

No. 19-601

In The
Supreme Court of the United States

COLLABO INNOVATIONS, INC.,

Petitioner,

v.

SONY CORPORATION, ET AL.,

Respondents.

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

REPLY BRIEF FOR PETITIONER

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ARGUMENT

This case presents the Court with an ideal opportunity to resolve two key constitutional questions expressly left open by *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), and determine as a final matter whether the retroactive application of *inter partes* review to pre-AIA patents is unconstitutional. Not surprisingly, Respondents disagree. But there are no technical reasons to deny certiorari. Collabo properly preserved its arguments below and raises constitutional questions of great significance. Further, Respondents' arguments about the merits are no reason to deny certiorari. If anything, they highlight that the retroactive application of *inter partes* review to pre-AIA patents is an issue of substantial importance that has not been, but should be, decided by this Court.

A. This Case Presents Important Questions that Should Be Addressed by the Court.

The constitutional questions raised by Collabo are undoubtedly important. The Patent Trial and Appeal Board routinely invalidates patents that issued before the AIA in *inter partes* review proceedings, eradicating the patents' former value and rendering worthless the investments made by patent owners in reliance on the U.S. Patent and Trademark Office's hard work, the presumption of validity guaranteed by 35 U.S.C. § 282(a), and the law as it existed at the time of issuance. The constitutionality of the Board's action is at issue in every one of these proceedings.

The questions raised by Collabo are also important from a legal perspective. Should Congress be permitted to upset a patent owner’s expectations by replacing a reexamination proceeding — where a patent essentially goes back to the PTO for a second examination — with an entirely new, adversarial proceeding by which the Board can invalidate issued patents without the same safeguards? And further, if Respondents and the Federal Circuit are correct that *inter partes* review is not meaningfully different from reexamination, what rational basis could Congress possibly have for making *inter partes* review apply retroactively to *all* patents? Respondents cannot have it both ways. *Inter partes* review is either a fundamentally different proceeding — in which case Congress might have had a reason to make the law retroactive (e.g., to improve reexamination) — or it is not.

Sony submits that this Court should deny certiorari because there is no split of authority below. But a split of authority is not required for the Court to grant certiorari. In *Oil States*, for example, there was no split of authority on the issues raised by the petitioner. The Federal Circuit had uniformly rejected the argument that *inter partes* review violated Article III and the Seventh Amendment. See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 639 F. App’x 639 (Fed. Cir. 2016); *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1288–93 (Fed. Cir. 2015). Notwithstanding, this Court granted certiorari to address these issues.

As in *Oil States*, the questions presented are ripe for the Court’s consideration. The Federal Circuit has

set forth its definitive view that the retroactive application of *inter partes* review to pre-AIA patents is not unconstitutional, and it has denied *en banc* rehearing on that issue. *See* Sony Br. at 22–23. No circuit split could possibly develop. Unless this Court grants certiorari, the Federal Circuit will have the last (and only) word on the important questions of constitutional law raised by Collabo. No further percolation is warranted. The Court should take up these issues now.

B. This Case Is the Right “Vehicle” to Grant Certiorari.

1. Collabo Did Not Waive or Forfeit Its Arguments.

Sony contends that it would *not* have been futile for Collabo to raise its constitutionality arguments before the Board because “the Director could have exercised his broad discretion to deny institution” of *inter partes* review. Sony Br. at 13.

But Sony cites no case where the Director has exercised his discretion to deny institution on the basis of a patent owner’s constitutionality arguments, and Collabo is aware of none. Indeed, the Board has issued several precedential decisions regarding its discretion to institute *inter partes* review, and none of the relevant factors identified by the Board concern the constitutionality of the proceeding. *See, e.g., Gen. Plastic Indus. Co., Ltd. v. Kaisha*, IPR2016-01357, -01358, -01359, -01360, -01361, 2017 WL 3917706, at *4 (P.T.A.B. Sept. 6, 2017) (precedential) (listing seven relevant factors).

