2022-1954, -2295

United States Court of Appeals for the Federal Circuit

INLINE PLASTICS CORP.,

Plaintiff-Appellant,

– v. –

LACERTA GROUP, LLC,

Defendant-Cross-Appellant.

On Appeals from the United States District Court for the District of Massachusetts in No. 4:18-cv-11631-TSH Honorable Timothy S. Hillman, District Judge

REPLY BRIEF FOR DEFENDANT-CROSS-APPELLANT

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APRIL 10, 2023

TABLE OF CONTENTS

Page

TABLE OF AUTHORITIES ii

ARGUMENT 1

I. The District Court Erred in Dismissing Without Prejudice the Dropped Claims 2

A. Lacerta Did Not Stipulate to Dismissal Without Prejudice of the Dropped Claims 3

B. Lacerta Did Not Waive its Objection to the Court's Dismissal Without Prejudice for Purposes of this Appeal 5

C. The Court's Dismissal Without Prejudice of the Dropped Claims Prejudiced Lacerta. 7

II. The Court Abused Its Discretion in Failing to Find This Case Exceptional and Award Fees to Lacerta 12

A. Inline's Shift to a New Infringement Theory at Trial Highlights the Objective Unreasonableness of its Literal Infringement Position 12

B. Inline's Continual Gamesmanship Renders This Case Exceptional 20

CONCLUSION 25

TABLE OF AUTHORITIES

Page(s)

Cases:

AdjustaCam, LLC v. Newegg, Inc.,
861 F.3d 1353 (Fed. Cir. 2017) 20, 24

Analysis Grp., Inc. v. Cent. Fla. Invs., Inc.,
629 F.3d 18 (1st Cir. 2010) 11

Cosmo Techs. Ltd. v. Actavis Labs. Fl., Inc.,
C.A. No. 15-164-LPS, 2019 WL 1417459 (D. Del. Mar. 28, 2019).....21

Doe v. Urohealth Sys., Inc.,
216 F.3d 157 (1st Cir. 2000) 7, 9, 11

Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.,
946 F.3d 1367 (Fed. Cir. 2020) 13

FilmTec Corp. v. Hydranautics,
67 F.3d 931 (Fed. Cir. 1995) 8

Gigamon Inc. v. Apcon, Inc.,
No. 2:19-CV-00300-JRG, 2022 WL 949962
(E.D. Tex. Mar. 29, 2022) 21

Goulet v. New Penn Motor Exp., Inc.,
512 F.3d 34 (1st Cir. 2008) 6

Gronholz v. Sears, Roebuck & Co.,
836 F.2d 515 (Fed. Cir. 1987) 8

Innovation Scis., LLC v. Amazon.com, Inc.,
No. 418-cv-747, 2021 WL 2160521, (E.D. Tex. May 27, 2021),
rev'd in part on other grounds, No. 2021-2111, 2022 WL 2824675
(Fed. Cir. Jul. 20, 2022).....21

Kemco Sales, Inc. v. Control Papers Co., Inc.,
208 F.3d 1352 (Fed. Cir. 2000) 18

Klunder v. Brown Univ.,
778 F.3d 24 (1st Cir. 2015) 11

Minn. Mining & Mfg. Co. v. Barr Labs., Inc.,
289 F.3d 775 (Fed. Cir. 2002) 11

Momenta Pharms., Inc. v. Teva Pharms. USA, Inc.,
No. 10-12079-NMG, 2014 WL 298027 (D. Mass. Jan. 24, 2014) 8, 9, 10

Nalpropion Pharms., Inc. v. Actavis Labs. FL, Inc.,
934 F.3d 1344 (Fed. Cir. 2019) 6

Nilssen v. OsramSylvania, Inc.,
No. 01 C 3585, 2007 WL 257711 (N.D.Ill. Jan. 23, 2007),
aff'd, 528 F.3d 1352 (Fed. Cir. 2008) 21, 22, 24

Oplus Techs., Ltd. v. Vizio, Inc.,
782 F.3d 1371 (Fed. Cir. 2015) 24

P.R. Mar. Shipping Auth. v. Leith,
668 F.2d 46 (1st Cir. 1981) 8

Schwachman v. Town of Hopedale,
540 F. Supp. 3d 134 (D. Mass. 2021).....8

Street v. Fair,
918 F.2d 269 (1st Cir. 1990) 8

Strub v. Axon Corp.,
No. 97-1221, 1998 WL 537721 (Fed. Cir. Aug. 17, 1998)..... 9, 10, 11, 22

Transwitch Corp. v. Galazar Networks, Inc.,
377 F. Supp. 2d 284 (D. Mass. 2004).....8

VS PR, LLC v. ORC Miramar Corp.,
34 F.4th 67 (1st Cir. 2022) 11

Williams v. Ford Motor Credit Co.,
627 F.2d 158 (8th Cir. 1980).....9, 11

Statutes & Other Authorities:

