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The Justiciability of Cancelled Patents

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The Justiciability of Cancelled Patents

Greg Reilly*

Abstract

The recent expansion of the Patent Office's power to invalidate issued patents raises a coordination problem when there is concurrent litigation, particularly where the federal courts have already upheld the patent's validity. The Federal Circuit has concluded that Patent Office cancellation extinguishes litigation pending at any stage and requires vacating prior decisions in the case. This rule is widely criticized on doctrinal, policy, and separation of powers grounds. Yet the Federal Circuit has reached (almost) the right outcome, except for the wrong reasons. Both the Federal Circuit and its critics overlook that the Federal Circuit's rule reflects a straightforward application of the justiciability limits on the power of the federal courts. Patent cancellation eliminates the exclusive rights that form the basis for the plaintiff's suit, mooting the infringement case no matter how belated in the litigation. Courts typically vacate prior judgments and decisions when a pending case becomes moot, exactly as the Federal Circuit requires. Properly rooting the effects of Patent Office cancellation in mootness addresses critics' doctrinal and policy concerns. It also demonstrates that critics' separation of powers concerns are exactly backwards. The Federal Circuit's rule is not a threat to the constitutional structure or the role of federal courts but rather

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a necessary result of Article III's limits on federal judicial power. Courts and Congress each have potential ways to mitigate policy concerns from allowing Patent Office cancellation to trump litigation, while respecting mootness, but these ways introduce their own problems. Courts may have some discretion to decline to vacate prior judgments but doing so would have limited impact and could be an unwarranted departure from generally applicable procedural rules. Congress could limit the retroactive effect of patent cancellation, but this would be historically novel and raise its own policy concerns.

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INTRODUCTION

Imagine that a plaintiff files a case in federal court alleging infringement of the exclusive rights granted by a patent duly issued by the United States Patent and Trademark Office (“Patent Office”). Three years later, a jury returns a verdict for the plaintiff finding infringement, upholding the validity of the patent, and awarding damages. Three years after that, the United States Court of Appeals for the Federal Circuit, which has nationwide appellate jurisdiction in patent cases,¹ affirms the infringement and validity findings and remands to the district court only on a few remedial issues. Those issues are resolved on remand and another appeal is taken to the Federal Circuit. In the interim, the Patent Office found the patent claims at issue in the litigation invalid, the Federal Circuit affirmed that finding, and the Patent Office cancelled the relevant patent claims. Does the Patent Office’s cancellation of the patent claims at issue—ten years into the litigation after a jury verdict in favor of the patent owner and Federal Circuit affirmance on liability—require dismissing the litigation and vacating the prior decisions in the case on infringement, validity, and damages?²

This question has been described as “critically important” and “one of the most contentious issues in patent law today.”³ For nearly 200 years, this coordination question did not arise because the federal courts had exclusive jurisdiction to determine the validity of an issued patent, i.e., whether it met the statutory criteria of patentability and was properly issued

1. See 28 U.S.C. § 1295(a)(4).

2. The facts are drawn from *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

3. Paul R. Gugliuzza, *(In)valid Patents*, 92 NOTRE DAME L. REV. 271, 273, 293 (2016) [hereinafter Gugliuzza, *(In)valid*]; see Ben Picozzi, Comment, *Reimagining Finality in Parallel Patent Proceedings*, 125 YALE L.J. 2519, 2533–34 (2016) (describing the coordination problem as “controversial”).

by the Patent Office.⁴ But in the past forty years, and particularly in the past decade, Congress has given the Patent Office concurrent jurisdiction over invalidity.⁵ The question of the effect of Patent Office cancellation on pending litigation therefore arises more and more frequently.⁶ The Federal Circuit has answered this question with a resounding yes—Patent Office cancellation requires dismissing litigation pending at any stage that involves the cancelled claims and vacating all prior decisions and judgments in the case.⁷ A case only becomes immune from the effects of Patent Office cancellation once it is terminated by a litigation-ending judgment that is immediately executable.⁸

The Federal Circuit's conclusion has been lambasted by judges, scholars, and other commentators as lacking sound doctrinal support; raising efficiency, gamesmanship, and patent policy concerns; and ignoring the constitutional structure and separation of powers by allowing an executive agency to trump decisions by federal courts.⁹ Twice in fewer than ten years, the Federal Circuit has denied rehearing en banc on this question over the vigorous dissents of nearly half the court.¹⁰ Although the issue has received surprisingly little scholarly attention despite its importance and contentiousness,¹¹ the only major

4. See *Regents of Univ. of Minn. v. LSI Corp.*, 926 F.3d 1327, 1331–37 (Fed. Cir. 2019) (describing the development of Patent Office post-issuance invalidity proceedings).

5. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 280–83 (explaining that Congress expanded the Patent Office's jurisdiction by “creat[ing] several post-issuance proceedings in addition to ex parte reexamination”).

6. *Id.* at 273.

7. See *Fresenius*, 721 F.3d at 1341, 1347 (ordering that the district court dismiss the case because the Patent Office issued a cancellation).

8. See *WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1072 (Fed. Cir. 2019) (“ION cannot now reopen the agreed and fully paid unappealable final judgment on the reasonable royalty based on the subsequent invalidation of a subset of asserted patent claims.”).

9. See *infra* Part II.C.

10. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 733 F.3d 1369 (Fed. Cir. 2013) (denial of rehearing en banc) (four of ten judges dissenting from denial); *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307 (Fed. Cir. 2015) (denial of rehearing en banc) (five of ten judges dissenting from denial).

11. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 292 (noting that “to date, few commentators have tried to answer that question” regarding the effect on

scholarly analysis, by Professor Paul Gugliuzza, finds “problematic” what he labels the Federal Circuit’s “absolute finality rule.”¹² Even Supreme Court Justice Gorsuch went out of his way in dissent in an unrelated case to criticize what he characterized as the Patent Office’s “power through inter partes review to overrule final judicial judgments affirming patent rights.”¹³

The Federal Circuit is right that Patent Office cancellation trumps pending litigation. But its critics are right that the Federal Circuit has failed to offer an adequate rationale for its rule, unpersuasively mixing and misapplying various procedural concepts like issue preclusion.¹⁴ What the Federal Circuit and its critics both overlook, however, is that Patent Office cancellation must trump pending litigation under principles of mootness, a justiciability limit on the federal courts deriving from Article III’s limit of federal judicial power to “Cases” or “Controversies.”¹⁵ Mootness requires that the plaintiff maintain “a personal stake in the outcome of the controversy throughout the pendency of the action.”¹⁶ Therefore, if an intervening event causes the plaintiff to lose the right that is being asserted in the federal court litigation, the case is moot.¹⁷ A common intervening event that moots federal litigation is the decision of another tribunal—whether another federal court, a state court, or an administrative agency—that conclusively resolves an issue necessary for the controversy in the pending federal litigation.¹⁸ Because mootness limits the jurisdiction of federal courts, a pending case that becomes moot

pending litigation of cancellation); Picozzi, *supra* note 3, at 2519 (“[T]he rule [that cancellation trumps litigation] has attracted little academic attention . . .”).

12. See Gugliuzza, *(Invalid)*, *supra* note 3, at 274.

13. *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1388 (2020) (Gorsuch, J., dissenting).

14. See *infra* Part II.

15. See U.S. CONST. art. III (placing jurisdictional limits on federal judicial power); *Alvarez v. Smith*, 558 U.S. 87, 92 (2009) (explaining Article III’s jurisdictional limits).

16. 15 JAMES W. MOORE ET AL., *MOORE’S FEDERAL PRACTICE* § 101.93[2] (3d ed. 2018) [hereinafter 15 MOORE’S].

17. See *id.*

18. See *id.* § 101.96.

must be dismissed regardless of the stage of the litigation or what work has already been done.¹⁹ And typically when an intervening event moots federal litigation, prior judgments and decisions on the merits are vacated.²⁰

Mootness provides the missing rationale for the Federal Circuit's seemingly shaky rule that Patent Office cancellation trumps pending infringement litigation. By statute, the invalidity determination of the Patent Office's Patent Trial and Appeals Board (PTAB) is made conclusive once all appeals have been resolved (or the time for appeal has passed), and the Director of the Patent Office is required to issue a certificate cancelling all invalidated claims.²¹ Cancellation extinguishes the patent owner's exclusive rights in the invention, the rights being asserted in infringement litigation.²² Without the exclusive rights granted by the patent, the patent owner no longer has a personal stake in preventing the accused infringer from using the invention.²³ The intervening PTAB cancellation thus moots any pending federal court infringement litigation, no matter how advanced a stage, and warrants vacating prior judgments and decisions on the merits.²⁴

The Federal Circuit's critics have it exactly backwards in raising separation of powers concerns. The PTAB is not reviewing, overruling, or displacing a decision of the federal courts or otherwise encroaching on their power.²⁵ Rather, Congress gave the PTAB concurrent jurisdiction to conduct an independent reconsideration of its prior patent grant and expressly granted the Patent Office the power to cancel patent rights that the PTAB found invalid.²⁶ To proceed with litigation of cancelled patent rights would ignore the limited jurisdiction

19. *Id.* § 101.92.

20. *See* *Camreta v. Greene*, 563 U.S. 692, 712 (2011) (explaining the practice of “vacat[ing] the judgment below” when a suit becomes moot pending appeal).

21. *See* 35 U.S.C. § 307(b) (ex parte reexamination); *id.* § 318(c) (inter partes review); *id.* § 328(c) (post-grant review).

22. *See infra* Part III.A.1.

23. *See infra* Part III.A.1.

24. *See infra* Part III.A.2.

25. *See infra* Part III.C.

26. *See infra* Parts I.B, III.C.

that Article III confers on the federal courts and cause federal courts to encroach on both Congress's power to design the patent system²⁷ and the executive's power (granted by Congress) to cancel wrongfully issued patent rights.²⁸ The justiciability limits of Article III, including mootness, are specifically meant to "assure that the federal courts will not intrude into areas committed to the other branches of government."²⁹ To ignore the effect of Patent Office cancellation—as critics propose to varying degrees—would be to ignore the structural limits the Constitution places on the federal courts to promote the proper separation of powers.³⁰

Mootness also addresses critics' concerns about inefficiency, gamesmanship, and patent incentives. As a mandatory jurisdictional limit on federal courts' power, mootness is not subject to general discretionary, public policy, or fundamental fairness exceptions.³¹ Concerns about inefficiency or the policy objectives of a single subject matter, like patent law, must yield to the structural and separation of powers concerns embodied in mootness and the other Article III justiciability limits.³² As a leading treatise has explained in a related context, "[t]his harsh rule would be indefensible if what was involved was a simple question of procedural regulation of practice. It can be justified only because the issue concerns the fundamental constitutional question" of the allocation of power within the constitutional structure.³³ At the same time, properly rooting the Federal Circuit's rule in mootness does impose some limits compared to the Federal Circuit's current approach.³⁴ Under a proper

27. See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power to issue patents to "promote the progress of science and useful arts").

28. See 35 U.S.C. § 311(b) (authorizing the Patent Office to entertain requests to cancel previously improperly issued patents).

29. *Flast v. Cohen*, 392 U.S. 83, 95 (1968).

30. See *infra* Part III.C.

31. See 15 MOORE'S, *supra* note 16, § 101.90 (explaining that there is no manifest injustice or public interest exception to the Article III mootness doctrine).

32. See *infra* Part III.C.

33. 13B CHARLES ALAN WRIGHT & ARTHUR R. MILLER, FEDERAL PRACTICE AND PROCEDURE § 3522 (3d ed. 2008) [hereinafter FPP].

34. See *infra* Part III.A.

mootness analysis, the event that terminates litigation is the Patent Office's certificate of cancellation, not the earlier PTAB invalidity decision (as would be true under issue preclusion) or the Federal Circuit's affirmance of that decision (as is true under the Federal Circuit's current doctrine).³⁵ And mootness only justifies terminating litigation as to patent claims actually cancelled by the Patent Office, not similar but uncanceled claims (as is true under the Federal Circuit's approach).³⁶

Further, the efficiency and patent policy concerns from allowing Patent Office cancellation to trump pending federal court litigation can be mitigated somewhat without running afoul of the justiciability limits of Article III. Most obviously, federal courts can, and frequently do, stay litigation to avoid duplication and wasted resources if the PTAB subsequently invalidates the patent.³⁷ For a variety of reasons, though, stays will not always be feasible.³⁸

When litigation does occur simultaneously with PTAB proceedings, a narrow path in mootness doctrine may allow some prior judicial decisions in pending cases to stand despite Patent Office cancellation. Some Supreme Court cases suggest that whether to vacate prior decisions in a moot case is an equitable determination based on what under the circumstances would best reflect a just result and the public interest.³⁹ On this view, the concerns about efficiency, gamesmanship, and patent policy might warrant merely dismissing the case without vacating prior judicial decisions on infringement, invalidity, and damages.⁴⁰ However, because federal courts can take no action on the merits upon a finding of mootness, the only cases in which dismissing without vacating would make a difference are those in which infringement, invalidity, and past damages have been conclusively resolved (including via appeal) and the case

35. See *infra* Part III.A.

36. See *infra* Part III.A.

37. See *infra* Part III.A.

38. See *infra* Part I.C.

39. See *U.S. Bancorp Mortg. Co. v. Bonner Mall P'ship*, 513 U.S. 18, 24–26 (1994) (modeling how to evaluate the equities when denying a motion for vacatur in a moot case).

40. See *infra* Part IV.A.

remains pending only on prospective relief or other matters.⁴¹ Moreover, declining to vacate in these circumstances could be the type of patent-exceptional approach to general procedural issues for which the Federal Circuit has been repeatedly criticized by the Supreme Court,⁴² as vacatur is the typical remedy unless mootness results from settlement or the unilateral actions of the appellant.⁴³

Ultimately, the problem of overlapping PTAB and judicial invalidity determinations results from Congress's grant of concurrent invalidity jurisdiction, and the solution therefore properly lies with Congress. Congress could eliminate the validity jurisdiction of the courts or PTAB, but neither is likely.⁴⁴ Alternatively, Congress could eliminate or limit the retroactive application of Patent Office cancellation to past damages claims for pre-cancellation infringement.⁴⁵ Black letter mootness doctrine provides that viable claims for past damages are not mooted even when an intervening event eliminates the basis for the plaintiff's suit.⁴⁶ The only reason this rule does not save pending infringement litigation from mootness is that Congress has endorsed the Federal Circuit's interpretation that Patent Office cancellation extinguishes even past damages claims because the patent is "void ab initio."⁴⁷ By altering the statutory provisions to exempt some past damages claims for pre-cancellation infringement—say those that have been litigated to some sort of resolution (e.g., final district court judgment or affirmance by the Federal Circuit) in the federal courts before cancellation—Congress could mitigate the

41. See *infra* Part IV.A.

42. See Paul R. Gugliuzza, *The Federal Circuit as a Federal Court*, 54 WM. & MARY L. REV. 1791, 1817–18 (2013) [hereinafter Gugliuzza, *Federal Circuit*] (explaining that the Supreme Court rejects the idea "that general legal principles, such as jurisdictional standards, do not apply in patent cases because patent law is different" (internal quotations omitted)).

43. See FPP, *supra* note 33, §§ 3533.10–3533.10.1 (summarizing the basic vacatur rule and its exceptions).

44. See *infra* Part IV.B.

45. See *infra* Part IV.B.

46. See *infra* Part I.B.2.

47. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340, 1346 (Fed. Cir. 2013).

concerns of inefficiency, gamesmanship, and patent policy while respecting the justiciability limits of the federal courts. However, doing so is probably unadvisable because it would be historically novel and raise countervailing policy concerns.⁴⁸

The Article proceeds in four parts. Part I provides an overview of the concurrent validity jurisdiction of the federal courts and PTAB. Part II describes the basics, rationale, criticism, and shortcomings of the Federal Circuit's rule that Patent Office cancellation trumps pending litigation and judicial decisions. Part III explains how the Federal Circuit's rule reflects general principles of mootness and how mootness addresses the concerns raised by allowing Patent Office cancellation to trump federal court litigation. Part IV explores potential ways to mitigate policy concerns raised by critics while remaining faithful to Article III judicial limits.

I. CONCURRENT INVALIDITY JURISDICTION IN THE FEDERAL COURTS AND PATENT OFFICE

To obtain exclusive rights in an invention, the inventor must file a patent application with the United States Patent and Trademark Office (Patent Office).⁴⁹ A patent application normally includes several claims, which describe the invention at different levels of generality, describe the invention in various ways, or describe various aspects of the invention.⁵⁰ These claims define the exclusive rights granted by the government to the patent owner.⁵¹ Each claim is treated as a separate invention and its patentability must be evaluated independently of the other claims.⁵²

48. See *infra* Part IV.B.

49. See *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 266 (2016) (“An inventor obtains a patent by applying to the Patent Office.”); 35 U.S.C. § 111 (detailing how to obtain a patent).

50. See F. SCOTT KIEFF ET AL., *PRINCIPLES OF PATENT LAW: CASES AND MATERIALS* 91 (5th ed. 2011).

51. See *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13 (Fed. Cir. 2005) (en banc) (“It is a bedrock principle of patent law that the claims of a patent define the invention to which the patentee is entitled the right to exclude.” (internal citations omitted)).

52. See *Altoona Publix Theaters, Inc. v. Am. Tri-Ergon Corp.*, 294 U.S. 477, 487 (1935).

The applicant must satisfy several statutory criteria of patentability to obtain patent protection. The claimed invention must be the type of technological advancement for which patent protection is granted (patent eligible subject matter) and must have a real-world, practical function (utility) under Section 101 of the Patent Act; must be an actual invention that did not previously exist under Section 102 (novelty or anticipation); and must be sufficiently different from what did exist to warrant patent protection under Section 103 (obviousness).⁵³ Pursuant to Section 112 of the Patent Act, the patent application also must adequately teach a skilled person in the field how to make and use the invention (enablement), must demonstrate that the inventor actually possessed the invention (written description), and must claim the invention with adequate precision (definiteness).⁵⁴

Patent examination is an *ex parte* proceeding between the applicant and a patent examiner with expertise in the relevant field.⁵⁵ The applicant can appeal the denial of a patent application.⁵⁶ But if the examiner grants the application, the patent issues without further review or opportunity for others to challenge the grant.⁵⁷ Patent examination has never been conclusive in the American patent system.⁵⁸ This Part describes the concurrent invalidity jurisdiction now possessed by the federal courts and the Patent Office, as well as tools for managing duplicative proceedings in patent law and generally.

53. 35 U.S.C. §§ 101–103.

54. *Id.* § 112(a)–(b). A patent application must also disclose the best way the inventor knows to implement the invention (best mode), but this is not a basis for invalidity post-issuance. *See id.* (establishing the best mode requirement); *id.* § 282(b)(3)(A) (removing the best mode requirement as “a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable”).

55. *See* Melissa F. Wasserman, *The Changing Guard of Patent Law: Chevron Deference for the PTO*, 54 WM. & MARY L. REV. 1959, 2014 (2013) [hereinafter Wasserman, *Changing Guard of Patent Law*].

56. *See* Melissa F. Wasserman, *The PTO’s Asymmetric Incentives: Pressure to Expand Substantive Patent Law*, 72 OHIO ST. L.J. 379, 404 (2011).

57. *See id.* at 404–05.

58. *See* Megan M. LaBelle, *Public Enforcement of Patent Law*, 96 B.U. L. REV. 1865, 1881, 1884 (2016) (summarizing the history of the patent examination process).

A. *The Federal Courts' Jurisdiction over Patent Invalidity*

Since the earliest days of the American patent system, issued patents have been subject to invalidity challenges as affirmative defenses or counterclaims in federal court litigation brought against those accused of violating, or infringing, the patent's exclusive rights. Of more recent origin (and less commonly), accused infringers can raise invalidity challenges in federal court by initiating declaratory judgment actions.⁵⁹ A patent claim is invalid if it fails any of the same statutory criteria of patentability considered during patent examination.⁶⁰ But an issued patent is presumed valid in litigation, with the burden on the challenger to prove it invalid by clear and convincing evidence.⁶¹

The Patent Act expressly makes invalidity an affirmative defense to an infringement claim.⁶² Therefore, a successful invalidity defense in litigation not only bars prospective relief but also past damages for pre-invalidation infringement.⁶³ However, a court's invalidity finding does not technically terminate the invalidated patent claim, as nothing in the Patent Act provides for cancellation upon invalidation in litigation.⁶⁴ The Patent Act merely provides an incentive for patent owners to disclaim invalidated claims by barring recovery of litigation costs in a subsequent infringement action for non-invalidated

59. See *id.* at 1881, 1884–87 (describing the patent system's evolution, specifically concerning invalidity claims).

60. See 35 U.S.C. § 282(b)(2)–(3). The only exception is the best mode requirement. *Id.* at (b)(3).

61. See *id.* § 282(a) (providing the validity presumption); Microsoft Corp. v. i4i Ltd. P'ship, 564 U.S. 91, 95 (2011) (“[Section] 282 requires an invalidity defense to be proved by clear and convincing evidence.”).

