

No. 17-1043

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**

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether petitioner has forfeited and waived its non-jurisdictional argument regarding the constitutionality of the *inter partes* review statutory scheme by failing to present that argument at any time in the proceedings below.

2. If the question has not been waived, whether the *inter partes* review process established by Congress comports with Article III of the Constitution and the Seventh Amendment.

RULE 29.6 STATEMENT

Respondent Ameriforge Group, Inc. d/b/a AFGlobal Corporation states that it is wholly owned by AFG Holdings Inc. and that no publicly-held company owns 10% or more of AFG Holdings Inc.'s stock.

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INTRODUCTION

This is a run-of-the-mill case in which the Federal Circuit summarily affirmed a decision of the Patent Trial and Appeal Board (“Board”) in an *inter partes* review (“IPR”) proceeding, finding that a patent was both anticipated and obvious. There is no basis for granting certiorari—or holding the petition in this case pending a decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, No. 16-712—because the sole question upon which petitioner Worldwide Oilfield Machine, Inc. (“Worldwide”) seeks review has been waived by Worldwide’s failure to raise that question at any point in this proceeding, either before the Board or before the Federal Circuit. Worldwide could have sought to raise that question below, as evidenced by the fact that Worldwide’s notice of appeal to the Federal Circuit identified the constitutionality of the IPR statute as a purported issue to be raised on appeal. Worldwide, however, abandoned that argument in its brief below, instead strategically choosing to argue the merits in the hope of obtaining a favorable decision from the Federal Circuit upholding its patents. Only when it lost did Worldwide belatedly seek to raise the constitutional issue before this Court. The Court should not endorse these sandbagging tactics and should deny certiorari without holding the petition.

COUNTERSTATEMENT OF THE CASE

This case involves U.S. Patent No. 6,601,650 (“the ‘650 Patent”), issued to Worldwide for a gate valve that can be used in place of a blowout preventer in a wellbore for a subsea oil well. Appx98.¹ Pursuant to

¹ “Appx” refers to the Joint Appendix filed in the Federal Circuit.

35 U.S.C. § 311, respondent Ameriforge filed its IPR petition before the Board on November 5, 2014. Appx39.

After institution of the proceeding and submission of evidence and a hearing, the Board found that claims 9 and 12 of the '650 Patent are unpatentable for anticipation under 35 U.S.C. § 102(b) and that claims 1, 2, 4-10, 12-14, 16, 18, and 19 are unpatentable for obviousness under 35 U.S.C. § 103(a). See Petition Appendix ("Pet. App.") 1a. At no point in the proceedings before the Board did Ameriforge make the argument that now appears for the first time in its petition for certiorari—that the IPR scheme established by Congress violates Article III and the Seventh Amendment to the Constitution.

Worldwide filed a Notice of Appeal seeking review of the Board's determination in the Federal Circuit. Although Worldwide had never raised the argument before the Board, in its Notice of Appeal Worldwide stated that "the issues on appeal include, but are not limited to * * * the constitutionality of 35 U.S.C. § 314." Appx1338. Section 314 confers authority on the Director of the PTO to institute an IPR.

In its Federal Circuit brief, however, Worldwide abandoned any constitutional arguments. It argued only that the Board erred in finding anticipation and obviousness, and asked that "all challenged claims should be found patentable" by the Federal Circuit. Br. for Appellant at 61, *Worldwide Oilfield Machine, Inc. v. Ameriforge Group, Inc.*, No. 16-2344 (Fed. Cir. filed Nov. 3, 2016) ("Worldwide Fed. Cir. Br."). Worldwide likewise did not raise any constitutional arguments at oral argument, even though by that time this Court had granted certiorari in *Oil States*

to consider the question that Worldwide now belatedly raises in its petition for certiorari.

On October 24, 2017, the Federal Circuit summarily affirmed the Board’s decision without addressing any constitutional issues. Pet. App. 1a. The mandate of the Federal Circuit issued on December 4, 2017 without Ameriforge having made any attempt to stay its issuance.

REASONS FOR DENYING THE PETITION

I. THE QUESTION PRESENTED HAS BEEN FORFEITED AND WAIVED.

Worldwide has forfeited and waived the argument presented in its petition for certiorari by failing to raise that argument previously at any stage in the proceedings, either before the Board or the Federal Circuit. “No procedural principle is more familiar to this Court than that a constitutional right,’ or a right of any other sort, ‘may be forfeited in criminal as well as civil cases by the failure to make timely assertion of the right before a tribunal having jurisdiction to determine it.” *United States v. Olano*, 507 U.S. 725, 731 (1993) (quoting *Yakus v. United States*, 321 U.S. 414, 444 (1944)). Thus, this Court’s “traditional rule” is to deny certiorari “when the question presented was not pressed or passed upon below.” *United States v. Williams*, 504 U.S. 36, 41 (1992) (internal quotation marks and citation omitted).² “Only in exceptional cases will this Court review a question not

² See also, e.g., *Adarand Constructors, Inc. v. Mineta*, 534 U.S. 103, 110 (2001) (per curiam) (“[T]his is a court of final review and not first view.”); *Pa. Dep’t of Corr. v. Yeskey*, 524 U.S. 206, 212–13 (1998) (“Where issues are neither raised before nor considered by the Court of Appeals, this Court will not ordinarily consider them.”) (quoting *Adickes v. S. H. Kress & Co.*, 398 U.S. 144, 147 n.2 (1970)).

raised in the court below.” *Lawn v. United States*, 355 U.S. 339, 362 n.16 (1958) (citations omitted).

