Shook, Hardy & Bacon L.L.P.

IpQ

ENHANCING YOUR IP IQ™

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KEY IDEAS:

WHEN IS FINAL 'FINAL'?

Judgment Decisions to Guide Your Path

When an appellate judge asks, a bit incredulously, "What are you doing here?," you can bet it is not going to be a good day for the IP attorney standing at the podium. This judge was set to hear an oral argument before the Federal Circuit Court of Appeals, but the case was short-circuited by a simple failure to confirm the underlying judgment as "final." In this case, which I witnessed, the appeal was dismissed, and the case was remanded.

For IP practitioners who do not specialize in appeals, knowing relevant rules is paramount, and it pays to buff any rusty concepts to a high sheen. Avoiding an uncomfortable question—and the potentially disastrous client conversation to follow—is the focus of this month's *IpQ*.

Bases for Appellate Jurisdiction

There are several ways in which part or all of a district court case may end up before the Federal Circuit Court of Appeals. For example:

- Petition for *writ of mandamus*[1];
- The "Collateral Order/Narrow" exception[2];
- Interlocutory Appeal of Preliminary Injunction Order[3];
- Appellate Pendant Jurisdiction[4]; and
- Appeal of a Final Judgment.

The most common path is the last, the appeal of a "final" judgment. While this seems to be obvious, it can be more difficult to ascertain than it appears.

'Final' Can Be Frustrating

The statutory basis and procedure for establishing appellate jurisdiction of "final" orders entered by district courts in patent cases can be a bit convoluted.

• **District Court Jurisdiction** – Under 28 U.S.C. § 1338(a), U.S. federal district courts have exclusive jurisdiction of "any civil action arising under any Act of Congress relating to patents, . . ."

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1 *See e.g., In re Apotex, Inc.,* 2010 WL 2653263, at *1 (Fed. Cir. 2010); *In re TS Tech USA Corp.,* 551 F.3d 1315, 1318-19 (Fed. Cir. 2009); *In re Roche Molecular Sys., Inc.,* 516 F.3d 1003, 1004 (Fed. Cir. 2008).

2 *See e.g., Cohen v. Beneficial Indus. Loan Corp.,* 337 U.S. 541, 546 (1949); *Richard-Merrell, Inc. v. Koller,* 472 U.S. 424, 430 (1985); *Digital Equip. Corp. v. Desktop Direct, Inc.,* 511 U.S. 863, 867-68 (1994); *Procter & Gamble Co. v. Kraft Foods Global, Inc.,* 549 F.3d 842, 846 (Fed. Cir. 2008).

3 28 U.S.C.§ 1292(a)(1); *See e.g., Procter & Gamble Co.,* 549 F.3d at 846.

4 *See e.g., Procter & Gamble Co.,* 549 F.3d at 846; *Ilor, LLC v. Google, Inc.,* 550 F.3d 1067, 1073 n.1 (Fed. Cir. 2008).

• **Federal Circuit Jurisdiction** – 28 U.S.C. § 1295(a)(1) establishes appellate jurisdiction in the Federal Circuit Court of Appeals over "a **final** decision of a district court of the United States . . . if the jurisdiction of that court was based, in whole or in part, on section 1338 . . ." (emphasis added)

• **Getting a "Final" Judgment to the Federal Circuit** – Applicable rules provide two paths for appeal of final judgments entered by the district courts:

First, the most common method of appealing a final judgment is described in the Federal Rules of Appellate Procedure. Rule 4(a)(1), FED. R. APP. P., requires that a notice of appeal in the appropriate form must be filed within 30 days after the "judgment or order appealed from is entered."

28 U.S.C. § 1295(a)(1) establishes appellate jurisdiction in the Federal Circuit Court of Appeals over "a **final** decision of a district court of the United States . . .

Rule 3(c)(1), FED. R. APP. P., establishes three requirements for the notice of appeal. The notice must (A) specify the party taking the appeal, (B) designate the judgment or order being appealed, and (C) name the court to which the appeal is taken.

