

No. 18-77

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IN THE  
**Supreme Court of the United States**

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ADVANCED VIDEO TECHNOLOGIES LLC,

*Petitioner,*

*v.*

HTC CORPORATION, HTC AMERICA, INC.,  
BLACKBERRY, LTD, BLACKBERRY CORPORATION  
and MOTOROLA MOBILITY LLC,

*Respondents.*

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

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**REPLY BRIEF**

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**RULE 29.6 DISCLOSURE**  
**STATEMENT**

Advanced Video Technologies, LLC is a privately owned company, **partially owned by General Patent Corporation**. No publicly held corporation owns 10% or more of stock in Advanced Video Technologies, LLC.

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## **REPLY BRIEF FOR PETITIONER**

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Respondents' Opposition clearly agrees that the Federal Circuit's self-created "substantive right to refuse to join a patent infringement suit" trumps this Court's Rule 19 of the Federal Rules of Civil Procedure. The Opposition, however, fails to identify any law or precedent of this Court that gives the Federal Circuit the authority to overrule any of this Court's promulgated Federal Rules of Civil Procedure.

Respondents' Opposition to the Petition highlights a particular problem that this Court must resolve: what happens when a recalcitrant patent owner refuses to have anything to do with an infringed patent, thereby depriving other patent owners of the ability to enforce their independent right to sue for infringement? The answer is a taking in violation of the 5<sup>th</sup> Amendment and a deprivation of the other patent owners' Due Process and Equal Protection rights as a result of the Federal Circuit's disregard for Rule 19.

That is exactly what happened here. One patent owner, Vivian Hsiun, effectively disappeared, refusing to sign any assignment of her purported interest in the patent. She refused to engage in any negotiations or discussions of any kind relating to the patent. She never participated in any sort of maintenance of the patent. In sum, the only thing Vivian Hsiun made clear is that she wants absolutely

nothing to do with the patent.<sup>1</sup> Ms. Hsiun’s mere recalcitrance, however, has deprived AVT, a rightful owner of the patent, of the only real right a patent provides – the ability to stop others from infringing the patent.

By riding off into the sunset and refusing to be involved in any action to enforce the patent, Hsiun has, in effect, granted a retroactive free license to Respondents with respect to the patent.

Based on current Federal Circuit precedent, AVT and other similarly situated parties have no recourse. Through its web of made-up legal doctrines, the Federal Circuit has created a “substantive right” that never existed in the common law or Supreme Court precedent, and its basis for this “substantive right” is internally inconsistent.

On one hand, the Federal Circuit states that one patent owner cannot grant retroactive licenses (i.e., licenses that effectively forgive past infringement), because this abrogates the right of other co-owners to recover damages for past infringement. Yet on the other hand, the Federal Circuit claims that a patent owner can only recover damages for infringement in a suit where all other co-owners are joined, but that those co-owners cannot be involuntarily joined. Thus, according to the Federal

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<sup>1</sup> Ms. Hsiun, who is represented by counsel, has refused to communicate in any way with AVT, a rightful owner of the patent.

Circuit, the owner seeking to file suit cannot do so without express approval and participation of all co-owners, and therefore can be barred from recovering damages for past infringement solely due to the co-owners' recalcitrance (i.e., the co-owners' implicit retroactive license).

This quagmire arises as a direct result of the Federal Circuit's continued insistence on deviating from this Court's precedent and the Federal Rules of Civil Procedure promulgated by this Court in favor of its repeated, flawed notion that somehow, not all rules apply to patent cases.

Despite a series of misrepresentations made in Opposition by Respondents<sup>2</sup>, the necessary resolution of the question presented is evident. Rule 19 of the Federal Rules of Civil Procedure should apply to patent cases as it does to all other federal cases. There is no substantive right of a patent owner to impede the right of other owners to enforce their explicitly granted, substantive patent rights to recover damages for past infringement.