Moreover, Collabo had no obligation to respond to Sony's petition before the Board instituted *inter partes* review of the '714 patent. *See* 37 C.F.R. § 42.107(b) ("A patent owner may expedite the proceeding by filing an election to waive the patent owner preliminary response."). Thus, Collabo's decision not to file a preliminary response and raise a particular argument about the constitutionality of *inter partes* review before the Director decided to institute the proceeding cannot result in waiver. Changes to Implement Inter Partes Review Proceedings, Post-Grant Review Proceedings, and Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 48,680, 48,689 (Aug. 14, 2012) ("No adverse inferences will be drawn where a patent owner elects not to file a response or elects to waive the response.").

Tellingly, Collabo has challenged the constitutionality of *inter partes* review in other proceedings before the Board, yet the Board has essentially ignored Collabo's arguments. For example, in *Sony Corp. v. Collabo Innovations, Inc.*, IPR2017-00958, Paper 6 at 27 (P.T.A.B. June 14, 2017), Collabo argued in its preliminary response that *inter partes* review was unconstitutional for the reasons set forth in the petition for writ of certiorari in *Oil States*. In its decision instituting *inter partes* review, however, the Board did not meaningfully address Collabo's constitutionality argument, despite the fact that this Court had granted certiorari in *Oil States*. *See Sony Corp. v. Collabo Innovations, Inc.*, IPR2017-00958, Paper 8 at 16 (P.T.A.B. Sept. 5, 2017). Instead, the Board deferred to this Court. *Id.*

While Sony asserts that the Board has the power to waive its own rules, it does not meaningfully contend that the Board had the power to transform the *inter partes* review proceeding into one for *ex parte* reexamination of the '714 patent, much less declare *inter partes* review unconstitutional. Sony Br. at 13–14. Nor could it. The “adjudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies.” *Elgin v. Dep’t of Treasury*, 567 U.S. 1, 16 (2012); *Johnson v. Robison*, 415 U.S. 361, 369 (1974) (citing cases supporting this principle); *see also McCarthy v. Madigan*, 503 U.S. 140, 147–48 (1992) (“[A]n agency … may be unable to consider whether to grant relief because it lacks institutional competence to resolve the particular type of issue presented, such as the constitutionality of a statute.”); *Mathews v. Diaz*, 426 U.S. 67, 76 (1976) (refusing to conclude that a plaintiff failed to exhaust administrative remedies because “th[e] constitutional question [raised by the plaintiff was] beyond the Secretary’s competence”); *see also Jones Bros., Inc. v. Sec’y of Labor*, 898 F.3d 669, 673 (6th Cir. 2018) (“An administrative agency may not invalidate the statute from which it derives its existence and that it is charged with implementing.”). Indeed, the Federal Circuit recently refused to find waiver of a constitutional challenge to *inter partes* review because “the Board was not capable of providing any meaningful relief to this type of Constitutional challenge and it would therefore have been futile for [the patent owner] to have made the challenge there.” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1339 (Fed. Cir. 2019).

Next, Sony argues that this Court should find waiver because “Collabo sandbagged its constitutional arguments.” Sony Br. at 14–15. But it does not dispute that Collabo raised the same constitutional questions in its opening brief with the Federal Circuit, arguing that the retroactive application of *inter partes* review violates the Due Process and Takings Clauses of the Fifth Amendment. See Collabo Op. Br. at 63–67 (Fed. Cir. Apr. 30, 2018). Collabo further developed its arguments in reply, properly rebutting the arguments of Respondents. See Collabo Reply Br. at 24–28 (Fed. Cir. Sept. 26, 2018). This was sufficient to preserve the issues for this Court’s review because it fairly put Respondents and the Federal Circuit on notice as to the substance of the issues. See *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 470 (2000) (“It is indeed the general rule that issues must be raised in lower courts in order to be preserved as potential grounds of decision in higher courts. But this principle does not demand the incantation of particular words; rather, it requires that the lower court be fairly put on notice as to the substance of the issue.”); *see also Erckman v. United States*, 416 U.S. 909, 911 n.1 (1974) (Marshall, J., dissenting) (rejecting argument that petitioner had failed to preserve an issue for appeal where it devoted two pages to the issue in a petition for rehearing).

