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PATENT

PTO changes to follow Supreme Court's *Arthrex* ruling, attorneys predict

By Patrick H.J. Hughes

The U.S. Supreme Court has decided to give the U.S. Patent and Trademark Office's director the power to review the decisions of administrative patent judges, and attorneys have offered their predictions of how future patent review will look.

United States v. Arthrex Inc. et al., Nos. 19-1434, 19-1452 and 19-1458, 2021 WL 2519433 (U.S. June 21, 2021).

Jason Romrell, an intellectual property attorney at Finnegan who was not involved in the dispute, said "it is likely that the PTO will soon issue guidance as to how this discretionary review process will be implemented."

"It remains to be seen how often the director will actually exercise this new discretionary review authority, and how often discretionary review will



REUTERS/Erin Scott

The U.S. Supreme Court building in Washington.

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EXPERT ANALYSIS

Chief Judge Prost: a defender of clarity in patent law

Katherine A. Helm, Blaine M. Hackman and Judah Bellin of Dechert LLP review the jurisprudence of Chief Judge Sharon Prost — who ended her tenure as Chief in May — noting in particular her influential dissents.

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EXPERT ANALYSIS

IPR tricks of the trade: not all appeals from patent board are made equal

Eugene Goryunov, David McCombs and Jonathan Bowser, of Haynes and Boone LLP explore the nuances of appellate review from findings of the Patent Trial and Appeal Board.

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Chief Judge Prost: a defender of clarity in patent law

By Katherine A. Helm, J.D., Ph.D., Blaine M. Hackman, J.D., Ph.D., and Judah Bellin, J.D.
Dechert LLP

When the U.S. Court of Appeals for the Federal Circuit's Chief Judge Sharon Prost ended her tenure as chief last month, she left a strong legacy of seeking to advance and interpret the bounds of what is patentable, patent eligible, and enforceable subject matter.

As chief, Chief Judge Prost has participated in the most patent decisions of any of her colleagues over each of the past few years. Among these, she has been a commanding voice in high-profile opinions relating to pharmaceuticals and the life sciences industry.

Chief Judge Prost's history in serving as Senator Hatch's chief counsel on the Senate Judiciary Committee provided her with a sophisticated background in IP issues affecting the life sciences sector. She did so with strong efforts to build consensus at the Federal Circuit, by way of decreasing the court's dissent rate and the number of cases reheard en banc.

Chief Judge Prost's jurisprudence has influenced the way pharmaceutical and biotechnology companies think about patent strategies, including how they claim newly discovered life science technologies and improvements to existing technologies.

Many retrospectives have been written about Chief Judge Prost in recent months. Here, we present a theme of her jurisprudence, primarily through her dissents. While Chief

Judge Prost authored close to 20 dissents during her tenure as Chief, we present six of her dissents that reflect her efforts to straighten out and simplify challenging patent law issues.

A LONG RECORD OF STRAIGHTFORWARD PATENT LAW STANDARDS

Judge Prost had emphasized the importance of clear and consistent legal standards years before becoming Chief Judge.

Chief Judge Prost's jurisprudence has influenced the way pharmaceutical and biotechnology companies think about patent strategies.

In *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, Judge Prost dissented from the majority decision, which was later vacated en banc. The original panel held that the asserted patent claims, which covered a computerized trading platform, were directed to patent eligible subject matter under 35 U.S.C. §101. *CLS Bank Int'l v. Alice Corp. Pty. Ltd.*, 685 F.3d 1341, 1356 (Fed. Cir. 2012), *vacated on reh'g en banc*, 484 F. App'x 559 (Fed. Cir. 2012).

In her dissent, Judge Prost faulted the majority for ignoring the clear legal standard established by the Supreme Court, stating that it had "creat[ed] an entirely new framework" that allowed courts to avoid §101 "whenever they so desire."

The Supreme Court ultimately agreed that the asserted claims were directed to a patent-ineligible abstract idea. See *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 226-27 (2014). This decision came down one month after Judge Prost began her tenure as Chief.

And so began her tenure to seek clarity in the law, amidst an oft-divided court.

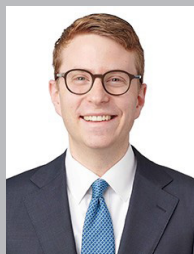
UNPATENTABILITY OF CLAIMS TO NATURAL PHENOMENA

As with her dissent in *Alice*, Chief Judge Prost's dissent in *Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals International Ltd.* challenged the majority's application of the Supreme Court's patent-eligibility standard from *Mayo v. Prometheus*.

In 2018, the Federal Circuit upheld the patent-eligibility of a patent claiming a method of treating schizophrenia patients with an antipsychotic agent. *Vanda Pharm. Inc. v. West-Ward Pharm.*, 887 F.3d 1117. The Court held that *Mayo* did not apply because the claim in *Mayo* "was not a treatment claim," while the instant claims were "directed to a specific method of treatment for specific patients using a specific compound at specific doses to achieve a specific outcome."

In a forceful dissent, Chief Judge Prost suggested that the majority had departed from the clear meaning of *Mayo*.

Chief Judge Prost objected to the majority's reliance on a drug administration step to find the subject matter patent eligible. She suggested that under *Mayo*, the relevant question was whether this step added an inventive concept. And she found that the specific dosage described in this step "adds nothing inventive to the claims beyond the natural law."



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Echoing her dissent in *CLS Bank v. Alice*, she criticized her colleagues' failure to recognize that the claims "do no more than simply direct the relevant audience to apply [a law of nature]."

CLARIFYING THE LAW ON INDUCED INFRINGEMENT

Chief Judge Prost emphasized the importance of adhering to the plain and clear meaning of statutory language and judicial precedent in *Promega Corp. v. Life Technologies Corp.*

There, the Federal Circuit held that LifeTech had actively induced infringement of patents related to DNA amplification under 35 U.S.C. §§271(f)(1), by providing part of the accused devices to a British subsidiary that produced the devices. After discussing dictionary definitions of the term "induce" and the legislative history of the statute, the panel majority concluded that "no third party is required" for active inducement. *Promega Corp. v. Life Techs. Corp.*, 774 F.3d 1338, 1351-53 (Fed. Cir. 2014).

Chief Judge Prost dissented from this holding. She emphasized that Supreme Court and Federal Circuit precedent were clear that "inducement liability requires a third party." And she cited the Supreme Court's "clear guidance" that courts should not create liability for inducement when Congress chose not to do so.

CLARIFYING PTAB PROCEDURES

Chief Judge Prost's tenure as Chief aligned with the growth of the new post-grant patent procedures, including Inter Partes Reviews (IPRs) and Post-Grant Reviews (PGRs), before the Patent Trial and Appeal Board (PTAB). Until October 2018, the PTAB construed claims under their broadest reasonable interpretation, in contrast to the actual meaning standard espoused in *Phillips v. AWH Corp.* and used in district court.

A Federal Circuit panel upheld these disparate standards, holding that "Congress impliedly

approved the existing rule of adopting the broadest reasonable construction" because it had been the U.S. Patent and Trademark Office (PTO's) longtime standard. *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1277 (Fed. Cir. 2015), *aff'd sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016).

Prior to its Supreme Court affirmance, however, the Federal Circuit denied an en banc appeal, from which Chief Judge Prost sharply dissented. She opined that the PTAB should apply the same standard in IPRs and PGRs as in district court, pointing to the parallels between those PTAB proceedings and "Congress's intent in creating a completely new type of PTO proceeding — one bearing the efficiency and finality of district court adjudications of patent validity." *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1300 (Fed. Cir. 2015) (en banc). Chief Judge Prost lamented that applying different standards could frustrate that purpose.

Notably, Chief Judge Prost's view ultimately prevailed: the PTAB has since adopted the same *Phillips* standard that is applied by the district court for IPRs and PGRs. See 83 Fed. Reg. 51340.

Chief Judge Prost also dissented in *Nantkwest, Inc. v. Iancu*, when the Federal Circuit held that 35 U.S.C. §145, which requires applicants who appeal PTO decisions to pay "[a]ll the expenses of the proceedings," excluded PTO attorney fees. *Nantkwest, Inc. v. Iancu*, 898 F.3d 1177, 1187 (Fed. Cir. 2018) en banc, *aff'd sub nom. Peter v. Nantkwest, Inc.*, 140 S. Ct. 365 (2019).

Focusing on the statute's plain language, Chief Judge Prost explained that the use of the word "all" in the statute referred to "all of the expenses . . . which includes the personnel expenses the PTO incurs in defending §145 actions."

CLEARING UP 'CONFUSION' OVER §102(B) PUBLIC USE BAR

In another forceful dissent, Chief Judge Prost sought to clarify the §102(b) public use bar in *Barry v. Medtronic, Inc.*

In that case, the Federal Circuit held that asserted claims related to a spinal procedure were not invalid under the public-use bar because the claimed invention was not "ready for patenting" before the critical date and "there was no public use except for an experimental use." *Barry v. Medtronic, Inc.* 914 F.3d 1310, 1321 (Fed. Cir. 2019).

The majority panel found that although the inventor had used the claimed invention in three surgeries before the critical date, it was not "known to work for its intended purpose" before then because the inventor did not know that the tool worked as intended until later appointments.

In her dissent, Chief Judge Prost lamented the Federal Circuit's "confusing" prior case law on the concept of "intended purpose." And she faulted the majority for "perpetuat[ing] the confusion."

Chief Judge Prost then stated that determining an invention's intended purpose required analyzing only the patent claims and specification. The panel majority had erred by looking well beyond the patent and relying on the inventor's testimony about the correct way to perform the surgery. By doing so, Chief Judge Prost argued, the panel had "conceiv[ed] of a more exacting intended purpose" than the law required.

CONCLUSION

Chief Judge Prost's seven-year term came to a close last month, and she is succeeded by Chief Judge Kimberly Moore. See Dan Bagatell, *Fed. Circ. Patent Decisions In 2020: An Empirical Review*, Law 360 (Jan. 11, 2021). It is the first time in the history of the court that one female Chief has passed the reins to another.

Judge Prost will remain an active member of the court and will no doubt continue to play an active role in advocating for and shaping clear and consistent standards in patent law.

WJ

IPR tricks of the trade: not all appeals from patent board are made equal

By Eugene Goryunov, Esq., David McCombs, Esq., and Jonathan Bowser, Esq.
Haynes and Boone, LLP

Post-grant patent validity challenges — inter partes review (IPR) and post-grant review (PGR) — at the Patent Trial and Appeal Board (PTAB) are now household terms in patent litigation. What may not be common knowledge, however, is that various issues in a PTAB appeal to the U.S. Court of Appeals for the Federal Circuit are reviewed under different legal standards, sometimes depending on how the issues on appeal are framed.

Generally speaking, there are three types of issues that can arise in a PTAB appeal: procedural, fact finding, and conclusions of law. We explore these nuances below.

PROCEDURAL RULINGS

Procedural appeals ask the Federal Circuit to review the PTAB's evidentiary rulings and decisions that reflect the PTAB's administration of its own rules. The Federal Circuit reviews such challenges under an abuse of discretion standard, to the extent that they are even appealable under the U.S. Supreme Court's *SAS/Click-to-Call* line of cases.

An abuse of discretion occurs if the PTAB's ruling is "clearly unreasonable, arbitrary,

or fanciful," is based on an "erroneous conclusion of law," rests on "clearly erroneous fact finding," or results from a record that contains no evidence on which the PTAB "could rationally base its decision." *VidStream LLC v. Twitter, Inc.* (Federal Circuit, 2020).

The Federal Circuit
has substantial leeway
to affirm the PTAB's
procedural rulings.

In practice, a party that challenges the PTAB's procedural rulings is generally arguing that the PTAB would have reached a different result in its final written decision had it excluded new arguments presented for the first time in a reply brief, for example. The Federal Circuit has substantial leeway to affirm the PTAB's procedural rulings, but it goes without saying that the court provides recourse where it finds that the PTAB should have reached a different result, especially where the result may well turn out to be case dispositive.

FINDINGS OF FACT

Appeals that challenge the PTAB's findings of fact, on the other hand, are reviewed under the deferential substantial evidence standard. In other words, the Federal Circuit will uphold the PTAB's factual findings if they are based on evidence "a reasonable mind might accept as adequate to support a conclusion." *HTC Corp. v. Cellular Commc'ns Equip., LLC* (Federal Circuit, 2017).

Fact findings are not limited to issues like the prior art status of a reference or the weight to be accorded to expert or fact witness testimony. It includes findings that underlie legal conclusions such as obviousness or subject-matter patent eligibility. The issue of obviousness, for example, is a legal conclusion that is based on a host of factual findings that include the evaluation of the scope and content of prior art, differences between the prior art and the claims, motivation to combine the asserted references, and facts that tend to show non-obviousness, i.e., objective indicia of non-obviousness.

CONCLUSIONS OF LAW

Finally, conclusions of law are reviewed de novo, which means that they are reviewed by the Federal Circuit without deference to the PTAB's conclusion. *In re Jolley* (Federal Circuit, 2002). This includes the ultimate conclusion on obviousness and issues of claim construction, at least to the extent that the claim construction is based on the intrinsic record.

Legal conclusions, however, are rarely stand-alone issues of law. They are commonly wrapped around a multitude of factual inquiries that must be resolved by the finder of fact, in this case, the PTAB.

Take obviousness, for example. An appellant seeking to overturn the PTAB's ultimate conclusion of obviousness may argue that the PTAB erred as a matter of law on the basis of essentially undisputed facts. While the briefing may attempt to re-cast the facts



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in a light most favorable to the appellant, the thrust of the challenge may focus on PTAB's legal conclusions, which are, as mentioned above, reviewed de novo. All appeals are serious undertakings. That said, one might argue that a non-deferential review is more likely to result in a reversal.

A respondent to such an appeal, on the other hand, may well argue that the appellant is mischaracterizing the PTAB's determination. In other words, the respondent may argue that the appellant is disagreeing with the PTAB's factual findings and merely casting its appeal as a challenge to the ultimate legal conclusion simply to secure a non-deferential review. When cast as a fact issue, the respondent will seek a deferential

substantial evidence review, which one might argue is more likely to maintain the PTAB's conclusions in place.

Appeals involving claim construction issues are similar. Put aside whether the PTAB's construction is based on the intrinsic record (and therefore receives de novo review) or consists of factual findings based on the extrinsic record that inform the construction (and thus receives a substantial evidence review). The appellant may consider arguing that the PTAB's construction is too broad or that the term, at best, should be interpreted to have its plain and ordinary meaning. The respondent, however, may do well to leave the construction itself alone and argue that the appellant's challenge is with the PTAB's

underlying factual findings and that such findings are reviewed with deference to the PTAB as the ultimate fact finder.

This all just goes to show that even appeals that look "straight-forward" can be made more complicated by parties that fully understand and appreciate the various applicable standards of review. From there, it is ultimately up to the Federal Circuit panel to determine what issues permeate the appeal: issues of fact or the PTAB's legal conclusions.

NOTE: This article reflects only the present personal considerations, opinions, and/or views of the authors, which should not be attributed to any of the authors' current or prior law firm(s) or former or present clients.

WJ

PATENT

High court won't revive social network patent in dispute with dating apps

By Patrick H.J. Hughes

The owner of a patent that combines computing technology with a social network to help people resolve "life issues" has failed to persuade the U.S. Supreme Court to review a ruling that deemed the concept unpatentable as abstract.

