

No. 16-108

In the Supreme Court of the United States

AUTOMATED CREEL SYSTEMS, INC., PETITIONER

v.

SHAW INDUSTRIES GROUP, INC., ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the Federal Circuit may review a determination by the Patent Trial and Appeal Board (Board) that a petition to institute an inter-partes-review proceeding was not untimely, when 35 U.S.C. 314(d) directs that the decision whether to institute the proceeding “shall be final and nonappealable.”
2. Whether the Federal Circuit correctly determined that substantial evidence supported the Board’s finding that claim 4 of petitioner’s patent was unpatentable as obvious under 35 U.S.C. 103.

(I)

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OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1-24) is reported at 817 F.3d 1293. The final written decision of the Patent Trial and Appeal Board (Pet. App. 25-80) is not published in *United States Patents Quarterly* but is available at 2014 WL 3725531. The decision of the Board to institute inter partes review of claim 4 of petitioner's patent (Pet. App. 81-110) is available at 2013 WL 8595536.

JURISDICTION

The judgment of the court of appeals was entered on March 23, 2016. On June 21, 2016, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including July 21, 2016, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

(1)

STATEMENT

1. In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, Congress substantially expanded the authority of the United States Patent and Trademark Office (PTO) to reconsider the validity of issued patents. As relevant here, the AIA established a new form of adversarial administrative proceedings—inter partes review—to be conducted before the newly created Patent Trial and Appeal Board (Board). See generally 35 U.S.C. 311-319; *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016).

After receiving a challenger’s “petition to institute an inter partes review” of a particular patent under 35 U.S.C. 311, the Board may institute such a proceeding if it finds that “there is a reasonable likelihood” that the challenger would prevail with respect to one of the claims challenged in the petition. 35 U.S.C. 314; see 37 C.F.R. 42.108. The proceeding “may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the [challenger] * * * is served with a complaint alleging infringement of the patent.” 35 U.S.C. 315(b).

Congress has specified that the Board’s determination “whether to institute an inter partes review * * * shall be final and nonappealable.” 35 U.S.C. 314(d). If the Board decides to institute review, it then conducts a trial-like adversarial proceeding to determine the patentability of the challenged claims. 35 U.S.C. 316. The proceeding culminates in a “final written decision with respect to the patentability” of the claims at issue. 35 U.S.C. 318(a). That final written decision may be appealed to the Federal Circuit. See 35 U.S.C. 141(c), 319.

2. Petitioner owns U.S. Patent No. 7,806,360 (the '360 patent), which relates to "creels" for supplying stranded materials such as yarn in manufacturing. Pet. App. 2, 27. On February 8, 2012, petitioner filed suit against respondent Shaw Industries Group, Inc. (Shaw) in the United States District Court for the Northern District of Georgia, alleging infringement of the '360 patent. *Id.* at 4, 93. Twenty days later, the complaint was served on Shaw. *Id.* at 93, 113. On October 19, 2012, however, petitioner voluntarily dismissed that infringement suit without prejudice by filing a joint stipulation under Federal Rule of Civil Procedure 41(a)(1). Joint Stipulation for Voluntary Dismissal, *Automated Creel Sys., Inc. v. Shaw Indus. Grp., Inc.*, No. 12-cv-424 (N.D. Ga.) (Doc. 50); see Pet. App. 4.

Less than a year after the infringement complaint had been served, Shaw filed a petition for inter partes review of all 21 claims in the '360 patent. Pet. App. 4. The Board instituted review on all of the claims except for claim 4, though it did so on only 6 of the 15 grounds that Shaw had asserted. *Id.* at 5, 26. In September 2013 (more than a year after the infringement complaint had been served), respondent filed a second petition for inter partes review, seeking review of claim 4 on additional grounds that it had not previously raised. *Ibid.*