Fed. Cir. R. 32.1 9

Fed. R. App. P. 32.1 9

Fed. R. Civ. P. 15 ..... 7, 8, 11

Fed. R. Civ. P. 26 23

Fed. R. Civ. P. 41 ..... 5, 7, 8, 11

Fed. R. Civ. P. 50 11

Fed. R. Civ. P. 54 .....4, 5

ARGUMENT

Plaintiff-Appellant Inline Plastics Corp. ("Inline") elected not to present any evidence at trial as to 21 patent claims it asserted against Defendant-Cross-Appellant Lacerta Group, LLC ("Lacerta"). Days after Inline rested its case, and following Lacerta's motion for judgment as a matter of law ("JMOL") on those claims, Inline stated at the charge conference conducted in the third week of trial that it was withdrawing the claims. Inline defends the district court's post-trial dismissal without prejudice of those claims primarily by insisting that Lacerta stipulated to such a dismissal—a fiction not supported by the motion for JMOL, trial record surrounding Inline's withdrawal, and post-trial briefing. The untimely dismissal without prejudice of those claims legally prejudices Lacerta, and the court erred in allowing Inline to dismiss those claims without prejudice after it had a full and fair opportunity to present those asserted claims at trial.

Inline's gamesmanship surrounding its dropped claims is just one example of a pattern of last-minute pivots, mid-trial reversals, and constantly moving targets that unnecessarily multiplied this litigation. Most significantly, through its technical expert Inline unveiled mid-trial an amorphous infringement theory related to visual blocking, negative draft angles, and truncated flanges—limitations that are absent from the asserted claims and the court's claim constructions. Inline's objectively weak literal infringement theory and unreasonable manner of

litigating this dispute renders this case exceptional. The district court abused its discretion in denying Lacerta's motion for attorneys' fees.

I. The District Court Erred in Dismissing Without Prejudice the Dropped Claims.

The district court erred in dismissing without prejudice 21 asserted claims across four patents that Inline sought to withdraw at the eleventh hour,[1] affording Inline a second bite of the apple in pursuing patent claims against Lacerta that it elected to drop after it opted not to put on any evidence of infringement in its case-in-chief. This prejudices Lacerta, particularly since Lacerta and its expert witness prepared to defend against these claims at trial.

Inline distorts the facts surrounding Inline's withdrawal of the Dropped Claims. Lacerta never stipulated to dismissal without prejudice of the Dropped Claims. At the charge conference, Lacerta agreed that the Dropped Claims should be removed from the proposed jury verdict form because Inline elected not to prosecute them at trial. This Court should reverse the dismissal without prejudice of the Dropped Claims and enter judgment on the Dropped Claims in Lacerta's favor.

[1] Claims 6, 7, 9, 17, 18, 19, 20 and 25 of the '003 patent; 4, 5, 7, 9, 18, 19, 21 and 23 of the '680 patent; 5 and 8 of the '756 patent; and 2, 3 and 15 of the '580 patent (the "Dropped Claims"). *See* Appx3272-3273.

A. Lacerta Did Not Stipulate to Dismissal Without Prejudice of the Dropped Claims.

In an effort to recast its last-minute abandonment of the Dropped Claims as a stipulated dismissal, Inline misleadingly claims that "[w]hen it came time for trial," Inline "reduced the number of claims . . . to avoid boring the jury." Reply and Response Brief for Plaintiff-Appellant ("Rep. Br.") at 32. Inline's statement that it proactively withdrew the Dropped Claims prior to or at the start of trial is inaccurate. Leading up to trial, Inline's pretrial filings expressed an intent to present all asserted claims to the jury. *See, e.g.*, Appx3143 (listing 49 asserted claims in Inline's proposed jury instructions filed on January 21, 2022). Although a footnote in Inline's pretrial brief noted that Inline was "considering dropping certain claims of the patents and will advise Lacerta and the Court if Inline decides to do so," at no point prior to trial or before it rested did Inline inform Lacerta or the court of any such election. Appx3113.

On the eighth day of trial, Inline rested its case. Appx1368. Lacerta orally moved for JMOL, then timely filed a written motion that sought judgment as to the Dropped Claims on which Inline presented no evidence of infringement. Appx1277, Appx1369, Appx3272-3273. After Lacerta filed its JMOL motion, during a charge conference on trial day 12, Inline confirmed on the record *for the first time* that it was not asserting the Dropped Claims in the trial and had deleted those claims from the proposed verdict form. Appx1806. Lacerta did not object to

Inline's withdrawal of the Dropped Claims *from the verdict form*, given that Inline had presented no infringement evidence as to those claims and, as such, it would have been improper to send those claims to the jury. *Id.*; *see also* Rep. Br. at 32 (acknowledging that Lacerta did not object to Inline "ask[ing] the court to strike certain claims from the verdict form").[2] At no time during that brief colloquy regarding the verdict form did either party or the court indicate that the claims would be dismissed without prejudice. Appx1806. No order entered dismissing the claims. *See* Appx71-76.

On April 22, 2022, Inline moved for entry of final judgment pursuant to Fed. R. Civ. P. 54(b). Appx3388-3389. Inline argued that the Dropped Claims were "dismissed with Court approval prior to the jury charge." Appx3389. Inline's proposed judgment omitted the Dropped Claims entirely. Appx3401. Lacerta objected in part to Inline's proposed form of judgment, noting that no dismissal order had entered and requesting the court dismiss the Dropped Claims with prejudice. Appx3402-3407. On May 25, 2022, the court entered a Rule 54(b) judgment, dismissing for the first time the Dropped Claims, without prejudice. Appx27-30.