NetSoc LLC v. Match Group LLC et al., No. 20-1412, cert. denied, 2021 WL 2405174 (U.S. June 14, 2021).

The high court's June 14 refusal to revive NetSoc LLC's patent marks a victory for the operators of such online dating platforms as Tinder and OKCupid, which NetSoc had accused of infringement.

NetSoc said the U.S. Court of Appeals for the Federal Circuit's ruling in *NetSoc LLC v. Match Group LLC*, 838 F. App'x 544 (Fed. Cir. 2020), affirming a lower court's invalidation decision, was an example of a "per se rule" the appellate court has adopted for disputes involving computer technologies.

The Supreme Court established the test that the Federal Circuit uses to decide whether an invention is eligible for patenting or whether it merely applies computer technology to a well-understood or routine concept in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 573 U.S. 208 (2014).

NetSoc said its patent was not routine but "novel and unconventional" in 2003, the

priority date of its patent — a date that is "well before when social networks became everyday technology with which everyone is now familiar."

PATENT TO 'MATCH USERS AND PARTICIPANTS'

NetSoc is the owner of U.S. Patent No. 9,978,107, which covers "numerous applications and implementations of a social network."

The patent includes a rating system meant to guide users through various life problems, such as pairing roommates or assimilating a family into a new environment.

NetSoc accused Match Group LLC of infringing the '107 patent in July 2018 in the U.S. District Court for the Northern District of Texas.

In response, Match Group and defendants later added to the litigation said the '107 patent was invalid under Section 101 of the Patent Act, 35 U.S.C.A. § 101.

U.S. District Judge David C. Godbey agreed with the dating app operators and dismissed the suit for failure to state a claim pursuant to Federal Rule of Civil Procedure 12(b)(6). *NetSoc LLC v. Match Grp. LLC*, No. 18-cv-1809, 2019 WL 3304704 (N.D. Tex. July 22, 2019).

After the Federal Circuit affirmed Judge Godbey's ruling, William P. Ramey III of Ramey & Schwaller LLP filed a certiorari petition on NetSoc's behalf in April, explaining that the examiner who granted the patent in the first place found the rating system was "unconventional."

The Federal Circuit, in its application of the *Alice* test, which it has applied to a plethora of technologies, wrongly assumed the '107 patent used "automation," a term never mentioned, the petition said.

And the addition of a computer system solved a technological problem often associated with social networks, "namely how to match users and participants based on a novel rating," it said.

Furthermore, dismissal under Rule 12(b)(6) was premature, according to NetSoc. The examiner found the rating system caused the social network to function in a unique way, a

fact NetSoc said “would have been more fully developed through discovery.” [WJ](#)

Attorneys:

Petitioner: William P. Ramey III, Ramey & Schwaller LLP, Houston, TX

Related Filings:

Opinion denying certiorari: 2021 WL 2405174
Certiorari petition: 2021 WL 1338477
Federal Circuit opinion: 838 F. App'x 544
District Court opinion: 2019 WL 3304704

PATENT

Supreme Court asked to revive captioning patents issued pre-AIA

By Patrick H.J. Hughes

An inventor of captioning technologies for the deaf and hearing-impaired is asking the U.S. Supreme Court whether the Patent Trial and Appeal Board can invalidate patents issued before the board's inception with the 2011 America Invents Act.

Ultratec Inc. v. CaptionCall LLC et al., No. 20-1700, petition for cert. filed, 2021 WL 2370241 (U.S. June 4, 2021).

In its June 4 certiorari petition, Ultratec Inc. also challenges the way the U.S. Court of Appeals for the Federal Circuit can affirm a PTAB decision “without opinion” through the appellate court's Rule 36, Fed. Cir. R. 36.

Ultratec says it engaged in expensive litigation for eight years with CaptionCall LLC in federal district court and before the PTAB only to see eight of its patents “obliterated” by the Federal Circuit in Rule 36 decisions “with three one-word affirmances.”

The petition notes that the Supreme Court in *Oil States Energy Services LLC v. Greene's Energy Group LLC*, 138 S. Ct. 1365 (2018), upheld the constitutionality of the PTAB's inter partes review proceedings but deferred answering whether retroactive application of IPRs violated due process.

“The court should grant certiorari to address that issue now,” the petition says.

Donald K. Schott of Quarles & Brady LLP filed the certiorari petition on Ultratec's behalf.

JURY AWARDS \$44 MILLION

Ultratec sued CaptionCall, a division of Sorenson Communications LLC that develops telephones with voice-to-text captioning technology, in May 2013 in the U.S. District Court for the Western District of Wisconsin.

The suit said CaptionCall and Sorenson were liable for infringing eight patents, seven of which had been issued between 1999 and

2009. The eighth was patented in 2012, after Congress enacted the AIA, but before the PTAB started conducting IPRs.

In 2014 a jury found the patents valid and infringed, awarding Ultratec \$44 million in damages.

Meanwhile, CaptionCall filed petitions for IPRs, which resulted in the PTAB declaring the patents invalid, thereby nullifying the jury verdicts.

Ultratec notes in its certiorari petition that the Federal Circuit in 2017 vacated and remanded all of the IPRs over the PTAB's refusal to consider certain testimony. *Ultratec Inc. v. CaptionCall LLC*, 872 F.3d 1267 (Fed. Cir. 2017).

After the PTAB ruled out the problem with expert testimony, Ultratec appealed again. It says it appealed “those errors left undecided from the first appeal” and new issues.

Instead of issuing opinions on Ultratec's remaining concerns, the Federal Circuit issued three Rule 36 judgments.

A ‘NOT UNCOMMON’ PLIGHT

Ultratec says in its certiorari petition that it expended significant time and resources to invent technologies to assist hearing-impaired people, only to have new patent review procedures wipe out its hard work, “effectively eviscerating the patents' presumptive validity.”

“Ultratec's plight is not uncommon,” the petition says, adding that IPRs have resulted in an “alarming” rate of invalidations.

Furthermore, because alleged infringers have up to one year to petition for an IPR, patent holders must defend their patents for long time periods without assurances that their patents will hold up, Ultratec says.

The due process clause embodied in the Fifth Amendment to the U.S. Constitution is supposed to protect “settled interests from backwards-reaching changes in the law,” Ultratec says.

The petition lists “vested rights” and “settled expectations” that patent holders had before the advent of IPRs, including a robust amendment process that was involved in pre-AIA reexamination proceedings.

While it says IPRs are unconstitutional, Ultratec also says Rule 36 affirmances “raise concerns of constitutional magnitude.”

Because such affirmances effectively contain no opinion, Rule 36 violates Section 144 of the Patent Act, 35 U.S.C.A. § 144, which requires the Federal Circuit to issue “its mandate and opinion,” Ultratec says.

Given the importance of the issues, this case presents an ideal vehicle for Supreme Court review, the petitioner says. [WJ](#)

Attorneys:

Petitioner: Donald K. Schott, Kristin Graham Noel, Martha Jahn Snyder and Anita M. Boor, Quarles & Brady LLP, Madison, WI

Related Filings:

Certiorari petition: 2021 WL 2370241
Federal Circuit remand: 872 F.3d 1267
Jury verdict (damages): 2014 WL 10505336
Jury verdict (liability): 2014 WL 10505359
Complaint: 2013 WL 2300073

See Document Section A (P. 17) for the certiorari petition.

Maker of 'reversible plushies' gets injunction, settles copyright suit

By Patrick H.J. Hughes

Tee Turtle LLC, a creator of stuffed animals that can be turned inside out, has persuaded a federal judge to permanently enjoin an online retailer from selling infringing imitations of the toy maker's top-selling item.

Tee Turtle LLC v. Swartz, No. 21-cv-1771, 2021 WL 2349389 (S.D. Ohio June 9, 2021).

U.S. District Judge Algenon L. Marbley of the Southern District of Ohio issued the injunction June 9 after finding Christian Book and Toys LLC, defendant Christina Swartz's online retail business, was selling "nearly identical copies" of Tee Turtle's "reversible octopus plushies."

The judge also found Swartz had made some material misrepresentations in response to a takedown notice Tee Turtle sent pursuant to Section 512(c)(3) of the Digital Millennium Copyright Act, 17 U.S.C.A. § 512(c)(3).

Judge Marbley noted that the copyright dispute was effectively finished, as the parties had agreed to settle their dispute to avoid "the expense, uncertainty, inconvenience and other burdens" associated with further litigation.

INVERTEBRATE IMITATIONS

On its website at teeturtle.com, Tee Turtle sells clothing and toys, including "reversible plushies," descriptively named for their plush exterior and ability to change color and expression by being turned inside out.

The plushies can be purchased on the company site or on Amazon.com, where Tee Turtle's octopus version of the toy was recently listed as a "best-selling product."

Christopher A. LaRocco of Vorys, Sater, Seymour and Pease LLP filed copyright and trade dress infringement claims on behalf of Tee Turtle in April.

The suit claimed Tee Turtle had discovered that colorable imitations of its reversible octopus plushies were being sold on Amazon from an online store named "biblebanz."

Tee Turtle sent Amazon a DMCA takedown notice and Amazon forwarded a counternotification from biblebanz, which Tee Turtle later discovered was the online name of Swartz's Ohio-based, Christian-themed store, the suit says.

Tee Turtle alleged the counternotification contained misrepresentations, including claims that the reversible toys were not protected by copyright law and that Tee Turtle did not follow proper DMCA procedures.

To counter these accusations, Tee Turtle attached to its suit a copy of the registration certificate it obtained for a "reversible octopus mini" from the U.S. Copyright Office in 2017.

In addition to infringement, the suit claimed Swartz violated Section 512(f) of the DMCA, 17 U.S.C.A. § 512(f), which prohibits material misrepresentations in the online takedown process.

MATERIAL MISREPRESENTATIONS

Judge Marbley agreed with Tee Turtle, finding Swartz's counternotification included numerous false statements, including claims that Tee Turtle failed to provide an electronic signature and failed to properly identify the allegedly infringed work.

Swartz declared "under penalty of perjury" that she had a good-faith belief that her claims were true, a statement the judge said was itself a misrepresentation.

The judge also found Tee Turtle showed that its plushies had acquired distinctiveness in the marketplace and that Swartz was selling "virtually identical" toys that have already caused consumer confusion.

Therefore, Tee Turtle had demonstrated success on the merits of both its copyright and trade dress claims, the judge said.

A permanent injunction was necessary to prevent irreparable harm to Tee Turtle and prevent consumers from being deceived, Judge Marbley concluded. **WJ**

Attorneys:

Plaintiff: John Landolfi and Christopher A. LaRocco, Vorys Sater, Seymour and Pease LLP, Columbus, OH; J. Michael Keyes, Dorsey & Whitney LLP, Seattle, WA

Related Filings:

Opinion: 2021 WL 2349389

See Document Section B (P. 38) for the opinion.

Contempt, attorney misconduct claims melt away in 'Insta-Snow' trademark spat

By Patrick H.J. Hughes

A toy company that sells a powder that turns into “snow” has failed to convince a Manhattan magistrate judge that former licensees of the company’s “Insta-Snow” trademarks should be held in contempt for allegedly violating a preliminary injunction.

***Really Good Stuff LLC v. BAP Investors LC et al.*, No. 19-cv-2218, 2021 WL 2469707 (S.D.N.Y. June 17, 2021).**

Really Good Stuff LLC’s motion for sanctions against defendants BAP Investors LC and BAP’s controlling shareholder, Creative Kids Far East Inc., should be denied, U.S. Magistrate Judge Gabriel W. Gorenstein of the Southern District of New York said in a June 17 report and recommendation.

RGS failed to provide clear and convincing evidence of misconduct by the defendants or their attorney, Douglas A. Miro of Amster, Rothstein & Ebenstein LLC.

Seyfarth Shaw LLP represented RGS.

POWDER PROHIBITION

RGS sued BAP in 2019 in the U.S. District Court for the Southern District of New York, alleging trademark infringement stemming from BAP’s alleged failure to pay royalties for the sales of Insta-Snow powder, which turns into a snow-like synthetic material when water is added.

RGS has owned a federally registered “Insta-Snow” word mark since 2005 and applied for an “Insta-Snow Powder” design mark in 2019.

RGS said in its suit that its earliest customers were science teachers and, through marketing, its products began to appeal to a broader audience. This popularity led RGS to arrange an exclusive relationship with BAP, a Utah company that sells toys on Amazon and other websites.

RGS said BAP veered from the terms of the agreement, so it moved for a preliminary injunction barring BAP from selling products with “Insta-Snow” marks.

U.S. District Judge Louis L. Stanton granted RGS’ motion, prohibiting BAP from selling Insta-Snow sometime after the term of the license agreement ended. *Really Good Stuff LLC v. BAP Investors LC*, No. 19-cv-2218, 2019 WL 5460784 (S.D.N.Y. Oct. 17, 2019).

RGS later said BAP failed to honor the terms of the injunction, prompting RGS to move for sanctions for misconduct and contempt of a court order.

JUDGE SAYS NO WAY TO ‘WAYBACK MACHINE’

Regarding the contempt allegation, Judge Gorenstein cited *CBS Broadcasting Inc. v. FilmOn.com Inc.*, 814 F.3d 91 (2d Cir. 2016), which held that courts in the 2nd Circuit may hold a party in contempt if the court order and proof of noncompliance are clear, and the party has not attempted to comply in a reasonable manner.

The clarity of the injunction order was undisputed and RGS offered online evidence that it said showed BAP failed to comply with the order.

In addition to Amazon webpages, which the judge said could have been set up by a third party, RGS provided screenshots from BAP’s website taken from a device called an “internet archive,” also known as a “wayback machine.” It allows a user to go “back in time” to see how a website looked on a specified date.

BAP offered its own wayback machine captures to counter RGS’ allegations, but Judge Gorenstein dismissed the evidence from both, saying each side failed to properly authenticate evidence from the wayback machine with something more than attorney declarations.



REUTERS/Brian Snyder

The judge said that some of RGS’ evidence, if admissible, would have established clear and convincing proof that BAP violated the injunction. With the evidence at hand, however, he found that he had to rule that “BAP diligently complied with the injunction.”

He also said sanctions should not be imposed, finding RGS failed to show BAP acted in bad faith, the standard applied to statements made to the court that might be considered “sanctionable misconduct.”

While Judge Gorenstein said some of BAP’s objections to the injunction were “perhaps overly dramatic,” he also said they were “within the bounds of advocacy.” [WJ](#)

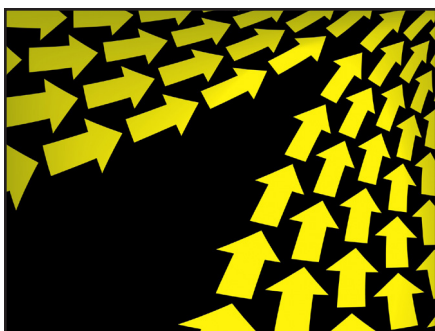
Attorneys:

Plaintiff: Jeremy A. Schachter, Edward F. Maluf and Jonah R. Hecht, Seyfarth Shaw LLP, New York, NY; Katherine E. Perrelli, Seyfarth Shaw LLP, Boston, MA

Defendants: Douglas A. Miro and Brian A. Comack, Amster, Rothstein & Ebenstein LLP, New York, NY

Related Filings:

Report and recommendation: 2021 WL 2469707
Opinion: 2019 WL 5460784
Complaint: 2019 WL 1123964



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TRADEMARK

Video game firm takes trio of 'typosquatting' internet domains

By Patrick H.J. Hughes

Take-Two Interactive Software Inc., parent to "Grand Theft Auto" designer Rockstar Games Inc., has persuaded the World Intellectual Property Organization to award the video game company internet domains containing "Rockstar Games" misspellings.