Accordingly, where a recalcitrant co-owner of a patent refuses to join a lawsuit for patent

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<sup>2</sup> For example, Respondents falsely claim that "the entire Federal Circuit unanimously denied AVT's petition for rehearing *en banc*." First, voting records on petitions for rehearing are not publically available. Second, the concept that Judge O'Malley would have voted against rehearing *en banc* in light of her concurring opinion chastising the Federal Circuit for its position on Rule 19 is unrealistic and absurd.

infringement, and also refuses to otherwise grant a retroactive license to the accused infringer, that co-owner must be joined pursuant to Rule 19.

**I. PETITIONER HAS NOT WAIVED THE RIGHT TO BRING FORTH THIS PETITION BEFORE THIS COURT**

Respondents argue that Petitioner waived its right to request that the Federal Circuit precedent in question be overturned. Respondents' proposition is preposterous.

Respondents' argument is essentially that in order to preserve this issue before this Court, Petitioner should have: 1) put forth a request that the District Court overrule a higher court's precedent (i.e., the Federal Circuit); and 2) subsequently request that a panel of three Federal Circuit judges overrule the *en banc* precedent of that court.

Each of these suggestions is so absurd and frivolous that they would have exposed Petitioner to the risk of sanctions under Rule 11 and/or liability for Respondents' attorneys' fees under 35 U.S.C. § 285.

Predictably, Respondents cite no case law to support their argument. In fact, all Respondents managed to cite in support of their argument is a single case from this Court, completely taken out of context. Specifically, in *Yee*, this Court granted certiorari regarding a takings claim – specifically the question of whether a rent control ordinance



constituted a physical taking under the Fifth Amendment's Takings Clause. *Yee v. City of Escondido, Cal.*, 503 U.S. 519, 534 (1992). The petitioner in *Yee* then proceeded to raise a new issue that was not originally included in its petition, and that new issue would have created a case of first impression – whether the ordinance constituted a regulatory taking. *Id.* at 537-538.

The Court noted that not only did raising this new issue violate this Court's rules because it was never raised in the petition. It also raised an entirely new question that the lower courts were capable of resolving. *Id.* at 537-538. The Court concluded that it would be improper for an issue that was never addressed by the lower courts to be addressed for the first time ever in this Court. *Id.* at 538. (“[W]ere we to address the issue here, we would apparently be the first court in the Nation to determine whether an ordinance like this one effects a regulatory taking.”).

In contrast to *Yee*, that is not the case here. Lower courts, specifically the Federal Circuit, have addressed the issue of Rule 19 and how it does not apply to patent cases. The Federal Circuit made that decision binding precedent, such that it could not be overruled by a district court judge or a Federal Circuit three judge panel. In fact, when this issue arose during oral argument, the following exchange occurred:

Newman, J.: I don't know why she couldn't have been joined in this suit as

an involuntary plaintiff or defendant, it's very peculiar:

Respondent: It never happened. It never happened, Your Honor.

O'Malley, J.: Well, *our STC decision*, for which Judge Newman and I both dissented, *said that you can't do that, right?*

Respondent: Right.

O'Malley, J: So we were missing two judges, including Judge Reyna who was recused, so who knows where that might end up if one tried it again.

Newman, J: Well maybe, the facts are also somewhat different. It is, but, still looking at what this District Judge held. *It's inconceivable to me that there's no remedy.* But as to what that remedy might be, is the question.

*Advanced Video Techs LLC. v. HTC Corporation*, Case No. 16-2309, Oral Argument at 15:53 (emphasis added). Thus, the three-judge panel that heard this case acknowledged that Petitioner

could not raise this issue below due to binding precedent.

When the only appropriate opportunity arose for Petitioner to request reconsideration of this precedent on its petition for rehearing *en banc*, Petitioner did just that. Petitioner is unaware of any instance in which a lower court has ever been able to ignore or overturn the precedent of a higher court, except for the Federal Circuit's almost routine disregard for this Court's decisions and the Federal Rules. *See* Petition at 16-18. Petitioner could not, in good faith, ask the district court or the original Federal Circuit panel to overrule binding precedent when they simply had no authority to do so. To suggest otherwise would be to encourage frivolous motion practice. Accordingly, not doing so does not therefore prevent Petitioner from bringing this question to this Court.

