction
 24 of “entire oscillator;” however, the Court properly rejected at least part of HTC's proposed

25
 26 ¹ Indeed, although HTC could have sought a stay of its earlier filed declaratory
 27 judgment action in this Court on the '336 patent under Section 1659 (the 882 Case), it chose not to
 28 seek a stay. And PDS had no ability to compel a stay under Section 1659, which only requires a
 stay upon the request of the accused infringer, not the patent holder.

1 construction, and adopted a correct construction of “entire oscillator.” *See id.*; *see also* 882 Case
 2 Dkt. No. 707 at 8, 9.

3 Following a trial before this Court in September and October 2013 in the 882 Case, a jury
 4 found that HTC infringed the ’336 patent based on the Court’s correct claim construction. The
 5 Court denied HTC’s renewed JMOL motion on January 21, 2014, finding that substantial evidence
 6 supported the jury’s verdict of infringement. *See* 882 Case Dkt. No. 707. Although HTC
 7 appealed to the Federal Circuit, the parties settled and the appeal was dismissed in January 2015.

8 On February 19, 2014 (several months after the jury verdict that HTC infringed the ’336
 9 patent), the ITC issued a notice in the 853 Investigation that there was no violation of Section 337
 10 by B&N (or any of the remaining respondents, including HTC). In so doing, the Commission
 11 affirmed, with modification, Judge Gildea’s finding that the respondents did not infringe the ’336
 12 patent. Contrary to the unsupported arguments in B&N’s brief, PDS chose not to appeal for one
 13 simple reason. The only relief available to a patent holder in the ITC is injunctive – *e.g.*, an
 14 exclusion order. Yet, even if PDS could have obtained a reversal of the ITC’s decision in the 853
 15 Investigation, it likely would have taken nearly a year and a half to complete the appeal.² By that
 16 time, the ’336 patent would have been expired (or close; it expires in September 2015), after
 17 which any exclusion order would also end. Indeed, even after a successful appeal, the case would
 18 have been remanded to the ITC for remedy proceedings, after which respondents could have
 19 bonded around an exclusion order during the 60-day Presidential review period. *See* 19 U.S.C. §
 20 1337(j) (Presidential review and bonding). Thus, it would have been futile for PDS to appeal the
 21 ITC’s decision, especially when PDS could only obtain damages for past infringement in the co-
 22 pending (but stayed) district court cases – not in the ITC.

23
 24
 25 ² *See, e.g.*, the Federal Circuit’s statistics at the following link:
 26 http://www.cafc.uscourts.gov/images/stories/Statistics/med%20disp%20time%20merits_table.pdf.
 27 This table shows a median time to disposition of 14.4 months for Federal Circuit appeals from the
 28 ITC, including over 16 months in Fiscal Year 2012. For an appeal of the 853 Investigation on
 the ’336 patent – which involved microprocessor technology and ten respondents – the appeal
 likely would have taken even longer.

After the district court lifted the Section 1659 stay in this case, it was related to the seven other cases against former respondents from the 853 Investigation on October 15, 2014; all of those cases had also been stayed since August/September 2012 pending resolution of the 853 Investigation. Judge Chhabria then referred the eight related cases to Judge Grewal for pretrial management, and the Court held a case management and scheduling conference on November 18, 2014. B&N filed the current motion on February 4, 2015.

Argument

I. EXPLICIT CONGRESSIONAL INTENT AND BINDING FEDERAL CIRCUIT PRECEDENT DICTATE THAT ITC DETERMINATIONS ON PATENT ISSUES HAVE NO PRECLUSIVE EFFECT ON DISTRICT COURT ACTIONS.

One of the best-established legal tenets regarding the interaction of the ITC and the district courts is that a patent decision from the ITC does *not* bind a district court, *even on exactly the same issue*. Indeed, Congress – which created the ITC’s statutory authority to consider trade violations based on patent infringement in the first place – has specifically stated that the ITC does *not* have the last word on patent issues; the federal district courts do. For this reason alone, B&N’s motion should be denied.

In the Trade Reform Act of 1974, Congress amended Section 337 to allow respondents to raise patent-related defenses in 337 investigations before the ITC. In doing so, Congress stated:

The Commission is not, of course, empowered under existing law to set aside a patent as being invalid or to render it unenforceable, and the extent of the Commission’s authority under this bill is to take into consideration such defenses and to make findings thereon for the purposes of determining whether section 337 is being violated.