Take-Two Interactive Software Inc. v. Wei, No. D2021-1043, 2021 WL 2415090 (WIPO Arb. June 7, 2021).

Take-Two Interactive Software Inc. v. Yang, No. D2021-1029, 2021 WL 2415085 (WIPO Arb. June 7, 2021).

Take-Two Interactive Software Inc. v. Yang, No. D2021-1025, 2021 WL 2415084 (WIPO Arb. June 7, 2021).

The WIPO Arbitration and Mediation Center issued three decisions June 7, transferring the domains rckstargames.com, rockstar-gamess.com and rocktstargames.com from registrants in China.

Take-Two, represented by Kelley Drye & Warren LLP, had filed three complaints with WIPO in April.

It accused the registrants of "typosquatting," a form of cybersquatting in which someone registers a domain that appears to be a typo of a legitimate trademark in an attempt to attract internet users looking for goods or services associated with that mark.

Kar Liang Soh, the sole panelist WIPO appointed to resolve each of the disputes, honored Take-Two's request to conduct the proceedings in English even though the default language was Chinese, the language of the three domain registration agreements.

TAKE-TWO TAKES 3 WITH LINKS TO COMPETITORS

Take-Two is one of the most successful video game companies in the world. Rockstar Games is one of its most popular subsidiaries.

In addition to "Grand Theft Auto," Rockstar Games has produced such games as "L.A. Noire" and "Red Dead," which can be

purchased for PlayStation 3 and Xbox 360 or played interactively at various online sites.

Take-Two has registered numerous "Rockstar Games" trademarks with the U.S. Patent and Trademark Office and in China, with its oldest registration for that mark dating back to 2001.

WIPO panelist Soh acknowledged that the marks were "sufficiently well-known" for the video game company to advance its claims to transfer the domains, which were registered in January, July and September 2020.

He found the disputed domain names confusingly similar to the "Rockstar Games" trademarks and indicative of bad-faith registrations, as the registrants appeared to be intentionally creating a likelihood of confusion with the slight differences in spelling.

According to the decision, the websites at the disputed domains included links with titles such as "Gaming Games Online," some of which included the initialization "GTA," short for "Grand Theft Auto."

Take-Two had complained that the links resolved to "computer/video gaming websites operated by its competitors."

Finding "sufficient indicators on the face of these links that are representative of a purpose of commercial gain," Soh said each of the domains had been used in bad faith and ordered them transferred to Take-Two.

WJ

Related Filings:

Decision (rckstargames.com): 2021 WL 2415090
Decision (rockstargamess.com): 2021 WL 2415085
Decision (rocktstargames.com): 2021 WL 2415084

Trade secret protections extend to energy agency's bid analysis, judges rule

By Josh Numainville

A Connecticut environmental agency need not disclose the market simulation model it used to evaluate bids for providing affordable clean energy to residents, a state appeals panel has ruled.

Allco Renewable Energy Ltd. et al. v. Freedom of Information Commission et al., No. AC-42992, 2021 WL 2303063 (Conn. App. Ct. June 8, 2021).

In an opinion issued June 8, the Appellate Court of Connecticut rejected solar development company Allco Renewable Energy Ltd.'s argument that the agency had to disclose the model under the state's Freedom of Information Act.

CLEAN ENERGY BIDS

In 2015, the Connecticut Department of Energy and Environmental Protection requested bids from electric distribution companies on the cost of offering large-scale clean energy to state residents.

The department hired Levitan & Associates Inc. to apply a market simulation model to evaluate the cost and benefits of all bids, according to the appellate court's opinion.

The state agency told bidders it would publicly disclose some information in its final determination but would take reasonable steps to protect confidential information, the appeals court said.

After six other companies received long-term energy contracts, Allco asked the department to disclose the Levitan model under Conn. Gen. Stat. Ann. § 1-210, which governs access to public records.

The department denied Allco's request in 2017, saying the act's trade secret exception

under Section 1-210(b)(5)(A) applied to the model because it derives economic value from nondisclosure and the agency took reasonable steps to protect its secrecy.

The Connecticut Freedom of Information Commission and the state Superior Court both upheld the department's determination on appeal.

Allco asked the Appellate Court of Connecticut to reverse the Superior Court's decision, arguing that the trade secret exception did not apply because the department is a public agency that does not engage in trade and it did not take reasonable efforts to keep the model confidential.

PROTECTING THE PUBLIC INTEREST?

Writing for the court, Judge Nina F. Elgo said the Superior Court properly concluded that the act's trade secret exception extended to the model.

Although the department has no direct competitors, it engaged in commerce by seeking bids for clean energy services as part of its statutory duty to provide value to energy ratepayers, the court said, citing *Town & Country House & Homes Service Inc. v. Evans*, 189 A.2d 390 (Conn. 1963).

"If acting as a regulator could never constitute trade, then it would eviscerate the ability of a public agency to raise the trade secret exemption when necessitated by the public interest," the court said.

Substantial evidence also supported the lower court's finding that the model derived its value from secrecy, according to the appellate court.

Disclosure would expose sensitive details about pricing and the department's analysis that could affect the future affordability of clean energy for ratepayers in a highly competitive market, the court said.

The department also took reasonable steps to protect the model by requiring Levitan and members of the bid evaluation team to sign agreements minimizing disclosure to outside parties, according to the court.

Assistant Connecticut Attorney General Robert Snook represented the department. Michael Melone represented Allco. [WJ](#)

Attorneys:

Plaintiffs-appellants: Michael Melone and Thomas Melone, Allco Renewable Energy Ltd., New York, NY

Freedom of Information Commission: Paula S. Pearlman, Freedom of Information Commission, Hartford, CT

Connecticut Department of Energy and Environmental Protection: William Tong, Robert Snook and Clare Kindall, Connecticut Office of the Attorney General, Hartford, CT

Related Filings:

Opinion: 2021 WL 2303063

Defendants-appellees' brief: 2020 WL 7756281

Plaintiffs-appellants' brief: 2020 WL 7756280

Superior Court opinion: 2019 WL 1875508

Pizza parlor must eat costs of infringement suit, insurer says

By Jason Schossler

AMCO Insurance Co. is urging a Chicago federal court to rule it has no duty to defend an Illinois pizza parlor embroiled in a trademark infringement dispute with the owners of a chain of franchised restaurants.

AMCO Insurance Co. v. Ledo's Inc. et al., No. 21-cv-2972, complaint filed, 2021 WL 2287788 (N.D. Ill. June 3, 2021).

The insurer filed a declaratory judgment complaint June 3 in the U.S. District Court for the Northern District of Illinois, saying Ledo's Pizza is not entitled to defense or indemnity because its insurance policies expressly exclude coverage for damages arising out of the infringement of any trademark.

INFRINGEMENT CLAIMS

Ledo's Pizza is a named defendant in a lawsuit filed last December in the same court by Ledo Pizza Systems Inc. and Ledo Pizza Carryouts Inc. *Ledo Pizza Sys. Inc. v. Ledo's Inc.*, No. 20-cv-7350, *complaint filed* (N.D. Ill. Dec. 11, 2020).

According to the suit, the underlying plaintiffs operate a chain of more than 100 franchised restaurants throughout the mid-Atlantic and southeastern United States.

The suit says Ledo's Pizza violated the underlying plaintiffs' intellectual property rights by using their registered mark, "Ledo Pizza," in the sale of pizza, Italian dishes and sandwiches in the Cook County, Illinois, region.

Ledo's Pizza also uses the infringing mark in its advertising and on its website and domain name, according to the suit.

The underlying plaintiffs demanded that Ledo's Pizza cease its use of the mark in September 2020, but Ledo's Pizza has not complied, the suit says.

The three-count complaint alleges the mark's unauthorized use by Ledo's Pizza constitutes unfair competition, trademark infringement and false designation of origin under Illinois law and the federal Lanham Act, 15 U.S.C.A. §§ 1051-1127.

The suit seeks preliminary and permanent injunctions barring Ledo's Pizza from using the protected mark or any of its derivations, plus unspecified monetary damages.

DECLARATORY RELIEF SOUGHT

According to AMCO, Ledo's Pizza tendered the underlying suit for defense and indemnification under commercial general liability and commercial umbrella liability policies issued by the insurer.

AMCO did not accept the tender and is now asking the court to declare it has no obligation to pick up the pizza shop's legal costs because the suit does not allege bodily injuries or property damage caused by an "occurrence" as defined in the policies.

Coverage also is precluded by a policy exclusion for personal and advertising injuries arising out of the "infringement of copyright, patent, trademark, trade secret



REUTERS/Paulo Whitaker

and other intellectual property rights," according to AMCO, which is represented by Meagher & Geer.

Other exclusions apply to bar coverage, including one for the "unauthorized use of another's name or product in your email address, domain name or metatag, or any other similar tactics to mislead another's potential customers," the complaint says.

AMCO also alleges it is off the hook for any allegations involving "knowing violation of rights of another." [WJ](#)

Attorneys:

Plaintiff: Kurt Zitzer and Matthew R. Bloom, Meagher & Geer PLLP, Chicago, IL

Related Filings:

Complaint: 2021 WL 2287788

actually make a difference in the outcome," he said.



Finnegan's Jason Romrell said "it is likely that the PTO will soon issue guidance as to how this discretionary review process will be implemented."

The Supreme Court's June 21 decision fixed a problem the U.S. Court of Appeals for the



"The USPTO will swiftly move to create a process to enable parties to petition the director to hear appeals to APJ rulings," BakerHostetler attorney Jennifer Kurcz said.

Federal Circuit recognized in *Arthrex Inc. v. Smith & Nephew Inc.*, 941 F.3d 1320 (Fed. Cir.

2019): that the appointment of APJs with the authority to make unreviewable decisions violated the U.S. Constitution's appointments clause, U.S. Const., art. II, § 2, cl. 2.

Since Congress created the Patent Trial and Appeal Board with the enactment of the 2011 Leahy-Smith America Invents Act, or AIA, APJs have been appointed by the secretary of commerce with input from the USPTO's director, unlike Article III judges who must be appointed by the president with Senate confirmation.

APJs, as adjudicators on the PTAB, issue inter partes review decisions, which the Supreme Court said the PTO director now has the discretion to review.



Dorsey & Whitney attorney Case Collard said the PTO director's new role "could inject an element of politics that had previously been absent."

Jennifer Kurcz, who leads BakerHostetler's Chicago IP team and was also not involved in the dispute, explained the reasoning behind the Supreme Court's decision.

"The *Arthrex* majority reasoned that APJs are inferior officers, yet the power to make final decisions that are not reviewed by a principal officer exceeds the constitutional authority provided to inferior officers under the appointments clause," she said.

Kurcz added that, to cure the apparent "constitutional defect," the high court "divested APJs of final authority over decisions while providing that power to the director."

"It is expected that the USPTO will swiftly move to create a process to enable parties to



Hall Estill attorney T.J. Mantooth said the Supreme Court's decision "redefines how patent validity can be determined in an IPR."

petition the director to hear appeals to APJ rulings," she said.

THE DECISION 'ADDS A NEW WRINKLE'

Other attorneys who were not involved in the dispute offered their predictions.



"It is unlikely that the director will reverse a three-judge panel's determination too often," Axinn, Veltrop & Harkrider LLP's Aziz Burgy said.

Case Collard, an IP attorney at Dorsey & Whitney, said, "This limited remedy preserves the IPR process as we know it, but adds a

new wrinkle, allowing APJ decisions to be reviewed by the director prior to appeal to the Federal Circuit.”

“Patent challengers will be pleased with the result that keeps the PTAB’s IPR process in their toolbox,” he said. “There is some concern that by allowing a political appointee to oversee the decisions, it could inject an element of politics that had previously been absent.”

In fact, several inventors and technology groups submitted amicus briefs to the Supreme Court in 2020, arguing for the system to be overhauled and made more political to make APJs more “accountable.”

T.J. Mantooth, an IP attorney at Hall Estill, said the Supreme Court’s decision curbs the

APJs’ authority and “redefines how patent validity can be determined in an IPR.”

At the same time, the Supreme Court skirted the issue of “curing potential IPR abuse,” he said. “By allowing general overview to the USPTO director, the Supreme Court maintains the status quo of patent IPRs.”

Aziz Burgy, patent attorney at Axinn, Veltrop & Harkrider LLP, said the change will be minimal from a practical perspective.

“It is unlikely that the director will reverse a three-judge panel’s determination too often,” he said. “PTAB panels consist of seasoned patent practitioners that will have carefully applied the law to the facts of the case.”

“Stakeholders should also take comfort that despite the director’s vast discretionary

power, the Federal Circuit will continue to serve as an appellate backstop for these IPR decisions,” Burgy said. **WJ**

Attorneys:

U.S. government: Malcolm L. Stewart, Deputy Solicitor General, Department of Justice, Washington, DC

Arthrex Inc.: Jeffrey A. Lamken, MoloLamken LLP, Washington, DC

Smith & Nephew: Mark A. Perry, Gibson, Dunn & Crutcher LLP, Washington, DC

Related Filings:

Opinion: 2021 WL 2519433

Respondent’s brief: 2020 WL 4352704

Certiorari petition: 2020 WL 3545866

Federal Circuit opinion: 941 F.3d 1320

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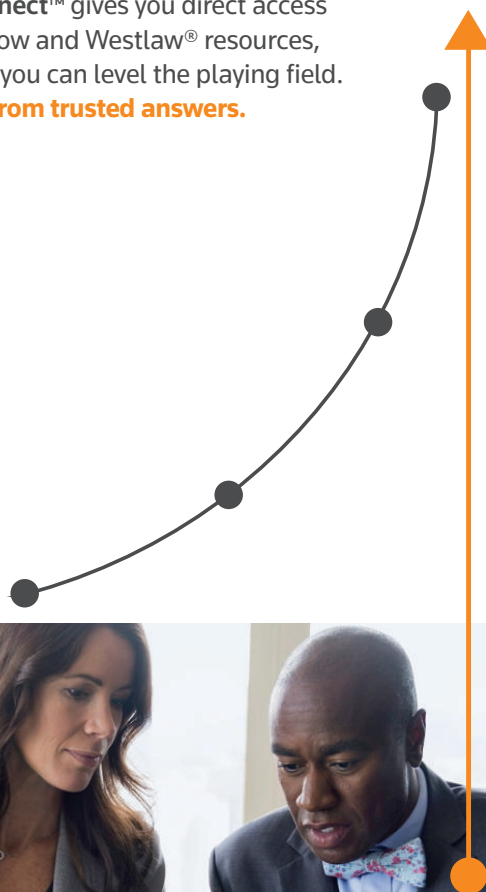
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ULTRATEC

2021 WL 2370241 (U.S.) (Appellate Petition, Motion and Filing)
Supreme Court of the United States.

ULTRATEC, INC., Petitioner,
v.
CAPTIONCALL, LLC and the Director of the U.S. Patent and Trademark Office, Respondents.

No. 20-1700.
June 4, 2021.

