No. 17-1384

In the Supreme Court of the United States

DROPLETS, INC., PETITIONER

v.

ANDREI IANCU, 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 IN OPPOSITION

NOEL J. FRANCISCO
Solicitor General
Counsel of Record
CHAD A. READLER
Acting Assistant Attorney General
MARK R. FREEMAN
CASEN B. ROSS
Attorneys

Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217

QUESTIONS PRESENTED

1. Whether the court of appeals' per curiam judgment, which affirmed the decision of the U.S. Patent and Trademark Office in a one-line order issued without separate opinion, contravened this Court's decisions in *SEC* v. *Chenery Corp.*, 318 U.S. 80 (1943), and *SEC* v. *Chenery Corp.*, 332 U.S. 194 (1947).

2. Whether inter partes reexamination comports with Article III and the Seventh Amendment.

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Cases:

Cases—Continued: Page

Constitution, statutes, and rules: Page

In the Supreme Court of the United States

No. 17-1384

DROPLETS, INC., PETITIONER

v.

ANDREI IANCU, 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 IN OPPOSITION

OPINIONS BELOW

The order of the court of appeals (Pet. App. 1a-2a) is not published in the Federal Reporter but is reprinted at 698 Fed. Appx. 612. The decision of the Patent Trial and Appeal Board (Pet. App. 3a-27a) is not published in the United States Patents Quarterly but is available at 2016 WL 1254605.

JURISDICTION

The judgment of the court of appeals was entered on October 11, 2017. A petition for rehearing was denied on January 3, 2018 (Pet. App. 28a-29a). The petition for a writ of certiorari was filed on April 3, 2018. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. To obtain a patent, an inventor must apply to the U.S. Patent and Trademark Office (USPTO). "A patent

examiner with expertise in the relevant field [then] reviews an applicant's patent claims, considers the prior art, and determines whether each claim meets the applicable patent law requirements." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2136-2137 (2016) (citing 35 U.S.C. 101, 102, 103, 112). "Ultimately"—and in some cases, after the submission of multiple amended claims—"the [USPTO] makes a final decision allowing or rejecting the application," which is subject to judicial review. *Id.* at 2137.

The USPTO has long "possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed." *Cuozzo*, 136 S. Ct. at 2137. In 1980, Congress created ex parte reexamination, which remains available today. *Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). Under that procedure, any person may request reexamination of a U.S. patent on the basis of qualifying prior art. 35 U.S.C. 301, 302; see Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015-3017 (35 U.S.C. 301-307 (Supp. IV 1980)). If the Director of the USPTO finds that such a request raises a "substantial new question of patentability affecting any claim," a patent examiner reexamines the patent "according to the procedures established for initial examination." 35 U.S.C. 303(a), 305; see 35 U.S.C. 304.

In 1999, Congress created "another, similar procedure, known as 'inter partes reexamination.'" *Cuozzo*, 136 S. Ct. at 2137 (emphasis omitted); see 35 U.S.C. 311-318 (2000); Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 116-113, Div. B, Tit. IV, Subtit. F, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. The USPTO could institute an inter partes reexamina-

tion based on a petition for review from any person raising "a substantial new question of patentability" regarding an existing patent. 35 U.S.C. 312(a) (2000); see 35 U.S.C. 313 (2000). Inter partes reexamination differed from ex parte reexamination in that the third-party requester could participate in the inter partes proceeding and, after 2002, in any subsequent appeal. See *Oil States*, 138 S. Ct. at 1370-1371; *Cuozzo*, 136 S. Ct. at 2137; *Cooper Techs. Co.* v. *Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008).

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, which replaced inter partes reexamination with inter partes review. *Oil States*, 138 S. Ct. at 1371. The AIA permits third parties to seek inter partes review of any patent more than nine months after the patent's issuance on the ground that the patent is invalid based on lack of novelty or obviousness in light of prior-art patents or printed publications. 35 U.S.C. 311(b) and (c); see *Oil States*, 138 S. Ct. at 1371.[1] 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 patent validity. 35 U.S.C. 314(a). The challenger has "broader participation rights" in an inter partes review than the challenger would have had in an inter partes reexamination. *Cuozzo*, 136 S. Ct. at 2137. The final decision in an inter partes review may be appealed to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 141, 319.

