

No. 17-1085

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IN THE  
**Supreme Court of the United States**

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PERSONAL AUDIO, LLC,

*Petitioner,*

*v.*

ELECTRONIC FRONTIER FOUNDATION,

*Respondent.*

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

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**BRIEF IN OPPOSITION**

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## QUESTIONS PRESENTED

1. Whether this court should resolve factual questions not considered by any lower tribunal about the alleged similarity of five different prior art references, in order to obtain a factual basis to then overrule *Parklane Hosiery Co. v. Shore*, 439 U.S. 322 (1979) and *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313 (1971) so as to find that a jury's findings in a separate case with a different party should trump the evidence presented here.

2. Whether Personal Audio waived its right to assert that *inter partes* review violates the Seventh Amendment by failing to raise that argument until after a final decision invalidating its patent was entered by the Patent Trial And Appeal Board.

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## STATEMENT OF THE CASE

On October 16, 2013, EFF filed a Petition for *Inter Partes* Review of U.S. Patent No. 8,112,504 (“the ’504 patent”) with the United States Patent and Trademark Office. The Patent Trial And Appeal Board (“the Board”) granted review, conducted a hearing on December 17, 2014, and issued its final decision on April 10, 2015. In its final decision, the Board found that claims 31-35 of the ’504 patent were unpatentable because they were anticipated by two prior art references, referred to as “Patrick/CBC” and “Compton/CNN.”

Meanwhile, on September 15, 2014, a jury verdict was rendered in an infringement lawsuit based on the ’504 patent that Personal Audio had filed in the Eastern District of Texas. The jury’s verdict was that an unrelated party—CBS Corporation—infringed claims 31-34 of the ’504 patent, and that CBS had not proved that those claims were invalid. The prior art that CBS presented to the jury did not include the Patrick/CBC reference. It did, however, include a reference related to the Compton/CNN reference that EFF presented to the Patent Office.

Personal Audio filed a request for rehearing with the Board on May 8, 2015, in which it raised for the first time the Seventh Amendment arguments that it now seeks to present here. The Board rejected those arguments, explaining that “Patent Owner did not argue in its Response or at oral hearing that we were constrained to follow the jury verdict. Neither did Patent Owner argue that our *inter partes* review of the ’504 patent violated Patent Owner’s right to trial by jury.” (Petition at 57a.)

Personal Audio then appealed to the Federal Circuit, which affirmed the Board's determination that claims 31-35 of the '504 patent were unpatentable based on Patrick/CBC and Compton/CNN without discussing Personal Audio's Seventh Amendment arguments.

### SUMMARY OF ARGUMENT

Personal Audio's petition for certiorari is based on new assertions of fact and confused constitutional arguments that are contrary to law and were also waived. Personal Audio argues that the Board and Federal Circuit decisions violate its Seventh Amendment rights "by directly overturning a previous jury's findings of facts." (Petition at 2.) But EFF was not a party to the CBS case, and Personal Audio provides no justification 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 in this case.

The Board and Federal Circuit found that *both* the Patrick/CBC and Compton/CNN references show that claims 31-35 of the '504 patent were unpatentable.<sup>1</sup> The Patrick/CBC reference was not considered by the jury in the CBS case. Thus, Personal Audio's Seventh Amendment argument begins with its assertion that three different references that the CBS jury did consider "are factually indistinguishable from the Patrick/CBC reference." (Petition at 2.) That assertion is wrong. More importantly, that assertion is made for the first

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1. The Federal Circuit found that "claims 31-35 would have been obvious over Compton/CNN and anticipated by Patrick/CBC." (Petition at 50a.)

time in Personal Audio's petition for certiorari. Neither the Board nor the Federal Circuit was asked to consider whether the "[T]he Fenner NRL Website, Surfpunk, and RealAudio references are factually indistinguishable from the Patrick/CBC reference." (*See* Petition at 2.) Personal Audio is asking this court to act as a fact-finder and find in the first instance that three prior art references that were presented to the CBS jury "are factually indistinguishable" from the Patrick/CBC reference that was not considered by the CBS jury, but was considered by the Board. That request ignores the most basic principles of appellate review and should be rejected.

