

No. _____

In the
Supreme Court of the United States

PERSONAL AUDIO, LLC,
Petitioner,

v.

CBS CORPORATION,
Respondent.

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

PETITION FOR WRIT OF CERTIORARI

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QUESTIONS PRESENTED

1. Must the collateral estoppel effect of an inter partes review be raised and litigated in the appeal of the inter partes review, rather than in the court in which estoppel is sought?
2. Should an inter partes review that violated the Appointments Clause of the Constitution be given collateral estoppel effect over a prior jury verdict?
3. Whether the Patent and Trademark Office's decision invalidating Petitioner's patent in *inter partes* review violates the Reexamination Clause of the Seventh Amendment by overturning a jury's findings of facts in the prior district court action? *Personal Audio, LLC v. CBS Corp.*, C.A. No. 2:13-cv-270 (E.D. Tex. Apr. 11, 2013).
4. Did the Petitioner waive the above arguments by acknowledging the state of the Federal Circuit case law?

**PARTIES TO THE PROCEEDINGS
AND RULE 29.6 STATEMENT**

All parties to the proceeding are identified in the caption.

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(surfpunk@osc.versant.com) <surfpunk-
0080@SURFPUNK.Technical.Journal>.
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OPINIONS AND ORDERS BELOW

The order denying panel rehearing and rehearing *en banc* is unreported (App. at 13a). The panel opinion disposing of the case is reported at 946 F.3d 1348 (Fed. Cir. 2020) (App. at 1a). The order of the trial court is unreported (App. at 11a).

JURISDICTION

The court of appeals entered its order denying rehearing on April 1, 2020, making the petition due on or before June 30, 2020 (extended due to COVID19 to August 28, 2020). This Court has jurisdiction under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article II, Section 2, Clause 2 of the United States Constitution provides:

... and [the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

The Seventh Amendment of the United States Constitution provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of

trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

STATEMENT OF THE CASE

Pursuant to its Seventh Amendment right to a jury trial, Personal Audio had set the matter of validity of its patent before a jury in *Personal Audio, LLC v. CBS Corporation.*, C.A. No. 2:13-cv-270 (E.D. Tex. filed Apr. 11, 2013). A jury verdict was rendered on September 15, 2014, finding Petitioner's patent valid and not anticipated or rendered obvious by a prior art reference entitled CNN/Compton Charles L. Compton, Internet CNN NEWSROOM: The Design of a Digital Video News Magazine, Massachusetts Institute of Technology (Aug. 10, 1995) ("Compton/CNN"). The jury also considered the NRL website created by William Fenner ("Fenner NRL Website"); Surfpunk, BUBBLES: talk radio; A New Age; Clipper Chip, SURFPUNK Technical Journal No. 80 (surfpunk@osc.versant.com) <surfpunk-0080@SURFPUNK.Technical.Journal>. (Apr. 23, 1993) ("Surfpunk"); and The RealAudio Website ("RealAudio") as prior art. The Fenner NRL Website, Surfpunk and RealAudio references are factually indistinguishable from the Patrick/CBC reference. They each disclose a website containing a list of files available to download, said lists being updated manually to add new files.

Petitioner invested significant time and resources into that proceeding. While that proceeding was well underway, and in response to the litigation, a third party, the Electronic Frontier Foundation ("EFF"), filed a petition for an *inter partes* review ("IPR")

proceeding against Petitioner's patent relying in part on the same Compton/CNN prior art being considered in the jury trial proceeding on October 16, 2013. Today, of course, the PTO would likely have exercised its discretion not to institute the IPR because of the scheduled trial date. *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (PTAB September 12, 2018) (precedential) (using discretion not to institute IPRs that cannot be completed before scheduled trial dates).