62. 35 U.S.C. § 282(b)(2)–(3).

63. See *Commil USA, LLC v. Cisco Sys., Inc.* 575 U.S. 632, 644 (2015) (“[I]f the patent is indeed invalid, and shown to be so under proper procedures [as a defense in infringement litigation], there is no liability.”).

64. See *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 (Fed. Cir. 1988) (noting that federal court invalidation would affect reexamination based only on issue preclusion, not because the invalidated claim is cancelled). *But see* MPEP § 2286(II) (9th ed. rev. Oct. 2019) [hereinafter MPEP] (misstating the holding of *Ethicon v. Quigg* as being that claims invalidated in litigation “no longer exist in the patent”).

claims in the same patent, if no disclaimer was filed with the Patent Office.⁶⁵

Because judicial invalidation does not cancel the patent claims themselves, nothing in the Patent Act prevents a patent owner from relitigating an invalidated patent claim. Historically, patent owners did relitigate invalidated claims in subsequent litigation against other accused infringers.⁶⁶ However, motivated by general preclusion principles, cost concerns, and opposition to giving patent holders multiple chances at litigating validity, the Supreme Court in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*⁶⁷ concluded that the general procedural concept of issue preclusion bars a patent owner whose patent claim was invalidated from subsequently litigating that claim against other defendants.⁶⁸

B. *The PTAB's Jurisdiction over Patent Invalidity*

For most of the patent system's history, federal district courts were the only place to challenge the validity of an issued patent.⁶⁹ As late as 1971, the Supreme Court explained that "Congress has from the outset . . . lodg[ed] in the federal courts final authority to decide that question" of patentability.⁷⁰ However, the federal courts' exclusive invalidity jurisdiction became viewed as inadequate.⁷¹ Due to resource constraints, incentives, and the ex parte nature of examination, many commentators believe that "the PTO does a poor job of examining patents, allowing significant numbers of invalid

65. See 35 U.S.C. § 288.

66. See *Blonder-Tongue Lab's, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 321 (1971) (discussing the Court's precedent about relitigating a patent claim's validity).

67. 402 U.S. 313 (1971).

68. See *id.* at 350 (overruling a case that "foreclose[d] a plea of estoppel by one facing a charge of infringement of a patent that has once been declared invalid"); see also *infra* Part IV.D (discussing the basics of issue preclusion).

69. See LaBelle, *supra* note 58, at 1884 ("[A]most a century after the [Patent Act of 1836] passed, Congress . . . began expanding the means for challenging patents in federal court.").

70. *Blonder-Tongue*, 402 U.S. at 332.

71. See *supra* Part I.A.

patents to issue.”⁷² The existence of these invalid patents “impose[s] significant societal costs, including discouraging competition, driving up the cost of innovation, and eroding confidence in the patent system.”⁷³

Invalidating a patent through federal court litigation is expensive, time-consuming, and requires undertaking the risk of infringement to obtain invalidation.⁷⁴ Moreover, the presumption of validity and resulting clear and convincing evidence burden in litigation insulate even some bad patents from invalidation.⁷⁵ To address these concerns, Congress repeatedly created new Patent Office post-issuance proceedings over the past forty years “to improve the likelihood that invalid patents would be quickly weeded out of the system.”⁷⁶ Congress sought to allow the Patent Office to reconsider the validity of patents that concerned the public and offer a cheaper, faster, and more expert means to invalidate bad patents.⁷⁷

1. The Development of PTAB Invalidity Jurisdiction

In 1980, Congress created *ex parte* reexamination, which for the first time allowed issued patents to be challenged and potentially cancelled in the Patent Office.⁷⁸ *Ex parte* reexamination allows the Patent Office to reconsider the novelty or non-obviousness of a patent based only on printed prior art (e.g., prior patents, publications, etc.) under a preponderance of

72. Jonathan Masur, *Patent Inflation*, 121 YALE L.J. 470, 477 (2011); *see also* Regents of Univ. of Minn. v. LSI Corp., 926 F.3d 1327, 1331–32 (Fed. Cir. 2019) (highlighting how “constrained resources and the absence of material outside input during the initial examination” cause the PTO’s struggles to attract and keep able patent examiners and its inevitable mistakes in patent granting).

73. LaBelle, *supra* note 58, at 1880.

74. *See* LSI, 926 F.3d at 1333.

75. *See* Rochelle Cooper Dreyfuss, *Giving the Federal Circuit a Run for Its Money: Challenging Patents in the PTAB*, 91 NOTRE DAME L. REV. 235, 238 (2015).

76. *Id.* at 236.

77. *See* LSI, 926 F.3d at 1333–35 (stating that in 1980, Congress enacted reexamination to enlist third-party help with patent invalidation); Dreyfuss, *supra* note 75, at 239–40 (highlighting the new procedure’s benefits).

78. *See* *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 266–67 (2016).

the evidence standard.⁷⁹ Reexamination, which remains available, is similar to initial patent examination, involving just the patentee and the patent examiner.⁸⁰ Partially for this reason, reexamination was insufficient to achieve Congress's goals of eliminating bad patents quickly and cheaply.⁸¹

The America Invents Act of 2011 (AIA) substantially overhauled and expanded Patent Office post-issuance proceedings to address these shortcomings.⁸² First, it created inter partes review, which allows any party to challenge an issued patent for anticipation or non-obviousness based on patents and printed publications from nine months after the patent issues through the life of the patent.⁸³ Second, the AIA created post-grant review, which allows any party to challenge a patent on any statutory criteria of patentability within nine months of issuance.⁸⁴ The new AIA proceedings are adversarial proceedings involving both the patentee and requestor that include limited discovery and an oral hearing.⁸⁵ They are resolved by three administrative patent judges of the newly-created PTAB, rather than a patent examiner, using a preponderance of the evidence standard.⁸⁶

79. See MPEP § 2209 (basis for a reexamination); *id.* § 2280 (preponderance of the evidence standard).

80. *Id.*; see 35 U.S.C. § 307 (describing the reexamination proceeding). From 1999–2012, Congress also provided inter partes reexamination that allowed some participation by the requestor. See MPEP § 2609 (stating the characteristics of inter partes reexamination); 35 U.S.C. §§ 314(b), 315(b) (pre-AIA).

81. See *LSI*, 926 F.3d at 1335 (“Congress replaced inter partes reexamination with new post-grant review procedures . . . designed to improve on the inter partes reexamination process.”).

82. The AIA also created a temporary covered business method patent review program that expired in 2020. Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH. 609, 636–37 (2012).

83. *Id.* at 633–35.

84. *Id.* at 631–32.

85. See Wasserman, *Changing Guard of Patent Law*, *supra* note 55, at 1981–83 (noting that PTAB proceedings include oral argument, discovery, and other features of “adverse, trial-like adjudications”); Tran, *supra* note 82, at 633–34, 636–37 (describing the procedures of PTAB proceedings).

86. Wasserman, *Changing Guard of Patent Law*, *supra* note 55, at 1983; see Tran, *supra* note 82, at 633–34, 636–37 (describing the procedures of PTAB proceedings).

The AIA proceedings, particularly inter partes review, have proven very popular and quite effective, with much higher invalidation rates than either district court litigation or reexamination.⁸⁷ Probably for these very reasons, they have also proven highly controversial. Some commentators contend that “the PTAB has gone too far with its charge of eliminating bad patents” and “is now invalidating patents in a willy-nilly fashion.”⁸⁸

2. The Effect of PTAB Invalidation

Nearly identical provisions regarding each of the three Patent Office post-issuance invalidity proceedings (collectively, “PTAB proceedings”) provide in relevant part that “when the time for appeal has expired or any appeal proceeding has terminated, the Director [of the Patent Office] will issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable.”⁸⁹ Unlike litigation, where invalidated claims still technically exist but are unenforceable due to preclusion, PTAB invalidation officially extinguishes the patent owner’s exclusive rights.⁹⁰ The invalidated claim ceases to exist, though not until after appeals to the Federal Circuit and potentially the Supreme Court are resolved (or the time for such appeals has run) and the Director undertakes the ministerial task of issuing the cancellation certificate.⁹¹

The Federal Circuit has concluded that Patent Office cancellation is not limited to prospective effect but also bars past damages for pre-cancellation infringement because “cancelled claims [a]re *void ab initio*.”⁹² This is consistent with the effect of

87. Dreyfuss, *supra* note 75, at 249–51.

88. Alden Abbott et al., *Crippling the Innovation Economy: Regulatory Overreach at the Patent Office 4* (Aug. 14, 2017) (unpublished manuscript), <https://perma.cc/6UH4-RJH9> (PDF).

89. 35 U.S.C. § 307(a); *see id.* § 307(b) (ex parte reexamination); *id.* § 318(c) (inter partes review); *id.* § 328(c) (post-grant review).

90. *See* Abbott et al., *supra* note 88, at 12.

91. *See* *United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1981 (2021) (describing the Director’s “ministerial duty” to issue cancellation certificates after PTAB invalidation and appellate review).

92. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1340–41, 1346 (Fed. Cir. 2013).

invalidation in litigation, though its statutory basis is less clear for PTAB invalidation than judicial invalidation.⁹³ The Patent Act does not expressly address the effect of Patent Office cancellation on past damages claims, but the Federal Circuit concluded that “Congress made section 252, which limits the enforcement of reissued claims, applicable to reexamined claims.”⁹⁴ The court therefore concluded that the effect of Patent Office cancellation was the same as the effect of reissuance, i.e., when a patent owner voluntarily seeks to correct an error in a previously granted patent.⁹⁵

The first paragraph of Section 252 sets a baseline of prospective-only effect for reissued claims, providing that “every reissued patent shall have the same effect and operation in law, on the trial of actions *for causes thereafter arising*, as if the same had been originally granted in such amended form.”⁹⁶ Originally, reissuance only permitted claims for post-reissuance infringement and extinguished all past damages claims based on the original patent.⁹⁷ In 1928, Congress created an exception in Section 252’s first paragraph that “in so far as the claims of the original and reissued patents *are substantially identical*, such surrender shall not affect any action then pending nor abate any cause of action then existing.”⁹⁸ However, “the 1928 amendment did nothing to change the rule that suits based on cancelled claims must be dismissed,” even for pre-reissuance infringement, because “original claims that are not reissued in identical form became unenforceable.”⁹⁹

Although the statutory provisions for PTAB proceedings lack Section 252’s language setting a prospective-only baseline,¹⁰⁰ the Federal Circuit concluded the reissuance rules apply to Patent Office cancellation because the Patent Act

93. See *supra* Part I.A (addressing judicial invalidation).

94. *Fresenius*, 721 F.3d at 1339–40.

95. *Id.*

96. 35 U.S.C. § 252 (emphasis added).

97. See *Fresenius*, 721 F.3d at 1336 (providing the history and scope of the PTO’s reissue authority).

98. 35 U.S.C. § 252 (emphasis added).

99. *Fresenius*, 721 F.3d at 1338.

100. See 35 U.S.C. § 307(b) (reexamination); *id.* § 318(c) (inter partes review); *id.* § 328(c) (post-grant review).

provides that patents reviewed by the PTAB review “will have the same effect as that specified in section 252.”¹⁰¹ However, the quoted language is about “proposed amended or new claim[s],” not cancelled claims, and further specifies that PTAB proceedings will have the same effect as Section 252, not generally, but specifically “on the right of any person” who made, purchased, used, or imported (or made substantial preparation to do so) the invention covered in the new or amended claim before the issuance of the reexamination certificate.¹⁰² This seems to specifically refer to the second paragraph of Section 252, which creates so-called intervening rights that allow someone engaged in activity that did not infringe an original claim before reissuance to continue that activity after reissuance even if it does infringe a claim in the reissued patent.¹⁰³ Intervening rights limit the availability of future damages for post-reissuance infringement but do not address past damages claims for pre-reissuance infringement.¹⁰⁴ As a purely textual matter, therefore, the Federal Circuit’s conclusion that Patent Office cancellation extinguishes past damages claims for pre-cancellation infringement is questionable.

However, this interpretation is long-standing. In 1987, the Federal Circuit held that “the reexamination statute, section 307, incorporate[d] both paragraphs of section 252.”¹⁰⁵ And in 1997, the Federal Circuit reaffirmed its conclusion that all of Section 252 applied to reexamined patents and therefore explicitly noted that “[u]nless a claim granted or confirmed upon reexamination is identical to an original claim, the patent

101. *Fresenius*, 721 F.3d at 1339 (quoting 35 U.S.C. § 307(b)). The Federal Circuit’s conclusion was specifically about the effect of ex parte reexamination under Section 307(b) but is equally applicable to the nearly identical language describing the effect of inter partes review and post-grant review. *See* 35 U.S.C. § 318(c) (inter partes review); *id.* § 328(c) (post-grant review).

102. 35 U.S.C. § 307(b).

103. The IPR and PGR provisions even title their relevant provisions “Intervening Rights.” 35 U.S.C. § 318(c) (inter partes review); *id.* § 328(c) (post-grant review).

104. *See Fortel Corp. v. Phone-Mate, Inc.*, 825 F.2d 1577, 1581 (Fed. Cir. 1987) (finding “the doctrine of intervening rights is irrelevant” because no infringement occurred after reexamination).

105. *Id.* at 1579–81.

cannot be enforced against infringing activity that occurred before issuance of the reexamination certificate.”¹⁰⁶ Since these decisions, Congress has significantly revised Patent Office post-issuance proceedings, first in 1999¹⁰⁷ and then more significantly in the America Invents Act of 2011,¹⁰⁸ without altering the statutory language or the Federal Circuit’s interpretation. Rather, Congress reaffirmed the relevant statutory language by copying it virtually verbatim into the IPR and PGR provisions related to the effect of PTAB invalidation.¹⁰⁹

Statutory interpretation principles provide that Congress’s acquiescence to a long-standing judicial interpretation by failing to overrule it and, more significantly, reenacting the relevant statutory provision, incorporates the judicial interpretation into the statute itself.¹¹⁰ Although somewhat inconsistently followed, the canons of acquiescence and reenactment are strongest when there is evidence of “Congress’ awareness of the interpretative issue, and some deliberation about it.”¹¹¹ The record is sparse, but Congress did address the issue during debate on the AIA.¹¹² One senator commenting on the relevant provisions for inter partes review and post-grant review explicitly endorsed the Federal Circuit’s approach, noting “section 252, *first paragraph*” was relevant to these provisions and “provide[d] that damages *accrue only from the date of the conclusion of review if claim scope has been substantively altered* in the proceeding.”¹¹³ Thus,

106. *Bloom Eng’g Co. v. N. Am. Mfg. Co.*, 129 F.3d 1247, 1250 (Fed. Cir. 1997).

107. See Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601–4608, 113 Stat. 1501 (1999) (creating inter partes reexamination) (codified at 35 U.S.C. §§ 100, 301, 311–315).

108. See Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284 (2011) (codified at 35 U.S.C. §§ 1, 6–8).

109. Compare 35 U.S.C. § 307(b) (reexamination), with *id.* § 318 (inter partes review), and *id.* § 328 (post-grant review).

110. See William N. Eskridge, Jr., *Interpreting Legislative Inaction*, 87 MICH. L. REV. 67, 69 (1988).

111. *Id.* at 71.

112. See Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. BAR J. 539, 540 (2012) (summarizing the Senate debates).

113. *Id.* (emphasis added) (quoting 157 Cong. Rec. S5,429 (daily ed. Sept. 8, 2011) (statement of Sen. Kyl)).

the rule that Patent Office cancellation bars even past damages claims for pre-cancellation infringement rests on sound foundations, despite textual ambiguity.

C. *Tools for Managing Concurrent Invalidity Jurisdiction*

The federal courts and PTAB now have concurrent jurisdiction to resolve patent invalidity, which can be, and often is, invoked simultaneously.¹¹⁴ The Patent Act specifically recognizes that infringement defendants will also initiate PTAB proceedings, setting a time limit for them to do so.¹¹⁵ This subpart describes existing tools in patent law and generally that courts and the PTAB can use to avoid duplicative invalidity proceedings.

1. The Inevitability of Duplicative Invalidity Proceedings

The Patent Act includes several provisions for the new PTAB proceedings that reduce, at least a little, the likelihood of duplicative invalidity proceedings. First, the PTAB is barred from instituting inter partes review or post grant review if the petitioner first filed an invalidity declaratory judgment action in federal court, and any such action subsequently filed is automatically stayed.¹¹⁶ These provisions only apply in the less common situation where the accused infringer initiates federal litigation and expressly exclude the more common situation where an accused infringer imposes a defense or counterclaim

114. See *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 282 (2016) (noting that the patent system now “provides different tracks—one in the Patent Office and one in the courts—for the review and adjudication of patent claims”); Gugliuzza, *(Invalid, supra note 3, at 273* (“Most patents in post-issuance review at the PTO are also involved in litigation between the same parties.”).

115. See 35 U.S.C. § 315(b) (requiring inter partes review to be sought within one year of service of a patent infringement complaint).

116. See *id.* § 315(a)(1)–(2) (inter partes review); *id.* § 325(a)(1)–(2) (post-grant review).

of invalidity in response to an infringement suit.¹¹⁷ Nor is ex parte reexamination subject to these limitations.¹¹⁸

Second, a defendant in a federal court infringement case is barred from seeking inter partes review more than one year after being served in the federal litigation.¹¹⁹ This provision limits the opportunity for a defendant to seek inter partes review belatedly in the litigation when the risk of conflicting invalidity decisions would be highest.¹²⁰ However, inter partes review could still be sought late in the litigation by someone other than the infringement defendant (e.g., a defendant in later filed litigation or a third party).¹²¹ And, once again, no such time limit exists for ex parte reexamination.¹²²

Third, a party that challenges a patent through inter partes review or post grant review and receives a final written decision from the PTAB is subsequently estopped from asserting invalidity in litigation “on any ground that the petitioner raised or reasonably could have raised.”¹²³ This limits duplicative invalidity proceedings when the patent owner prevails in the PTAB, barring the continued maintenance even of some invalidity arguments that were previously subject to a trial or other resolution in litigation, provided that “the [c]ourt has not entered a final judgment on the relevant ground” before the PTAB’s final written decision.¹²⁴ However, courts are split as to

117. See *id.* § 315(a)(3) (inter partes review); *id.* § 325(a)(3) (post-grant review).

118. See *id.* § 302 (“Any person at any time may file a request for reexamination . . .”).

119. See *id.* § 315(b). An infringement defendant necessarily has a shorter timeframe to seek post-grant review, which must be sought within nine months of patent issuance. *Id.* § 321(c).

120. See *id.* § 315(b).

121. See, e.g., *WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1314 (Fed. Cir. 2018) (litigation filed in 2009, jury verdict in 2012, and inter partes review sought in 2014 and 2015 by a third party sued for infringement after the jury verdict).

122. See 35 U.S.C. § 302 (“Any person at any time may file a request for reexamination . . .”).

123. *Id.* § 315(e)(2) (inter partes review); *id.* § 325(e)(2) (post-grant review).

124. *Novartis Pharms. Corp. v. Par Pharm. Inc.*, No. 14-1289, 2019 WL 9343055, at *2–3 (D. Del. Apr. 11, 2019) (noting that this was an issue of first impression).

the breadth of the “reasonably could have raised” language.¹²⁵ Moreover, the estoppel provisions have no effect on duplicative proceedings until the PTAB’s decision and, even then, only if the PTAB upholds (rather than invalidates) the claims.¹²⁶ And, for a third time, there is no comparable provision for reexamination.¹²⁷

Thus, the statute provides tools that prevent some, but not all, duplicative invalidity proceedings from taking place. The federal courts and PTAB also have discretionary tools to further limit duplicative invalidity proceedings. Federal courts can prevent the inefficiency and potential gamesmanship of duplicative proceedings by staying litigation pending the PTAB proceeding.¹²⁸ If the PTAB invalidates the asserted claims, the case can be dismissed without wasting resources or risking a conflicting result. If the PTAB upholds the asserted claims, estoppel will simplify the litigation if the defendant is also the PTAB challenger (as noted above) and, even if not, the defendant may have an incentive to settle knowing that the PTAB has already rejected an invalidity challenge. Courts often stay litigation pending PTAB proceedings.¹²⁹

But Congress chose not to mandate or even tilt the scales in favor of stays, as it has with other patent procedures.¹³⁰ And

125. Christa J. Laser, *The Scope of IPR Estoppel: A Statutory, Historical, and Normative Analysis*, 70 FLA. L. REV. 1127, 1158–65 (2018).

126. If the claims are invalidated, the *Fresenius* rule applies and estoppel is irrelevant. *See infra* Part II.A.

127. *See* 35 U.S.C. §§ 302–307.

128. *See* Gugliuzza, (*In*)valid, *supra* note 3, at 321–22 (describing stays of litigation as the best way to prevent inconsistent outcomes between the PTAB and the courts).

129. *See* Colleen Chien et al., *Inter Partes Review and the Design of Post-Grant Patent Reviews*, 33 BERKELEY TECH. L.J. 817, 824 n.32 (2018) (finding that 80 percent of stay requests pending inter partes review are granted and nearly 40 percent of all cases with concurrent inter partes review are stayed).