[2] Given the lack of evidence, and consistent with its then-pending motion for JMOL, Lacerta also proposed that the Dropped Claims be removed from the jury instructions. *See* Appx3310.

Thus, Lacerta did not stipulate to dismissal without prejudice of the Dropped Claims. *See* Rep. Br. at 33-34. The only action to which Lacerta did not object was the removal of the Dropped Claims from the verdict form. Appx1806. Inline does not proffer any authority finding that a party consented to a dismissal without prejudice in similar factual circumstances. *See* Rep. Br. at 33.

Moreover, Rule 41 provides that a plaintiff may dismiss an action without a court order by *filing*: (i) a notice of dismissal before the opposing party serves either an answer or a motion for summary judgment – clearly inapplicable here – or (ii) "a stipulation of dismissal *signed by all parties* who have appeared." Fed. R. Civ. P. 41(a)(1) (emphasis added). Lacerta did not sign any dismissal stipulation, nor does Inline point to any. *See* Rep. Br. at 33. Inline's argument that Lacerta stipulated to dismissal under Rule 41(a)(1) is unsupported.

B. Lacerta Did Not Waive its Objection to the Court's Dismissal Without Prejudice for Purposes of this Appeal.

Inline's argument that Lacerta waived its appeal of the court's dismissal without prejudice is equally without merit. As discussed above, Lacerta did not object to Inline's withdrawal of the Dropped Claims from the verdict form. At that time, Lacerta *had already filed its JMOL motion* on those claims. Appx3272-3273. Lacerta did object in relevant part to Inline's post-trial motion for a separate and final Rule 54(b) judgment, which motion wrongly contended that the district court had already dismissed the Dropped Claims, and argued for dismissal with

prejudice. Appx3402-3407. Lacerta then timely appealed the court's entry of judgment, which was the first time the court ruled that the dismissal was without prejudice. Appx10877-10878.

Thus, this is not a scenario where Lacerta failed to raise an argument to the district court in the first instance. Accordingly, *Nalpropion Pharmaceuticals* is inapposite. *See* Rep. Br. at 33; *Nalpropion Pharms., Inc. v. Actavis Labs. FL, Inc.*, 934 F.3d 1344, 1355 n. 6 (Fed. Cir. 2019) (holding that claim construction arguments neither party made to the district court were waived on appeal). In *Goulet*, the other case on which Inline relies, the appellant affirmatively approved of the court's jury charge when given. *Goulet v. New Penn Motor Exp., Inc.*, 512 F.3d 34, 44 (1st Cir. 2008). The appellant argued that the charge was flawed, an argument the First Circuit found affirmatively waived. *Id.* Here, Lacerta assented to the removal of the Dropped Claims from the jury verdict form, not dismissal without prejudice. Appx1806. Lacerta is not arguing on appeal that the court erred in removing the claims from the verdict form—*i.e.*, the exact conduct Lacerta assented to before the district court, as the appellant did in *Goulet*. As such, *Goulet* is also inapplicable, and Inline again has identified no authority finding waiver in these circumstances, where the party is urging on appeal the *exact argument* it made to the district court below. *See* Appx3402-3407. Lacerta properly preserved this issue for appeal.

C. The Court's Dismissal Without Prejudice of the Dropped Claims Prejudiced Lacerta.

Inline's only argument as to why dismissal without prejudice was proper if Lacerta did not stipulate to such a dismissal is that if Rule 41 applies, "a dismissal is without prejudice unless the court states otherwise in its order," Rep. Br. at 33, and, if Rule 15 applies, Lacerta has not suffered legal prejudice, *id.* at 34. Both arguments are unavailing.

Under Rule 41, "[u]nless the order states otherwise, a dismissal . . . is without prejudice." Fed. R. Civ. P. 41(a)(2). But Lacerta does not dispute that the court dismissed the Dropped Claims without prejudice. Indeed, it expressly did so in the final judgment. Appx30. The fact that Rule 41 provides a default that dismissals are without prejudice unless the court orders otherwise does not establish that all dismissals without prejudice are proper. Rather, the purpose of Rule 41 "is to permit the plaintiff, with approval of the court, . . . voluntarily to dismiss an action *as long as no other party will be prejudiced*," and "[t]he district court is responsible under the rule for exercising its discretion to ensure that such prejudice will not occur." *Doe v. Urohealth Sys., Inc.*, 216 F.3d 157, 160 (1st Cir. 2000) (internal quotation marks and citations omitted) (emphasis added).

Therefore, regardless of whether Rule 15 or 41 applies,[3] dismissal without prejudice is improper if it would prejudice the non-moving party.

