

No. 17-1140

IN THE
Supreme Court of the United States

LEON STAMBLER,

Petitioner,

v.

MASTERCARD INTERNATIONAL INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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Mr. Stambler invested time and money to obtain a patent, with the expectation that his patent rights could only be taken following a jury trial in an Article III forum. Then Congress changed the rules, depriving Mr. Stambler of the judicial protection he had when the patent was issued. Compounding the unfairness, when Mr. Stambler appealed the PTAB's decision to the Federal Circuit, the Federal Circuit did not issue an opinion. Mr. Stambler asks this Court to grant his petition to decide the following questions: (1) whether Congress can revoke a patent owner's right to have the validity of his patent determined by a jury trial before an Article III forum after his patent issues; and (2) whether Federal Circuit Rule 36 contravenes 35 U.S.C. § 144.

I. The Court Should Decide Whether Retroactive Application of Covered Business Method Proceedings is Constitutional.

Oil States Energy Services, LLC v. Greene's Energy Group, LLC, 138 S. Ct. 1365 (2018), is not dispositive of the constitutionality of CBM proceedings in this case. In *Oil States*, this Court held that the *inter partes* review procedure authorized by the AIA does not necessarily offend Article III or the Seventh Amendment, as written. The Court, however, left open the constitutionality of the application of *inter partes* review to patents that issued before the AIA.¹ *See id.* at 1379 (“[W]e address only the precise constitutional challenges that *Oil States* raised here. *Oil States* does not challenge the retroactive

1. As a result of the Court's decision in *Oil States*, the Court should grant certiorari on the first question presented, limited to patents issued prior to enactment of the AIA.

application of inter partes review, even though that procedure was not in place when its patent issued.”). This case squarely presents that question. Mr. Stambler’s patent was issued in 1998, well before passage of the AIA. *See* Opp. at 3. The Court should therefore resolve the question it left open in *Oil States* in this case.

Whether *inter partes* or CBM review can be applied retroactively is an important issue. The Supreme Court has repeatedly recognized that patents are property, and that patentees reasonably have settled expectations of the applicable law attached to a patent. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 739 (2002) (“Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property.”); *see also Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 32 n.6 (1997) (rejecting alteration to estoppel rules and holding that to “change so substantially the rules of the game now could very well subvert the various balances the PTO sought to strike when issuing the numerous patents which have not yet expired and which would be affected by our decision.”). But *inter partes* review and CBM review have disrupted the “settled expectations” of hundreds of patent owners across every significant industry. The AIA was signed into law on September 16, 2011. Since 2012, the PTAB has retroactively applied the AIA to institute over 1100 IPR proceedings and over 100 CBM proceedings on over 950 duly-issued pre-AIA patents.² There is no indication that market participants expect the PTAB to end this

2. All figures regarding IPR or CBM petitions and institutions are based on data collected from Docket Navigator (www.docketnavigator.com).

practice: over 300 petitions for IPR or CBM review of pre-AIA patents have been filed so far in 2018, comprising nearly half of all CBM and IPR petitions. According to the 2015 Report of the Economic Survey by the American Intellectual Property Law Association, the average cost of these proceedings through a PTAB hearing, excluding any appeal, is more than \$300,000 *each*, representing a substantial burden to patent owners irrespective of the outcome. This Court should address the issue of retroactive application that is currently affecting hundreds of patent owners nationwide.

II. This Court Should Review the Federal Circuit's Pervasive Issuance of Rule 36 Judgments Without Opinions in Conflict with 35 U.S.C. § 144.

Respondents encourage the Court to ignore the plain statutory language of 35 U.S.C. § 144 by appealing to a “deeply rooted tradition” permitting judgments without opinion in five of the thirteen geographically defined courts of appeals. But the case on which Respondent relies, *Taylor v. McKeithen*, 407 U.S. 191 (1972), does not support its position. There, this Court did not apply the “deeply rooted tradition,” but granted certiorari, vacated the judgment below, and remanded the case to the Fifth Circuit to draft an opinion *precisely because* its summary opinion prevented this Court from addressing a potentially important legal issue. *Id.* at 194.

Appeals from the PTAB present an even more compelling reason for requiring an opinion than the facts in *Taylor*. As the dissent in *Taylor* noted, there was “[n]o existing statute or rule of procedure prohibit[ing] the Fifth Circuit from issuing a short opinion and order

[...] or from deciding cases without any opinion at all.” *Id.* at 195 (Rehnquist, J., dissenting). Here, in contrast, Congress commands that the Federal Circuit “shall issue [...] its mandate and opinion” with respect to any appeal of a PTAB decision. 35 U.S.C. § 144. As this Court recently held when mandating the issuance of a Final Written Decision by the PTAB on all challenged claims, “[t]he word ‘shall’ generally imposes a nondiscretionary duty.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018) (citing *Lexecon Inc. v. Milberg Weiss Bershad Hynes & Lerach*, 523 U.S. 26 (1998)). This requirement for opinion in appeals from PTAB decisions differs from the general requirement that appellate courts issue a “judgment” in other cases (such as appeals from district courts) where errors do not affect the outcome. *See* Fed. R. App. P. 36; 28 U.S.C. § 2111. It also differs from the earlier command that the Court of Customs and Patent Appeals, the Federal Circuit’s predecessor, “hear and determine” an appeal from the PTO and “shall return [...] a certificate of its proceedings and decision” to “govern the further proceedings in the case.” Pub. L. No. 82-593, 66 Stat. 792, 802-803 (1952).

Respondents contend that a “Rule 36 affirmance is not meaningfully different from a nonprecedential opinion stating that the decision of the agency is affirmed for reasons outlined in the agency’s decision.” *Opp.* at 6. But there is a critical difference between Rule 36 judgments and nonprecedential opinions. “Since there is no opinion, 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.” *Rates Tech., Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012). This Court, the district courts,

the PTAB, the parties, and the patent bar know only that the decision below stands; they do not know why. By contrast, opinions—even short, non-precedential opinions—indicate the grounds for affirmance. As a result, if the Federal Circuit’s basis for affirmance is legally infirm, a party could petition for and this Court could grant certiorari. Even if no party requests certiorari, the opinion may be persuasive and cited as authority to the PTAB and to courts. *See* Fed. R. App. P. 32.1 (“A court may not prohibit or restrict the citation of federal judicial opinions, orders, judgments, or other written dispositions that have been (i) designated as ‘unpublished,’ ‘not for publication,’ ‘non-precedential,’ ‘not precedent,’ or the like; and (ii) issued on or after January 1, 2007.”); Fed. Cir. R. 32.1(c) (“Parties are not prohibited or restricted from citing nonprecedential dispositions issued after January 1, 2007”). Opinions, but not Rule 36 affirmances, thus guide lower tribunals and settle the expectations of litigants and the bar regarding future decisions—an essential element of the rule of law.

Respondents assert that Rule 36 affirmances are not being used to contravene *Chenery*, identifying a single case where the Federal Circuit remanded a case to the PTAB in view of its inability to discern any reasoning for the PTAB decision. Opp. at 7 (citing *In re NuVasive, Inc.*, 842 F.3d 1376 (Fed. Cir. 2016)). But this is impossible to falsify (or confirm) since a Rule 36 affirmance by its nature provides no basis for the judgment. Moreover, the sheer volume of petitions received by this Court, and significant public commentary, indicate that the patent bar writ large thinks this issue worthy of the Court’s attention. Petitioner submits that if this Court must “regularly” deny petitions for certiorari because the same issue is

repeatedly raised by sophisticated litigants, it may be time to grant certiorari.

CONCLUSION

For these reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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