No. _____

IN THE

Supreme Court of the United States

KOSS CORPORATION,

Petitioner,

vs.

BOSE CORPORATION,

Respondent.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In this case, the Federal Circuit precedentially adopted a novel and expansive rule of collateral estoppel (or issue preclusion) that bypasses key requirements this Court has established.

In a first case, a district court decided on a Rule-12(b)(6) motion that certain patent claims were invalid as pleaded. The court allowed the plaintiff to amend its complaint, and the plaintiff did so. Not long after, the parties filed and the district court approved a with-prejudice dismissal stipulation.

A second case involving the same patent claims but a different defendant was on appeal to the Federal Circuit when the first case was dismissed. The Federal Circuit held that, while the invalidity holding in the first case was, standing alone, without prejudice, it "merged" into the stipulated with-prejudice dismissal so that it could be afforded nonmutual collateral-estoppel effect. The Court of Appeals concluded that the patent claims were accordingly invalid and the appeal before it was moot.

The question presented is as follows:

When a district court grants a Rule-12(b)(6) motion to dismiss but does so without prejudice and with leave to amend, may that non-merits determination be given collateral-estoppel effect on the theory that it merged into a later with-prejudice dismissal stipulation?

PARTIES TO THE PROCEEDING AND RULE 29.6 STATEMENT

The parties to the proceeding are Petitioner Koss Corporation and Respondent Bose Corporation.

Pursuant to Supreme Court Rule 29.6, Petitioner Koss Corporation discloses that it has no parent corporation and that no publicly traded corporation owns 10 percent or more of the shares of its stock.

STATEMENT OF RELATED PROCEEDINGS

Pursuant to this Court's Rule 14.1(b)(iii), the following proceedings are directly related to this case:

Koss Corporation v. *Bose Corporation*, No. IPR2021-00297, Patent Trial and Appeal Board. Judgment entered May 31, 2022.

Koss Corporation v. *Bose Corporation*, No. IPR2021-00612, Patent Trial and Appeal Board. Judgment entered September 13, 2022.

Koss Corporation v. *Bose Corporation*, No. IPR2021-00680, Patent Trial and Appeal Board. Judgment entered October 7, 2022.

Koss Corporation v. *Bose Corporation*, No. 1:20-cv-12193, United States District Court for the District of Massachusetts (pending).

Koss Corporation v. *Plantronics, Inc.*, No. 4:21-cv-3854, United States District Court for the Northern District of California. Judgment entered August 4, 2023.

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PETITION FOR A WRIT OF CERTIORARI

Koss Corporation requests that the Court grant this petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit.

OPINIONS BELOW

The decision of the United States Court of Appeals for the Federal Circuit is published at 107 F.4th 1363 (Fed. Cir. 2024) and reproduced in Appendix A (1a-9a)

The appeal to the Federal Circuit arose from three matters in the Patent Trial and Appeal Board: *Koss Corporation* v. *Bose Corporation*, No. IPR2021-00297, 2022 WL 1797707 (May 31, 2022); *Koss Corporation* v. *Bose Corporation*, No. IPR2021-00612. 2022 WL 4281513 (Sept. 13, 2022); and *Koss Corporation* v. *Bose Corporation*, No. IPR2021-00680. 2022 WL 6036549 (Oct. 7, 2022). None is directly relevant to the issue raised in this petition and, so, they are not reproduced in the appendix.

JURISDICTION

The Court of Appeals entered judgment on July 19, 2024.[1] The Court of Appeals denied the petitioner's petition for rehearing *en banc* on September 30, 2024.[2] On December 13, 2024, Chief Justice Roberts granted an extension of time to file the petition

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[1] (1a, 9a)

[2] (11a)

for a writ of certiorari until February 27, 2025. *Koss Corp.* v. *Bose Corp.*, No. 24A577**.** This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

35 U.S.C. § 282. - Presumption of validity; defenses

(a) In General.—

A patent shall be presumed valid. Each claim of a patent (whether in independent, dependent, or multiple dependent form) shall be presumed valid independently of the validity of other claims; dependent or multiple dependent claims shall be presumed valid even though dependent upon an invalid claim. The burden of establishing invalidity of a patent or any claim thereof shall rest on the party asserting such invalidity.

INTRODUCTION

While collateral estoppel (or issue preclusion) may be beneficial, it also poses significant risks for parties to litigation and to the courts.[3] If collateral estoppel is extended beyond the careful confines this Court has established, the doctrine's goals of finality, efficiency, and consistency may quickly be outweighed by the dangers of perpetuating error, depriving parties of a fair opportunity to litigate issues, and potentially forcing parties to assertively litigate cases that might otherwise be settled. Those dangers are all the more troubling when collateral estoppel is applied in a nonmutual subsequent action.

Collateral estoppel, as applied in federal court (and most state courts), requires that the determination to be given preclusive effect have been "actually litigated" and "essential" to the final judgment in the case. *Bobby* v. *Bies*, 556 U.S. 825, 835 (2009) (citing RESTATEMENT (SECOND) OF JUDGMENTS § 27, cmnt h).

The Federal Circuit bypassed those requirements in this case and established a new, broad rule for collateral estoppel that is inconsistent with decisions of this Court and that raises significant legal and policy concerns.

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[3] The phrases "collateral estoppel" and "issue preclusion" are often used interchangeably. Because cases and secondary sources more often refer to "collateral estoppel," this petition will as well.

In *Koss Corporation* v. *Plantronics, Inc.*, in which Koss Corporation alleged patent infringement, the district court decided on a Rule-12(b)(6) motion that certain of Koss's patent claims were patent ineligible.[4] In the same order, however, the court allowed Koss leave to amend.[5] Koss filed an amended complaint and, before the court resolved a subsequent motion to dismiss that amended complaint, the parties stipulated to dismiss the amended complaint with prejudice.[6]

In this case, which involves the same patents but a different defendant, the Federal Circuit looked at the result in the first case and concluded that the Rule-12(b)(6) holding regarding the earlier complaint, while without prejudice, somehow merged with the with-prejudice stipulation.[7] From that predicate, the appeals court concluded that the earlier holding should be given collateral-estoppel effect as a merits determination, thus binding the patent owner to the invalidity determination.[8]

The Federal Circuit's extension of collateral estoppel was wrong, and it established troubling precedent.