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

Petition for Writ of Certiorari

Donald K. Schott, Counsel of Record, Kristin Graham Noel Martha Jahn Snyder Anita Marie Boor Quarles & Brady LLP, 33 East Main Street, Suite 900, Madison, WI 53703, (608) 251-5000, donald.schott@quarles.com, Counsel for Petitioner.

*iQUESTIONS PRESENTED

In these related cases, the Federal Circuit summarily affirmed nine separate final written decisions of the Patent Trial and Appeal Board. On inter partes review, the Board collectively found unpatentable claims of eight patents, each of which was duly issued prior to the availability of the statutorily-created inter partes review procedure. These decisions directly conflict with, and now put in jeopardy, the verdict of a federal jury that found the patents valid and infringed six years prior, assessing over \$44 million in past damages alone. The Federal Circuit did not issue an opinion in any of the appeals, even though the underlying decisions rested on a claim construction standard that was indisputably incorrect. The questions presented are as follows:

1. Does retroactive application of the inter partes review process violate the Due Process Clause of the Fifth Amendment to the United States Constitution?
2. Does the use of Federal Circuit Rule 36 to summarily affirm decisions from the Patent Trial and Appeal Board “without opinion” violate 35 U.S.C. § 144, which provides that the Federal Circuit “shall issue ... its mandate and opinion” upon its determination of appeals arising from the Patent and Trademark Office?

*iiPARTIES TO THE PROCEEDING

Petitioner, Patent Owner-Appellant below, is Ultratec, Inc.

Respondent, Petitioner-Appellee below, is Caption-Call, LLC.

Respondent, the Director of the U.S. Patent and Trademark Office, was an intervenor in the Federal Circuit. At that time, the Director was Andrei Iancu. Petitioner understands that the acting Director is Drew Hirshfeld. *See* S. Ct. R. 35.3, 35.4.

CORPORATE DISCLOSURE STATEMENT

Petitioner is a privately held corporation. No publicly-held entity owns 10% or more of its stock.

STATEMENT OF RELATED PROCEEDINGS

- This petition is taken from three judgments of the Federal Circuit in nine related appeals, consolidated as follows:
- *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 19-1998, -1999, -2001, - 2002 (Fed. Cir.), judgment entered October 14, 2020 and order denying rehearing and rehearing en banc entered January 5, 2021;
 - *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 19-2000, -2005, -2006 (Fed. Cir.), judgment entered October 14, 2020 and order denying rehearing and rehearing en banc entered January 5, 2021; and
 - ***iii** • *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 19-2003, -2004 (Fed. Cir.), judgment entered October 14, 2020 and order denying rehearing and rehearing en banc entered January 5, 2021.

- Each of the nine Federal Circuit appeals arose from a final written decision of the Patent Trial and Appeal Board on inter parties review, as follows:
- *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00540 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00541 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00542 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00543 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - ***iv** *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00544 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00545 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00549 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019;
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2013-00550 (P.T.A.B.), final written decision entered March 3, 2015, decision denying rehearing entered December 1, 2015, and order on remand entered April 10, 2019; and
 - *CaptionCall, LLC v. Ultratec, Inc.* IPR2014-00780 (P.T.A.B.), final written decision entered December 1, 2015, decision denying rehearing entered May 19, 2016, and order on remand entered April 10, 2019.

- Prior appeals to the Federal Circuit from these agency proceedings were consolidated as follows:
- ***v** • *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 16-1706, -1707, -1710, 1712 (Fed. Cir.), judgment entered August 28, 2017;
 - *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 16-1708, -1709, -1715 (Fed. Cir.), judgment entered August 28, 2017; and
 - *Ultratec, Inc. v. CaptionCall, LLC*, Case Nos. 16-1713, -2366 (Fed. Cir.), judgment entered August 28, 2017.

There are no other proceedings directly related to this case within the meaning of Supreme Court Rule 14. 1(b)(iii).

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***10PINIONS BELOW**

The Federal Circuit’s opinions below are (1) reported at 872 F.3d 1267 (Fed. Cir. 2017) and (2) unreported (App. 1-6). The Patent Trial and Appeal Board’s final written decisions, decisions denying rehearing, and orders on remand are unreported.¹

STATEMENT OF JURISDICTION

The Federal Circuit issued its judgments on October 14, 2020 and issued orders denying rehearing and rehearing en banc on January 5, 2021. On March 19, 2020, this Court extended the deadline to file any petition for a writ of certiorari to 150 days from the date of the order denying a timely petition for rehearing. This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL PROVISIONS AND STATUTES INVOLVED

The Due Process Clause of the Fifth Amendment to the U.S. Constitution provides, in pertinent part, that:

***2** No person shall be ... deprived of life, liberty, or property, without due process of law ...

U.S. Const. amend. V.

35 U.S.C. § 144 provides:

The United States Court of Appeals for the Federal Circuit shall review the decision from which an appeal is taken on the record before the Patent and Trademark Office. Upon its determination the court shall issue to the Director its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case.

35 U.S.C. § 144.

Federal Circuit Rule 36(a) provides:

Judgment of Affirmance Without Opinion. The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:

(1) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;

(2) the evidence supporting the jury's verdict is sufficient;

(3) the record supports summary judgment, directed verdict, or judgment on the pleadings;

***3** (4) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or

(5) a judgment or decision has been entered without an error of law.

Fed. Cir. R. 36(a).

These provisions are included in the appendix submitted herewith, along with the other statutes cited herein.

PETITION FOR A WRIT OF CERTIORARI STATEMENT OF THE CASE

In 2011, Congress passed the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); *see also* 35 U.S.C. § 100 *et seq.* (the "AIA"), which introduced numerous substantive changes to the patent system. The AIA established a process called inter partes review ("IPR"), under which the Patent and Trademark Office ("PTO") is authorized to reconsider and cancel an issued patent claim on the grounds that it was anticipated or rendered obvious by prior art by mere preponderance of the evidence. 35 U.S.C. §§ 311(b), 316(e). The AIA also created a new tribunal, the Patent Trial and Appeal Board ("Board"), to conduct IPR. *Id.*, §§ 6, 316(c).

The AIA did not limit IPR to patents issued after its enactment, or even the date IPR went into effect-September ***4** 16, 2012. Pub. L. No. 112-29, § 35, 125 Stat. 284, 341 (2011). Rather, it extended IPR to patents issued long before, eviscerating the rights vested in those patents, including their presumptive validity in adjudicative proceedings, which allows for invalidation only by clear and convincing evidence.

In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), this Court held that IPR, generally, does not violate Article III or the Seventh Amendment. However, the Court reserved opinion on whether retroactive application of IPR violates the Due Process Clause. *Id.* at 1379. The Court should grant certiorari to address that issue now.

Further exacerbating the problem with retroactive application of the AIA is the fact that the Federal Circuit routinely relies on its Rule 36 to summarily affirm PTO decisions without written opinion.

35 U.S.C. § 144 provides that the Federal Circuit shall review PTO decisions and "[u]pon its determination ... shall issue to the Director its mandate and opinion"

Yet the Federal Circuit has disposed of nearly half of all PTO appeals in recent years without opinion. This Court should grant certiorari to address whether Rule 36 violates 35 U.S.C. § 144 when used in this manner.

***5A. Petitioner, Ultratec, Inc., Invents the Captioned Telephone and Captioned Telephone Service**

Over twenty years ago, Ultratec revolutionized telecommunications for the deaf and hard-of-hearing by inventing the first captioned telephone and captioned telephone service (R.48:3192-3194; R.48:3249). A captioned telephone allows a hard-of-hearing caller to use whatever residual hearing she has to listen to the voice of the other caller, while also viewing text captions of the other caller's words generated via captioned telephone service. (R.48:595, 6:36-46; R.48:572, 3:13-25; R.48:579, 3:13-25; R.48:594, 3:20-36; R.48:603, 3:20-50; R.48:606, 9:3-13). Ultratec's commercial service, CapTel, utilizes its patented "revoicing" to create captions, whereby assistants restate each word of the hearing caller into voice recognition software specially trained to the voice of each assistant. (R.48:3156; R.48:3193-3194; R.48:3252).

Prior to CapTel, hard-of-hearing individuals relied on traditional relay service, which inserted a typing intermediary between the hearing and hard-of-hearing users. (R.48:3188-3189; R.48:3247-3249; R.48:571, 1:52-65; R.48:578, 1:51-65; R.48:593, 1:61-2:17; R.48:602, 1:54-67; R.48:3247-3248; R.48:3197-3198; R.48:3263). Because intermediaries could type approximately 40-60 words per minute, traditional relays were far slower than the normal rate of speech (approximately 200 words per minute). (R.48:3197; R.48:3248). Traditional relays were also only 90% accurate. (R.48:3203-3204).

***6** With traditional relay, the hard-of-hearing user received only text of the conversation, meaning he could not use residual hearing if even to discern emotion and tone. (R.48:3208; R.48:3262-3264). Further, users had to dial the relay before connecting to the other caller. (R.48:3219).

For these reasons, traditional relays were regarded as "slow and indirect," "cumbersome, inefficient, and a poor alternative." (R.48:3209, R.48:3213). Hard-of-hearing persons who utilized traditional relay service experienced shortened calls or hang-ups as hearing users became frustrated with the long delays. (R.48:3196-3197; R.48:3209). The embarrassment of feeling like a burden on hearing users often lead hard-of-hearing persons to cease using the phone altogether. (R.48:3187-3189).

Ultratec's inventions, including revoicing, tackled these issues, resulting in a service-captioned telephone service-that provided captions at 150-250 words per minute with accuracy exceeding 98%. (R.48:3197-3198; R.48:3156; R.48:3203-3204). With captioned telephone service, hard-of-hearing and hearing users also could speak directly to one another, without interruption from the assistant. (R.48:3216-3217).

Having expended significant time and resources to develop the many innovations that led to captioned telephone service, Ultratec turned to the patent system. Ultratec disclosed its inventions to the public through its patent applications beginning in 1997 (R.48:575) and was granted numerous patents on its technologies, ***7** including those at-issue in the proceedings below. All eight of these patents were applied for years prior to the enactment of the AIA; all but one issued prior to the enactment of the AIA; and all issued prior the availability of IPR. (R.48:575, 568, 598, 583; Case No. 2000, R.48:327, 338, 348; Case No. 2003, R.46:253). Thus, Ultratec upheld its end of the trade-off inherent in the patent system well before the AIA was enacted; it disclosed its inventions to the public with the expectation that it would receive an exclusive, albeit temporary, right to enforce under the laws existing at the time.

Ultratec relied on its issued patents, partnering with telecommunications providers, like Sprint, and state administrators all across the country to bring its CapTel-branded captioned telephone service into the homes of thousands of hard-of-hearing individuals. (See R.48:3217-3221; R.48:3271; R.48:3203-3204). Cap-Tel was tremendously commercially successful (R.48:3161-3168), and has been heralded by the hard-of-hearing community as "life-changing" and "a gift and blessing" as it allowed the hard-of-hearing to regain their independence. (R.48:3214; R.48:3211).

B. Respondent, CaptionCall, LLC, and the District Court Litigation

Years after CapTel's launch, CaptionCall entered the market with captioned telephones and service that knocked off CapTel and infringed Ultratec's patents. On May 17, 2013, Ultratec and CapTel sued ***8** CaptionCall and its parent company, Sorenson, asserting the eight Ultratec patents-at-issue here. *Ultratec, Inc. v Sorenson Commc'ns Inc.*, No. 3:13-cv-00346, Dkt. 1 (W.D. Wis. May 17, 2013).

After sitting for a two-week trial in October 2014, hearing the story of Ultratec's innovations, and assessing the credibility of the parties' live witnesses, a jury found that CaptionCall infringed Ultratec's patents and that the asserted claims were not invalid. (App. 114-117). The jury awarded Ultratec \$44.1 million for past damages. (App. 118). Months later, the court stayed post-trial proceedings

pending the outcome of appeals of the IPRs at-issue here. *Ultratec*, No. 3:13-cv-00346, Dkt. 876 (May 13, 2015). Ultratec petitioned the Federal Circuit to overturn the stay, but was denied. *Ultratec, Inc. v. CaptionCall, LLC*, 611 F. App'x 720 (Fed. Cir. 2015). The stay has been in place for over six years.

C. The IPR Proceedings and Federal Circuit Decisions

Months after Ultratec filed suit-and less than a year after IPR became available-CaptionCall petitioned the Board to review Ultratec's claims.² On March 3 and December 1, 2015, the Board issued final *9 written decisions finding all challenged claims unpatentable.³

Ultratec first appealed in March 2016, raising Constitutional challenges to the IPR process. (*E.g.*, Case No. 16-1713, R.62:63-66). Ultratec also appealed the flawed and changing claim constructions and improper treatment of evidence. (*E.g.*, Case No. 16-1708, R.63:48-76). In addition, Ultratec raised problems with the Board's unfair operating procedures and propensity to act as an advocate instead of an impartial tribunal. (*E.g.*, Case No. 16-1713, R.62:31-36). For example, the Board would not receive, much less consider, conflicting trial court testimony from CaptionCall's expert witness, or make a written record of that decision. (*Id.*). Similarly, in all but one of the proceedings, the Board disregarded CapTel's objective indicia of nonobviousness, rejecting undisputed evidence that CapTel "embodied" the patented inventions. (*E.g.*, *id.* at 39-45). In the one proceeding the Board claimed to consider the objective indicia, it relied on an unfounded theory that much of CapTel's commercial success was attributable to another type of service-an argument that was factually inaccurate and not even advanced by CaptionCall. (*Id.* at 50-52).

On August 28, 2017, the Federal Circuit vacated the decisions, holding the Board abused its discretion in refusing, without analysis or explanation, to admit *10 and consider the trial court testimony from Caption-Call's expert. *Ultratec, Inc. v. CaptionCall, LLC*, 872 F.3d 1267, 1275 (Fed. Cir. 2017). The court remanded and ordered the Board to admit and consider the testimony and its potential impact. *Id.* It did not address Ultratec's other appellate issues at the time. *Id.*

After the Federal Circuit issued its opinion, the patents-at-issue expired. This was significant because, under the Federal Circuit's jurisprudence, the proper claim construction standard changes upon expiration of the patents from the "broadest reasonable interpretation" standard to the stricter *Phillips* standard. *Apple Inc. v. Andrea Elecs. Corp.*, 949 F.3d 697, 707 (Fed. Cir. 2020) ("When this court reviews the claim construction of a patent claim term in an IPR appeal after the patent has expired, such as in this case, we apply the standard established in *Phillips*, not the 'broadest reasonable interpretation.' ").

On remand, Ultratec informed the Board that the patents had expired, explained how that changed the claim construction standard, and asked to submit briefing. (R.48:4335-4336, 15:6-16:20). The Board denied that request. (R.48:16-20; R.48:62-65).

On April 10, 2019, the Board issued a decision concluding CaptionCall's expert's trial testimony was not inconsistent with his IPR testimony. (R.48:54). The Board did not re-construe any claim terms and simply re-issued its decisions as modified on remand, even where doing so relied on its original broadest *11 reasonable interpretation constructions. (*Id.*; R.48:21-22 n.4; R.48:50-51).

Ultratec appealed, re-raising those errors left undecided from the first appeal and raising the newly presented issue of the changed claim construction standard. (*E.g.*, R.38:27-34). The PTO intervened on the latter issue and constitutionality.

