

No. 16-1526

In the Supreme Court of the United States

CELGARD, LLC, PETITIONER

v.

JOSEPH MATAL, INTERIM DIRECTOR,
UNITED STATES PATENT AND TRADEMARK OFFICE

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

BRIEF FOR THE RESPONDENT

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QUESTIONS PRESENTED

In an inter partes review proceeding under the Patent Act, the U.S. Patent and Trademark Office (USPTO) concluded that petitioner's patent claims should be cancelled as obvious. The Federal Circuit affirmed in an unpublished order without a separate opinion. The questions presented are as follows:

1. Whether inter partes review comports with Article III and the Seventh Amendment.
2. Whether 35 U.S.C. 144 requires the Federal Circuit to issue an opinion in every appeal from a decision of the USPTO.
3. Whether this Court should vacate the unpublished order in petitioner's case as an exercise of supervisory authority on the ground that the Federal Circuit decides cases without opinion too frequently to be "consistent with 'the principles of right and justice,'" *Frazier v. Heebe*, 482 U.S. 641, 645 (1987) (citation omitted).
4. Whether the USPTO erred in concluding that petitioner's patent claims were obvious over a combination of two prior-art references.

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BRIEF FOR THE RESPONDENT

OPINIONS BELOW

The order of the court of appeals (Pet. App. 1a-3a) is not published in the *Federal Reporter* but is reprinted at 671 Fed. Appx. 797. The decision of the Patent Trial and Appeal Board (Pet. App. 4a-63a) is not published in the *United States Patents Quarterly* but is available at 2015 WL 5896170.

JURISDICTION

The judgment of the court of appeals (Pet. App. 3a) was entered on December 13, 2016. A petition for rehearing was denied on February 17, 2017 (Pet. App 64a-65a). On May 2, 2017, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including June 19, 2017, and the petition was filed on that date. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA or Act), Pub. L. No. 112-29, 125 Stat. 284, to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 98, 112th Cong., 1st Sess., Pt. 1, at 39-40 (2011). Among other measures directed at that goal, the AIA established inter partes review, an administrative process through which the U.S. Patent and Trademark Office (USPTO) can reconsider the validity of the claims in issued patents. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016).

Inter partes review may be used to challenge an issued patent based on lack of novelty or obviousness. 35 U.S.C. 311(b). In general, any person other than the patent’s owner may petition for inter partes review. 35 U.S.C. 311. The Director of the USPTO may institute an inter partes review if he determines that “there is a reasonable likelihood that the petitioner would prevail” with respect to at least one of its challenges to the validity of a patent, 35 U.S.C. 314(a), and if no other provision of the Act bars institution under the circumstances. The Director has delegated the responsibility for instituting inter partes reviews to the USPTO’s Patent Trial and Appeal Board (Board). 37 C.F.R 42.4(a). The Board’s final decision may be appealed to the Federal Circuit. 35 U.S.C. 141, 319.

2. a. Petitioner Celgard, LLC, is the owner of U.S. Patent No. 6,432,586 (the ’586 patent), which discloses a rechargeable lithium ion battery that is designed to prevent dendrite growth. Pet. App. 5a-8a. Dendrite growth, a common problem in lithium batteries, occurs when mi-

croscopic fibers of lithium called dendrites grow between the anode and cathode of the battery. See Pet. Supp. App. 3. Dendrite growth can cause short-circuiting of the battery and other safety hazards. *Ibid.* To address that problem, the '586 patent discloses a separator between the anode and cathode that is composed of two layers: one ceramic composite layer and one polymeric microporous layer. *Ibid.* According to the patent, the separator is “adapted, at least, to block dendrite growth and to prevent electronic shorting,” but it is also “sufficiently conductive to allow ionic flow between the anode and cathode, so that current, in desired quantities, may be generated by the cell.” *Id.* at 1, 3.

b. LG Chem, Ltd. (LG Chem) petitioned for inter partes review of claims 1-12 of the '586 patent. Pet. App. 5a. The Board instituted review and concluded that all but one of the challenged claims were unpatentable as obvious over the prior art. *Id.* at 33a, 39a; see 35 U.S.C. 103 (requirement of non-obviousness).