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[4] *Koss Corp.* v. *Bose Corp.*, No. 2022-2090 (Fed. Cir. July 19, 2024) (referring to *Koss Corporation* v. *Plantronics, Inc.*, No. 4:21-cv-03854 (N.D. Cal.)). (4a)

[5] *Id.* (5a)

[6] *Id.*

[7] *Id.* (9a)

[8] *Id.*

First, the permitted amendment mooted the earlier complaint, and the district court did not actually decide anything with respect to the amended complaint. Thus, there was no "actual litigation" of patentability of the claims pleaded in the second amended complaint that was extant when the parties filed their dismissal stipulation.

Second, for an issue to be "actually litigated," there must be a merits determination of that issue. *Google LLC* v. *Hammon Dev. Int'l, Inc.*, 54 F.4th 1377, 1381 (Fed. Cir. 2022). If a district court decides that there is a curable pleading defect and it allows an amended complaint, the court has not decided the merits of whether there is, in fact, a proven claim or defense. *Wolfson* v. *Brammer*, 616 F.3d 1045, 1064 (9th Cir. 2010).

Third, the district court's evaluation of a superseded complaint cannot be deemed "essential" to the with-prejudice dismissal stipulation. *Bobby*, 556 U.S. at 835 (requiring that the holding be essential to the judgment). The bare-bones stipulation in *Plantronics* does not in any way suggest that the Rule-12(b)(6) decision was essential to the with-prejudice dismissal. The Federal Circuit's novel merger theory effectively evades the essential-to-the-judgment requirement, and it misperceives what it means to say that interlocutory orders merge into a final judgment. Merger in that context provides that, once a final judgment is entered, earlier, previously unappealable orders generally become appealable and a notice of appeal that refers only to the final judgment

sweeps within its scope all previous orders. *Commonwealth School, Inc.* v. *Commonwealth Academy Holdings, LLC*, 994 F.3d 77, 82 (1st Cir. 2021).

The Federal Circuit's holding has dramatically affected Koss's patent rights. As a result of the court's mistaken analysis, a non-merits decision on the sufficiency of a superseded complaint is now being treated as a merits judgment that Koss's patents are invalid—a judgment any future infringer may rely on. Thus, without any court's having reached an actual merits decision on the issue, the Federal Circuit has held that Koss is collaterally estopped from denying its patents' invalidity—all notwithstanding a statutory presumption that the patents are, in fact, valid. 35 U.S.C. § 282.

The Federal Circuit's holding, which the court made precedential, will have broad effects beyond this case. Because of the Federal Circuit's specialized jurisdiction, its holding will have an outsized effect on patent jurisprudence: the Federal Circuit has now blessed a procedural shortcut that will be used—as it has been in this case—to deprive patent holders of their rights.

The holding will also have ramifications beyond the patent world; it will dissuade parties from settlements and impose extraordinary collateral effects on parties to past settlements—effects those parties could not have anticipated.

STATEMENT OF THE CASE

This case involves principally two proceedings.[9]

The first lawsuit proceeded in the Northern District of California. *See Koss Corp.* v. *Plantronics, Inc.*, No. 4:21-cv-03854 (N.D. Cal.).[10] Koss alleged that Plantronics, Inc., infringed a number of Koss's patents.[11] After Koss filed a first amended complaint, Plantronics moved to dismiss under Rule 12(b)(6) and alleged that relevant claims in the three patents were patent ineligible.[12] The district court granted the motion but also granted Koss leave to file a second amended complaint.[13] Koss filed the permitted second amended complaint, and Plantronics responded with a motion to dismiss claiming, again, patent ineligibility.[14] Before the district court resolved the second motion, Koss and Plantronics settled their dispute and stipulated that the action, "including all claims and counterclaims, be dismissed with prejudice." The stipulation made no reference to any earlier determination in the case or to collateral estoppel.

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[9] For sake of brevity, this description of the factual and procedural history of the case is somewhat simplified, but no relevant information has been omitted.

[10] *Koss Corp.* v. *Bose Corp.*, No. 2022-2090 (Fed. Cir. July 19, 2024) (3a)

[11] *Id.* (4a)

[12] *Id.* (4a)

[13] *Id.* (5a)

[14] *Id.* (5a)

In parallel with the case against Plantronics, Koss filed a patent-infringement suit against Bose Corporation in the Western District of Texas.[15] That suit related to three of the same patents as were at issue in the *Plantronics* case.[16] Bose responded with a motion challenging venue and with petitions seeking *inter partes* review of the same three patents before the Patent Trial and Appeal Board.[17] Bose also filed a separate declaratory-judgment action in the District of Massachusetts against Koss, seeking a declaration of non-infringement of those same three patents.[18] The Texas-based federal court ultimately dismissed Koss's suit for improper venue, and the Massachusetts-based federal court stayed the suit before it pending resolution of the matters before the PTAB.[19] The PTAB concluded that some claims in the three patents were unpatentable and that Bose failed to prove unpatentability of others, and both Koss and Bose appealed the PTAB's findings to the Federal Circuit.

While the appeals in the *Bose* matter were pending, the parties to the *Plantronics* suit reached their resolution and filed their stipulation.[20] Bose then

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[15] *Id.* (2a)

[16] *Id.* (3a)

[17] *Id.* (3a)

[18] *Id.* (citing *Koss Corp.* v. *Bose Corp.*, No. 1:20-cv-12193 (D. Mass.)) (3a)

[19] *Id.* (3a)

[20] *Id.* (5a)

asked the Federal Circuit to dismiss the pending appeals from the PTAB as moot on the theory that Koss was collaterally estopped to deny the invalidity of the patent claims, and the Federal Circuit did so.[21]

The Federal Circuit reasoned that the Northern District of California's decision in *Plantronics*—finding the patents invalid but granting leave to amend—merged into the with-prejudice stipulation of dismissal such that collateral estoppel applied and the patents were preclusively invalid.[22] Accordingly, the Federal Circuit concluded that the appeals from the PTAB were moot as there was no live case or controversy before it.[23]

Koss sought rehearing, which the Federal Circuit denied.