## **II. THE "SUBSTANTIVE RIGHT" CREATED BY THE FEDERAL CIRCUIT HAS NO BASIS IN THE COMMON LAW, SUPREME COURT PRECEDENT, OR ANY OTHER HIGHER AUTHORITY**

Respondents, like the Federal Circuit, have failed to show any common law, Supreme Court precedent, statutory support, or any other authority creating a "substantive right" or granting the Federal Circuit the authority to fabricate a "substantive right" allowing Rule 19 to be ignored in patent cases. This is because there is no such authority.

Respondents first argue that this “substantive right” exists in 35 U.S.C. § 262. That is false. As Respondents note, § 262 grants each owner of a patent the unilateral right to enjoy and exploit the patented invention without interference from other co-owners – essentially, a prohibition preventing patent co-owners from suing each other for infringement. Respondents’ assessment, however, raises the obvious questions: if § 262 was intended to prevent patent co-owners from interfering with each other’s rights, why did the Federal Circuit go against that legislative intent by enabling one owner to interfere with another co-owner’s ability to sue for infringement by simply not joining that co-owner in the lawsuit? And how can one say that each party has unilateral rights, if such “unilateral rights” can be effectively impeded by a co-owner? *See* Respondents’ Brief, page 9.

As explained in greater detail below, this interpretation of § 262, as well as the Federal Circuit’s inexplicable restriction on retroactive licenses and other legal paradoxes, were created by the Federal Circuit’s ad hoc lawmaking. That created a series of conflicts between patent co-owners that effectively results in an unconstitutional taking of one party’s patent rights completely without any recourse. Current Federal Circuit precedent, under the guise of a self-created “substantive right,” allows one owner to simply wash their hands of a patent, refuse to negotiate or assign their rights to the patent to co-owners, and leave the co-owners in the dust with no

recourse, and no way to exercise their “unilateral right” to enforce the patent.

The Opposition also cites to *Shering* and *Ethicon* for support. However, as set forth in the Petition, these two cases largely base their analyses on *Willingham*, which actually supports involuntary joinder of co-owners, and therefore renders the analysis of *Shering* and *Ethicon* inaccurate. *Willingham v. Star Cutter Co.*, 555 F.2d 1340, 1346 (6th Cir. 1977) (“If a person as described in subdivision (a)(1)(2) is amendable to service of process and his joinder would not deprive the court of jurisdiction in the sense of competence over the action, he should be joined as a party; and if he has not been joined, the court should order him to be brought into the action. If a party joined has a valid objection to the venue and chooses to assert it, he will be dismissed from the action.”).

Respondents’ inconsistent analysis of this issue highlights the legal quagmire that the Federal Circuit has created. On one hand, Respondents state that § 262 “grants each joint owner of a patent the *unilateral right* to enjoy and exploit the patented invention without interference from other co-owners.” Respondents’ Brief at 9 (emphasis added). Respondents thus acknowledge that § 262 is intended to permit each inventor to act “unilaterally” without regard to the other inventor. Yet on the same page, when it comes to suing for infringement, Respondents take the opposite approach, arguing that “[g]iving one

co-owner *the right to unilaterally sue* for infringement, over the objections of other co-owners, is *inconsistent* with the joint ownership provided in Section 262.” *Id.* (emphasis added). These two contentions are in direct conflict with one another, and Respondents cannot reconcile this obvious inconsistency.

The reason for this inconsistency is the Federal Circuit’s failure to be able to explain where this “substantive right” comes from. The reality is that there is no such “substantive right” under the law. The Federal Circuit simply made it out of whole cloth.

The Federal Circuit’s reliance on Section 262 is misplaced. Simply put, there is no explicit grant of independent rights to sue for infringement under § 262. Rather, § 262 merely provides that each patent co-owner has the right to perform acts that would otherwise be acts of infringement, without being liable to co-owners. 35 U.S.C. § 262 (“[E]ach of the joint owners of a patent may make, use, offer to sell, or sell the patented invention . . . without the consent of and without accounting to the other owners.”).