The Federal Circuit took a liberal view of the Rule 3 requirements in *International Rectifier Corp. v. IXYS Corp.*[5] The court found that a prompt motion to stay a permanent injunction pending appeal that met the Rule 3 requirements was adequate to preserve rights on appeal, even when no Rule 4(a)(1)(A) notice of appeal was filed.[6] Even an appellate brief can serve as the notice of appeal, if it meets Rule 3 requirements and is served within Rule 4 time limits.[7]

Second, Rule 54(b), FED. R. CIV. P., provides a less frequently used mechanism for seeking appellate relief. Rule 54(b) provides, in part, that, ". . . the court may direct entry of a **final** judgment as to one or more, but fewer than all, claims or parties only if the court expressly determines that there is no just reason for delay." (emphasis added)

The Federal Circuit considered Rule 54(b) in *Ilor, LLC v. Google, Inc.*[8] There, the district court dismissed the "action" with prejudice (including plaintiff's remaining claims and defendant's counterclaims) after denying plaintiff's motion for a preliminary injunction and granting defendant summary judgment of non-infringement.[9]

Requiring a "final" decision in 28 U.S.C. § 1295(a)(1) means "a party must ordinarily raise all claims of error in a single appeal following final judgment on the merits."

The parties disagreed about whether appellate jurisdiction extended only to denial of the preliminary injunction under 28 US.C. §1292(a)(1), or to the entire action, including all of the dismissed claims, under Rule 54(b). Although the district court had recited the phrase "no just cause for delay," the record did not indicate that the district court considered the counterclaims or that it intended to address or dismiss them. Under these circumstances, the Federal Circuit concluded it did not have Rule 54(b) jurisdiction to review the district court's decision granting summary judgment and dismissing the remainder of the claims. So it limited its review to the denial of preliminary injunctive relief.[10]

Case Law Defines Meaning, Rationale

Requiring a "final" decision in 28 U.S.C. § 1295(a)(1) means "a party must ordinarily raise all claims of error in a single appeal following final judgment on the merits."[11] But it is not necessarily "the last order possible to be made in a case."[12]

Importantly, mere words do not constitute rendering a final judgment. Rather, whether an order is a final judgment depends on whether the judge has clearly declared her *intention* that the judgment will be final in her opinion. Simply put, finality requires a clear, unequivocal manifestation by the trial

5 515 F.3d 1353 (Fed. Cir. 2008), *cert. denied*, __ U.S. __, 129 S. Ct. 354 (2008).
6 *Id.* at 1357-58.
7 *Alabama Aircraft Indus., Inc.-Birmingham v. U.S.*, 2009 WL 1939156, at *1 (Fed. Cir. 2009).
8 550 F.3d 1067 (Fed. Cir. 2008).
9 *Id.* at 1069.
10 *Id.* at 1073.
11 *Richard-Merrell, Inc. v. Koller,* 472 U.S. 424, 429-30 (1985) (citing *Firestone Tire & Rubber Co. v. Risjord,* 449 U.S. 368, 374 (1981)).
12 *Gillespie v. U.S. Steel Corp.*, 379 U.S. 148, 152 (1964).

court of its belief that its decision is the end of the case.[13]

There are obvious benefits to requiring "final" judgments before moving to the appeals court. Limiting appeals to "final" judgments conserves judicial energy and the ability of judges to supervise litigation. It also eliminates disruption, delay and expense caused by "piecemeal" litigation.[14]

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'Practical' Definition of 'Final'

Identifying when a judgment is truly final can be ticklish. The U.S. Supreme Court has long recognized, "A 'final decision' generally is one which ends the litigation on the merits and leaves nothing for the court to do but execute the judgment."[15] But the Court has also noted that, whether a ruling is final, "is frequently so close a question that decision of that issue either way can be supported with equally forceful arguments, and that it is impossible to devise a formula to resolve all marginal cases coming within what might well be called the 'twilight zone' of finality."[16]

In the absence of a clear formula, the U.S. Supreme Court has adopted a "practical" rather than "technical" approach. The most important considerations in applying the practical approach are the inconvenience and cost of piecemeal review balanced against the danger of denying justice by delay.[17]

Beware—this "practical" approach can subtly morph into an "*ad hoc*" approach. Courts may unconsciously engage in a results-oriented decision pattern rather than adopt a truly practical analysis to resolve issues of appellate jurisdiction. Practitioners are encouraged to attend to the technical details and leave as little doubt as possible so that the "practical" approach may favor them.

Jurisdiction—The First Consideration

Determining appellate jurisdiction is a threshold issue the Federal Circuit considers before turning to the merits of any case.

