

No. 17-

IN THE
Supreme Court of the United States

WORLDWIDE OILFIELD MACHINE, INC.,

Petitioner,

v.

AMERIFORGE GROUP, INC. D/B/A
AFGLOBAL CORPORATION,

Respondent.

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

PETITION FOR WRIT OF CERTIORARI

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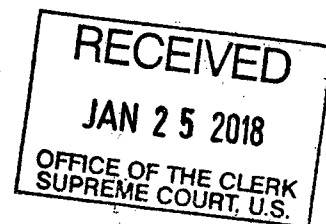
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January 22, 2018



QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the United States Patent and Trademark Office (“USPTO”) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

This petition presents the same question which this Court is considering in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 639 F. App’x 639 (Fed. Cir. 2016), *cert. granted*, 2017 WL 2507340 (U.S. June 12, 2017) (“*Oil States*”). Because this petition implicates the same issues to be decided in *Oil States*, and because the Court will soon decide the power of the Patent Trial and Appeal Board (“Board”) of the USPTO to determine validity of patent rights, Petitioner asks that the Court hold its petition pending that decision.

RULES 14.1(B) AND 29.6 STATEMENT

All parties are identified in the caption of this petition.

Worldwide Oilfield Machine, Inc. is a privately held corporation. It has no parent company, and no publicly held company owns 10% or more of its stock.

CORPORATE DISCLOSURE STATEMENT

Counsel for the Petitioner, Worldwide Oilfield Machine, Inc., certifies the following:

1. The full name of every party represented by me is:

Worldwide Oilfield Machine, Inc.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

Not applicable.

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

Not applicable.

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STATEMENT OF RELATED CASES

Petitioner Worldwide Oilfield Machine, Inc. (“Worldwide”) respectfully petitions for a writ of *certiorari* to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The U.S. Court of Appeals for the Federal Circuit’s opinion (App. 1a–2a.) below is unreported, but available at 2017 WL 4785969 (Fed. Cir. Oct. 24, 2017). The final written decision of the Board is also unreported but available at 2016 WL 2909186 (P.T.A.B. May 16, 2016) (App. 3a–44a.)

JURISDICTION

The Federal Circuit entered its judgment on October 24, 2017. This petition was timely filed within 90 days of that judgment. This Court’s jurisdiction is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

The Seventh Amendment of the Constitution provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

The relevant provisions of the Patent Act, 35 U.S.C. §§ 311–319, are reprinted in the Appendix. (App. 76a–90a.)

INTRODUCTION

This petition presents the same issue currently before this Court in *Oil States*: whether the Constitution permits an administrative agency to extinguish a patentee's private issued patent rights without a trial by jury. Because the grant of *certiorari* in *Oil States* is relevant to this case, this Court should hold this petition pending the outcome of *Oil States*. Should the Court determine in *Oil States* that IPRs are unconstitutional, Petitioner respectfully requests that the Court grant this petition, vacate the judgment below, and remand with an instruction to dismiss for want of jurisdiction.

STATEMENT OF THE CASE

1. In 2011, Congress enacted the Leahy-Smith America Invents Act ("AIA"), Pub. L. No. 112-29, 125 Stat. 284, with the intent to "establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counter-productive litigation costs." H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39-40 (2011). The AIA established *inter partes* review ("IPRs")—administrative proceedings through which the USPTO can reconsider the validity of the claims in issued patents. IPRs may be used to challenge the claims of an issued patent based on lack of novelty or obviousness. 35 U.S.C. 311(b) (App. 76a.) In general, any person other than the patent's owner may petition for IPR. 35 U.S.C. 311. (App. 76a.) The Director of the USPTO may institute an IPR if he determines that "there is a reasonable likelihood that the petitioner would prevail" with respect to at least one of its challenges to the validity of a patent, 35 U.S.C. 314(a), and if no other provision of the Act bars institution under the circumstances. The Director has delegated the

responsibility for instituting IPRs to the Board. 37 C.F.R. 42.4(a). The Board's final decision may be appealed to the Federal Circuit. 35 U.S.C. 141, 319.

2. Worldwide is the owner of the patent-at-issue, U.S. Patent No. 6,601,650 ("the '650 Patent"). (App. 45a–75a.) The '650 Patent, entitled "Method and Apparatus For Replacing BOP With Gate Valve," is directed to technology for replacing a blowout preventer with a gate valve configured with a valve gate of a particular geometry which pushes tubing out of the valve body as the valve closes thereby decreasing the likelihood of debris jamming the valve open or preventing the valve from operating. (App. 63a.)

3. In 2013, Petitioner filed suit in the United States District Court for the Southern District of Texas (Houston Division), No. 4:13-cv-03123 (filed Oct. 23, 2013), alleging, *inter alia*, that Respondent Ameriforge Group, Inc. d/b/a AFGlobal Corporation ("Ameriforge") infringed the '650 Patent.

4. Ameriforge filed a petition for IPR before the Board, seeking to invalidate several claims of the '650 Patent. (App. 3a.) The district court stayed its action pending review of the '650 Patent by the Board. The District Court's order is unreported, but available at 2015 WL 12780757 (S.D. Tex. June 5, 2015).