130. *See* Joel Sayres & Julie Wahlstrand, *To Stay or Not to Stay Pending IPR? That Should Be a Simpler Question*, 17 CHI.-KENT J. INTELL. PROP. 52, 63 (noting that Congress specified factors to favor stays for covered business method patent review but not inter partes review); *see also* 35 U.S.C. § 318 (2002) (pre-AIA) (creating presumption of litigation stay pending inter partes reexamination unless the court “determines that a stay would not serve the interests of justice”).

judges frequently do not stay litigation.¹³¹ Sometimes judges declining stays express the belief that a judicial forum is more appropriate or optimal than an administrative forum for resolving patent invalidity, notwithstanding Congress's choices to the contrary.¹³² More typically, the stay denial reflects timing issues. The PTAB may not institute review until nearly a year and a half into the litigation, given the twelve months litigation defendants have to seek review, the three months the patent owner has to respond to the request for PTAB review, and the three months the PTAB has to decide whether to review the patents.¹³³ By that point, the litigation may have advanced enough, perhaps even with some decisions on the merits, to warrant the court denying a stay.¹³⁴ Moreover, someone other than the defendant could seek PTAB review when the litigation is already at an advanced stage, or the defendant could seek non-time-limited reexamination, as noted above.¹³⁵ Alternatively, the PTAB proceeding may only involve a subset of the claims at issue in litigation, such that the PTAB proceeding will not substantially simplify the litigation to warrant a stay.¹³⁶

By contrast, a stay of PTAB proceedings would be inconsistent with the strict statutory time limits for it to complete its review.¹³⁷ However, in recent years, the PTAB has

131. See Chien et al., *supra* note 129, at 824 n.32 (finding that less than 40 percent of all cases with concurrent inter partes review are stayed).

132. See Cont'l Intermodal Grp.-Trucking LLC v. Sand Revolution LLC, No. 7:18-CV-00147 (W.D. Tex. July 22, 2020), ECF No. 105 (docket order denying stay pending inter partes review because, in part, "[t]he Court strongly believes the Seventh Amendment").

133. See 35 U.S.C. §§ 311(c), 315(b); 37 C.F.R. § 42.107(b) (inter partes review); 35 U.S.C. §§ 321(c), 324(c); 37 C.F.R. § 42.207(b) (post-grant review).

134. See Gugliuzza, (*In*)valid, *supra* note 3, at 286 (noting that courts may deny stays "if the accused infringer delays in seeking PTO review, if there are patent claims in the case on which the PTO has not instituted review, or if the parties are direct competitors in the market").

135. See *id.* at 323.

136. See *id.* at 286 ("[C]ourts are generally perceived to be reluctant to grant stays pending ex parte reexamination because outright invalidation of the patent is rare in that proceeding.>").

137. See 35 U.S.C. § 316(a)(11) (one-year deadline from inter partes review institution, with one six-month extension allowed for good cause); *id.* § 326(a)(11) (same for post-grant review); see also Ethicon, Inc. v. Quigg, 849

asserted a discretionary power to decline review of patents that otherwise would qualify for review if, among other reasons, there is a parallel district court proceeding with a close overlap of parties and issues that is at an advanced stage, such as an approaching trial date or with significant resources already sunk into the litigation.¹³⁸ This discretionary power could reduce duplicative proceedings, depending on how broadly it is construed, though its legitimacy and scope remain at issue and the subject of ongoing rulemaking by the Patent Office.¹³⁹

In sum, various existing patent law tools somewhat mitigate the risk of duplicative proceedings arising from the concurrent invalidity jurisdiction of the federal courts and PTAB. Since these tools are limited, duplicative proceedings where the federal courts and PTAB both decide the validity of the same patent remain inevitable.¹⁴⁰ Indeed, experience over the past decade suggests that such duplicative proceedings are common.¹⁴¹

2. General Procedural Tools for Concurrent Jurisdiction: Preclusion and Mootness

Although concurrent jurisdiction is comparatively new in patent law, concurrent jurisdiction has long been common in American law more generally—between federal and state courts, courts of different states, and courts and administrative tribunals.¹⁴² Two of the tools that have developed to manage the overlapping power of various tribunals are relevant.

The common law doctrine of claim preclusion, often still identified by the antiquated label *res judicata*, governs the effect

F.2d 1422, 1427 (1988) (“[Congress] did not give [the Patent Office Director] authority to stay reexaminations; it told him [or her] to conduct them with special dispatch.”).

138. Request for Comments on Discretion to Institute Trials Before the Patent Trial and Appeal Board, 85 Fed. Reg. 66,502, 66,505 (Oct. 20, 2020) (to be codified at 37 C.F.R. pt. 42).

139. See *id.* (weighing the discretionary power’s pros and cons).

140. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 325.

141. See *infra* Part II.A–B (discussing and citing cases).

142. See 15 MOORE’S, *supra* note 16, § 101.96.

of a prior judgment on subsequent cases.¹⁴³ Claim preclusion is a hatchet that bars subsequent litigation of an entire claim.¹⁴⁴ Claim preclusion provides that a prior final judgment on the merits prevents the same parties from re-litigating the same claim—defined to include all claims arising out of the same operative facts—in subsequent litigation.¹⁴⁵ Issue preclusion, previously known as collateral estoppel, is a scalpel that does not bar an entire claim but only re-litigation of certain issues.¹⁴⁶ Specifically, when an issue was actually litigated, determined, and essential to the judgment, issue preclusion bars anyone who had a full and fair opportunity to litigate in the first case from re-litigating the issue in subsequent litigation.¹⁴⁷ When re-litigation of the issue is necessary to prevail in the second case, the practical effect of issue preclusion is to resolve the second case, even if only a specific issue is technically barred.¹⁴⁸

Mootness is a justiciability limit imposed by Article III of the Constitution's requirement that federal courts only hear "Cases" or "Controversies."¹⁴⁹ "The mootness doctrine provides that although there may be an actual and justiciable controversy at the time the litigation is commenced, once that controversy ceases to exist, the federal court must dismiss the

143. See STEPHEN C. YEAZELL & JOANNA C. SCHWARTZ, CIVIL PROCEDURE 703 (Wolters Kluwer 10th ed. 2019).

144. See *id.* at 704.

145. See *id.* at 704, 710.

146. See *id.* at 703.

147. See *id.* at 736.

148. See *id.*

149. *Alvarez v. Smith*, 558 U.S. 87, 92 (2009). There are also forms of prudential mootness, and some have suggested that mootness rests too broadly on Article III jurisdictional considerations. See Matthew I. Hall, *The Partially Prudential Doctrine of Mootness*, 77 GEO. WASH. L. REV. 562, 565–66 (2009) (advancing a theory of mootness grounded in prudential concerns); Evan Tsen Lee, *Deconstitutionalizing Justiciability: The Example of Mootness*, 105 HARV. L. REV. 603, 668 (1992) ("The mootness doctrine should be cut loose of its constitutional moorings."). Even some of these critics acknowledge that when the issue itself is moot, as is true when a patent right is cancelled, see *infra* Part III, rather than merely the plaintiff's stake in the issue (e.g., ownership of the patent right), mootness is a jurisdictional component of Article III. See Hall, *supra* note 149, at 565–66. In any event, courts treat mootness as a jurisdictional limit. 15 MOORE'S, *supra* note 16, § 101.91.

action for want of jurisdiction.”¹⁵⁰ Mootness “refer[s] to a case that has expired, or otherwise has been deprived of vitality by events occurring after the commencement of the action.”¹⁵¹ Mootness can arise either because the issue in the litigation itself has expired or been extinguished and is therefore no longer “live” or because one of the parties lost a legally cognizable interest in the outcome.¹⁵² Some common mootness situations include “if the controversy initially presented to the court has been resolved during the pendency of the action, if either of the parties experiences a change in his or her legal status while the case is pending, or if the dispute has lost its adverse character due to any other reason.”¹⁵³ The doctrine of mootness is related to standing “in the sense that it requires that a plaintiff have continued standing throughout the duration of the action.”¹⁵⁴

Mootness can overlap with preclusion when the mooting event is the intervening decision of another tribunal that resolves an issue crucial to the federal litigation.¹⁵⁵ However, mootness applies even in situations that do not qualify for preclusion—e.g., a party lacked a prior opportunity to litigate the issue—because mootness is “based purely on an analysis of whether an actual controversy still exists, whether the parties still have the requisite adversity of interests, and whether a judicial remedy is still required and would provide effective relief.”¹⁵⁶ Unlike preclusion, “mootness analysis does not necessarily require an identity of parties and claims [or issues], but rather, involves a judicial inquiry into whether the jurisprudential concerns underlying the mootness doctrine of Article III militate against or in favor of entertaining the federal lawsuit.”¹⁵⁷

150. 15 MOORE’S, *supra* note 16, § 101.90.

151. Hall, *supra* note 149, at 568.

152. U.S. Parole Comm’n v. Geraghty, 445 U.S. 388, 396 (1980).

153. 15 MOORE’S, *supra* note 16, § 101.90.

154. *Id.* § 101.94[1].

155. *See id.* § 101.96.

156. *Id.*

157. *Id.*

II. THE FEDERAL CIRCUIT'S CONFUSED, CRITICIZED, AND MISGUIDED APPROACH TO DUPLICATIVE INVALIDITY PROCEEDINGS

The inevitability of duplicative invalidity proceedings raises the “critically important” question of what to do when the federal courts and PTAB reach different results.¹⁵⁸ If the PTAB upholds a patent before a federal court reaches final judgment, the statutory estoppel provisions will often prevent the court from reaching a different result.¹⁵⁹ And if the federal court first invalidates a patent in a final judgment, the PTAB proceeding becomes irrelevant because issue preclusion will bar the patent owner from enforcing the invalidated claims.¹⁶⁰ Thus, the real question is what to do when the federal courts uphold the validity of a patent but the PTAB invalidates it.

The Federal Circuit's answer to this question is clear: PTAB invalidation, once affirmed by the Federal Circuit, extinguishes pending litigation and requires vacating any prior decisions on infringement, validity, and damages.¹⁶¹ Far less clear is the Federal Circuit's rationale for this rule, which has left Federal Circuit panels, district courts, and litigants confused.¹⁶² Commentators widely criticize this rule on doctrinal, policy, and separation of powers grounds.¹⁶³ This criticism is unsurprising, given that the issue preclusion principles on which the Federal Circuit most commonly relies are clearly inapplicable in this context.¹⁶⁴

A. *The Federal Circuit's Rule that PTAB Invalidation Trumps Litigation*

For the first time in its 2013 decision in *Fresenius USA, Inc. v. Baxter International, Inc.*,¹⁶⁵ the Federal Circuit squarely

158. Gugliuzza, *(In)valid*, *supra* note 3, at 273.

159. *See supra* Part I.C.1.

160. *See supra* Part I.A.

161. *See infra* Part II.A.

162. *See infra* Part II.B.

163. *See infra* Part II.C.

164. *See infra* Part II.D.

165. 721 F.3d 1330 (Fed. Cir. 2013).

confronted the effect of PTAB invalidation on concurrent litigation.¹⁶⁶ Baxter's infringement litigation began in 2003, with a jury trial held in 2006.¹⁶⁷ After various post-trial machinations and a subsequent appeal, the Federal Circuit held in September 2009 that some asserted claims were invalid as a matter of law and others were not.¹⁶⁸ That decision finalized liability, with Fresenius found to have infringed the claims that were not invalidated.¹⁶⁹ But the Federal Circuit remanded to the district court to address the remedial issue of whether the invalidation of some claims required modification of the injunction or royalty award.¹⁷⁰ After the district court addressed this issue on remand in 2011 and 2012, the appeal at issue in the 2013 decision was filed.¹⁷¹

After Fresenius sought ex parte reexamination in 2005, the examiner found the claims that were the basis of the infringement judgment obvious in 2007, the PTAB's predecessor affirmed in 2010, and the Federal Circuit affirmed in 2012 (while the infringement case was on remand).¹⁷² The Patent Office issued a certificate cancelling the relevant patent claims in April 2013.¹⁷³

In the second litigation appeal, the panel majority vacated the district court's remand judgment and remanded with instructions to vacate the infringement and remedial decisions.¹⁷⁴ The Federal Circuit concluded that Baxter "no longer ha[d] a viable cause of action in the pending case" because of the intervening Federal Circuit affirmance of the reexamination invalidation.¹⁷⁵ Despite the conclusive resolution of liability by the federal courts before this affirmance, the

166. The Federal Circuit had briefly addressed the issue in two prior unpublished opinions but with very little reasoning. See Gugliuzza, (*In*)valid, *supra* note 3, at 293–95.

167. *Fresenius*, 721 F.3d at 1332.

168. *Id.* at 1332–33.

169. *Id.* at 1333.

170. *Id.*

171. *Id.* at 1333–34.

172. *Id.* at 1334–35.

173. *Id.* at 1335.

174. *Id.* at 1347.

175. *Id.* at 1344–45.

Federal Circuit found that the infringement litigation was not completely final—so as to immunize it from the effects of reexamination invalidation—because remedial issues were still pending.¹⁷⁶ In dissent, Judge Newman objected that the validity issue was sufficiently final in litigation to be immune from reexamination invalidation because the validity issue had been conclusively resolved, with only remedial issues remaining.¹⁷⁷ More broadly, she contended that “[t]he judicial decision of patent validity is not available for review, revision, or annulment by the PTO.”¹⁷⁸

Due to the recent popularity of the PTAB, Federal Circuit panels have repeatedly confronted the impact of PTAB invalidation on pending litigation—consistently applying the *Fresenius* rule that the invalidation, once affirmed, terminates federal court litigation pending at any stage and requires vacating prior decisions. This rule has been applied when the litigation is in various procedural postures at the time the PTAB invalidation is affirmed: (1) some progress in the district court but no decision on the merits;¹⁷⁹ (2) a jury verdict on liability and damages but post-trial matters pending in the district court;¹⁸⁰ (3) final judgment in the district court but pending on direct appeal to the Federal Circuit on liability and damages issues;¹⁸¹ and (4) liability conclusively determined following appellate review but the case pending on remedial or collateral issues.¹⁸²

176. *Id.* at 1340–44.

177. *See id.* at 1353–60 (Newman, J., dissenting).

178. *Id.* at 1364.

179. *See, e.g.,* B.E. Tech., L.L.C. v. Facebook, Inc., 940 F.3d 675, 676–77, 679 (Fed. Cir. 2019); SHFL Ent., Inc. v. DigiDeal Corp., 729 F. App’x 931, 932–34 (Fed. Cir. 2018); Target Training Int’l, Ltd. v. Extended Disc N. Am., Inc., 645 F. App’x 1018, 1020, 1023 (Fed. Cir. 2016).

180. *See* Hologic, Inc. v. Minerva Surgical, Inc., 957 F.3d 1256, 1263, 1266–67 (Fed. Cir. 2020); Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1350 (Fed. Cir. 2020).

181. *See* Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co., 757 F. App’x 974, 975, 977, 980 (Fed. Cir. 2019); XY, LLC v. Trans Ova Genetics, L.C., 890 F.3d 1282, 1294 (Fed. Cir. 2018).

182. *See* ePlus, Inc. v. Lawson Software, Inc., 790 F.3d 1307, 1351 (Fed. Cir. 2015) (case pending regarding the scope of injunction and contempt sanctions).

By contrast, the Federal Circuit has clarified that *Fresenius* “does not allow reopening of a satisfied and unappealable final judgment.”¹⁸³ For example, in *WesternGeco L.L.C. v. ION Geophysical Corp.*,¹⁸⁴ the parties stipulated to a final judgment on infringement, validity, reasonable royalties, and enhanced damages after full resolution in the district court and Federal Circuit.¹⁸⁵ Neither party appealed the stipulated final judgment (and the time for appeal ran), the reasonable royalty was paid, and a schedule was set for payment of the enhanced damages.¹⁸⁶ Thus, these claims were no longer pending in federal court at the time of PTAB invalidation, with the only claim remaining being for lost profits damages, on which certiorari had been sought and granted by the Supreme Court.¹⁸⁷ The Federal Circuit concluded “that the reasonable royalty award constitute[d] a fully satisfied and unappealable final judgment,” and that “ION cannot now reopen the agreed and fully paid unappealable final judgment on the reasonable royalty based on the subsequent invalidation of a subset of asserted patent claims.”¹⁸⁸ The intervening affirmance of PTAB invalidation could still affect the pending lost profits claim, and the Federal Circuit remanded to the district court to determine whether the lost profits could be based solely on the one patent not invalidated by the PTAB.¹⁸⁹

183. *WesternGeco L.L.C. v. ION Geophysical Corp.*, 913 F.3d 1067, 1071 (Fed. Cir. 2019); see *Versata Comput. Indus. Sols., Inc. v. SAP AG*, 564 F. App'x 600, 600–01 (Fed. Cir. 2014) (affirming summarily and finding “without merit” an infringer’s attempt to be relieved of a large monetary judgment where the patent owner abandoned the only remaining issue on remand from the Federal Circuit and final judgment was entered before PTAB invalidation).

184. 913 F.3d 1067 (Fed. Cir. 2019).

185. *Id.* at 1070.

186. *Id.*

187. See *id.* at 1071 (“The petition was granted with respect to the lost profits award, and . . . the Supreme Court reversed our decision on lost profits, holding that ‘WesternGeco’s damages award for lost profits was a permissible domestic application of § 284.’”).

188. *Id.* at 1072.

189. *Id.* at 1073–75.

B. *The Federal Circuit's Confused Rationale for Allowing PTAB Invalidation to Trump Litigation*

The *Fresenius* rule is clear, but its rationale is not. This subpart describes the confused rationale in *Fresenius*, the confusion in subsequent Federal Circuit and district court decisions, and the problems this confusion has caused.

1. The Ambiguity of *Fresenius*

The *Fresenius* panel majority based its conclusion primarily on precedent from cases involving reissuance and judicial invalidation.¹⁹⁰ Beyond precedent, the panel majority both suggested and rejected issue preclusion as the basis for its decision.¹⁹¹ The panel majority described the case as “virtually identical” to a previous case relying on the “defense” of collateral estoppel, i.e., issue preclusion, to terminate pending litigation after invalidation by another court.¹⁹² It also expressly relied on preclusion principles to justify parts of its decision.¹⁹³ And it suggested preclusion principles by framing the question as whether the PTAB invalidation “is binding in pending district court infringement litigation.”¹⁹⁴ The two members of the panel majority (Chief Judge Prost and Judge Dyk) subsequently filed an opinion concurring in the denial of rehearing en banc that expressly noted that a different result “would contravene controlling” Supreme Court and Federal Circuit precedent

190. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1336–44 (Fed. Cir. 2013).

191. See *id.* at 1343–44, 1347.

192. See *id.* at 1343–44 (explaining the similarities between *Fresenius*'s case and *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573 (Fed. Cir. 1994)); Gugliuzza, *(In)valid*, *supra* note 3, at 312 (“The Federal Circuit in *Fresenius* . . . drew on *Mendenhall* and the common law of preclusion as the basis for the absolute finality rule.”).

193. See *Fresenius*, 721 F.3d at 1341 (relying on preclusion's finality rules to determine the finality of the present judgment); *id.* at 1347 (relying on preclusion principles regarding the priority of conflicting judgments).

194. *Id.* at 1336; see also *id.* at 1339 (describing Congressional expectations that “cancellation of claims during reexamination would be binding in concurrent infringement litigation”).

where “decisions were held not sufficiently final to bar *the preclusive effect* of a final judgment in another case.”¹⁹⁵

But elsewhere, the *Fresenius* majority explained that PTAB invalidation “is binding not because of collateral estoppel, but because Congress has expressly delegated reexamination authority to the PTO under a statute requiring the PTO to cancel rejected claims, and cancellation extinguishes the underlying basis for suits based on the patent.”¹⁹⁶ The panel majority also made passing references to the mootness doctrine.¹⁹⁷ Its ultimate disposition stated that because “Baxter no longer has a viable cause of action against Fresenius . . . the pending litigation is moot.”¹⁹⁸ Its statement that “Baxter’s problem is that it no longer has a viable cause of action in the pending case” also suggests mootness.¹⁹⁹ And in a footnote, the panel majority sought support from a Supreme Court reissue case that it described as holding “that cancellation of a patent mooted the [pending] appeal.”²⁰⁰

2. The Confusion and Conflict in Post-*Fresenius* Cases

Subsequent Federal Circuit cases demonstrate confusion as to the proper basis for the *Fresenius* rule. Some cases rely on *Fresenius* as binding precedent without attempting to identify a rationale.²⁰¹ For example, in *Personal Audio, LLC v. CBS Corp.*,²⁰² the Federal Circuit concluded, without further analysis, that the patent owner “made no argument at all for distinguishing this case from the cases in which we held that district court actions had to terminate when a [PTAB]

195. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1372 (Fed. Cir. 2013) (Dyk, J., concurring in the denial of rehearing en banc) (emphasis added).