Determining appellate jurisdiction is a threshold issue the Federal Circuit considers before turning to the merits of any case.[18] The issue is a question of law to which the Federal Circuit applies its own law, not that of the regional circuit.[19]

The Federal Circuit Approach to Finality

A brief review of Federal Circuit case law gives practical guidance on how the court treats finality of judgments:

- A judgment that does not dispose of pending counterclaims is not final.[20]
- A remand for further agency proceedings is not a final judgment.[21]
- Where the intent of the district court to dispose of counterclaims was clear, however, a judgment that did not expressly dispose of those counterclaims was deemed "final."[22] This is a good example of the "practical" application of the rule.

Stipulated Final Judgments

13 *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1362-63 (Fed. Cir. 1985).
14 *Richard-Merrell, Inc.*, 472 U.S. at 430; *Catlin v. United States*, 324 U.S. 229, 233-34 (1945).
15 *Catlin*, 324 U.S. at 233.
16 *Gillespie*, 379 U.S. at 152.
17 *Id.* at 152-53.
18 *Int'l Rectifier Corp. v. IXYS Corp.*, 515 F.3d 1353, 1357 (Fed. Cir. 2008). *See e.g., Ilor, LLC v. Google, Inc.*, 550 F.3d 1067, 1070-71 (Fed. Cir. 2008); *Hyatt v. Dudas*, 551 F.3d 1307, 1310 (Fed. Cir. 2008).
19 *Int'l Rectifier Corp.*, 515 F.3d at 1357.
20 *Pandrol USA, LP v. Airboss Ry. Prods., Inc.*, 320 F.3d 1354, 1362 (Fed. Cir. 1985).
21 *Hyatt*, 551 F.3d at 1310 (but the "narrow exception" applied); *see supra* note 2; *Abbott GMBH & Co., KG v. Yeda Research & Dev. Co., Ltd.*, 333 Fed. Appx. 524 (Fed. Cir. 2009) ("narrow exception" not applicable).
22 *Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131, 1139 n.6 (Fed. Cir. 2004).

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ABOUT SHB

Shook, Hardy & Bacon offers expert, efficient and innovative representation to our clients. We know that the successful resolution of intellectual property issues requires a comprehensive strategy developed in partnership with our clients.

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Parties frequently stipulate to the entry of final judgments based on claim construction. This approach plays the express purpose of obtaining appellate review of the lower court's *Markman* ruling. The Federal Circuit has recognized this practice in numerous cases.[23]

However, I feel compelled to say "caveat emptor!" If you are considering stipulated final judgments, you must heed the teachings of *Jang v. Boston Scientific Corp.*[24] In that case, the lower court entered its claim construction order. The parties agreed that infringement could not be shown if the construction was upheld on appeal, and partial summary judgment was entered. Critically, the judgment did not explain how any of the disputed claim construction rulings related to the accused devices, or how the Federal Circuit's ruling on any particular claim construction issue would affect the infringement claims. At oral argument, counsel for plaintiff even admitted that resolution of at least one of the claim construction disputes would not affect the infringement issue. Based on these facts, the Federal Circuit vacated the consent judgment and remanded the case.[25]

Doing so, the court gave important guidance to those considering consent judgments:[26]

- A consent judgment must satisfy the same standards of appellate jurisdiction as any other judgment.
- A judgment can be reviewed only if the basis for the judgment challenged can be readily ascertained by the appellate court.
- When a judgment is ambiguous, especially with regard to issues relating to jurisdiction, the judgment can be remanded.
- By failing to remand an ambiguous judgment, the appellate court risks rendering an impermissible advisory opinion. Absent a concrete controversy between the parties, the court lacks jurisdiction.
- The consent judgment at issue was ambiguous because (1) it was impossible to determine from the judgment which of the disputed claim terms would affect the issue of infringement, and (2) there was no factual record as to how the claim construction rulings related to the accused products.

Conclusion

When analyzing a "final" judgment, keep these thoughts in mind:

- Does it meet the three requirements of Rule 3(c)(1), FED. R. APP. P.?
- Is it timely under Rule 4, FED. R. APP. P.?
- Does it dispose of all the claims made by all the parties?
- Does it clearly set out the basis for the challenged decision?
- Does an appeal of the judgment promote the practical resolution of claims or pose a risk of piecemeal litigation?
- If the judgment isn't final, does one of the other routes for appeal apply?

23 *Jang v. Boston Scientific Corp.*, 532 F.3d 1330, 1334 (Fed. Cir. 2008).
24 *Id.*
25 *Id.* at 1331-38.
26 *Id.* at 1334-37.