---

[1] The AIA created a separate mechanism, known as post-grant review, for challenges brought within nine months of patent issuance. 35 U.S.C. 321(c).

2. Petitioner Droplets, Inc., owns U.S. Patent No. 7,502,838 (the '838 patent), which "describes a method and system for delivering interactive links for presenting applications and second information at a client computer from remote resources in a network-configured computer processing system." Pet. App. 4a; see *id.* at 3a. In 2012, Google Inc. and Facebook, Inc. requested inter partes reexamination of the '838 patent. Pet. 9. The USPTO granted the request and ordered reexamination, and an examiner rejected all 38 patent claims as obvious over prior-art references. Pet. App. 4a; see Pet. 9. The USPTO's Patent Trial and Appeal Board (Board) affirmed. Pet. App. 3a-27a.

3. Petitioner appealed, limiting its arguments to two of the patent's claims. Pet. C.A. Br. 1. The court of appeals affirmed the Board's decision in an unpublished per curiam order without separate opinion. Pet. App. 1a-2a; see Fed. Cir. R. 36. Petitioner sought panel rehearing and rehearing en banc, which the court denied. Pet. App. 28a-29a.

ARGUMENT

Petitioner contends (Pet. 12-24) that the court of appeals improperly affirmed the decision of the Board on grounds not relied on by the agency, in violation of *SEC* v. *Chenery Corp.*, 318 U.S. 80, 88-89, 92-95 (1943) (*Chenery I*), and *SEC* v. *Chenery Corp.*, 332 U.S. 194, 196 (1947) (*Chenery II*). Because the court of appeals affirmed the Board's decision in a per curiam order issued without separate opinion, there is no basis for concluding that the court's rationale differed from that of the Board. Petitioner also fails to demonstrate that previous Federal Circuit decisions have departed from the principles announced in *Chenery I* and *Chenery II*.

Petitioner also briefly contends (Pet. 24-25) that inter partes reexamination violates Article III and the Seventh Amendment. Petitioner asks this Court to hold the petition for a writ of certiorari pending its decision in *Oil States Energy Services, LLC* v. *Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018). The Court recently issued its decision in *Oil States*, however, rejecting constitutional challenges to inter partes review that are indistinguishable from those petitioner raises. Further review is not warranted.

1. Petitioner contends (Pet. 12-24) that, in affirming the Board's decision, the court of appeals violated *Chenery*'s requirement that "an agency's discretionary order be upheld, if at all, on the same basis articulated in the order by the agency itself." Pet. 12 (quoting *Burlington Truck Lines, Inc.* v. *United States*, 371 U.S. 156, 169 (1962)). There is no sound reason to believe that the court decided this case on a ground different from that of the agency. Petitioner is also wrong to suggest that the Federal Circuit's prior decisions have misapplied the *Chenery* doctrine.

a. Pursuant to Federal Circuit Rule 36, the court of appeals affirmed the Board's decision in a per curiam judgment issued without separate opinion. Pet. App. 2a ("Affirmed. See Fed. Cir. R. 36.") (capitalization and emphasis omitted). Rule 36 states that "[t]he court may enter a judgment of affirmance without opinion" if "an opinion would have no precedential value" and one of several "conditions exist[s]." Fed. Cir. R. 36. Because petitioner challenged the Board's determination that two patent claims were invalid as obvious—thereby raising a question of law that is reviewed de novo, see *Microsoft Corp.* v. *i4i Ltd. P'ship*, 564 U.S. 91, 96 (2011)—the question before the court was whether the Board's

decision was "entered without an error of law." Fed. Cir. R. 36(e); see Fed. Cir. R. 36(d) (authorizing summary affirmance when "the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review").