3. a. The Board instituted inter partes review of claim 4 pursuant to the second petition. Pet. App. 81-110. The Board considered and rejected petitioner's contention that the second petition was barred by 35 U.S.C. 315(b) because it was filed more than one year after petitioner had served its patent-infringement complaint on Shaw. Pet. App. 93-95. The Board rea-

sioned that Section 315(b)'s one-year bar was inapplicable because the underlying complaint had been "dismissed voluntarily without prejudice." *Id.* at 93. The Board noted that the Federal Circuit "consistently has interpreted the effect of dismissals without prejudice as leaving the parties as though the action had never been brought." *Id.* at 94. It also quoted a leading treatise's statement that "numerous federal courts have made clear" that "a voluntary dismissal without prejudice under Rule 41(a) leaves the situation as if the action never had been filed." *Ibid.* (quoting 9 Charles Alan Wright & Arthur R. Miller, *Federal Practice and Procedure* § 2367, at 559 (3d ed. 2013)). Accordingly, the Board concluded that "the dismissal of the litigation against [Shaw] nullifies the effect of the alleged service of the complaint on [Shaw]." *Ibid.*

b. On July 24, 2014, the Board issued a single final written decision resolving both inter-partes-review proceedings. Pet. App. 25-80. The final written decision did not revisit the question whether the second petition had been untimely under Section 315(b).

The Board found that 13 of the 21 claims of the '360 patent were unpatentable. Pet. App. 27. As relevant here, the Board determined that claim 4 was unpatentable on the two grounds that Shaw had advanced in its second petition for inter partes review. *Id.* at 58-73. In making that determination, the Board considered competing testimony from expert witnesses, *id.* at 69, and concluded that Shaw had shown, by a preponderance of the evidence, that "claim 4 would have been obvious" in light of two pairs of prior references that disclosed that the vertical distance between turning surfaces should be "derived from the diameter of a fully loaded package." *Id.* at 62-66, 72.

4. Shaw appealed to the Federal Circuit, and petitioner filed a cross appeal. Pet. App. 2. The PTO intervened to argue that the court lacked jurisdiction to review the Board's determination to institute inter partes review. *Id.* at 6; see 35 U.S.C. 143. As relevant here, petitioner contended that the Board had erred in finding Shaw's second request for inter partes review to be timely, and that the Board had additionally erred in finding that claim 4 was unpatentable as obvious. Pet. App. 14, 16. The court of appeals rejected both of those contentions. *Id.* at 14-16.

a. The Federal Circuit held that, under 35 U.S.C. 314(d), it lacked jurisdiction to consider petitioner's challenge to the Board's decision to institute inter partes review. Pet. App. 15-16. The court explained that it had recently rejected a similar challenge to the Board's determination to initiate a proceeding "based on [the Board's] assessment of the time-bar of § 315(b)." *Id.* at 15 (quoting *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015), cert. dismissed, 136 S. Ct. 998 (2016)). In *Achates*, the court had concluded that the one-year limit in Section 315(b) did not go to "the Board's ultimate authority to invalidate the patents" at issue in an inter partes review, both because other parties are permitted to file proper petitions challenging the claims even when the party served in an infringement suit cannot, and because the time bar merely "sets out the procedure for seeking" review. 803 F.3d at 657-658.

Consistent with the Board's own observation, the decision below recognized that prior Federal Circuit decisions had held that "dismissals without prejudice leave the parties as though the action had never been brought." Pet. App. 16. The court acknowledged that

those decisions had not specifically addressed such dismissals in the context of Section 315(b) or “whether *service* of a complaint can be nullified.” *Ibid.* The court of appeals nevertheless concluded in this case that *Achates* barred appellate review of the Board’s determination that Section 315(b) did not prevent institution of inter partes review of claim 4 of petitioner’s patent. *Ibid.*¹

b. The Federal Circuit affirmed the Board’s finding that “Shaw showed by a preponderance of the evidence that claim 4 would have been obvious” over prior art references. Pet. App. 16. The court held that the “Board’s factual findings are supported by substantial evidence and we see no error in its conclusion of obviousness.” *Ibid.*

c. Judge Reyna joined “fully” in the panel’s decision but wrote separately to address an issue related to Shaw’s appeal rather than to petitioner’s cross-appeal. Pet. App. 17. In Judge Reyna’s view, the Board had not adequately explained why it considered several grounds of unpatentability asserted in Shaw’s first petition to be redundant, which had caused the Board to decline to institute review of petitioner’s patent claims on those grounds. *Id.* at 17-24.

