

No. 22-1001

IN THE
Supreme Court of the United States

NST GLOBAL, LLC, d/b/a SB TACTICAL,
Petitioner,

—v.—

SIG SAUER INC.,
Respondent.

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

REPLY TO OPPOSITION

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**RULE 29.6 CORPORATE DISCLOSURE
STATEMENT**

Pursuant to this Court's Rule 29.6, Petitioner states that the corporate disclosure statement included in the Petition remains accurate.

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ARGUMENT

Undermining bedrock principles of patent law, the decision below erodes foundational patent principles and disrupts protections under the *Inter Partes* Review (“IPR”) statutory schema and Due Process that patent owners, such as Petitioner NST Global, LLC (“NST”), as property owners, are afforded. Respondent Sig Sauer, Inc.’s (“Sig”) Opposition reflects widespread confusion surrounding preamble limitations. This is an ideal opportunity to resolve questions of critical importance: whether (1) *sua sponte* preamble limitation construction impermissibly eliminates or shifts the burden in an IPR; (2) that construction denied due process rights; and (3) Rule 36 misuse must be constrained. This Court should grant certiorari.

I. PTAB’s Decision Eliminated or Shifted Sig’s Burden, Narrowing NST’s Property Rights, Warranting Review of the Federal Circuit’s Summary Affirmance.

Sig recognizes it failed to place the preamble constructions at issue. Opp. 9 (“SIG SAUER did not propose a formal claim construction for the Preambles”). Sig attempts to retroactively correct its petitions, positing that the subject matter of a preamble is met constitutes claim construction of a preamble limitation. Opp. 8-9. The Patent Trial and Appeal Board (“PTAB”) stated, “*Forjot* discloses the subject matter of the preamble of claim 1.” C.A. App. 1380-1381; C.A. App. 1342. PTAB never referred to

preamble limitations in the institution decisions because preamble limitation claim construction was not at issue.

Whether preamble subject matter is met is not claim construction, but a distinct legal construct which applies in the obviousness analysis. *See Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, 868 F.3d 1013, 1017 (Fed. Cir. 2017) (separating preamble construction from obviousness determination, holding while “[t]here is no dispute that Bessler teaches an HVAC system as recited in the claims.... we need not construe the claim preambles here where the construction is not ‘material to the [obviousness] dispute.’” (internal citation omitted)).

Preamble limitations were never at issue. The burden was not NST’s. NST proceeded under Sig’s contested grounds. *See FanDuel, Inc. v. Interactive Games LLC*, 966 F.3d 1334, 1342 (Fed. Cir. 2020) (“the burden cannot shift to the patentee post institution, the IPR regulations do not require a patent owner to submit *any* response to the petition, either before or after institution.” (citations omitted)). Instead of detailed analysis, the preamble discussion in PTAB’s Final Written Decisions (“FWDs”) relied on a single citation to the patent specifications, failed to analyze the differences in the different preambles, and, due to its *sua sponte* nature, failed to include or cite to a party’s argument. C.A. App. 21-23, 89-91; Opp. 10. Sig fails to squarely address NST’s arguments regarding Sig’s burden, instead “reframing” the issue to whether subject matter was met. It is imperative for Sig to retroactively correct its flawed petitions because

challenges to a patent's validity must be made within one year of service of a complaint alleging patent infringement and that time passed. *See WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308, 1316-18 (Fed. Cir. 2018).

Sig's Opposition improperly characterizes preambles as limitations. Opp. 5-7, 8-10 (stating the representative claim is "divided into its limitations"; including the preamble (1.0) in the first row of its charts and defining all preambles as "Preamble Limitations"). Preambles are not "intended to be a limiting factor in delineating boundaries of the scope of the invention as claimed." *PPC Broadband, Inc. v. Corning Optical Communs. RF, LLC*, 815 F.3d 747, 753 (Fed. Cir. 2016).

Sig conflates the language of subject matter being met with preamble limitation claim construction. *See* Opp. 8, 10 ("how *Forjot meets* the Preamble Limitations" (emphasis added)). At Oral Hearing, Sig's counsel identified the preamble as not limiting stating, "the claimed invention requires a forearm-gripping stabilizing attachment, that's the preamble," not a support structure, handgun, or combination thereof, all subsequently construed as preamble limitations. Opp. 10; C.A. App. 21-23,89-91.

Without citation to either party's argument, PTAB ruled *sua sponte*. C.A. App. 22-23, 90-91. In ruling *sua sponte*, a court undermines the core principles of an adversarial proceeding. Ziv Schwartz, *Supplementing Supplemental Briefing*, 22 J. App. Prac. & Process 339, 346-347 (2022). By raising the issue unilaterally at Oral Hearing, PTAB

failed to hold Sig to its burden and improperly shifted that burden to NST.

