

No. 20-1700

In The
Supreme Court of the United States

—◆—
ULTRATEC, INC.,

Petitioner,

v.

CAPTIONCALL, LLC AND THE DIRECTOR OF
THE U.S. PATENT AND TRADEMARK OFFICE,

Respondents.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
**REPLY BRIEF IN SUPPORT OF
PETITION FOR WRIT OF CERTIORARI**

—◆—
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INTRODUCTION

This case provides the Court an ideal opportunity to resolve two purely legal questions of critical importance to the patent system—(1) whether retroactive application of *inter partes* review (“IPR”) violates Due Process; and (2) whether the Federal Circuit’s use of summary affirmance in IPR appeals violates 35 U.S.C. § 144. Respondents’ erroneous arguments on the merits provide no basis to deny certiorari. If anything, they highlight the significance of these issues and the need to resolve the uncertainty surrounding them.



ARGUMENT

I. Whether retroactive application of IPR violates Due Process is a critical issue that merits review.

a. The law on Due Process property protections needs clarification.

Respondents posit that Congress may deprive owners of vested *property* interests, like Ultratec’s patents, and satisfy Due Process merely by pointing to some “rational legislative purpose.” (See CC 5; Gov’t 10-11).¹ Their authority, however, either does not involve property interests—instead, economic “burdens and benefits”—or does not bind this Court.

¹ Ultratec cites to Respondent CaptionCall, LLC’s Brief as “CC” and the Solicitor General’s Brief as “Gov’t.”

Pension Benefit Guaranty Corp. v. R.A. Gray & Co. involved legislation obligating employers that withdrew from pension plans months prior to enactment. 467 U.S. 717, 725 (1984). Its holding is limited to “Acts adjusting the burdens and benefits of economic life.” *Id.* at 729. It does not mention property interests, let alone how to judge whether retroactive legislation diminishing vested property interests satisfies Due Process. To the extent Respondents stretch cases like *Gray* to support their theory, this confirms the need to clarify the law, which has suffered from increasing confusion and contortion in the absence of a clear statement from this Court. *See infra* pp. 4-5; *see also United States v. Arthrex, Inc.*, 141 S. Ct. 1970, 1993 (2021) (Gorsuch, J., concurring) (“the Court acknowledged [in *Oil States*] the possibility that permitting politically motivated executive officials to ‘cancel’ patents might yet raise due process concerns”).

Patlex Corp. v. Mossinghoff is a Federal Circuit case holding that retroactive application of *ex parte* reexamination did not violate Due Process. 758 F.2d 594, 602 (Fed. Cir. 1985). The Federal Circuit so held after displaying confusion concerning this Court’s Due Process jurisprudence (characterizing it as “an evolutionary judicial balance”) and crafting its own balancing approach to resolve the issue. *Id.* at 602-03. This novel approach contravenes this Court’s earlier jurisprudence on vested property interests, *see infra* pp. 4-5, and Respondents now press for an even larger departure. *See also Celgene Corp. v. Peter*, 931 F.3d 1342, 1358-63 (Fed. Cir. 2019) (relying on *Patlex* to find

retroactive application of IPR does not violate Takings Clause), *cert. denied*, 141 S. Ct. 132 (2020).

A faithful review of *this* Court’s jurisprudence confirms that vested property interests are entitled to greater protections than mere economic expectations and cannot be diminished even if Congress points to some legislative purpose. *Choate v. Trapp*, 224 U.S. 665, 674 (1912); *Ward v. Bd. of Cty. Comm’rs of Love Cty., Okla.*, 253 U.S. 17, 20-21 (1920). Congress can typically point to *some* motive for its activities, but that should not trounce a property owner’s settled expectations in vested rights. See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1385 (2018) (Gorsuch, J., dissenting) (“the law long afforded patent holders more protection than that against the threat of governmental intrusion and dispossession”).

Even if “rational purpose” applies, the stated purpose of IPR—providing a more efficient system to invalidate patents (CC 6; Gov’t 11)—does not hold up. Per Respondents’ own authority, justifications for *prospective* legislation may not suffice for its *retroactive* application. *Gray*, 467 U.S. at 730. Retroactive legislation upheld on rational basis review typically has a retroactive-specific purpose.² Not so here: as

² In *Gray*, Congress wanted to ensure that employers having opportunistically withdrawn from pension plans during the legislation’s five-month revision process were still obligated to pay. 467 U.S. at 725. In *Patlex*, Congress acted because, at the time of enactment, there was *no* procedure to review an existing patent’s validity outside of litigation (which was not true for IPR). 758 F.2d at 601.

enacted, IPR was applied indiscriminately to both pre- and post-AIA patents for the same putative purpose.