The Board concluded that LG Chem had established by a preponderance of the evidence that claims 1-6 and 11 would have been obvious to a person of ordinary skill in the art in light of two prior references: Japanese Patent Application No. JP5-190208 (Tobishima) and Japanese Patent Application No. JP11-80395 (Tojo). Pet. App. 5a nn.2-3 & 39a. Both references, the Board reasoned, disclosed two-layered rechargeable lithium battery separators, and Tobishima disclosed every element of petitioner's claimed separator except for the inorganic particles in the matrix material. *Id.* at 36a. Tojo, in turn, disclosed the feature missing from Tobishima: the surface protection layer composed of inorganic particles. *Ibid.* Moreover, both Tobishima and Tojo referred to mechanical strength “as a property to be optimized in

the polymer matrix of their respective separators,” and Tojo taught that a separator with a mixture of inorganic particles in a resin is a means of increasing mechanical strength. *Id.* at 38a. The Board concluded that it would have been obvious for an artisan of ordinary skill, seeking to increase the mechanical strength of a separator, to include inorganic particles suggested by Tojo with the polymer matrix layer suggested by Tobishima. *Id.* at 39a.

For claims 7-10, the Board found that an artisan of ordinary skill would have “been prompted to use known polymers for the matrix materials broadly described by Tojo in the ceramic composite layer.” Pet. App. 33a. The Board concluded that claims 7-10 were obvious over Tojo alone. *Ibid.*

In making its obviousness determination, the Board considered secondary evidence put forth by petitioner, including evidence of commercial success, industry praise, and copying, which petitioner argued demonstrated non-obviousness. Pet. App. 39a-50a; see *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 17-18 (1966) (discussing secondary indicia of non-obviousness). The Board concluded, however, that petitioner had not “advanced evidence adequate to establish a sufficient nexus, or commensurateness of scope, between the subject matter recited in claims 1-11 [of the ’586 patent], and the evidence of commercial success.” Pet. App. 50a.¹

3. Pursuant to Federal Circuit Rule 36, the court of appeals affirmed the decision of the Board in an unpublished per curiam order issued without opinion. Pet. App. 1a-3a.

¹ The Board rejected arguments that claims 1-3, 5-6, and 11 were anticipated by Tojo, and that claims 4 and 12 would have been obvious over Tojo. Pet. App. 17a, 30a.

4. Petitioner sought panel rehearing and rehearing en banc based on challenges to “the Board’s flawed obviousness analysis.” Pet. for Reh’g 1. Petitioner did not contend that the panel had erred by resolving the appeal in a summary disposition without an accompanying opinion. *Id.* at 1-15.

DISCUSSION

1. Petitioner contends (Pet. 16) that inter partes review violates Article III of the Constitution and the Seventh Amendment. On June 12, 2017, this Court granted a writ of certiorari in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, No. 16-712 (*Oil States*), to review whether inter partes review violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury. Accordingly, the Court should hold the petition in this case pending the decision in *Oil States* and then dispose of the petition as appropriate in light of that decision.

2. Petitioner’s additional challenges do not warrant further review.

a. Petitioner contends (Pet. 17-20) that 35 U.S.C. 144 barred the court of appeals from affirming a decision of the Board in a summary order pursuant to Federal Circuit Rule 36 without issuing an accompanying opinion. Rule 36 provides that “[t]he court may enter a judgment of affirmance without opinion” if “an opinion would have no precedential value” and if, as relevant here, the decision below “is based on findings that are not clearly erroneous,” has been entered without an error of law, or warrants affirmance under the standard of review in the statute authorizing the petition for review. Fed. Cir. R. 36. In its petition for rehearing in the court of appeals, petitioner did not raise its current

challenge to the Federal Circuit's use of Rule 36 affirmances, and that challenge lacks merit.

Section 144 does not require the court of appeals to issue an opinion in every appeal from the Board. The statute addresses how the Federal Circuit should give notice of dispositions in Board appeals and directs that the court's decision in a matter must govern any further proceedings in the agency. It specifies that, upon determination of an appeal from the USPTO, the Federal Circuit "shall issue to the Director its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case." 35 U.S.C. 144. Although the statute thus requires that any mandate and opinion must be sent to the agency and made part of the agency record, it does not direct the court to generate an opinion in every case.

That understanding of Section 144 is supported by longstanding principles concerning courts' control over their operations. Congress has authorized the courts of appeals to "prescribe rules for the conduct of their business," so long as those rules are consistent with statutory requirements and with the federal rules of procedure and evidence. 28 U.S.C. 2071(a). This Court has recognized that "[t]he courts of appeals should have wide latitude in their decisions of whether or how to write opinions," and that this principle is "especially true with respect to summary affirmances." *Taylor v. McKeithen*, 407 U.S. 191, 194 n.4 (1972) (per curiam). Courts of appeals have often exercised that authority through rules that authorize unpublished summary dispositions. See 1st Cir. R. 36.0(a); 2d Cir. R. 32.1.1; 5th Cir. R. 47.6; 7th Cir. R. 32.1; 8th Cir. R. 47A, 47B;

10th Cir. R. 36.1. The longstanding tradition that appellate courts may establish their own procedures concerning when to issue opinions counsels strongly against reading Section 144 to contain an implicit prohibition on the use of summary affirmances without accompanying opinions.