The Federal Circuit heard argument in all of the appeals on October 9, 2020. During argument, Judge Moore expressed "surprise" and even that she was "troubled" that the PTO suggested the court apply broadest reasonable interpretation since it is a "well settled" rule that it must apply *Phillips* to expired patents. (App. 151-152). Yet a mere five days later, the court summarily affirmed the Board's orders, which were undeniably premised on broadest reasonable interpretation constructions. Ultratec filed consolidated petitions for rehearing and rehearing en banc, which were denied. (App. 87-92).

REASONS FOR GRANTING THE WRIT

I. The Court should address the question deferred in *Oil States-whether* retroactive application of IPR violates the Due Process Clause-because the statute deprives patent owners of their earlier-vested rights.

Through no small effort, Ultratec invented an entirely new mode of communication, dubbed captioned telephone service. *Supra* at 5-7. Before Ultratec and its *12 CapTel-branded service, this mode of communication did not exist.

After expending considerable time and resources on developing CapTel's ground-breaking innovations, Ultratec turned to the patent system. *Id.* at 6-7. It applied to patent its inventions with the PTO and succeeded in obtaining numerous patents, including those at-issue here. *Id.*

These patents were granted to Ultratec under the Patent Act in force at that time. Thus, the substantive terms of that statute defined the rights associated with the patents, including their presumptive validity and the corresponding clear and convincing evidence standard required to invalidate them in any adjudicative proceeding, and the right to amend them in a back-and-forth process in any administrative review. *Infra* at 17.

Ultratec's rights were set when the patents were granted, and Ultratec relied upon them. Then, Congress passed the AIA, which diminished Ultratec's rights. In particular, the AIA created a new process-IPR-that allowed the patents to be invalidated in an adjudicative proceeding under a lesser standard, 35 U.S.C. §§ 6, 311, 316(e), effectively eviscerating the patents' presumptive validity,⁴ and that prevented Ultratec from amending its claims by right.

***13** These deprivations are not merely hypothetical; they are concretely illustrated by the drastically different outcomes between the underlying IPRs and the parallel first-filed federal court litigation against CaptionCall. When afforded the presumption of validity, the patents survived challenge and formed the basis of a \$44 million jury verdict, but when subject to the lesser standard in IPR, the patents were found "unpatentable." *Supra* at 8.

Because subjecting Ultratec's patents to IPR diminished Ultratec's vested property rights, this retroactive provision of the AIA violates the Due Process Clause. The Court reserved opinion on this issue in *Oil States*, but the time has come to settle it. Doing so will prevent further harm to patent owners of earliergranted patents and also presents the Court an opportunity to clarify its jurisprudence.

a. The Due Process Clause protects against changes in the law that violate vested rights associated with patent grants.

The Due Process Clause protects settled interests from backwards-reaching changes in the law. *Landgraf v. USIFilm Prod.*, 511 U.S. 244, 266 (1994). Thus, this Court applies a presumption against statutory changes that compromise vested property rights because they are "matters in which predictability and ***14** stability are of prime importance." *Id.* at 271 & n.25 (collecting cases).

Patents are property entitled to protection under the Due Process Clause. *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 609, 612 (1898) (teaching that, upon issuance, a patent "has become the property of the patentee, and as such is entitled to the same legal protection as other property"; later warning against depriving a patent holder "of his property without due process of law").

Oil States distinguished portions of *McCormick*- particularly that "[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent"-on the basis that *McCormick* was interpreting a different version of the Patent Act. *Oil States*, 138 S. Ct. at 1375-1376. But it did not overrule *McCormick*'s basic premise: patents are property, and patent property rights are protected by the Due Process Clause, *see id.* at 1379.

That underlying premise is found in the Patent Act itself: "Subject to the provisions of this title, patents shall have the attributes of personal property." 35 U.S.C. § 261. That provision was in place at the time Ultratec's pre-AIA patents issued, in a version of the Patent Act that did not include IPRs. *See* Pub. L. No. 97-247, § 14(b), 96 Stat. 321 (1982). This provision mimics the judiciary's historical treatment of patents. *Evans v. Jordan*, 8 F. Cas. 872, 873 (C.C.D. Va. 1813)***15** (Marshall, C.J.) ("The constitution and law, taken together, give to the inventor, from the moment of invention, an inchoate property therein, which is completed by suing out a patent. This inchoate right is exclusive. It can be invaded or impaired by no person."), *aff'd*, 13 U.S. 199 (1815); *Hovey v. Henry*, 12 F. Cas. 603, 604 (C.C.D. Mass. 1846) ("An inventor holds a property in his invention by as good a title as the farmer holds his farm and flock.").

The corollary-that patents are protected by the Due Process Clause-is also supported by historical jurisprudence. Since the nation's founding, this Court has afforded patents constitutional protections. *McCormick*, 169 U.S. at 612; *see also Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (patents "are surely included within the 'property' of which no person may be deprived by a State without due process of law"); *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345 (1928) (construing change in statute to avoid "serious question as to the constitutionality of the act of 1918 under the Fifth Amendment of

the Federal Constitution"); *James v. Campbell*, 104 U.S. 356, 358 (1881) (patent grant "an exclusive property" that cannot be used or appropriated by the government without just compensation).

Because patents are property protected by the Due Process Clause, substantive rights vested in a patent and its owner's settled expectations cannot be violated by subsequent changes in the law. *McClurg v. Kingsland*, 42 U.S. 202, 206 (1843) (repeal in the law "can *16 have no effect to impair the right of property then existing in a patentee, or his assignee, according to the well-established principles of this court"); see also *Choate v. Trapp*, 224 U.S. 665, 674 (1912) (vested rights in tax exemptions conferred with land patents could not be abrogated by statute). Vested property rights are those that are defined by the statute under which the property is granted. *Ward v. Bd. of Cty. Comm'rs of Love Cty., Okla.*, 253 U.S. 17, 20-21 (1920) ("vested property right[s] aris[e] out of a law of Congress"). They are constitutionally protected and cannot be impaired by statute. *Id.*

Choate v. Trapp and cases following it are instructive. In *Choate*, members of two Native American tribes were each granted a patent to a parcel of land by federal statute. 224 U.S. at 667. The statute restricted sale of the land and exempted it from taxes for a specified period. *Id.* Before the period expired, Congress passed another statute removing restrictions on sale of certain parcels and subjecting those parcels to taxation. *Id.* at 670. The Court held the imposition of taxes on the parcels unconstitutional, reasoning that, once the members received their land patents, "they were vested with all the right conveyed by the patent ... [,]" which included the tax exemption. *Id.* at 672. Because the rights were vested, Congress could not constitutionally deprive the members of them. *Id.* at 674 (citing Fifth Amendment). In the words of this Court, because the exemption was "a vested property right[, it] could not be abrogated by statute." *Id.*; see also *Ward*, 253 U.S. at 20 ("exemption was a vested property *17 right which Congress could not repeal consistently with the Fifth Amendment").

Vested property rights are not unique to land grants; as explained above, they arise out of the substantive terms associated with any statutorily granted property. *Ward*, 253 U.S. at 20-21. In the patent context, the Patent Act defines the substantive terms under which a patent is granted, giving rise to vested rights protected from subsequent changes in the law. *McClurg*, 42 U.S. at 206.

When Ultratec's patents were granted, the Patent Act then in effect provided a number of substantive terms giving rise to vested rights—none of which were encumbered by the IPR. See *Oil States*, 138 S. Ct. at 1376 (patent rights depend on version of the Patent Act in effect). For example, Ultratec's patents were imbued with a presumption of validity. (App. 100-103 (citing current and previous versions of 35 U.S.C. § 282)). Consistent with this presumption, they could not be invalidated in any adjudicative proceeding without clear and convincing evidence. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 102 (2011). These provisions are not mere procedural considerations; they are rules of substantive law. *Medtronic, Inc. v. Mirowski Fam. Ventures, LLC*, 571 U.S. 191, 199 (2014) (citing *Garrett v. Moore-McCormack Co.*, 317 U.S. 239, 249 (1942)). Moreover, the patent-review regime at the time—reexamination—provided a robust "iterative amendment process" through which Ultratec had the right to amend its patent claims in a back-and-forth with the *18 examiner. *Cuozzo*, 793 F.3d at 1287-1288 (Newman, J., dissenting).

In sum, when Ultratec's patents were granted, it had settled expectations that it could rely on their statutorily provided presumptive validity and the corresponding heightened standard of proof for any adjudicative proceeding, the robust amendment process of reexamination, and all of the other substantive terms under which those patents were granted. Under this Court's jurisprudence, these vested rights were entitled to the protections of the Due Process Clause.

b. IPR unconstitutionally upset Ultratec's settled expectations.

The AIA fundamentally changed the patent system when it introduced IPRs, an adjudicative process that allowed patent challengers to skirt the substantive terms of preexisting patent grants. These new proceedings were—by design—unlike the prior patent review scheme in that they were adjudicative in nature with full participation from the patent challenger. See H.R. Rep. No. 112-98, pt. 1, at 46-48 (2011), 2011 U.S.C.C.A.N. 67, 75, 77-79.

These changes violated the vested rights that patent owners, like Ultratec, held in their preexisting patents. In particular, the AIA retroactively abrogated the presumptive validity of all preexisting patents by allowing patent challengers to invalidate them via IPR based on mere preponderance of the evidence. 35 U.S.C. § 316(e). While the AIA did not expressly revoke *19 the presumption of validity, its imposition of a lower standard to invalidate them in an adjudicative proceeding is the functional equivalent. See *Microsoft*, 564 U.S. at 102 (clear and convincing evidence standard of proof coterminous with presumption of validity).

In addition, when Ultratec's IPRs were instituted, the PTO imposed the broadest reasonable interpretation standard to construe patent claims,⁵ but did not pair this broad standard with any meaningful method to amend the claims. At that time, patent owners were deprived of any *right* to amend their claims; instead, they had to request leave to amend by motion. *Cuozzo*, 793 F.3d at 1287 (Newman, J., dissenting). Patent owners were limited to one motion and could not file that motion until conferring with the Board, were presumptively limited to substituting one issued claim for one amended claim, *id.*, 37 C.F.R. § 42.221 (May 19, 2015), and were assigned the burden of showing their amended claims were not invalid (a standard later ***20** changed).⁶ Motions were rarely granted,⁷ making the process practically "illusory." *Id.*

These deprivations were exacerbated by the PTO's rules restricting patent owners' meaningful participation. While the PTO has recently attempted to make some reforms,⁸ at the time the underlying IPRs were decided, the PTO significantly restricted the amount and type of discovery allowed. 37 C.F.R. §§ 42.51(b) & 42.52 (May 19, 2015), imposed strict limits on briefing, 37 C.F.R. §§ 42.24 & 42.63 (May 19, 2015), refused to take live testimony as a matter of course, ***2177** Fed. Reg. 48762, 48768 (Aug. 14, 2012), and discouraged the use of sensitive business information by generally making all evidence public, 77 Fed. Reg. 48760-48761 (Aug. 14, 2012).

All of these problems are compounded by the Federal Circuit's limited, one-sided, and opaque review of IPRs. Decisions to institute IPR—which effectively strip patents of their statutorily-granted presumptive validity—are not reviewable by the Federal Circuit (or any court). 35 U.S.C. § 314(d). Final decisions are reviewable, but are judged only for substantial evidence, which merely inquires "whether the decision could reasonably have been made, not whether it was correctly made." *Merck & Cie v. Gnosis S.P.A.*, 808 F.3d 829, 840 (Fed. Cir. 2015) (Newman, J., dissenting). Moreover, as explained *infra* the Federal Circuit's reasons for affirming many IPR decisions are unexplained, which is particularly troubling given that this Court took pains to note the importance appellate review had on its holding in *Oil States*. 138 S. Ct. at 1379.

In sum, the AIA violated Ultratec's vested rights in its patents by subjecting the patents to IPR, which effectively stripped the patents of their presumptive validity and deprived Ultratec of other protections that Ultratec reasonably believed it would have.

***22c. IPRs have devastated the value of earlier-granted patents, violating settled expectations.**

The effects of the constitutional deprivations caused by the AIA are on full display in these appeals. When Ultratec's patents were afforded a presumption of validity and CaptionCall was forced to challenge them in federal court under the clear and convincing evidence standard, Ultratec prevailed, winning a \$44 million jury verdict against CaptionCall for its past infringement of patents that the Board later found "unpatentable" on mere preponderance of the evidence. (App. 118; *supra* at 8).

Ultratec's plight is not uncommon. The Board invalidates patent claims at an alarming rate.⁹ Ironically, the brunt of these invalidations has been borne by owners of earlier-granted patents, like Ultratec. Saurabh Vishnubhakat, *The Mixed Case for a PTAB Off-Ramp*, 18 Chi.-Kent J. Intell. Prop. 514, 519 (2019)***23** (reporting pre-AIA patents accounted for about 62.5% of all IPR petitions in the first six years).

It is difficult to articulate how devastating IPRs have been to the patent system. One observer estimated "the value of patents has dropped by two-thirds since and because of the AIA." Gregory Dolin & Irina D. Manta, *Taking Patents*, 73 Wash. & Lee L. Rev. 719, 791 (2016). This number is comparable to other estimates. *The Trouble with Patent-Troll-Hunting*, *The Economist*, Dec. 14, 2019, at 60 (average value of an American patent dropped by 58 percent from 2013 to 2018).

Patent owners have little ability to enforce their patents without exposing themselves to IPRs. Once a patent owner sues, the infringer has up to one year to petition the Board to invalidate the patent under the lower preponderance standard. 35 U.S.C. § 315(b). This, combined with courts' proclivity to stay (even earlier-filed) proceedings means that patent owners often must defend their patents with no presumption of validity before the infringer is held accountable. Brian J. Love, et al., *Determinants of Patent Quality: Evidence from Inter Partes Review Proceedings*, 90 U. Colo. L. Rev. 67, 100 n.146 (2019) (reporting a 69% overall grant rate for motions to stay pending IPR and higher rates after institution and when the parties are common).

Even if litigation is first-filed and reaches judgment, that does not ensure it will ultimately govern. Ultratec secured its jury verdict before the Board ***24** issued its final decisions (App. 114-117), but under the Federal Circuit's current precedent, the Board's later issued decisions, if affirmed and finalized, will render the verdict moot. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

All these points combine to create a scenario where patent owners are (unconstitutionally) dissuaded from enforcing patents that they duly obtained through innovation and expense. Without the power to enforce, the inherent trade-off that supports the U.S. patent system is lost.

d. These appeals raise an issue of critical importance to holders of millions of earlier-granted patents.

The unconstitutionality of applying IPR to earlier-granted patents is of critical importance to Ultratec and similarly situated patent owners. Whether IPR applies to these patents may be the difference between an infringement verdict and patent cancellation. And the experience is far from unique: when the AIA went into effect in 2011, millions of patents had been granted and were within their expiry period. See PTO, Patent Statistics Chart Calendar Years 1963-2020, <https://www.uspto.gov/web/offices/ac/ido/oeip/taf/usstat.htm>.

These appeals present the Court an ideal opportunity to address the constitutional issue because, when compared to the parallel litigation, they illustrate the devastating effects IPR has had on earlier-granted ***25** patents. Ultratec's patents were simultaneously litigated in two different forums with two drastically different outcomes. When their vested presumption of validity was honored, they survived challenge and gave rise to a \$44 million verdict. When unconstitutionally stripped of that vested right, they were wrongly found "unpatentable." These differing outcomes compel the Court to weigh in on the constitutional implications.