196. *Fresenius*, 721 F.3d at 1344.

197. *See id.* at 1340 (“[I]n general, when a claim is cancelled, the patentee loses any cause of action based on that claim, and any pending litigation in which the claims are asserted becomes moot.”).

198. *Id.* at 1347.

199. *Id.* at 1344–45.

200. *Id.* at 1337 n.6.

201. *See ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358–61 (Fed. Cir. 2015) (extending *Fresenius* without identifying a basis for the decision).

202. 946 F.3d 1348 (Fed. Cir. 2020).

unpatentability ruling as to the relevant patent claims was affirmed on appeal.”²⁰³

When the Federal Circuit goes beyond precedent, issue preclusion is its clearest and most common rationale.²⁰⁴ In *XY, LLC v. Trans Ova Genetics, L.C.*,²⁰⁵ the Federal Circuit declined to “address Trans Ova’s invalidity arguments as to the Freezing Patent claims in view of our affirmance today in a separate appeal [from the PTAB] invalidating these same claims, which collaterally estops XY from asserting the patent in any further proceedings.”²⁰⁶ It explained that the affirmance of PTAB invalidation “has an immediate issue-preclusive effect on any pending or co-pending actions involving the patent.”²⁰⁷ Notably, the majority rejected the dissent’s suggestion that the decision rested on mootness, relying instead on the Supreme Court’s *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation* decision about the preclusive effect of judicial invalidation for the principle that “an affirmance of an invalidity finding, whether from a district court or the Board, has a collateral estoppel effect on all pending or co-pending actions.”²⁰⁸ Similarly, in *Chrimar Systems, Inc. v. ALE USA Inc.*,²⁰⁹ the Federal Circuit held that “[t]his is such a case under *Fresenius . . .* and related cases” where “[o]ur affirmance of the Board’s decisions of unpatentability of the patent claims at issue in the present case has ‘an immediate issue-preclusive effect on any pending or co-pending actions involving the patent[s].’”²¹⁰

A few Federal Circuit cases make cursory references to mootness as the basis for the *Fresenius* rule, without any

203. *Id.* at 1354.

204. In addition to those discussed in the text, see *Hologic, Inc. v. Minerva Surgical, Inc.*, 957 F.3d 1256, 1266–67 (Fed. Cir. 2020) (stating that “Hologic is collaterally estopped from asserting infringement of these claims” invalidated by the PTAB) and *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, 757 F. App’x 974, 980 (Fed. Cir. 2019) (“Liability based on those claims [invalidated by the PTAB], therefore, is now precluded.”).

205. 890 F.3d 1282 (Fed. Cir. 2018).

206. *Id.* at 1294.

207. *Id.*

208. *Id.*

209. 785 F. App’x 854 (Fed. Cir. 2019).

210. *Id.* at 856 (citing *XY*, 890 F.3d at 1294).

sustained analysis. In *SHFL Entertainment, Inc. v. DigiDeal Corp.*,²¹¹ a non-precedential decision, the Federal Circuit pointed to the passing reference to mootness in *Fresenius* as the basis for terminating infringement litigation and concluded that summary judgment was improper because “[s]uits based on cancelled claims must be dismissed for lack of jurisdiction.”²¹² Another non-precedential decision, *Target Training International, Ltd. v. Extended Disc North America, Inc.*,²¹³ affirmed a dismissal for lack of jurisdiction under Article III because PTAB invalidation mooted infringement litigation.²¹⁴ In a single precedential opinion invoking mootness, the Federal Circuit simply noted “that the [PTAB]’s decision [invalidating claims at issue] and our affirmance mooted any dispute over the district court’s decision regarding [those] claims.”²¹⁵

Unsurprisingly, the district courts also are confused as to the basis for the *Fresenius* rule. Some just rely on Federal Circuit precedent without addressing the underlying rationale.²¹⁶ Some view the *Fresenius* rule as an application of issue preclusion.²¹⁷ Others invoke mootness as the governing

211. 729 F. App’x 931 (Fed. Cir. 2018).

212. *Id.* at 934.

213. 645 F. App’x 1018 (Fed. Cir. 2016).

214. *See id.* at 1022–25 (“Because TTI failed to assert the newly added claims, despite opportunities to do so, the district court did not err by dismissing the case as moot.”); *see also* Mylan Pharms. Inc. v. Rsch. Corp. Techs., Inc., 914 F.3d 1366, 1368 n.1 (Fed. Cir. 2019) (declining to rule on claims voluntarily cancelled in reexamination “[b]ecause there is no case or controversy regarding the finally cancelled claims”).

215. *See* *Indivior Inc. v. Dr. Reddy’s Lab’s, S.A.*, 930 F.3d 1325, 1349 (Fed. Cir. 2019); *see also* *B.E. Tech., L.L.C. v. Facebook, Inc.*, 940 F.3d 675, 679 (Fed. Cir. 2019) (endorsing district court dismissal of litigation as moot).

216. *See, e.g.*, *MonoSol Rx, LLC v. Bidelivery Scis. Int’l, Inc.*, No. 10-5695, 2015 WL 5679891, at *20 n.46 (D.N.J. Sept. 25, 2015); *Am. Tech. Ceramics Corp. v. Presidio Components, Inc.*, No. 14-CV-6544, 2018 WL 1525686, at *8 (E.D.N.Y. Mar. 27, 2018); *Ericsson Inc. v. TCL Commc’n Tech. Holdings, Ltd.*, No. 2:15-cv-00011, 2018 WL 2149736, at *15 (E.D. Tex. May 10, 2018).

217. *See, e.g.*, *Cisco Sys., Inc. v. Capella Photonics, Inc.*, No. 20-cv-01858, 2020 WL 4923697, at *4–6 (N.D. Cal. Aug. 21, 2020); *Intell. Ventures I, LLC v. Lenovo Grp. Ltd.*, 370 F. Supp. 3d 251, 256–58 (D. Mass. 2019); Memorandum Opinion, Order, and Recommendation, *C-Cation Techs., LLC v. Time Warner Cable Inc.*, No. 2:14-cv-00059, 2017 WL 6498072, at *1 (E.D. Tex. Dec. 19, 2017); *see also* *Unison Strategic IP, Inc. v. Life Techs. Corp.*, No. 13-cv-1278, 2019 WL 4015836, at *3 (S.D. Cal. Aug. 26, 2019) (“Since a final

rationale,²¹⁸ with at least one explicitly concluding (contrary to some Federal Circuit precedent) that “[t]he Federal Circuit has described this extinguishment as a matter of mootness, rather than collateral estoppel.”²¹⁹

Some post-*Fresenius* decisions mix the distinct concepts of issue preclusion and mootness. In *XY*, the Federal Circuit treated them as interchangeable, describing the *Fresenius* rule as “apply[ing] *collateral estoppel* in *mooting* pending district court findings of no invalidity based on intervening final decisions of patent invalidity.”²²⁰ Similarly, a district court purporting to apply issue preclusion concluded that “[w]hen a claim is invalidated at the PTAB, and that decision is made final, the cancellation of the claim carries *preclusive effect* in a co-pending litigation because *the cause of action is extinguished*.”²²¹

3. The Practical Consequences of the Different Rationales

The lack of governing rationale for the *Fresenius* rule causes a variety of practical problems. Litigants and district courts dispute whether the disposition of litigation after PTAB invalidation is on the merits—as it would be under issue

PTAB judgment on the invalidity of a patent claim has an issue-preclusive effect on any pending actions that involve that patent . . . [the] remaining claims must be precluded.”).

218. See, e.g., *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, No. 04-1371, 2017 WL 6206382, at *2–3 (D. Del. Dec. 8, 2017); *Transp. Techs., LLC v. L.A. Metro. Transp. Auth.*, No. CV 15-6423, 2019 WL 2058630, at *2 (C.D. Cal. May 8, 2019); Report and Recommendation, *Brookins v. Caterpillar Inc.*, No. 3:19-cv-29, 2019 WL 3758034, at *2–3 (D.N.D. June 26, 2019); *Puget Bioventures, LLC v. Biomet Orthopedics LLC*, 325 F. Supp. 3d 899, 904 (D. Ind. 2018); *MyGo, L.L.C. v. Mission Beach Indus., L.L.C.*, No. 16-cv-2350, 2018 WL 3438650, at *2, *5 (S.D. Cal. July 17, 2018); *Capella Photonics, Inc. v. Cisco Sys. Inc.*, No. 14-cv-03348, 2019 WL 4242665, at *2–3 (N.D. Cal. Sept. 6, 2019).

219. *B.E. Tech., L.L.C. v. Groupon, Inc.*, No. 2:12-cv-02781, 2017 WL 11139705, at *2 (W.D. Tenn. Dec. 20, 2017).

220. *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) (emphasis added).

221. *Papst Licensing GmbH & Co. v. Samsung Elecs. Co.*, 403 F. Supp. 3d 571, 601–02 (E.D. Tex. 2019) (emphasis added).

preclusion—or jurisdictional—as it would under mootness.²²² A 2018 Central District of California decision entered judgment on the merits because *Fresenius* “does not address subject matter jurisdiction,”²²³ whereas a 2019 Northern District of California decision cited and rejected that case because cases affected by PTAB invalidation “must be dismissed for lack of subject matter jurisdiction.”²²⁴

Relatedly, litigants and district courts disagree whether resolution is properly via dismissal (the normal resolution on jurisdictional grounds) or summary judgment (the normal means of resolving a case based on preclusion). A 2018 Southern District of California decision flatly stated that “[s]ummary judgment is not appropriate as to these claims because they are now moot,”²²⁵ whereas a 2019 District of Massachusetts case granted summary judgment based on collateral estoppel.²²⁶ Alternatively, litigants and courts agree on dismissal but disagree if it should be without prejudice (as is proper for jurisdictional dismissals) or with prejudice (as is proper for merits resolutions like preclusion).²²⁷

This uncertainty about the proper resolution—jurisdictional or not, summary judgment or dismissal, with prejudice or without prejudice—resulting from

222. See *supra* Part I.C.2.

223. *Munchkin, Inc. v. Luv N’ Care, Ltd.*, No. CV 13-06787, 2018 WL 7507424, at *2 (C.D. Cal. May 2, 2018).

224. *Capella Photonics, Inc. v. Cisco Sys. Inc.*, No. 14-cv-03348, 2019 WL 4242665, at *2 (N.D. Cal. Sept. 6, 2019).

225. *MyGo, L.L.C. v. Mission Beach Indus., L.L.C.*, No. 16-cv-2350, 2018 WL 3438650, at *6 (S.D. Cal. July 17, 2018).

226. See *Intell. Ventures I*, 370 F. Supp. 3d at 258 (“[C]laim 11 is invalid on the basis of collateral estoppel.”).

227. Compare *Transp. Techs., L.L.C. v. L.A. Metro. Transp. Auth.*, No. CV 15-6423, 2019 WL 2058630, at *2 (C.D. Cal. May 8, 2019) (“Dismissals for mootness must be without prejudice because federal courts lack jurisdiction to reach the merits of a mooted claim.” (internal quotation omitted)); *Power Integrations, Inc. v. Fairchild Semiconductor Int’l, Inc.*, No. 04-1371, 2017 WL 6206382, at *2–3 (D. Del. Dec. 8, 2017) (explaining that courts must dismiss claims without prejudice when they do not reach the merits of the case), with *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, No. 3:06-CV-1105, 2015 WL 1470710, at *6 (M.D. Pa. Mar. 31, 2015) (“[I]t is well-established that a plaintiff’s motion to dismiss with prejudice should only be denied if the defendant would suffer significant prejudice as a result.”).

the confusion about the basis for the *Fresenius* rule is not a mere procedural technicality but has important consequences. A final judgment on the merits—like summary judgment but not a jurisdictional dismissal without prejudice—has claim preclusive effect in later litigation.²²⁸ This could bar later infringement actions even for patent claims not asserted in the first case if they arise from the same operative facts (e.g., the same products).²²⁹

The type of resolution also could affect whether the defendant is a “prevailing party” as necessary to recover costs and attorney’s fees. To be fair, the Federal Circuit has found “prevailing party” status even where the district court dismissed a case as moot based on an intervening PTAB invalidation, without specifying with or without prejudice, because there was a “decision with judicial *imprimatur*.”²³⁰ A subsequent district court case, after dismissing without prejudice as moot, distinguished the Federal Circuit’s decision, purporting to apply the general rule that dismissals without prejudice cannot confer prevailing party status because they do not alter the parties’ legal relationship.²³¹ And the Federal Circuit has affirmed the denial of prevailing party status where the patent owner voluntarily dismissed the action without prejudice after PTAB invalidation, but focused on the lack of the judicial *imprimatur* for a voluntary dismissal.²³²

Finally, whether the *Fresenius* rule is based on issue preclusion or mootness affects the procedure for raising and resolving the intervening PTAB invalidation. Mootness is a jurisdictional issue that cannot be waived, can be raised by any

228. See 18 JAMES W. MOORE ET AL., MOORE’S FEDERAL PRACTICE—CIVIL § 131.30[3][a] (2021).

229. See *id.* § 131.20[2].

230. *B.E. Tech., L.L.C. v. Facebook, Inc.*, 940 F.3d 675, 678 (Fed. Cir. 2019).

231. See *Transp. Techs.*, 2019 WL 2058630, at *2–3, *3 n.4 (“[C]ourts have only conferred prevailing party status where a case is dismissed *with prejudice*.”).

232. See *O.F. Mossberg & Sons, Inc. v. Timney Triggers, L.L.C.*, 955 F.3d 990, 992–93 (Fed. Cir. 2020) (“[W]e held that a dismissal for mootness imparts sufficient judicial *imprimatur* to satisfy the prevailing party inquiry.”).

party at any time, and can be raised sua sponte by the court.²³³ Issue preclusion is an affirmative merits defense and is generally waived if not properly raised,²³⁴ though courts may choose to raise it sua sponte.²³⁵

C. *The Extensive Criticism of the Fresenius Rule*

The conclusion of *Fresenius* that PTAB invalidation, once affirmed, trumps pending litigation and prior judicial decisions has been heavily criticized by judges, scholars, and others. Most obviously, the Federal Circuit twice split nearly evenly on petitions for rehearing en banc. The petition for rehearing en banc was denied in *Fresenius* but over the strong dissents of four of the ten Federal Circuit judges.²³⁶ Two years later, the Federal Circuit again denied rehearing en banc on the issue in another case, this time by an even vote of five to five.²³⁷ Several panel dissents have likewise objected to allowing PTAB invalidation to trump pending litigation and prior judicial decisions.²³⁸ Even Supreme Court Justice Gorsuch expressed concern about the *Fresenius* rule in a case that had nothing to do with it.²³⁹

233. See 15 MOORE'S, *supra* note 16, § 101.92.

234. See FPP, *supra* note 33, § 4405.

235. See *id.* § 4405 n.10.

236. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 733 F.3d 1369, 1370 (Fed. Cir. 2013) (denial of rehearing en banc).

237. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1308 (Fed. Cir. 2015) (denial of rehearing en banc).

238. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1364 (Fed. Cir. 2013) (Newman, J., dissenting) ("The court's ruling that PTO reexamination overrides the prior adjudication of patent validity is contrary to the legislative purposes of reexamination, offensive to principles of litigation finality and repose, and violative of the Constitution."); *ePlus, Inc. v. Lawson Software, Inc.* 789 F.3d 1349, 1369 (Fed. Cir. 2015) (O'Malley, J., dissenting) ("I believe that the majority incorrectly holds that *Fresenius II* requires that we vacate the compensatory contempt award in light of *In re ePlus*"); *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1298 (Fed. Cir. 2018) (Newman, J., concurring in the judgment in part and dissenting in part) ("My concern is with the holding that the district court's judgment of validity of the Freezing Patent is 'moot' on the ground of collateral estoppel.").

239. See *Thryv, Inc. v. Click-to-Call Techs., L.P.*, 140 S. Ct. 1367, 1388 (2020) (Gorsuch, J., dissenting) (criticizing the *Fresenius* rule as allowing PTAB decision to displace a court's determination).

The leading scholarly treatment of the issue, by Professor Paul Gugliuzza, concluded that there was “reason to at least be skeptical” of the *Fresenius* approach, which “deserve[d] close scrutiny” because it was “problematic.”²⁴⁰ Likewise, Professor Paul Janicke has described the Patent Office invalidating a claim previously upheld by the federal courts as a “problem” that is “the very opposite of what was envisioned by Congress in the initial legislation.”²⁴¹ Several student notes²⁴² and practitioner articles²⁴³ also object to the *Fresenius* rule.

Some critics limit their concern to the most extreme version of the *Fresenius* rule—when conclusive judicial determinations of infringement and invalidity that have been affirmed on appellate review are vacated because the case was still pending on remedial or ministerial matters.²⁴⁴ Many critics go further and object to giving effect to the PTAB proceedings anytime it would require vacating a prior district court or jury determination on validity, even prior to appellate review.²⁴⁵ And

240. Gugliuzza, (*In*)valid, *supra* note 3, at 274, 308, 310.

241. Paul M. Janicke, *An Interim Proposal for Fixing Ex Parte Patent Reexamination’s Messy Side*, 4 HOUS. L. REV.: OFF REC. 43, 47–48 (2013); *see also* Michael S. Greve, *Exceptional, After All and After Oil States: Judicial Review and the Patent System*, 26 B.U. J. SCI. & TECH. L. 1, 39 (2020) (describing the *Fresenius* rule as “doubly problematic”).

242. *See, e.g.*, Picozzi, *supra* note 3, at 2534 (finding *Fresenius* unpersuasive and advocating for judicial discretion); Peggy P. Ni, Note, *Rethinking Finality in the PTAB Age*, 31 BERKELEY TECH. L.J. 557, 576–78 (2016) (arguing that *Lawson* and *Fresenius* create issues of unfairness and gamesmanship).

243. *See, e.g.*, N. Scott Pierce, *Double Jeopardy: Patents of Invention as Contracts, Invention Disclosure as Consideration, and Where Oil States Went Wrong*, 30 FORDHAM INTELL. PROP., MEDIA & ENT. L.J. 645, 723–30 (2020) (“Clearly, the odds are stacked against patentees, and the opportunities for gamesmanship are many.”); *see also* Shashank Upadhye & Adam Sussman, *A Real Separation of Powers or Separation of Law: Can an Article I Administrative Agency Nullify an Article III Federal Court Judgment?*, 25 FORDHAM INTELL. PROP. MEDIA & ENT. L.J. 1, 33–38 (2014) (rejecting some but endorsing other concerns about the *Fresenius* rule).

244. *See, e.g.*, Gugliuzza, (*In*)valid, *supra* note 3, at 314, 316 (focusing concern on cases where there was a prior conclusive determination on liability); *Fresenius*, 733 F.3d at 1373 (O’Malley, J., dissenting from the denial of rehearing en banc) (objecting to allowing PTAB invalidation to trump where liability had been conclusively resolved at the district court and on appeal).

245. *See, e.g.*, XY, LLC v. Trans Ova Genetics, L.C., 890 F.3d 1282, 1299 (Fed. Cir. 2018) (Newman, J., concurring in the judgment in part and

some critics go so far as to suggest that PTAB invalidation can never affect pending litigation, even without any prior decision in the litigation,²⁴⁶ or affect the validity of patents previously upheld by the judiciary even in future litigation filed after the PTAB proceedings.²⁴⁷

Gugliuzza has usefully separated the criticisms of the *Fresenius* rule into three categories: (1) doctrinal; (2) separation of powers; and (3) policy.²⁴⁸ Gugliuzza makes a persuasive case that “contrary to the [*Fresenius*] court’s contentions, [the precedent] do[es] not clearly indicate how to resolve conflicting decisions between a court and the PTO in concurrent proceedings.”²⁴⁹ Three Federal Circuit judges have similarly concluded that “[t]here is no support in precedent for nullifying judicial rulings of infringement and injunction, retroactively,

dissenting in part) (“[T]hat separate action [affirming PTAB invalidation] cannot justify our discard of the district court’s judgment as ‘mooted’ by the agency decision. The law of collateral estoppel does not contemplate that result.”); Brief for Biotechnology Industry Organization as Amicus Curiae Supporting Petitioners at 3, *Baxter Int’l, Inc. v. Fresenius USA, Inc.*, 572 U.S. 1115 (2014) (arguing that the effects of PTAB invalidation “should not be available to an infringer after a district court has finally adjudicated patent validity and awarded infringement damages against it”).

246. See *XY*, 890 F.3d at 1298 (Newman, J., concurring in the judgment in part and dissenting in part) (“[The] holding that judicial authority is estopped by an administrative agency ruling between non-mutual parties warrants attention to the constitutional balance among the branches of government.”); see also *Fresenius*, 721 F.3d at 1346 (describing “a view, expressed by Judge Newman in various other cases, that PTO reexamination cannot affect pending infringement suits”).