Petitioner asserts (Pet. 23) that a circuit conflict exists because the rules of some courts of appeals require that summary dispositions be accompanied by brief opinions. See, *e.g.*, 4th Cir. R. 36.3; 9th Cir. R. 4.3.a.² That is incorrect. Variations among the practices of different circuits create a conflict subject to resolution by this Court only when the variations concern a matter (*e.g.*, the interpretation of a federal statute) as to which nationwide uniformity is required. Not every aspect of federal appellate practice, however, is subject to a uniform national rule. Federal courts of appeals have broad “discretion to adopt local rules.” *Frazier v. Heebe*, 482 U.S. 641, 645 (1987). The fact that different courts have chosen different rules for their proceedings does not mean that those courts have adopted conflicting interpretations of any statute or other controlling provision, or that any one of the courts is acting contrary to law.

² Petitioner overstates the number of circuits that require an opinion to be issued in every appeal. Contrary to petitioner’s assertion (Pet. 22), the First Circuit expressly authorizes summary dispositions without opinion. 1st Cir. R. 36.0(a) (stating that “[t]he volume of filings is such that the court cannot dispose of each case by opinion”; that “[a]n opinion is used when the decision calls for more than summary explanation”; and that the court has discretion over “whether to use an order, memorandum and order, or opinion”). And the Sixth Circuit rule that petitioner cites (Pet. 21) does not address summary orders, but instead provides that oral dispositions in open court are permissible. See 6th Cir. R. 36.

The question presented is also one of limited practical significance. A Rule 36 summary affirmance is not meaningfully different from a summary affirmance in the circuits that issue brief nonprecedential opinions stating that the decision of the agency is affirmed for reasons outlined in the agency’s decision. The Federal Circuit authorizes summary affirmance only when “an opinion would have no precedential value” and no reversible error has been identified. See Fed. Cir. R. 36. Thus, when a Rule 36 summary affirmance is used to reject a legal challenge that is reviewed *de novo*, the summary affirmance communicates the court’s judgment that the agency committed no legal error, see Fed. Cir. R. 36(d) and (e) (authorizing summary affirmance where “a judgment or decision has been entered without an error of law” or when “the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review”). The use of Rule 36 to reject a factual challenge would similarly communicate that the court found no clear error in the underlying factual finding. See Fed. Cir. R. 36(a) (permitting summary affirmance under Rule 36 if the decision below “is based on findings that are not clearly erroneous”). An opinion that stated such a conclusion explicitly would add little to what is already implicit in the court’s Rule 36 judgment.³

b. Petitioner contends (Pet. 20-26) that, although the court of appeals has “discretion to adopt local rules

³ A Rule 36 summary affirmance remains a judgment of the court of appeals subject to this Court’s review. In *Oil States*, for example, the Court granted certiorari to review the Federal Circuit’s Rule 36 judgment. See 639 Fed. Appx. 639, cert. granted, No. 16-712 (June 12, 2017).

that are necessary to carry out the conduct of its business,” Pet. 23 (citation omitted), this Court should vacate the judgment here as an exercise of supervisory authority because of the Federal Circuit’s “high rate of Rule 36 judgments without opinions,” Pet. 24. That claim also was not raised in petitioner’s rehearing petition in the court of appeals. Petitioner argues that the court’s use of Rule 36 judgments is not “consistent with ‘the principles of right and justice,’” Pet. 23 (quoting *Frazier*, 482 U.S. at 645), because it disserves the objectives of articulating the law, providing guidance to litigants, and promoting uniformity in patent law, Pet. 25.

Petitioner is mistaken. Summary orders are among the tools that courts may use to resolve their cases even though such decisions do not provide precedential guidance. See *McKeithen*, 407 U.S. at 194 n.4. While the Federal Circuit has used Rule 36 affirmances more frequently as the number of appeals from USPTO decisions has skyrocketed, see United States Courts, *Federal Judicial Caseload Statistics*, <http://www.uscourts.gov/statistics-reports/federal-judicial-caseload-statistics-2016> (last visited Aug. 18, 2017) (describing 825% increase in appeals from USPTO decisions between 2007 and 2016), that increase does not suggest that the court is breaching its duty to articulate the law and promote uniformity. The Federal Circuit issues Rule 36 judgments—after giving cases “the full consideration of the court,” *United States Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554 (Fed. Cir.), cert. denied, 522 U.S. 950 (1997)—only if it concludes that an opinion would not meaningfully serve the purposes that petitioner highlights. In particular, the court issues a Rule 36 judgment without opinion only if an opinion would have no

precedential value and the court finds no ground to revisit the decision of the lower tribunal. See Fed. Cir. R. 36.