[I]n patent-based cases, the Commission considers, for its own purposes under section 337, the status of imports with respect to the claims of U.S. patents. The Commission’s findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. *Therefore, it seems clear that any disposition of a Commission action by a Federal Court should not have a res judicata or collateral estoppel effect in cases before such courts.*

S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974) U.S. Code Cong. & Admin. News 1974, p. 7186. Thus, ITC decisions regarding U.S. patent laws have no preclusive effect on the federal courts. This is a *statutory* limitation that goes to the heart of the ITC’s congressional mandate.

The Federal Circuit has applied this legal principle on multiple occasions. In *Bio-Technology Gen. Corp. v. Genentech, Inc.*, 80 F.3d 1553 (Fed. Cir. 1996), the court noted that like

1 a district court judgment, an ITC decision “potentially may be given preclusive effect when, as
 2 here, the agency acted in a judicial capacity. . .” *Id.* at 1563. But the court observed that whether
 3 an ITC decision should have a preclusive effect on a later district court case also depends on the
 4 difference in remedies available in each forum. For example, “where a plaintiff was precluded
 5 from recovering damages in the initial action by formal jurisdictional or statutory barriers, not by
 6 plaintiff’s choice, a subsequent action for damages will not normally be barred by res judicata
 7 even where it arises from the same factual circumstances as the initial action.” *Id.* at 1563 (*citing*
 8 *Burgos v. Hopkins*, 14 F.3d 787, 790 (2d Cir. 1994). The court then observed this as an important
 9 distinction that counsels against preclusion of a district court by an earlier ITC decision:

10 Importantly . . . the ITC does not have the power to award damages for patent infringement.
 11 This form of relief may only be provided by the United States District Courts, which have
 12 original and exclusive jurisdiction over patent infringement cases. *See* 28 U.S.C. § 1338(a)
 (1994).

13 The legislative history of the Trade Reform Act of 1974 supports the view that ITC
 14 decisions with respect to patent issues should have no claim preclusive effect in later
 district court litigation . . .

15 *Id.* at 1564. After quoting and discussing the legislative history of the Trade Reform Act of 1974
 16 quoted above, the *Bio-Technology General* court held (*Id.* at 1564):

17 Thus, in view of the jurisdictional limitations on the relief available in the ITC, ***we hold***
 18 ***that the ITC’s prior decision cannot have claim preclusive effect in the district court.***
 19 *See also Texas Instruments, Inc. v. United States Int’l Trade Comm’n*, 851 F.2d 342, 344, 7
 USPQ2d 1509, 1510 (Fed. Cir. 1988) (“[T]his court has stated that the ITC’s
 determinations regarding patent issues should be given no res judicata or collateral
 estoppel effect.”).

20 Later that same year, the Federal Circuit decided another key case in this area: *Texas*
 21 *Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996), an appeal by TI
 22 from the Northern District of Texas. In *TI v. Cypress*, the Federal Circuit noted that the ITC had
 23 previously found infringement of TI’s ’027 patent, a decision the Federal Circuit affirmed.
 24 Especially in light of the Federal Circuit’s earlier affirmance, TI argued that the ITC’s decision
 25 should have bound the Northern District of Texas, which denied TI’s JMOL motion after a jury
 26 verdict of noninfringement on the ’027 patent. The Federal Circuit disagreed (*Id.* at 1568):

27 TI next argues that the ITC’s previous finding that the same defendants, using the
 28 same processes, infringed claims 12 and 14 of the ’027 patent, and that our subsequent
 affirmance of that determination should be given preclusive effect. . . In support, TI

1 contends that preclusive effect is properly given to determinations made in a federal
 2 agency's adjudicatory capacity. TI also asserts that the district court erred in failing to
 permit the jury to be informed of the prior ITC holding. [citations omitted]