The Government criticizes Ultratec's reference to the presumption against retroactive legislation, asserting it applies only when legislation is not expressly retroactive. (Gov't 10). That may be one circumstance, but it is not the only one. This Court also has invoked the disfavor against retroactive legislation in considering expressly retroactive legislation. *See, e.g., E. Enters. v. Apfel*, 524 U.S. 498, 532-33 (1998) (O'Connor, J., plurality opinion) (quoting *General Motors Corp. v. Romein*, 503 U.S. 181, 191 (1992) ("Retroactive legislation . . . presents problems of unfairness that are more serious than those posed by prospective legislation, because it can deprive citizens of legitimate expectations and upset settled transactions.")).

2. Respondents assert the AIA cannot offend Due Process because it supposedly just changed procedure. (CC 7-8; Gov't 12). Respondents ignore the substantive legal consequences of IPR, particularly in comparison to reexamination.

Respondents cite *Celgene* (CC 7; Gov't 13), where the Federal Circuit held retroactive application of IPR was not an unconstitutional taking. 931 F.3d at 1362. *Celgene* is not binding and does not resolve this Due Process challenge. Further, its reasoning is premised on two misassumptions: (1) the Federal Circuit's reasoning in *Patlex* was sound; and (2) IPR is both

procedurally and substantively the same as reexamination. Both are wrong.

Patlex floundered on what it deemed this Court’s “evolutionary” standards for Due Process challenges. It acknowledged the Court’s earlier jurisprudence “concluded that although the legislature might modify the exercise of a preexisting property right, it could not abolish the right itself,” 758 F.2d 594, 602 (citing *Crane v. Hahlo*, 258 U.S. 142, 147 (1922)), yet noted more recent cases “placed greater weight on policy considerations” in order to “accomodat[e] an increasingly regulated society.” *Id.* (citing *Penn Cent. Transp. Co. v. City of New York*, 438 U.S. 104, 107 (1978); *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15 (1976)).

The Federal Circuit crafted some amalgamation of these standards and then proclaimed reexamination constitutional. *Id.* at 602-03. But the earlier jurisprudence, which actually addressed property rights, was (and is) good law,³ and the more recent cases were (and remain) ill-suited to address a Due Process challenge to a new patent review scheme.⁴ The legal

³ The same is true for the cases that Ultratec cited in its petition. (Pet. 16-17, citing *Choate* (1912) and *Ward* (1920)). The Government dismisses these cases as decided “more than a century ago” (Gov’t 18), but identifies no authority showing they are not good law and binding precedent for the issue at hand.

⁴ *Penn Central* concerned a historical preservation law and whether restriction for development of a terminal violated the Takings Clause. 438 U.S. 104, 107. *Penn Central* did not discuss “rational legislative purpose,” but used stronger language, like “substantial public purpose.” *Id.* at 127.

foundation for Respondents’ argument is not sound, and at the very least requires clarification.

Even if *Patlex* arrived at the right conclusion, that is not dispositive of the question at hand. Despite Respondents’ assurances (CC 7; Gov’t 12-13), *ex parte* reexamination and IPR are substantively different. Both apply preponderance of the evidence, but unlike *ex parte* reexamination, where the patent owner has a right to amend its claims in a back-and-forth inquisitive process with the examiner, IPR forces the patent owner into a truncated adversarial proceeding with no amendment as a matter of right. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1287-88 (Fed. Cir. 2015) (Newman, J., dissenting), *aff’d*, 579 U.S. 261 (2016).

IPR may strip *all* challenged patent claims of their presumption of validity so long as the PTO finds a “reasonable likelihood” that just *one* would be proved unpatentable by a preponderance of the evidence. 35 U.S.C. § 314(b); *SAS*, 138 S. Ct. 1348, 1356 (“Once that single claim threshold is satisfied, it doesn’t matter whether the petitioner is likely to prevail on any additional claims.”). This is a departure from *ex parte* reexamination, which required a claim-by-claim approach. *Id.* And Congress insulated decisions to institute IPR

Usery did not concern property rights, but involved review of provisions of a coal miner pension plan. 428 U.S. 1, 5. In that regard, *Usery* falls within the line of cases that discuss the “burdens and benefits of economic life”—not property rights. *Id.* at 15.

from appellate review. *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 136 S. Ct. 2131, 2136 (2016).⁵

These deprivations are particularly acute because they impair the right to maintain and amend the patent’s claims—the parts that literally define “the subject matter which the applicant regards as his invention.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 373 (1996) (citing 35 U.S.C. § 112). A patent’s specification may describe more than what is originally claimed, *see id.*, and patent owners may, through either prosecution or reexamination, amend or add claims to define that inventive subject matter too. But that right is stripped away in IPR. *Cuozzo*, 793 F.3d at 1287-88 (Newman, J., dissenting).

