

2016-1123

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

Personal Audio, LLC,

Appellant,

v.

Electronic Frontier Foundation

Appellee.

*Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, Case No. IPR2014-00070*

**EFF'S RESPONSE TO PETITION FOR REHEARING
AND REHEARING EN BANC**

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CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rules 27(a)(7) and 47.4(a), counsel for Appellee Electronic Frontier Foundation (“EFF”) hereby certifies the following:

1. The full name of every party or amicus represented by me is: Electronic Frontier Foundation.
2. The name of the real party in interest represented by me is: N/A.
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party represented by me: N/A.
4. The names of all the law firms and the partners and associates that appeared for Appellee in the lower tribunal or are expected to appear for the party in this court, are as follows:

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INTRODUCTION

Personal Audio’s petition for rehearing is not based on a “precedent setting question of exceptional importance” but rather on confused arguments that are contrary to law, in any event waived, and founded on a description of the proceedings that minimizes, ignores, and flat-out misstates important facts.

In this case, EFF filed a petition for *inter partes* review challenging the validity of certain claims in Personal Audio’s ’504 patent. The Patent Trial and Appeal Board (the “Board”) found that those claims were invalid based on the Compton/CNN and Patrick/CBC prior art references. The panel affirmed. Separately from this case, a jury in *Personal Audio LLC v. CBS Corporation*, Case No. 2:13-cv-270-JRG (E.D. Tex) (the “CBS case”) found that CBS infringed the same claims of the ’504 patent, and that CBS had not shown that those claims were invalid. EFF was not, and never has been, a party to the CBS case, nor was CBS involved in EFF’s case.

Personal Audio now seeks rehearing on three grounds: (1) that the panel decision violates its Seventh Amendment rights “by overturning a jury’s findings of facts”; (2) that *inter partes* review violates Article III by extinguishing patent rights in a forum without a jury; and (3) that the ’504 patent claims “should have been construed under a *Phillips* standard since the patent expired” prior to the panel decision.

None of these grounds presents an issue that justifies either panel or en banc rehearing.

ARGUMENT

I. Personal Audio's Constitutional Arguments Should Not Be Reheard

A. Personal Audio's Seventh Amendment rights are not implicated by a separate case involving different parties and different issues.

Personal Audio argues that the panel decision violated its Seventh Amendment rights “by overturning a jury’s findings of facts.”¹ But EFF was not a party to the CBS case, and Personal Audio provides no explanation or authority for its notion that a jury’s findings in a separate case with a different opponent and different issues should control the result here.

Personal Audio’s argument makes no sense. For example, Personal Audio argues that in the CBS case, it “was able to impeach the credibility of the Defendant’s expert testimony concerning the hardware configuration requirements” of the claims.² Personal Audio then argues that the Seventh Amendment means that this alleged impeachment of CBS’s expert should trump the testimony given by EFF’s expert, which was adopted by the Board and affirmed by the panel.³ But neither EFF nor the expert the Board credited were part of the CBS trial. EFF had no opportunity to examine any witnesses in the CBS case. Personal Audio did not “impeach the credibility” of the expert who testified to the Board. Personal Audio’s confused argument that testimony it elicited from a separate party’s expert in a separate case should trump the evidence given in this case is contrary to long

¹ Petition for Rehearing at 1.

² Petition for Rehearing at 12-13.

³ Petition for Rehearing at 13.

established law and should be rejected.⁴ Simply put, the fact that EFF was not a party to the jury verdict completely undermines Personal Audio's Seventh Amendment argument.

In an attempt to address this fatal flaw in its argument, Personal Audio asserts its subjective (and incorrect) belief that EFF filed its petition for *inter partes* review "in coordination with the defendants" in the CBS case.⁵ That may be Personal Audio's belief, but it is not a proper basis for rehearing this case. Personal Audio does not identify anything in the record to support its belief in some alleged affiliation between EFF and CBS.⁶ That's because there is nothing there: EFF did not file its petition for *inter partes* review in coordination with CBS, and has no affiliation with CBS.

Personal Audio also argues—incorrectly—that the jury in the CBS case found that the asserted claims of the '504 patent were "valid" in light of "the very

⁴ *Shelcore, Inc. v. Durham Industries, Inc.*, 745 F.2d 621, 627 (Fed. Cir. 1984) ("A patent is not held valid for all purposes but, rather, not invalid on the record before the court"); *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 329 (1971) ("Due process prohibits estopping [parties who never appeared in a prior action] despite one or more existing adjudications of the identical issue which stand squarely against their position.").

