No. 18-314

IN THE
Supreme Court of the United States

CAPELLA PHOTONICS, INC.,
Petitioner,

v.

CISCO SYSTEMS, INC., *et al*.,
Respondents.

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

BRIEF OF *AMICI CURIAE* US INVENTOR, INC. AND ELEVEN AFFECTED INVENTORS IN SUPPORT OF PETITIONER

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QUESTION PRESENTED

Whether the Federal Circuit's practice of routinely issuing judgments without opinions in appeals from the Patent Trial and Appeal Board violates 35 U.S.C. § 144, which provides that the Federal Circuit "shall issue . . . its mandate and opinion" in such appeals.

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INTEREST OF *AMICI CURIAE*[1]

US Inventor, Inc. ("US Inventor") is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its 13,000 inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the "little guy" inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation. Its members depend heavily on the value created by meaningful patent rights. Their broad experience with the patent system, new technologies, and creating companies, gives them a unique perspective on the important issues presented in the underlying petition.

US Inventor's membership includes both appellants and appellees adversely affected by the Federal Circuit's no-opinion affirmances. Appellants feel aggrieved after having brought what they thought were meritorious appeals from Patent Trial

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[1] No counsel for a party authored this brief in whole or in part. No person or entity other than *Amici* or their counsel made a monetary contribution to the preparation or submission of this brief. Consent for filing this *amicus* brief has been obtained from all parties, which consent by email accompanies the filing of this *amicus* brief.

and Appeal Board patent cancellation decisions, only to lose their appeals without ever finding out why. Even appellees among US Inventor's membership cannot truly feel secure as winners, for reasons discussed below: through no fault of their own, their victories may not entitle them to the protections of issue preclusion / collateral estoppel.

Also joining this brief are Eleven Affected Inventors, each of whom are named inventors on patents involved in appeals resulting in Federal Circuit Rule 36 affirmances (one of whom, Mr. Malone, is associated with a "winning" appellee). The Appendix links the Eleven Affected Inventors with each relevant Federal Circuit appeal number.

As friends of the Court, US Inventor and Eleven Affected Inventors have perspective to supply additional reasons beyond those named by Petitioner for adjudicating the soundness of the Federal Circuit's rule permitting affirmances without opinion.

SUMMARY OF ARGUMENT

The Federal Circuit's repeated and continuing use of an appellate local rule to avoid "showing its work" within judicial opinions merits this Court's supervisory review. The local rule in question (Federal Circuit Rule 36) is both illogical and invalid on its face. When used to avoid showing that court's appellate reasoning over Patent Trial and Appeal Board outcomes, *Amici* agree with Petitioner that Rule 36 conflicts with 35 U.S.C. § 144 (requiring an "opinion" in addition to a judgment). But regardless

of the type of appeal, Rule 36 embodies the appellate court bestowing upon itself a quixotic power to affirm even when the conditions exist for it to reverse or remand.

Petitioner also ably points out the destabilizing effect of the rule, insofar as it forecloses development of the *public* patent law (*i.e.*, development of interpretations of the Patent Act in as wide an array of factual scenarios as possible). This is only half the problem. When the Federal Circuit uses Rule 36 to generate judgments, this also stifles development, and settling of expectations about, the *private* law – *i.e.*, whether a losing party may continue to press an issue encompassed within the dispute. Even the Federal Circuit recognizes that affirmances without opinion under the rule will often ***not*** trigger collateral estoppel against a losing party. No policy considerations can possibly justify a regime under which massive resources are deployed to resolve a dispute, but under which the losing party systematically retains the right to relitigate lost issues.

Finally, the pervasive use of Federal Circuit Rule 36 wrongly and systematically biases appellate outcomes in favor of affirmance, since it eliminates all possibility of "vote fluidity." As the Justices on this Court likely know for themselves, "vote fluidity" is a recognized benefit of appellate deliberation. A panel member's (or the whole panel's) vote may change on further reflection after conference but before final decision. Rule 36 thus unnecessarily biases outcomes through a rush to judgment, needlessly causing the Federal Circuit to affirm

where it might otherwise vacate or reverse. Requiring full deliberation through opinion writing will restore confidence in a neutral, unbiased civil justice system.

"The law in this area is clear. This Court has supervisory authority over the federal courts, and we may use that authority to prescribe rules of evidence and procedure that are binding in those tribunals." *Dickerson v. United States*, 530 U.S. 428, 437 (2000). This Court should exercise that authority here to review Federal Circuit Rule 36, particularly since Petitioner is correct that it conflicts with an Act of Congress directly on point.

