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Terminal Disclaimer Does Not Establish Claim Preclusion

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Addressing claim preclusion, the US Court of Appeals for the Federal Circuit reversed a district court's dismissal of a complaint as barred by claim preclusion and the *Kessler* doctrine. *SimpleAir, Inc. v. Google LLC*, Case No. 16-2738 (Fed. Cir., Mar. 12, 2018) (Lourie, J).

SimpleAir obtained a family of patents including a parent patent and several child patents claiming continuation priority back to the parent patent. During prosecution, SimpleAir filed terminal disclaimers in each child patent to overcome obviousness-type double patenting rejections.

After the patents issued, SimpleAir filed several patent infringement lawsuits against Google's cloud messaging and cloud-to-device messaging services. In the first lawsuit, a jury found infringement of one of the child patents, but the Federal Circuit reversed the verdict. In the second lawsuit, a jury found non-infringement of a different child patent. SimpleAir then filed a third lawsuit, asserting infringement of two different child patents. Google moved to dismiss SimpleAir's complaint (under Fed. R. Civ. Pro. 12(b)(6)) on the basis that it was barred by claim preclusion and the *Kessler* doctrine. The district court agreed, reasoning that (1) the two patents shared the same specification with the previously adjudicated child patents, and (2) the filing of the terminal disclaimers indicated that the US Patent and Trademark Office believed the patents-in-suit were patentably indistinct from the earlier patents. Concluding that the various child patents claimed the same underlying invention, the district court dismissed SimpleAir's complaint. SimpleAir appealed.

On appeal, the Federal Circuit found the district court record insufficient to sustain the district court's dismissal. The Court agreed that the various lawsuits and child patents substantially overlapped, but ultimately found that the district court never analyzed the claims of any patent in reaching its conclusion that the child patents claimed the same invention. The Court also rejected the district court's reliance on terminal disclaimers:

[A] terminal disclaimer is a strong clue that a patent examiner and, by concession, the applicant, thought the claims in the continuation lacked a patentable distinction over the parent. But as our precedent indicates, that strong clue does not give rise to a presumption that a patent subject to a terminal disclaimer is patentably indistinct from its parent patents. It follows that a court may not presume that assertions of a parent patent and a terminally-disclaimed continuation patent against the same product constitute the same cause of action. Rather, the claim preclusion analysis requires comparing the patents' claims along with other relevant transactional facts.

Because the district court did not specifically consider the claims, the Federal Circuit found insufficient basis for claim preclusion.

Google also argued that if claim preclusion did not apply, then the *Kessler* doctrine barred SimpleAir's claims. The *Kessler* doctrine is based on a 1907 Supreme Court of the United States decision that protects a party's rights to continue a practice that had been accused of infringement where an earlier judgment found that essentially the same activity did not infringe the patent. However, the Federal Circuit explained that the doctrine has not been applied to bar a broader set of rights than would have been barred by claim preclusion. The Court declined to do so, explaining, "Google asks us to subsume claim preclusion within a more expansive, *sui generis Kessler* doctrine. But the *Kessler* doctrine just fills a particular temporal gap between preclusion doctrines . . . it does not displace them."

Practice Note: Claim preclusion does not apply where claims of an asserted patent are not the same as claims of an earlier litigated patent from same family—unless the court determines the asserted claims are narrower than the previously litigated claim.

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