Inline's primary argument as to why dismissal without prejudice purportedly does not prejudice Lacerta rests on the inaccurate refrain that Lacerta requested or acquiesced to such a dismissal. Rep. Br. at 34. Further, although Inline is correct that "the prospect of a second suit" does not *alone* constitute prejudice, *Momenta Pharms., Inc. v. Teva Pharms. USA, Inc.*, No. 10-12079-NMG, 2014 WL 298027, at *3 (D. Mass. Jan. 24, 2014) (citing *P.R. Mar. Shipping Auth. v. Leith*, 668 F.2d 46, 50 (1st Cir. 1981)), Inline ignores entirely the factors that may establish prejudice. Specifically, courts "typically look to the defendant's effort and expense of preparation for trial, excessive delay and lack of diligence in prosecuting the action, insufficient explanation for the need to take a dismissal, and

[3] This Court and others have held that a voluntary dismissal of fewer than all claims asserted in an action is properly treated as an amendment under Rule 15 rather than a dismissal of an action under Rule 41. *See, e.g.*, *Gronholz v. Sears, Roebuck & Co.*, 836 F.2d 515, 518 (Fed. Cir. 1987). First Circuit law applies to this issue, *see FilmTec Corp. v. Hydranautics*, 67 F.3d 931, 935 (Fed. Cir. 1995), and the First Circuit does not appear to have directly decided whether Rule 15 or Rule 41 governs, *cf. Schwachman v. Town of Hopedale*, 540 F. Supp. 3d 134, 139-40 (D. Mass. 2021) (applying Rule 15 but not identifying any binding First Circuit authority on the issue); *see also Street v. Fair*, 918 F.2d 269, 273 (1st Cir. 1990) (suggesting but not deciding that Rule 15 would apply). In any event, courts have recognized that "[w]hether to review the motion under Rule 41(a)(2) or Rule 15(a) is academic inasmuch as a district court may permit withdrawal of a claim under Rule 15 . . . subject to the same standard of review as a withdrawal under Rule 41(a)." *Transwitch Corp. v. Galazar Networks, Inc.*, 377 F. Supp. 2d 284, 289 n.5 (D. Mass. 2004) (internal quotation marks and citation omitted).

the fact that a motion for summary judgment has been filed by the defendant." *Doe*, 216 F.3d at 160. Each of those factors weighs heavily in favor of a dismissal with prejudice here.

As discussed above, Inline *never* informed Lacerta or the court of its intent to withdraw the Dropped Claims prior to trial, only withdrawing them on the record after the close of Inline's evidence and after Lacerta moved for JMOL. Dropping claims deep into a trial after years of litigation prejudices a defendant unless the plaintiff is precluded from reasserting those claims in a later proceeding. *See, e.g.*, *Williams v. Ford Motor Credit Co.*, 627 F.2d 158, 159-60 (8th Cir. 1980) (holding that the district court abused its discretion in granting the plaintiff's motion to dismiss without prejudice after the plaintiff had rested and the defendant had moved for judgment notwithstanding the verdict); *Strub v. Axon Corp.*, No. 97-1221, 1998 WL 537721, at *11 (Fed. Cir. Aug. 17, 1998) (unpublished) ("Withdrawal of a clearly presented claim at such a late stage in the proceeding was clearly prejudicial to [the defendant] which was forced to prepared a defense to this claim in advance of trial.");[4] *Momenta Pharms.*, 2014 WL 298027, at *3

[4] Inline complains that because *Strub* is unpublished, it is "not citable as precedent." Rep. Br. at 33. Inline points to Fed. R. App. P. 32.1(a), which bars courts from prohibiting or restricting the citation of, *inter alia*, unpublished federal judicial opinions or other written dispositions issued on or after January 1, 2007. Rule 32.1(a) does not, on its face, render an unpublished decision issued before January 1, 2007 "not citable as precedent." Further, Fed. Cir. R. 32.1(c) provides that "[p]arties are not prohibited or restricted from citing nonprecedential

(finding delay weighed in favor of dismissal with prejudice where the plaintiffs informed the defendant of their intent to withdraw claims after the defendant moved for summary judgment and weeks before the scheduled summary judgment hearing).

The circumstances of the dismissal in *Strub* are nearly identical to the facts here: after the close of the plaintiff's case, the defendant moved for JMOL; the plaintiff then withdrew its claim; and the district court permitted withdrawal without prejudice, finding no prejudice to the defendant. *See* 1998 WL 537721 at *10. This Court reversed, seeing "no reason why [the plaintiff] should be allowed to modify its litigation strategy in mid-course, forcing [the defendant] to expend time and money preparing for claims that were never litigated, only to withdraw those claims without prejudice when time pressures of trial dictated another course." *Id.* Inline did exactly that, forcing Lacerta and its expert to expend time and money preparing non-infringement and invalidity defenses as to 21 asserted claims with various limitations not present in the claims asserted at trial. Further, Inline has never offered *any* reason, let alone a good reason, why it waited until after Lacerta moved for JMOL to jettison the Dropped Claims. *See Momenta Pharms.*, 2014 WL 298027, at *3 (finding that the plaintiffs' failure to provide

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dispositions," without any limitation as to the date the disposition was issued. Lacerta's citation to *Strub*, which indicated that *Strub* is unpublished, is proper. *See* Brief for Defendant-Cross-Appellant ("Lacerta Br.") at 61.

specific reasons for its delay in withdrawing claims suggested it withdrew the claims to avoid an adverse summary judgment ruling); *cf. Minn. Mining & Mfg. Co. v. Barr Labs., Inc.*, 289 F.3d 775, 784 (Fed. Cir. 2002) (noting that "a dismissal without prejudice might well have constituted an abuse of discretion since [the plaintiff] was plainly seeking to avoid an adverse judgment").