ARGUMENT

I. RULE 36 IS ILLOGICAL AND UNSOUND ON ITS FACE, AS IT BESTOWS AUTHORITY ON THE FEDERAL CIRCUIT TO AFFIRM IN APPEALS WHERE IT SHOULD REVERSE OR REMAND

First and foremost, Rule 36 deserves this Court's supervisory review because it is illogical and constitutionally unsound. On its face, Rule 36 gives license to appellate panels to affirm when they should reverse. The text of this appellate local rule sets forth "any of" five conditions under which the court will grant itself authority to affirm without opinion:

Federal Circuit Rule 36
Rule 36. Entry of Judgment – 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:
>
> (a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;
>
> (b) the evidence supporting the jury's verdict is sufficient;
>
> (c) the record supports summary judgment, directed verdict, or judgment on the pleadings;
>
> (d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or
>
> (e) a judgment or decision has been entered without an error of law.

Fed. Cir. R.36.

Consider the final condition (e). If the Federal Circuit determines that a decision has been "entered without an error of law," and its opinion would not have precedential value, Rule 36 would then allow a one word disposition: "AFFIRMED." Yet the Federal

Circuit may affirm in that circumstance even if it agrees that the decision under review contains prejudicial ***factual*** errors that led the lower tribunal to the wrong outcome. After all, the list of five conditions is disjunctive (separated in effect by "or's," not "and's"). That is, as long as a lower tribunal states correctly the legal standard of decision, it gets a pass even if it grossly mistook the facts it must apply to that standard, and the appellate court knows it.

Thus on its face, Rule 36 permits unjust outcomes, allowing affirmances where there should be reversals or remands. *Cf.* 28 U.S.C. § 2111 (solely permitting Court of Appeals dispositions that are "just").

Due process under the U.S. Constitution requires notice and opportunity to be heard by a neutral and unbiased decision maker. Due process requires, at minimum, decision making by an "adjudicator who is not in a situation which would offer a possible temptation to the average man as a judge which might lead him not to hold the balance nice, clear and true." *Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pens. Trust for Southern Cal.*, 508 U.S. 602, 617-18 (1993). Constitutional concerns arise over neutrality not because of any actual bias by decision makers, but because of a probability or perceived possibility of bias. *Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 872 (2009).

Rule 36 undermines the Federal Circuit's ability to provide such constitutional due process. Implicit

in the requirement of an unbiased decisionmaker is the notion that cases should receive the disposition that they deserve. That is why it is called "due" process. Rule 36 permits the Federal Circuit to dispose of cases in the opposite manner: with an affirmance when it should actually vacate or reverse because of mistaken factual findings. The very existence of the rule justifies "undue" outcomes.

This danger is not theoretical. In the Petitioner's appeal, it raised and developed its argument that the Patent Trial and Appeal Board committed material ***factual*** errors in its findings leading to invalidity. (Federal Circuit ECF#48, Principal Brief at 42, arguing that an obviousness combination destroyed the principal of operation of the references, thus factually refuting the reason a skilled artisan would have made the combination). Paradoxically, Rule 36(e) permits a Federal Circuit panel to agree that prejudicial factual errors like these permeate the lower tribunal's decision, yet affirm anyway. This Court should step in to review the validity of this unneeded, unjust and disruptive power that the intermediate appellate court bestows upon itself.

II. RULE 36 FRUSTRATES THE PURPOSE OF PRECLUDING ISSUES RESOLVED AGAINST A LOSING PARTY

Rule 36 is not only facially illogical and unsound. It also leads to an unnecessary failure of the civil justice system to resolve issues actually litigated. The Federal Circuit itself has recognized this point, apparently unperturbed. Yet it continues to use Rule 36 unabated.

In *TecSec, Inc. v. International Business Machines Corp.*, 731 F.3d 1336 (Fed. Cir. 2013), the Federal Circuit had to come to terms with the consequences of a prior Rule 36 affirmance lodged against the same appellant in the same case. TecSec had accused IBM and several other defendants of infringement. The district court severed TecSec's claims against IBM and stayed proceedings against the other defendants. *Id.* at 1340. IBM sought summary judgment of noninfringement, which the court granted on two grounds. The court found: (1) a failure to present sufficient evidence of direct and indirect infringement; and (2) a failure to show that IBM's software met various claim limitations, as construed. *Id.* at 1342. TecSec appealed to the Federal Circuit, challenging both determinations. The Federal Circuit affirmed under Rule 36. *TecSec, Inc. v. IBM*, 466 F. App'x 882 (Fed. Cir. 2012.

On remand, against the other defendants, TecSec stipulated to noninfringement under the claim construction adopted in the IBM proceedings. The district court accordingly entered judgment of noninfringement, whereupon TecSec appealed again.

On appeal, the defendants argued collateral estoppel, seeking an appellate holding that the prior Rule 36 affirmance in the IBM appeal precluded TecSec from reasserting its claim construction arguments. *TecSec*, 731 F.3d at 1341.

The Federal Circuit, however, agreed with TecSec that collateral estoppel did not apply. The district court's judgment for IBM based on TecSec's failure of proof was independent of that court's claim construction. *Id*. at 1344. Because claim construction was "neither actually determined by nor critical and necessary to our summary affirmance in the IBM appeal," the Federal Circuit held that collateral estoppel did not preclude TecSec's challenge. *Id*.