ARGUMENT

1. Petitioner contends (Pet. 22-29) that the Federal Circuit erred in holding that it lacked jurisdiction to review the Board’s decision to institute inter partes review of claim 4 of the ’360 patent. The decision below

¹ The court of appeals “note[d]” that the precedential force of *Achates* could be affected by *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 890 (2016), in which this Court had already granted certiorari but had not yet heard argument. Pet. App. 16.

is correct and is supported by this Court’s intervening decision in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016). Any conflict between *Cuozzo* and the Federal Circuit’s earlier decision in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (2015), cert. denied, 136 S. Ct. 2510 (2016), does not warrant the Court’s review at this time.

a. As petitioner acknowledges (Pet. 14), the Court in *Cuozzo* held that the PTO’s “decisions to institute” inter-partes-review proceedings “are non-reviewable” “in most situations.” In petitioner’s view (Pet. 15), there is a “continuum between” challenges involving minor statutory technicalities (which are not reviewable) and those that go to the Board’s jurisdiction (which are reviewable). Petitioner contends (Pet. 24) that its challenge presents a “threshold question of statutory authority” that is properly the subject of appellate review. In light of *Cuozzo*, however, petitioner’s challenge to the Board’s institution decision—which is based on a dispute about how to apply the one-year time limit in 35 U.S.C. 315(b)—is not subject to judicial review.

Congress has provided that the PTO’s determination “whether to institute an inter partes review * * * shall be final and nonappealable.” 35 U.S.C. 314(d). The Court in *Cuozzo* explained that Section 314(d)’s “language must, at the least, forbid an appeal that attacks” a determination to institute review that raises “an ordinary dispute about the application of certain relevant patent statutes concerning the [PTO’s] decision to institute inter partes review.” 136 S. Ct. at 2139. The Court further “emphasize[d]” that its interpretation barring an appeal “applies where the grounds for attacking the decision to institute inter partes re-

view consist of questions that are closely tied to the application and interpretation of statutes related to the [PTO’s] decision to initiate inter partes review.” *Id.* at 2141. Such nonappealable disputes include the one at issue in *Cuozzo*: whether the petition for inter partes review had satisfied the requirement in 35 U.S.C. 312(a)(3) to identify “with particularity” the asserted grounds of unpatentability. See 136 S. Ct. at 2142. The Court added that it was not deciding “the precise effect of § 314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond” Section 314. *Id.* at 2141.

Here, petitioner’s objection to the Board’s institution decision turns on whether the time bar in Section 315(b) is triggered by the service of a complaint that is dismissed without prejudice before the one-year period expires. Like the dispute in *Cuozzo* concerning Section 312(a)(3)’s particularity requirement, petitioner’s Section 315(b) objection is precisely the kind of “ordinary dispute” about the application of a statute “closely tied” to the decision whether to institute inter partes review that the *Cuozzo* Court found to be unreviewable. 136 S. Ct. at 2139, 2141. Indeed, the dissenters in *Cuozzo* specifically identified a failure by the PTO to enforce the one-year time limit in Section 315(b) as one of the potential “abuses” that, “according to the Court, Congress made courts powerless to correct.” *Id.* at 2154 (Alito, J., dissenting in relevant part).²

² Petitioner asserts (Pet. 21) that “Justice Alito’s view of the majority’s intention in *Cuozzo* appears” to support judicial review of petitioner’s Section 315(b) challenge. Petitioner relies, however,

