

UNITED STATES COURT OF APPEALS FOR THE FIFTH CIRCUIT

Chandler v. Phoenix Services

No. No. 21-10626, United States Court of Appeals for the Fifth Circuit (August 15, 2022)

SUMMARY

The Fifth Circuit affirmed summary judgment for defendants in a Walker Process antitrust action alleging fraudulent procurement and sham enforcement of a fracking patent. The court held that plaintiffs lacked antitrust standing for lost profits because they failed to show the cease-and-desist letter materially caused their business injuries, and their claims for attorneys' fees were time-barred under the four-year statute of limitations, with no fraudulent concealment tolling because plaintiffs had notice of the alleged fraud from related patent litigation. The court also accepted the case on transfer from the Federal Circuit, finding the jurisdictional transfer plausible even though the Fifth Circuit's own precedent would place standalone Walker Process claims in the Federal Circuit, because the underlying patent had already been declared unenforceable.

CASE DETAILS

COURT	United States Court of Appeals for the Fifth Circuit
WRITING FOR THE COURT	Stuart Kyle Duncan; Jacques L. Wiener Jr.; James E. Graves Jr.
JURISDICTION	Federal
DECIDED	August 15, 2022
DOCKET	No. 21-10626
DISPOSITION	affirmed
PROCEDURAL POSTURE	Appeal from the United States District Court for the Northern District of Texas, which granted summary judgment to defendants on standing and statute of limitations grounds.
STANDARD OF REVIEW	De novo
PRECEDENTIAL VALUE	Published
PARTIES	Ronald Chandler; Chandler Mfg., L.L.C.; Newco Enterprises, L.L.C.; Supertherm Fluid Heating Services, L.L.C. v. Phoenix Services, L.L.C.; Mark H. Fisher

TOPICS

- standing
- statute of limitations
- summary judgment
- patent law
- fraud

PRACTICE AREAS

Antitrust

Patent

Appellate Procedure

QUESTIONS PRESENTED

1. Whether Chandler had standing to bring antitrust claims for lost profits based on the cease-and-desist letter.
2. Whether Chandler's claims for attorneys' fees were time-barred under the four-year statute of limitations and not subject to fraudulent concealment tolling.

HOLDINGS

1. Chandler lacked standing because they failed to show a causal link between the cease-and-desist letter and Supertherm's lost profits.
2. Chandler's claims are time-barred because the four-year limitations period ran before suit was filed, and fraudulent concealment tolling does not apply because Chandler failed to exercise due diligence despite being on notice of potential claims.

KEY QUOTATIONS

“the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the Sherman Act provided the other elements necessary to a § 2 case are present.” (at 2)

“this suit would likely prevent Chandler from continuing to sell similar heaters to competing entities, thereby providing a competitive advantage in the marketplace.” (at 10)

“Please remember that as a contractor to Hess you are expected to hold all rights and permissions necessary to . . . perform the services provided.” (at 10)

“When the fact of injury is in issue, the 'isolated self-serving statements' of a plaintiff's corporate officers may not provide substantial evidence upon which a jury can rely.” (at 11)

FACTUAL BACKGROUND

Oilfield service companies (Chandler) brought antitrust claims against Phoenix Services and its CEO for enforcing a fraudulently obtained patent (the '993 Patent). The patent had already been declared unenforceable due to inequitable conduct in prior litigation. Chandler alleged that HOTF (Phoenix's predecessor) sent a cease-and-desist letter to Hess and filed infringement lawsuits, causing Chandler to lose business and incur legal fees. The district court granted summary judgment to Phoenix, finding Chandler lacked standing for lost profits and that claims for fees were time-barred.

PROCEDURAL HISTORY

Plaintiffs brought Walker Process and sham patent litigation claims. The district court dismissed some claims for lack of standing and others as time-barred. Plaintiffs appealed to the Federal Circuit, which transferred the case to the Fifth Circuit. The Fifth Circuit accepted the transfer and affirmed.

DISPOSITION

affirmed

CASES CITED

- Walker Process Equip., Inc. v. Food Mach. & Chem. Corp., 382 U.S. 172 (1965)
- Christianson v. Colt Indus. Operating Corp., 486 U.S. 800 (1988)
- Xitronix Corp. v. KLA-Tencor Corp. (Xitronix II), 916 F.3d 429 (5th Cir. 2019)
- Xitronix Corp. v. KLA-Tencor Corp. (Xitronix I), 882 F.3d 1075 (Fed. Cir. 2018)
- TransWeb, LLC v. 3M Innovative Props. Co., 812 F.3d 1295 (Fed. Cir. 2016)
- Energy Heating, LLC v. Heat On-The-Fly, LLC, 889 F.3d 1291 (Fed. Cir. 2018)
- C.R. Bard, Inc. v. M3 Sys., Inc., 157 F.3d 1340 (Fed. Cir. 1998)
- Prof. Real Estate Invs., Inc. v. Columbia Pictures Indus., Inc., 508 U.S. 49 (1993)
- Gunn v. Minton, 568 U.S. 251 (2013)
- Xitronix Corp. v. KLA-Tencor Corp. (Xitronix III), 757 F. App'x 1008 (Fed. Cir. 2019)
- Castaneda v. Falcon, 166 F.3d 799 (5th Cir. 1999)
- Ledford v. Keen, 9 F.4th 335 (5th Cir. 2021)
- Pulse Network, L.L.C. v. Visa, Inc., 30 F.4th 480 (5th Cir. 2022)
- Taylor Pub. Co. v. Jostens, Inc., 216 F.3d 465 (5th Cir. 2000)
- Comfort Trane Air Conditioning Co. v. Trane Co., 592 F.2d 1373 (5th Cir. 1979)
- Alabama v. Blue Bird Body Co., 573 F.2d 309 (5th Cir. 1978)
- Zenith Radio Corp. v. Hazeltine Rsch., Inc., 395 U.S. 100 (1969)
- H & B Equip. Co. v. Int'l Harvester Co., 577 F.2d 239 (5th Cir. 1978)
- Acad. of Allergy & Asthma in Primary Care v. Quest Diagnostics, Inc., 998 F.3d 190 (5th Cir. 2021)
- In re Beef Indus. Antitrust Litig., 600 F.2d 1148 (5th Cir. 1979)
- Texas v. Allan Constr. Co., 851 F.2d 1526 (5th Cir. 1988)
- Kaiser Aluminum & Chem. Sales, Inc. v. Avondale Shipyards, Inc., 677 F.2d 1045 (5th Cir. 1982)
- Prather v. Neva Paperbacks, Inc., 446 F.2d 338 (5th Cir. 1971)
- Clement A. Evans & Co. v. McAlpine, 434 F.2d 100 (5th Cir. 1970)
- Chandler v. Phoenix Servs., 419 F. Supp. 3d 972 (N.D. Tex. 2019)
- Chandler v. Phoenix Servs., No. 7:19-CV-14, 2020 WL 1848047 (N.D. Tex. Apr. 13, 2020)
- Energy Heating, LLC v. Heat On-The-Fly, LLC, No. 4:13-CV-10, 2016 WL 10837799 (D.N.D. Jan. 14, 2016)
- Newco Enters., LLC v. Super Heaters N.D., LLC, No. 7:14-CV-87, 2014 WL 11514928 (N.D. Tex. Dec. 19, 2014)