Petitioner contends (Pet. 13) that the government's brief in the court of appeals included alternative arguments that the Board had not relied on. Petitioner infers (*ibid.*) from the court's per curiam judgment that the court "necessarily credit[ed]" those new arguments. See also Pet. 22, 23-24. That inference does not withstand scrutiny. As petitioner previously recognized, see, *e.g.*, Pet. C.A. Reply Br. 1, 3, 4, the government's brief in the court of appeals defended the Board's reasoning, see, *e.g.*, Gov't C.A. Br. 16. Indeed, in its reply brief, petitioner repeatedly criticized the government for making the same allegedly incorrect arguments that the Board had adopted. See Pet. C.A. Reply Br. 1 ("Like the Board, the USPTO is mistaken. * * * It continues to advance the same weak arguments that [petitioner] already refuted."); *id.* at 3 ("It is unclear why the USPTO again trots out these very passages [from the '838 patent specification]."); *ibid.* (referring to this as the government's "primary argument"); *id.* at 4 (faulting the government for "citing" the same material petitioner claimed was "wrongly invoked below").

To be sure, the government's brief in the court of appeals also responded to various contentions made in petitioner's opening brief. See, *e.g.*, Gov't C.A. Br. 23-24. But while petitioner's reply brief characterized the government's rebuttal arguments as "new," Pet. C.A. Reply Br. 1, it did not cite *Chenery* or suggest that the government was impermissibly urging the court to affirm

the Board on alternative grounds.[2] Rather, petitioner first cited *Chenery* in its petition for rehearing en banc. See Corrected Pet. for Reh'g 1-3. Because petitioner identifies no sound reason to believe that the court relied on a theory different from that expressed by the Board—and because the court did not address petitioner's late-breaking *Chenery* argument—that argument is not properly presented here. Cf. *Cutter* v. *Wilkinson*, 544 U.S. 709, 718 n.7 (2005) (This Court is "a court of review, not of first view.").

b. Petitioner contends (Pet. 12-24) that the Federal Circuit's prior decisions are inconsistent with the principles announced in *Chenery I* and *Chenery II*. That argument lacks merit.

Petitioner contends (Pet. 12-24) that the Federal Circuit has previously violated the *Chenery* doctrine by affirming the outcome of agency proceedings on legal grounds different from those on which the agency relied. But *Chenery* provides only that a court cannot "uphold a *discretionary* decision where the agency has offered a justification in court different from what it provided in its opinion." *Morgan Stanley Capital Grp. Inc.* v. *Public Util. Dist. No. 1*, 554 U.S. 527, 544 (2008) (emphasis added) (citing *Chenery I*, 318 U.S. at 94-95). "The *Chenery* doctrine" does not require a remand where the agency reached the legally "necessary result" but made a technical legal error. *Id.* at 544-545.

---

[2] Although petitioner's reply brief referred in passing to purportedly "new" arguments made in the government's brief, it did not explain why those arguments were "new" or argue that *Chenery* barred the court of appeals from relying on them. See Pet. C.A. Reply Br. 1 ("[The government] relies on new arguments based on other claims in the patent, but does so by truncating critical language and misreading (again) the limited text it actually addresses.").

"To remand" in those circumstances "would be an idle and useless formality," and "*Chenery* does not require that [courts] convert judicial review of agency action into a ping-pong game." *Id.* at 545 (quoting *NLRB* v. *Wyman-Gordon Co.*, 394 U.S. 759, 766-767 n.6 (1969) (plurality opinion)); see *Canonsburg Gen. Hosp.* v. *Burwell*, 807 F.3d 295, 305 (D.C. Cir. 2015) ("*Chenery* reversal is not necessary where * * * the agency has come to a conclusion to which it was bound to come as a matter of law, albeit for the wrong reason, and where * * * the agency's incorrect reasoning was confined to that discrete question of law and played no part in its discretionary determination.") (quoting *United Video, Inc.* v. *FCC*, 890 F.2d 1173, 1190 (D.C. Cir. 1989)).

In support of its assertion that the Federal Circuit has misapplied *Chenery*, petitioner cites (Pet. 14) a handful of cases in which the court of appeals relied on a legal ground that was logically antecedent to the question addressed by the agency. In each instance, the proper resolution of that legal question compelled the result reached by the agency, thereby obviating any need for the court to address the agency's rationale. See *McCarthy* v. *MSPB*, 809 F.3d 1365, 1373, 1375 (Fed. Cir. 2016) (affirming agency refusal to reopen whistleblower's appeal on the threshold ground of "a lack of jurisdiction based on application of a statute (5 U.S.C. § 1214) to undisputed facts"); *In re Aoyama*, 656 F.3d 1293, 1299-1301 (Fed. Cir. 2011) (Board rejected patent claims as anticipated by the prior art; court of appeals affirmed on the alternative ground that the claim language was too indefinite to construe at all); *In re Comiskey*, 554 F.3d 967, 973-975, 981-982 (Fed. Cir. 2009) (Board rejected patent claims as obvious; court of appeals affirmed on the ground that claims were "barred