247. See *Fresenius*, 721 F.3d at 1349 (Newman, J., dissenting) (“The PTO can neither invalidate, nor revive, a patent whose validity the court has adjudicated.”); *id.* at 1351 (finding “no hint of an intent that a PTO reexamination decision would override a prior judicial decision rendered in either prior or concurrent litigation”). Judge Newman suggested that her position may not be as strong as some of her comments indicated. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1383 (Fed. Cir. 2013) (Newman, J., dissenting from the denial of rehearing en banc). But other judges who both supported and opposed the *Fresenius* rule understood Judge Newman to take this strong position. See *id.* at 1370 (Dyk, J., concurring in the denial of rehearing en banc); *id.* at 1372 (O’Malley, J., dissenting from the denial of rehearing en banc).

248. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 274.

249. *Id.* at 310; see also Picozzi, *supra* note 3, at 2527 (“Precedent neither requires nor forbids the court’s approach.”).

based on a subsequent decision of the Patent and Trademark Office.”²⁵⁰ In particular, critics object to the Federal Circuit’s reliance on issue preclusion, contending that the *Fresenius* rule is inconsistent with black letter issue preclusion doctrine.²⁵¹

Beyond precedent, judicial critics have vigorously objected to the *Fresenius* rule on separation of powers grounds. Federal Circuit Judge O’Malley criticized the conclusion that “a decision of the PTO, an administrative agency under a coordinate branch of government, can displace a judgment of an Article III court” as “ignor[ing] the role of Article III courts in our constitutional structure.”²⁵² Federal Circuit Judge Newman even more strongly objected that it “violates the constitutional plan” by allowing an administrative agency “to override and void the final judgment of a federal Article III Court of Appeals.”²⁵³ In her view, the *Fresenius* rule means that “the prior final adjudication by this court of validity and infringement is irrelevant, and that the later decision by the PTO overrides and displaces our prior adjudication, depriving the parties to that adjudication of their binding judgments.”²⁵⁴ This, according to

250. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1311 (Fed. Cir. 2015) (Newman, J., dissenting from denial of rehearing en banc); *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1370 (Fed. Cir. 2015) (O’Malley, J., dissenting) (“The majority’s approach is contrary to the well-established law of finality when the merits of an issue are conclusively decided.”); *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1373 (Fed. Cir. 2013) (O’Malley, J., dissenting from denial of rehearing en banc) (“Under no reasonable application of the law, however, could the PTO’s actions eradicate that judgment.”).

251. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 311–12 (“In cases involving concurrent proceedings in the courts and at the PTO . . . a critical element of issue preclusion is missing because the PTO applies a lower standard of proof”); *XY*, 890 F.3d at 1298 (Newman, J., dissenting) (arguing that black letter issue preclusion principles do not justify PTAB invalidation priority); Brief of National Small Business Ass’n et al. as Amici Curiae Supporting Petitioners at 4, *Chrimar Sys., Inc. v. Ale USA Inc.*, 141 S. Ct. 160 (2020) (“In *Fresenius* . . . the Federal Circuit established an idiosyncratic view of issue preclusion”).

252. *ePlus*, 789 F.3d at 1370 (O’Malley, J., dissenting).

253. *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1347 (Fed. Cir. 2013) (Newman, J., dissenting); see also *Fresenius*, 733 F.3d at 1383 (Newman, J., dissenting from the denial of rehearing en banc) (objecting to “routinely subjecting Article III judgments to agency override”).

254. *Fresenius*, 721 F.3d at 1348 (Newman, J., dissenting).

Judge Newman, violates the principle that “[a]n agency of the executive branch cannot override or revise or ignore, or deny faith and credit to, the judgment of an Article III court.”²⁵⁵

Scholars are more cautious. Gugliuzza recognized that the *Fresenius* rule “does not necessarily violate Supreme Court caselaw on separation of powers” because that precedent involved direct review of judicial decisions by the executive or Congressional efforts to overturn litigation that was completely final and terminated in the courts.²⁵⁶ Yet Gugliuzza still suggested that it “is in tension with Supreme Court caselaw on separation of powers, which forbids administrative agencies from altering definitive court decisions” and is “in tension with the basic policy that the federal courts should have the last word on cases within their jurisdiction.”²⁵⁷ Similarly, Janicke recognized that allowing PTAB invalidation to trump pending litigation was not illegitimate but noted that “to outside observers unfamiliar with the niceties of differing burdens of proof and other legalistic constructs, the outcome seemed to place the PTO above the courts on several questions of law.”²⁵⁸

Finally, judges, scholars, and others have objected to allowing PTAB invalidations to trump pending litigation and prior judicial decisions on policy grounds. Some Federal Circuit judges have indicated a policy preference for the dominance of federal courts in patent litigation inconsistent with Congress’s increasing grant of authority over patent validity to the Patent Office.²⁵⁹ More commonly, critics object that “it seems unfair and inefficient to give someone a court has held to be a patent infringer a second chance to avoid liability.”²⁶⁰ For example,

255. *Id.*

256. Gugliuzza, *(In)valid*, *supra* note 3, at 308–10.

257. *Id.* at 276, 310.

258. Janicke, *supra* note 241, at 52.

259. *See Fresenius*, 733 F.3d at 1383 (O’Malley, J., dissenting from the denial of rehearing en banc) (“The panel majority’s decision in this case goes a long way toward rendering district courts meaningless in the resolution of patent infringement disputes.”); *ePlus*, 789 F.3d at 1370 (O’Malley, J., dissenting) (“The majority’s approach to finality will further displace the critical role of district courts in patent infringement suits.”).

260. *See* Gugliuzza, *(In)valid*, *supra* note 3, at 276 (noting some policy considerations going the other way); *see also* *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 733 F.3d 1369, 1381–82 (Fed. Cir. 2013) (O’Malley, J., dissenting

Federal Circuit Judge Moore criticized the fact that the *Fresenius* rule “permit[ted] defendants to snatch victory from the already closed jaws of defeat” as “wasteful of judicial, executive, and party resources” and “just plain unfair.”²⁶¹ Critics also worry that the *Fresenius* rule encourages “gamesmanship” and “abus[e]” by “encourage[ing] defendants to scrap and fight to keep underlying litigation pending in the hope that they will fare better with the PTO and then be able to unravel the district court judgment against them.”²⁶² And some critics worry that allowing PTAB invalidation to trump pending litigation and prior judicial decisions strikes at patent law’s very purpose to promote innovation by “weaken[ing] that incentive [provided by the patent], by reducing the reliability of the patent grant, even when the patent has been sustained in litigation.”²⁶³

Critics have proposed a variety of solutions to the perceived problems with the *Fresenius* rule. Many seek to prevent different outcomes in concurrent PTAB and judicial proceedings by means such as more frequent (or presumptive or mandatory) judicial stays or aligning the burdens of proof in the forums.²⁶⁴ Some have gone so far as to suggest that the Patent Office’s concurrent jurisdiction over validity should be eliminated, in

from the denial of rehearing en banc) (describing the *Fresenius* rule as “both incorrect and ill-advised” because it made trial courts less accessible, less streamlined and efficient, and less fair); Janicke, *supra* note 241, at 47 (“[T]he accused infringer has two bites at the validity question, with attendant costs and delays, the very opposite of what was envisioned by Congress in the initial legislation.”).

261. *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1315 (Fed. Cir. 2015) (Moore, J., dissenting from denial of rehearing en banc).

262. *See id.* at 1314–15; *see also Fresenius*, 733 F.3d at 1382–83 (Newman, J., dissenting from the denial of rehearing en banc) (“I emphasize the gamesmanship and abuses that are now facilitated, with no balancing benefit to the public.”).

263. *Fresenius*, 733 F.3d at 1382 (Newman, J., dissenting from the denial of rehearing en banc).

264. *See* Gugliuzza, *(In)valid*, *supra* note 3, at 276, 327–30 (explaining greater use of stays and aligning burden of proof); Ni, *supra* note 242, at 584 (“Nearly automatic stays of district court litigation until resolution of a PTO proceeding would prevent contradictory determinations of validity at the courts and the PTO.”); Nick Messana, *Reexamining Reexamination: Preventing a Second Bite at the Apple in Patent Validity Disputes*, 14 NW. J. TECH. & INTELL. PROP. 217, 231 (2016) (stating that Congress should “encourage the use of these stays”).

part to prevent different results from the federal courts.²⁶⁵ When different results do occur, many critics propose making federal court decisions, or at least conclusive decisions, immune from the effects of PTAB cancellation.²⁶⁶ Others suggest giving federal judges discretion to decide whether to give effect to the PTAB cancellation when there has already been a judicial validity decision (or perhaps only a conclusive decision).²⁶⁷ Gugliuzza roots his discretionary proposal in law of the case, a discretionary doctrine by which courts should adhere to their own prior rulings in the same case absent exceptional circumstances.²⁶⁸ Gugliuzza suggests that PTAB invalidation would typically be an exceptional circumstance to depart from previous decisions in the litigation, but the court would retain the discretion to decline to do so if the circumstances warranted.²⁶⁹

D. *The Federal Circuit's Blatant Error in Relying on Preclusion Principles*

The critics of the *Fresenius* rule are undoubtedly correct in one regard. The issue preclusion principles commonly invoked by the Federal Circuit are inapplicable. Gugliuzza curtly dismissed the relevance of issue preclusion without much analysis because “a key element of issue preclusion is not satisfied in parallel court and PTO proceedings on patent

265. See *Pierce*, *supra* note 243, at 730–32 (arguing that eliminating the Patent Office’s independent invalidity power is the only way to prevent competing decisions).

266. See *Ni*, *supra* note 242, at 579–80 (suggesting that judgments should be final for PTAB invalidation purposes if the judgment would be final for appeal); Betsy Johnson, *Plugging the Holes in the Ex Parte Reexamination Statute: Preventing a Second Bite at the Apple for a Patent Infringer*, 55 CATH. U. L. REV. 305, 338 (2006) (“[T]he Federal Circuit should set a firm precedent not allowing reexaminations to control or alter the final judgments of a *district court*.” (emphasis added)).

267. See *Picozzi*, *supra* note 3, at 2520 (“[D]istrict courts would have the discretion to adhere to their prior remedy decisions despite intervening administrative judgments of invalidity.”).

268. See Gugliuzza, *(In)valid*, *supra* note 3, at 317.

269. See *id.* at 318–19 (“Yet the law of the case doctrine is directed toward the court’s sound discretion and encourages the court to consider whether departing from a prior ruling would be fair or efficient.”).

validity.”²⁷⁰ Some district judges have recognized the problems with an issue preclusion rationale but assumed the Federal Circuit adopted a special patent-only form of issue preclusion. A Northern District of California judge interpreted the precedent as requiring that “collateral estoppel effect should be given to PTAB invalidations even where the traditional elements of collateral estoppel are not technically satisfied.”²⁷¹ Similarly, a District of Massachusetts judge recognized that the reliance on issue preclusion was contrary to “black letter law” but understood the precedent to hold that it was “necessitated by the IPR statutory scheme.”²⁷²

This subpart provides the sustained analysis largely missing to date demonstrating how the Federal Circuit’s use of issue preclusion to justify the *Fresenius* rule disregards basic preclusion principles. The Federal Circuit’s twisting of preclusion rules is another example of its patent-exceptional approach to even general procedural issues.²⁷³ The Supreme Court has repeatedly rejected the Federal Circuit’s patent exceptionalism, insisting that patent cases adhere to generally applicable procedural rules.²⁷⁴

1. Different Burdens of Proof Bar Issue Preclusion

PTAB invalidation is not entitled to issue preclusive effect in pending litigation because the two proceedings do not present the “same issue” within the meaning of black letter preclusion doctrine. The “same issue” considers “not only [the] substantive contours but also the procedural conditions under which [the

270. *Id.* at 275, 289.

271. *Cisco Sys., Inc. v. Capella Photonics, Inc.*, No. 20-cv-01858, 2020 WL 4923697, at *5 (N.D. Cal. Aug. 21, 2020).

272. *Intell. Ventures I, LLC v. Lenovo Grp. Ltd.*, 370 F. Supp. 3d 251, 256 (D. Mass. 2019).

273. *See* Gugliuzza, *Federal Circuit*, *supra* note 3, at 1817–18 (explaining patent exceptionalism as “the Federal Circuit’s tendency to insist that general legal principles, such as jurisdictional standards, do not apply in patent cases because patent law is ‘different’”).

274. *See id.* at 1818 (collecting Supreme Court cases rejecting patent exceptionalism in three contexts: “declaratory judgment standing, remedies for patent infringement, and review of administrative agencies”).

issue] was determined.”²⁷⁵ In particular, issue preclusion applies only if a resolution under the burden of proof in the first proceeding would necessarily also determine the issue under the burden of proof in the second proceeding.²⁷⁶ Specifically, “a party who has carried the burden of establishing an issue by a preponderance of the evidence is not entitled to assert preclusion in a later action that requires proof of the same issue by a higher standard.”²⁷⁷ That the plaintiff in the first case provided enough evidence to satisfy the preponderance burden does not establish that they had enough evidence to meet a higher burden of proof.²⁷⁸

This basic preclusion principle alone means that the PTAB invalidation is not entitled to issue-preclusive effect in pending district court litigation.²⁷⁹ The PTAB uses a preponderance of the evidence burden for invalidity, whereas the district courts use the higher clear and convincing evidence burden.²⁸⁰ Merely because the PTAB found that it was more likely than not that the patent was invalid—the preponderance standard—does not establish that there is clear and convincing evidence that the patent is invalid.²⁸¹

The difference in burden of proof between the PTAB and the federal courts demonstrates the Federal Circuit’s error in concluding that PTAB invalidation priority “is a straightforward

275. YEAZELL & SCHWARTZ, *supra* note 143, at 736–37.

276. *Id.* at 736–37; *see also* FPP, *supra* note 33, § 4422 (“Issue preclusion, although not claim preclusion, may be defeated by shifts in the burden of persuasion or by changes in the degree of persuasion required.”).

277. FPP, *supra* note 33, § 4422.

278. YEAZELL & SCHWARTZ, *supra* note 143, at 737 (stating that because civil and criminal proceedings operate under different standards of proof, a decision in a civil case may not preclude an issue in a criminal case).

279. *See* Gugliuzza, (*In*)*valid*, *supra* note 3, at 275 (noting that issue preclusion should be inapplicable “in parallel court and PTO proceedings on patent validity because the two bodies use different legal standards to resolve the dispute”).

280. *See supra* Part I.A–B.1.

281. *See* Grogan v. Garner, 498 U.S. 279, 284–85 (1991) (noting that because an earlier determination of fraud was based on a preponderance of the evidence standard, “the prior judgment could not be given collateral estoppel effect” in a later bankruptcy proceeding if the burden was clear and convincing evidence).

application of this court's and Supreme Court precedent" on issue preclusion.²⁸² The Federal Circuit pointed to the Supreme Court's reliance on issue preclusion in *Blonder-Tongue*.²⁸³ But *Blonder-Tongue* involved two infringement cases pending in federal court, both of which used the clear and convincing evidence standard to determine invalidity.²⁸⁴ The Federal Circuit also cited its prior decision relying on issue preclusion in a case where both proceedings were before the PTAB and subject to the same preponderance of the evidence burden.²⁸⁵ These cases are consistent with black letter preclusion principles because the burden of proof remained the same. By contrast, issue preclusion is inapplicable in the *Fresenius* context because of the higher burden of proof in litigation than the PTAB.

2. Additional Departures from Basic Issue Preclusion Doctrine

While the different burdens of proof are enough to make PTAB invalidation irrelevant to pending litigation under issue preclusion principles, the Federal Circuit's reliance on issue preclusion to justify the *Fresenius* rule is inconsistent with several other aspects of basic issue preclusion doctrine.

First, when there are competing proceedings, the first to reach final judgment is entitled to preclusive effect in the other proceeding.²⁸⁶ As discussed further below, final judgment in this context refers to a final judgment in the lower tribunal, regardless of any pending appeals. But the Federal Circuit allows a second-in-time PTAB judgment to preclude a first-in-time district court judgment. The Federal Circuit has

282. *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1294 (Fed. Cir. 2018).

283. *See id.* at 1294 ("This court has long applied the Supreme Court's holding in *Blonder-Tongue* to apply collateral estoppel in mooted pending district court findings of no invalidity based on intervening final decisions of patent invalidity.").

284. *See Blonder-Tongue Lab's, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 335 (1971).

285. *See XY*, 890 F.3d at 1294 (citing *MaxLinear, Inc. v. CF CRESPE L.L.C.*, 880 F.3d 1373 (Fed. Cir. 2018)).

286. *See* RESTATEMENT (SECOND) OF JUDGMENTS § 27 cmt. 1 (AM. L. INST. 1982).

(correctly) declined to give preclusive effect to the first-in-time PTAB judgment because of the differing burden of proof—the defendant’s failure to prove invalidity by clear and convincing evidence does not preclude a PTAB determination of invalidity by the lower preponderance of evidence burden.²⁸⁷ But then the Federal Circuit (incorrectly) gives the second-in-time PTAB judgment preclusive effect despite the higher burden of proof in litigation.²⁸⁸

Second, the Federal Circuit treats its affirmance of the PTAB’s invalidity judgment as the trigger for issue preclusion, rather than the PTAB’s own invalidity judgment.²⁸⁹ In *XY*, the Federal Circuit explained that its “affirmance renders final a judgment on the invalidity of the Freezing Patent, and has an immediate issue-preclusive effect on any pending or co-pending actions involving the patent.”²⁹⁰ The court expressly rejected the preclusive effect of the PTAB decision absent affirmance.²⁹¹ However, a final determination of the trial court, or other tribunal of the first instance, is entitled to preclusive effect.²⁹² The finality sufficient to permit preclusion is often analogized to

287. See *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1364–65 (Fed. Cir. 2012) (finding that the Patent Office legitimately invalidated a patent that the district court had previously upheld “because the two proceedings necessarily applied different burdens of proof and relied on different records”); see also *FPP*, *supra* note 33, § 4422 (“Failure to carry a special burden of persuasion characterized as requiring clear and convincing evidence or some like showing does not preclude a later attempt to prove the same issue by a preponderance of the evidence.”).

288. See *supra* Part II.D.1.

289. See *XY*, 890 F.3d at 1294 (“[A]n affirmance of an invalidity finding, whether from a district court or the [PTAB], has a collateral estoppel effect on all pending or co-pending actions.”).

290. *Id.*

291. See *id.* (“We do not find . . . in the event of conflict the administrative agency’s decision moots the district court’s decision.”).

292. See *FPP*, *supra* note 33, § 4432 (“Traditionally, finality was identified for purposes of preclusion in much the same way as it was identified for purposes of appeal.”); see also RESTATEMENT (SECOND) OF JUDGMENTS § 83(1) (AM. L. INST. 1982) (explaining that, subject to inapplicable exceptions, “a valid and final adjudicative determination by an administrative tribunal has the same effects under the rules of *res judicata*, subject to the same exceptions and qualifications, as a judgment of a court”); *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 148–51 (2015) (endorsing the Second Restatement’s position).

the finality necessary to appeal.²⁹³ Thus, “the rule [is] that a final trial-court judgment operates as *res judicata* while an appeal is pending.”²⁹⁴ If the *Fresenius* rule is based on issue preclusion, litigation should be terminated upon the PTAB’s final determination, without the need for Federal Circuit affirmance. Although this would raise complications if the PTAB were reversed on appeal, issue preclusion doctrine addresses these familiar complications through protective measures in the second action, not denying issue preclusive effect to the first action.²⁹⁵

Third, the Federal Circuit treats PTAB invalidation as an automatic bar to pending litigation, explaining that PTAB invalidation “has an immediate issue-preclusive effect” on “all pending or co-pending actions.”²⁹⁶ However, as a Federal Circuit dissent noted,²⁹⁷ substantial flexibility and exceptions pervade issue preclusion to ensure that barring re-litigation is fair under the circumstances.²⁹⁸ Of particular relevance, preclusion can be denied if there are “differences in the quality or extensiveness of the procedures followed in the two courts,”²⁹⁹ including “differences in the rules of discovery or inability to make full use of discovery or evidence in the first forum,”³⁰⁰ the inability to “call witnesses” in the first action,³⁰¹ or “substantial differences in the rules of evidence.”³⁰²

Discovery in PTAB proceedings is generally limited to exhibits cited by the opposing party, information inconsistent

293. FPP, *supra* note 33, § 4432.

294. *Id.* § 4433.

295. *See id.* (suggesting staying or dismissing the second action if an appeal is pending in the first action).

296. XY, LLC v. Trans Ova Genetics, L.C., 890 F.3d 1282, 1294 (Fed. Cir. 2018).

297. *See id.* at 1300 (Newman, J., dissenting).

298. *See* FPP, *supra* note 33, § 4426 (“A final limitation on issue preclusion may be found in occasional statements that it ‘should not be exercised in such a manner as to work an injustice.’”); RESTATEMENT (SECOND) OF JUDGMENTS § 28 (AM. L. INST. 1982) (explaining five instances when issue preclusion may not apply despite the issue being litigated with a final judgment).