3 The doctrine of issue preclusion (or collateral estoppel) has been defined to mean
 4 that "[w]hen an issue of fact or law is actually litigated and determined by a valid and final
 judgment, and the determination is essential to the judgment, the determination is
 5 conclusive in a subsequent action between the parties, whether on the same or a different
 claim." RESTATEMENT (SECOND) OF JUDGMENTS § 27 (1982). The purpose of the
 6 doctrine is to "relieve parties of the cost and vexation of multiple lawsuits, conserve
 judicial resources, and, by preventing inconsistent decisions, encourage reliance on
 7 adjudication." *Allen v. McCurry*, 449 U.S. 90, 94, 101 S. Ct. 411, 415, 66 L. Ed. 2d 308
 (1980). The decision of an administrative agency may be given preclusive effect in a
 8 federal court when, as here, the agency acted in a judicial capacity. *See University of*
Tennessee v. Elliott, 478 U.S. 788, 797-98, 106 S. Ct. 3220, 3225-26, 92 L. Ed. 2d 635
 (1986); *United States v. Utah Constr. & Mining Co.*, 384 U.S. 394, 422, 86 S. Ct. 1545,
 1560, 16 L. Ed. 2d 642 (1966). **However, an administrative agency decision, issued**
 9 **pursuant to a statute, cannot have preclusive effect when Congress, either expressly or**
 10 **impliedly, indicated that it intended otherwise.** *Astoria Fed. Sav. & Loan Ass'n v.*
Solimino, 501 U.S. 104, 110, 111 S. Ct. 2166, 115 L. Ed. 2d 96 (1991).

11 The *TI v. Cypress* court then discussed the legislative history of the Trade Reform Act of
 12 1974 (discussed above). The Federal Circuit concluded:

13 ***Based on this legislative history, we have stated that Congress did not intend decisions of***
 14 ***the ITC on patent issues to have preclusive effect.*** *See Tandon Corp. v. United States*
Int'l Trade Comm'n, 831 F.2d 1017, 1019, 4 USPQ2d 1283, 1285 (Fed. Cir. 1987) ("[O]ur
 15 appellate treatment of decisions of the Commission does not estop fresh consideration by
 other tribunals."). *See also Texas Instruments Inc. v. United States Int'l Trade Comm'n*,
 851 F.2d 342, 344, 7 USPQ2d 1509, 1510 (Fed. Cir. 1988) (stating that ITC
 16 determinations regarding patent issues should be given no collateral estoppel effect);
Corning Glass Works v. United States Int'l Trade Comm'n, 799 F.2d 1559, 1570 n. 12, 230
 17 USPQ 822, 830 n. 12 (Fed. Cir. 1986) (stating that the legislative history of the Trade
 Reform Act of 1974 supports the position that ITC decisions have no preclusive effect in
 18 district courts).

* * *

19 However, once we accept, as we have done at least since 1986, that ITC decisions
 20 are not binding on district courts in subsequent cases brought before them, it necessarily
 21 follows that accused infringers can raise whatever defenses they believe are justified,
 regardless whether they previously raised them and lost in the ITC. The district court can
 22 attribute whatever persuasive value to the prior ITC decision that it considers justified. . .

23 *Id.* at 1569. Thus, although an ITC decision on patent infringement might otherwise have a
 collateral estoppel effect on a district court that is considering infringement of the same patent,
 24 Congress has "indicated that it intended otherwise." However, the district court may use the prior
 25 ITC decision for whatever "persuasive value" the court considers justified. *Id.* The Federal
 26 Circuit went on to affirm the district court's denial of TI's JMOL motion – *i.e.*, affirming a finding
 27
 28

1 of noninfringement – even though the Federal Circuit had previously affirmed the ITC’s finding of
 2 infringement on the same claims of the same patent. *TI v. Cypress*, 90 F.3d at 1570.

3 In the mid 1990’s, Congress enacted 28 U.S.C. § 1659 to ensure the right of an accused
 4 infringer to seek a mandatory stay of a district court case with respect to a claim for patent
 5 infringement when facing the same allegation in the ITC:

6 (a) **Stay.** – In a civil action involving parties that are also parties to a proceeding before
 7 the United States International Trade Commission under section 337 of the Tariff Act of
 8 1930, *at the request of a party to the civil action that is also a respondent in the*
 9 *proceeding before the Commission*, the district court *shall stay*, until the determination of
 the Commission becomes final, proceedings in the civil action with respect to any claim
 that involves the same issues involved in the proceeding before the Commission . . .

