UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF TEXAS
TYLER DIVISION

Eolas Technologies Incorporated and The Regents Of The University Of California *Plaintiffs and Counterdefendants*, vs. Adobe Systems Inc.; Amazon.com, Inc.; CDW Corp.; Citigroup Inc.; The Go Daddy Group, Inc.; Google Inc.; J.C. Penney Corporation, Inc.; Staples, Inc.; Yahoo! Inc.; and YouTube, LLC, *Defendants and Counterclaimants*.	Civil Action No. 6:09-CV-446-LED JURY TRIAL DEMANDED

DEFENDANTS' SUR-REPLY IN OPPOSITION TO PLAINTIFFS' MOTION TO CORRECT JUDGMENT PURSUANT TO RULES 59(e) AND 60(a)

INTRODUCTION

Defendants Amazon.com Inc., Google Inc., J.C. Penney Corporation, Inc., Yahoo! Inc., and YouTube, LLC ("Defendants") submit this sur-reply in opposition to the motion to correct judgment of Plaintiffs Eolas Technologies, Inc. and The Regents of the University of California (collectively "Plaintiffs") [Dkt. No. 1391] ("Reply").

ARGUMENT

Plaintiffs' Reply confirms that the parties' dispute in this matter, though narrow, is significant. Relying on new authorities in reply, Plaintiffs seek to have their infringement claims dismissed as "moot," rather than "with prejudice." But Plaintiffs' infringement claims have been adjudicated on the merits based on the trial of Defendants' affirmative defense of invalidity and thus should be dismissed *with prejudice*.

The judgment in *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1295 (Fed. Cir. 2009), which Plaintiffs identify as a model judgment blessed by the Federal Circuit, supports Defendants'—not Plaintiffs'—analysis. That judgment expressly dismisses the infringement claim for damages "with prejudice" based on an adjudicated defense of patent invalidity while dismissing the prevailing accused infringer's non-infringement declaratory judgment claim as moot. The judgment in *Revolution* is attached as the Appendix to this brief, and Defendants agree that it can and should be used as a model judgment in this case.

Plaintiffs confuse the infringement *issue* with Plaintiffs' infringement *claim* for damages and Defendants' *claim* for a declaratory judgment of non-infringement. A claim for a declaratory judgment of non-infringement turns on the sole *issue* of infringement. All parties agree, however, that the infringement *issue* here—"whether Defendants' accused products meet each and every limitation of th[e asserted] patent claims"—is mooted by the jury's verdict regarding the invalidity of the asserted claims. Reply at 2. That is why all parties also agree

that Defendants' claim for a declaratory judgment of non-infringement should be dismissed without prejudice as *moot*. In contrast, invalidity is an affirmative defense to an infringement *claim* for damages. 35 U.S.C. § 282(2) (identifying invalidity as a "defense" in an action for infringement). Thus, Plaintiffs' infringement *claim* for damages is resolved, *not* moot, because Defendants' invalidity defense was indeed adjudicated on the merits by the jury's invalidity verdict. *See* 2 JAMES M. MOORE ET AL., MOORE'S FEDERAL PRACTICE, ¶ 8.07(1) (3d ed. 1997) ("Affirmative defenses, if accepted by the court, will defeat an otherwise legitimate claim for relief."). Plaintiffs' Reply ignores this fundamental distinction between the parties' claims: a finding of invalidity *moots* Defendants' non-infringement declaratory judgment claim and *defeats* Plaintiffs' infringement claim for damages.

Plaintiffs rely on *Leggett* to advocate for a dismissal of their infringement claim as moot:

> Plaintiffs request the Court to enter a corrected judgment that dismisses Plaintiffs' infringement claims based on Defendants' invalidity affirmative defense and counterclaim—*in effect, holding those claims moot in light of the jury's verdict*. Such a judgment is verbatim of what the Federal Circuit found appropriate in *Leggett & Platt, Inc. v. VUTEk, Inc.*, 537 F.3d 1349 (Fed. Cir. 2008), as discussed in Plaintiffs' Motion at 1-2 and Exhibits 1 and 2 thereto.

Reply at 2 (emphasis supplied). In this passage, Plaintiffs appear to suggest that the Federal Circuit in *Leggett* somehow ruled that a successful invalidity affirmative defense renders an infringement claim for damages moot. It did nothing of the sort. Rather, in *Leggett* the district court granted summary judgment of all claims as invalid. The district court had not disposed of the non-infringement *declaratory judgment* claims as moot or otherwise adjudicated them. The Federal Circuit observed that, until the district court resolved the unadjudicated non-infringement declaratory judgment claims, there was no final judgment and thus no appellate jurisdiction. *Leggett & Platt, Inc. v. Vutek, Inc.*, 239 Fed. Appx. 602, 604 (Fed. Cir. 2007).