The *TecSec* court candidly acknowledged that "'a Rule 36 judgment simply confirms that the trial court entered the correct judgment. It does not endorse or reject any specific part of the trial court's reasoning.'" *Id.* at 1343 (quoting *Rates Tech, Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012)). *TecSec* thus shows that collateral estoppel will not apply where the appellate court affirmed, without explanation, the judgment of a trial court that "determined two issues, either of which could independently support the result," because one can never know which issue was "necessary" to the final appellate judgment. *Id*. at 1343-44. This leads to the absurd outcome that a party who loses for one reason (later affirmed under Rule 36) will be bound by that loss, whereas a party whose case was actually worse – losing for multiple reasons later affirmed under Rule 36 – will not be so bound.

Of course, it was the Federal Circuit's use of Rule 36 in the first place that made it impossible to know the basis for decision. In this way, even the Federal Circuit has acknowledged that its use of Rule 36 judgments will frequently not settle disputes with collateral estoppel effect the way fully reasoned opinions can. Rule 36 will leave unsettled the *private* law among litigants.

This state of affairs is especially disruptive in patent cases. Often (as in the *TecSec* decision) the same patent will end up in litigation against distinct infringement defendants. Yet none of those litigants – patentee or accused infringer – may rely on a prior Federal Circuit Rule 36 affirmance to have settled a fully litigated issue for the future case, when (as often happens) alternative independent grounds might have led to the earlier appellate judgment but the Federal Circuit refused to "show its work."

This Court's supervisory review can address, and potentially fix, this absurd and wasteful state of the law.

III. THE EXISTENCE AND USE OF RULE 36 SYSTEMATICALLY AND UNFAIRLY BIASES OUTCOMES IN FAVOR OF AFFIRMANCE

Finally, Respondents may argue that Petitioner's effort to seek review of Rule 36 is for no purpose, on the theory that there will still be an affirmance whether the lower court writes an opinion or not. But this is not true. Appellate panels experience what academics call "vote fluidity." *See, e.g.,* Lee Epstein, William M. Landes & Richard A. Posner, "Why (and When) Judges Dissent: A Theoretical and Empirical Analysis," 3 J. Leg. Anal. 101, 108 n.11 (2011) ("A small literature in political science examines vote 'fluidity' on the Supreme Court, which occurs when a Justice changes his vote between the initial conference vote and publication of the opinion. The most recent study shows that in the 1969–1985 terms at least one Justice changed his vote in 36.6 percent of the cases, though an individual Justice switched, on average, in just 7.5 percent of the cases."). While litigants will never know that it has happened in a given case, it is well understood that the deliberative process itself – after the initial vote at conference after oral argument – can change votes. *Id.* The process itself of writing an opinion, and exchanging ideas about it with judicial colleagues, can provoke thoughtful reconsideration (*i.e.*, when a basis for decision "just doesn't write").

Despite statements from the Federal Circuit that Rule 36 cases receive the same "full consideration" of the court as full-opinion cases, no losing appellant actually believes this. *See U.S. Surgical Corp. v.*

Ethicon, Inc., 103 F.3d 1554, 1556 (Fed. Cir. 1997) (stating that Rule 36 decisions "receive the full consideration of the court, and are no less carefully decided" than full-opinion cases). The academic literature bears this out, proving that "vote fluidity" is real. Yet "vote fluidity" can never happen after a Rule 36 rush to judgment. This artificially increases the proportion of cases that end up affirmed.

This Court should thus step in to review the Federal Circuit's practice of using Rule 36 to arrive at appellate judgments without "showing their work." If this Court directs the Federal Circuit to stop using that rule to avoid writing opinions, the quality of judging at that court will improve. Panels who fully deliberate will more likely arrive at the correct appellate outcome. And litigants will come away believing that they have been treated fairly, in ways that losing appellants facing a Rule 36 judgment presently do not.

CONCLUSION

For all of the foregoing reasons, and those stated by Petitioner, *Amici Curiae* US Inventor, Inc. and Eleven Affected Inventors urge the Court to grant the petition and review the Federal Circuit's issuance of judgments without opinion, particularly in Patent Trial and Appeal Board appeals.

Dated: October 11, 2018

Respectfully submitted,

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APPENDIX
LIST OF *AMICI CURIAE*

1. US Inventor, Inc. – nonprofit advocating for the rights of inventors.

2. Kamran Asghari-Kamrani
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 16-2415

3. Nader Asghari-Kamrani
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 17-2504

4. David Breed
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 17-2307

5. Roman Chistyakov
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 16-1393

6. Marshall Cummings
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 12-1641

7. John D'Agostino
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 18-1000

8. Gene Dolgoff
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 17-1517

9. Aaron Greenspan
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 16-1818

10. Josh Malone
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 17-1175

11. Scott Moskowitz
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 16-1054

12. Tom Waugh
Inventor affected by Federal Circuit Rule 36
Judgment in Appeal No. 17-2343