Even if it were true that the CBS jury considered the same facts that were considered by the Board and the Federal Circuit in this case, that would not suggest a violation of the Seventh Amendment, because EFF was not a party to the CBS case. Personal Audio's notion that the Seventh Amendment means that EFF should be bound by a jury verdict against a different party implies that the Seventh Amendment nullifies EFF's due process rights. That is simply wrong, as this court has explained:

Some litigants—those who never appeared in a prior action—may not be collaterally estopped without litigating the issue. They have never had a chance to present their evidence and arguments on the claim. Due process prohibits estopping them despite one or more existing adjudications of the identical issue which stand squarely against their position.

*Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 329 (1971) (emphasis added). Thus, EFF was free to challenge Personal Audio’s patent, regardless of whether a jury considering a different party’s arguments found the patent not invalid. See *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”); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) (“a court’s decision upholding a patent’s validity is not ordinarily binding on another challenge to the patent’s validity”) (internal citation omitted).

Finally, Personal Audio has waived the constitutional arguments it seeks to present here. Personal Audio admitted in its briefing to the Federal Circuit 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. Thus, the Federal Circuit properly affirmed the Board’s finding that Personal Audio’s constitutional arguments were waived. See *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”).

## ARGUMENT

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 unpatentable based on the Compton/CNN and Patrick/CBC prior art references. The Federal Circuit affirmed.



Seven months before the Board issued the decision that the panel affirmed, 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 those claims were not invalid. The CBS case was then stayed before the district court could review the jury’s verdict.

EFF was not a party to the CBS case, and the CBS jury did not consider the Compton/CNN and Patrick/CBC prior art references that were considered by the Board and the Federal Circuit.

**I. Personal Audio’s Seventh Amendment Arguments Are Factually and Legally Wrong.**

**A. Personal Audio’s arguments are factually incorrect.**

The Board and Federal Circuit found that both the Patrick/CBC and Compton/CNN references independently show that claims 31-35 of the ’504 patent were unpatentable.<sup>2</sup> The Patrick/CBC reference was not considered by the jury in the CBS case. And while the CBS jury did consider a Compton/CNN reference, the publication it considered was not the same as the publication considered by the Board and the Federal Circuit

As a result, Personal Audio’s Seventh Amendment argument about inconsistency between the CBS jury and

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2. The Federal Circuit found that “claims 31-35 would have been obvious over Compton/CNN and anticipated by Patrick/CBC.” (Petition at 50a.)

the result in this case begins with factual assertions that are wholly unsupported. First, Personal Audio asserts that three different references that the CBS jury did consider “are factually indistinguishable from the Patrick/CBC reference.” (Petition at 2.) That assertion is wrong. More importantly, that assertion is made for the first time in Personal Audio’s petition for certiorari. Neither the Board nor the Federal Circuit was ever even asked to decide whether the “[t]he Fenner NRL Website, Surfpunk, and RealAudio references are factually indistinguishable from the Patrick/CBC reference.” (*See* Petition at 2.)<sup>3</sup> Personal Audio is asking this court to act as a fact-finder and find in the first instance that three prior art references that were presented to the CBS jury “are factually indistinguishable” from the Patrick/CBC reference that was not considered by the CBS jury (but was considered by the Board). That request should be rejected.

Personal Audio is also asking this court to find that the Compton/CNN publication that was presented to the jury is factually indistinguishable from the Compton/CNN publication that was considered by the Board and the Federal Circuit. Though they have the same author (Charles Compton) and discuss the same subject matter (his work to digitize and index CNN television transmissions), the two publications are not the same. The publication considered by the Board and the Federal Circuit is a 1995 M.I.T. masters’ thesis that is 58 pages long, and the publication that was before the jury was a

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3. At the Federal Circuit, Personal Audio asserted that “the Patrick CBC reference adds nothing to Compton/CNN.” Personal Audio did not mention “[t]he Fenner NRL Website, Surfpunk, and RealAudio references.”

six-page article. Personal Audio argues that the length of the prior art references is an “irrelevant” characteristic, but that is missing the central point: neither the prior art references nor the issues considered by the CBS jury are the same as the prior art references and issues considered by the Board and the Federal Circuit.

In sum, in order to even reach the Seventh Amendment issue that Personal Audio seeks to raise, this court would need to find in the first instance: (1) that two different publications by Mr. Compton are “factually indistinguishable,” and (2) that three prior art references considered by the CBS jury are “factually indistinguishable” from the Patrick/CBC reference that was considered by the Board and the Federal Circuit, notwithstanding the fact that all three have different authors and discuss different topics. Making those findings now would be improper, so Personal Audio’s petition should be denied.