at the threshold by [35 U.S.C.] 101" because they were not directed to patentable subject matter) (quoting *Diamond* v. *Diehr*, 450 U.S. 175, 188 (1981)); *Killip* v. *OPM*, 991 F.2d 1564, 1570 (Fed. Cir. 1993) (affirming denial of request for belated transfer of retirement benefits from one program to another because "[n]o law authorize[d]" such transfers).[3] Because a remand in such cases would have been "an idle and useless formality," *Morgan Stanley*, 554 U.S. at 545 (citation omitted), the Federal Circuit did not violate *Chenery* by refusing to order one. To the contrary, the court of appeals' approach is consistent with this Court's application of *Chenery* principles. See *id.* at 544-545.

c. Contrary to petitioner's argument (Pet. 18-20), the Federal Circuit's prior applications of *Chenery* do not conflict with any decision of another court of appeals. Petitioner cites no case in which a court of appeals has held that it must remand an agency's decision rather than decide a dispositive legal issue that would make the result of the remand a foregone conclusion. Instead, petitioner cites cases involving conventional applications of *Chenery* and related principles of administrative law—including cases in which a remand was

---

[3] Petitioner also cites (Pet. 21) *In re Enhanced Security Research, LLC*, 739 F.3d 1347 (2014), as evidence of "substantial, intolerable confusion" within the Federal Circuit regarding the scope of *Chenery*. But any such confusion would be for that court to resolve. See *Wisniewski* v. *United States*, 353 U.S. 901, 902 (1957) (per curiam). In any event, in *Enhanced Security Research*, the panel split over how to read the Board's decision; only the dissent framed the disagreement as concerning *Chenery*'s application. See 739 F.3d at 1352 (majority concluded that "[s]ubstantial evidence support[ed]" the Board's conclusion); *id.* at 1365 (O'Malley, J., dissenting) (disagreeing with majority's holding on the ground that "the Board did not, as the majority states," make a particular finding).

warranted because the agency had failed to offer any rationale for its decision,[4] failed to explain its interpretation of an ambiguous statute,[5] and/or substituted on appeal a new rationale not mentioned in the agency's decision, and which the court of appeals found unconvincing.[6] Petitioner identifies no Federal Circuit ruling

---

[4] See, *e.g.*, *St. Vincent Randolph Hosp., Inc.* v. *Price*, 869 F.3d 510, 512-513 (7th Cir. 2017) (where agency had failed to "explain what rule or equivalent legal standard" supported its action, "the decision f[ell] for the lack of a reason"); *Humane Soc'y of U.S.* v. *Locke*, 626 F.3d 1040, 1048, 1052 (9th Cir. 2010) (remanding a case because the agency had not "satisfactorily explained the basis of its decision," particularly in light of the agency's prior, inconsistent conclusions); *Mickeviciute* v. *INS*, 327 F.3d 1159, 1162-1165 (10th Cir. 2003) (remanding a case to the agency because the court could not "perform a meaningful review" where the agency had failed to state which of three possible grounds it had relied on); cf. *NextEra Desert Ctr. Blythe, LLC* v. *FERC*, 852 F.3d 1118, 1121-1122 (D.C. Cir. 2017) (remanding where agency had failed to address issue of tariff interpretation on which it would receive deference).

[5] See, *e.g.*, *Children's Hosp. & Research Ctr. of Oakland, Inc.* v. *NLRB*, 793 F.3d 56, 59 (D.C. Cir. 2015) (explaining that, "[w]hen an agency fails to wrestle with" a "statutory ambiguity," the court cannot determine whether its interpretation is reasonable and entitled to deference under *Chevron U.S.A. Inc.* v. *NRDC, Inc.*, 467 U.S. 837, 842-844 (1984)); *Council for Urological Interests* v. *Burwell*, 790 F.3d 212, 222-224 (D.C. Cir. 2015) (rejecting agency's statutory interpretation at step two of the *Chevron* framework and declining to consider argument first made by agency counsel in the court of appeals).