Indeed, although the EFF cited slightly different publications in its IPR petition, the exact same prior art factually was before the jury. Thus, the jury rendered its verdict on September 15, 2014 finding Petitioner's patent valid in light of the same Compton/CNN reference and other art that was being considered by the Patent Office. Petitioner submitted its favorable jury verdict to the Patent Office in the Electronic Frontier Foundation's IPR proceeding. Nevertheless, on April 10, 2015, the Patent Office found that Petitioner's patent was anticipated and rendered obvious by the Compton/CNN reference as well as other references that were factually indistinguishable from the art considered by the jury, Andrew S. Patrick, *et al*, *CBC Radio on the Internet: An Experiment in Convergence*, 21 CANADIAN J. OF COMM'N 1, 125-140 (1996) ("Patrick/CBC"). Indeed, in response to the Petitioner's request for rehearing en banc at the Federal Circuit, the EFF did not list one relevant distinguishing fact about the prior art that was different between the art considered in the IPR and that considered by the jury, instead pointing to irrelevant characteristics such as the length of the article describing the art and the name of the program that was being manually updated. Petitioner's jury

verdict, which was the result of several days of fact witness and expert testimony, the majority of which concerned the prior art, should not be able to be overturned by simply putting the same art with irrelevant distinctions in front of an administrative body.

As predicted, the Federal Circuit used the later *inter partes* review decision to overturn the earlier jury verdict, under a line of cases starting with *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).

Since then, as Justice Gorsuch has acknowledged in a dissent, the Federal Circuit's case law implies that even if the Supreme Court had affirmed the judgment of the trial court, the later *inter partes* decision would be sufficient to overturn it. *See Thryv, Inc. v. Click-to-Call Technologies, LP*, No. 18-916, ___ S. Ct. ___, 2020 WL 1906544 (Apr. 20, 2020) (citing *XY, LLC v. Trans Ova Genetics, L. C.*, 890 F. 3d 1282, 1285–1286, 1294–1295 (Fed. Cir. 2018)).

However, the Seventh Amendment's Reexamination Clause prohibits overturning jury findings of fact. Additionally, the fundamental separation of powers between the executive and judicial branches set forth in Article III as well as Petitioner's right to a jury trial proceeding have been extinguished. Even if deemed constitutional in *Oil States*, IPRs cannot be implemented in such a way that violates the separation of powers, Article III of the Constitution, the right to jury trial and the Reexamination Clause of the Seventh Amendment.

When Personal Audio attempted to raise these issues on appeal from the District Court, the Federal Circuit again summarily disposed of the case. The

Federal Circuit did not engage in any balancing to determine whether the *inter partes* decision, which itself violated the Appointments Clause of the Constitution, should be given estoppel effect to overturn a previous jury verdict.

REASONS FOR GRANTING THE PETITION

The Federal Circuit's avoidance of Petitioner's constitutional arguments, and its *Fresenius* decision, are in conflict with this Court's precedent and cannot be squared with the Reexamination Clause of the Seventh Amendment which provides that "no fact tried by a jury, shall be otherwise re-examined in any court of the United States than according to common law." In Petitioner's case, the Federal Circuit's incorrect *Fresenius* decision, will foreseeably deprive Petitioner of its right to jury trial proceedings, and will overturn the factual determinations rendered by a jury in the prior jury proceeding.

By allowing an agency's decision to extinguish the Petitioner's right to a jury trial, the results of a prior judicial proceeding, and overturn a jury's fact determinations, the Federal Circuit's *Fresenius* decision will foreseeably result in a violation of the Reexamination Clause, the jury trial right of the Seventh Amendment and improperly undermines the separation of executive and judicial powers set forth in Article III and for these reasons should be reversed.

I. THE FEDERAL CIRCUIT'S DECISION IS CONTARY TO THIS COURT'S PRECEDENT

In the seminal case of *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), which overturned the long standing rule that collateral estoppel would not bar

subsequent litigation between two different parties to previous litigation, the Supreme Court specifically rejected the position “that a plea of estoppel by an infringement or royalty suit defendant must automatically be accepted once the defendant in support of his plea identified the issue in suit as the identical question finally decided against the patentee or one of his privies in previous litigation.” *Id.* at 332–33. Nevertheless, this is exactly what the Federal Circuit has decided in this case.