299. RESTATEMENT (SECOND) OF JUDGMENTS § 28(3) (AM. L. INST. 1982).

300. FPP, *supra* note 33, § 4423.

301. Parklane Hosiery Co. v. Shore, 439 U.S. 322, 331 n.15 (1979).

302. FPP, *supra* note 33, § 4423.

with the other party's position in the proceeding, and a deposition of the other party's expert declarant.³⁰³ For anything else, "the high burden placed on a party seeking [additional] discovery . . . has resulted in the Board granting discovery in only limited situations."³⁰⁴ This contrasts with "the expansive discovery common in district court" litigation.³⁰⁵ Similarly, whereas live testimony and cross-examination are hallmarks of district court trials, PTAB proceedings are generally limited to counsel argument.³⁰⁶ The PTAB "will only rarely allow live witness testimony."³⁰⁷ Normally, direct testimony occurs via witness declarations and cross-examination occurs through depositions, with only the transcript, not the video, submitted to the PTAB.³⁰⁸

These procedural differences may not be significant enough to prevent issue preclusion in most parallel PTAB and district court proceedings.³⁰⁹ But some invalidity issues are so fact-intensive that the differences in discovery and witness testimony between the PTAB and district court litigation may affect the outcome of the invalidity issue.³¹⁰ The Federal Circuit's absolute preclusion rule is therefore inconsistent with the flexibility of issue preclusion that accounts for potentially significant differences in discovery or witness testimony.³¹¹

303. See Michael J. Flibbert & Maureen D. Queler, *5 Distinctions Between IPRs and District Court Patent Litigation*, CORP. COUNS. (Dec. 16, 2015), <https://www.perma.cc/2743-TCAL>.

304. *Id.*

305. *Id.*

306. *See id.*

307. *Id.*

308. *Id.*

309. See *B&B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138, 158–59 (2015) (noting that procedural differences do not necessarily prevent issue preclusion in a case with more limited discovery and an absence of live testimony, but one in which the administrative proceedings more closely followed district court discovery rules).

310. See Greg Reilly, *Linking Patent Reform and Civil Litigation Reform*, 47 LOY. U. CHI. L.J. 179, 213–14 (2015) (describing circumstances requiring additional testimony or documentary evidence).

311. See *B&B Hardware*, 575 U.S. at 158–59 (noting that basic preclusion principles allow such a showing on a case-by-case basis).

3. The Federal Circuit's Use of Mutant Preclusion to Justify the *Fresenius* Rule

The Federal Circuit has pointed to issue preclusion to bar litigation based on PTAB invalidation even when patent validity was not at issue in the litigation. In *Hologic, Inc. v. Minerva Surgical, Inc.*,³¹² the defendant was barred from asserting an invalidity defense in litigation by assignor estoppel, “an equitable doctrine that prevents a party who assigned a patent to another from later challenging the validity of the assigned patent in district court.”³¹³ Even though invalidity was not a proper issue in the litigation, the Federal Circuit held that “Hologic is collaterally estopped from asserting infringement of these claims” by an intervening (affirmed) PTAB invalidation.³¹⁴ However, “decisions defining the scope of issue preclusion all agree that it applies only when the same issue has been decided in one case *and arises in another*.”³¹⁵ Because invalidity did not properly arise in *Hologic* due to assignor estoppel, issue preclusion should have been irrelevant. The Federal Circuit expressly rejected this straightforward application of preclusion principles.³¹⁶

Rather, the Federal Circuit seemed to apply a mutant form of preclusion it labeled issue preclusion but that operated more like claim preclusion. The Federal Circuit concluded that the PTAB invalidation meant that “Hologic cannot assert those [patent] claims or seek ongoing monetary or injunctive relief based on infringement.”³¹⁷ What was precluded was not the specific issue of invalidity, as would be true under issue preclusion, but the entire claim of patent infringement, as would be true under claim preclusion.³¹⁸ But claim preclusion is clearly

312. 957 F.3d 1256 (2020).

313. *Id.* at 1260–63, 1266.

314. *Id.* at 1267.

315. FPP, *supra* note 33, § 4417 (emphasis added).

316. *See Hologic*, 957 F.3d at 1264 (dismissing the plaintiff's assertion that collateral estoppel was inappropriate).

317. *Id.* at 1266.

318. *See* RESTATEMENT (SECOND) OF JUDGMENTS § 17 cmt. (a)–(c) (AM. L. INST. 1982) (explaining this distinction between claim and issue preclusion).

inapplicable in the context of PTAB invalidation, since infringement cannot be raised in the PTAB.³¹⁹

III. PATENT OFFICE CANCELLATION MOOTS PENDING INFRINGEMENT LITIGATION AND DEPRIVES THE FEDERAL COURTS OF JURISDICTION

Those who criticize the Federal Circuit for allowing PTAB invalidation to trump pending litigation and prior judicial decisions are correct that the Federal Circuit precedent rests on shaky foundations, particularly by relying on issue preclusion. However, the Federal Circuit's *Fresenius* rule itself is largely right. The Federal Circuit and its critics have largely overlooked that the *Fresenius* rule, for the most part, reflects a straight-forward application of the mootness doctrine, a justiciability limit on the federal courts. This Part provides the missing rationale for the *Fresenius* rule, explaining how Patent Office cancellation moots pending litigation regardless of the stage and how the mootness doctrine clarifies and corrects aspects of the Federal Circuit's approach. Mootness also justifies vacating prior decisions in pending cases made before Patent Office cancellation and addresses the criticisms levied against allowing PTAB invalidation to trump pending litigation and prior judicial decisions.

A. Patent Office Cancellation Moots Infringement Litigation

For the most part, the Federal Circuit's *Fresenius* rule reflects basic principles of mootness. However, correctly

319. See FPP, *supra* note 33, § 4412 (explaining, as a limit on claim preclusion, that “[i]t is clear enough that a litigant should not be penalized for failing to seek unified disposition of matters that could not have been combined in a single proceeding”). Claim preclusion also requires mutuality—that the parties in the second action, or their privities, were all parties in the first action. See YEAZELL & SCHWARTZ, *supra* note 143, at 720 (“[D]ifferent parties possess different claims for preclusion purposes, even when those claims arise out of the same transaction.”). The Federal Circuit, however, applies preclusion based on PTAB invalidation even when the defendant in the district court action was not the PTAB challenger. See XY, LLC v. Trans Ova Genetics, L.C., 890 F.3d 1282, 1295 (2018) (“[T]he fact that the Defendant in this case and the Petitioners in an *inter partes* review at the Board were different parties is of no consequence.”).

recognizing mootness as the basis for this rule also clarifies, corrects, and limits the Federal Circuit’s approach.

1. Mootness Extinguishes Pending Litigation upon Patent Office Cancellation of the Asserted Patent Claims

Under the mootness doctrine, “federal courts are without power to decide questions that cannot affect the rights of litigants in the case before them.”³²⁰ Mootness can occur either because the issue itself is no longer “live” (issue mootness) or because the parties have lost their own personal stake in the issue (personal stake mootness).³²¹ Relevant here, issue mootness requires that “the legal issues that are sought to be litigated must remain live or extant throughout the entire course of the action.”³²² A case is moot if an intervening event causes the plaintiff to lose the right it seeks to vindicate.³²³ An intervening event moots litigation when it “affects, resolves, or terminates the subject matter of the controversy, and as a result, the plaintiff has been divested of all interest, stake, or claim in the subject of the dispute.”³²⁴ Specifically, “[w]hen pending litigation involves a legal issue that is later disposed of in another forum, the resolution of the issue or claim may render the pending lawsuit moot, provided that the resolution of the claim in the other forum is conclusive.”³²⁵ This includes situations in which the issue is resolved by an administrative agency.³²⁶

These principles explain why pending litigation is mooted by completed PTAB proceedings invalidating the underlying patent claims. The Patent Act explicitly makes the PTAB’s administrative resolution of invalidity conclusive upon the termination of all appeals (or expiration of the time for appeal)

320. *North Carolina v. Rice*, 404 U.S. 244, 246 (1971).

321. *U.S. Parole Comm’n v. Geraghty*, 445 U.S. 388, 396 (1980); *see* Hall, *supra* note 149, at 599–609 (highlighting that issue mootness is “constitutional in nature” and personal stake mootness is “largely prudential”).

322. 15 MOORE’S, *supra* note 16, § 101.93[1].

323. *Id.* § 101.93[2].

324. *Id.* § 101.94[2].

325. *Id.* § 101.93[3].

326. *Id.*

by requiring the Director of the Patent Office to issue a certificate “canceling any claim of the patent finally determined to be unpatentable[.]”³²⁷ The act of cancellation terminates the invalidated patent rights.³²⁸ These patent rights granted by the government, and these patent rights alone, are what gave the patent owner exclusive rights in the invention and the ability to prevent others from using it.³²⁹ The act of invention itself gives the patent owner no enforceable rights to prevent others from using the invention.³³⁰ Rather, it is only “the federal patent scheme [that] creates a limited opportunity to obtain a property right in an idea.”³³¹ In the absence of enforceable patent rights or when those rights cease to exist, the inventor has no right to prevent the public from using the invention.³³²

Patent Office cancellation thus reflects the classic mootness scenario where a plaintiff had a legally cognizable interest at the time litigation began—viable patent rights giving it the presumptive right to exclude others from using the invention—but an intervening event (Patent Office cancellation) terminated the subject of the controversy (the patent rights at issue in the litigation and cancelled by the Patent Office), divesting the plaintiff of its interest and claim in the litigation (the ability to exclude the defendant from using the invention).³³³ The

327. 35 U.S.C. § 307(a) (ex parte reexamination); *id.* § 318(b) (inter partes review); *id.* § 328(b) (post-grant review).

328. *Id.* §§ 307(a), 318(b), 328(b).

329. *See* *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 9 (1966) (“The grant of an exclusive right to an invention was the creation of society—at odds with the inherent free nature of disclosed ideas—and was not to be freely given.”).

330. *See id.* at 9 (“The patent monopoly was not designed to secure to the inventor his natural right in his discoveries.”).

331. *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 149 (1989).

332. *See id.* at 152 (“We have long held that after the expiration of a federal patent, the subject matter of the patent passes to the free use of the public as a matter of federal law.”); *United States v. Dubilier Condenser Corp.*, 289 U.S. 178, 186–87 (1933) (“[U]pon the expiration of that [patent] period, the knowledge of the invention enures to the people, who are thus enabled without restriction to practice it and profit by its use.”).

333. *See* 15 MOORE’S, *supra* note 16, § 101.94[2] (“Although the plaintiff may not have experienced any personal change in status, a lawsuit may nevertheless be rendered moot if an intervening event affects, resolves, or

situation is analogous to situations in which a case is mooted because a party asserting an interest related to property lost that property during litigation.³³⁴ Similarly, for a patent owner asserting an infringement claim based on its exclusive right in an invention, the case is mooted when the patent owner loses that exclusive right.³³⁵ That the right is lost because of the decision of another tribunal, and an administrative tribunal specifically, does not alter the analysis. “[I]t is common to find that a parallel proceeding is pending in another forum and that resolution of the controversy in that forum will moot the issues presented in the federal action,” including where “the parallel forum is an administrative proceeding.”³³⁶

The conclusive nature of Patent Office cancellation distinguishes PTAB invalidation from judicial invalidation for justiciability purposes. The Patent Act makes invalidity a defense in infringement litigation but does not provide for cancellation of the patent claim upon a finding of invalidity in the federal courts.³³⁷ Absent the filing of a disclaimer of the invalidated claims in the Patent Office, the patent owner technically retains a legally cognizable interest in exclusivity of the invention³³⁸ and therefore an infringement action is not moot. Rather, a subsequent defendant sued for infringement of a judicially invalidated patent claim must assert an invalidity defense and then rely on issue preclusion principles to preclude re-litigation.³³⁹

terminates the subject matter of the controversy, and . . . divest[s] [the plaintiff] of all interest, stake, or claim in the subject of the dispute.”).

334. Sidney A. Diamond, *Federal Jurisdiction to Decide Moot Cases*, 94 U. PA. L. REV. 125, 133–34 (1946) (giving examples where cases “deal[ing] with specific real or personal property” were mooted when “the property is sold or otherwise disposed of”); *Paramount Media Grp. v. Vill. of Bellwood*, 929 F.3d 914, 919 (7th Cir. 2019) (dismissing a challenge to a municipality’s billboard ban as moot because plaintiff’s lease to the property where the billboard would be built was terminated).

335. See 15 MOORE’S, *supra* note 16, § 101.94[2].

336. *Id.* § 101.96.

337. See *supra* Part I.A.

338. See *supra* Part I.A.

339. See *Blonder-Tongue Lab’ys, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 350 (1971) (directing that “one facing a charge of infringement of a patent that has once been declared invalid” should be allowed a “plea of estoppel”).

Mootness also justifies the Federal Circuit’s treatment of the *Fresenius* rule as a mandatory bar on pending litigation and demonstrates why critics are wrong to suggest that the effect of Patent Office cancellation can be ignored by courts or at least be subject to judicial discretion.³⁴⁰ Because mootness is a jurisdictional limit, courts cannot decide moot issues.³⁴¹ As a jurisdictional matter, there is no general public interest, manifest injustice, or discretionary exception to mootness.³⁴² Rather, when an intervening event moots a case “the action can no longer proceed and *must be dismissed* as moot.”³⁴³

This is not to say that mootness is without any flexibility or discretionary components. Mootness is subject to three “frequently-applied exceptions”: (1) when the claim is “capable of repetition, yet evading review”; (2) when mootness is based on “the defendant’s voluntary cessation of the challenged activity”; and (3) when the named plaintiff’s claim is mooted in a class action.³⁴⁴ Nothing about Patent Office cancellation implicates these exceptions. Rather, these exceptions generally apply when only the plaintiff’s personal stake in the issue is mooted (e.g., if the plaintiff lost ownership of the patent), not when the issue itself is mooted (as is true when the asserted patent claims are cancelled).³⁴⁵ When the issue remains “live” but the plaintiff has lost its personal stake in the issue, courts take a more discretionary and flexible approach to mootness.³⁴⁶ By contrast, “a finding that the issue is moot,” as is the case when the Patent Office cancels the exclusive rights upon which litigation is

340. See *supra* Part II.C.

341. See *North Carolina v. Rice*, 404 U.S. 244, 246 (1971).

342. See 15 MOORE’S, *supra* note 16, § 101.90.

343. *Genesis Healthcare Corp. v. Symczyk*, 569 U.S. 66, 72 (2013) (emphasis added).

344. *Hall*, *supra* note 149, at 576 (internal quotations omitted).

345. *Id.* at 563.

346. See *id.* at 599 (emphasizing judicial discretion when “the issue raised by plaintiff’s claim is not itself moot” but “the plaintiff’s personal stake in that issue is moot”); *id.* at 608 (“[T]here are two doctrines of mootness—one largely constitutional in nature, according to which a case raising only a moot *issue* must be dismissed, and the other largely prudential, pursuant to which federal courts may hear cases rendered moot by the expiration of plaintiff’s *personal stake*”).

based, “means that the case no longer presents a case or controversy and thus *must be dismissed*.”³⁴⁷

One aspect of mootness seems, at first, inconsistent with the Federal Circuit’s approach allowing PTAB invalidation to trump pending litigation and prior judicial decisions. Federal Circuit precedent provides that PTAB invalidation wipes out the entire infringement case, including claims for past damages for pre-cancellation infringement.³⁴⁸ However, “[t]he availability of damages or other monetary relief almost always avoids mootness.”³⁴⁹ Under basic mootness doctrine, claims for past damages for pre-cancellation infringement would seem to escape mootness, and not just those already adjudicated by the federal courts (the concern of many critics) but also those not yet adjudicated or even filed at the time of Patent Office cancellation. However, “[a] damages claim suffices to avoid mootness *only if viable*.”³⁵⁰ Therefore, “it is appropriate to dismiss the action as moot, without deciding the merits of the claimed wrong, if damages are not legally available for that wrong.”³⁵¹ As discussed earlier, the Federal Circuit’s long-standing interpretation, incorporated into the statute by Congress’s acquiescence and reenactment (and extension) of the relevant provisions, treats Patent Office cancellation as extinguishing even past damages claims for pre-cancellation infringement.³⁵² Therefore, as a matter of patent law, past damages are not legally available for pre-cancellation infringement and do not, as a matter of general mootness principles, suffice to prevent the mooting effect of Patent Office cancellation.

347. *Id.* at 599 (emphasis added); *see id.* at 600 (“[C]ourts invariably dismiss ‘issue moot’ cases.”).

348. *See supra* Part I.B.2.

349. FPP, *supra* note 33, § 3533.3.

350. *Id.* (emphasis added).

351. *Id.*

352. *See supra* Part I.B.2.

2. Mootness Justifies the Federal Circuit’s Absolute Finality Rule

Mootness doctrine also justifies what Gugliuzza calls the Federal Circuit’s “absolute finality” rule. Under this rule, “a PTO decision of invalidity that has been affirmed by the Federal Circuit will justify vacatur of any court decision awarding damages or imposing contempt sanctions, so long as the damage award or underlying injunction has not merged into a final, litigation-ending judgment.”³⁵³ But “[i]f a court decision awarding damages for infringement is contained in a final, litigation-ending judgment, that decision will be unaffected by any subsequent PTO decision of invalidity.”³⁵⁴ This reflects basic mootness principles, though the Federal Circuit has not looked to mootness to justify its absolute finality rule.

The Supreme Court has “repeatedly held that an actual controversy must exist not only at the time the complaint is filed, but through all stages of the litigation.”³⁵⁵ For that reason, “a court must not act in a case that has become moot, no matter how late mootness arises” because “[d]eath of the case [during litigation] ousts power to decide the merits.”³⁵⁶ Specifically, “[i]f an intervening circumstance deprives the plaintiff of a personal stake in the outcome of the lawsuit, at any point during litigation, the action can no longer proceed and must be dismissed as moot.”³⁵⁷ This is true regardless of whether the intervening, mooting event occurs after the district court judgment,³⁵⁸ while the case is pending on appeal,³⁵⁹ after

353. Gugliuzza, *(In)valid*, *supra* note 3, at 307.

354. *Id.*

355. *Already, LLC v. Nike, Inc.*, 568 U.S. 85, 90–91 (2013) (internal quotations omitted).

356. *FPP*, *supra* note 33, § 3533.10.

357. *Genesis Healthcare Corp. v. Symczyk*, 569 U.S. 66, 72 (2013) (internal quotations omitted).

358. *See Barilla v. Ervin*, 886 F.2d 1514, 1519 (9th Cir. 1989) (“[T]his court may not decide the merits of a moot case, regardless of whether it was mooted before or after the entry of judgment.”).

359. *See FPP*, *supra* note 33, § 3533.10 (“Many cases announce the basic rule that a case must remain alive throughout the course of appellate review.”).

appellate oral argument,³⁶⁰ after the appellate opinion but before the time to seek further review has expired,³⁶¹ while a writ of certiorari is pending in the Supreme Court,³⁶² while the case is being heard at the Supreme Court,³⁶³ or during post-appellate proceedings in the district court.³⁶⁴

Mootness can arise at any point in litigation because “[m]ootness goes to the very heart of Article III jurisdiction.”³⁶⁵ Article III of the Constitution limits federal courts to hearing a “case” or “controversy,” and “[a] case that becomes moot at any point during the proceedings is no longer a ‘Case’ or ‘Controversy’ for purposes of Article III, and is outside the jurisdiction of the federal courts.”³⁶⁶ A federal court “cannot be divested of its obligation to consider the issue of mootness on the grounds that the timing or manner in which a party has raised the issue is somehow procedurally improper.”³⁶⁷

A corollary of requiring litigation to be dismissed if mooted at any stage is that a judgment is unaffected if the mooting event occurs after the case is complete and terminated, since the court had Article III jurisdiction throughout the case and does

360. See *Donovan ex rel. Donovan v. Punxsutawney Area Sch. Bd.*, 336 F.3d 211, 215–17 (3d Cir. 2003) (holding that the plaintiff’s “claim for declaratory and injunctive relief is moot” despite appellate oral argument having occurred).

361. See *United States v. Ghandtchi (In re Ghandtchi)*, 705 F.2d 1315, 1316 (11th Cir. 1983) (appeal dismissed and district court judgment vacated “where mootness occurred after an appellate court had issued a decision but before the losing party could seek en banc reconsideration and before the mandate had issued”).

362. See *Alabama v. Davis*, 446 U.S. 903, 903–04 (1980) (granting certiorari solely to vacate lower court judgments when the case became moot during certiorari proceedings).

363. See *Alvarez v. Smith*, 558 U.S. 87, 97 (2009) (vacating lower court judgment after discovering at oral argument that the case had become moot).

364. See FPP, *supra* note 33, § 3533.10 (“[T]he requirement that there be a living dispute extends beyond appeal to post-judgment proceedings.”).

365. *Smith v. United States (In re Smith)*, 921 F.2d 136, 138 (8th Cir. 1990).

366. *United States v. Sanchez-Gomez*, 138 S. Ct. 1532, 1537 (2018) (internal quotations omitted).