In the Federal Circuit's subsequent decision, *Leggett & Platt*, 537 F.3d at 1349, on which Plaintiffs rely, the court does not even suggest that the invalidity of the claims in that case rendered the patentee's infringement claim for damages moot. The Federal Circuit merely accepted jurisdiction over the case because the district court eliminated the non-infringement *declaratory judgment* claim as moot. The patentee's infringement complaint was "dismissed in its entirety" based on the invalidity of the claims and neither the district court nor Federal Circuit suggested that this meant that the patentee's infringement claim for damages was dismissed as *moot*. *Leggett & Platt*, 239 Fed. Appx. at 603. *Leggett* does not help resolve the parties' remaining dispute regarding the form of judgment.

Second, Plaintiffs rely on four Federal Circuit cases to suggest that the district courts in each may have dismissed infringement claims for damages as moot based on a successful invalidity affirmative defense. Reply at 2. Plaintiffs' reliance on the judgment in *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, 556 F.3d 1294, 1295 (Fed. Cir. 2009), squarely supports Defendants. There, after finding invalidity, the district court dismissed as moot the accused infringer's declaratory judgment claim for non-infringement. This is unremarkable. What is remarkable, however, is that the *Revolution* judgment expressly dismissed the patentee's affirmative infringement claim "with prejudice"—which is exactly what Defendants request here. *See* Appendix ("Judgment") ¶ 5. Plaintiffs misapply *Revolution* by ignoring the important distinction between dismissing as moot an accused infringer's declaratory judgment claim for non-infringement (which makes sense) and dismissing as moot a patentee's infringement claim for damages even where, as here, the accused infringers prevailed on their affirmative defense of invalidity (which is improper, as explained above, and which is *not* consistent with the holding in *Revolution*).

In *MBO Labs. Inc. v. Becton, Dickinson & Co.*, 602 F.3d 1306, 1312 (Fed. Cir. 2010), after finding all claims invalid, the district court denied a summary judgment motion of non-infringement as moot. The Federal Circuit did not comment on the form of the final judgment. The court addressed the merits and affirmed the invalidation of some claims, but not others, and remanded the case for adjudication of the claims that were improperly invalidated. Nothing in that decision to accept jurisdiction in *MBO* supports Plaintiffs' position. The district court's denial as moot of a non-infringement summary judgment motion is completely consistent with Defendants' proposal here that their non-infringement declaratory judgment claim be dismissed without prejudice as moot and the *patentee's* infringement claim for damages be dismissed *with prejudice* based on the successful affirmative defense of patent invalidity.

Plaintiffs' citation to *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co.*, 439 F.3d 1335 (Fed. Cir. 2006), suffers from the same defect. In that action seeking a declaratory judgment of invalidity, unenforceability, and non-infringement, the district court found the patent unenforceable and held that it therefore need not rule on the *accused infringer's* motion for summary judgment on its claim for a declaratory judgment of non-infringement. *M. Eagles* is fully consistent with Defendants' position. Indeed, the district court directed that judgment be entered in favor of the accused infringer on the patentee's counterclaim for infringement, as to which unenforceability—like invalidity—is an affirmative defense. *M. Eagles Tool Warehouse, Inc. v. Fisher Tooling Co., Inc*., 68 F. Supp. 2d 494, 508 (D.N.J. 1999).

Plaintiffs' reliance on *Halliburton Energy Servs. v. M-I LLC*, 514 F.3d 1244, 1248 (Fed. Cir. 2008), is also unenlightening. There, the Federal Circuit affirmed the invalidity of the claims-in-suit. There was no question as to whether the infringement claims should be

dismissed with or without prejudice.

In the final analysis, the preclusive effect of this judgment can be evaluated based only on the substance of what was decided in this case, not based on labels. *See Kaspar Wire Works, Inc. v. Leco Eng'g & Mach.*, 575 F. 2d 530, 534 (5th Cir. 1978) (recognizing that "a dismissal with prejudice at any stage of a judicial proceeding, normally constitutes a final judgment on the merits which bars a later suit on the same cause of action," but looking beyond the language used by the district court to the substance of the decision in order to determine the preclusive effect of the prior judgment) (internal citations omitted). Nevertheless, because Plaintiffs' infringement claims for damages were resolved against them on the merits, those claims must be dismissed *with prejudice*. Plaintiffs' claims for damages are not moot; they have been found to lack merit.

Dated: April 20, 2012

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CERTIFICATE OF SERVICE

The undersigned certifies that the foregoing document was filed electronically in compliance with Local Rule CV-5(a). As such, this document was served on all counsel who have consented to electronic services on this the 20th day of April 2012. Local Rule CV-5(a)(3)(A).

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