Estoppel must be raised in the subsequent litigation, not the appeal of the IPR argued by a different party. The Federal Circuit’s decision—which directly contradicts controlling authority from this Court—should be overturned.

II. THE PANEL’S DECISION TO GIVE COLLATERAL ESTOPPEL EFFECT TO AN UNCONSTITUTIONAL PROCEDURE WAS ERRONEOUS.

The Restatement (Second) of Judgments §§ 28–29 collects the many “Exceptions to the General Rule of Issue Preclusion.” Section 28 recites circumstances in which relitigation of an issue has been held not to be precluded in a subsequent action between the same parties. Section 29 records recites additional circumstances negating issue preclusion when there is non-mutuality of parties:

(1) Treating the issue as conclusively determined would be incompatible with an applicable scheme of administering the remedies in the actions involved;

(2) The forum in the second action affords the party against whom preclusion is asserted procedural opportunities in the presentation and determination

of the issue that were not available in the first action and could likely result in the issue being differently determined;

(3) The person seeking to invoke favorable preclusion, or to avoid unfavorable preclusion, could have effected joinder in the first action between himself and his present adversary;

(4) The determination relied on as preclusive was itself inconsistent with another determination of the same issue;

(5) The prior determination may have been affected by relationships among the parties to the first action that are not present in the subsequent action, or apparently was based on a compromise verdict or finding;

(6) Treating the issue as conclusively determined may complicate determination of issues in the subsequent action or prejudice the interests of another party thereto;

(7) The issue is one of law and treating it as conclusively determined would inappropriately foreclose opportunity for obtaining reconsideration of the legal rule upon which it was based;

(8) Other compelling circumstances make it appropriate that the party be permitted to relitigate the issue.

Restatement § 29 (citing cases).

Applying these principles, there are many factors which weigh against estoppel. For example, the current application of estoppel violates factor (1) because it disrupts the federal system of determining patent infringement and validity in front of a jury.

Indeed, the Patent and Trademark Office itself now recognizes this factor by not instituting IPRs on patents that are close to trial. *See, e.g., E-One, Inc. v. Oshkosh Corp.*, No. IPR2019-00161, Paper 16 (PTAB May 15, 2019) (IPR institution denied due to a district court trial scheduled to commence eleven months following denial of institution). In *E-One*, the Patent Trial Appeal Board held that the “Petition presents the same issues, arguments, and evidence as it has presented in the Parallel District Court Case.” *Id.* at 6. To date, the “district court has already expended substantial resources to gain familiarity with and resolve these issues.” *Id.* at 9. For instance, while the IPR petitions were pending, the district “court has received briefing, heard oral argument, and issued detailed decisions granting a motion for a preliminary injunction. The district court also received briefing and heard oral argument on claim construction, and issued a claim construction ruling.” *Id.* at 7. The district court trial would have been concluded before a final decision would be due in the PTAB proceeding if IPR was instituted. *Id.* at 6.

Factor (2) weighs against estoppel because federal litigation has many more procedural and substantive safeguards than AIA reviews. Factor (4) obviously weighs heavily against estoppel, because a jury previously found the patent valid over similar (almost identical) art.

However, an almost dispositive factor is important factor should be that the appointment of administrative patent judges (APJs) by the Secretary of Commerce under Title 35 violates the Appointments Clause of the United States Constitution. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), *reh’g and reh’g en banc*

denied (Fed. Cir. March 23, 2020) (“Arthrex”). While the Federal Circuit has rejected subsequent cases seeking to overturn other IPR decisions on these Constitutional grounds, Petitioner is not—and cannot—requesting that this Court overturn the earlier IPR decision concerning the patent-in-suit. Rather, Petitioner asserts that the District Court should not be permitted to overturn the prior jury verdict’s finding of validity based on an IPR cancellation in which the APJs that made that decision were unconstitutionally appointed, as well as on Seventh Amendment Grounds.