To dismiss these changes as mere procedure not befitting constitutional inquiry ignores the practical reality that enough meddling with procedure will unjustly deprive individuals of substantive rights. *See, e.g., Reich v. Collins*, 513 U.S. 106, 108 (1994) (state tax refund procedure violated Due Process by changing scheme mid-course). Respondents fail to address that stripping a patent of central valuable aspects—its presumptive validity, its protective burden of proof, and its capacity for amendment—is to deprive the owner of its vested property interest in the patent.

The Government criticizes Ultratec’s citation to *Medtronic, Inc. v. Mirowski Fam. Ventures, LLC* (Gov’t

⁵ IPR institutions may be subject to constitutional challenges, even if protected from error-correcting review. *Cuozzo*, 136 S. Ct. 2131, 2136.

17), but offers no persuasive reason why its teaching—that the clear and convincing evidence standard is a “substantive” right—should not apply to this case. 571 U.S. 191, 192 (2014). It makes no difference that *Medtronic* arose from a court case instead of an agency proceeding—IPRs are no less adjudicatory or adversarial. *SAS*, 138 S. Ct. 1348, 1352; *Oil States*, 138 S. Ct. 1365, 1371.

Respondents also cite *inter partes* reexamination (CC 6; Gov’t 13), but Congress (prudently) did not make that scheme retroactive, making it available only for patents filed on or after the day the scheme was enacted.⁶ See PL 106-113, November 29, 1999, 113 Stat. 1501, § 4608(a); 37 C.F.R. § 1.913(a) (effective to Sept. 22, 2011).

Respondents emphasize the Court has declined previous petitions on this issue (CC 11; Gov’t 9-10), but this confirms that the problem persists and, if anything, is growing more critical. Ultratec’s case is particularly suited to answering the question because it highlights the real cost of retroactively revoking property rights. When Ultratec’s patents were afforded the presumption of validity, a jury found them not invalid and infringed by CaptionCall’s copycat service. (App114-17).

3. The Government (not CaptionCall) argues that Ultratec was not deprived of Due Process because it never had valid patent rights in the first place. (Gov’t

⁶ Thus, *inter partes* reexamination never even applied to multiple of the patents-at-issue.

14-15). This reductive reasoning does not hold—particularly considering a jury concluded the exact opposite. (App114-17).

The Government suggests Ultratec acquiesced in the Board’s unpatentability findings because Ultratec’s petition does not challenge their merits. (Gov’t 16). To the contrary, Ultratec argued the Board’s post-remand decisions failed to apply the proper claim construction standard (Pet. 10), making it impossible for the Federal Circuit to affirm those decisions consistent with the law (*id.* at 11, 39). Respondents do not defend these errors in their Responses.

b. Waiver does not preclude Ultratec’s Due Process argument.

CaptionCall (not the Government) argues that Ultratec waived its Due Process argument (CC 12). Ultratec properly preserved its challenge, but even if not, waiver is inappropriate here.

Ultratec raised Due Process in both appeals to the Federal Circuit. In the first round, Ultratec argued IPR “deprive[d] Ultratec of its constitutional rights,” in part due to Due Process violations (*e.g.*, Case 16-1706, Dkt. 65:98-102).⁷ Ultratec continued this challenge in the second appeal, arguing retroactive application of IPR violated its settled expectations

⁷ Citations to ECF-stamped pages. In each round, Ultratec made identical constitutional arguments across the three consolidated appeals.

(e.g., Case 19-1998, Dkt. 38:94-99). CaptionCall and the Government responded at length. (*Id.*, Dkt. 45:27-28; Dkt. 46:81-82). Ultratec’s challenges were also raised at oral argument by the panel itself. (App123-24).⁸

Contrary to CaptionCall’s suggestion (CC 12-13), Ultratec did not “swap” its constitutional arguments. Any differences are immaterial as a party need not evoke “the incantation of particular words” (like “retroactivity”) to preserve an issue for appeal. *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 469-70 (2000). “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) (new argument to support constitutional claim permitted).

Even if the Court finds Ultratec waived its Due Process challenges, it may still address them, including because the Federal Circuit passed on them. (App123-24); *Lebron v. Nat’l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995). The panel raised Ultratec’s constitutional challenges at oral argument and asked if they were not “already resolved by this Court.” (App123-24). Counsel acknowledged the Federal Circuit precedent⁹ and explained Ultratec

⁸ Citations to “App” are to the appendix submitted with the Petition.

