QUINN EMANUEL URQUHART & SULLIVAN, LLP
David Eiseman (Bar No. 114758)
davideiseman@quinnemanuel.com
50 California Street, 22nd Floor
San Francisco, California 94111-4788
Telephone: (415) 875-6600
Facsimile: (415) 875-6700

Attorney for Defendant Barnes & Noble, Inc.

UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA

SAN FRANCISCO DIVISION

TECHNOLOGY PROPERTIES LIMITED LLC, et al.,

Plaintiffs,

vs.

BARNES & NOBLE, INC.,

Defendant.

CASE NO. 12-cv-03863-VC

DEFENDANT BARNES & NOBLE, INC.'S REPLY BRIEF IN SUPPORT OF MOTION FOR DE NOVO DETERMINATION OF DISPOSITIVE MATTER REFERRED TO MAGISTRATE JUDGE

Date: July 23, 2015
Time: 10:00 am
Place: Courtroom 4 - 17th Floor
Judge: Hon. Vince Chhabria

PRELIMINARY STATEMENT

Nothing in the opposition brief ("Opp.") of Plaintiffs Technology Properties Limited, Phoenix Digital Solutions, and Patriot Scientific Corporation ("TPL") changes the fact that *Kessler*'s plain terms (which cover any tribunal with jurisdiction that is entitled to respect) and its rationale (to prevent harassment of an adjudicated non-infringer) apply to this case.

Barnes & Noble, Inc. ("Barnes & Noble") submits this reply brief to address three issues. First, this Court should reject the holding of *Technology Properties Limited LLC v. Canon, Inc.*, Case No. 4:14-CV-3640, Dkt. No. 302 (N.D. Cal. June 24, 2015) ("*TPL*"). The reasoning in *TPL* is erroneous because it inexplicably limits *Kessler* to tribunals in existence at the time of the decision in *Kessler* and because it attempts to divine congressional intent while ignoring the relevant statute. Second, TPL's analysis conflicts with a recent decision from the Federal Circuit. *See SpeedTrack, Inc. v. Office Depot, Inc.*, --- F.3d ----, No. 2014-1475, 2015 WL 3953688 (Fed. Cir. June 30, 2015). *SpeedTrack* correctly recognized that *Kessler* cannot be applied narrowly to the factual situation at issue there, but rather should be applied whenever it accords with the Supreme Court's reasoning. Third, TPL incorrectly attributes to a statute the quotation that courts can give only persuasive value to ITC decisions, but no statute says anything of the sort. Indeed, this is precisely the point: Congress never suggested that *Kessler* should be inapplicable to ITC decisions.

ARGUMENT

First, TPL relies extensively on the decision by Judge Wilken in *TPL*, but the reasoning in that decision is unpersuasive. Judge Wilken started from the premise that *Kessler* cannot apply to the ITC since "there is no possibility that the Supreme Court had ITC judgments in mind when it decided *Kessler* because the ITC's predecessor agency, the United States Tariff Commission, was not created until nine years after *Kessler* in 1916." Slip op. at 8; *see also* Opp. at 9. However, there is no legal basis for applying the *Kessler* doctrine only to tribunals that existed at the time of the decision. Indeed, by that logic, the *Kessler* doctrine would not apply to decisions of the

Federal Circuit, which was created in 1982.[1] In any event, *Kessler* made perfectly clear exactly the tribunals to which it applied: any "court of competent jurisdiction" and "wherever the judgment is entitled to respect." *Kessler v. Eldred*, 206 U.S. 285, 289 (1907). That plainly includes the ITC.

Judge Wilken likewise erred in stating that "Congress has expressly indicated that ITC decisions are not entitled to have preclusive effect." Slip op. at 9; *see also* Opp. at 9-10. Congress has indicated no such thing. Judge Wilken, just like Magistrate Judge Grewal and TPL, ignores the statute entirely. And the statute shows that ITC judgments are entitled to respect. *See* Mot. at 7. Judge Wilken relied instead on a Senate Report stating that res judicata and collateral estoppel would not apply to ITC actions.[2] Slip op. at 9. But the Supreme Court recently held that an agency decision "has preclusive effect" where there is nothing in the "text" or "the Act's structure" that says otherwise. *See B&B Hardware v. Hargis Indus.*, 135 S. Ct. 1293, 1305 (2015). Judge Wilken held nonetheless that *B&B* "actually undermines Defendants' position because the opinion emphasized that courts must defer to Congress's view that an agency's action should not be preclusive." Slip op. at 10. But this statement obscures the question of how to determine "Congress's view." The Supreme Court held exactly how to do so: "Congress presumptively intends that an agency's determination . . . has preclusive effect," and the courts look only to the statute's "text" and "structure" to see if Congress intends to override this presumption. 135 S. Ct. at 1305. Moreover, even assuming legislative history were relevant to

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[1] The Supreme Court decided *Kessler* in 1907. In 1909, the Payne-Aldrich Tariff Act created the Court of Customs Appeals, which was renamed the Court of Customs and Patent Appeals ("CCPA") in 1929 when it received jurisdiction over Patent Office appeals. In 1982, Congress transferred the CCPA's docket to the Federal Circuit, which adopted its opinions as binding precedent. *South Corp. v. United States*, 690 F.2d 1368, 1369 (Fed. Cir. 1982) (en banc).