Moreover, even if this Court believes that the APJs were Constitutionally appointed, the reality of the situation at the PTAB, where APJ panels can be reformulated with PTAB leadership to reach a new opinion based on a reassessment of essentially the same discretionary factors, should not be allowed to overturn prior jury verdicts. Through one process, a patent owner can rely on the due process protections of the Constitution, including jury trials conducted by disinterested adjudicators. Through another process, a patent owner’s fate is largely up to the whims of agency leadership on paneling decisions involving APJs who are arguably incentivized to institute more questionable IPR proceedings as a result of a financial bonus structure for APJs that perversely awards overturning patents which the same office previously collected fees to issue.

While the Federal Circuit applied no balancing test at all, the fact that the *inter partes* proceeding that overturned the prior jury verdict has not been found to violate the Constitution should have been weighed, and there is little chance here that overturning a prior general jury verdict by estoppel

was appropriate without analysis under factors (6) (7) and (8), which all weigh heavily against the application of estoppel once the IPR process used was found to violate the Constitution.

III. THE FEDERAL CIRCUIT'S DECISION VIOLATES THE SEVENTH AMENDMENT'S REEXAMINATION CLAUSE

Congress has authorized the adjudication of private disputes over patent validity in federal courts under 28 U.S.C. §§ 1331 and 1338(a). With the enactment of Section 6 of the Leahy-Smith America Invents Act of 2011 ("AIA"), 35 U.S.C. §§ 311–19, Congress has also established a competing Article I forum for adjudicating invalidity actions between private parties.

Beginning on January 7, 2013, Petitioner filed suits for infringement of its '504 patent against various parties in the Eastern District of Texas including, *Personal Audio, LLC v. CBS Corporation*. In response to those suits, but well after those lawsuits were underway, the Electronic Frontier Foundation ("EFF"), which describes itself as a non-profit public interest organization filed a revised petition for *inter partes* review of Claims 31-35 of its patent ("the '504 patent") on October 30, 2013. Although the EFF is not a party to the district court proceedings, its filing of a petition for *inter partes* review arose in direct response to, and Personal Audio believes in coordination with, the defendants in the district court proceedings. Personal Audio tried but was unable to ascertain in discovery whether the

initial defendants in the district court proceedings had any affiliation with the EFF.¹

The EFF alleged that five references anticipated and/or rendered the challenged '504 Patent claims obvious. The Patent Office instituted inter partes review with respect to only two of the grounds presented: obviousness of Claims 31-35 in view of Compton/CNN and anticipation of Claims 31-35 in view of Patrick/CBC. The Patrick/CBC reference adds nothing, disclosing operative facts nearly identical to Compton/CNN but with far less technical detail thereby leaving out critical claim elements not even addressed in the panel's decision much less addressed by the Patent Office. As a result, the same arguments, evidence and operative facts set before the jury were also set before the Patent Office. EFF did not even address the fact both references disclosed nearly identical operative facts in its opposition briefing but conceded that the two references were similar before the Federal Circuit.

After Petitioner had dedicated significant resources to the district court proceeding, the jury rendered its verdict on September 15, 2014 finding the '504 Patent valid in light of CNN/Compton. Personal Audio submitted this jury verdict to the Patent Office. Nonetheless, the Patent Office issued its Decision on April 10, 2015, finding claims 31-35 to

¹ The proliferation of "public interest" organizations that obtain funding from multiple third parties to collectively invalidate patents is a change encouraged by enactment of the AIA. Since nearly any third party may file an IPR, collective efforts to invalidate patents severely tilts the playing field in favor of the party or parties seeking invalidation who can marshal third party entities to attack the patent in the Article I forum.

be unpatentable as anticipated and obvious over Compton/CNN and anticipated over Patrick/CBC.