The Federal Circuit has reached the same conclusion in its first post-*Cuozzo* decision addressing Section 315(b). In *Wi-Fi One, LLC v. Broadcom Corp.*, No. 2015-1944, 2016 WL 4933298 (Fed. Cir. Sept. 16, 2016), the court held that “[t]he time-bar set forth in section 315” falls within the “prohibition against reviewability” recognized in *Cuozzo*. *Id.* at *3. As in the decision below (Pet. App. 16), the *Wi-Fi One* court noted that the Federal Circuit had previously found that it lacked appellate jurisdiction to entertain a Section 315(b) objection. 2016 WL 4933298, at *3 (discussing *Achates Reference Publ'g, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), cert. dismissed, 136 S. Ct. 998 (2016)). The court found “nothing in the *Cuozzo* decision that suggests *Achates* has been implicitly overruled” or that otherwise “casts doubt on” its reasoning. *Id.* at *3-*4.

b. Petitioner contends (Pet. 24-27) that Section 315(b) presents a “threshold question of statutory authority” that should be subject to appellate review despite Section 314(d). Section 315(b), however, “does not impact the Board’s authority to invalidate a patent claim—it only bars particular petitioners from challenging the claim.” *Achates*, 803 F.3d at 657. Furthermore, the one-year limitation does not apply to a request for joinder, see 35 U.S.C. 315(c), which “means that an otherwise time-barred party may nonetheless participate in an inter partes review proceeding if

on a different passage of the *Couzzo* dissent, which addressed untimeliness of other kinds of petitions under other statutory provisions, see 136 S. Ct. at 2155—not the passage that specifically addressed Section 315(b) and accused the majority of making “courts powerless to correct” errors in Section 315(b)’s application, *id.* at 2154.

another party files a proper petition.” *Achates*, 803 F.3d at 657.³

c. Petitioner contends that the Federal Circuit “has issued directly conflicting opinions pertaining to the requirements of 35 U.S.C. § 314(d) in *Versata* on the one hand, and *Cuozzo* and *Achates* on the other.” Pet. 14; see also Pet. 1, 27-28. There is, however, no conflict within the Federal Circuit that warrants this Court’s review.

As an initial matter, contrary to petitioner’s assertions (Pet. 1, 15), the Court never granted certiorari in *Achates*. The petition for a writ of certiorari filed in that case was dismissed pursuant to the stipulation of the parties on February 9, 2016, before any response to the petition had been filed. See *Achates Reference Publ’g, Inc. v. Apple Inc.*, 136 S. Ct. 998 (No. 15-842). As discussed above, the Federal Circuit has already recognized that *Cuozzo* does not cast doubt on the reasoning of *Achates* about the time bar in Section 315(b). See *Wi-Fi One*, 2016 WL 4933298, at *3-*4. There is accordingly no indication that *Achates* is causing confusion or uncertainty in the Federal Circuit.

Petitioner contends (Pet. 16) that “the most compelling reason” for this Court’s review is the conflict within the Federal Circuit between decisions like the one in this case and its earlier decision in *Versata, supra*. In *Versata*, a divided panel of the Federal Circuit construed 35 U.S.C. 324(e), which is materially identical to Section 314(d), to permit judicial review of the

³ Petitioner briefly suggests (Pet. 28-29) that “instituting a time-barred [inter parties review] and then refusing to hear [p]etitioner’s appeal” denied it procedural due process, but petitioner did not raise a due-process argument in the court of appeals.

PTO's determination that a patent included a "covered business method" within the meaning of Section 18(a)(1)(E) of the AIA. See 793 F.3d at 1319-1323. The *Versata* court reached that conclusion despite the fact that the statute makes the existence of a "covered business method patent" relevant only to the availability of a particular form of PTO post-issuance review, not to the ultimate determination whether the patent is valid. See AIA § 18(a)(1)(E), 125 Stat. 330 (providing that "[t]he Director may institute" a transitional post-grant review "only for a patent that is a covered business method patent"). The Federal Circuit, however, has expressly "limited" its holding in *Versata* "to the unique circumstances of" covered-business-method-patent review, see *Achates*, 803 F.3d at 657, and that transitional program will expire in 2020, see AIA § 18(a)(3), 125 Stat. 330-331. One week after its decision in *Cuozzo*, this Court denied a petition for a writ of certiorari in *Versata*. See *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 136 S. Ct. 2510 (2016).

