Cisco Systems, Inc. v. Capella Photonics, Inc.

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UNITED STATES DISTRICT COURT NORTHERN DISTRICT OF CALIFORNIA

CISCO SYSTEMS, INC.,

Plaintiff, v. CAPELLA PHOTONICS, INC.,

Defendant.

Case No. 20-cv-01858-EMC

ORDER DENYING DEFENDANT/COUNTERCLAIMANT S UNOPPOSED MOTION TO VACATE INTERLOCUTORY ORDERS Docket No. 122

This case involves two patents that Defendant and Counter-Plaintiff Capella Photonics, - infringing. The parties have reached a settlement of the dispute, and Capella has now filed an

unopposed motion to vacate pleadings, issued on August 21, 2020, concluding that Capella could not seek damages for alleged

infringement that took place prior to the reissue of the relevant patents, Docket No. 48; and (2) a claim construction order, issued on April 29, 2021, largely adopting the constructions proposed by Capella, Docket No. 119, (collectively, See

For the following reasons, the Court DENIES the motion to vacate the Contested Orders.

I. LEGAL STANDARD While appellate court vacatur of district court judgments in the context of settlement U.S. Bancorp Mortg. Co. v. Bonner Mall P ship quitable discretion Am. Games, Inc. v. Trade Prod., Inc., 142 F.3d 1164, 1169 70 (9th Cir. 1998). Therefore, a district

court in this circuit, including in the context of mootness by settlement, may vacate one of its own judgments absent exceptional circumstances. See id. at 1168 69. Under [Federal Rule of Civil Procedure] 54(b), district courts have complete power over non-final may vacate or revise them at any time, if doing so would be consonant with equity. Automated Packaging Sys., Inc. v. Free Flow Packaging Int l, Inc., No. 18-CV-00356-EMC, 2018 WL 6251051, at *1 (N.D. Cal. Nov. 29, 2018) (quoting In re Cathode Ray Tube (CRT) Antitrust Litig., No. 14-CV- 2058 JST, 2017 WL 2481782, at *5

n.14 (N.D. Cal. June 8, 2017)). Thus, district courts conduct vacatur is appropriate. Am. Games, 142 F.3d at 1166.

Courts in recent years have adopted the factors articulated in Cisco Systems, Inc. v. Telcordia Technologies., Inc., 590 F. Supp. 2d 828, 830 (E.D. Tex. 2008), to assess whether vacatur of interlocutory orders would be equitable: (1) the public interest in the orderly operation of the federal judicial system; (2) the parties desire to avoid any potential preclusive effect; (3) the court s resources that will be expended if the case continues; and (4) the parties interest in conserving their resources. See, e.g., Automated Packaging Sys., 2018 WL 6251051, at *2 *3 (applying Cisco standard); RE2CON, LLC v. Telfer Oil Co., No. 2:10-CV-00786-KJM, 2013 WL 1325183, at *3 (E.D. Cal. Mar. 29, 2013) (same); W.L. Gore & Assocs., Inc. v. C.R. Bard, Inc., No. CV 11-515-LPS, 2017 WL 4231572, at *2 (D. Del. Sept. 20, 2017) (same); Contour Hardening, Inc. v. Vanair Mfg., Inc., No. 114CV00026JMSMJD, 2016 WL 10490508, at *1 (S.D. Ind. Feb. 23, 2016) (same).

II. DISCUSSION Capella argues that all four Cisco factors weigh in favor of vacatur in this case. Mot. at 4 7. The Court addresses each of these factors in turn below.

A. Orderly Operation of the Federal Judicial System (First Factor)

In granting vacatur of interlocutory orders pu Lycos, Inc. v. Blockbuster, Inc., No.

C.A. 07-11469-MLW, 2010 WL 5437226, at *3 (D. Mass. Dec. 23, 2010). The Cisco court identified two additional reasons why vacatur would not impede the orderly operation of the

judicial system. First, even if an interlocutory Cisco Sys., 590 F.Supp.2d at 831. Seco and judgment on the pleadings orders, for that matter are reviewed de novo Id. at 830.

However, courts in this district including this Court have sounded concerns about the

construction and infringement, only to settle and obtain vacatur Automated Packaging Sys., 2018 WL 6251051, at *2 (quoting Zinus, Inc. v. Simmons Bedding

Co., No. C 07-3012 PVT, 2008 WL 1847183, at *2 (N.D. Cal. Apr. 23, 2008)). As Judge Orrick explained in denying vacatur of a claim construction order in FlatWorld Interactives LLC v. Apple Inc. -cv-01956-WHO, 2014 U.S.

Dist. LEXIS 75529, at *6 7 (N.D. Cal. May 15, 2014). Were the practice of obtaining a substantive ruling and then settling on the condition that such ruling be vacated to become routine, it would not only waste significant judicial resources, but could also relegate courts to playing the role of oddsmakers rather than adjudicators. Thus, this Court carefully scrutinizes requests to vacate orders where the request is not based on the merits.