Particularly given these constraints, the Federal Circuit's practice is consistent with "principles of right and justice." *Frazier*, 482 U.S. at 645 (citation omitted). In any event, petitioner identifies no workable means by which this Court, in reviewing the *particular* unpublished disposition that is at issue in this case, could assess whether the Federal Circuit is issuing Rule 36 judgments in an inordinate number of appeals. This Court has recently and repeatedly denied challenges to the Federal Circuit's use of summary dispositions under Rule 36,⁴ and the same result is warranted here.

c. Petitioner contends (Pet. 26-33) that the court of appeals erred in affirming the Board's obviousness determination. That fact-bound contention does not warrant this Court's review.

⁴ See *e.g.*, *Shore v. Lee*, 137 S. Ct. 2197 (2017) (No. 16-1240); *Concaten, Inc. v. AmeriTrak Fleet Solutions, LLC*, 137 S. Ct. 1604 (2017) (No. 16-1109); *Cloud Satchel, LLC v. Barnes & Noble, Inc.*, 136 S. Ct. 1723 (2016) (No. 15-1161); *Hyundai Motor Am. v. Clear with Computers, LLC*, 134 S. Ct. 619 (2013) (No. 13-296); *Kastner v. Chet's Shoes, Inc.*, 565 U.S. 1201 (2012) (11-776); *White v. Hitachi, Ltd.*, 565 U.S. 825 (2011) (No. 10-1504); *Max Rack, Inc. v. Hoist Fitness Sys., Inc.*, 564 U.S. 1057 (2011) (No. 10-1384); *Romala Stone, Inc. v. Home Depot U.S.A., Inc.*, 562 U.S. 1201 (2011) (No. 10-777); *Wayne-Dalton Corp. v. Amarr Co.*, 558 U.S. 991 (2009) (No. 09-258); *Tehrani v. Polar Electro*, 556 U.S. 1236 (2009) (No. 08-1116); *City of Gettysburg v. United States*, 549 U.S. 955 (2006) (No. 06-235); *Hancock v. Department of the Interior*, 549 U.S. 885 (2006) (06-93); *DePalma v. Nike, Inc.*, 549 U.S. 811 (2006) (No. 05-1360); *LaBerge v. Department of the Navy*, 541 U.S. 935 (2004) (No. 03-739); *Bivings v. Department of the Army*, 541 U.S. 935 (2004) (No. 03-738).

The Board’s decision reflects the correct application of settled legal principles. Under 35 U.S.C. 103, an invention is not patentable if, at the time of the invention, “the claimed invention as a whole would have been obvious” to a person of ordinary skill in the relevant technical field in light of the prior art. In conducting that inquiry, a patent examiner or the Board may take account of whether a combination of prior-art solutions to a problem would lead “a person of ordinary skill [to] implement a predictable variation.” *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

That is the analysis the Board conducted here. The Board concluded that Tojo provided the element missing from the Tobishima reference, and that petitioner’s invention was merely the predictable result of that combination. Specifically, because both prior-art applications cite the benefits of increasing mechanical strength in a battery separator, and because Tojo’s mixture of inorganic particles in a resin provides a means of increasing mechanical strength, the Board concluded that petitioner’s claimed invention was simply a predictable variation of the prior art that would have been obvious to a skilled artisan at the time of the invention. See Pet. App. 36a.

Petitioner argues (Pet. 32-33) that an ordinary artisan would not have been motivated to combine the elements of Tobishima and Tojo because the resulting combination would not have operated properly. That contention misconceives the pertinent inquiry. The question is not whether mechanically combining the various elements of Tobishima and Tojo would result in an operable battery. A “person of ordinary skill is also a person of ordinary creativity, not an automaton.” *KSR Int’l*, 550 U.S. at 421; see Pet. App. 38a. The Board

appropriately “[look] account of the inferences and creative steps that a person of ordinary skill in the art would employ,” *KSR Int’l*, 550 U.S. at 418, and concluded that petitioner’s claimed invention was a “predictable variation” of elements that already existed in the prior art, *id.* at 417. Further review is not warranted.

CONCLUSION

The petition for a writ of certiorari should be held pending this Court’s decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, No. 16-712, and then disposed of as appropriate in light of that decision.

Respectfully submitted.

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