

No. 18-183

In the Supreme Court of the United States

ADVANCED AUDIO DEVICES, LLC,
Petitioner,

v.

HTC CORPORATION and HTC AMERICA, INC.,
Respondents.

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

**AMICI CURIAE BRIEF OF SECURITY PEOPLE, INC.
AND US INVENTOR, INC. IN SUPPORT OF PETITIONER**

FREAR STEPHEN SCHMID
Counsel of Record
Attorney at Law
177 Post Street, Suite 550
San Francisco, CA 94108
Tel: (415) 788-5957
fearschmid@aol.com

Counsel for Amici Curiae

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INTEREST OF *AMICUS CURIAE*¹

Amicus Security People, Inc. (“SPI”) is a closely held California corporation, which holds over thirty patents, the bulk of which it has actively practiced in products that it manufactures, markets, and sells.

SPI had a petition for a writ of certiorari before this Court (*Security People Inc. v. Matal, et al*, 17-214) that challenged the *America Invents Act* (AIA) with the identical question posed by *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC, et al.*, 584 U.S. __; 138 S. Ct. 1365 (2018). At that time, SPI was involved in litigation in the Northern District of California regarding infringement on one of its patents (*Security People, Inc. v. Ojmar US, LLC*, case number 3:14-cv-04968-HSG). SPI had timely requested a jury trial. The defendant Ojmar answered and filed a counterclaim seeking invalidity of the subject patent and requested a jury trial. SPI moved to dismiss the counterclaim. Before the hearing on the motion to dismiss, Ojmar filed a petition for *inter partes* review (“IPR”). Ojmar also sought a stay of the District Court action pending the IPR. The District Judge stayed the action, pending resolution of the IPR. Also, due to the stay, the scheduled jury trial that had been originally set for October 2016 was derailed. At issue in that case was

¹ Pursuant to this Court’s Rule 37.2(a), all parties have consented to this filing. The petitioner’s consent on file with the Court, and respondent has provided written consent. Pursuant to this Court’s Rule 37.6, *amicus* state that no counsel for a party authored this brief in whole or in part, and no counsel or party made a monetary contribution intended to fund the brief’s preparation or submission. No person other than *amicus* or its counsel made a monetary contribution to the brief’s preparation or submission.

SPI Patent No. 6,655,180 issued on December 2, 2003, which patent claims SPI incorporated in its Digilock® products starting in 2002. SPI has actively practiced the patent at all times since, having invested millions of dollars into the patent, product development and its business built around the patent. The invention covered by the '180 patent had great commercial success in the marketplace because it satisfied a long felt but unsolved need, thus, meeting key “secondary” considerations of non-obviousness (*Graham v. John Deere Co.*, 383 U.S. 1, 17-18 (1966)).

Ultimately, an adverse IPR decision was entered which invalidated the applicable claims of the patent at issue with Ojmar. Thus, SPI is intimately aware of the costs of the IPR process and the hurdles it presents to long-vested patents, and the “taking” effect of an adverse IPR decision.

Through the adverse IPR decision, the Federal Government took SPI's proprietary development and invention protected by the '180 patent issued in 2003 (a decade before the AIA) and gave it to the public domain without any compensation.

SPI is a classic small business success story, which has invested in patent development in good faith reliance that its property rights in its issued patents would be protected by the United States Judicial System. In sum and substance, SPI has been deprived of its rights to hearings, trial, and the standards of proof applicable in Article III courts and has had its '180 patent rights taken without any compensation and given to the public domain.

Amicus, 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 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 consist of individual inventors and small- to medium-sized enterprises that 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.

Amici have long-standing and vested interests in various patents, and the preservation of the property rights secured thereby. *Amici* are very concerned with the complete chaos, clouding of title of patent rights, and uncompensated takings of long-vested patent rights due to the *inter partes* review process under the *America Invents Act*. Specifically, *amici* are very concerned about patent owners being stripped of their rights to have their patents adjudicated in Article III courts (with the attendant Seventh Amendment right to a jury trial, burden of proof, and claim construction standards) instead of at the hands of the Patent Office and the failure to provide just compensation for patent claims invalidated by the IPR process. The *inter partes*

review process, as constituted, has an absolutely destabilizing effect on long-term patent innovations and development, and the remuneration for such efforts. And, as such, is profoundly detrimental to the well-being and purpose of fostering patents as envisioned by the U.S. Constitution, and more fundamentally brings into question a bulwark of a free society – the sanctity that private property shall not be taken without due process of law and just compensation. See e.g. *United States v. James Daniel Good Real Property*, 510 U.S. 43, 61 (1993): “Individual freedom finds tangible expression in property rights.”

SUMMARY OF ARGUMENT

IPR invalidations of pre-AIA patents constitute a taking of property for a public purpose for which the remedy is just compensation under the Fifth Amendment. *Marbury v. Madison*, 5 U.S. 137 (1803).

ARGUMENT

IPR Violates The Fifth Amendment By Taking Property Without Due Process Of Law And Without Just Compensation.

The petition raises a very fundamental and substantial issue expressly left unaddressed in *Oil States*: assuming that *Oil States* allows invalidation of a patent issued before the AIA² - what is the appropriate remedy for any pre-AIA patent invalidated by the IPR process? Justice Breyer at oral argument in

²This assumption is dubious given the circumspect language in *Oil States* expressly noting that this issue was neither raised by petitioner nor being determined by the Court.