10 28 U.S.C. § 1659(a). Section 1659 is perfectly consistent with Congress’s previously expressed
 11 intent that ITC decisions do not preclude district courts. Indeed, Section 1659 merely protects the
 12 accused infringer from simultaneous lawsuits, while preserving the patent owner’s ability to seek
 13 patent damages in the district court. Moreover, Section 1659(b) provides for the transmission of
 14 the Commission’s record to the district court after the dissolution of a stay; the record “shall be
 15 admissible in the civil action, subject to such protective order as the district court determines
 16 necessary, to the extent permitted under the Federal Rules of Evidence and the Federal Rules of
 17 Civil Procedure.” 28 U.S.C. § 1659(b). Thus, far from binding the district court, “[t]he district
 18 court can attribute whatever persuasive value to the prior ITC decision that it considers justified.”

19 In summary, it is beyond dispute that ITC patent decisions do not bind district courts on
 20 infringement, validity, enforceability, or any other patent issue. B&N’s motion should be denied.

21 **II. THE 100-YEAR-OLD *KESSLER* DOCTRINE IS INAPPLICABLE IN THIS**
 22 **SITUATION, AND NO COURT HAS EVER APPLIED IT TO PRECLUDE A**
DISTRICT COURT PATENT CLAIM BASED ON AN ITC DECISION.

23 In the face of unequivocal congressional intent and binding Federal Circuit precedent,
 24 B&N improperly tries to use the *Kessler* doctrine to create an exception that destroys the rule. As
 25 discussed below, the Supreme Court created the *Kessler* doctrine as a “gap-filler” in cases where
 26 *res judicata* and collateral estoppel are not available due to the specific facts of the case. But
 27 *Kessler* is completely inapplicable in the current context proposed by B&N, because collateral
 28 estoppel would normally apply to bar PDS’s assertion of the ’336 patent against B&N – *except*

1 *that Congress and the Federal Circuit have specifically found otherwise.* Accordingly, B&N's
2 motion must fail.

3 A. **Kessler Created a Narrow “Gap-Filling” Exception that is Inapplicable in this**
4 **Case, Because Congress Has Made Clear that ITC Patent Decisions Do Not**
5 **Preclude District Courts.**

6 The *Kessler* doctrine was first announced by the Supreme Court in *Kessler v. Eldred*, 206
7 U.S. 285, 27 S. Ct. 611 (1907). In that case, Eldred held a patent for an electric cigar lighter and
8 sued Kessler for patent infringement in the District of Indiana. The court found that Eldred did
9 not infringe, and the Seventh Circuit affirmed. Eldred then sued Kessler's customer (Breitwieser)
10 in the Western District of New York for selling the same Kessler lighters that were at issue in the
11 Indiana suit. Kessler indemnified Breitwieser in New York, but also sued Eldred in district court
12 in Illinois to enjoin Eldred from suing Breitwieser based on the earlier judgment. The Illinois
13 district court and Seventh Circuit agreed with Kessler, and enjoined Eldred.

14 The Supreme Court affirmed, finding that the final judgment in the first action between
15 Eldred and Kessler “settled finally and everywhere . . . that Kessler has the right to manufacture,
16 use, and sell the [previously accused] electric cigar lighter.” *Kessler*, 206 U.S. at 287, 27 S. Ct.
17 611. The Court reached this result even though certain formal requirements for the application of
18 claim preclusion and/or collateral estoppel were missing. For example, there was no mutuality of
19 parties, because Eldred sued Breitwieser (not Kessler) in the second suit.³ In addition, the Court
20 found preclusion even for acts of infringement that occurred *after* the final judgment in the first
21 case. In short, the Court “did not rely on traditional notions of claim or issue preclusion in
22

23 ³ In its recent explication of the *Kessler* doctrine, the Federal Circuit noted: “At the
24 time *Kessler* was decided, ‘the judge-made doctrine of mutuality of estoppel, ordain[ed] that,
25 unless both parties (or their privies) in a second action [were] bound by a judgment in a previous
26 case, neither party (nor his privy) in the second action may use the prior judgment as
27 determinative of an issue in the second action.’ . . . The Supreme Court, therefore, may have
28 created the *Kessler* Doctrine as an exception to the strict mutuality requirement that existed at that
time, rather than to espouse a specific doctrine of substantive patent law.” *Brain Life, LLC v.*
Elekta, Inc., 746 F.3d 1045, 1057 (Fed. Cir. 2014) (internal citation omitted).