REASONS FOR GRANTING THE PETITION

While this Court has not yet addressed the specific issue raised in this petition, key components of the Federal Circuit's analysis conflict with previous holdings of this Court. Moreover, the Federal Circuit's decision is not merely wrong; by making that decision precedential, the Federal Circuit has established a considerably broader rule of collateral estoppel than has any other court, and that rule poses particular dangers—of dissuading parties from settling; of upending settled expectations related to already

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[21] *Id.* (6a)

[22] *Id.* (9a)

[23] *Id.* (9a)

completed settlements; and, in the patent context, of depriving patent holders of the statutory presumption that their patents are valid without any court's having actually reached a merits decision on that question.

This Court should step in now.[24]

I. The Federal Circuit's holding conflicts with holdings of this Court.

At Bose's invitation, the Federal Circuit adopted a broad rule of collateral estoppel the underpinnings of which conflict directly with holdings of this Court.

The Federal Circuit held that the district court's pleading-sufficiency analysis of an early-and-superseded iteration of the complaint in *Plantronics* "merged" with the with-prejudice stipulation such that the sufficiency holding was due collateral-estoppel effect.

1. The Federal Circuit's holding is at odds with the requirement that, for a holding to be given preclusive effect, it must have been on an issue that was "actually litigated." *B&B Hardware, Inc.* v. *Hargis Indus., Inc.*, 575 U.S. 138, 148 (2015) (citing RESTATEMENT (SECOND) OF JUDGMENTS § 27). To have been "actually litigated," an issue must have been subject to a merits determination. *Blonder-Tongue Lab'ys,*

[24] The facial error in the Federal Circuit's decision is such that the Court may wish simply to grant this petition, vacate, and remand to the court of appeals for a decision on the merits of Koss's challenge to the PTAB's decisions.

Inc. v. *University of Illinois Found.*, 402 U.S. 313, 332 (1971).

The patentability of the patent claims in the *Plantronics* case was not "actually litigated."

The district court's Rule-12(b)(6) holding was not and did not purport to be a merits decision. It was an assessment of the sufficiency of the allegations in Koss's first amended complaint. The district court did not suggest that the insufficiency it identified could not be cured; indeed, it allowed Koss to file an amended complaint to cure the perceived insufficiency. *See Wolfson*, 616 F.3d at 1065 (" ... the district court's dismissal was not an adjudication of the merits. Rather, the district court set forth a curable defect in jurisdiction: ripeness. As a curable defect, a second action on the same claim is permissible after correction of the deficiency.") (citing 18 WRIGHT, MILLER & COOPER, FEDERAL PRACTICE & PROCEDURE § 4436 (2000)).

2. The Federal Circuit's holding is at odds with the requirement that, for a holding to be given preclusive effect, it must be "essential" to the judgment.

In *Bobby*, the Court underscored that "issue preclusion ... bars relitigation of determinations necessary to the ultimate outcome of a prior proceeding." *Id*. at 829. Thus, if "a judgment does not depend on a given determination, relitigation of that determination is not precluded." *Id*. at 834 (citing RESTATEMENT (SECOND) OF JUDGMENTS § 27, cmnt h). "A determination ranks as necessary or essential only when the

final outcome hinges on it." *Id.* at 835 (citing 18 WRIGHT, MILLER & COOPER, FEDERAL PRACTICE & PROCEDURE § 4421 (2d ed. 2002)).

Comment h to the Restatement section explains why a determination that is not essential to the final judgment lacks preclusive effect:

> If issues are determined but the judgment is not dependent upon the determinations, relitigation of those issues in a subsequent action between the parties is not precluded. Such determinations have the characteristics of dicta, and may not ordinarily be the subject of an appeal by a party against whom they were made. In these circumstances, the interest in providing an opportunity for a considered determination, which if adverse may be the subject of an appeal, outweighs the interest in avoiding the burden of relitigation.

RESTATEMENT (SECOND) OF JUDGMENTS § 27, cmnt h. That point is all the more important when the question is of nonmutual collateral estoppel employed by a stranger to the first case who cannot claim the burden of relitigation that is often cited as a reason for collateral estoppel.

In *Arizona* v. *California*, 530 U.S. 392 (2000), the Court emphasized this requirement when it explained that "settlements ordinarily occasion no *issue preclusion* (sometimes called collateral estoppel), unless it is clear, as it is not here, that the parties intend

their agreement to have such an effect." 530 U.S. at 414 (emphasis original).

In *Plantronics*, as in *Arizona* v. *California*, there was no indication—much less a clear indication—that the parties based their stipulated dismissal on the district court's assessment of the superseded iteration of the complaint and, so, it cannot be said that the court's assessment of the first amended complaint was essential to the parties' unexplained agreed-upon dismissal of the second amended complaint. And, importantly, the Federal Circuit did not even recognize that the parties' intent should be considered. It simply held that the Rule-12(b)(6) decision merged with the stipulation and became a with-prejudice merits determination. But there is no basis for any court to conclude that the stipulated dismissal in *Plantronics* "hinged on" the district court's Rule-12(b)(6) decision. *Bobby*, 556 U.S. at 835.

3. The Federal Circuit's merger rule not only has no jurisprudential support, it leapfrogs key requirements this Court has recognized for collateral estoppel.