367. *Barilla*, 886 F.2d at 1519.

not need it afterwards.³⁶⁸ The Federal Circuit’s absolute finality rule is unexceptional when properly seen as an aspect of mootness. The extensive criticism of it³⁶⁹ “overlook[s] the fact that mootness is a jurisdictional defect,” and federal courts “may not decide the merits of a moot case, regardless of whether it was mooted before or after the entry of judgment.”³⁷⁰

3. Mootness Clarifies, but also Limits, the Effect of Patent Cancellation on Pending Litigation

Properly rooting the *Fresenius* rule in mootness resolves confusion in the district courts and supports aspects of the Federal Circuit doctrine that are problematic when viewed through the lens of issue preclusion. But it also corrects, and limits, the current Federal Circuit doctrine in two significant ways.

Recognizing mootness as the basis for the *Fresenius* rule resolves the debate in the district courts about the proper disposition of infringement litigation extinguished by an intervening Patent Office cancellation.³⁷¹ Mootness is a jurisdictional defect and therefore the case should be dismissed without prejudice, rather than resolved on the merits by summary judgment or dismissed with prejudice.³⁷² Furthermore, the factors that make the *Fresenius* rule inconsistent with issue preclusion—differing burdens of proof, different procedures, the lack of exceptions, the fact that the PTAB decision is second-in-time, and the application to cases where invalidity is not at issue³⁷³—are irrelevant when properly viewed through the lens of mootness. Mootness arises because the Patent Office cancelled the exclusive patent rights at issue

368. Cf. *Flying J Inc. v. City of New Haven*, 549 F.3d 538, 544 (7th Cir. 2008) (noting that because the justiciability issue of ripeness is jurisdictional, “[w]e are obliged to consider that at any point *in the litigation*” (emphasis added)).

369. See *supra* Part II.C.

370. *Barilla v. Ervin*, 886 F.2d 1514, 1519 (9th Cir. 1989).

371. See *supra* Part I.B.3.

372. See *Blue Water Balt. v. Pruitt*, 293 F. Supp. 3d 1, 5 (D.D.C. 2017) (“[D]ismissals on the grounds of mootness constitute dismissals for want of jurisdiction, which must be dismissed without prejudice . . .”).

373. See *supra* Part I.D.1–2.

in the litigation, not due to prudential concerns about the PTAB and district courts deciding the same issue or reaching inconsistent results.³⁷⁴ Cancellation eliminates the basis for suit and moots the litigation, regardless of any differences between the proceedings or issues involved.

Despite justifying and clarifying the Federal Circuit's *Fresenius* rule, properly recognizing the role of mootness requires two significant changes in the Federal Circuit's doctrine. First, a mootness basis for the *Fresenius* rule alters the event that extinguishes pending litigation. Under the issue preclusion principles commonly cited by the Federal Circuit, the PTAB's invalidity decision itself should preclude federal court litigation even before appeal.³⁷⁵ But the Federal Circuit has ignored this and instead identified the precluding event as its own affirmance of the PTAB's invalidity decision.³⁷⁶ When properly based on mootness, however, neither event moots the infringement litigation. It is the cancellation of the patent rights, which terminates the substantive basis for the infringement case, that moots the litigation, not merely the finding of invalidity.³⁷⁷ Neither the PTAB's decision nor the Federal Circuit's affirmance cancels the invalidated patent rights. Cancellation does not occur until the resolution of all appeals *and* "the Director [has] issue[d] and publish[ed] a certificate canceling any claim of the patent finally determined to be unpatentable."³⁷⁸

374. See *supra* Part III.A.1.

375. See *supra* Part III.A.2.

376. See Gugliuzza, (*In*)*valid*, *supra* note 3, at 305 ("Although the Federal Circuit has not explicitly stated that rule, in *Fresenius* the court wrote that 'the [reexamination] statute requires that a final PTO decision affirmed by this court be given effect in pending infringement cases that are not yet final.'" (emphasis omitted)).

377. See *supra* Part III.A.1; *Ericsson Inc. v. TCL Commc'n Tech. Holdings, Ltd.*, No. 2:15-cv-00011, 2018 WL 2149736, at *15 (E.D. Tex. May 10, 2018) (dismissing infringement case as to claims found invalid by PTAB that were not appealed and for which a cancellation certificate issued, but declining to dismiss claims where PTAB invalidation was pending on appeal).

378. 35 U.S.C. § 318(b) (inter partes review); see *id.* § 328(b) (using similar language for post-grant review); see also *id.* § 307(a) (using similar language for reexamination).

Cancellation thus must await not just Federal Circuit affirmance but also potentially the time it takes (1) to seek and resolve rehearing or rehearing en banc in the Federal Circuit; (2) to file, and resolve, a petition for certiorari in the Supreme Court; and (3) for the Director to prepare and issue the cancellation certificate after everything else is complete. It does not matter that none of these post-affirmance steps are likely to change the outcome. “The ordinary conclusion is that a suit remains justiciable despite a strong probability that a mootness event will soon occur.”³⁷⁹ Thus, mootness delays the time at which pending litigation must be dismissed as compared to current doctrine, perhaps significantly. If mootness is properly applied, more cases may reach absolute finality and avoid being mooted, mitigating some of the concerns with the Federal Circuit’s absolute finality rule. Of course, similar gamesmanship to what already occurs may result, with the patent owner using rehearing, certiorari, etc. to try to keep the PTAB appeal pending long enough for the litigation to reach complete finality and the accused infringer using whatever tools it has to keep the litigation pending long enough for formal cancellation to occur.

Second, a mootness basis limits the scope of the effect of Patent Office cancellation on pending litigation more so than does current doctrine. Several district courts have extended the effect of PTAB cancellation to claims not at issue in the PTAB that are not materially different from cancelled claims.³⁸⁰ Issue preclusion would support this conclusion if the differences between the cancelled and non-cancelled claims did not substantially alter the invalidity issue.³⁸¹ But mootness does not depend on the similarity of the issues addressed by the PTAB and federal courts but rather on whether or not the patent

379. FPP, *supra* note 33, § 3533.1.

380. *See, e.g.,* *Intell. Ventures I, LLC v. Lenovo Grp.*, 370 F. Supp. 3d 251, 256–58 (D. Mass. 2019) (summarizing Federal Circuit and district court precedent to conclude that “for collateral estoppel to apply, the asserted unadjudicated claim need not be identical to the adjudicated claim” if the differences do not materially alter the invalidity question).

381. FPP, *supra* note 33, § 4417 (noting that issue preclusion is possible if the differences in the underlying facts are not relevant under the governing substantive rules).

owner retains the right to exclude being asserted in litigation.³⁸² Cancelled claims cease to exist, mooting litigation based on those claims, but uncanceled claims remain in effect, even if similar to cancelled claims.³⁸³ Federal courts thus retain jurisdiction to hear infringement cases based on similar, but uncanceled, patent claims. This more limited effect of Patent Office cancellation also may mitigate some of the concerns critics have with the *Fresenius* rule.

B. *The Consequences of the Mooting Effect of Patent Cancellation*

Mootness doctrine further justifies the Federal Circuit's practice of vacating prior infringement, invalidity, and/or damages decisions in cases still pending at the time of Patent Office cancellation.³⁸⁴ Courts "normally do vacate the lower court judgment in a moot case."³⁸⁵ This typically occurs when the case becomes moot during appeal, but courts also vacate prior decisions when a case is pending at other procedural stages when mootness occurs, including in the district court before appeal³⁸⁶ or on remand after some form of appellate review.³⁸⁷

382. See *id.* § 3533.3 ("[I]t is appropriate to dismiss the action as moot, without deciding the merits of the claimed wrong, if damages are not legally available for that wrong.").

383. See *supra* note 377 and accompanying text.

384. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1347 (2013).

385. *Alvarez v. Smith*, 558 U.S. 87, 94 (2009); see *City of Mesquite v. Aladdin's Castle, Inc.*, 455 U.S. 283, 288 n.9 (1982) ("If it becomes apparent that a case has become moot while an appeal is pending, the judgment below normally is vacated with directions to dismiss the complaint."). This also applies when the case becomes moot in the Courts of Appeals, not the Supreme Court. See, e.g., *Columbian Rope Co. v. West*, 142 F.3d 1313, 1317–18 (D.C. Cir. 1998).

386. See *FPP*, *supra* note 33, § 3533.10 (describing the vacatur practice as applying generally "when a case becomes moot after decision by the trial court").

387. See *id.* (noting that although the situation has not arisen frequently, the vacatur rules "extend[] beyond appeal to post-judgment proceedings"); see also *id.* § 3533.10.1 (suggesting a logical distinction between cases that become moot pending the first appeal as of right and cases that become moot after an opportunity for appellate review, but also indicating that such a distinction has not yet been drawn in the precedent).

Vacatur of prior decisions in moot cases is the well-established practice, but there are exceptions.³⁸⁸ The principal factor determining whether to follow the normal practice of vacatur is the reason for mootness.³⁸⁹ Vacatur is required when mootness results from happenstance not attributable to the actions of any party or from the unilateral actions of the prevailing party below.³⁹⁰ But when mootness is the result of settlement or the unilateral action of the appellant, courts can dismiss future proceedings while declining to vacate, thereby leaving prior decisions and judgments intact.³⁹¹ The settlement exception clearly does not apply in the context of Patent Office cancellation. Arguably, however, the exception for the unilateral activity of the appellant could apply if the infringement defendant is also the party who sought PTAB review and therefore caused the proceedings that led to cancellation.

Courts have declined to read the vacatur exceptions so broadly as to cover this situation. The exception based on the appellant's actions is limited to truly "unilateral action," such as "voluntary cessation or compliance."³⁹² An infringement defendant cannot unilaterally cancel a patent but rather requires the impartial decision of an independent adjudicatory body (the PTAB and perhaps the Federal Circuit) and the actions of the Patent Office director in issuing the cancellation certificate.³⁹³ Notably, the Patent Office can continue PTAB proceedings and defend their outcome on appeal even if the challenger drops out of the case.³⁹⁴ Patent Office cancellation

388. *Camreta v. Greene*, 563 U.S. 692, 712 (2011).

389. See 15 MOORE'S, *supra* note 16, § 101.97[2].

390. See *U.S. Bancorp Mortg. Co. v. Bonner Mall P'ship*, 513 U.S. 18, 23, 25 n.3 (1994) ("[M]ootness by happenstance provides sufficient reason to vacate."); 15 MOORE'S, *supra* note 16, § 101.97[2] (same).

391. See *U.S. Bancorp*, 513 U.S. at 24–25 (declining to extend vacatur requirement where mootness resulted from a settlement); 15 MOORE'S, *supra* note 16, § 101.97[2] (noting courts' rejection of vacatur when an appellant "deliberately render[s] an action moot in the hope of avoiding the effect of an unfavorable decision" or when a settlement leads "the party seeking review [to] voluntarily forfeit[] the legal remedy sought").

392. FPP, *supra* note 33, § 3533.10.1.

393. See *supra* note 374–379 and accompanying text.

394. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

thus is not the result of the challenger's unilateral action but instead the result of an independent adjudication and determinations made by entities wholly unconnected to the challenger.

In these circumstances, vacatur remains the appropriate remedy. According to a leading treatise, “[v]acating the judgment is well warranted” when the mooting event results from the “compulsion of some law other than the trial-court judgment.”³⁹⁵ Specifically, “it has become the regular practice to vacate the judgment with directions to dismiss” when the mootness results from “rulings in other adjudicatory proceedings.”³⁹⁶ This remains true even if one or both of the parties to the moot litigation also are involved in the other proceeding, such that their actions contributed to the mooting decision in that case.³⁹⁷ For example, the Ninth Circuit explicitly held that the decision in another case that moots litigation qualifies as “happenstance,” making vacatur appropriate, even though the appellant was a party in the other action, since the appellant “could not be required to abandon their consistent position in other pending litigation merely to avoid mooting out another case.”³⁹⁸

Thus, mootness in the context of Patent Office cancellation results from the “happenstance” of a decision in another case (the PTAB proceeding). The Federal Circuit’s practice of vacating prior decisions and judgments in pending cases upon Patent Office cancellation of the asserted patent claims is therefore consistent with the approach typically dictated by the mootness doctrine. Admittedly, language in some cases suggests a more discretionary, case-by-case approach to vacatur, a question taken up in Part IV.A below.

395. FPP, *supra* note 33, § 3533.10.1.

396. *Id.* § 3533.10.

397. *See id.* (noting that vacatur is appropriate even when the mooting event is “rulings by the same court in the same or companion proceedings”).

398. NASD Disp. Resol., Inc. v. Jud. Council of Cal., 488 F.3d 1065, 1070 (9th Cir. 2007).

C. *Mootness Addresses the Objections Raised to Allowing Patent Office Cancellation to Trump Pending Litigation and Prior Judicial Decisions*

Recognizing that mootness mandates that Patent Office cancellation trump pending litigation and prior judicial decisions provides a sound justification for what otherwise seems like an undesirable result—dismissing pending litigation regardless of the stage and vacating prior judicial work upon Patent Office cancellation. Mootness addresses each of the doctrinal, separation of powers, and policy objections to the *Fresenius* rule.³⁹⁹ Most obviously, mootness provides the sound doctrinal basis critics have correctly noted is missing and corrects the Federal Circuit’s clear error in relying on issue preclusion.

Furthermore, critics have it backwards when they contend that allowing Patent Office cancellation to trump pending federal court litigation and prior judicial decisions raises separation of power concerns. “It is a principle of first importance that the federal courts are tribunals of limited subject matter jurisdiction.”⁴⁰⁰ For the federal courts to hear a case that is beyond the limited jurisdiction granted by the Constitution is an unconstitutional aggrandizement of power, not a mere technical violation.⁴⁰¹ Mootness and the other justiciability doctrines enforce Article III’s limit of federal court jurisdiction to “Cases” and “Controversies.”⁴⁰² These justiciability limits serve, among other things, to “define the role assigned to the judiciary in a tripartite allocation of power to assure that the federal courts will not intrude into areas committed to the other branches of government.”⁴⁰³ Thus, diligent adherence to mootness “is essential if federal courts are

399. See *supra* Part II.C.

400. FPP, *supra* note 33, § 3522.

401. See *id.*

402. See *Flast v. Cohen*, 392 U.S. 83, 94–95 (1968) (justiciability generally); *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) (mootness specifically).

403. *Flast*, 392 U.S. at 95; see *U.S. Parole Comm’n v. Geraghty*, 445 U.S. 388, 396 (1980) (making the same point in a mootness case).

to function within their constitutional sphere of authority.”⁴⁰⁴ Because federal courts lack the constitutional power to hear moot cases,⁴⁰⁵ federal courts “cannot, consistently with the limitations of Art. III of the Constitution, consider the substantive . . . issues tendered by the parties” when mootness is present.⁴⁰⁶

Thus, dismissing pending federal litigation and vacating prior judicial judgments upon Patent Office cancellation does not violate or denigrate Article III or separation of powers principles. To the contrary, for the federal courts to continue to adjudicate an infringement case based on patent rights that have been terminated by the Patent Office would ignore the Article III justiciability limits of the federal courts and cause them to exceed their Constitutional sphere of power and impinge on the power of Congress to create and design the patent system and the power of the executive agency Congress charged with granting and cancelling patent rights.

Moreover, the PTAB is not unconstitutionally reviewing, overruling, or displacing a federal court judgment on patent validity, as some critics contend.⁴⁰⁷ The PTAB and the federal courts have concurrent jurisdiction to decide patent invalidity.⁴⁰⁸ The PTAB does not review a prior decision of the federal courts but instead undertakes a separate and unrelated determination of the patent’s validity.⁴⁰⁹ The PTAB is answering a different question than the federal courts—whether the patent is invalid by a preponderance of evidence, rather than whether the patent is invalid by clear and convincing evidence.⁴¹⁰ Moreover, PTAB proceedings are limited to the record, grounds, arguments, and evidence submitted in the PTAB proceeding,⁴¹¹ rather than reviewing the record and material from the federal

404. *Rice*, 404 U.S. at 246.

405. *Id.*

406. *DeFunis v. Odegaard*, 416 U.S. 312, 319–20 (1974).

407. *See supra* Part II.C.

408. *See supra* Part I.

409. *See supra* Parts I.B, III.C.

410. *See supra* Part II.D.1.

411. *See, e.g., Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1311 (Fed. Cir. 2017) (noting the requirement in the PTAB to “justify any finding of unpatentability by reference to the evidence of record in the IPR”).

court litigation. For that reason, PTAB invalidation can be (and often is) based on different prior art references, combinations of prior art references, and arguments than raised in the federal court litigation.

When it uses the independent authority granted by Congress to invalidate patent claims, the PTAB's decision itself does not overrule or in any way affect the federal court's decision.⁴¹² The federal court's litigation is affected only because Congress has provided for Patent Office cancellation once appeals from the PTAB's decision have been terminated.⁴¹³ And federal court litigation is affected not at the direction or command of the PTAB or Patent Office but instead because of Article III. An incidental effect of the Patent Office's power to cancel patent rights is the elimination of the substantive rights necessary for the patent owner to have a justiciable case in federal court.⁴¹⁴ The Constitution, not the Patent Office, thus usurps the power of the federal courts to proceed upon patent cancellation. Nor is this unusual. Due to the federal courts' limited jurisdiction and the concurrent jurisdiction frequently possessed by other tribunals, "it is common to find that a parallel proceeding is pending in another forum and that resolution of the controversy in that forum will moot the issues presented in the federal action," and "[t]his is true regardless of whether the parallel forum is an administrative proceeding."⁴¹⁵ In sum, ignoring the intervening cancellation of the patent rights at issue in pending litigation would ignore the constitutional structure and raise separation of powers concerns, not the other way around.

For similar reasons, mootness addresses the policy concerns critics of the *Fresenius* rule raise regarding inefficiency, gamesmanship, and undermining patent incentives.⁴¹⁶ It is worth noting initially that others have raised countervailing policy considerations in favor of allowing Patent Office cancellation to trump pending litigation and prior judicial

412. See *supra* Part III.A.3.

413. See *supra* Parts I.B.2, III.A.3.

414. See *supra* Part III.A.1.

415. 15 MOORE'S, *supra* note 16, § 101.96.

416. See *supra* Part II.C.

decisions. Federal Circuit Judge Dyk has noted the unfairness of forcing a party to pay damages for infringement of a patent that has conclusively been found invalid and wrongfully issued, especially when others in the industry are no longer subject to the patent's exclusive rights.⁴¹⁷ The Supreme Court too, in a slightly different context, has identified the negative economic consequences of enforcing a patent's restraint on competition when the patent is invalid and therefore does not reflect a contribution to society.⁴¹⁸ This debate need not be resolved, however, because considerations other than efficiency and patent policy are at play. Because mootness is a jurisdictional limit on the federal courts, the policy considerations of individual cases and individual subject matters, such as patent law, must yield to the more general concerns of constitutional structure and separation of powers (explained above) that mootness is meant to protect.

Indeed, the concerns raised about inefficiency and wasted resources when Patent Office cancellation trumps pending litigation and prior judicial decisions are common for federal jurisdictional issues, which can always be raised at any stage of litigation.⁴¹⁹ For example, the hallmark federal jurisdiction case of *Louisville & Nashville Railroad Co. v. Mottley*⁴²⁰ was litigated to judgment on the merits in the lower courts and proceeded through Supreme Court briefing and argument without challenge to federal jurisdiction.⁴²¹ But the Supreme Court raised the issue itself for the first time in its opinion and dismissed the case for lack of federal jurisdiction.⁴²² The case had to be refiled in state court, litigated on the merits a second

417. See *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1309 (Fed. Cir. 2015) (Dyk, J., concurring); see also Gugliuzza, (*In*)valid, *supra* note 3, at 276 (“[I]t seems wrong to allow a patent holder to collect damages for the infringement of a now-invalidated patent.”).

418. See *Blonder-Tongue Lab'ys, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 342–47 (1971) (criticizing the idea of forcing an alleged patent infringer to pay royalties until the patent's validity can be litigated).

419. See FPP, *supra* note 33, § 3522.

420. 211 U.S. 149 (1908).

421. See *id.* at 152.

422. See *id.* at 152, 154 (“Neither party has questioned that jurisdiction, but it is the duty of this court to see to it that the jurisdiction of the circuit court, which is defined and limited by statute, is not exceeded.”).

time, and resolved a second time by the Supreme Court, this time on the merits.⁴²³ Nor is gamesmanship and a so-called “second bite at the apple” unique to the *Fresenius* rule. For example, for over two centuries, the federal courts have held that a plaintiff can file in (or a defendant can remove to) federal court and invoke federal jurisdiction, lose on the merits, belatedly raise a jurisdictional objection to the federal court they selected, succeed, and refile in state court with the hope of obtaining a more favorable outcome on the merits.⁴²⁴

Concerns about inefficiency, wasted resources, gamesmanship, and bad substantive policy, no matter how legitimate, must yield to the fundamental concerns of constitutional structure and separation of powers embodied in the jurisdictional limits of federal courts. A leading federal courts treatise explains that “[t]his harsh rule would be indefensible if what was involved was a simple question of procedural regulation of practice. It can be justified only because the issue concerns the fundamental constitutional question of the allocation” of power within the constitutional structure.⁴²⁵ With that said, the next Part addresses ways to mitigate these policy concerns while still respecting the jurisdictional limits of the federal courts.