⁵ Petition for Rehearing at 9-10.

⁶ Personal Audio asserts that it "tried" to obtain evidence showing some sort of affiliation between EFF and CBS but was unable to do so. Petition For Rehearing at 10. Personal Audio made no such attempt at the Board. To the extent Personal Audio tried to do so in the CBS case, trying to obtain evidence of something in the CBS case, and failing to do so in *that case*, cannot possibly be asserted as a basis for rehearing *this case*.

same prior reference” that was before the Board.⁷ In fact, the Compton/CNN reference that is at issue in this appeal is *different* from the reference that was before the jury in the CBS case. The Compton/CNN reference at issue in this appeal is a 1995 M.I.T. master’s thesis that is 58 pages long.⁸ The reference that was before the jury was described by Personal Audio’s counsel at trial as a six-page article, albeit by the same author about the same subject matter.⁹ Personal Audio has not shown—nor even tried to show—that the content of these two distinct prior art references is the same.

Furthermore, the Patrick/CBC reference provides an independent basis for the Board’s finding of invalidity and the panel’s affirmance of that finding. As Personal Audio cannot dispute, the Patrick/CBC reference was not before the jury in the CBS case. Personal Audio baldly asserts that “the Patrick CBC reference adds nothing to Compton/CNN.”¹⁰ Of course, the jury in the CBS case never made any such finding because it never considered the Patrick/CBC reference. Even if this court were to accept Personal Audio’s arguments with respect CNN/Compton, there can be no violation of any “jury right” where the jury did not decide factual questions about the disclosure of a reference *at all*.

⁷ Petition for Rehearing at 10; *see also id.* at 3. Of course, claims are never held “valid,” but rather are merely “*not invalid*” based on the record presented. *See Shelcore*, 745 F.2d at 627.

⁸ Appx871-928.

⁹ Appx2360.

¹⁰ Petition for Rehearing at 12.

Finally, Personal Audio fails to acknowledge the fact that it has not yet obtained a judgment based on the jury verdict in the CBS case. Instead, after CBS filed post-trial motions challenging the verdict, Personal Audio requested and obtained an order staying the case pending resolution of this appeal.¹¹ Thus, Personal Audio is arguing to overturn the result in this case on the basis of a jury verdict that, on Personal Audio's own request, has not been confirmed or adopted by the district court where it was rendered.¹²

In sum, the Board properly rejected Personal Audio's Seventh Amendment argument, and the panel properly affirmed.

B. Personal Audio waived its constitutional arguments.

Personal Audio's constitutional arguments should also be rejected because the Board found that they were waived, and the panel properly affirmed the

¹¹ See *Personal Audio LLC v. CBS Corporation*, Case No. 2:13-cv-270-JRG (Docket No. 118) (E.D. Tex., April 30, 2015) (order granting joint motion to stay).

¹² Personal Audio also argues that this case should be used to reconsider *en banc* the decision in *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013). In *Fresenius*, this Court found that a mandate from the Federal Circuit affirming a Patent Office decision to invalidate claims in a reexamination proceeding overrode a district court's entry of judgment based on those claims, because the appeal from the district court decision was pending. Here, as just explained, there is not even a district court judgment in the CBS case. Rather, the CBS case was voluntarily stayed by Personal Audio after the jury verdict and before resolution of any of the post-trial motions, including those made pursuant to Federal Rule of Civil Procedure 50 (judgment as a matter of law). Thus, this case provides no basis for reconsidering *Fresenius*. At most, this court should consider this issue and how it applies to CBS in the CBS case, *i.e.* in the case where the defendant will presumably try to apply *Fresenius*, if and when that case is heard by this court.

Board's decision. Personal Audio admitted to the panel that it did not raise any of its constitutional arguments until *after* the Board issued its final written decision invalidating the challenged claims of the '504 patent.¹³ The Board found that the constitutional arguments in Personal Audio's request for rehearing were waived.¹⁴ Under this court's precedent, that decision was correct.¹⁵ Indeed, Personal Audio fails to identify any flaw in that aspect of the Board or panel's decision—Personal Audio does not even address the issue of waiver.¹⁶ Thus, the panel properly affirmed the Board's determination that Personal Audio's Seventh Amendment argument as well as its Article III argument are waived.