1 crafting this protection for Kessler.” *See Brain Life, LLC v. Elekta, Inc.*, 746 F.3d 1045, 1056
 2 (Fed. Cir. 2014). As the Federal Circuit explained in *Brain Life*:

3 [T]raditional notions of claim preclusion do not apply when a patentee accuses new acts of
 4 infringement, i.e., post-final judgment, in a second suit – even where the products are the
 5 same in both suits. Such claims are barred under general preclusion principles only to the
 6 extent they can be barred by issue preclusion, with its attendant limitations. **The Kessler
 Doctrine fills the gap between these preclusion doctrines**, however, allowing an
 adjudged *non-infringer* to avoid repeated harassment for continuing its business as usual
 post-final judgment in a patent action where circumstances justify that result.

7 *Id.* at 1056 (bold added; italics in original).

8 But there is no “gap” to fill with respect to issue preclusion as it applies to PDS’s assertion
 9 of the ’336 patent against Barnes & Noble in this case. Under a traditional application of issue
 10 preclusion/collateral estoppel, PDS’s assertion of the ’336 patent in this Court might normally be
 11 barred – except that Congress and the Federal Circuit have specifically declared otherwise, as
 12 discussed above in Section I. The Federal Circuit explained issue preclusion in *Brain Life*:

13 Issue preclusion bars subsequent litigation on an issue of law or fact that was actually
 14 litigated. *See Foster*, 947 F.2d at 480 (citing RESTATEMENT (SECOND) OF JUDGMENTS §
 15 27). ***If an issue of fact or law is actually litigated and determined by a final judgment,
 and the determination is essential to the judgment, that determination is conclusive in
 any later action between the parties on the same or a different claim.*** *See id.*

16 *Id.* at 1054-55. Arguably, the issue of B&N’s infringement of the ’336 patent was “actually
 17 litigated” in the ITC’s 853 Investigation. The ITC then issued a final determination – analogous to
 18 a “final judgment” – and the finding of noninfringement was “essential” to the ITC’s “judgment.”
 19 Moreover, the “parties” in the 853 Investigation and this action are the same: PDS and Barnes &
 20 Noble. Thus, under this analysis, issue preclusion/collateral estoppel could arguably apply to bar
 21 PDS’s current assertion of the ’336 patent against B&N in this Court.⁴

22
 23 ⁴ A similar analysis shows that *res judicata*/claim preclusion would **not** bar PDS’s
 24 claim for patent infringement against B&N in this Court – even in the absence of Congress’ clear
 25 legislative intent that ITC decisions have no preclusive effect. This is so because PDS’s current
 26 claim for patent infringement is not the “same claim” as an investigation regarding a violation of
 27 Section 337 for unfair trade practices. Indeed, money damages for patent infringement are not
 28 even available under Section 337. “[T]he ITC does not have the power to award damages for
 patent infringement. This form of relief may only be provided by the United States District
 Courts.” *Bio-Technology General v. Genentech*, 80 F.3d 1553, 1564 (Fed. Cir. 1996).

1 But issue preclusion does *not* bar PDS's case against B&N. Why? Because Congress
 2 specifically said that it does not. The narrow exception of the judicially created *Kessler* doctrine
 3 cannot trump Congress's clear intent that ITC decisions do not preclude U.S. district courts on
 4 patent issues. And B&N has cited no case – because there is none – in which a court applied the
 5 *Kessler* doctrine to bar a district court case based on a decision from the ITC on the same patent.

6 **B. Neither *Brain Life* Nor Any Other Case Cited by B&N Supports Its Argument**
 7 **that the ITC Decision Precludes PDS's Assertion of the '336 Patent.**

8 Although B&N relies heavily on *Brain Life*, that case had nothing to do with whether an
 9 ITC decision could preclude a district court from considering infringement of the same patent. In
 10 *Brain Life*, MIDCO sued Elekta in the Southern District of California for infringement of the '684
 11 patent, which included apparatus and method claims. Prior to trial, the district court dismissed the
 12 method claims without prejudice. Although the jury found that Elekta infringed the apparatus
 13 claims, the Federal Circuit reversed the district court's claim construction and held that there was
 14 no infringement based on the correct claim construction. On remand, the district court refused to
 15 allow MIDCO to revive the '684 patent by asserting only the method claims, and entered final
 16 judgment against MIDCO and in favor of Elekta. *Brain Life*, 746 F.3d at 1049-50.

