IN RE: PERSONALWEB TECHNOLOGIES LLC, Appeal No. 2019-1918 (Fed. Cir. June 17, 2020). Before Wallach, Bryson, and Taranto. Appealed from N.D. Cal (Judge Freeman).

Background:

In 2011, PersonalWeb sued Amazon for patent infringement of five patents in the Eastern District of Texas. PersonalWeb contended that Amazon's Simple Storage Service (S3) used technology which infringed PersonalWeb's patents related to (i) multipart uploads of large files, and (ii) conditional get requests based on filenames generated using the contents of the file. After the district court issued an unfavorable claim construction order, PersonalWeb stipulated to the dismissal of all its claims against Amazon with prejudice.

In 2018, in the Northern District of California, PersonalWeb sued several Amazon customers that used Amazon's S3 service based on the same patents in the Texas case. Amazon intervened and filed a declaratory judgment complaint. In a motion for summary judgment, Amazon argued that PersonalWeb was barred from suing Amazon or its customers for infringement based on Amazon's S3 service in light of the with-prejudice dismissal in the Texas case.

The district court agreed with Amazon. The district court determined that the Texas case gave rise to a limited trade right for Amazon to continue producing, using, and selling Amazon's S3 service. Based on this determination, the district court found that that the *Kessler* doctrine barred PersonalWeb's claims of infringement against Amazon and its customers relating to Amazon's S3 service after the final judgment in the Texas case.

Issue/Holding:

Did the district court err in barring PersonalWeb's claims of infringement based on the *Kessler* doctrine? No, affirmed.

Discussion:

On appeal, PersonalWeb argued that the with-prejudice dismissal in the Texas case is insufficient to trigger the *Kessler* doctrine. Specifically, PersonalWeb argued that the *Kessler* doctrine requires an "adjudicated non-infringer," and that the doctrine can only be invoked when the issue of infringement or invalidity was "actually litigated" in a prior case. Because PersonalWeb dismissed its claims against Amazon before any adjudication in the Texas case, PersonalWeb believed that the Texas case did not qualify as an adjudication of non-infringement.

The Federal Circuit rejected PersonalWeb's argument and found that there is no requirement that issues of non-infringement or invalidity be "actually litigated" before the *Kessler* doctrine can be invoked. The Federal Circuit reasoned that the *Kessler* doctrine extends to protect any actions as to which a manufacturer established a right not to be sued for infringement. The Federal Circuit determined that PersonalWeb "abandoned its claims against Amazon without reservation, explicit or implicit" in the Texas case, and this established a right not to be sued for infringement. Thus, the Federal Circuit found that the Texas decision stands as an adjudication that Amazon is not liable for infringement of PersonalWeb's patents with respect to Amazon's S3 service. Accordingly, the Federal Circuit concluded that, under the *Kessler* doctrine, the judgment in the Texas case protected Amazon's S3 service from subsequent infringement challenges based on the same claims, even when those challenges are directed at Amazon's customers rather than at Amazon itself.