These appeals also present the Court with the opportunity to clarify its precedent on the Due Process Clause and its application to statutorily granted property rights. While this Court's earlier precedent, *supra* establishes that patents are property entitled to protection from subsequent changes in the law that diminish vested rights, more recent precedent has created confusion concerning the standard, albeit with respect to legislation imposing economic burdens, not legislation conferring property rights.

For example, in *Eastern Enterprises v. Apfel*, this Court invalidated retroactive legislation requiring an employer to fund pensions for retired miners. 524 U.S. 498 (1998). Although the Court struck down the legislation as unconstitutional, it provided no clear framework for doing so. A plurality of Justices held the retroactive provision violated the Takings Clause, *id.* at 504 (plurality opinion), while others argued the Due Process Clause was the more appropriate framework, see *id.* at 539 (Kennedy, J., concurring in the judgment and dissenting in part); *id.* at 554-556 (Breyer, J., dissenting).

***26** Justice Kennedy, concurring in the judgment, but dissenting as to its reasoning, wrote that "[a]ccepted principles forbidding retroactive legislation" under the Due Process Clause were "sufficient to dispose of the case," because the challenged law had a severe retroactive effect and undermined the stability of investment and confidence in law. *Id.* at 547, 549 (Kennedy, J.). Justice Breyer, while dissenting outright, agreed at least with Justice Kennedy's premise: "the Due Process Clause can offer protection against legislation that is unfairly retroactive ... for as courts have sometimes suggested, a law that is fundamentally unfair because of its retroactivity is a law that is basically arbitrary." *Id.* at 556-557 (Breyer, J.).

Although *Eastern Enterprises* concerned new economic burdens and not deprivation of vested property rights, the boundary between those concepts is not always clear, and the relative recency of that decision introduces some uncertainty regarding whether and how the Due Process Clause applies to backward-looking legislation like the AIA.

The Court should clearly hold, consistent with its earlier jurisprudence, that the Due Process Clause protects owners of statutorily-granted property from subsequent changes in the law that diminish vested rights, and that the retroactive application of IPR to earlier-granted patents violates this protection.

***27II. The Court should review the Federal Circuit's routine use of Rule 36 to summarily affirm PTO decisions without opinion because such affirmances violate 35 U.S.C. § 144 and give rise to constitutional concerns.**

On October 14, 2020, the Federal Circuit brought eight years of intense litigation between Ultratec and CaptionCall-encompassing nine IPR proceedings, two Federal Circuit appeals, and parallel litigation that went to a two-week jury trial-to a halt. The Federal Circuit did so by issuing one-word summary affirmances in the underlying appeals pursuant to Federal Circuit Rule 36 (App. 94), endorsing, without explanation, the Board's decisions that the 37 claims at-issue were unpatentable.

These summary affirmances violate Section 144 because they do not contain an “opinion”—i.e., an explanation of the reasons for the court’s decision—as that statute requires. *See* 35 U.S.C. § 144 (“the court shall issue ... its mandate and opinion”). By definition, summary affirmances are judgments “without opinion,” Fed. Cir. R. 36(a), and thus they do not satisfy the requirements that Congress intended for appeals from PTO decisions.

Ultratec’s predicament clarifies the flaws in this procedure. In these appeals, the underlying PTO decisions were based on erroneous claim constructions that could not be adopted as the Federal Circuit’s own. This is because the patents-at-issue had expired after ***28** the original final written decisions, but before the appeals were exhausted, necessarily changing the proper claim construction standard from broadest reasonable interpretation to the narrower *Phillips* standard. *Apple*, 949 F.3d at 707. Although the claims were never properly construed, the Federal Circuit approved the decisions without explanation.

Ultratec is far from alone in facing judgment without explanation. The Federal Circuit disposed of 44-46% of all PTO appeals in recent years in this manner.¹⁰ This practice has given rise to significant criticism—not only that it violates the Patent Act, but that the court is failing to fulfill its duty to develop and unify patent law and, worse, may actually be distorting it; that it is using its self-made rule to avoid engaging deeply with tricky cases and, worse, may be attempting to “cert-proof” itself; and that it is generally eroding confidence in the judicial system. These concerns give rise to even larger problems, including deprivation of constitutional rights.

The issue of the Federal Circuit improperly using Rule 36 in PTO appeals will not resolve itself. It will require this Court’s intervention. Given the magnitude of the problem, the Court should act now before further damage is done to the patent system and the public’s trust.

***29a. Section 144 commands the Federal Circuit to issue an opinion in PTO appeals.**

Section 141(c) grants the Federal Circuit exclusive jurisdiction over direct appeals taken from PTO proceedings, including IPR. 35 U.S.C. § 141(c). Section 144 imposes requirements on the Federal Circuit’s review of these proceedings, including that the Federal Circuit “shall issue ... its mandate and opinion” upon its determination of the appeal. 35 U.S.C. § 144.

This language plainly expresses Congress’ intent that the Federal Circuit must—without discretion—issue an explanation of the reasons for its mandate in any PTO appeal. The term “shall issue” is “both mandatory and comprehensive. The word ‘shall’ generally imposes a nondiscretionary duty.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018). This Court recently construed similar language from 35 U.S.C. § 318—that the PTO “shall issue a final written decision”—and concluded that it delivers[] unmistakable commands” that the PTO must issue a written decision on all claims subject to a petition for review. *Id.* at 1358.

The term “mandate and opinion” is similarly clear. The language plainly distinguishes between the Federal Circuit’s mandate and its opinion, which is consistent with the Court’s treatment of those terms. A mandate contains a court’s decree, whereas an opinion “is a statement of the reasons on which the judgment rests.” *Rogers v. Hill*, 289 U.S. 582, 587 (1933); *see also Comm’r v. Bedford’s Est.*, 325 U.S. 283, 286 (1945) (distinguishing between opinions, judgments, and orders ***30** for mandate); Black’s Law Dictionary 1265 (10th ed. 2014) (defining “opinion” as the “court’s written statement explaining its decision in a given case, usu[ally] including the statement of facts, points of law, rationale, and dicta.”).

This plain meaning is conclusive and there is no reason to look beyond the statute’s language. *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 242 (1989). Even so, other devices of statutory construction confirm Congress’ intent that the Federal Circuit explain the reasons for its decisions in PTO appeals.

The legislative history of Section 144 supports this understanding. Section 144 first appeared in the 1952 Patent Act, which commanded that the Court of Customs and Patent Appeals (“CCPA”), the Federal Circuit’s predecessor, “shall return to the Commissioner a certificate of its proceedings and decision, which shall be entered of record in the Patent Office and govern the further proceedings in the case.” Pub. L. No. 593, § 144, 66 Stat. 792, 802 (1952); *see* 35 U.S.C. § 144 (1952). Up until the creation of the Federal Circuit, Section 144 operated in conjunction with Section 216 of Title 28, which separately required the CCPA to issue a written opinion in PTO appeals. *See* 28 U.S.C. § 216 (1976) (the CCPA, “on each appeal from a Patent Office decision, shall file a written opinion as part of the record”).

In 1984, Section 144 was amended to its present form, replacing the “certificate of its proceedings and decision” language with the “mandate and opinion” language of today. *See* Pub. L. No. 98-620, title IV, ***31** subtitle C, § 144, 98 Stat. 3363 (1984). That change

incorporated into Section 144 the “opinion” requirement previously imposed on the CCPA by 28 U.S.C. § 216. *Compare* 35 U.S.C. § 144 (“the court shall issue to the Director its mandate and opinion”) with 28 U.S.C. § 216 (1976), Repealed. Pub. L. 97-164, title I, § 106, 96 Stat. 28 (1982), (the CCPA, “on each appeal from a Patent Office decision, shall file a written opinion”).

This legislative history comports with Congress’ unique goals for the Federal Circuit, which was meant “to improve the administration of the patent law by centralizing appeal in patent cases” S. Rep. No. 97-275, at 2 (1981), 1982 U.S.C.C.A.N. 11, 12. The Federal Circuit cannot effectively complete Congress’ stated goals of unifying and improving the administration of patent law without issuing reasoned, written opinions.

Public policy also supports a written opinion requirement. Requiring a court to “show its work”—particularly in notoriously difficult cases like patent cases—fulfills a number of important functions. It aids the court’s decision-making process and helps ensure correct outcomes. Thomas E. Baker, *A Review of Corpus Juris Humorous*, 24 Tex. Tech L. Rev. 869, 872 (1993). It helps foster trust in the system by showing that the court’s decisions are the product of reason rather than caprice. *Id.* And it helps develop the law and facilitate meaningful judicial review, including by this Court. *Id.*; see *Taylor v. McKeithen*, 407 U.S. 191, 194 (1972) (per curiam).

***32** All of these functions take on particular importance in patent cases, which involve grants of public rights. *Oil States*, 138 S. Ct. at 1373-1376. Fair, well-reasoned, and transparent judicial review of patent grants is a prerequisite if inventors and the public are to understand the scope of their rights and act accordingly. See *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 30 (1997) (discussing “the public’s right to clear notice of the scope of the patent as embodied in the patent file”).

In sum, the plain language of Section 144, and all surrounding evidence, establish Congress’ intent that the Federal Circuit “shall” explain its reasoning in deciding PTO appeals. This statutory mandate trumps the courts’ general authority to “prescribe rules for the conduct of [its] business” because any such rules “shall be consistent with Acts of Congress” 28 U.S.C. § 2071(a).

Despite this, the Federal Circuit insists that it is entitled to issue judgments without opinions. Apart from citing Rule 36 and its own interpretation of the rule, the Federal Circuit has cited a footnote in the per curiam opinion from *Taylor*, 407 U.S. 191, for the proposition that “the courts of appeals should have wide latitude in their decisions of whether or how to write opinions. That is especially true with respect to summary affirmances,” *id.* at 194 n.4; see, e.g., *Phil-Insul Corp. v. Airlite Plastics Co.*, 854 F.3d 1344, 1354 (Fed. Cir. 2017) (citing *Taylor*).

***33** *Taylor* did not consider a statutory command like that of Section 144. As emphasized by the dissenting opinion, no then-existing statute or rule of procedure prohibited the appellate court in that case from deciding that particular appeal without an opinion. *Id.* at 195-196 (Rehnquist, J.). That is not the case here, where the appeals were inarguably subject to the requirements of Section 144.

b. Rule 36 affirmances, by definition, issue without opinions and thus violate Section 144 and raise concerns of constitutional magnitude.

The Federal Circuit promulgated Rule 36 in 1989-five years after Section 144 was amended to its current form. See *The Seventh Annual Judicial Conference of the United States Court of Appeals for the Federal Circuit*, 128 F.R.D. 409,420 (1989). At the time, the Federal Circuit apparently did not consider how the rule interacted with the requirements of Section 144, and it has not meaningfully engaged with the issue since.

The very title of Rule 36—“judgment of affirmance without opinion”—alone demonstrates that summary affirmances do not contain “opinions” as required by Section 144. Fed. Cir. R. 36(a). The Federal Circuit has confirmed this: “Since there is no opinion, a Rule 36 judgment ... does not endorse or reject any specific part of the [lower tribunal]’s reasoning. In addition, a judgment entered under Rule 36 has no precedential value ***34** and cannot establish ‘applicable Federal Circuit law.’ ” *Rates Tech., Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012).

Beyond this statutory problem, Rule 36 summary affirmances create a host of other concerns. The Federal Circuit’s prevalent use of Rule 36, see *infra*, deprives patent owners challenging adverse PTO decisions of meaningful appellate review. The Federal Circuit has effectively shut down opportunities for rehearing of summary affirmances by advising “[a] petition for rehearing en banc is rarely appropriate if the appeal was the subject of a nonprecedential opinion by the panel of judges that heard it.” Practice Notes to Federal Circuit Rule 35.

More fundamentally, because Rule 36 affirmances do not endorse or reject any portion of the underlying decisions, *Rates Tech.*, 688 F.3d at 750, the bases for any one affirmance are unknown and, thus, neither an en banc panel nor this Court can effectively judge the decision, including for whether the affirmance complies with basic rules like the *Chenery* doctrine. *Sec. & Exch. Comm'n v. Chenery Corp.*, 318 U.S. 80, 94 (1943) (“[C]ourts cannot exercise their duty of review unless they are advised of the considerations underlying the action under review.”); *Sec. & Exch. Comm'n v. Chenery Corp.*, 332 U.S. 194, 196 (1947) (“[A] reviewing court, in dealing with a determination or judgment which an administrative agency alone is authorized to make, must judge the propriety of such action solely by the grounds invoked by the agency. If those grounds are inadequate or improper, the court is powerless to ***35** affirm the administrative action by substituting what it considers to be a more adequate or proper basis.”).

These are problems of a constitutional magnitude. This Court has held that IPR does not violate Article III or the Seventh Amendment, generally, but suggested that may not be the case if IPR did not provide for appellate review. *Oil States*, 138 S. Ct. at 1379 (“because the Patent Act provides for judicial review by the Federal Circuit, *see* 35 U.S.C. § 319, we need not consider whether inter partes review would be constitutional ‘without any sort of intervention by a court at any stage of the proceedings’ ” (citation omitted)).

Finally, the Federal Circuit’s use of Rule 36 in PTO appeals has impeded its ability to carry out Congress’ stated goals for the court. One-word affirmances cannot develop and unify the law. To the contrary, because these affirmances do not endorse or reject any particular rationale, *Rates Tech.*, 688 F.3d at 750, they have the perverse effect of allowing erroneous reasoning to remain “the law.” These ills are compounded when the patents-at-issue or related patents may be involved in parallel proceedings that could benefit from the Federal Circuit’s reasoned explanation.

c. Despite mounting concerns, the Federal Circuit habitually invokes Rule 36 in appeals taken from IPRs.

The Federal Circuit’s prevalent use of Rule 36 has been roundly criticized. Academics have considered the issue raised here—whether Rule 36 affirmances ***36** violate Section 144—and have answered in the affirmative.¹¹ They have also argued that such affirmances distort, rather than develop, the law.¹² Practitioners likewise have raised concerns with the lack of transparency and a perceived margin of error.¹³ And numerous petitioners to this Court have presented variations of all of these issues.¹⁴

Despite this mounting criticism, the Federal Circuit shows no signs of breaking its habit. A recent report specified that the court issued summary affirmances in nearly 44% of PTO appeals in 2021 through April 30.¹⁵ This aligns with numbers reported in ***37** previous years: 44% in 2020, 46% in 2019, 46% in 2018, and 44% in 2017.¹⁶

The frequency of these summary affirmances, combined with the Federal Circuit’s generally high affirmance rate of Board decisions, mean that patent owners seeking review from an adverse decision are often left with no judicial explanation for why they lost. As one observer noted: “As a group, patent owner-appellants seldom succeeded at the Federal Circuit, with [Board] unpatentability determinations being affirmed 85% of the time. With approximately 60% of such affirmances being made under Rule 36, approximately half of all patent owner IPR appeals were rejected without a substantive appellate opinion.”¹⁷

***38** Defenders of the Federal Circuit’s practice may assert that summary affirmances are necessary given the rise of cases from the PTO. But a court’s desire for efficiency cannot trump Congress’ clear intent. Moreover, this concern conflicts with the Federal Circuit’s insistence that cases in which it issues summary affirmances receive the same amount of care as cases in which it issues precedential opinions. *Phil-Insul*, 854 F.3d at 1354.