⁹ *Sound View Innovations, LLC v. Hulu, LLC*, 818 F. App’x 1009, 1013, 2020 WL 3583556 (Fed. Cir. 2020); *OSI Pharms., LLC v. Aptex Inc.*, 939 F.3d 1375, 1386 (Fed. Cir. 2019).

was preserving the challenges for further review, including by this Court. (*Id.*).

II. Whether use of summary affirmance in IPR appeals violates Section 144 is a persisting issue that merits review.

a. Misuse of summary affirmance in PTO appeals warrants correction.

Respondents tout the “wide latitude” afforded courts of appeals in rendering summary affirmances. (CC 9-10; Gov’t 21). Not one of their cases,¹⁰ however, addresses a statutory command that a court “shall issue . . . its mandate and opinion,” as here. Section 144 is directed solely to the Federal Circuit regarding appeals from the PTO; it expressly mandates an “opinion” in those cases.

Respondents claim Section 144 does not mean precisely what it says. (CC 10-11; Gov’t 19-20). They theorize that the language—“shall issue . . . its mandate and opinion”—could refer to only some PTO cases—i.e., those cases where the Court decides to issue an opinion. If that were the case, Congress could have directed the court to “issue its mandate and *any* opinion” or “. . . and opinion, *if any.*”

¹⁰ *Furman v. United States*, 720 F.2d 263 (2d Cir. 1983) (appeal from criminal conviction); *United States v. Baynes*, 548 F.2d 481 (3d Cir. 1977) (same); *N.L.R.B. v. Amalgamated Clothing Workers of Am., AFL-CIO, Loc. 990*, 430 F.2d 966 (5th Cir. 1970) (enforcement of unfair competition order).

This Court recently considered a similar mandate in Section 318—that the PTO “shall issue a final written decision . . .”—and held “[t]his directive is both mandatory and comprehensive.” *SAS*, 138 S. Ct. at 1354. Neither Respondent addresses this point.

CaptionCall cites Justice Rehnquist’s dissent in *Taylor v. McKeithen* to assert that no statute or rule *prohibits* courts of appeals from affirming without opinion. (CC 9). But the absence of a general prohibition on summary affirmances does not mean Congress cannot (and has not) required written opinions in appeals from certain cases, as here. Moreover, *Taylor* did not interpret a statutory prohibition on summary affirmances (much less a statute specifically requiring opinions from one court in certain cases); rather, *Taylor* inquired whether the court of appeal had properly reversed a district court decision. 407 U.S. 191 (1972). The Court concluded it did not have sufficient information to decide the question because the court of appeal had reversed without opinion. *Id.* at 194. If anything, this supports Ultratec’s related point: if violating a congressional mandate is not enough, the Federal Circuit’s summary affirmance practice also deprives this Court of meaningful review.

The Government asserts that the Federal Circuit is somehow still unifying patent law because summary affirmance “communicates the court’s judgment that the trial court or agency committed no legal error.” (Gov’t 22-23). But the Federal Circuit has said the opposite: summary affirmance does not establish “applicable Federal Circuit law.” *Rates Tech., Inc. v.*

Mediatrix Telecom, Inc., 688 F.3d 742, 750 (Fed. Cir. 2012). The Government’s argument is belied by the result in this case, where the Federal Circuit summarily affirmed decisions applying the wrong claim construction standard even *after* acknowledging that error at oral argument. (Pet. 11).

b. Waiver does not preclude Ultratec’s Section 144 argument.

CaptionCall (not the Government) incorrectly argues that Ultratec waived its Section 144 argument. (CC 12).

Ultratec had no basis to challenge the Federal Circuit’s misuse of Rule 36 until it issued its summary affirmances in Ultratec’s second appeal. (App1-6). Given the plainly erroneous application of Rule 36 to Ultratec’s cases—the orders affirmed decisions that inarguably applied the wrong claim construction to Ultratec’s expired claims, which Respondents do not dispute—Ultratec requested rehearing. (*E.g.*, 19-1998, Dkt.73). Ultratec argued the panel “misused Rule 36 and violated [Section] 144,” particularly “in light of the statutory requirement that the Court shall issue an ‘opinion’ in all IPR appeals.” (*Id.* at 11 (citing 35 U.S.C. § 144)).

Regardless, a request for rehearing does not limit the issues Ultratec may present to this Court, as it is not a prerequisite to requesting certiorari.



CONCLUSION

For the foregoing reasons, the Court should grant Ultratec's petition.

Respectfully submitted October 15, 2021.

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