



Merger of District Court Dismissals Torpedoes Appeal from PTAB Decision at Federal Circuit

August 21, 2024

Reading Time : **2 min**

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The Federal Circuit dismissed an appeal of a final written decision in an IPR based on issue preclusion where a district court had dismissed a complaint finding the patent claims subject-matter ineligible. The patentee had filed a second amended complaint, but then voluntarily dismissed the case without asking the district court to vacate its prior invalidity ruling, which it also never appealed. The Federal Circuit held that the initial invalidity order was interlocutory when issued but merged with the voluntary dismissal with prejudice, making the invalidity determination final and the present appeal moot.

The patentee was the assignee of patents for wireless earphones. It filed a patent infringement suit against a first defendant in the Western District of Texas. The same day, it also filed an infringement suit against a second defendant in the same court, asserting the same patents. The first defendant challenged venue and separately filed IPR petitions against the asserted patents.

After the PTAB issued final written decisions finding the asserted claims unpatentable, the patentee appealed. During this time, the patentee's action against the second defendant had been transferred to the Northern District of California, which found the claims of the asserted patents invalid under 35 U.S.C. § 101 for claiming patent-ineligible subject matter, but granted the patentee leave to amend its complaint. After the patentee filed a second amended complaint and the second defendant filed a motion to dismiss, the patentee voluntarily stipulated to dismiss the suit with prejudice. In doing so, the patentee never requested that the court vacate its order of invalidity. The California court then entered an

order formally dismissing the patentee's suit with prejudice. The patentee did not appeal that order.

Given the Northern District of California's dismissal with prejudice, the first defendant moved to dismiss the patentee's IPR appeals as moot on the grounds that the California court had already invalidated the asserted claims. The issue was thus whether the claims in the present appeal were invalid due to prejudicial dismissal by the California court, precluding the patentee from asserting those claims against the first defendant. The patentee argued that the California court's initial invalidation order was superseded by its second amended complaint. The Federal Circuit disagreed with the patentee's argument that the district court's invalidity ruling became null by its filing of a second amended complaint.

According to Ninth Circuit law, prior dismissals do not need to be raised in amended complaints to be appealable. Applying this precedent, the Federal Circuit held that the patentee was able to appeal the district court's initial invalidity order without realleging its claims in a second complaint. But here, the patentee's right to appeal was affected by its own decision to dismiss its suit with prejudice. Thus, the California court's invalidity order merged with its final order dismissing the case with prejudice. Put differently, the invalidity order was not final and appealable when it first issued but became so when the patentee voluntarily dismissed the suit without having the invalidity order vacated. The Federal Circuit concluded that the patent claims were invalid, making the present IPR appeal moot.

Practice Tip: Parties with concurrently pending suits in different venues must be wary of judgments in those venues for potential preclusive effects. When determining whether dismissing a suit is appropriate, parties must ensure they preserve their right to appeal or risk losing the chance to assert their patents against other defendants.

Koss Corp. v. Bose Corp., 107 F.4th 1363 (Fed. Cir. July 19, 2024)

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