When courts say that earlier, interlocutory decisions "merge" into the final judgment, they mean that those earlier orders, unappealable when entered, may be appealed when a final judgment is entered and that a notice of appeal that designates only the final judgment sweeps within its scope essentially all earlier orders. *See, e.g., Commonwealth School. Inc.*, 994 F.3d at 82. Properly understood, merger may

allow an appeal from a previously unappealable order, but there is no basis to conclude that it turns a non-merits decision into a merits decision.[25]

The Federal Circuit's merger theory evades this Court's requirement that a determination may only be given preclusive effect if it was essential to a merits judgment. There is no evidence that the early Rule-12(b)(6) decision in *Plantronics* was essential to the later, post-amendment dismissal stipulation, but the Federal Circuit inappropriately bridged that analytical gap with its merger theory. Such an approach runs headlong into *Arizona* v. *California*. *See* 530 U.S. at 414 (consent judgments do not ordinarily give rise to collateral estoppel because the doctrine only applies when an issue has been actually litigated and the determination is essential to the judgment).

4. The Federal Circuit relied heavily on its decision in *Hartley* v. *Mentor Corp.*, 869 F.2d 1469 (Fed. Cir. 1989).[26] *Hartley* does not support the holding here because the facts were distinguishable and, to the extent the legal holdings might nonetheless be

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[25] The only authority the Federal Circuit cited for its merger theory—*Headwaters Inc.* v. *U.S. Forest Serv.*, 399 F.3d 1047 (9th Cir. 2005)—stands only for the unremarkable principle that a with-prejudice dismissal stipulation constitutes a final judgment on the merits. *Id.* at 1052. *Headwaters* speaks not at all to whether any earlier orders might merge into that stipulation for collateral-estoppel purposes, an unsurprising omission since the case deals with *res judicata* rather than collateral estoppel.

[26] *Koss Corp.* v. *Bose Corp.* (7a)

asserted to bolster the conclusion in this case, they are mistaken.

In a first lawsuit, John H. Hartley, Jr., sued Minnessota Mining and Manufacturing Co. ("3M") for patent infringement. The district court granted summary judgment to 3M on an invalidity defense and, rather than appeal, Mr. Hartley reached a settlement with 3M by which the parties stipulated to a with-prejudice dismissal.

In a second lawsuit, in which Mr. Hartley sued Mentor Corporation, the Federal Circuit held that Mr. Hartley was collaterally estopped by the summary-judgment holding in the 3M case to dispute the patent's invalidity. 869 F.2d at 1471.

Hartley is distinguishable. Collateral estoppel requires that there be a judgment on the merits. *Blonder-Tongue Lab'ys, Inc.*, 402 U.S. at 332. The district court in *Hartley* granted summary judgment of invalidity, and a grant of summary judgment is generally a final merits determination. *See Jackson* v. *Hayakawa*, 605 F.2d 1121, 1125 (9th Cir. 1979). Indeed, while the Federal Circuit in *Hartley* discussed the effect of a later stipulated judgment, it need not have. The district court had already granted summary judgment on invalidity, and that decision was a final merits judgment for collateral-estoppel purposes.[27] On the other hand, a Rule-12(b)(6) dismissal

[27] In this case, the Federal Circuit seems to have misunderstood the procedural history in *Hartley*. The court wrote that, in *Hartley*, "we held that an interlocutory summary judgment of

with leave to amend is not a final merits determination unless the party fails to file the amended pleading. *See United States* v. *Maull*, 855 F.2d 514, 516 n.3 (8th Cir. 1988). *Hartley* and this case are distinguishable.

There is another distinction. In *Hartley*, the court explained that collateral estoppel may be warranted when an opinion "is consistent with the subsequent settlement agreement." 869 F.2d at 1472. While, as Koss will explain below, that statement is at odds with this Court's later precedents, it also demonstrates why *Hartley* is distinguishable from this case. Here, the Federal Circuit made no effort to determine if there was a settlement agreement or if it was "consistent" with the district court's Rule-12(b)(6) holding.[28]

In any event, *Hartley* conflicts with this Court's later precedents. The Federal Circuit held in that case that, while it is true that a decision followed by

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invalidity merged with the final stipulation of dismissal with prejudice." *Koss Corp*. v. *Bose Corp.* (7a) While the decision in *Hartley* is less than clear, there is no suggestion that the court relied on a merger theory. It would not have needed to do so. As noted in the text, the grant of summary judgment is a merits decision for collateral-estoppel purposes; the summary judgment did not need to merge with the stipulated judgment to have preclusive effect.

[28] There is no settlement agreement in the record. The parties' stipulation, approved by the district court, is a bare-bones document. *See Koss Corp.* v. *Plantronics, Inc.*, 4:21-cv-03854 (N.D. Cal.) ECF Doc. 102.

a stipulated judgment will not generally give rise to collateral estoppel, it may nonetheless do so when the decision "is consistent with the subsequent settlement agreement." 869 F.2d at 1472. The court went on to conclude that "nothing in the stipulated judgment conflicts with the invalidity ruling by Judge Lucas." *Id*. But, as this Court later held in *Arizona* v. *California*, collateral estoppel may arise if there is affirmative evidence that the parties intended their stipulation to have preclusive effect. 530 U.S. at 414. It is not sufficient merely to conclude that the stipulation is not passively in conflict with the earlier holding as in *Hartley*.

Hartley does not support the Federal Circuit's decision in this appeal.[29]

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[29] There is another way in which the Federal Circuit's analysis was off base. Koss argued that, when it amended its complaint, the district court's Rule-12(b)(6) invalidity ruling became a nullity. The Federal Circuit rejected Koss's nullity argument by pointing to *Lacey* v. *Maricopa Cnty*, 693 F.3d 896 (9th Cir. 2012), for the proposition that, since *Lacey* holds that dismissed claims need not be repleaded to later be subject to appeal, "the order dismissing those claims is not rendered a nullity and merges into the final judgment." *Koss Corp.* v. *Bose Corp*. (8a) *Lacey* is no support for that conclusion. In *Lacey*, the *en banc* Ninth Circuit changed its rule and held that, henceforth, "for claims dismissed *with prejudice and without leave to amend*, we will not require that they be repled in a subsequent amended complaint to preserve them for appeal." 693 F.3d at 928 (emphasis added). Thus, *Lacey* has nothing at all to say about the effect when a district court grants leave to amend because its holding assumes there has been no such leave.