Congress through the AIA did not by statute directly authorize agency reexamination of a jury's findings of fact in a prior district court proceeding. Rather, the Federal Circuit, in *Fresenius USA, Inc v Baxter Int'l, Inc*, 721 F 3d 1330 (Fed. Cir. 2013), has held in the reexamination context that the USPTO's cancellation of patent claims in a parallel proceeding trumps the District Court's enforcement of those same claims, even after an affirmation by the Federal Circuit on the merits. Since *Fresenius* was decided, a jury's findings of fact such as the jury's findings in Petitioner's prior district court proceeding can be directly overturned by an agency's findings of fact invalidating patent claims in a concurrent agency IPR proceeding.

This is plainly proscribed by the Seventh Amendment. The second clause of the Seventh Amendment provides: "no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law." U.S. Const., amend. VII. Therefore, Petitioner respectfully requests that *Fresenius* be limited or overturned, so that the agency's decision, if allowed to stand shall not conflict with the Reexamination Clause of the Seventh Amendment.

In addition to protecting the right to a jury trial, the Reexamination Clause of the Seventh Amendment "controls the allocation of authority to review verdicts." *Gasperini v. Ctr. for Humanities, Inc.*, 518 U.S. 415, 432 (1996). Jury verdicts can only be reconsidered if the process for reconsideration is one that was available at common law when the

Seventh Amendment was ratified. The only options at common law to reexamine facts decided by a jury are: (1) the granting of a new trial; or (2) review *de novo* for legal errors. *See Capital Transaction Co. v. Hof*, 174 U.S. 1, 13 (1899). Once the jury's verdict has been rendered, the reexamination clause forbids review of the jury verdict by any court of the federal government. In *Slocum v. New York Life Ins. Co.*, 228 U.S. 364, 33 S. Ct. 523, 57 L. Ed. 879 (1913), this Court determined that a federal appellate court could not simply reverse a general verdict of a jury, since the court would essentially be overturning the factual determinations made by the jury given the instructions on the law given by the Court as to those issues. Here, the jury found a general verdict on infringement and validity under the facts presented to it. A court cannot simply substitute the facts in the IPR for those found by the jury without violating the 7th Seventh Amendment.

Even assuming, *arguendo*, that Congress could have delegated all patent validity determinations to the PTO for adjudication, it has not. Federal courts and juries still have authority to determine issues of validity under 28 U.S.C. §§ 1331 and 1338(a). There is no authority, however, to support the notion that an agency can overturn those very same factual determinations, because such actions violate the Reexamination Clause.

IV. PETITIONER DID NOT WAIVE THESE ARGUMENTS

At the district court, Judge Gilstrap asked the parties to brief the effect of the IPR on the case. (App. at 15a) Petitioner, recognizing (as has Justice Gorsuch) the plain import of the Federal Circuit's

holding in *XY, LLC v. Trans Ova Genetics, L. C.*, 890 F. 3d 1282, 1285–1286, 1294–1295 (Fed. Cir. 2018), recognized that the Federal Circuit would do exactly what they have done in this case below – overturn the jury verdict without analysis of collateral estoppel and in clear violation of the Seventh Amendment. Rather than argue these futile points under the existing case law, Petitioner preserved its right to argue on appeal. (App. at 20a) While CBS now argues this constituted a waiver of arguments, CBS was threatening a motion for attorney’s fees if Personal Audio contested these points at the District Court level given the Federal Circuit precedent. Personal Audio recognizes that only this Court (or the Federal Circuit sitting *en banc*, which was also requested and denied) would be able to overturn this erroneous precedent. Personal Audio now requests that this Court do so.

CONCLUSION

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

Dated: August 27, 2020

Respectfully submitted,

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