17 Several years later, MIDCO licensed the '684 patent to another company, which licensed it
 18 to Brain Life. Brain Life then sued Elekta in the same district court for infringement of only
 19 the '684 method claims; the suit included some Elekta products that had been at issue in the earlier
 20 case filed by MIDCO, and some new products. The district court granted Elekta's motion for
 21 summary judgment of claim preclusion/*res judicata*, finding that MIDCO had voluntarily given up
 22 its assertion of the method claims in the earlier suit. The district court also found that there was no
 23 material difference between the accused Elekta products in the second suit and those that were
 24 accused in the earlier MIDCO suit. Brain Life appealed to the Federal Circuit. *Id.* at 1050-52.

25 In a detailed analysis, the Federal Circuit found that a strict application of claim and issue
 26 preclusion did *not* bar a substantial portion of Brain Life's claims against Elekta. For example,
 27 traditional estoppel doctrines could not bar Brain Life's assertion of the '684 patent against Elekta
 28 for acts of infringement that occurred *after* the final judgment in the earlier case by MIDCO. *See*

1 *Brain Life*, 746 F.3d at 1053-55. However, the Federal Circuit applied the *Kessler* doctrine to find
 2 that Elekta's accused devices had "acquired a noninfringing status vis-à-vis the '684 patent by
 3 virtue of the first case." *Id.* at 1058. But *Brain Life* involved the effect of one district court action
 4 on a later district court action – not whether an ITC decision can preclude a district court.
 5 Moreover, claim and issue preclusion did not bar many of *Brain Life*'s claims against Elekta; thus,
 6 *Kessler* provided a "gap-filling" function in *Brain Life*. By contrast, a traditional application of
 7 issue preclusion might operate to preclude PDS's assertion of the '336 patent against B&N –
 8 except for clear congressional intent and Federal Circuit precedent to the contrary.

9 Similarly misplaced is B&N's reliance on *MGA, Inc. v. General Motors Corp.*, 827 F.2d
 10 729 (Fed. Cir. 1987), and *SpeedTrack, Inc. v. Office Depot, Inc.*, No. C 07-3602 PJH, 2014 WL
 11 1813292 (N.D. Cal. May 6, 2014). Neither of those cases addressed whether an ITC decision can
 12 preclude a district court's consideration of the same patent infringement issue. Indeed, without
 13 any legal support, Barnes & Noble is trying to apply *Kessler* as an exception that swallows the
 14 congressionally mandated rule that an ITC decision does **not** preclude a district court's
 15 consideration of exactly the same patent issue that the ITC decided. "The Commission's findings
 16 neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws
 17 in particular factual contexts." S. Rep. No. 1298, 93d Cong., 2d Sess. 196 (1974) U.S. Code Cong.
 18 & Admin. News 1974, p. 7186. In short, "in view of the jurisdictional limitations on the relief
 19 available in the ITC, we hold that the ITC's prior decision cannot have claim preclusive effect in
 20 the district court." *Bio-Technology General Corp. v. Genentech, Inc.*, 80 F.3d 1553, 1564 (Fed.
 21 Cir. 1996).⁵

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 23
 24
 25 ⁵ Notably, the Federal Circuit decided *Bio-Technology General* and *TI v. Cypress* in
 26 1996 – many years after the Supreme Court's *Kessler* decision, and nine years after the Federal
 27 Circuit's own decision in *MGA, Inc. v. General Motors* in 1987. Nevertheless, the Federal Circuit
 28 did not even consider the *Kessler* doctrine in its seminal 1996 decisions – obviously because
 Congress had made it clear that ITC patent decisions do not bind U.S. district courts, whether
 based on claim or issue preclusion, the *Kessler* doctrine, or any other doctrine of estoppel.

Conclusion

For the foregoing reasons, PDS respectfully asks the Court to deny Barnes & Noble's Motion for Judgment on the Pleadings Based on the *Kessler* Doctrine.

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Respectfully Submitted,
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