With this commonly invoked efficiency defense debunked, less legitimate rationales emerge, including a desire to avoid wrestling with difficult issues and “certproofing” cases.¹⁸

d. There is a need for this Court to intervene and these appeals present the ideal opportunity.

These appeals present an ideal opportunity for this Court to proclaim invalid the Federal Circuit’s use of Rule 36 in appeals from PTO proceedings. Ultratec has clearly been victimized by the practice: after eight years of parallel litigation in federal court and at the Board, Ultratec saw 37 claims from eight of its patents, ***39** subject to nine different IPR proceedings, obliterated with three one-word affirmances.

The summary affirmances here violated Congress' intent that Ultratec and the public receive a written explanation for the decisions. Equally troubling, these affirmances blessed decisions premised on unquestionably flawed claim constructions. Ultratec alerted the Federal Circuit to this problem: it explained that the patents had expired after the Board had construed the claims under the broadest reasonable interpretation standard, that the Board had refused to re-construe the claims under the proper *Phillips* standard (App. 26-27), and thus the underlying decisions were un-affirmable under Rule 36 or otherwise (*e.g.*, R.38:27-34). Despite these warnings, and its own precedent mandating that the claims be re-construed under *Phillips* after they expire, *In re CSB-Sys. Int'l, Inc.*, 832 F.3d 1335, 1341 (Fed. Cir. 2016), *Apple*, 949 F.3d at 707, the court summarily affirmed anyway and denied rehearing (App. 1-6, App. 87-92).

As evidenced by the number of petitions raising the issue,¹⁹ there is a compelling need for this Court to intervene. Congress has already spoken on the topic; it has just been ignored. The Federal Circuit appears unwilling to address the problem on its own. That leaves this Court with a duty to step in.

***40III. These appeals present the Court an opportunity to weigh in on the important issues raised herein.**

Despite the Federal Circuit's cursory treatment of the merits of the underlying proceedings, these appeals present an ideal opportunity for the Court to weigh in on the important issues raised.

As explained *supra*, the issues Ultratec raises have merit, and the Federal Circuit's summary affirmances provide no reasoning to the contrary. Per the Federal Circuit itself, a summary affirmance says *nothing* about the reasoning underpinning the appeal's outcome, or even the relative merits of the parties' arguments in the underlying proceeding. *Innovation Scis., LLC v. Amazon.com, Inc.*, 842 F. App'x 555, 558 (Fed. Cir. 2021) (unpublished).

The two issues raised are pure legal questions that require no further factual development. They are questions of constitutional and statutory interpretation, for which the procedural history of these appeals provide a unique lens to consider the implications of the AIA on preexisting patents.

On the first issue, the Federal Circuit has thus far side-stepped the question, having dispensed with the issue by pointing to its case law interpreting the Takings Clause. *See, e.g., Sound View Innovations, LLC v. Hulu, LLC*, 818 F. App'x 1009, 1013 (Fed. Cir. 2020); *OSI Pharms., LLC v. Apotex Inc.*, 939 F.3d 1375, 1386 (Fed. Cir. 2019) (citing *Celgene*, 931 F.3d at 1362). On the second issue, Congress has spoken, commanding *41 the Federal Circuit to issue opinions, but the Federal Circuit appears content to ignore the statute. In short, the Federal Circuit has given no indication it is poised to act on either issue.

Ultratec and other similarly situated patent owners have no place to turn other than this Court, and its intervention on both issues is direly needed.

CONCLUSION

For the foregoing reasons, the Court should grant the Petition.

Respectfully submitted June 4, 2021,

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Footnotes

- ¹ Citations to “App.” are to the appendix submitted herewith. Unless otherwise noted, citations to “R. .:” are to the Joint Appendix in *Ultratec, Inc. v. CaptionCall, LLC*, Case No. 19-1998, Dkt. 48 (Fed. Cir.). The evidence cited is substantially the same across the three consolidated appeals.
- ² R.48:608, 612, 616, 620; Case No. 19-2000, R.48:361, 364, 368; Case No. 19-2003, R.46:278, 282.
- ³ R.48:68-122, 208-284, 512-552, 370-425; Case No. 2000, R.48:68-98, 181-209, 292-316; Case No. 2003, R.46:68-102, 185-240.
- ⁴ Unlike in IPR, in reexamination proceedings, the PTO, under Federal Circuit guidance, treated patents as though they were back in prosecution, without a presumption of validity but allowing for iterative amendments. *Celgene Corp. v. Peter*, 931 F.3d 1342, 1360 (Fed. Cir. 2019); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1287-1288 (Fed. Cir. 2016) (Newman, J., dissenting).
- ⁵ In an effort to “minimiz[e] differences between” the Board and district courts and to promote “uniformity and predictability of the patent grant,” the Board replaced its broadest reasonable interpretation standard with the stricter *Phillips* standard for all IPRs filed after November 13, 2018, 83 Fed. Reg. 51340-01, but this was too late to help Ultratec. Further, the Board refused to re-construe the claims at-issue under *Phillips* even after the patents expired. (App. 26-27). This error was compounded by the Federal Circuit’s failure to issue an opinion, which would have required the same.
- ⁶ Effective January 20, 2021, the PTO revised its rules governing motions to amend to expressly assign the petitioner the burden of showing the substitute claims were unpatentable. 85 Fed. Reg. 82935-01; *see also Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1297 (Fed. Cir. 2017) (discussing Board’s former approach of allocating patentee burden of showing proposed amendments overcame prior art).
- ⁷ Of the first 146 motions to amend seeking substitution of pending claims with amended claims, the Board granted six. Monica Grewal, et al., *IPR Motions to Amend: Rays of Hope Despite Gloomy Statistics*, Law360 (May 19, 2016), <https://www.law360.com/articles/792757/>; *see also* PTO, PTAB Motion to Amend Study, 6 (Apr. 30, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-04-30PTABMTAstudy.pdf> (reporting 2% granted, 3% granted in part).
- ⁸ For example, the Board “relaxed” its rules on page limits for motions to amend, increasing the limit from 15 to 25 pages, 80 Fed. Reg. 28561-01, but this came too late to factor into Ultratec’s IPR strategy. As another example, the Board published an update to its Trial Practice Guide providing that patent owners will generally be allowed sur-replies to support their responses, Trial Practice Guide Update, 14 (Aug. 2018), https://www.uspto.gov/sites/default/files/documents/2018_RevisedTrialPracticeGuide.pdf, but Ultratec was not able to take advantage of this procedure.
- ⁹ Based on data from 7,000 petitions, for those that reached final written decision, the Board found *all* challenged claims unpatentable 69% of the time. Steve Brachmann & Gene Quinn, *Are more than 90 percent of patents challenged at the PTAB defective?*, IPWatchdog (June 14, 2017), <https://www.ipwatchdog.com/2017/06/14/90-percent-patents-challenged-ptab-defective/id=84343/>. This trend is holding strong: The Board reported that, of those petitions that reached final written decision from October 1, 2020 to March 31, 2021, the Board found *all* challenged claims unpatentable over 66% of the time. PTO, AIA Trial Statistic FY 2021 Q2, 11 https://www.uspto.gov/sites/default/files/documents/ptabaiafy2021_q2_roundup_.pdf.
- ¹⁰ *Infra* notes 15-16 & accompanying text.
- ¹¹ Rebecca A. Lindhorst, *Because I Said So: The Federal Circuit, the PTAB, and the Problem with Rule 36 Affirmances*, 69 Case W. Res. L. Rev. 247, 257 (2018); Dennis Crouch, *Wrongly Affirmed Without Opinion*, 52 Wake Forest L. Rev. 561, 576 (2017).
- ¹² Andrew Hoffman, *The Federal Circuit’s Summary Affirmance Habit*, 2018 B.Y.U. L. Rev. 419, 421 (2018).

- ¹³ Matthew Bultman, *Fed. Cir. Issuing More 'Hidden Decisions' amid Case Influx*, Law360 (Mar. 1, 2017), <https://www.law360.com/articles/894024/fed-circ-issuing-more-hidden-decisions-amid-case-influx>; Peter Harter & Gene Quinn, *Rule 36: Unprecedented Abuse at the Federal Circuit*, IPWatchdog (Jan. 12, 2017), <http://www.ipwatchdog.com/2017/01/12/rule-36-abuse-federal-circuit/id=76971/>.
- ¹⁴ See, e.g., *Senju Pharm. Co., Ltd. v. Akorn, Inc.*, No. 18-1418, Pet. Cert. (U.S. May 10, 2019); *Capella Photonics, Inc. v. Cisco Sys., Inc.*, No. 18-314, Pet. Cert. (U.S. Sept. 6, 2018); *Specialty Fertilizer Prods., LLC v. Shell Oil Co.*, No. 17-1243, Pet. Cert. (U.S. Mar. 6, 2018).
- ¹⁵ Daniel Klodowski & Eric A. Lui, *Federal Circuit PTAB Appeal Statistics Through April 30, 2021*, At the PTAB Blog (May 20, 2021), <https://www.finnegan.com/en/insights/blogs/at-the-ptab-blog/federal-circuit-ptab-appeal-statistics-through-april-30-2021.html>.
- ¹⁶ Daniel F. Klodowski & Eric A. Liu, *Federal Circuit PTAB Appeal Statistics Through October 31, 2020*, At The PTAB Blog (Nov. 18, 2020), <https://www.finnegan.com/en/insights/blogs/at-the-ptab-blog/federal-circuit-ptab-appeal-statistics-through-october-31-2020-copy.html#:~:text=Through> (reporting numbers for first ten months of 2020); David C. Seastrunk, et al., *Federal Circuit PTAB Appeal Statistics Through May 15, 2019*, At The PTAB Blog (May 31, 2019), <https://www.finnegan.com/en/insights/blogs/at-the-ptab-blog/federal-circuit-ptab-appeal-statistics-through-may-15-2019.html> (reporting numbers for first five months of 2019); Jacqueline Bell & Ryan Davis, *The Federal Circuit in 2018: A By-The-Numbers Snapshot*, Law360 (Mar. 26, 2019), <https://www.law360.com/articles/1142664/the-federal-circuit-in-2018-a-by-the-numbers-snapshot> (reporting numbers for 2017 and 2018); see also Jason Rantanen, *The Landscape of Modern Patent Appeals*, 67 Am. U. L. Rev. 985, 1021-1023 & Figs. 10-11 (2018) (compiling data on types of nonprecedential decisions in appeals arising from the USPTO from 2008 to 2017).
- ¹⁷ Larry Sandell, *What 18 Months of IPR Stats Teach Us About Winning Appeals*, Law360 (July 20, 2020), <https://www.law360.com/articles/1293373/what-18-months-of-ipr-stats-teach-us-about-winning-appeals>.
- ¹⁸ Harter & Quinn, *supra* note 13 (summarizing appeals involving complex issues where the Federal Circuit issued Rule 36 affirmances); Hoffman, *supra* note 12 (examining three cases where the Federal Circuit potentially engaged in cert-proofing).
- ¹⁹ *Supra* note 14.

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TEE TURTLE

2021 WL 2349389

Only the Westlaw citation is currently available.
United States District Court, S.D. Ohio, Eastern Division.

TEE TURTLE, LLC, Plaintiff,
v.
CHRISTINA SWARTZ, Defendants.

Case No. 2:21-CV-01771

|
06/09/2021

ALGENON L. MARBLEY, CHIEF UNITED STATES DISTRICT JUDGE

OPINION & ORDER

I. INTRODUCTION

*1 Before this Court is Plaintiff Tee Turtle, LLC and Defendant Christina Swartz's Joint Motion for Permanent Injunction. (ECF No. 6). Having considered the parties' submission, including the Verified Complaint, the Parties' Motion for a Permanent Injunction Order is **GRANTED**. (*Id.*).

II. BACKGROUND

Plaintiff Tee Turtle designs and markets various consumer goods, including reversible plush toys; of these, the Reversible Octopus Plushies is central to the dispute. Tee Turtle owns a federal copyright registration protecting the work of authorship embodied in the Reversible Octopus Plushies. Registration Number VA 2-103-871, which has an effective date of September 21, 2017. The copyright application for this registration contained a "deposit copy" of the work of authorship as follows:

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(ECF No. 1, ¶ 15).

Defendant does not dispute that the registration is valid. Tee Turtle's Reversible Octopus Plushies have a distinctive design comprised of a generally spherical-shaped body, tentacles protruding from the spherical body, and are reversible from one configuration to a second configuration. Each configuration has different features, such as a different color, pattern, or texture fabric, and a different facial expression. These distinctive features are non-functional components of Tee Turtle's Reversible Octopus Plushies. The Reversible Octopus Plushies have been the number one bestselling toy on Amazon.com in multiple categories.

Defendant sells reversible plush toys ("Infringing Plushies") that are nearly identical copies of Tee Turtle's popular Reversible Octopus Plushies on Amazon.com and through her online business, Christian Book and Toys LLC (<https://christianbookandtoys.com>), which is located at P.O. Box 125, Norwich, Ohio 43767, as seen below:

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The parties stipulate that some of Defendant's customers who viewed Defendant's Infringing Products on Amazon may have believed that they were Tee Turtle's Reversible Octopus Plushies. Tee Turtle has not authorized or given permission for Defendant to copy, display, advertise, or sell in commerce the Infringing Products. (*Id.* ¶ 61).

On March 17, 2021, as part of its routine intellectual property monitoring efforts, Tee Turtle notified Amazon under 17 U.S.C. § 512(c)(3) of the Digital Millennium Copyright Act (“DMCA”) that an online store named “biblebanz” was selling Infringing Products on Amazon under the Amazon Standard Identification Number B08YLSNNQX in violation of Tee Turtle’s rights. (*Id.* ¶ 64). Consistent with its obligations under the DMCA, Amazon responded by de-listing Defendant’s Infringing Products and prevented Defendant from further selling Infringing Products on Amazon. (*Id.*).

On March 29, 2021, Tee Turtle received a copy of a counter-notification served under 17 U.S.C. § 512(g)(3) of the DMCA from Defendant addressed to Amazon’s legal department. (*Id.* ¶ 65). The counter-notification—which Defendant sent to Amazon for the purpose of re-listing the Infringing Products—contained material misrepresentations in violation of 17 U.S.C. § 512(f) of the DMCA. (*Id.*).

***2** First, the counter-notification falsely and with no evidence or elaboration claims that Tee Turtle’s Reversible Octopus Plushie “is not copyrighted, or the copyright has expired in the United States of America.” (*Id.* ¶ 66).

Second, the counter-notification falsely claims that Tee Turtle “has provided no copyright registration information or other tangible evidence that the material in question is in fact copyrighted.” (*Id.* ¶ 67). To the contrary, Tee Turtle’s notification expressly recites Copyright Registration Number VA 2-103-871, as well as the numbers of several U.S. Design Patents. (*Id.*).

Third, the counter-notification falsely and with no evidence or elaboration claims “complainant does not hold the copyright to the material in question, is not the designated representative of the copyright holder, and therefore lacks standing to assert that my use of the material is a violation of any of the owner’s rights.” (*Id.* ¶ 68). To the contrary, Tee Turtle owns Copyright Registration Number VA 2-103-871. (*Id.*).