II. Decisions Below Deny Due Process.

The Federal Circuit (“CAFC”) summarily affirmed PTAB’s violation of NST’s due process rights. See *In re NuVasive, Inc.*, 841 F.3d 966, 971 (Fed. Cir. 2016) (“A patent owner in [NuVasive’s] position is undoubtedly entitled to notice of and a fair opportunity to meet the grounds of rejection,’ based on due-process and APA guarantees.” (citation omitted)). Sig attempts to reframe the rights deprivation by contending, “NST is simply appealing the PTAB’s conclusions of fact and law that were premised upon indisputable fact and settled law.” Opp. 18.

Sig relies on *TQ Delta* for the assertion that there is no *per se* rule prohibiting *sua sponte* rulings. Opp. 18. Context and timing matter, however, and *TQ Delta* establishes PTAB “may not change theories in midstream without giving respondents reasonable notice of the change and the opportunity to present argument under the new theory.” *TQ Delta, LLC v. Dish Network LLC*, 929 F.3d 1350, 1354 (Fed. Cir. 2019) (quoting *SAS Inst., Inc. v. ComplementSoft, LLC.*, 825 F.3d 1341, 1351 (Fed. Cir. 2016), *rev’d on other grounds sub nom.*, *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348 (2018)). Unlike this case, *TQ Delta*’s patent owner was on notice of the claim construction, demonstrated by its argument in its Patent Owner’s Response and as explored at Oral Hearing. *Id.* at 1356.

Sig also relies on *Intellectual Ventures*’ non-precedential opinion, finding there was adequate

notice because the parties proposed constructions during briefing and were questioned on the construction at Oral Hearing, but did not request a sur-reply or rehearing. *Intellectual Ventures II LLC v. Ericsson Inc.*, 686 F. App'x 900, 905-06 (Fed. Cir. 2017). Such notice was not provided to NST.

Disregarding notice requirements, Sig argues that NST had “an opportunity to respond to Sig’s arguments” in the Preliminary Responses, Patent Owner’s Responses, and Sur-Reply. Opp. 19-20. To reach this conclusion, Sig argues that whether the subject matter was met placed claim construction at issue and NST on notice. Opp. 8-10. It was not NST’s burden to predict and respond to non-issues. *TQ Delta*, 929 F.3d at 1355-56 (It is “unreasonable to expect that [parties] would have briefed or argued, in the alternative, hypothetical constructions not asserted by their opponent.” (citation omitted)).

Sig contends, “NST could have disputed that the Preambles were limiting at the Hearing,” (Opp. 20), but oral argument is too late. Consistent with the APA, the United States Patent and Trademark Office advises participants in PTAB proceedings that at oral argument, parties may only rely on arguments in the papers previously submitted and no new evidence or arguments may be presented. *Dell Inc. v. Acceleron, LLC*, 818 F.3d 1293, 1301 (Fed. Cir. 2016). Therefore, it was not a sufficient opportunity to be heard.

Last, Sig argues NST could have petitioned PTAB for rehearing. Opp. 20. Rehearing is not an adequate opportunity to respond, nor a prerequisite for appeal of a *sua sponte* ruling. *Qualcomm Inc. v. Intel Corp.*, 6 F.4th 1256, 1265 (Fed. Cir. 2021)

(holding aggrieved party need not seek rehearing before appealing Board's failure to provide notice and an opportunity to respond; "We have also vacated Board decisions for violating a patent owner's procedural rights where the patent owner never requested a rehearing."). Agencies generally lack constitutional issue expertise, "[j]udges, by contrast, specialize in 'saying what the law is.'" *Williams v. Babbitt*, 115 F.3d 657, 662 (9th Cir. 1997) (citation omitted). There is no requirement that NST petition for rehearing, particularly on legal issues.

Sig removes its analysis from the IPR context by relying on *In re Google Technology Holdings LLC*, 980 F.3d 858 (Fed. Cir. 2020). It does not apply because it was an appeal of a patent examination, where the burden is different. *See id.* at 864 ("[T]he context of an infringement determination after a bench trial is quite different from the context of a Board unpatentability determination after examination - the latter context is iterative.").

CAFC is responsible for reviewing PTAB's conclusions and "[t]he very word 'review' presupposes that a litigant's arguments have been raised and considered in the tribunal of first instance." *Id.* CAFC has held that in IPRs litigants need not waste words on briefing arguments not at issue. *Qualcomm*, 6 F.4th at 1264. Factually similar, in *Qualcomm*, CAFC found a single question raised at oral hearing was not sufficient to provide notice. *Id.* at 1264.