5. The Board instituted review and ultimately issued its final written decision finding unpatentable every challenged claim of the '650 Patent as anticipated or obvious over the prior art references. (App. 3a–44a.)

6. On July 15, 2016, Petitioner timely filed an appeal of the Board's final written decision, but the Federal Circuit affirmed the Board's decision on October 24, 2017. (App. 1a–2a.) On March 13, 2017,

the district court administratively closed the case previously stayed without prejudice to reopening, if necessary.

REASONS FOR GRANTING THE PETITION

Petitioner contends that IPR proceedings conducted by the Board violate Article III and the Seventh Amendment.

First, once a patent is granted, it “is not subject to be revoked or canceled by the president, or any other officer of the Government” because “[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property.” *McCormick Harvesting Machine Co. v. C. Aultman & Co.*, 169 U.S. 606, 608–609 (1898). To preserve the separation of powers, the “only authority competent to set a patent aside . . . is vested in the courts of the United States, and not in the department which issued the patent.” *Id.* at 609. Therefore, the Board cannot cancel an issued patent in an agency proceeding.

Second, IPRs are inconsistent with this Court’s jurisprudence on public and private rights. In *Stern v. Marshall*, this Court relied on historical practice to identify those “private rights” that must be adjudicated in Article III courts. 564 U.S. 462, 488–95 (2011). Historical practice demonstrates that patent rights are not public rights and can only be extinguished by an Article III court. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 376–377 (1996) (“[Patent] infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”).

Third, IPRs violate the Seventh Amendment. If a cause of action “either was tried at law at the time of the founding or is at least analogous to one that was,”

it must be tried before a jury. *See id.* This Court has “long recognized that, in general, Congress may not ‘withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.’” *Stern*, 564 U.S. at 484 (2011) (quoting *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1856)). Patent litigation, including invalidity and infringement determinations, fall into this category. *See Markman*, at 377, 379–77. Therefore, “Congress may not deprive parties litigating over such a right of . . . a jury trial”—as it seeks to do here by giving power to the Board to cancel patent rights in IPR proceedings and deprive patent owners of their property rights. *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 53 (1989).

The protections afforded by the Seventh Amendment include: (i) the right to present evidence to a jury for its ultimate consideration, (ii) the right to challenge an adversary’s testimonial evidence by cross-examination, and (iii) the right to have one’s case presided over by an Article III judge—appointed for life and not subject to the political impulses of the executive branch.

In contrast, executive branch employees preside over IPRs and IPRs are almost always conducted without live testimony or cross-examination. *See* The Patent Trial and Appeal Board’s Trial Practice Guide, 77 Fed. Reg. 48756, 68 (“The Board does not envision that live testimony is necessary at oral argument.”); *see also Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 872 (2009) (procedural due process was absent when a reasonable observer might question the neutrality of a tribunal’s decision makers); *see also Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pens. Trust for Southern Cal.*, 508 U.S. 602,

617-18 (1993) (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.”).

As this Court stated in *Adickes v. S. H. Kress & Co.*:

[T]he right to confront, cross-examine and impeach adverse witnesses is one of the most fundamental rights sought to be preserved by the Seventh Amendment provision for jury trials in civil cases. The advantages of trial before a live jury with live witnesses, and all the possibilities of considering the human factors, should not be eliminated by substituting trial by affidavit and the sterile bareness of summary judgment. ‘It is only when the witnesses are present and subject to cross-examination that their credibility and the weight to be given their testimony can be appraised. Trial by affidavit is no substitute for trial by jury which so long has been the hallmark of even handed justice.’

398 U.S. 144, 176 (1970) (quoting *Poller v. Columbia Broadcasting System, Inc.*, 368 U.S. 464, 473 (1962)).

The deprivation of these due process guarantees is especially acute in Worldwide’s case where Worldwide was deprived of a meaningful right to have cross-examination testimony heard by the Board. Worldwide submitted extensive cross-examination testimony of Ameriforge’s lone witness to the Board, but none of that testimony is cited to, or discussed in, the Board’s final written decision. (App. 3a-44a.)

On June 12, 2017, this Court granted a petition for writ of *certiorari* in *Oil States* to determine whether

the Constitution permits an executive branch agency, such as the Board, at a petitioner's request, and without a patentee's consent and to invalidate valuable patent rights without an Article III court or jury. A holding in the negative will rightly mean that the Board lacks subject matter jurisdiction to hear validity challenges. As this Court recognized in *United States v. L. A. Tucker Truck Lines, Inc.*, a defect depriving an agency "of power or jurisdiction" must result in the order being "set aside as a nullity" even "in the absence of timely objection." 344 U.S. 33, 38 (1952).

As this Court will address the same issues raised in *Oil States*, Petitioner respectfully requests that the Court hold this petition, consistent with its ordinary practice, pending the resolution of *Oil States*. In the event the Court determines that IPR proceedings conducted by the USPTO are unconstitutional, the Court should grant *certiorari* on this petition, vacate the decision below, and remand in light of that decision to the Court of Appeals for the Federal Circuit with an instruction to dismiss Ameriforge's case for lack of jurisdiction.

CONCLUSION

Petitioner respectfully requests that the Court grant the petition for a writ of *certiorari*, vacate the judgment below, and remand for further consideration consistent with the Court's decision.

Respectfully submitted,

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