

CARDPOOL, INC. v. PLASTIC JUNGLE, INC., Appeal No. 2014-1562 (Fed. Cir. April 5, 2016). Before Newman, Reyna, and Wallach. Appealed from N.D. Cal. (Judge Alsup).

Background:

Cardpool sued Plastic Jungle for infringement of its patent directed to a system and method for exchanging gift cards. Plastic Jungle filed a motion for summary judgment on the basis that Cardpool's patent was invalid under 35 U.S.C. §§103(a) and 101. The district court agreed as to ineligibility of the patent's claims under §101 and consequently, granted Plastic Jungle's motion to dismiss the suit *with prejudice*. Thereafter, Cardpool and Plastic Jungle mutually agreed to discontinue litigation and joined together to file a motion to vacate the judgment of patent invalidity insofar as the judgment was "with prejudice." The district court denied the joint motion and Cardpool appealed the district court's denial.

Shortly after filing the appeal, Cardpool filed a request for ex parte reexamination with new and amended claims. During the pendency of the request, the Federal Circuit affirmed the district court's decision. However, after a Reexamination Certificate was issued holding the new and amended claims patentable, the Federal Circuit granted Cardpool's petition for rehearing of the Federal Circuit's decision to affirm the district court.

Upon rehearing, the Federal Circuit remanded back to the district court to determine what actions were appropriate, if any, in light of the reexamined claims. On return to the district court, Cardpool and Plastic Jungle, again, jointly moved the district court to vacate, at least, the *with prejudice* quality of its prior judgment because the new reexamined claims rendered moot the invalidity judgment under §101. The district court, nevertheless, denied the motion holding that vacatur would be inappropriate since the asserted mootness was due to a voluntary act by Cardpool (the losing party). Cardpool appealed for a second time.

Issue/Holding:

Did the district court abuse its discretion by denying Cardpool's request to vacate the district court's "with prejudice" judgment? No, affirmed.

Discussion:

In this new round of appeal, Cardpool contended that the entire case was not moot, but only the district court's initial ruling "with prejudice" of unpatentability of Cardpool's original claims because the original claims that were the subject of that ruling did not exist in the same form. Cardpool further argued that the district court's ruling "with prejudice" would improvidently strip patent rights from Cardpool through the effect of res judicata.

The Federal Circuit was not persuaded by Cardpool's arguments finding that a live controversy between Cardpool and Plastic Jungle did not exist since the parties mutually agreed to discontinue litigation and the accused activities had been voluntarily terminated by Plastic Jungle. In this regard, the Federal Circuit reasoned that when an action lost its "character as a present live controversy" during litigation, federal courts are required to dismiss the action as moot.

Further, the Federal Circuit added that while dismissal "with prejudice" operates as res judicata to the same cause of action, a prior judgment cannot apply as res judicata to claims which did not exist at the time of the earlier action.