It would be premature for the Court to seek to resolve any uncertainties created by *Versata* before the Federal Circuit itself has had a chance to reevaluate that decision in light of this Court's ruling in *Cuozzo*. And it would be especially odd for it to do so in a case like this one, which does not even arise in the context of a covered-business-method patent (*i.e.*, in the only area to which *Versata* applies after *Achates*).

d. Petitioner suggests (Pet. 21) that a writ of certiorari should be granted in this case because the Court granted review in *Click-To-Call Technologies, LP v. Oracle Corp.*, 136 S. Ct. 2508 (2016). In that case, which presented a question about the reviewability of the Board's application of the Section 315(b) time bar,

the Court did not grant plenary review. Instead, it granted certiorari, vacated the court of appeals' judgment, and remanded for further proceedings in light of *Cuozzo*. *Ibid.* But the government's certiorari-stage brief in *Click-To-Call* was filed before *Cuozzo* was decided and accordingly could not address *Cuozzo*'s eventual reasoning. See Br. for Fed. Resp. at 4-5, *Click-To-Call*, *supra* (No. 15-1014). And, as discussed above, the Federal Circuit has since considered the potential impact of *Cuozzo* and has adhered to its view that questions concerning the Board's application of Section 315(b) are not subject to judicial review. See *Wi-Fi One*, 2016 WL 4933298, at *3-*4. There is consequently no need for a GVR here. See *Wellons v. Hall*, 558 U.S. 220, 225 (2010) (per curiam) (explaining that a "GVR is appropriate when 'intervening developments . . . reveal a reasonable probability that the decision below rests upon a premise that the lower court would reject if given the opportunity for further consideration'"') (quoting *Lawrence v. Chater*, 516 U.S. 163, 167 (1996) (per curiam)).

2. Petitioner contends (Pet. 30-39) that the Federal Circuit erred in affirming the Board's determination that claim 4 of petitioner's patent was obvious in light of prior art. Petitioner's fact-bound challenge raises no issue of general importance that would warrant this Court's review.

Petitioner asserts (Pet. 30-31) that the Board's conclusion about the appropriate distance between certain turning surfaces disclosed in the Bluhm reference was erroneously based "only" on the top row of a single figure, when other parts of that same figure "teach a different alignment." In petitioner's view, the United States Court of Customs and Patent Appeals had pre-

viously addressed “a strikingly similar set of circumstances” and rejected a similar reliance on only part of a figure when identifying what should have been obvious from the prior art. Pet. 31 (discussing *In re Meng*, 492 F.2d 843 (C.C.P.A. 1974)). Petitioner overlooks, however, that the Board relied on more than just the top row of a single figure in determining what distance had been disclosed by the Bluhm reference. The Board also explained that another figure, illustrating the adjustability of support spindles, necessarily disclosed the relevant distance. Pet. App. 67-68.

In reaching that result, the Board agreed with the opinion of Shaw’s expert witness and disagreed with that of petitioner’s expert. Pet. App. 68-69. The Federal Circuit concluded without further discussion that “[t]he Board’s factual findings are supported by substantial evidence.” *Id.* at 16. The court of appeals applied the correct legal standard, and its application of that standard to the evidentiary record before the Board does not implicate any question of broad importance warranting this Court’s review. See Sup. Ct. R. 10.

There is likewise no support for petitioner’s conclusion (Pet. 39) that the decision below “effectively overturned” *Meng*. As petitioner acknowledges (*ibid.*), the court of appeals did not devote a “single word” to *Meng*. As a result, its decision would represent, at worst, the misapplication of an unstated rule of law, which would be no more worthy of this Court’s review than “the misapplication of a properly stated rule of law.” Sup. Ct. R. 10.

CONCLUSION

The petition for a writ of certiorari should be denied.
Respectfully submitted.

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