The court erred in allowing Inline to dismiss its claims without prejudice. Even if this Court deems the district court's dismissal without prejudice an allowance of a motion to amend under Fed. R. Civ. P. 15, which the First Circuit reviews for abuse of discretion, *see Klunder v. Brown Univ.*, 778 F.3d 24, 34 (1st Cir. 2015), the district court abused its discretion in dismissing without prejudice, *see Strub*, 1998 WL 537721, at *11 (holding that the district court abused its discretion by dismissing without prejudice); *Williams*, 627 F.2d at 160 (same).[5]

Under any framework – Rule 15, 41, or 50 – the result is the same: it would waste judicial and party economy, prejudice Lacerta, and reward gamesmanship to allow Inline to opt not to present evidence of certain claims at trial, try the

[5] The First Circuit reviews *de novo* denial of a motion for JMOL. *See Analysis Grp., Inc. v. Cent. Fla. Invs., Inc.*, 629 F.3d 18, 22 (1st Cir. 2010). The First Circuit has also reviewed a district court's application of Fed. R. Civ. P. 41 *de novo*. *See VS PR, LLC v. ORC Miramar Corp.*, 34 F.4th 67, 70 (1st Cir. 2022). Prior to *VS PR*, the First Circuit has also applied abuse of discretion review to a district court's decision to grant a Rule 41(a)(2) motion. *Doe*, 216 F.3d at 160. Regardless of which standard applies, as *Strub* and *Williams* demonstrate, the district court's order cannot survive even the more deferential abuse of discretion review.

remaining claims to a jury verdict, then allow Inline a second chance at litigating the very claims it asserts are substantially similar to the claims it advanced at trial, and which Inline already had a full opportunity to litigate. The Court should reverse the district court's dismissal without prejudice and enter judgment on the Dropped Claims in Lacerta's favor.

II. The Court Abused Its Discretion in Failing to Find This Case Exceptional and Award Fees to Lacerta.

A. Inline's Shift to a New Infringement Theory at Trial Highlights the Objective Unreasonableness of its Literal Infringement Position.

As Lacerta detailed in its opening brief, Inline had no good faith literal infringement theory as to the claim limitations the court construed to require that the upwardly projecting bead or upper peripheral rim of the base physically impede access from fingers or any other object to separate the cover from the base. Lacerta Br. at 63-67.[6] In response, Inline claims that its prevailing on infringement at summary judgment as to claims 1, 2, 3 and 6 of the '640 patent "should alone be sufficient to demonstrate that Inline had a reasonable, good faith basis underlying its infringement claims." Rep. at 36. But the '640 patent claims on which it prevailed at summary judgment do not contain the limitations as to which Lacerta contends Inline had no justifiable literal infringement position. The absence of

[6] *See also* Lacerta Br. at 5-8 (discussing similar limitations present across claims asserted at trial and the court's constructions).

those limitations is precisely why the court granted Inline summary judgment on those claims. *See* Appx2994-2995. Therefore, Inline's success on its four broadest claims (which the jury ultimately found invalid) is not relevant to, let alone dispositive of, Lacerta's argument regarding the objective weakness of Inline's literal infringement position regarding the "upwardly projecting bead," "hinder access," "relatively inaccessible," and "substantially surround" limitations present in each of the patents and all of the asserted claims Inline advanced at trial.

Further, Lacerta recognizes that denial of a motion for summary judgment often weighs against an exceptional case determination. Such a denial, however, is not dispositive of the exceptionality analysis, which the court must determine based on the totality of the circumstances on a case-by-case basis. *See Eko Brands, LLC v. Adrian Rivera Maynez Enters., Inc.*, 946 F.3d 1367, 1375 (Fed. Cir. 2020). That is particularly true here because Inline debuted at trial a new, undisclosed infringement theory related to "visual occlusion" and "force to open." *See id.* at 1375-76 (affirming exceptional case determination, notwithstanding the district court's denial of summary judgment on obviousness, where the weakness of the patentee's invalidity position was not apparent "until the trial was well underway").

Lacerta identified no fewer than seven examples of Dr. Kazmer improperly testifying as to non-existent claim limitations of visual blocking, force required to

separate the base and cover portions of the accused products, and truncated flanges. None of these "concepts" is a limitation of an asserted claim or consistent with the court's claim constructions requiring the upwardly projecting bead or upper peripheral rim to "physically impede access from fingers or any other object" to the cover flange. Lacerta Br. at 63 (citing Appx1079), 64-66 (citing Appx1107, Appx1108, Appx1116, Appx1138, Appx1174-1176, Appx1188-1189).

Inline excuses its shift in position at trial by arguing that "the court rejected the argument these [infringement positions] were new." Rep. Br. at 37. Inline further argues that in the trial testimony Lacerta cites as illustrating Inline's improper new infringement theory, Dr. Kazmer was "not conducting an infringement analysis but is simply stating a fact about the construction of the patented containers." *Id.* Neither argument is availing.

