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Is the 'Kessler' Doctrine Still Needed in Patent Litigation?

BY DAVID R. CLONTS
AND MICHAEL F. REEDER

Special to the Legal

With the rapid turnover of consumer electronic devices—smartphones, for instance—patent litigants should take a renewed look at res judicata when it comes to cases involving new versions of previously litigated products. The U.S. Court of Appeals for the Federal Circuit's decision in *Foster v. Halco Manufacturing*, 947 F.2d 469 (1991), held that res judicata bars claims against new products that are “essentially the same” as previously litigated, non-infringing products. But the court's recent decision in *Brain Life v. Elekta*, 746 F.3d 1045, 1054 (Fed. Cir. 2014), has some patent litigators scratching their heads.

In *Brain Life*, a three-judge Federal Circuit panel contradicted its own precedent by



DAVID R. CLONTS is a partner at Akin Gump Strauss Hauer & Feld who focuses on intellectual property litigation and has served as lead counsel

for patent litigants in numerous cases across the country. He has a particular focus on, and experience in, electronics, software, computer technology, medical devices, networks and the Internet, telecommunications systems and protocols, and business methods. Contact him at dclonts@akingump.com.

finding that res judicata cannot bar claims against new versions of previously litigated products (whereas the *Foster* line of cases held it could), and instead resuscitated the century-old Kessler doctrine to bar claims against new versions of the products. But is *Brain Life* anything more than a new spin on the *Foster*



MICHAEL F. REEDER is a counsel at the firm and practices in the intellectual property litigation section, focusing primarily on patent litigation. He

has represented clients through all phases of litigation in federal court, including trial and appeal. His practice has covered electronics and software technologies, as well as oilfield services technologies. Contact him at mreeder@akingump.com.

precedent? Probably not.

To facilitate the discussion, we provide this hypothetical: A plaintiff sues a defendant for patent infringement based on the defendant's smartphone's compliance with an industry standard for cellular communication. Eventually, the case is dismissed with prejudice for want of pros-

ecution. (We have chosen this outcome to make clear that no issues are substantively decided and thus issue preclusion and collateral estoppel will not apply.) The plaintiff then files a second lawsuit against the same defendant for infringement by a newly released version of the defendant's smartphone that complies with the same industry standard. Under our read of the Federal Circuit's precedent, applying either *Foster* (*res judicata*) or *Brain Life* (*Kessler* doctrine) should bar the suit against the new products entirely.

RES JUDICATA

Res judicata bars new claims that were made, or could have been made, in a previous lawsuit. And according to the Federal Circuit's decision in *Foster*, *res judicata* also bars claims of patent infringement against new devices that are "essentially the same" as previously litigated, non-infringing products. The new devices are "essentially the same" as the old devices if the differences are not relevant to infringement. As the court said, "colorable changes in an infringing device or changes unrelated to the limitations in the claim of the patent would not present a new cause of action."

The Federal Circuit has applied *res judicata* to cases where the new products did not exist during the original lawsuit. In *Nystrom v. Trex*, 580 F.3d 1281, 1283 (Fed. Cir. 2009), Ron Nystrom sued Trex alleging that Trex's first-generation wood-composite boards infringed

Nystrom's patents. Nystrom alleged literal infringement, but after receiving an unfavorable claim construction ruling, conceded that there could be no literal infringement under those constructions. The district court also denied Nystrom's later request to pursue infringement under the doctrine of equivalents because Nystrom waived his right. Ultimately, the first-generation products were found to be non-infringing.

After the first case, Nystrom filed a second suit against Trex, now alleging that Trex's second-generation products infringed his patent, not literally but by equivalents. Nystrom also argued that these products could not have been included in the first suit because they reached the market after he filed the first suit. The Federal Circuit found that the case against the second-generation products was barred by *res judicata* because, "where an accused infringer has prevailed in an infringement suit, the accused devices have the status of non-infringements, and the defendant acquires the status of a non-infringer to that extent." The court noted that the second-generation wood-composite boards were unchanged as to the features relevant to the infringement analysis. The court held that Nystrom was "attempting to prove infringement of the same claim limitations as to the same features of the accused devices," and that "this case presents the exact situation that *res judicata* seeks

to prevent." Thus, *res judicata* barred not only the doctrine of equivalents claim that could have been brought in the original case, but also barred all claims against newer products that were "essentially the same" as products in that case.