C. Personal Audio's Article III argument is currently on review at the Supreme Court.

Even it was not waived, Personal Audio's Article III argument was rejected in *MCM Portfolio LLC v. Hewlett Packard Co.*¹⁷ The same Article III argument rejected by *MCM Portfolio* is now before the Supreme Court in *Oil States Energy*

¹³ Personal Audio's Opening Br. at 52 (admitting that it first raised its Constitutional arguments in its Request for Rehearing).

¹⁴ Appx33.

¹⁵ *Golden Bridge Tech., Inc. v. Apple Inc.*, 758 F.3d 1362, 1369 (Fed. Cir. 2014) (“An argument made for the first time in a motion for reconsideration comes too late and is ordinarily deemed waived.”) (internal citations omitted); *see also* 37 C.F.R. § 42.71(d); EFF's Response Br. at 28-30.

¹⁶ Personal Audio argued to the panel that its constitutional arguments were unwaivable. Opening Br. at 52. But as the Supreme Court recently explained, that is not correct: “The entitlement to an Article III adjudicator is a personal right and thus ordinarily subject to waiver.” *Wellness Int'l Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1944 (2015) (internal citations and quotations omitted).

¹⁷ 812 F.3d 1284 (Fed. Cir. 2015) *cert denied*, 137 S. Ct. 292 (2016).

Services LLC v. Greene's Energy Group LLC.¹⁸ As Personal Audio acknowledges, there is no need or basis for this Court to take up the Article III argument in this case.¹⁹

II. Personal Audio's Argument About The Claim Construction Standard Provides No Basis For Rehearing

A. Personal Audio waived its argument.

Personal Audio's waived its argument that the Board and the panel should have construed the claims of its '504 patent under the standard set forth in *Phillips v. AWH Corp.*²⁰ This argument was not made to either the panel or the Board—at any time—prior to the current Petition for Rehearing. This court heard oral argument on August 4, 2016. At that time and according to the face of the patent, less than two months remained on the '504 patent term.²¹ The fact that this court could issue its decision after expiration of the patent should have been more than apparent to Personal Audio. Personal Audio's failure to raise this argument earlier is inexplicable and should not be condoned.²²

B. Personal Audio does not support its argument.

Even if were not waived, Personal Audio does not show how applying the *Phillips* standard would make any difference to the construction of the claims or the outcome of this case. Personal Audio argues that the under *Phillips*, the claim

¹⁸ Case No. 16-712.

¹⁹ Petition for Rehearing at 4, 5-7.

²⁰ 415 F.3d 1303 (Fed. Cir. 2005) (*en banc*).

²¹ See Appx42 (showing patent would expire on Oct. 2, 2016).

²² See *Golden Bridge*, 758 F.3d at 1369.

would not have been interpreted to include an embodiment described in the specification, *i.e.* that under *Phillips*, the claim would have been construed to exclude the embodiments where “program segments” containing “news” were described as “episodes.”²³ This argument should be rejected. Both the Board and the panel rejected Personal Audio’s claim construction argument about “episode” for multiple reasons, including not only the fact that it excludes an embodiment described in the specification, but also that it is inconsistent with the claim language itself.²⁴ The result in this case would have been the same under the *Phillips* standard.

III. The “Standing” Argument Raised By An Amicus Should Not Be Reheard.

There are no new or compelling grounds to revisit the decision by this panel that EFF is not required to show “standing” to appear as appellee, especially where it is an argument raised only by an *amicus*, and not the appellant. The panel correctly distinguished *Consumer Watchdog v Wisconsin Alumni Research Foundation*,²⁵ on the ground that in this case, EFF is the appellee, not the party seeking to invoke the jurisdiction of the court.²⁶ As the panel correctly recognized, the Supreme Court established in *ASARCO Inc. v. Kadish*²⁷ that the standing requirement applies to the party “seek[ing] entry to the federal courts for the first

²³ Petition for Rehearing at 16-17

²⁴ *See Op.* at 8-10.

²⁵ 753 F.3d 1258 (Fed. Cir. 2014).

²⁶ *Op.* at 6-7.