The rights of patent owners to sue infringers, independent of one another, actually arises from §§ 271 and 281 of the Patent Act. 35 U.S.C. § 271 (“[W]hoever without authority makes, uses, offers to sell, or sells any patented invention . . . during the term of the patent therefor, infringes the patent.”); 35 U.S.C. § 281 (“A patentee shall have remedy by civil action for infringement of his patent.”). There is no

mention or requirement in §§ 271 and 281 that each patent owner must be joined in a lawsuit. That requirement came from this Court in cases such as *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459, 468 (1926), which could otherwise be carried out through the mandate of involuntary joinder under Rule 19 (as it is in non-patent cases).

### **III. THE FEDERAL CIRCUIT'S PRECEDENT HAS CREATED A LAW THAT LEAVES ONE PARTY WITHOUT ANY RECOURSE**

As stated in the Petition, current Federal Circuit law presents a clear internal conflict. In this conflict, the Federal Circuit has erred on the side that enables one co-owner of a patent to effectively take that patent from other co-owners by simply doing nothing. The other co-owners are left with no recourse, because under Federal Circuit law, involuntary joinder cannot be used to bring a recalcitrant owner into a lawsuit. This leaves other owners without the ability to enforce the patent, effectively a taking of their “unilateral rights” under the patent. Because of this unjust result, this Court should require the Federal Circuit to apply Rule 19 in patent cases as it applies to all other areas of federal law.

This problem becomes exacerbated by the Federal Circuit’s additional made-up law that one owner cannot grant retroactive licenses to infringers.

The Federal Circuit's habit of creating its own laws has now resulted in a nonsensical rule that is undercut by the Federal Circuit's own precedent. By allowing a patent owner to stifle a co-owner's lawsuit simply by refusing to join, the Federal Circuit has created absurd, convoluted procedural rules along with easily exploited loopholes (e.g., one is barred from depriving a co-owner of past damages by granting a retroactive license, but one is free to deprive a co-owner of past damages by refusing to join a lawsuit).

If Rule 19 were to be read correctly by the Federal Circuit, and if the Federal Circuit's convoluted series of contradicting precedents were curtailed, then a recalcitrant co-owner would be involuntarily joined as a necessary party to a patent infringement suit. If that co-owner did not wish to be involved in the suit, they may simply abstain from further involvement. If they wanted to actively restrict a plaintiff's suit, they may grant a retroactive license to the defendant (which, due to another questionable rule made up by the Federal Circuit, they are barred from doing).

Respondents' fears that a co-owner who is involuntarily joined might be exposed to sanctions and liabilities under 35 U.S.C. § 285 are complete nonsense. Sanctions and attorneys' fees under Rule 11 and § 285 are extreme remedies. In fact, attorneys' fees under § 285, for example, are only granted in "exceptional cases." 35 U.S.C. § 285. Specifically, these remedies are only granted against parties who act objectively unreasonably. Merely



being involved in a lawsuit in name only would not expose an involuntarily joined co-owner to liability, which is based on misconduct.

Additionally, Respondents point to a scenario in which only one owner of a patent wishes to sue, and argues that it would be inequitable for force several co-owners not interested in suing to join a lawsuit. However, Respondents ignore the inequities currently exist where, as here, the other co-owner has gone through the effort and expense of prosecuting, maintaining, and attempting to enforce the patent, and a single co-owner is able to thwart those efforts by mere recalcitrance, effectively destroying the patent.

Thus, under the Federal Circuit's current policy regarding Rule 19, one patent co-owner can effectively take the patent property out of hands of the other co-owners, without due process and in violation of the other co-owners equal protection rights by simply doing nothing. That leaves the other co-owners without the "unilateral right" to enforce the patent. Such a scenario cannot be what Congress intended, nor can it be what this Court intended when it promulgated Rule 19 of the Federal Rules of Civil Procedure. The Federal Circuit must be required to enforce the law and Rules as intended.

**CONCLUSION**

For these reasons, this Petition should be granted.

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