

IN RE: PERSONALWEB TECHNOLOGIES LLC, Appeal Nos. 2021-1858, 2021-1859, 2021-1860 (Fed. Cir. November 3, 2023). Before Reyna, Lourie, and Dyk. Appealed from N.D. Cal. (Judge Freeman).

Background:

PersonalWeb sued Amazon in 2011 in Texas alleging Amazon's S3 product infringed its patents. After claim construction, PersonalWeb stipulated to a dismissal of the entire case with prejudice, and a final judgment was entered against PersonalWeb. In 2018, PersonalWeb brought infringement actions against eighty-five of Amazon's customers for their use of Amazon's S3 product based on the same patents from the Texas case. Amazon intervened and sought a declaratory judgment barring the claims based on the Texas case. The district court granted summary judgment of non-infringement in favor of Amazon based on the *Kessler* doctrine.¹ PersonalWeb appealed this decision alleging that the *Kessler* doctrine should not apply because infringement was not actually litigated on the merits in the Texas case. But the Federal Circuit affirmed the district court. PersonalWeb filed a writ of certiorari to the Supreme Court which sought an opinion from the Solicitor General before denying certiorari. The district court then granted Amazon's motion for attorneys' fees under 35 U.S.C. §285 determining that the case was exceptional. Under a totality of the circumstances, the district court found, *inter alia*, PersonalWeb's infringement claims related to Amazon's S3 product were objectively baseless and not reasonable because they were clearly barred due to a final judgment in the Texas case. PersonalWeb appealed this exceptional-case finding to the Federal Circuit.

Issue/Holding:

Did the district court err in finding that PersonalWeb's claims were objectively baseless? No, affirmed.

Discussion:

The majority states that the Federal Circuit's case law applying the *Kessler* doctrine was clear that the final judgment in the first suit entitles a manufacturer to sell its product without fear of allegations of infringement by the same patentee, even when the acts of infringement occurred post-final judgment and even when it was third parties who allegedly engaged in those acts. Thus, a straightforward application of the *Kessler* doctrine barred PersonalWeb's claims against Amazon's customers. It is PersonalWeb that stipulated to a dismissal of all claims in the Texas case with prejudice, and PersonalWeb should have known that the final judgment entered against it based on the stipulated dismissal operated as an adverse adjudication on the merits.

In dissent, Judge Dyk states that the case law was not so clear on the scope and reach of the *Kessler* doctrine when PersonalWeb brought the actions against Amazon's customers. The Federal Circuit had to determine such issue, and when PersonalWeb appealed the Federal Circuit's decision to the Supreme Court, the Court also had to receive an opinion from the Solicitor General. The opinion from the Solicitor General agreed with PersonalWeb. This shows that the scope and reach of the *Kessler* doctrine were not clear, and PersonalWeb's claims were not objectively baseless when brought. The majority effectively penalizes PersonalWeb for losing its argument on the *Kessler* doctrine.

¹ The *Kessler* doctrine originates from a Supreme Court decision and bars a patent infringement action against a customer of a seller who has previously prevailed against the patentee because of invalidity or non-infringement. Unlike claim preclusion, the *Kessler* doctrine applies to infringing acts that occurred after the first suit. The Federal Circuit has held that the *Kessler* doctrine applies to the same parties or their privies.