Moreover, while settlement of disputes is generally encouraged as a policy matter, the Bonner Mall intimate[d] that denying motions to vacate claim construction should actually encourage parties to settle before courts expend substantial resources on Markman RE2CON, 2013 WL 1325183, at *5 (citing Bonner Mall, 513 U.S. at 28). The result

claim constructions via a full-blown Markman Automated Packaging Sys., 2018 WL 6251051, at *2 (quoting Allen-Bradlev Co., LLC v. Kollmorgen Corp., 199 F.R.D. 316, 319 20 (E.D. Wis. 2001)). The same analysis applies to judgment on the pleadings order: if the Court vacates its judgment on the pleadings order it would encourage

deciding whether to settle the case.

Because vacatur can be abused as a mechanism for litigants to obtain a kind of trial run of the merits of their patent claims without being subject to binding consequences, thus potentially delaying settlement and wasting judicial resources, this factor weighs against vacatur. B. Potential Preclusive Effect (Second Factor)

As Capella admits in its motion, it is unclear whether the Contested Orders have any preclusive effect. Mot. at 6; see also Automated Packaging Sys., 2018 WL 6251051, at *2 (The collateral or precedential value of Markman orders is an unsettled issue because collateral estoppel depends on whether a judgment is deemed final and standards of finality vary by circuit. (quoting RE2CON, 2013 WL 1325183, at *3 4)); Kollmorgen Corp. v. Yaskawa Elec. Corp., 147 F. Supp. 2d 464, 467 (W.D. Va. 2001), dismissed sub nom. Kollmorgen Corp. v. Yaskawa Elec. Corp, 33 F. App x 496 (Fed. Cir. 2002) This Court believes that a consensual settlement between the parties does not constitute a final judgment. Accordingly, the doctrine of collateral estoppel cannot apply. . In the context of this uncertainty, courts have reasoned that there is less reason to give interlocutory orders preclusive effect. Cisco Sys., 590 F. Supp. 2d at

831. The Cisco court therefore desire to avoid any preclusive effect Id.

On the other hand, if the Contested Orders were to have a preclusive effect or at least serve as an important precursor to preclusion, see FlatWorld Interactives, 2014 U.S. Dist. LEXIS 75529, at *6, this factor would weigh against vacatur. from taking inconsistent positions in successive cases on issues that affect important public Id. Here, the risk of Capella taking inconsistent positions in other cases is especially acute because it already has several pending matters based on the same patent claims pending before this Court, including one against the Cisco: Capella Photonics, Inc. v. Cisco Systems, Inc. Cisco I , No. 3:14-cv-03348-EMC (N.D. Cal. filed Feb. 12, 2014); Capella Photonics v. Fujitsu Network Communications, Inc. Fujitsu No. 3:14-cv-03349-EMC (N.D. Cal. filed Feb. 12, 2014); Capella Photonics, Inc. v. Tellabs, Inc.

Tellabs -cv-03350 (N.D. Cal. filed Feb. 12, 2014); and Capella Photonics, Inc. v. Ciena Corporation

Ciena 3:20-cv-08628-EMC (N.D. Cal. filed Mar. 17, 2020.

In view of these countervailing considerations, this factor is neutral. C. (Third and Fourth Factors)

Capella contends that vacatur advances the parties interest in waste of resources (private and judicial) that would be expended in resolving any future collateral

estoppel challenge based thereon. Mot. at 1. And if denial of vacatur here meant that the parties

prepare and issue a post-trial opinion resolving the merits of the parties Forest Labs., Inc. v. Teva Pharm. USA Inc., No. CV 14-121-LPS, 2016 WL 3606177, at *3 (D. Del. May 25, 2016). Thus, some courts have found that resource-conservation considerations weigh in favor of vacatur.

But the Court has already been required to entertain briefing and hear oral argument not jus order. See Docket Nos. 53, 58. The public paid for this use of court resources through its tax

dollars, and [v]acatur would render that expenditure a waste. Automated Packaging Sys., 2018 WL 6251051 (quoting Zinus, 2008 WL 1847183, at *2)); see also Forest Labs., 2016 WL 3606177, at *2 claim construction disputes, which require resolution by the Court, it will usually be inefficient . . . to treat the Court s resolution of such

increase the possibility that other courts might be called on to expend duplicative resources in RE2CON, 2013 WL 1325183, at *5. Here, this Court faces that risk in the Cisco I, Fujitsu, Tellabs, and Ciena actions. Moreover, as noted above, allowing vacatur under these circumstances would result in fewer settlements prior to claim construction.

In any event, the parties have not demonstrated that the settlement is expressly conditioned upon the court s RE2CON, 2013 WL 1325183, at *4.

Thus, it has not established that the parties and the Court would expend additional resources if this motion is denied. Cf. U.S. Gypsum Co. v. Pac. Award Metals, Inc., No. C 04-04941JSW, 2006 WL 1825705, at *1 (N.D. Cal. July 3, 2006) (granting motion to vacate claim construction order . . . motion was a significant factor in successfully resolving this litigation.

On balance, these two factors weigh against vacatur.

III. CONCLUSION For the foregoing reasons, the motion to vacate is DENIED. This order disposes of Docket No. 122.

IT IS SO ORDERED.

Dated: August 3, 2021

_____ EDWARD M. CHEN United States District Judge