II. The Federal Circuit's holding is troubling as a matter of policy.

The Federal Circuit ignored the significant and troubling policy implications of its unprecedented and mistaken extension of collateral estoppel.

Some of those policy concerns are specific to the Federal Circuit and its patent docket.

First, the Federal Circuit is the only appellate court other than this one that hears appeals from all 94 district courts. Its holdings can accordingly have particularly outsized jurisprudential implications—especially, of course, in patent cases.[30]

Second, federal law presumes that patents are valid. 35 U.S.C. § 282. Courts should be particularly reluctant to embrace novel procedural mechanisms to declare patents invalid without actually addressing the merits. In this case, the Federal Circuit took such a shortcut. Recall that, in *Plantronics*, the district court never decided on the merits whether Koss's patent claims were invalid. It concluded only that

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[30] On matters of non-patent procedural issues, the Federal Circuit follows the law of the regional court of appeals for the circuit in which the district court is located. *Uniloc USA, Inc.* v. *Motorola Mobility LLC*, 52 F.4th 1340, 1346 n.3 (Fed. Cir. 2022). Since the federal courts of appeals generally follow Section 27 of the Restatement (Second) of Judgments, it is fair to assume that the Federal Circuit would apply its holding in this case regardless of where a future case might arise. Indeed, it held in footnote 3 of its opinion that it saw no difference between its relevant law and that of the Ninth Circuit. *Koss Corp.* v. *Bose Corp.* (6a)

Koss's first amended complaint was insufficiently pleaded with respect to patentability. But, in this case, by a facile procedural analysis, the Federal Circuit converted that non-merits determination to a merits holding that, for this and all other cases, the patent claims are conclusively invalid. The court of appeals' approach is troubling not only for this case and Koss's patent rights but for future cases involving other parties, cases to which the court's errant holding will be applied to strip patent holders of the statutory presumption of validity.

The holding here is troubling in a broader context as well.

First, it is common for parties that settle cases to agree to with-prejudice dismissals. Indeed, defendants have little incentive to settle without them since a principal purpose of settlement is to end the dispute conclusively. *See* James Fleming, Jr., *Consent Judgments as Collateral Estoppel*, 108 U. PENN. L. REV. 173, 190 (1959) (stipulated judgment often critical requirement of settlement). But, after the Federal Circuit's decision in this case, plaintiffs may be unwilling to agree to with-prejudice dismissals since they may later be held to bind those plaintiffs. The legal system benefits from settlement, and the Federal Circuit's holding will discourage some agreed-upon resolutions because defendants will understandably demand with-prejudice dismissals and plaintiffs,

worried about future effects of the Federal Circuit's new issue-preclusion/merger theory, will refuse.[31]

As Professor Polasky wrote long ago,

> it is possible that the desirability of conclusiveness of determinations is not necessarily compatible with the desirability of minimizing litigation. ... [A]ny tendency to extend the conclusive effects of matters previously adjudicated might easily tend to intensify the effort expended in the initial litigation and might increase the probability of resort to appeal, particularly where the determination could affect causes of action not involved in the current litigation.

Alan N. Polaski, *Collateral Estoppel—Effects of Prior Litigation*, 39 IOWA L. REV. 27, 220 (1954).

That concern is real. Consider a hypothetical patent case in which the amount in controversy is low. The plaintiff nonetheless asserts a claim and, on a preliminary motion, the trial court makes certain

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[31] Indeed, the authors of one article examining the Federal Circuit's decision in this case offered the following recommendation as a "practice note" for readers: "To safeguard against appeals being dismissed for mootness, parties subject to an invalidity decision in one forum should appeal that decision once it becomes final, even if it is a different order that ends the case." "Beware Equitable Doctrine of Issue Preclusion in Multiparty, Multivenue Patent Campaigns," JD Supra (Aug. 1, 2024) https://www.jdsupra.com/legalnews/beware-equitable-doctrine-of-issue-6713900/ (last visited Feb. 20, 2025).

invalidity determinations adverse to the plaintiff but with leave to amend. The economics of the situation might suggest that the parties reach a prompt and modest settlement, but the Federal Circuit's holding in this case would compel the plaintiff to continue litigating the matter because, if left uncorrected, the preliminary holding could spring to life to bind the plaintiff in some future proceeding on the theory that it merged with the stipulated judgments that would attend to any settlement. *See* 18 WRIGHT, MILLER & COOPER, FEDERAL PRACTICE & PROCEDURE § 4423 (3d ed. 2024) ("The stakes in the first action may be so small that extensive effort is not reasonable if the risk is limited to the first action."); *see also*, Note, *Collateral Estoppel by Judgment*, 52 COLUM. L. REV. 647, 657 (1952) (parties may choose to settle for any number of reasons, including the relative size of the claim).

Second, there can be little doubt that many thousands of litigants have settled cases with prejudice after early Rule-12(b)(6) decisions. The Federal Circuit's decision, if left in place, could subject parties in those lawsuits to unexpected collateral effects. The Federal Circuit's holding ignores that reliance interest.

The Federal Circuit's response to potential problems its holding could create is to suggest that litigants could, at the time they settle, either ask the district judge to vacate an earlier decision to avoid

collateral-estoppel effect or reserve the right to take an appeal after the dismissal.[32] Neither suffices.

The Federal Circuit's opinion seems to presume that a district court will vacate early decisions merely on settling parties' request. But this Court held in *U.S. Bancorp Mortgage Co.* v. *Bonner Mall Partnership*, 513 U.S. 18, 28 (1994), that courts should do so only in exceptional circumstances. *See also, Aqua Marine Supply* v. *AIM Machining, Inc.*, 247 F.3d 1216 (Fed. Cir. 2001) (no exceptional circumstances required departure from the general rule of *Bancorp* that *vacatur* was inappropriate when parties had settled action).