This is not an “exceptional case” warranting a departure from the Court’s nearly unwavering rule precluding consideration of questions not pressed or passed on below. To begin with, the question presented does not go to the jurisdiction of the Federal Circuit or this Court, so as to require this Court’s consideration even though the question was not raised below. The Federal Circuit indisputably had jurisdiction over Worldwide’s appeal under 28 U.S.C. § 1295(a)(4)(A). And Worldwide affirmatively invokes, rather than challenges, this Court’s jurisdiction under 28 U.S.C. § 1254(1).

Because it does not go to the jurisdiction of a federal court, “Article III’s guarantee of an impartial and independent federal adjudication is subject to waiver, just as are other personal constitutional rights that dictate the procedures by which civil and criminal matters must be tried.” *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 848–49 (1986) (citations omitted); *see also Wellness Intern. Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1947–49 (2015) (parties may consent to Article I court determination of issues constitutionally reserved to Article III court); *Freytag v. Comm’r of Internal Revenue*, 501 U.S. 868, 878–79 (1991) (Appointments Clause challenge to composition of Article I court is “non-jurisdictional”). Such waivers, moreover, can be express or implied. *Schor*, 478 U.S. at 849; *Wellness Intern. Network*, 135 S. Ct. at 1947–1948. *See also Kearney v. Case*, 79 U.S. 275, 284 (1870) (Seventh Amendment rights subject to waiver).

Worldwide therefore forfeited and waived any argument that this IPR is unconstitutional by failing

to raise that argument at any point in the proceedings below. Instead, Worldwide made a tactical decision to forego that argument, as evidenced by the fact that Worldwide identified the constitutional issue in its Notice of Appeal to the Federal Circuit but then abandoned that argument in its brief. This was plainly a strategic decision. Worldwide hoped to get a favorable decision from the Federal Circuit declaring that its patent is valid, which it could then use in related district court litigation. *See* Worldwide Fed. Cir. Br. 61 (asking for that relief). Only when that plan did not succeed, and the Federal Circuit affirmed the Board’s invalidity findings, did Worldwide reverse course and attempt to assert its constitutional arguments for the first time in this Court.

To be sure, this Court has the “discretion”—which is exercised only in “rare cases”—to consider non-jurisdictional claims not raised below. *Freytag*, 501 U.S. at 878–879. But this is not one of those rare cases. Nothing prevented Worldwide from raising and preserving its purported constitutional objections in the proceedings below. When this proceeding was filed, the Federal Circuit had not yet ruled on the constitutionality of IPRs in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), but Worldwide made no objection. And even after *MCM*, Worldwide was required to assert its objection if it wished to preserve it for this Court’s review. *See Bousley v. United States*, 523 U.S. 614, 623 (1998) (“futility cannot constitute cause [to excuse waiver] if it means simply that a claim was unacceptable to that particular court at that particular time”) (quotation and citation omitted). Indeed, Worldwide initially attempted to do just

that, belatedly raising a constitutional issue in its Notice of Appeal but then abandoning the issue for apparent strategic reasons. Other parties, however, had no difficulty after the *MCM* decision in seeking to preserve the issue for possible review by the Federal Circuit en banc or review by this Court.³

There is therefore no basis for this Court to validate Worldwide's strategic maneuvers by holding its petition or, what would be worse, vacating the Federal Circuit's considered judgment in response to an argument Worldwide never made below. That argument "is clearly an afterthought, brought forward at the last possible moment to undo the administrative proceedings without consideration of the merits and can prevail only from technical compulsion irrespective of considerations of practical justice." *United States v. L.A. Tucker Truck Lines, Inc.*, 344 U.S. 33, 36 (1952). "Simple fairness to those who are engaged in the tasks of administration, and to litigants, requires as a general rule that courts should not topple over administrative decisions unless the administrative body not only has erred but has erred against objection made at the time appropriate under its practice." *Id.* at 37.

Had Worldwide timely raised its argument, either the Board or the Federal Circuit could have at the very least considered whether to stay their proceedings pending this Court's consideration of *Oil States*. Indeed, the Court granted certiorari in *Oil*

³ See, e.g., Pet. for Reh'g En Banc 2–3, *Cascades Projection LLC v. Epson Am., Inc.*, No. 17-1517 (Fed. Cir. filed Feb. 15, 2017); Pet. for Reh'g En Banc 1-3, *Sec. People, Inc. v. Lee*, No. 16-2378 (Fed. Cir. filed Mar. 23, 2017); Opening Br. for Appellant 43–47 & n.5, *In re Depomed, Inc.*, No. 16-1378 (Fed. Cir. filed Apr. 29, 2016).