Fourth, the counter-notification falsely claims that Tee Turtle’s “complaint does not follow the prescribed form for notification of an alleged copyright violation” under the DMCA and enumerates several purported deficiencies. (*Id.* ¶ 69). Specifically, Swartz’s counter-notification alleges that: (1) Tee Turtle did not include an electronic signature from a Tee Turtle representative; (2) that Tee Turtle did not identify the copyrighted work claimed to be infringed; (3) that Tee Turtle did not provide a URL to the specific Infringing Products; (4) that Tee Turtle did not provide sufficient information for Swartz to identify Tee Turtle; and (5) that Tee Turtle did not provide a written statement that Tee Turtle has a good faith belief that the Infringing Products were not authorized by Tee Turtle. (*Id.*). None of that is true, as is clear from Tee Turtle’s DMCA takedown notification. (*Id.*).

Finally, the counter-notification includes the following attestation: “I declare, under penalty of perjury, that I have a good faith belief that the complaint of copyright violation is based on mistaken information, misidentification of the material in question, or deliberate misreading of the law.” (*Id.* ¶ 70). Given the false and misleading statements noted above, this attestation was itself a misrepresentation. (*Id.*).

III. STANDARD OF REVIEW

A party seeking a permanent injunction must establish each of the following four elements:

(1) actual success on the merits; (2) a substantial threat that it will suffer irreparable injury without the relief requested; (3) balance of the hardships; and (4) that the injunction will serve the public interest. *Citizens for Community Values, Inc. v. Upper Arlington Public Library Bd. of Trustees*, No. 2008 WL 3843579, 16 (S.D. Ohio 2008); *Amoco Prod. Co. v. Village of Gambell*, 480 U.S. 531, 546 n.12 (1987) (stating that the standard for granting a permanent injunction is “essentially the same,” as that for a preliminary injunction, except that a plaintiff must demonstrate actual success on the merits rather than a mere likelihood of success); see also *Chabad of S. Ohio & Congregation Lubavitch v. City of Cincinnati*, 363 F.3d 427, 432 (6th Cir. 2004) (outlining the standard for a preliminary injunction).

***3** Plaintiff asks the Court to enjoin Defendant from further copyright infringement. It is well established “that a showing of past infringement and a substantial likelihood of future infringement justifies issuance of a permanent injunction.” *Bridgeport Music, Inc. v. Justin Combs Pub.*, --- F.3d ---, 2007 WL 3010525, at *16 (6th Cir. 2007) (citing *Melville B. Nimmer & David Nimmer, Nimner on Copyright* § 14.06(B) (2007)). Not “only is the issuance of a permanent injunction justified when a copyright plaintiff has established a threat of continuing infringement, he is entitled to an injunction.” *Bridgeport Music*, 2007 WL 3010525, at *16 (citing *Walt Disney Co. v. Powell*, 897 F.2d 565, 567 (Fed. Cir. 1990)). Otherwise, awarding damages without injunctive relief would amount to a “to a forced license to use the creative work of another.” *Silverstein v. Penguin Putnam, Inc.*, 368 F.3d 77, 84 (2d Cir. 2004). Defendant concedes that injunctive relief is appropriate in this case.

IV. LAW & ANALYSIS

A. Actual Success on the Merits

Plaintiff Tee Turtle has a valid and subsisting copyright in the Reversible Octopus Plushies. Defendant's Infringing Products copy protectable elements of Tee Turtle's copyrighted Reversible Octopus Plushies. Defendant's public display and distribution of the Infringing Products constitutes infringement of Tee Turtle's exclusive rights in violation of the Copyright Act, 17 U.S.C. §§ 106 and 501. As a result of: (1) Tee Turtle's continuous use of its trade dress since 2017;

(2) Tee Turtle's extensive marketing efforts; (3) social media and other online videos that connect Tee Turtle with the Reversible Octopus Plushies; (4) millions of consumer impressions of those videos; (5) actual confusion among consumers of Defendant's Infringing Plushies; and (6) the substantial commercial success of the Reversible Octopus Plushies, the Reversible Octopus Plushies have achieved acquired distinctiveness in the marketplace. Consequently, Tee Turtle has protectable trade dress rights in the overall appearance of the Reversible Octopus Plushies. Defendant's Infringing Products are virtually identical to Tee Turtle's trade dress and create a likelihood of confusion between Defendant's Infringing Products and Tee Turtle's Reversible Octopus Plushies. Defendant acknowledges that she filed the above-referenced DMCA counter-notification after copying and pasting it from a form that she found on the internet. Tee Turtle is entitled to injunctive relief under 17 U.S.C. § 502 and 15 U.S.C. § 1116.

B. Irreparable Harm

Tee Turtle is entitled to a rebuttable presumption of irreparable harm upon a finding of a violation or likely violation of the Lanham Act pursuant to 15 U.S.C. § 1116(a). A permanent injunction is necessary to protect Tee Turtle's interests in its copyright and trade dress rights and to prevent Defendant from marketing his Infringing Plushies that copy Tee Turtle's copyright or are confusingly similar to Tee Turtle's trade dress.

C. Balance of the Equities

Plaintiff Tee Turtle has also established the third element, i.e., a balance of hardships weighing in their favor. This Court has already described the substantial costs exacted by Defendant's trademark infringement and need not recapitulate them in detail here. It suffices to say that Tee Turtle has its own claims of hardship—a fact that Defendant does not contest.

In determining whether injunctive relief is appropriate, "courts must balance the competing claims of injury and must consider the effect on each party of the granting or withholding of the requested relief." *Klein v. City of San Clemente*, 584 F.3d 1196, 1199–1200 (9th Cir. 2009) (internal citation omitted). Here, a permanent injunction in favor of Plaintiff would serve the narrow purpose of "prevent[ing] or restrain[ing]" further infringement of Tee Turtle's copyright. *Id.* Since Defendant does not (and cannot) claim any legitimate hardships as a result of being enjoined from committing unlawful activities, and Tee Turtle would suffer irreparable and immeasurable harms if an injunction were not issued, this factor weighs strongly in favor of Tee Turtle's motion. Generally, defendants do not suffer hardship when required to comply with the law and avoid copyright infringement.

D. Public Interest

***4** Without an injunction, Tee Turtle would suffer harm to its goodwill and face unfair competition from unauthorized copies of its Reversible Octopus Plushies. Further, without an injunction, consumers will likely be confused or deceived with respect to Defendant's Infringing Plushies. Thus, the public interest is served by a permanent injunction because it will help protect against future consumer confusion and deception. There are no just reasons to delay entry of this permanent injunction. Tee Turtle has met the factors for determining whether to issue a permanent injunction and the terms of the injunction set forth below are reasonable under these facts and circumstances.

V. CONCLUSION

The parties, wishing to avoid the expense, uncertainty, inconvenience, and other burdens of litigating the above-entitled action, agree to the settlement of their dispute and hereby stipulate to the entry of this Permanent Injunction Order and Final Judgment. It is hereby **ORDERED** as follows:

A. Judgement is hereby entered in favor of Tee Turtle on its claims against Defendant with respect to the Infringing Products.

B. Each party has waived the right to appeal from this Permanent Injunction Order and Final Judgment, and each party will bear its own fees and costs in connection with this action. Tee Turtle hereby relinquishes claims for monetary relief it may have against Defendant based on the conduct described above.

C. Pursuant to Fed. R. Civ. P. 65, Defendant and her agents, servants and employees, and all persons in active concert or participation with her are hereby permanently enjoined from: (1) manufacturing, producing, sourcing, importing, selling, offering for sale, distributing, displaying, advertising or promoting the Infringing Products sold by Defendant on Amazon.com or through Christian Book and Toys LLC (<https://christianbookandtoys.com>); (2) manufacturing, producing, sourcing, importing, selling, offering for sale, distributing, displaying, advertising or promoting any products that have a design that is substantially similar to Tee Turtle's Reversible Octopus Plushies as reflected in the copyrighted work registered under Registration Number VA 2-103-871; (3) manufacturing, producing, sourcing, importing, selling, offering for sale, distributing, displaying, advertising or promoting any products that are confusingly similar to Tee Turtle's trade dress embodied in the Reversible Octopus Plushies; (4) filing an application with the U.S. Copyright Office to register a copyright in any work that is substantially similar to Tee Turtle's Reversible Octopus Plushies; (5) filing an application with the United States Patent & Trademark Office to register any trade dress that is confusingly similar to Tee Turtle's trade dress in the Reversible Octopus Plushies; (6) assisting, aiding, or abetting any person or entity engaging in or performing any act prohibited by paragraphs C (1)-(5) of this Order.

D. Within ten (10) days after this Court enters this Permanent Injunction Order and Final Judgment, Defendant shall (at Tee Turtle's election) destroy or surrender to Tee Turtle for destruction Defendant's remaining inventory of the Infringing Products.

E. Within ten (10) days after this Court enters this Permanent Injunction Order and Final Judgment, Defendant shall disclose to Tee Turtle (either in a sworn declaration or through a deposition at Tee Turtle's election) information sufficient to identify: (1) Defendant's supplier(s) of the Infringing Products; and (2) the quantity of Infringing Products purchased by Defendant from the supplier(s).

F. This Court shall retain jurisdiction for the purpose of making any further orders necessary and proper for the construction or modification of this Permanent Injunction Order and Final Judgment, the enforcement thereof, and/or the punishment for any violations thereof.

***5** G. This Stipulated Judgment applies to and binds all parties who are in active concert or participation with Defendant as provided in Federal Rules of Civil Procedure 64.

H. This Action is hereby **DISMISSED WITH PREJUDICE**.

IT IS SO ORDERED.

s/ Algenon L. Marbley

ALGENON L. MARBLEY

CHIEF UNITED STATES DISTRICT JUDGE

DATED: June 9, 2021

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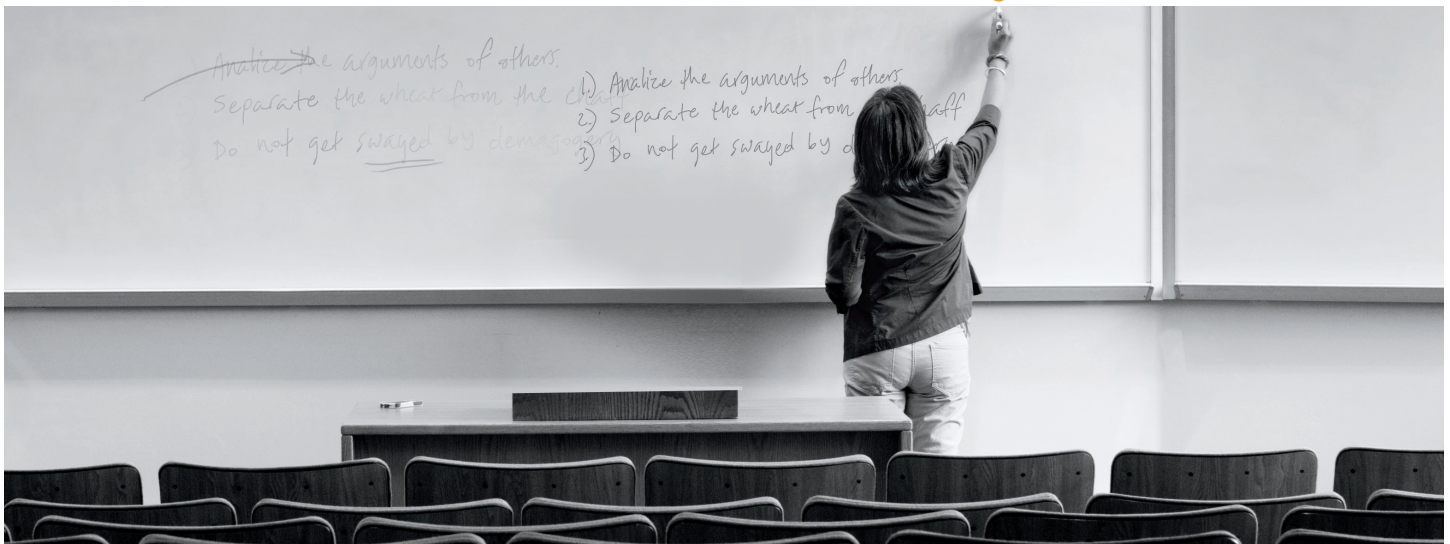
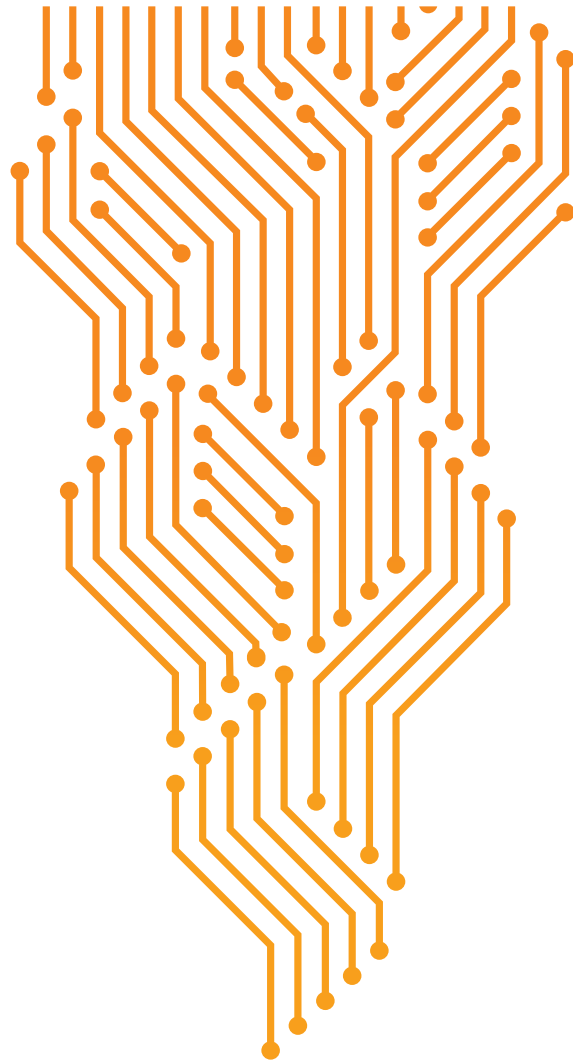


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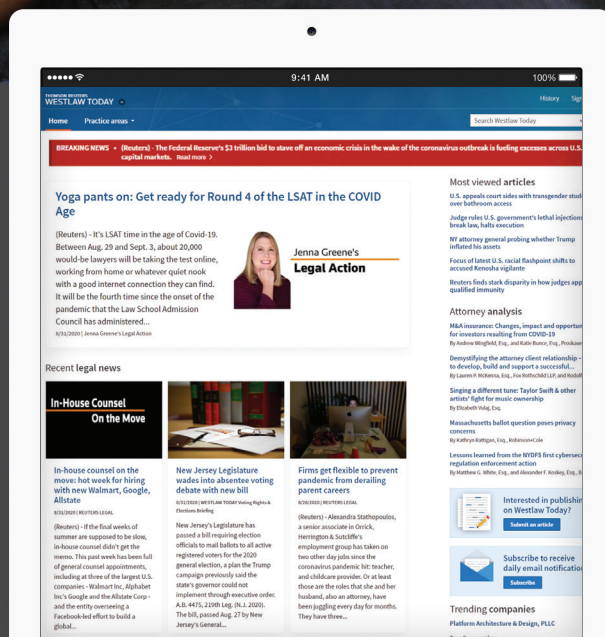


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