As to Inline's contention that the district court already dispensed with Lacerta's argument that it offered new and improper infringement theories, it cites to Appx1109-1111 and Appx1136-1137. Neither citation supports Inline's contention. Lacerta objected to Dr. Kazmer's testimony at Appx1108 on the basis that he departed from the court's construction of upwardly projecting bead. Appx1109. The court overruled this objection when Inline's counsel offered to

display the court's construction. *Id.*[7] The testimony Lacerta objected to at Appx1137 does not reference visual impairment, force, or interference fit, and Lacerta's objection was not that the opinion was undisclosed prior to trial. Appx1137. Thus, in neither example did the court "reject" the argument "these were new," as Inline claims. Moreover, Inline does not attempt to show that Inline *actually disclosed* those opinions pretrial.

Similarly, Inline argues that the testimony Lacerta cites "is directed to testimony from Dr. Kazmer that does not represent an infringement analysis." Rep. Br. at 37. Inline then cites a single example in which Dr. Kazmer was purportedly "stating a fact about the construction of the patented containers." *Id.* (citing Appx1079).[8] Inline omits the remainder of Dr. Kazmer's testimony that

[7] Although Dr. Kazmer read the court's construction to the jury, Appx1110, he then testified *again* inconsistently with that construction. Specifically, Dr. Kazmer testified that the angle he identified as a bead substantially surrounds the outer edge of the cover flange because "[i]t surrounds everything except the hinged portion," *id.*, conflating the court's construction of "substantially surrounds . . ." with the separate claim limitation that the upwardly projecting bead "extend[] substantially about the perimeter of the base portion," Appx94.

[8] The cited testimony pertains to an Inline Safe-T-Fresh product that Dr. Kazmer testified "exemplifies the patents that are asserted in this case." Appx1075. In response to a question regarding "how the Inline containers that you talked about previously compares to those other containers that you just discussed," *i.e.* prior art, Dr. Kazmer testified that on the Safe-T-Fresh container, the outer flange of the cover portion "is visually occluded . . . ." Appx1079. Thus, Dr. Kazmer's testimony, which linked the Safe-T-Fresh container to the asserted claims of the patents, suggested to the jury that the patents are novel because they require the cover flange to be "visually occluded." Lacerta timely objected to this testimony

Lacerta cited, which was unquestionably part of Dr. Kazmer's infringement testimony. For example, Inline's counsel directed Dr. Kazmer's attention to "limitation b)" of claim 1 of the '003 patent, "a base portion including an upper peripheral edge forming at least in part an upwardly projecting bead extending substantially about the perimeter of the base portion," and asked Dr. Kazmer to "take us through your analysis as to that term." Appx1102, Appx1107. In response, Dr. Kazmer opined that the base of the accused products "has an upwardly projecting bead, so the bead is the part of the product that conceals that outer flange." Appx1107. Similarly, Inline's counsel asked Dr. Kazmer his opinion as to the "relatively inaccessible" limitation. Appx1108. Dr. Kazmer responded that when the accused container is closed, the cover flange "is relatively inaccessible, so both visually and tactically it is hard to get to," and that because of an "undercut" or "negative draft angle which provides an interference," one would "actually need a fair amount of force to pull up and remove the cover portion from the base portion." *Id.*

Further, in response to a question as to how the undercut "correspond[s] to the limitation configured to render the outwardly extending flange of the cover portion relatively inaccessible when the container is closed," Dr. Kazmer testified

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as outside the scope of Dr. Kazmer's report, which the court overruled without identifying where Dr. Kazmer allegedly disclosed this opinion. Appx1080.

that the cover flange is below the upper edge of the base rim, "so it is generally inaccessible," and in addition "you need a force to overcome removal of that cover portion from the base. And so given the fact that the flange is relatively small and relatively protected, it's hard to remove." Appx1115-1116. When asked where the limitation "configured to render the outwardly extending flange of the cover portion relatively inaccessible when the container is closed" is found in the accused products, Dr. Kazmer testified that when the container is closed, the outer flange is "relatively inaccessible visually and tactily; and in addition to that, there is a force that is retaining it to make the seal within the product that must be overcome to remove it. And so for all those reasons, it is relatively inaccessible." Appx1138.

Thus, contrary to Inline's contention, Dr. Kazmer's testimony did not amount to mere "commentary on features associated with the patented containers or the accused products," Rep. Br. at 37, but rather constituted his infringement opinion as to the accused products.

Worse still, Dr. Kazmer testified as to the '580 patent that "the words 'relatively inaccessible' are not actually literally required here either, only that the cover portion is hidden – has hindered access by the base portion." Appx1176. The court appropriately struck this testimony. *Id.* Dr. Kazmer refused to agree that the asserted claims do not extend to visual blocking relative to accessing the

cover flange of the containers or contain visual blocking as an element. Appx1188-1189. The court appropriately struck Dr. Kazmer's related testimony that "[p]hysically impedes access requires visual access in that you need to locate your finger relative to that flange." Appx1189. The court also appropriately struck Dr. Kazmer's testimony that claim 1 of the '756 patent is a "broader claim than that of the '003 patent" and "does not limit" how "relatively inaccessible" is done. Appx1170.[9]