Applying this doctrine to the facts of our hypothetical, after the first case is dismissed with prejudice for want of prosecution, it would seem that under the *Nystrom* and *Foster* decisions, the defendant gains the status of a non-infringer, and the accused products also gain the status of being non-infringing devices. Plus, any new versions of the accused products also appear to gain the status of being non-infringing devices as long as they are "essentially the same" for infringement purposes. So the hypothetical plaintiff's claims in a second suit against the new products should be barred despite the fact that no issues were substantively addressed in the first lawsuit and the products did not exist at the time of the first lawsuit.

'BRAIN LIFE' AND THE 'KESSLER' DOCTRINE

The Federal Circuit's decisions in *Brain Life* and *Aspex Eyewear v. Marchon Eyewear*, 672 F.3d 1335, 1343 (Fed. Cir. 2012), are puzzling because they appear to contradict the *Foster* line of cases. In *Brain Life*, *Brain Life's* predecessor-in-interest had sued *Elekta*, alleging that three of *Elekta's* products infringed its patent. *Elekta* prevailed on appeal after losing a jury trial. *Brain Life*

later acquired the rights to that patent and sued Elekta for infringement based on new versions of the same products from the first case.

The three-judge panel in *Brain Life* found that *res judicata* barred claims that could have been brought in the original case. The *Brain Life* court (relying on *Aspex*) held that *res judicata* could not, however, bar a second suit against new versions of the original products, even though the *Nystrom* court held under similar facts the opposite: *Res judicata* could bar a second case against a newly released version of the original product. Strangely, the *Brain Life* court cites to both *Foster* and *Nystrom* throughout its decision, but does not address this contradiction. The U.S. District Court for the District of Oregon found that the decisions were in conflict, stating that “the *Foster* line of cases cannot be reconciled with *Aspex* and *Brain Life*,” in *Mentor Graphics v. EVE-USA*, No. 3:10-CV-954-MO (D. Or. June 4, 2014).

Nevertheless, the Federal Circuit in *Brain Life* reached the same result—that the claims in the second suit were barred—but did so by applying the 100-year-old Supreme Court *Kessler* doctrine. In *Kessler v. Eldred*, 206 U.S. 285 (1907), the U.S. Supreme Court found that a patent holder could not sue a manufacturer’s customer for infringement based on a product that was previously found non-infringing in a case against the manufacturer itself,

because that would impact the manufacturer’s right to sell the non-infringing product. Using the *Kessler* doctrine, the *Brain Life* court articulated a very similar test as *Nystrom* about the non-infringing “status” of a product, saying that “when an alleged infringer prevails in demonstrating non-infringement, the specific accused device(s) acquires the ‘status’ of a non-infringing device vis-à-vis the asserted patent claims.” And given the final judgment of non-infringement in the first lawsuit, the *Brain Life* court found that *Kessler* barred the claims against products that were “essentially the same,” saying, “simply, by virtue of gaining a final judgment of non-infringement in the first suit ... the accused devices acquired a status as non-infringing devices,” and “as such, because *Elekta*’s [new products] are essentially the same accused products, *Brain Life*’s claims are barred under the *Kessler* doctrine.”

Applying the *Kessler* doctrine to our hypothetical above, after the first case is dismissed with prejudice, it would seem that the accused products again gain the status of being non-infringing devices, and any claims against new versions of the accused products are barred as long as they are essentially the same. This appears to be the same result as was reached applying *Foster* and *res judicata*.

IMPLICATIONS FOR PRACTITIONERS

Patent litigants (especially those involving standards for

consumer electronics and other industries with a rapid turnover of products) should consider how their infringement and non-infringement arguments and descriptions of the accused technology may affect the outcome of later cases against newer versions of the products. For instance, during the course of a single litigation, a smartphone manufacturer may release several new versions of its accused phones. And while certain marketable features like cameras and screen size may change from one generation of the product to the next, other baseline or standardized technology may stay the same. If numerous accused devices in a first case are described as all employing the same technology in the same way (employing a common standard without distinction from one product to the next), a finding of non-infringement in the first case could bar claims against all newer versions of the accused products.

Thus, while there does not seem to be any need for the Federal Circuit to have strayed from the *Foster* line of cases, its application of the *Kessler* doctrine leads to the same results. Under either doctrine, the outcome of one standards-based patent case could impact the viability of later cases against future generations of products that practice those same standards. •