IV. IMPROVING COORDINATION OF DUPLICATIVE INVALIDITY PROCEEDINGS WITHIN THE JUSTICIABILITY LIMITS OF THE FEDERAL COURTS

The rule that Patent Office cancellation extinguishes pending litigation and requires vacating prior judicial decisions raises reasonable concerns about inefficiency, gamesmanship, and the unfairness of giving the defendant multiple chances to invalidate the patent. Due to the applicability of the mootness doctrine, a justiciability limit on the federal courts, the Patent

423. *Louisville & Nashville R.R. v. Mottley*, 219 U.S. 467 (1911).

424. *See Capron v. Van Noorden*, 6 U.S. (2 Cranch) 126 (1804) (reversing a judgment for the defendant after the plaintiff appealed for lack of federal jurisdiction); FPP, *supra* note 33, § 3522 (explaining that the Court reached a similar result to *Capron* “concerning a defendant who removed a case from state court and later lost at trial in federal court”).

425. FPP, *supra* note 33, § 3522.

Office cancellation cannot simply be ignored or made a matter of judicial discretion to avoid these policy concerns, as some suggest.⁴²⁶ Yet the courts and Congress both have potential tools to mitigate the policy concerns that arise.

Some of these tools are too extreme to be feasible. Congress could abolish PTAB proceedings and return to the exclusive federal court jurisdiction over invalidity existing before the 1980s.⁴²⁷ Or Congress could abolish invalidity as a defense in infringement litigation, giving the Patent Office exclusive authority to decide patent invalidity.⁴²⁸ Widespread concerns about patent quality and the resulting tendency to expand Patent Office post-issuance proceedings over the past forty years suggest the former is unlikely.⁴²⁹ And the long-standing historical practice dating to the earliest days of the patent system suggest the latter is unlikely.⁴³⁰ More reasonably, Congress or the courts could make stays of litigation mandatory or at least strongly presumptive, as many commentators have proposed.⁴³¹ More frequent litigation stays would help. But stays will not always be feasible or desirable.⁴³²

Thus, the problems that arise when Patent Office cancellation occurs belatedly in litigation are, to some extent, inevitable⁴³³ and seem to arise quite regularly, judging by the

426. See *supra* Parts II.C, III.C.

427. See *supra* Part I.A.

428. See Gugliuzza, *(In)valid*, *supra* note 3, at 326 (noting a similar possibility).

429. See Picozzi, *supra* note 3, at 2520–21 (“The Leahy-Smith America Invents Act expanded, rather than limited, reexamination, and subsequent legislative proposals have favored patent challengers. Consequently, courts remain the actors best positioned to address the problems caused by parallel proceedings.”).

430. See Gugliuzza, *(In)valid*, *supra* note 3, at 327 (“Shifting validity proceedings entirely to the PTO, however, would be a drastic change, as courts have had the power to issue validity rulings since Congress passed the very first Patent Act in 1790.”).

431. See *supra* Part II.C.

432. See *supra* Part I.C.1.

433. See Gugliuzza, *(In)valid*, *supra* note 3, at 321, 323–25 (outlining the conflicts that will occur “as long as both the courts and the PTO possess independent power to invalidate a single patent”).

number of cases raising this issue over the past decade.⁴³⁴ If Patent Office cancellation late in litigation cannot be fully avoided, this Part offers ways that courts and Congress can mitigate the policy concerns that arise while staying faithful to mootness principles and the Article III justiciability limits of the federal courts.

A. *The Courts May Have Discretionary Power to Decline to Vacate Prior Decisions in Belatedly Moot Cases*

As previously explained, general mootness principles justify the Federal Circuit’s practice of vacating prior decisions and judgments when pending litigation is mooted by the happenstance of Patent Office cancellation.⁴³⁵ But even if the Federal Circuit’s practice of vacating prior decisions is justified by mootness principles, is it required? Critics’ most significant concern with the Federal Circuit’s approach to Patent Office cancellation is the vacating of prior decisions on infringement, invalidity, and damages, particularly those that have been conclusively resolved at the appellate level.⁴³⁶ If mootness principles did not require the Federal Circuit to vacate such decisions—even if they justify it in doing so—the policy concerns raised by critics may be mitigated while adhering to the justiciability limits of Article III.

Some language in the precedent suggests that the federal courts have significant discretion regarding vacatur. The Supreme Court has indicated that vacatur is “rooted in equity” and therefore depends on “the conditions and circumstances of the particular case.”⁴³⁷ It has also noted that courts must “take account of the public interest” in deciding on vacatur because they must “dispose[] of moot cases in the manner most consonant to justice.”⁴³⁸ The Court has gone so far as to state that “[i]t is [the losing party’s] burden, as the party seeking

434. See *supra* Part II.B–C.

435. See *supra* Part III.B.

436. See *supra* Part II.C.

437. *Azar v. Garza*, 138 S. Ct. 1790, 1792 (2018) (internal quotations omitted).

438. *U.S. Bancorp Mortg. Co. v. Bonner Mall P’ship*, 513 U.S. 18, 24, 26 (1994) (internal quotations omitted).

relief from the status quo of the [prior] judgment, to demonstrate . . . equitable entitlement to the extraordinary remedy of vacatur.”⁴³⁹ This would seem to give courts discretion on a case-by-case basis to decide whether or not to vacate prior judgments on infringement, invalidity, and damages when Patent Office cancellation moots the litigation.⁴⁴⁰ Courts could conclude based on public policy concerns of efficiency, gamesmanship, and preventing multiple shots at invalidity that allowing the prior judgment to stand is most consistent with justice.

Even so, this would only be a limited exception to the *Fresenius* rule. Courts have no discretion to undertake further proceedings in moot cases, so the most a court could do is leave the case exactly where it was at the time of Patent Office cancellation.⁴⁴¹ If any issue related to infringement, validity, or past damages still needed to be decided at that time, the plaintiff would lack an enforceable judgment and the practical effect would be equivalent to vacating the prior decisions.⁴⁴² Moreover, the precedent is clear that vacatur is necessary when mootness occurs before the opportunity for any appellate review (absent voluntary forfeiture of further review by the appellant).⁴⁴³ Otherwise, a defendant who would normally be entitled to review of an adverse decision in an infringement case would bizarrely be deprived of that review simply because another tribunal (the PTAB) concluded that the patent rights at issue were wrongfully issued. “A party who seeks review of the merits of an adverse ruling, but is frustrated by the vagaries of

439. *Id.* at 26.

440. See 15 MOORE’S, *supra* note 16, § 101.97[2] (“Whether to vacate must be determined on a case-by-case basis, governed by the facts and equitable factors rather than by inflexible rules.”).

441. See *North Carolina v. Rice*, 404 U.S. 244, 246 (1971) (finding that “federal courts are without power to decide questions that cannot affect the rights of litigants in the case before them”).

442. See 15 MOORE’S, *supra* note 16, § 101.97 (explaining the effect of vacatur).

443. See *Camreta v. Greene*, 563 U.S. 692, 712 n.10 (2011) (noting that vacatur has been denied when it “did not deprive the appealing party of any review to which he was entitled” but that vacatur was appropriate to “expunge[] an adverse decision that would be reviewable had this case not become moot”).

circumstance, ought not in fairness be forced to acquiesce in the judgment.”⁴⁴⁴

Thus, the court’s discretion to decline to vacate prior decisions would only mitigate concerns about the *Fresenius* rule in the most extreme situations where infringement, invalidity, and past damages have been conclusively resolved, including on appeal, and the case is only pending at the time of mootness on matters of prospective relief (e.g., injunction or running royalties) or ministerial matters (e.g., attorney’s fees).⁴⁴⁵ The precedential support for vacatur in such circumstances, where the relevant decision was already subject to appellate review and affirmance at the time of mootness, is weakest.⁴⁴⁶ Moreover, one of the primary policy reasons for vacatur is missing—that a decision should not be allowed to stand where mootness deprived the losing party of the chance for appellate review.⁴⁴⁷

However, it is not clear that the precedent actually supports general discretion to decide vacatur based on case-by-case public policy considerations.⁴⁴⁸ The Supreme Court’s decision in *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*,⁴⁴⁹ which is the strongest articulation of equitable discretion, emphasizes that “[t]he principal condition to which we have looked is whether the party seeking relief from the judgment below caused the mootness by voluntary action,”⁴⁵⁰ a situation not present in the context of Patent Office cancellation.⁴⁵¹ Subsequent Supreme Court decisions have indicated that the discretion to deny vacatur on policy considerations is limited to situations where the losing party voluntarily forfeits its right to

444. *U.S. Bancorp*, 513 U.S. at 25.

445. *See, e.g.,* *Chrimar Systems, Inc. v. ALE USA Inc.*, 785 F. App’x 854, 854 (2019) (case pending only on on-going royalties, and maybe also a counterclaim of non-infringement, at time of mootness).

446. *See supra* Part III.B.

447. *See Camreta*, 563 U.S. at 712 n.10 (“We have therefore left lower court decisions intact when mootness did not deprive the appealing party of any review to which he was entitled.”).

448. *See FPP, supra* note 33, § 3533.10.1 (stating that the rule of vacatur yields to “some measure of discretion” only “when mootness results from a party’s action”).

449. 513 U.S. 18 (1994).

450. *Id.* at 24.

451. *See supra* Part III.B.

further review by settlement or other voluntary surrender of a legal remedy.⁴⁵² In the absence of such a voluntary forfeiture, the Supreme Court has indicated that the “ordinary practice” of vacatur should be followed.⁴⁵³ It has even suggested that it is the court’s *duty* to vacate prior decisions when, as here, mootness occurs by happenstance, not settlement or voluntary forfeiture.⁴⁵⁴ Moreover, even if appellate review has occurred, one of the policy reasons for vacatur still applies—preventing any preclusive effect from mooted cases and preserving the rights of all involved.⁴⁵⁵

Notably, despite the language indicating general equitable discretion, lower courts have interpreted the Supreme Court precedent as creating a limited exception to the ordinary practice of vacatur only where the losing party voluntarily forfeits further review.⁴⁵⁶ They have concluded that the Supreme Court’s recognition of equitable and public interest considerations in *U.S. Bancorp* did not “undo the established precedential backdrop . . . that vacatur is the *duty* of the appellate court when a case has become moot through happenstance while appeal was pending.”⁴⁵⁷ Regardless of

452. See *Alvarez v. Smith*, 558 U.S. 87, 94 (2009) (stating that “we normally do vacate the lower court judgment in a moot case” and “describ[ing] circumstances where we would not do so” as settlement and voluntary forfeiture).

453. See *id.* at 97.

454. See *United States v. Munsingwear*, 340 U.S. 36, 39–40 (1950) (delineating appellate courts’ duty to reverse or vacate when a case becomes moot pending appellate review); see also *U.S. Bancorp*, 513 U.S. at 25 n.3 (reaffirming *Munsingwear* as to mootness by happenstance and describing it as holding that happenstance “provide[d] sufficient reason to vacate”); FPP, *supra* note 33, § 3533.10 (describing “[t]he rule that requires vacation and dismissal on request” unless “mootness results from settlement or the actions of one party”).

455. See *Alvarez*, 558 U.S. at 94 (discussing the tendency to vacate the lower court judgment to allow for future relitigation and preservation of the parties’ rights).

456. See, e.g., *NASD Disp. Resol., Inc. v. Jud. Council of Cal.*, 488 F.3d 1065, 1068–70 (9th Cir. 2007) (characterizing a refusal to vacate as the exception to the general rule and limited to situations involving the parties’ own actions, not happenstance like when the case is “mooted by court decisions in other cases”).

457. *Columbian Rope Co. v. West*, 142 F.3d 1313, 1318 n.5 (D.C. Cir. 1998) (emphasis added) (citations omitted).

broader language in some Supreme Court cases, “[v]acatur is generally appropriate as long as mootness was not caused by any fault or unilateral action of the party seeking to appeal.”⁴⁵⁸ Thus, adopting a case-by-case approach on vacatur when infringement litigation is mooted by Patent Office cancellation would depart from the general judicial practice and represent an unwarranted patent exceptional approach to a general procedural issue.⁴⁵⁹

B. Congress Could Restrict the Retroactive Effect of Patent Office Cancellation to Limit Its Effect on Pending Litigation

Aside from eliminating concurrent invalidity jurisdiction or mandating stays, Congress has one clear way to mitigate the concerns that arise when Patent Office cancellation belatedly moots pending infringement litigation—limiting the retroactive effect of Patent Office cancellation to exempt some or all claims for pre-cancellation infringement. As previously explained, because mootness generally does not extend to viable past damages claims, the only reason Patent Office cancellation moots claims for pre-cancellation infringement is because, as a matter of patent law, cancellation is applied retroactively to render the claims “void ab initio,” making past damages claims for pre-cancellation infringement legally unavailable.⁴⁶⁰ Since Congress has endorsed this conclusion, it has become a statutory requirement that only Congress can alter.⁴⁶¹

Congress has broad power to define patent rights and to design the patent system,⁴⁶² including defining the effect of PTAB proceedings on invalidated patent rights.⁴⁶³ Congress’s control over reissuance provides a useful historical analog.

458. 15 MOORE’S, *supra* note 16, § 101.97[2].

459. See Gugliuzza, *Federal Circuit*, *supra* note 42, at 1817–18 (discussing the Supreme Court’s distaste for patent law exceptionalism).

460. See *supra* Parts I.B.2, III.A.

461. See *supra* Part I.B.2.

462. See *Graham v. John Deere Co. of Kan. City*, 383 U.S. 1, 5–6 (1966) (realizing Congress’s power to “select[] the policy which in its judgment best effectuates the constitutional aim” of the patent power).

463. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2142–46 (2016) (indicating that the design of PTAB proceedings is a question for Congress and the Patent Office).

Originally, when a patent was reissued, the original patent was treated as surrendered and extinguished, so courts concluded that reissuance extinguished past damages claims for pre-reissue infringement.⁴⁶⁴ Congress subsequently amended the relevant statutory provisions in 1928 to exempt some past damages claims for pre-reissue infringement from the retroactive effect of reissuance, specifically those based on a patent claim that was substantially identical in the original and reissued patent.⁴⁶⁵

Similarly, Congress is not limited to the current options where either the patent right is confirmed in PTAB proceedings or the patent right is void ab initio, wiping out all past damages claims. Rather, Congress could make cancellation fully prospective, exempting all past damages claims for pre-cancellation infringement, even those not yet filed. Congress could exempt only past damages claims for pre-cancellation infringement filed at the time of cancellation. Or only those resolved by a district court final judgment. Or only those resolved by a district court final judgment where liability (or just validity) has been affirmed on appeal. Any past damages claims exempted by Congress could continue to be litigated in the district courts and on appeal even after Patent Office cancellation, since viable past damages claims are not mooted.

Whether Congress should limit the retroactive effect of Patent Office cancellation is a more difficult question. Doing so could mitigate concerns about inefficiency, gamesmanship, and patent policy problems when Patent Office cancellation belatedly moots litigation. It would also encourage the earlier assertion of claims for infringement by patent owners trying to get litigation to the point of exemption before any Patent Office cancellation, and the earlier filing of PTAB invalidity challenges by competitors and accused infringers trying to obtain Patent Office cancellation before the litigation reaches the point of exemption. The former gives notice of potential infringement earlier in a product's lifecycle when alterations or abandonment

464. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1337–38 (Fed. Cir. 2013) (recalling that under the pre-1928 statute, the reissue eliminated causes of action under the original patent).

465. See *id.*

may be more viable and before significant monetary exposure has accrued. The latter terminates invalid patents earlier, removing the restriction on competition for the public at large. Finally, allowing patent owners to recover some damages for infringement even when their patent is cancelled could protect the reliance interests patent owners incurred from the Patent Office's original issuance of the patent.⁴⁶⁶

However, patent invalidity has always been applied retroactively, first as a litigation defense to past damages claims and subsequently as an assumed part of Patent Office post-issuance proceedings since their creation in the 1980s.⁴⁶⁷ Even the exemption Congress created in the reissuance context only applied to claims that were unaffected by the reissue proceedings and remained substantively identical to the original claims.⁴⁶⁸ Moreover, patent rights are free market exceptions that restrict competition and follow-on innovation and, as such, are only justified to the extent they reward, and therefore incentivize, inventors for a legitimate inventive contribution.⁴⁶⁹ Because invalidation indicates the absence of a legitimate contribution, “[a] patent yielding returns for a device that fails to meet the congressionally imposed criteria of patentability is anomalous.”⁴⁷⁰ Limiting the retroactive effect of Patent Office cancellation also could be inequitable, as it would leave some competitors and some acts (i.e., those before cancellation) subject to the exclusive rights of the patent but not others (i.e., those after cancellation). This inequitable treatment advantages some competitors at the expense of others for no legitimate reason, with negative economic consequences for both the affected firms and consumers.⁴⁷¹

466. See Greg Reilly, *The PTAB's Problem*, 27 TEX. INTELL. PROP. L.J. 31, 41–46 (2019) (addressing patent owner reliance concerns from PTAB invalidation).

467. See *supra* Part I.B.2.

468. See *Fresenius*, 721 F.3d at 1337–38 (discussing the 1928 amendment and the exception to the rule allowing for claims “substantially identical with the original patent”).

469. See *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 343 (1971).

470. *Id.*

471. See *id.* at 346 (noting that competitors subject to patent restrictions will suffer decreased profitability, competitors not subject to patent

The historical anomaly and policy concerns of limiting the retroactive effect of Patent Office cancellation warrant caution. At the very least, Congress should adopt only a narrow exemption to address the most significant problems with the *Fresenius* rule—for example, exempting only claims where liability has been conclusively resolved even on appeal at the time of cancellation. More broadly, the policy concerns with restricting competition in the absence of a legitimate contribution and treating different competitors inequitably seem to cancel out policy concerns with the *Fresenius* rule about causing inefficiency, gamesmanship, and repetitive challenges. That policy considerations point in both directions suggests that Congress should defer to the wisdom embodied in the long-standing practice within the patent system of making invalidity fully retroactive.⁴⁷²

Although limiting the retroactive effect of patent cancellation is the best way within the justiciability limits of the federal courts to address concerns about the *Fresenius* rule, the novelty of this approach and countervailing policy considerations advise against doing so without further work that establishes whether, and to what extent, prospective-only patent invalidation is normatively desirable. In the interim, Congress should adhere to the existing practice of retroactive patent invalidation, even if it has negative consequences for the subset of cases where Patent Office litigation belatedly moots infringement litigation.

CONCLUSION

Ordinary mootness principles require the dismissal of infringement litigation that is pending at any stage in federal court when the asserted claims are cancelled by the Patent Office as the result of a PTAB invalidation decision. The Federal

restrictions will expand market share, and consumers will pay higher prices than if patent invalidity had broader effect).

472. See *Cont'l Paper Bag Co. v. E. Paper Bag Co.*, 210 U.S. 405, 429–30 (1908) (acknowledging that Congress consistently “continued [a] policy through many years” may allow us to “assume that experience has demonstrated its wisdom and beneficial effect upon the arts and sciences”).

Circuit has largely reached this correct outcome.⁴⁷³ But its failure to offer a persuasive rationale has fueled doctrinal, policy, and separation of powers objections to allowing Patent Office cancellation to trump pending litigation and prior judicial decisions. Mootness provides the missing rationale. Patent Office cancellation extinguishes the substantive patent rights on which the infringement suit is based, depriving the federal courts of jurisdiction under Article III justiciability principles. Because mootness is jurisdictional, the federal courts cannot simply ignore or exercise discretion regarding the effect of Patent Office cancellation out of concern for efficiency, gamesmanship, or patent policy, as some have proposed. Rather, they must dismiss the pending litigation and typically should vacate any prior decisions on the merits.⁴⁷⁴

Courts and Congress may have tools to mitigate the problems that arise when the Patent Office cancellation comes late in litigation while still honoring the justiciability limits on federal courts. Courts could exercise their equitable discretion to dismiss the case but decline to vacate prior judgments. However, this would only affect the most extreme circumstances where liability and past damages are fully resolved, including on appeal, at the time of cancellation and would involve an unadvisable patent exceptional approach to a general procedural issue. Congress could exempt litigation where the invalidity issue has reached some level of finality (e.g., on appeal or even at the district court) from the retroactive effect of Patent Office cancellation, but this would be a major departure from historical practice and raise concerns about the negative policy consequences of requiring some, but not all, competitors to pay a patent owner who did not make a legitimate contribution to the progress of society.

473. See *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013).

474. See *Camreta v. Greene*, 563 U.S. 692, 712–13 (2011) (noting the established practice of vacating the judgment below when a suit becomes moot pending appeal).