Oil States seemed to question the propriety of the AIA's effect on earlier issued patents:

“You at some point -- I mean, what I've wondered as I've read this is -- suppose that just what you say happens, that all we're doing is reexamining the patent and the statute provides it, but suppose that the patent has been in existence without anybody reexamining it for 10 years and, moreover, the company's invested \$40 billion in developing it. And then suddenly somebody comes in and says: Oh, oh, we -- we want it reexamined, not in court but by the Patent Office.

Now, that seems perhaps that it would be a problem or not?”

This *amicus* brief contends, as addressed below, the answer to this “problem” is found in *Marbury v. Madison*, 5 U.S. 137 (1803).

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. See e.g. *Brown v. Duchesne*, 60 U.S. 183, 197, 15 L. Ed. 595 (1857). And also see *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 772, 139 (2002): “Fundamental alterations in these rules risk destroying the legitimate expectations of inventors in their property... [t]o 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.’ *Id.*, at 32, n.6; see also *id.*, at 41 (GINSBURG, J., concurring)”

Indeed, a class action has already been filed based upon the passage in *Oil States* where the Supreme Court explicitly stated it was not addressing other constitutional issues, i.e., retroactivity, due process, and taking. See *Christy, Inc. v. U.S.A.*, *U.S. Court of Federal Claims*, 1:18-cv-00657, filed May 9, 2018.

When a patent is issued, it is sent to the owner of the patent, and it includes a certificate issued and signed by the Director of the United States Patent and Trademark Office. The certificate for SPI's '180 patent indicates that the Director of the USPTO

“has received an application for a patent for a new and useful invention. The title and description of the invention are enclosed. The requirements of law have been complied with, and it has been determined that a patent on the invention shall be granted under the law.

Therefore, this 6,655,180

United States Patent [g]rants to the person(s) having title to this patent the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States of America or importing the invention into the United States of America for the term set forth below, subject to the payment of maintenance fees as provided by law.”

If the full faith and credit of the United States as evidenced by the patent certificate means anything, it means that if the patent is invalidated (i.e., taken) by subsequent legislative and/or executive action, i.e., by AIA's IPR process, then such action must be compensable under the Fifth Amendment.

Assume Congress, in a time of war, were to legislate that all patents affecting armament production were to be invalidated after an administrative process to determine if a patent would negatively affect such production, then unquestionably such a retroactive law would be a taking, even in an area where all would concede that the power of the Federal Government and Congress is at its zenith. See e.g., *Fla. Prepaid Postsecondary Educ. Expense*: “[p]atents ... have long been considered a species of property”; *Brown v. Duchesne*, 60 U.S. 183, 197, 15 L. Ed. 595 (1857): “the rights of a party under a patent are his private property” which “cannot be taken for public use without just compensation.”

This is the scenario presented by the petition – Congress has authorized the taking of vested patent rights previously granted by the Executive Branch for the public purpose of addressing the perceived public harm of too many “obvious” patents having been granted. To effectuate this taking scheme, the executive branch has used substantially different rules pertaining to patent invalidation in the Federal Court where invalidation was historically vested. See *In Re Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. ____ (2016). In other words, by the means of an IPR invalidation of pre-AIA patents, the U.S. Government is taking the title guaranteed by the patent certificate. This is an act that must be compensated under the analysis as set forth in *Marbury v. Madison*.

As well known, *Marbury v. Madison* involves a commission issued, which in the language of the opinion was same as a “patent.” *Id.* at 165. *Marbury* recognized that patents are protected property. *Id.* at

155. A patent vests “legal rights which are protected by the laws of [t]his country.” *Id.* at 162. *Marbury* continues at 163:

“The very essence of civil liberty certainly consists in the right of every individual to claim the protection of the laws whenever he receives an injury. One of the first duties of government is to afford that protection. In Great Britain, the King himself is sued in the respectful form of a petition, and he never fails to comply with the judgment of his court...

The Government of the United States has been emphatically termed a government of laws, and not of men. It will certainly cease to deserve this high appellation if the laws furnish no remedy for the violation of a vested legal right.”

And further continues at 165:

“No act of the Legislature confers so extraordinary a privilege, nor can it derive countenance from the doctrines of the common law. After stating that personal injury from the King to a subject is presumed to be impossible, Blackstone, Vol. III. p. 255, says,

“but injuries to the rights of property can scarcely be committed by the Crown without the intervention of its officers, for whom, the law, in matters of right, entertains no respect or delicacy, but furnishes various methods of detecting the errors and misconduct of those agents by whom the King has been deceived and induced to do a temporary injustice.”

By the act passed in 1796, authorizing the sale of the lands above the mouth of Kentucky river, the purchaser, on paying his purchase money, becomes completely entitled to the property purchased, and, on producing to the Secretary of State the receipt of the treasurer upon a certificate required by the law, the President of the United States is authorized to grant him a patent. It is further enacted that all patents shall be countersigned by the Secretary of State, and recorded in his office. If the Secretary of State should choose to withhold this patent, or, the patent being lost, should refuse a copy of it, can it be imagined that the law furnishes to the injured person no remedy?

It is not believed that any person whatever would attempt to maintain such a proposition.”

Unlike in *Marbury*, where it was determined the Court lacked jurisdiction, here manifestly the Court has jurisdiction to afford petitioner the remedy guaranteed it by the Fifth Amendment of the US Constitution, i.e., just compensation, or alternatively, reinstatement of the patents invalidated by the IPR decisions, should the government opt not to pay just compensation.

CONCLUSION

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

Frear Stephen Schmid
Counsel of Record
Attorney at Law
177 Post Street, Suite 550
San Francisco, CA 94108
Tel: (415) 788-5957
frearschmid@aol.com

Counsel for Amici Curiae

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