Sig also contends that NST failed to challenge a second and independently sufficient ground. Opp. 22. "In the related, non-IPR context, [CAFC] ha[s] relied on the APA's requirements to find a 'new

ground’ where ‘the thrust of the rejection’ has changed, even when the new ground involved the same prior art as earlier asserted grounds of invalidity.” *In re NuVasive*, 841 F.3d at 972 (citing *In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011)).

While Sig attempts to relegate NST’s argument of constitutional and statutory violation to a merits’ claim, Sig’s “reframing” completely disregards NST’s argument. NST did not request a reweighing of the evidence but rather, review of PTAB’s predicate preamble limitations which narrowed the patents’ scope and tainted PTAB’s secondary considerations findings. Pet. 6-7; 22-32.

Sig contends, “PTAB concluded that NST failed to meet its burden of showing a nexus between the claimed invention and the proffered evidence of secondary considerations. . . . because the PTAB found that the claimed invention consisted of both ‘a handgun’ and ‘a support structure extending rearwardly from the rear of the handgun.” Opp. 22 (citing C.A. App 0045-0046; C.A. App 0115). Sig recognizes, “NST’s evidence of sales focused on the attachments, and not handguns, so NST could not show how many” of the sales included the limitations of the preambles, specifically the handgun or support structure. Opp. 22 (citing C.A. App. 3081-3082, 52:24-53:13). This demonstrates due process and statutory violations. Because preamble limitations were not at issue, NST’s evidence did not contemplate distinctions between sales with and without a handgun or with and without a support structure.

Sig’s contention that there was an independent second ground supporting the decision

disregards due process violations which permeated the secondary considerations analysis and changed the “thrust of the rejection.” C.A. App. 22-23, 45-47, 90-91, 114-116. That “[t]he evidence showed that any commercial success was due to an unclaimed feature of the commercial embodiments” was not PTAB’s factual finding, and even if it were, it was predicated on the contemplation of the “claimed invention” as the attachment limited by the preamble’s handgun and support structure. Opp. 23; C.A. App. 22-23, 45-47, 90-91, 114-116.

Courts have held due process violations resulting in deprivation of property without an opportunity to address grounds not invoked by the agency are harmful error. *See In re Chapman*, 595 F.3d 1330, 1339 (Fed. Cir. 2010) (concluding errors were “harmful because they increase the likelihood that Chapman was erroneously denied a patent on grounds of obviousness”). Accordingly, because there was no second independent basis supporting the unpatentability determination that scaffolded from the predicate preamble limitations, the error is not harmless.

III. There Was No Waiver.

Sig argues NST waived the issues because “[i]n the Initial Scheduling Orders, the PTAB ‘cautioned’ NST ‘that any arguments not raised in [its] [Patent Owner R]esponses’ may be deemed waived.” Opp. 15.

“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.” *Nelson v. Adams USA, Inc.*, 529 U.S. 460, 469 (2000). NST argued in its CAFC briefs and petition for rehearing that it was not on notice of nor had an opportunity to respond to PTAB’s zero-hour construction. See NST Op. Br. at 15-22 (Fed. Cir. 2022); C.A. No. 2021-2241 Dkt. 23 at 34-41; See NST Reply Br. at 4-19 (Fed. Cir. 2022); C.A. No. 2021-2241 Dkt. 27 at 13-28; C.A. No. 2021-2241 Dkt. 47. The issue was before CAFC and preserved for this Court’s review.

Sig tellingly fails to address NST’s support and instead cites *Collabo*, *Finjan*, and *In re NuVasive*. The cases are distinguishable because they find a waiver of an issue that existed at the time the Patent Owner’s Responses were filed with PTAB. In *Collabo Innovations, Inc. v. Sony Corp.*, 802 Fed. Appx. 568 (Fed. Cir. 2020), a non-precedential opinion, the court found Oral Hearing was too late for a party to assert an argument for the first time. In *Finjan, Inc. v. Cisco Systems*, 837 Fed. Appx. 799 (Fed. Cir. 2020), another non-precedential opinion, argument was presented in the preliminary response. In *In re NuVasive*, 842 F.3d 1376, 1380 (Fed. Cir. 2016), NuVasive challenged the public accessibility of prior art references during the preliminary proceedings of the IPR, but failed to challenge public accessibility during the trial phase, and expressly declined to make further arguments thereon during oral argument.