States before oral argument in this case in the Federal Circuit. Yet Worldwide did not even raise the objection then, opting instead to have the Federal Circuit consider the merits in the hope that the court would declare its patent valid. As the Federal Circuit held in declining to consider a similar constitutional challenge to the Board that had not been raised before, “[t]o permit litigants * * * to raise such issues for the first time on appeal would encourage what Justice Scalia has referred to as sandbagging, i.e., ‘suggesting or permitting, for strategic reasons, that the trial court pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error.’” *In re DBC*, 545 F.3d 1373, 1380 (Fed. Cir. 2008) (quoting *Freytag*, 501 U.S. at 895 (Scalia, J., concurring)).

In light of the authority cited above, there would be no cause for this Court to remand for consideration of waiver and forfeiture issues, even if it were open to the Court to vacate the Federal Circuit’s decision in response to an argument never made below. For the Federal Circuit would be bound by those precedents to reject Worldwide’s argument in the hypothetical event that the Court were to rule for the petitioner in *Oil States* and remand this case. *See Yakus*, 321 U.S. at 444 (where there has been waiver, courts may “refuse to consider a constitutional objection even though a like objection had previously been sustained in a case in which it was properly taken”).

The power of this Court to grant, vacate and remand cases is “exercised sparingly” and only “[w]here intervening developments * * * reveal a reasonable probability that the decision below rests upon a premise that the lower court would reject if given the opportunity for further consideration, and

where it appears that such a redetermination may determine the ultimate outcome of the litigation[.]” *Lawrence v. Chater*, 516 U.S. 163, 167 (1996) (per curiam). Here, there is no reasonable probability that the Federal Circuit would rule any differently in this case if confronted with a question it never previously considered because Worldwide, for apparent strategic reasons, chose not to raise it. The only result of a remand would therefore be additional cost and expense, for both the litigants and the Federal Circuit, and encouragement of other litigants to engage in the same wasteful sandbagging in the future. The petition should therefore be denied.

II. *INTER PARTES* REVIEW PROCEEDINGS ARE CONSTITUTIONAL.

Although Worldwide has waived its constitutional argument, the petition should also be denied because IPR proceedings are a constitutional application of Congress’s authority—which it has exercised for decades—to protect against invalid patents by affording the same agency that issued the patents a limited opportunity to correct errors in issuance. In this regard, Ameriforge relies on the arguments made by respondents and their amici in *Oil States*. See, e.g., Br. for Federal Resp’ts, *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, No. 16-712 (filed Oct. 23, 2017).

III. ANY ADVERSE DECISION IN *OIL STATES* SHOULD BE APPLIED ONLY PROSPECTIVELY.

Finally, even if Worldwide had not forfeited its argument, and even if the Court were to sustain the constitutional objection in *Oil States*, the petition should still be denied because that ruling should

apply prospectively only to cases where IPR proceedings were not completed prior to the ruling.

If the Court finds the IPR process unconstitutional in *Oil States*, the Court should not do so without also deciding whether the decision should be applied only prospectively under *Northern Pipeline v. Marathon Pipe Line*, 458 U.S. 50 (1982), or at a minimum leaving that question open for the Federal Circuit to decide on remand in *Oil States*. In *Harper v. Virginia Department of Taxation*, 509 U.S. 86, 97 (1993), the Court disapproved of selective retroactivity—applying a decision to litigants in one case but not similarly situated litigants. Thus, if the Court does not direct prospective-only application of an adverse decision in *Oil States*, or at least leave the question open, there would be some risk that any such decision might apply retroactively by default to other non-final cases.

If the Court does decide the retroactivity question in *Oil States* rather than remanding on the issue, it should accord prospective-only application to any decision invalidating IPR proceedings. See *Glazner v. Glazner*, 347 F.3d 1212, 1216 (11th Cir. 2003) (noting that this Court, while rejecting selective retroactivity in *Harper*, “has clearly retained the possibility of pure prospectivity”). In *Northern Pipeline*, the Court held that a Bankruptcy Act provision granting jurisdiction to non-Article III courts was unconstitutional, but gave that decision only prospective effect because it involved “an unprecedented question of interpretation of Art. III,” and “retroactive application * * * would surely visit substantial injustice and hardship upon those litigants who relied upon the Act’s vesting of jurisdiction in the bankruptcy courts.” 458 U.S. at 87–88. The

same considerations should result in prospective-only application of any decision invalidating IPR proceedings, given that such an interpretation of Article III would be equally unprecedented and would visit the same substantial injustice and hardship upon litigants, like Ameriforge, that relied on Congress's establishment of the IPR process.

In any event, even if the Court were to direct retroactive application of a decision invalidating IPR proceedings, for all the reasons set forth above that decision should not apply to cases, like this one, that became final on appeal before that ruling and where the issue was not preserved below.

CONCLUSION

For the foregoing reasons, the petition should be denied.

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