**B. Personal Audio’s arguments would require overruling *Parklane Hosiery*, *Blonder-Tongue*, and other long-standing precedent.**

Even if it were true that the CBS jury considered the same facts that were considered by the Board and the Federal Circuit in this case, that would not suggest a violation of the Seventh Amendment, because EFF was not a party to the CBS case. EFF was not part of the CBS trial. EFF had no opportunity to examine any witnesses in the CBS case, or to litigate any issue there.

Personal Audio’s notion that the Seventh Amendment means that EFF should be bound by a jury verdict

against a different party implies that the Seventh Amendment nullifies EFF's due process rights. To take a simple example, Personal Audio argued to the Federal Circuit that in the CBS case, it "was able to impeach the credibility of [CBS's] expert testimony concerning the hardware configuration requirements" of the claims.<sup>4</sup> In Personal Audio's view, the Seventh Amendment means that this alleged impeachment of CBS's expert should trump the testimony given here by EFF's expert, which was adopted by the Board and affirmed by the panel. This makes no sense.

Personal Audio's argument implies that any verdict wherein an unrelated party fails to prove a fact (invalidity) to a jury conclusively establishes that fact doesn't exist. EFF is not aware of any cases, in any area of the law, that suggest that the Seventh Amendment operates to bind someone not privy to a previous litigation or to the jury verdict in that litigation. As this court has previously observed, accepting Personal Audio's argument would violate EFF's due process rights. *Blonder-Tongue Labs., Inc. v. Univ. of Illinois Found.*, 402 U.S. 313, 329 (1971). Unsurprisingly, long-established Federal Circuit case law is directly contrary Personal Audio's position. *See 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"); *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) ("a court's decision upholding a patent's validity is not ordinarily binding on another challenge to the patent's validity") (internal citation omitted).

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4. Personal Audio's Petition for Rehearing at 12-13 (Fed. Cir. Case No. 2016-1123).

On a related point, this court has found that the Seventh Amendment cannot be used to escape an earlier judgment, even if the earlier judgment was made without a jury: “an equitable determination can have collateral-estoppel effect in a subsequent legal action ... this estoppel does not violate the Seventh Amendment.” *Parklane Hosiery Co. v. Shore*, 439 U.S. 322, 335 (1979). Here, Personal Audio never 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.<sup>5</sup> Thus, Personal Audio is arguing to overturn the result in this case on the basis of a jury verdict that has not been reviewed even by the district court where it was rendered. That does not make sense.<sup>6</sup> It is also inconsistent with *Parkland Hosiery*, because that case shows that the collateral estoppel effect of the invalidity judgment in this case should control the result in the CBS case once it resumes, and that that result does not violate the Seventh Amendment.

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

6. Personal Audio also argues that this case should be used to overturn *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 stayed after the jury verdict and before resolution of any of the post-trial motions. Thus, this case does not provide a basis for overturning *Fresenius*.

## II. Personal Audio Waived Both The *Oil States* And Seventh Amendment Arguments It Presents Here

Personal Audio argues that the Board and Federal Circuit determinations that claims 31-35 of the '504 patent were unpatentable based on Patrick/CBC and Compton/CNN violate its Seventh Amendment rights because they are inconsistent with the jury verdict in the CBS case. Personal Audio also argues that *inter partes* review violates Article III by extinguishing patent rights in a forum without a jury, and points out that this issue is being considered by the Court in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, Case No. 16-712.

However, Personal Audio has waived both of these arguments. Personal Audio admitted in its briefing to the Federal Circuit 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. The Board found that the constitutional arguments in Personal Audio's request for rehearing were waived. That decision was consistent with precedent. For example, the Federal Circuit stated in *Golden Bridge Tech., Inc. v. Apple Inc.*, 758 F.3d 1362, 1369 (Fed. Cir. 2014) that "[a]n argument made for the first time in a motion for reconsideration comes too late and is ordinarily deemed waived."

Personal Audio argued to the Federal Circuit that its *Oil States* argument were unwaivable. But 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).

Thus, the Federal Circuit properly affirmed the Board's decision to reject arguments that was made for the first time in a motion for reconsideration.

**CONCLUSION**

For the reasons stated herein, Personal Audio's petition for certiorari should be denied.

Respectfully submitted,

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