Whether Sig carried its burden is not a new position on claim construction. Citing *Conoco, Inc. v. Energy & Envtl. Int’l, L.C.*, 460 F.3d 1349, 1358-59 (Fed. Cir. 2006), for the proposition that claim construction positions may not be altered in scope,

Sig states that “NST tacitly adopted” Sig’s positions “by failing to dispute those positions during the proceeding.” Opp. 16-17. As demonstrated above, neither party set forth a position with respect to preamble claim construction, rendering this argument unpersuasive. Therefore, Sig’s reliance on *Conoco, Finjan, and Boston Scientific SciMed, Inc. v. Iancu*, 811 Fed. Appx. 618 (Fed. Cir. 2020) (non-precedential), is misplaced.

The constitutional and administrative issues were raised in the CAFC briefing. Sig responded to NST’s preamble limitation arguments and debated it during Oral Argument. *See* NST Op. Br. at 15-22 (Fed. Cir. 2022); C.A. No. 2021-2241 Dkt. 23 at 34-41; *See* NST Reply Br. at 4-19 (Fed. Cir. 2022); C.A. No. 2021-2241 Dkt. 27 at 13-28; C.A. No. 2021-2241 Dkt. 47. Since the challenged violations occurred in the FWDs, NST has continuously raised these challenges; there was no waiver.

IV. CAFC’s Rule 36 Misuse Resulted In Particularized Harm.

CAFC’s frequent issuance of judgment without opinion contradicts its statutory duty and undermines the patent system. NST has standing because it has demonstrated “personal” harm. Deprivation of property rights to the property owner is an invasion of a concrete and particularized legal interest. NST, having had its rights deprived, has suffered actual injury, which confers standing. *See Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992).

Sig relies upon *Warth v. Seldin*, 422 U.S. 490, 499 (1975), for the contention that NST failed to show how it suffered a “personal” injury because any

error was harmless due to waiver issues and because it alleged a “generalized grievance.” Sig also disregards *Warth’s* distinction of organization standing. Opp. 27. However, there was no waiver and the error, predicated on the *sua sponte* preamble limitation findings, caused NST harm and a deprivation of property and constitutional rights. Sig caused and benefitted from that harm, because NST has fewer rights notwithstanding Sig was not held to its burden of demonstrating patent invalidity. Sig also benefits in that it does not have to respect NST’s patents.

Sig caused NST’s harm. *California v. Texas*, 141 S. Ct. 2104 (2021), is distinguishable. There, this Court found a lack of standing because the challenged statute had yet to be enforced and the future injury was speculative and not traceable. *Id.* Also distinguishable, *America West Airlines v. National Mediation Board*, 119 F.3d 772 (9th Cir. 1997), found no standing because the asserted injury, certification of the bargaining representative, was not traceable to the decision to count votes of discharged employees, because the outcome would have remained the same.

In *Clinton v. City of New York*, 524 U.S. 417 (1998), this Court found there was standing because intended beneficiaries of a provision subjected to a line-item veto suffered actual injury. Likewise, because PTAB’s obviousness determination narrowed NST’s property and deprived its rights, actual injury fairly traceable to Sig failing to carry its burden in the IPRs, NST has standing to petition this Court.

Without citation to authority, Sig contends it is damaged to the same extent as NST by CAFC’s

affirmance, but “[o]nce it is determined that a particular plaintiff is harmed by the defendant, and that the harm will likely be redressed by a favorable decision, that plaintiff has standing -- regardless of whether there are others who would also have standing to sue.” *Id.* at 434-36. Therefore, whether Sig was harmed to an equal extent is inapplicable to NST’s standing to challenge Rule 36 misuse and disregards NST’s status as a patent owner. *See Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246, 1250 (Fed. Cir. 2017) (quoting *Virginia v. Hicks*, 539 U.S. 113, 121 (2003) (“[I]t is apparent that Personal Audio, on cancellation of its patent claims by the PTAB, has experienced an alteration of ‘tangible legal rights . . . that is sufficiently ‘distinct and palpable’ to confer standing under Article III.”)).

Sig fails to address the statutory commands from Congress. *See* 35 U.S.C. § 144 (“shall issue ... its mandate and opinion”). Sig’s extensive listings of petitions seeking review of CAFC’s use of summary affirmance supports this Court’s exercise of its supervisory authority to ensure a clear and consistent body of patent law in accordance with CAFC’s congressional mandate. *Opp.* 26; *see also Rates Tech., Inc. v. Mediatrice Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012) (“Since there is no opinion, a Rule 36 judgment...cannot establish ‘applicable Federal Circuit law.’”).

This Court should grant certiorari and review the important issues herein, vacate the judgment below, and remand to CAFC, so that it may correct its error and direct PTAB accordingly. *See* S. Ct. R. 10.

CONCLUSION

The Petition for Writ of Certiorari should be granted.

Respectfully Submitted.

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