In short, rather than elicit testimony that the upwardly projecting bead or upper peripheral rim of the accused products literally "physically impedes access from fingers or any other object to separate the cover portion from the base portion," as the court's constructions required, Inline repeatedly elicited testimony from Dr. Kazmer that the cover flange of the accused products is relatively inaccessible because of visual blocking, a negative draft angle requiring force to overcome, or a truncated flange.[10] Regardless of whether Dr. Kazmer also testified

[9] As the foregoing examples demonstrate, the court did not overrule all of Lacerta's objections that Dr. Kazmer's testimony was inconsistent with the court's claim construction, as Inline claims—while citing to the court's overruling of an objection to Dr. Kazmer's *invalidity* testimony, but not any objection relating to doctrine of equivalents ("DOE") or inconsistency with the court's constructions. Rep. Br. at 38 (citing Appx2020).

[10] This testimony, which suggests that the accused products achieve the same result (a "relatively inaccessible" cover flange), in a different way (by visually blocking the flange, shortening the flange, or employing an interference fit that makes the cover difficult to open) bears the hallmarks of a DOE analysis. *See Kemco Sales,*

that he found literal infringement or that he applied the court's claim constructions, Inline cannot escape that his testimony in fact diverged from the court's constructions. In fact, on reply, Inline *still* does not point to any testimony where Dr. Kazmer allegedly opined that the raised angle he identifies as the upwardly projecting bead physically impedes access from fingers or other objects. Inline also fails to explain why it injected visual blocking and force into its infringement analysis via Dr. Kazmer if it had a good faith theory as to how the accused products literally meet the "physically impedes access …" construction. *See* Rep. Br. at 35-39.[11] The court's denial of Lacerta's 285 motion, which failed to address Dr. Kazmer's improper infringement testimony, clearly erred in its assessment of the evidence regarding the strength of Inline's literal infringement theory. Appx31-32.

Inc. v. Control Papers Co., Inc., 208 F.3d 1352, 1364 (Fed. Cir. 2000) (describing the function-way-results test applicable to DOE).

[11] Inline's response that Dr. Kazmer testified "that the raised portion" of the upper rim of the base of the accused products "was literally present," Rep. Br. at 38, misses the point, as "raised portion" is only part of the court's construction of upwardly projecting bead, Appx10; *see also* Rep. Br. at 39 (arguing that the upwardly projecting bead must be present in the accused products because Lacerta's witnesses testified that the upper peripheral rim of the accused products is angled and ignoring the "substantially surround" language of the court's construction).

B. Inline's Continual Gamesmanship Renders This Case Exceptional.

In addition to underscoring the weakness of its literal infringement position, Inline's shift in infringement theories at trial is also part of a pattern of last-minute pivots throughout this litigation that demonstrates Inline litigated this case in an unreasonable manner. As discussed in Lacerta's opening brief, on top of unveiling new infringement opinions at trial and dropping 21 claims only after eleven days of trial, Inline also called named inventor Bruce Stein as a surprise live witness mid-trial and materially shifted its characterization of a key invalidating reference during Dr. Kazmer's rebuttal testimony—all with little or no notice to Lacerta. Although Inline contends that no individual example Lacerta raised renders this case exceptional, Inline's pattern of constantly moving targets throughout this case and especially during trial unnecessarily multiplied these proceedings and shows that Inline litigated this case unreasonably. *See AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353, 1361 (Fed. Cir. 2017) (holding that the district court abused its discretion in failing to find case exceptional where, *inter alia*, the patentee repeatedly used "after-the-fact declarations" to make new infringement arguments and engaged in other "dubious behavior").

Further, Inline's arguments as to why its conduct did not prejudice Lacerta are unavailing. As to the Dropped Claims, although the U.S. District Court for the Eastern District of Texas may "'encourage[] and require[] the parties to narrow

their case for trial,'" Rep. Br. at 40 (quoting *Innovation Scis., LLC v. Amazon.com, Inc.*, No. 418-cv-747, 2021 WL 2160521, at *2 (E.D. Tex. May 27, 2021), *rev'd in part on other grounds*, No. 2021-2111, 2022 WL 2824675 (Fed. Cir. Jul. 20, 2022)), Inline identifies no authority finding the absence of prejudice where a plaintiff narrowed its case *after* resting and forcing the opposing party to prepare for trial on all asserted claims and move for JMOL. The court's order in *Innovation Sciences* indicates that the patentee narrowed its claims "for trial," *see* 2021 WL 2160521 at *2, and in *Gigamon Inc. v. Apcon, Inc.*, the other case on which Inline relies, the patentee withdrew most of its claims during claim construction or prior to the deadline for opening expert reports, *see* No. 2:19-CV-00300-JRG, 2022 WL 949962, at *3 (E.D. Tex. Mar. 29, 2022). In neither case did the court condone failing to notify the alleged infringer of the patentee's intent to litigate fewer than all asserted claims prior to trial, as Inline did here. *But see Cosmo Techs. Ltd. v. Actavis Labs. Fl., Inc.*, C.A. No. 15-164-LPS, 2019 WL 1417459, at *3 (D. Del. Mar. 28, 2019) (finding that where the plaintiffs dropped additional claims two business days prior to trial, the "timing and circumstances" of the plaintiffs' withdrawal was unreasonable and prejudicial to the defendants); *Nilssen v. Osram Sylvania, Inc.*, No. 01 C 3585, 2007 WL 257711, at *10 (N.D. Ill. Jan. 23, 2007) (finding that the patentee's litigation misconduct supported an

exceptional case finding where, *inter alia*, he failed to formally dismiss 42 asserted claims until weeks before trial), *aff'd*, 528 F.3d 1352 (Fed. Cir. 2008).