[2] The ITC's predecessor, the Tariff Commission, was not permitted to consider validity defenses. The rationale behind the Senate Report's statement, which suggests that the ITC is not empowered to consider such defenses, is both incorrect with respect to the present scope of ITC jurisdiction and illustrates a potentially critical difference between questions of preclusive effect—which could be unfair to impose offensively if defenses were limited—and *Kessler*, which exists to prevent harassment where products have already been cleared of infringement allegations.

this analysis, there is no basis to treat it as conclusive here, given that the Senate Report did not address *Kessler* or findings of non-infringement. *See* Mot. at 8, 11.[3]

Second, the Federal Circuit just decided a case that makes clear that *Kessler* cannot properly be restricted to its specific facts. In *SpeedTrack*, the plaintiff argued that *Kessler* "should be limited to its 'original footprint,'" and thus should not be applied where the alleged infringer's customer was trying to invoke the doctrine. 2015 WL 3953688, at *8. The Federal Circuit "decline[d] to limit *Kessler* as SpeedTrack urges" because "the rationale underlying the *Kessler* doctrine supports permitting customers to assert it as a defense to infringement claims." *Id.* at *8-*9. The Federal Circuit also rejected the plaintiff's attempt to argue that *Kessler* was obsolete. It held that "the *Kessler* doctrine is a necessary supplement to issue and claim preclusion" to ensure that patent holders could not engage in "the type of harassment the Supreme Court sought to prevent in *Kessler*." *Id.* at *11; *see also id.* ("Because we must follow *Kessler* unless and until the Supreme Court overrules it, and because this appeal fits within its bounds, we agree with the district court that the entirety of SpeedTrack's suit against Appellees is barred.").

The reasoning in *SpeedTrack* conflicts with both Magistrate Judge Grewal's analysis and the arguments in TPL's Opposition. Magistrate Judge Grewal stated that "harassment in litigation is—unfortunately—nothing unique to patent cases, and even if this special patent rule itself remains binding precedent, there seems little or no reason to expand it." Report and Recommendation ("R&R") at 11. Similarly, TPL argues (Opp. at 12) that *Kessler* should be treated as a "narrow exception" applicable only to its specific factual scenario. However, the Federal Circuit correctly held that *Kessler* cannot be so limited. 2015 WL 3953688, at *8. Rather, it must be applied faithfully based on whether "the rationale underlying the *Kessler* doctrine"

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[3] Judge Wilken also suggests that there is a potential constitutional problem with applying *Kessler* because it might deprive plaintiffs of their right to a jury trial. Slip op. at 11; *see also* Opp. at 13. But there is no such problem because TPL *chose* to pursue an action in the ITC, where TPL knew that infringement would not be decided by a jury. Indeed, if there were a constitutional problem with applying *Kessler* here, there would be such a problem in any case (regardless of *Kessler*) where a party appealed to the Federal Circuit from the ITC because there is no dispute that such a decision is binding as a matter of stare decisis.

governs the situation at issue. Here, there is no doubt that the doctrine, as the Supreme Court articulated it, as well as *Kessler*'s rationale—preventing harassment with repeated suits after a finding of non-infringement—apply. Indeed, no one has articulated any argument to the contrary.

SpeedTrack also demonstrates the error in Magistrate Judge Grewal's ruling and TPL's argument that the inapplicability of claim or issue preclusion belies use of *Kessler* because there is no "gap" to fill. R&R at 8-9; Opp. at 11-12. As the Federal Circuit recognized, *Kessler* is a "necessary *supplement* to issue and claim preclusion," and thus its use does not rest on whether it is filling a gap in those preclusion doctrines. *Id.* at *11 (emphasis added).

Third, TPL erroneously attributed a quotation to a statute that is nowhere in the statute. Specifically, TPL provides the following quotation: "[t]he district court can attribute whatever persuasive value to the prior ITC decision that it considers justified." Opp. at 8 (brackets in original). TPL follows this quotation with an "*Id.*" that refers back to 28 U.S.C. § 1659(b). However, neither § 1659(b) nor any other statute says that district courts can give ITC decisions "persuasive value." This is a crucial point because, as Barnes & Noble has explained, this Court should apply the *Kessler* doctrine based on the absence of any statutory basis for denying the preclusive effect of an ITC finding of non-infringement.[4]

CONCLUSION

For the foregoing reasons and the reasons stated in its opening brief, Barnes & Noble respectfully requests that the Court grant its motion in accordance with Rule 12(c) and enter judgment on the pleadings, dismissing Plaintiffs' third cause of action with prejudice.

[4] To be sure, the quoted language does come from a case: *Texas Instruments, Inc. v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996). However, that case is inapposite because it did not involve a finding of non-infringement or consider the *Kessler* doctrine. *See* Mot. at 10. Moreover, while *B&B Hardware* calls the reasoning of *Texas Instruments* into question, this Court need not decide the validity of *Texas Instruments* because the application of the *Kessler* doctrine here is consistent with both *Texas Instruments* and *B&B Hardware*, as well as *Kessler* itself.

DATED: July 6, 2015

QUINN EMANUEL URQUHART & SULLIVAN, LLP

By */s/ David Eiseman*
David Eiseman
Attorney for Defendant Barnes & Noble, Inc.

CERTIFICATE OF SERVICE

I hereby certify that, on July 6, 2015, I caused the foregoing document to be served on counsel of record via the Court's CM/ECF system.

Dated: July 6, 2015

By */s/ David Eiseman*
David Eiseman