The Federal Circuit was also mistaken in assuming that a party can always avoid collateral estoppel by asking a trial court to vacate its extant orders when parties settle. A number of courts have held to the contrary. *See, e.g., Watermark Senior Living Retirement Communities, Inc.* v. *Morrison Management Specialists, Inc.*, 905 F.3d 421, 427 (6th Cir. 2018) (under Michigan law, "judgments can support issue preclusion even though they are set aside or vacated upon settlement.").

The Federal Court's suggestion that parties could include in their dismissal stipulations a reservation of the right to appeal is both unavailing and puzzling. If the parties have reached the point at which they are filing a dismissal stipulation, they have

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[32] *Koss Corp.* v. *Bose Corp.* (8a)

presumably settled or otherwise resolved their dispute. At that point, there would be no case or controversy between or among them, and a federal court would have no Article-III jurisdiction.

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Issue preclusion (collateral estoppel) can serve a useful function in litigation, but the Court has established strict guidelines for its use in cases, like this one, governed by federal law. Those guidelines serve important functions, not the least of which is to avoid allowing a procedural shortcut to deprive parties of substantive rights without ever addressing the merits.

It is true that none of the federal courts of appeals has yet specifically disagreed with the Federal Circuit's application of merger to find issue preclusion so as to set up a circuit split. But that should be no impediment to this Court's review. While the Federal Circuit's rule could apply to a broad range of cases, it will most prominently affect patent cases since patent rights are often the subject of repeated actions as varied defendants infringe patent rights (and then defend with invalidity assertions). Given the Federal Circuit's jurisdictional monopoly on patent cases, an error in its adjudication of patent rights will not likely be the subject of a circuit split. Such an error is, however, no less likely to create troublesome precedent, and the Federal Circuit has already applied its errant approach in another appeal. *See Koss Corp.* v.

Vidal, No. 22-2091, 2024 WL 3594417 (Fed. Cir. July 31, 2024).[33]

Simply stated, the Federal Circuit has gone far astray from this Court's requirements, and it shows no sign of backing off from its mistaken new rule; indeed, in denying rehearing and then citing its holding in another case, the court has dug in its heels.[34]

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[33] As noted above, Bose is seeking a declaratory judgment of non-infringement in a pending case in the District of Massachusetts. That case has been stayed pending this Court's review of this petition and any subsequent merits review. Notably, in a status report filed in that case, Bose has made clear that it will request that the district court follow the Federal Circuit's collateral-estoppel holding in this case. *See Koss Corp.* v. *Bose Corp.*, No. 1:20-cv-12193 (D. Mass.) ECF Doc. No. 73 at 2.

[34] This case is an ideal vehicle for the Court to consider the propriety of the Federal Circuit's new rule of collateral estoppel. The issue is purely legal, and there are no factual issues in dispute. Were the Court to review that legal question, it would definitively resolve the issue of whether collateral estoppel may be applied to the early determination in *Koss Corp.* v. *Plantronics, Inc.*, a determination that would either end the case or direct the Federal Circuit to address the merits of the appeal as Koss requested.

CONCLUSION

The Court should grant this petition for a writ of certiorari.

Respectfully submitted,

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February 21, 2025

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APPENDIX A — OPINION OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED JULY 19, 2024

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2022-2090

KOSS CORPORATION,

Appellant,

v.

BOSE CORPORATION,

Appellee.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2021-00297.

2023-1173, 2023-1179, 2023-1180, 2023-1191

KOSS CORPORATION,

Appellant,

v.

BOSE CORPORATION,

Cross-Appellant.

Appeals from the United States Patent and Trademark Office, Patent Trial and Appeal Board in Nos. IPR2021-00612, IPR2021-00680.

Decided July 19, 2024

Appendix A

Before HUGHES, STOLL, and CUNNINGHAM, *Circuit Judges.*

HUGHES, *Circuit Judge.*

Koss Corp. appeals, and Bose Corp. cross-appeals, the Patent Trial and Appeal Board's decisions in IPR2021-00297, IPR2021-00612, and IPR2021-00680, involving Koss Corp.'s wireless earphone patents. Because all the claims in the patents at issue were invalidated in prior district court litigation, we find the appeals moot and dismiss.

I

A

Koss Corp. (Koss) is the assignee of U.S. Patent No. 10,368,155 (the '155 patent), U.S. Patent No. 10,469,934 (the '934 patent), and U.S. Patent No. 10,206,025 (the '025 patent). *Koss I* J.A. 135; *Koss II* J.A. 226, 258.[1] The patents' common specification discloses a wireless earphone that communicates with a digital-audio source, such as an iPod, over an ad hoc wireless network like Bluetooth. *Koss I* J.A. 154-55; *Koss II* J.A. 245-46, 277-78.

B

On July 22, 2020, Koss filed a patent infringement suit in the District Court for the Western District of Texas

1. For simplicity, citations to the briefs, joint appendix, and record in Appeal No. 22-2090 are prefaced by *Koss I*, while citations to the briefs, joint appendix, and record in Appeal No. 23-1173 are prefaced by *Koss II*.

against Bose Corp. (Bose), alleging that Bose infringed three Koss patents: the '155 patent, the '025 patent, and the '934 patent. *Koss I* J.A. 3655. On the same day, Koss also filed an infringement action concerning the '155, '934, '025, along with other patents against Plantronics, Inc. (Plantronics). *Koss I* J.A. 7909. In response, Bose filed a motion challenging venue in the Western District of Texas. Def.'s Motion to Dismiss at 1, *Koss Corp. v. Bose Corp.*, Case No. 6:20-cv-00661, ECF No. 20 (W.D. Tex. Dec. 17, 2020). Separately, Bose petitioned for inter partes review (IPR) of all three patents before the Patent Trial and Appeal Board. *Koss I* J.A.167-278; *Koss I* J.A. 4-5.

Then, on December 10, 2020, Bose filed a declaratory judgment action in the District Court for the District of Massachusetts seeking a declaration of noninfringement of the three Koss patents asserted against Bose in the Western District of Texas. Complaint at 1, *Koss Corp. v. Bose Corp.*, Civ. Action No. 1:20-cv-12193, ECF No. 1 (D. Mass. Dec. 10, 2020). The case was stayed pending resolution of Bose's improper-venue motion in the Western District of Texas. *Koss Corp. v. Bose Corp.*, Civ. Action No. 1:20-cv-12193, ECF No. 8, 2021 U.S. Dist. LEXIS 122330.