Inline's counter that the untimeliness of its withdrawal did not prejudice Lacerta, *see* Rep. Br. at 41, strains credulity. Inline does not dispute that the Dropped Claims contained additional elements not present in the claims tried to the jury, as to which Lacerta prepared non-infringement and invalidity positions. *See, e.g.*, Appx9348-9384, Appx9395 (addressing each limitation of dropped claims of '003 patent). This Court has found prejudice when a party is forced "to expend time and money preparing for claims that were never litigated." *Strub*, 1998 WL 537721, at *11.[12] Inline also ignores entirely the time and money Lacerta expended in preparing its motion for JMOL, and never explains why it waited until after Lacerta filed its motion to advise Lacerta and the court of its withdrawal—a strategic decision Inline had undoubtedly made before resting its case.

Similarly, Inline's contention that its mid-trial pivot to calling Mr. Stein live did not prejudice Lacerta rings hollow. As Inline's own recitation of events makes clear, pre-trial Inline represented Mr. Stein as unavailable, but made no attempt to contact him or confirm his availability to appear live at any point prior to trial—then was able to secure his attendance on two days' notice once Inline deemed it

[12] Inline's complaint that Lacerta limited its trial presentation to the same claims as to which Inline argued infringement, Rep. Br. at 42, is nonsensical, as Lacerta had no reason to rebut claims as to which Inline proffered no evidence of infringement.

beneficial to contact him after the cross examination of its CEO on the third day of trial. *See* Rep. Br. at 43-44. The court's offer to give Lacerta a single additional day during trial to prepare to cross-examine Mr. Stein live did not cure the prejudice to Lacerta.

Likewise, Inline's claim that the surprise new opinion it elicited that German Patent No. 7,816,353 to Menshen ("Menshen") discloses an injection molded container aligned with Dr. Kazmer's pretrial validity report, and therefore did not prejudice Lacerta, is inaccurate. *See* Rep. Br. at 46. Inline omits from its discussion of Dr. Kazmer's validity report that several of Dr. Kazmer's opinions expressly relied on the fact that Menshen purportedly disclosed an aluminum container. *See, e.g.*, Appx8151 ("Guillen EP and Menshen are not analogous prior art since Guillin EP is a plastic container while Menshen is an aluminum container."). Inline admitted before the district court that "[u]pon further review of Menshen, Dr. Kazmer determined that the container is most likely injection molded and so testified at trial." Appx3469. But Inline never notified Lacerta that Dr. Kazmer determined that portion of his report required correction, in dereliction of its obligations under Fed. R. Civ. P. 26(e), choosing instead to unveil that new opinion during Dr. Kazmer's rebuttal testimony at the end of trial. As with the

delay in withdrawing the Dropped Claims and failure to contact Mr. Stein prior to trial, Inline offers no justification for its nondisclosure.[13]

In summary, regardless of whether any of Inline's last-minute disclosures or strategy shifts, standing alone, may have rendered this case exceptional, Inline's pattern of shifting its assertions, positions, and witnesses with no or short notice to Lacerta drove up Lacerta's costs, diverted Lacerta's resources mid-trial, and render this case exceptional. The district court clearly erred in its assessment that, based on the totality of the circumstances, Inline litigated this case reasonably, and abused its discretion in denying Lacerta's motion for an exceptional case determination and fees. *See AdjustaCam*, 861 F.3d at 1362; *Oplus Techs., Ltd. v. Vizio, Inc.*, 782 F.3d 1371, 1374-75 (Fed. Cir. 2015) (finding no basis to support the court's refusal to award fees where, *inter alia*, the patentee's "litigation positions, expert positions, and infringements contentions were a constantly moving target"); *Nilssen*, 528 F.3d at 1359 (rejecting appellants' invitation to view litigation misconduct as "either harmless oversight of legal formalities or permissibly rough litigation tactics").

[13] Other examples of Inline's attempts to inject new theories into trial include its sliding of a new market share theory of lost profit into the parties' Joint Pretrial Memorandum and attempt to offer an undisclosed market share expert analysis at trial. *See* Appx890-894, Appx3104-3105.

CONCLUSION

For the foregoing reasons, and for those stated in its Principal and Response Brief, Lacerta respectfully requests that the Court reverse the district court's dismissal without prejudice of the Dropped Claims and enter judgment for Lacerta and against Inline on the Dropped Claims; reverse the district court's denial of Lacerta's motion for an exceptional case determination; and remand this matter to the district court to determine the amount of fees owed to Lacerta.

Respectfully submitted,

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FORM 19. Certificate of Compliance with Type-Volume Limitations **Form 19**
July 2020

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATIONS

Case Number: 2022-1954, -2295

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