Here, there should be no question of fair notice. Both Respondents understood Collabo’s constitutional arguments and provided detailed response briefs on both issues. See Sony Resp. Br. at 62–66 (Fed. Cir. Aug. 13, 2018); Gov’t Resp. Br. at 15–34 (Fed. Cir. Aug. 13, 2018). The parties debated these issues at length during oral argument before the Federal Cir-

cuit, and, after the Federal Circuit’s subsequent decision in *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019), Sony submitted a notice of supplemental authority, arguing that *Celgene* “forecloses Collabo’s argument based on the Takings Clause (see Br. 66-67) and significantly undermines Collabo’s argument based on the Due Process Clause (see Br. 63-66),” to which Collabo responded. See Sony Letter at 1–2 (Fed. Cir. July 31, 2019); Collabo Letter at 1–2 (Fed. Cir. Aug. 1, 2019). Clearly, Respondents were on notice that Collabo had raised both due process and takings challenges to the retroactive application of *inter partes* review, as was the Federal Circuit.

Contrary to Respondents’ suggestions, Collabo is not limited by the arguments it presented to the Federal Circuit. *See, e.g.*, Gov’t Br. at 12, 17. “Once a federal claim is properly presented, a party can make any argument in support of that claim; parties are not limited to the precise arguments they made below.” *Yee v. City of Escondido*, 503 U.S. 519, 534 (1992); *see also Citizens United v. FEC*, 558 U.S. 310, 330–31 (2010) (“Citizens United’s argument that *Austin* should be overruled is ‘not a new claim.’ Rather, it is—at most—‘a new argument to support what has been [a] consistent claim: that [the FEC] did not accord [Citizens United] the rights it was obliged to provide by the First Amendment.’”) (citation omitted); *Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995) (“Lebron’s contention that Amtrak is part of the Government is in our view not a new claim within the meaning of that rule, but a new argument to support what has been his consistent claim”).

The government’s reliance on *OBB Personenverkehr AG v. Sachs*, 136 S. Ct. 390 (2015), is misplaced. In that case, a plaintiff filed a lawsuit “based upon” the defendant’s conduct at a particular train station, which allegedly resulted in traumatic personal injuries to the plaintiff. *Id.* at 392–93. For the first time in her briefing with this Court, the plaintiff argued that her claim was actually “based upon” the defendant’s “overall commercial railway enterprise” and that this conduct had the requisite “substantial contact with the United States.” *Id.* at 397. Because that claim was never made to any lower court, this Court found that the issue had been forfeited. *Id.* In contrast, Collabo has not altered the fundamental constitutional questions that it raised below. Nor has it altered the factual basis of its arguments. Instead, Collabo properly presents additional arguments in support of its claims that the retroactive application of *inter partes* review violates the Due Process and Takings Clauses of the Fifth Amendment. That is permissible. See *Yee*, 503 U.S. at 534; *Citizens United*, 558 U.S. at 330–31; *Lebron*, 513 U.S. at 379.

Bethune-Hill v. Virginia State Board of Elections, 137 S. Ct. 788 (2017), cited by Sony, is even further afield. There, the petitioners requested that the Court “not only to correct the District Court’s racial predominance standard but also to apply that standard” to the facts of the case. *Id.* at 800. The Court declined those requests because the district court had not yet had the opportunity to apply the correct standard and remanded for the district court to do so in the first instance. *Id.* Unlike *Bethune-Hill*, however, Collabo does not seek to have this Court usurp the fact-finding function of a lower court. Instead, it seeks this Court’s

review of an agency’s retroactive application of the law, which is well within the province of this Court’s authority.

Even if Collabo’s arguments in the Petition could be considered new (they are not), the Court may nevertheless review them because they were addressed by the Federal Circuit. *See Lebron*, 513 U.S. at 379 (“Our practice ‘permit[s] review of an issue not pressed so long as it has been passed upon....’”) (quoting *United States v. Williams*, 504 U.S. 36, 41 (1992)).