In June 2021, the District Court for the Western District of Texas dismissed Koss's complaint against Bose for improper venue. Order, *Koss Corp. v. Bose Corp.*, Case No. 6-20-cv-00661, 2021 U.S. Dist. LEXIS 122330, 2021 WL 7541417 (W.D. Tex. June 22, 2021). Upon dismissal, Koss filed a counterclaim against Bose in the District Court for the District of Massachusetts asserting infringement of the same three Koss patents. Answer and Counterclaims at 9-27, *Koss Corp. v. Bose*

Corp., Civ. Action No. 1:20-cv-12193, ECF No. 14, 2021 U.S. Dist. LEXIS 122330.

In September 2021, the Massachusetts district court stayed the case pending resolution of the IPRs, Order, *id.*, ECF No. 30 (D. Mass. Sept. 3, 2021),which the Board instituted, *Koss I* J.A. 408-60, *Koss II* J.A. 1046-89, 11959-12012, and continued the stay until their completion, Order, *Koss Corp. v. Bose Corp.*, Civ. Action No. 1:20-cv-12193, ECF No. 33, 2021 U.S. Dist. LEXIS 122330. The Massachusetts case remains stayed pending Bose's IPRs of the Koss patents, including the appeals of those IPRs now before us.

During this same period, Koss's district court infringement action against Plantronics—involving, among other patents, the same three patents asserted against Bose—was transferred to the Northern District of California. Order, *Koss Corp. v. Plantronics, Inc.*, Case No. 6:20-cv-00663, 2021 U.S. Dist. LEXIS 97597, ECF No. 45 (W.D. Tex. May 20, 2021). Plantronics moved to dismiss Koss's First Amended Complaint on the ground that all claims of the asserted patents, including all claims of the '155, '934, and '025 patents, are invalid under 35 U.S.C. § 101 for claiming patent-ineligible subject matter. Defs.' Motion to Dismiss First Amended Complaint at 8-17, 22-25, *Koss Corp. v. Plantronics, Inc.*, Case No. 4:21-cv-03854, ECF No. 80, 2021 U.S. Dist. LEXIS 97597. The motion to dismiss was fully briefed. Response, *id.*, ECF No. 82 (N.D. Cal. Nov. 15, 2021), Reply, *id.* ECF No. 83 (N.D. Cal. Nov. 22, 2021). The district court granted Plantronics's motion, finding all claims of the asserted patents—including the '155, '934, and '025 patents at issue

here—invalid under 35 U.S.C. § 101.[2] Order at 16, *id.*, ECF No. 88 (N.D. Cal. Nov. 16, 2022).

Following the district court's invalidation of all of the patents' claims, it granted Koss leave to amend. *Id.* Koss then filed a Second Amended Complaint in which it re-asserted the '934 and '025 patents against Plantronics, but limited its infringement allegations to certain claims that involved signal strength technology in the patents. Second Amended Complaint at 16-34, *id.*, ECF No. 91 (N.D. Cal. Dec. 7, 2022) (First and Second Causes of Action). Plantronics moved to dismiss the Second Amended Complaint on the ground that the asserted patents' claims are unpatentable under 35 U.S.C. § 101. Defs.' Motion to Dismiss Second Amended Complaint at 8-14, 20-25, *id.*, ECF No. 93 (N.D. Cal. Dec. 21, 2022). Again, the motion was fully briefed. Response, *id.*, ECF No. 96 (N.D. Cal. Jan. 11, 2023); Reply, *id.*, ECF No. 98 (N.D. Cal. Jan. 25, 2023).

Rather than wait for the district court to decide Plantronics's second Motion to Dismiss, Koss voluntarily stipulated to dismiss the litigation with prejudice. Stipulation at 2, *id.*, ECF No. 101 (N.D. Cal. Aug. 4, 2023). When doing so, Koss did not ask the district court to vacate its earlier order finding all claims of the asserted patents invalid. The district court subsequently entered an order formally dismissing Koss's suit against Plantronics with prejudice. Order, *id.*, ECF No. 102 (N.D. Cal. Aug. 4,

2. The Dismissal Order also invalidated all claims of three other Koss patents not at issue in these appeals: U.S. Patent Nos. 10,506,325; 10,757,498; and 10,848,852.

2023). The deadline for Koss to appeal the district court's final judgment was September 5, 2023. *See* Fed. R. App. P. 4(a)(1)(A). Koss did not appeal.

On September 20, 2023, after the *Plantronics* dismissal, Bose moved to dismiss the appeals of the IPRs before us as moot (Appellee's Mot.), arguing that *Plantronics* invalidated the claims at issue in the appeals. *Koss I* ECF No. 30; *Koss II* ECF No. 35. Koss opposed the motions (Appellant's Opp.) and Bose replied (Appellee's Reply). *Koss I* ECF Nos. 32, 34; *Koss II* ECF Nos. 37, 39. Oral arguments in both *Koss I* and *II* occurred on February 6, 2024, addressing both the substance of the appeals and the issue preclusion issue. *Koss I* ECF No. 36; *Koss II* ECF No. 41. We have statutory jurisdiction under 28 U.S.C. § 1295(a)(1).

II

Issue preclusion is "a purely procedural issue" as presented here, therefore we apply the law of the regional circuit—in this case, the Ninth Circuit—with respect to the effect of a previous judgment. *RF Del., Inc. v. Pac. Keystone Techs., Inc.*, 326 F.3d 1255, 1261 (Fed. Cir. 2003).[3]

3. Our "court has developed its own law with respect to res judicata (including collateral estoppel) in non-patent cases . . . . But in patent cases, despite our exclusive jurisdiction, we have generally stated that we look to regional circuit law for general principles of res judicata." *Uniloc USA, Inc. v. Motorola Mobility LLC*, 52 F.4th 1340, 1346 n.3 (Fed. Cir. 2022). Despite this ambiguity, we need not resolve which circuit's law should govern here because our law and Ninth Circuit law are, in relevant respects, the same. *See, e.g.*, *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 477 n.7 (Fed. Cir. 1991) (applying Ninth Circuit law to an issue of res judicata).