[6] See, *e.g.*, *Mendez* v. *Barnhart*, 439 F.3d 360, 361-363 (7th Cir. 2006) (finding that administrative law judge had "failed to articulate a reasoned basis for the denial of benefits," and that the government's defense of the decision on a different ground on appeal was impermissible and unconvincing); *Albertson's Inc.* v. *NLRB*, 301 F.3d 441, 452-453 (6th Cir. 2002) (rejecting as both unpreserved and incorrect government's argument in defense of National Labor Relations Board's order).

that conflicts with those decisions.[7] Indeed, in several of the cases that petitioner cites, the courts of appeals *declined* to order remands despite acknowledging *Chenery* principles, explaining that under the relevant circumstances a remand would serve no purpose.[8]

---

[7] Other decisions on which petitioner relies did not principally depend on *Chenery*. Petitioner cites (Pet. 20) *Hackett* v. *Barnhart*, 475 F.3d 1166 (10th Cir. 2007), in which the court suggested that a reviewing court may not affirm an agency's decision based on a "new legal theor[y]" not relied on by the agency. *Id.* at 1175. But in *Hackett*, the court assessed whether the plaintiff was entitled to attorney's fees under the Equal Access to Justice Act, 28 U.S.C. 2412 (2006), which required determining whether "the government's underlying action was unreasonable even if the government advanced a reasonable litigation position." 475 F.3d at 1174 (citation omitted). The Tenth Circuit's consideration of the proper lens through which to evaluate a fee request does not imply that a court can never affirm an agency decision based on a dispositive legal ground that was not invoked by the agency.

Petitioner's reliance (Pet. 18, 19) on *Holyoke Water Power Co.* v. *FERC*, 799 F.2d 755, 758 n.5 (D.C. Cir. 1986), is also misplaced. The majority in that case accepted the Federal Energy Regulatory Commission's (FERC) construction of a contract, and it rejected the dissent's argument that the court should grant the petition for review (rather than affirm the agency decision) on grounds not raised by the petitioner before FERC or in the court of appeals. *Ibid.* Similarly, in a footnote in *Municipal Resale Service Customers* v. *FERC*, 43 F.3d 1046 (1995) (cited at Pet. 3, 19), the Sixth Circuit declined to decide the case based on res judicata or collateral estoppel, "principally because" those doctrines were "not assert[ed] * * * before FERC" and are "affirmative defenses which are waived if not timely asserted," *id.* at 1052 n.4.

[8] See *National Petrochemical & Refiners Ass'n* v. *EPA*, 630 F.3d 145, 164-166 (D.C. Cir. 2010) (declining to order a remand because "a remand would serve no purpose"), cert. denied, 565 U.S. 1014 (2011); *Bank of Am., N.A.* v. *FDIC*, 244 F.3d 1309, 1319-1320 (11th Cir. 2001) (declining to order a remand because the agency's change in position had no "legal significance on the issue of whether

2. Petitioner also contends (Pet. 24-25) that the petition for a writ of certiorari should be held pending the resolution of *Oil States*. On April 24, 2018, this Court issued its decision in *Oil States*, holding that inter partes review does not violate Article III or the Seventh Amendment. See 138 S. Ct. at 1370, 1372-1379. For purposes of petitioner's constitutional challenges, inter partes reexamination is not meaningfully different from inter partes review, see Pet. 24, and petitioner does not suggest (*ibid.*) that the constitutionality of inter partes reexamination independently warrants this Court's review. And because the AIA replaced inter partes reexamination with inter partes review (see p. 3, *supra*), questions concerning the constitutionality of inter partes reexamination are of diminishing practical importance.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

NOEL J. FRANCISCO
Solicitor General
CHAD A. READLER
Acting Assistant Attorney General
MARK R. FREEMAN
CASEN B. ROSS
Attorneys

JULY 2018

---

the statute is ambiguous under the first step of the *Chevron* analysis," because "[i]t is the duty of the courts to interpret statutory language, and courts should decide whether there is ambiguity in a statute without regard to an agency's prior, or current, interpretation"), cert. denied, 534 U.S. 1104 (2002).