2. The Date on Which Collabo Acquired the ’714 Patent Is Irrelevant.

Sony maintains that this Court should find waiver and deny certiorari because Collabo acquired the ’714 patent in December 2013, after Congress enacted the AIA. But the date on which Collabo acquired the ’714 patent is irrelevant. What matters is when the ’714 patent issued and how the Patent Act “qualified [the] properly rights that [the] patent owner ha[d] in [the] issued patent” at that time. *Oil States*, 138 S. Ct. at 1375. And when it issued, the ’714 patent was subject to *ex parte* reexamination — not *inter partes* review.

Further, as the assignee of the ’714 patent, Collabo stands in the shoes of the original patentee. *See Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.*, 266 U.S. 342, 348–49 (1924) (“It was manifestly intended by Congress to surround the conveyance of patent property with safeguards resembling those usually attaching to that of land. This court has recognized the analogy between estates in land by estoppel and the right to enjoy a patent right in the use of an

article conveyed by one without authority but who acquires it by subsequent conveyance.”); *Am. Ice Co. v. E. Tr. & Banking Co.*, 188 U.S. 626, 630 (1903) (“Here there is in substance no difference between the mortgagor and its assignee for the benefit of creditors, so far as this question is concerned. The mortgagor had indeed failed to insure, as it had covenanted to do, but when it transferred the legal title of the property to its voluntary assignee, he stood in the shoes of his assignor”).

As a result, Collabo has the right to raise the same constitutional arguments as the original assignor. See *Sprint Commc’ns Co., L.P. v. APCC Servs., Inc.*, 554 U.S. 269, 279–85 (2008) (holding that an assignee has standing to sue on behalf of assignor).

3. The Court Should Not Deny Certiorari Based on the Age of the ’714 Patent.

Sony additionally argues that the Court should deny certiorari because the ’714 patent expired shortly after Sony filed its petition for *inter partes* review. But Sony could have sought *inter partes* review of the ’714 patent any time after the procedure became effective in September 2012. It should not be rewarded for its delay, especially when Collabo began its licensing discussions with Sony in August 2014 and specifically asserted that Sony infringed the ’714 patent in May 2015, over a year before the patent expired. Likewise, the ’714 patent should not receive less favorable treatment under the law simply because Sony waited until the eleventh hour to file its petition for *inter partes* review.

Sony also contends that the constitutional issues raised by Collabo “are of diminishing importance because they apply only to a soon-to-be extinct class of patents.” Sony Br. at 19. However, Sony provides no evidence supporting its assertion that this class is “rapidly diminishing.” *Id.* In fact, Sony’s assertion conflicts with the opinion of authors of the study, who state that this share of patents is “slow to decline.” Saurabh Vishnubhakat, *The Mixed Case For a PTAB Off-Ramp*, 18 Chi.-Kent J. Intell. Prop. 514, 520 (2019). Moreover, the total number of patents involved in the study approached 4,900, so this relatively small *percentage* actually consists of a rather large *number* of patents. *Id.* at 517. Further, Sony ignores the fact that this figure does not necessarily mirror the total number of enforceable pre-AIA patents that are currently subject to *inter partes* review. Instead, it represents just a small fraction of patents that parties have chosen to challenge.

Even if the class of patents like the ’714 patent were small in number, this Court has evaluated constitutional challenges to retroactive statutes even where the class of affected cases is limited. *See, e.g., Bank Markazi v. Peterson*, 136 S. Ct. 1310, 1317 (2016) (reviewing the constitutionality of a statute that purported to change the law for, and direct a particular result in, a single pending case); *E. Enters. v. Apfel*, 524 U.S. 498, 528–29 (1998) (“Our decisions ... have left open the possibility that legislation might be unconstitutional if it imposes severe retroactive liability on a *limited class of parties* that could not have anticipated the liability, and if the extent of that liability is substantially disproportionate to the parties’ experience.... We believe that the Coal Act’s allocation

scheme ... presents such a case.”) (emphasis added). As Justice Stevens astutely observed, “[t]he narrower the class burdened by retroactive legislation, the greater the danger that the legislation has the characteristics of a bill of attainder.” *Cal. Dep’t of Corr. v. Morales*, 514 U.S. 499, 520 (1995) (Stevens, J., dissenting). Thus, Sony’s argument actually supports granting certiorari in this case.

CONCLUSION

For the foregoing additional reasons, the Court should grant certiorari.

Respectfully submitted,

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