²⁷ 490 U.S. 605 (1989).

time in the lawsuit.”²⁸ In particular, *ASARCO* involved a situation that where a state court—which was not bound by Article III—rendered a judgment in favor of a party that did not have Article III standing. When the losing party invoked the jurisdiction of the Article III federal courts to challenge that judgment, *ASARCO* held that the standing requirement was met—despite acknowledging that the state court plaintiff would have lacked standing had the case begun in federal court—because the party who petitioned for certiorari had Article III standing, and it was that party that was seeking entry to the federal courts. Here, the party seeking entry to the federal courts is Personal Audio, and there is no question that Personal Audio has standing.²⁹

Thus, contrary to the primary argument made by *amicus*, there is no split in authority regarding standing. In the cases cited by *amicus*, namely *Consumer Watchdog* and *Phigenix, Inc. v Immunogen, Inc.*,³⁰ standing in an appeal from a Board decision was evaluated with respect to the party seeking entry to the federal courts, *i.e.* the appellant. That is exactly what the panel did in this case, and it is what the Supreme Court’s decision in *ASARCO* requires. Unless and until the Supreme Court revisits that precedent, this Court should follow that opinion.

Amicus is also incorrect when it argues that *U.S. Department of Labor v. Triplett*³¹ is inconsistent with the panel decision. The footnote cited by *amicus*,

²⁸ Op. at 6.

²⁹ Op. at 7.

³⁰ 845 F.3d 1168 (Fed. Cir. 2017).

³¹ 494 U.S. 715 (1990).

when considered with its full context, confirms that the *Triplett* majority is consistent with *ASARCO*:

Whether a litigant can assert the rights of a third party under a particular statute is ‘closely related to the question whether a person in the litigant’s position would have a right of action on the claim,’ *Warth v. Seldin*, 422 U. S. 490, 500, n. 12 (1975). Thus, while state courts are fully entitled to entertain disputes that would not qualify as cases or controversies under Article III, it is questionable whether they have the power, by granting or denying third-party standing, to create or destroy federal causes of action.³²

As shown by the underlined language, the footnote in the *Triplett* majority opinion reaffirms the holding of *ASARCO*. The footnote then explains that the majority is addressing a different question than the *ASARCO* court. In *Triplett*, the question was whether there was a cause of action *at all* where a party was asserting rights allegedly held by third parties, not whether or not the respondent had standing to appear as an appellee in the federal courts.³³

Here, unlike in *Triplett*, EFF brought its petition for *inter partes* review to the Board based on a federal statute specifically authorizing it to do so in its own name pursuant to its own rights as granted by Congress.³⁴ The same chapter of Title 35 gives EFF the right to participate in this appeal.³⁵ Thus, the issue the

³² 494 U.S. at 720, note ** (emphasis added).

³³ See *Northwest Airlines, Inc. v. County of Kent*, 510 U.S. 355, 365 (1994) (“The question whether a federal statute creates a claim for relief is not jurisdictional”).

³⁴ 35 U.S.C. § 311.

³⁵ 35 U.S.C. § 319; see also 28 U.S.C § 1295(a)(4)(A).

majority was analyzing in *Triplett* regarding “third party” standing does not exist here and any reliance on *Triplett* relating to third party standing is misplaced.³⁶

CONCLUSION

For the reasons stated herein, neither rehearing nor rehearing *en banc* is appropriate.

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³⁶ See *Lexmark Int’l, Inc. v. Static Control Components, Inc.*, 134 S. Ct. 1377, 1387 n.3 (2014) (noting the discussion of “standing” in *Triplett*, but remarking that the case before it “does not present any issue of third-party standing, and consideration of that doctrine’s proper place in the standing firmament can await another day.”).

CERTIFICATE OF COMPLIANCE

This brief complies with the length limitations of Fed. Cir. R. 35(3)(4) (June 1, 2011) as it is less than 15 pages, excluding the parts of the brief exempted by Federal Circuit Rules 35(c) and 40(c).

This brief also complies with the type-volume limitation of Federal Circuit Rule 35(e)(4) (Dec. 1, 2016).

This brief contains 2820 words, excluding the parts of the brief exempted by Federal Rule of Appellate Procedure Federal Circuit Rules 35(c) and 40(c).

The brief has been prepared in a proportionally spaced typeface using Microsoft Word in 14-point Times New Roman font.

As permitted by Federal Rule of Appellate Procedure 32(a)(7)(B), the undersigned has relied on the word count feature of this software in preparing this certificate.

Dated: September 27, 2017

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CERTIFICATE OF SERVICE

The undersigned certifies that on the date listed below, all counsel of record who are deemed to have consented to electronic service are being served with a copy of this document through the Court's CM/ECF system.

Dated: September 27, 2017

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