III

The Constitution limits the "judicial power" vested in the courts to "[c]ases" or "[c]ontroversies." U.S. CONST. art. III, § 2. "It is well settled that the case-or-controversy requirement, including mootness, subsists through all stages of federal judicial proceedings, trial and appellate." *Synopsys, Inc. v. Lee*, 812 F.3d 1076, 1078 (Fed. Cir. 2016) (quotation marks omitted). "[A]n appeal should . . . be dismissed as moot when, by virtue of an intervening event, a court of appeals cannot grant any effectual relief whatever in favor of the appellant." *Calderon v. Moore*, 518 U.S. 149, 150, 116 S. Ct. 2066, 135 L. Ed. 2d 453 (1996) (quotation marks omitted). Thus, if the patent claims at issue in these appeals are invalid due to the "intervening" dismissal in *Plantronics*, Koss is precluded from asserting its patents' claims—now and in the future—and these appeals are moot.

The question before us is whether the *Plantronics* district court's invalidation of all claims of the '155, '025, and '934 patents is final, as Bose contends, or was superseded by Koss's Second Amended Complaint, as Koss contends. *See Koss I* Appellee's Mot. 4; *Koss I* Appellant's Opp. 5. Typically, when a district court issues a final judgment, any interlocutory orders merge with that final judgment. For instance, in *Hartley v. Mentor Corp.*, 869 F.2d 1469, 1472 (Fed. Cir. 1989) (applying Ninth Circuit law), we held that an interlocutory summary judgment of invalidity merged with the final stipulation of dismissal with prejudice. In that case, the district court granted summary judgment that an asserted patent was invalid. *Id.* at 1471. When that summary judgment order

issued, it was interlocutory, or non-final, as litigation was ongoing. Subsequently, the order became final and appealable when it merged with a stipulated dismissal with prejudice, which concluded litigation. *Id.* at 1472 ("[I]ssue preclusion is likely to be based on what was *at the time* an 'interlocutory' ruling, and generally such orders become finalized upon entry of the judgment in the case."). Because the patentee neither appealed the summary judgment order, nor sought to have it vacated by the district court, our court held that the order had preclusive effect in later litigation against a different defendant. *Id.* at 1472-74.

Koss attempts to distinguish this precedent by arguing that the district court's ineligibility ruling became a nullity on the filing of the Second Amended Complaint. Not so. The Ninth Circuit has made it clear that claims in prior dismissed complaints need not be raised in amended complaints for them to be appealable. *Lacey v. Maricopa Cnty.*, 693 F.3d 896, 927 (9th Cir. 2012) ("[C]ourts have concluded that the plaintiff does not forfeit the right to challenge [a] dismissal on appeal simply by filing an amended complaint that does not re-allege the dismissed claim." (quotation marks omitted)). As the Ninth Circuit explained, a rule requiring repleading is unfair to the parties and the district court. *Id.* at 927-28. Consequently, if claims need not be repleaded to be appealable, then the order dismissing those claims is not rendered a nullity and merges into the final judgment. Contrary to Koss's understanding, its decision not to reallege all of the dismissed claims in district court did not alter its ability to appeal the district court's order regarding ineligibility as to the claims not realleged (i.e., did not render the order

an unappealable nullity as to those claims). What altered Koss's right to appeal was its own voluntary decision to dismiss the case with prejudice without reserving a right of appeal.

The same facts that triggered preclusion in *Hartley* are present here. The district court's invalidity order, which was interlocutory when issued, merged with the final judgment dismissing the case with prejudice. *See Headwaters Inc. v. U.S. Forest Serv.*, 399 F.3d 1047, 1052 (9th Cir. 2005) (A "stipulated dismissal of an action with prejudice in a federal district court generally constitutes a final judgment on the merits."). In other words, while the invalidity order may not have been final and appealable when it issued in November 2022, it became final and appealable in August 2023 when Koss stipulated to the dismissal of its suit. And as in *Hartley*, Koss neither appealed the invalidation nor had it vacated. *Cf.* 869 F.2d at 1473 ("Under Ninth Circuit law, to be assured that the judgment here would have no collateral estoppel effect, Hartley would have had to have the *3M* court vacate its order, which he failed to do . . . .").

Koss's patent claims are thus invalid, removing any case or controversy and rendering these appeals moot. *See Blonder-Tongue Lab'ys, Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 339-40, 91 S. Ct. 1434, 28 L. Ed. 2d 788 (1971). We, therefore, dismiss.

DISMISSED

COSTS

Costs to Bose.

APPENDIX B — DENIAL OF REHEARING OF THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, FILED SEPTEMBER 30, 2024

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

2022-2090

KOSS CORPORATION,

Appellant,

v.

BOSE CORPORATION,

Appellee.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2021-00297.

ON PETITION FOR PANEL REHEARING AND REHEARING EN BANC

Before Moore, *Chief Judge*, Lourie, Dyk, Prost, Reyna, Taranto, Chen, Hughes, Stoll, Cunningham, and Stark, *Circuit Judges.*[1]

Per Curiam.

1. Circuit Judge Newman did not participate.

Appendix B

ORDER

Koss Corporation filed a combined petition for panel rehearing and rehearing en banc. The petition was referred to the panel that heard the appeal, and thereafter the petition was referred to the circuit judges who are in regular active service.

Upon consideration thereof,

IT IS ORDERED THAT:

The petition for panel rehearing is denied.

The petition for rehearing en banc is denied.

The mandate of the court will issue October 7, 2024.

September 30, 2024
Date

FOR THE COURT

/s/ Jarrett B. Perlow
Jarrett B. Perlow
Clerk of Court