SCOTUS Petition: Stats Show Losing Patent Owner-Appellants Have a 66% Chance of Being Rule 36ed Versus 18 for Losing Petitioner-Appellants

By IPWatchdog
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"Under the Equal Protection and Due Process Clauses, a parity of procedural o extends to all similarly situated litigants, and patent appellants should not be disparately based on whether they are Patent Owners-Appellants or Petitioner Appellants." – Chestnut Hill petition

Chestnut Hill Sound, Inc. has filed a petition asking the U.S. Supreme Court to consider whether the Federal Circuit's disparate practice with respect to issuing Rule 36 decisions for losing patent owner-appellants versus losing petitioner-appellants is constitutional. The petition includes statistics demonstrating that patent owner-appellants are three times

more likely to receive a Rule 36 judgment than petitioner-appellants.

The case stems from Chestnut Hill's U.S. Patent No. 8,090,309, which addressed the difficulty at the time of incorporating the Apple iPod into "an integrated, easy to use media system." The '309 patent was filed as a provisional patent in 2004 and covered Chestnut Hill's product, George, which was introduced in 2007 and was widely distributed in stores including Apple and Best Buy. In 2005, Apple filed its U.S. Patent No. 7,702,279, which covered "very similar operations and mechanics" to the '309 patent, according to Chestnut Hill's petition. The '279 patent was even cited as an anticipatory reference against the '309 patent during examination. When Apple discontinued sales of George and released its "Remote" application in 2008, Chestnut Hill sued Apple for infringement of the '309 patent and its related U.S. Patent No. 8,725,063.

In response to that suit, Apple filed four *inter partes* review proceedings against the two Chestnut Hill patents. The Patent Trial and Appeal Board first found the '063 patent unpatentable in IPR2015-01465, and on appeal the Federal Circuit affirmed that decision in one word under Rule 36. When Chestnut Hill appealed the PTAB's finding that the '309 patent also was unpatentable, it raised a number of new arguments, but again, the Federal Circuit ultimately affirmed the PTAB using Rule 36.

Chestnut Hill is now asking the Supreme Court to address what it sees as a disproportionate and potentially unconstitutional advantage for petitioner-appellants. Specifically, it is asking the Court to consider the following questions:

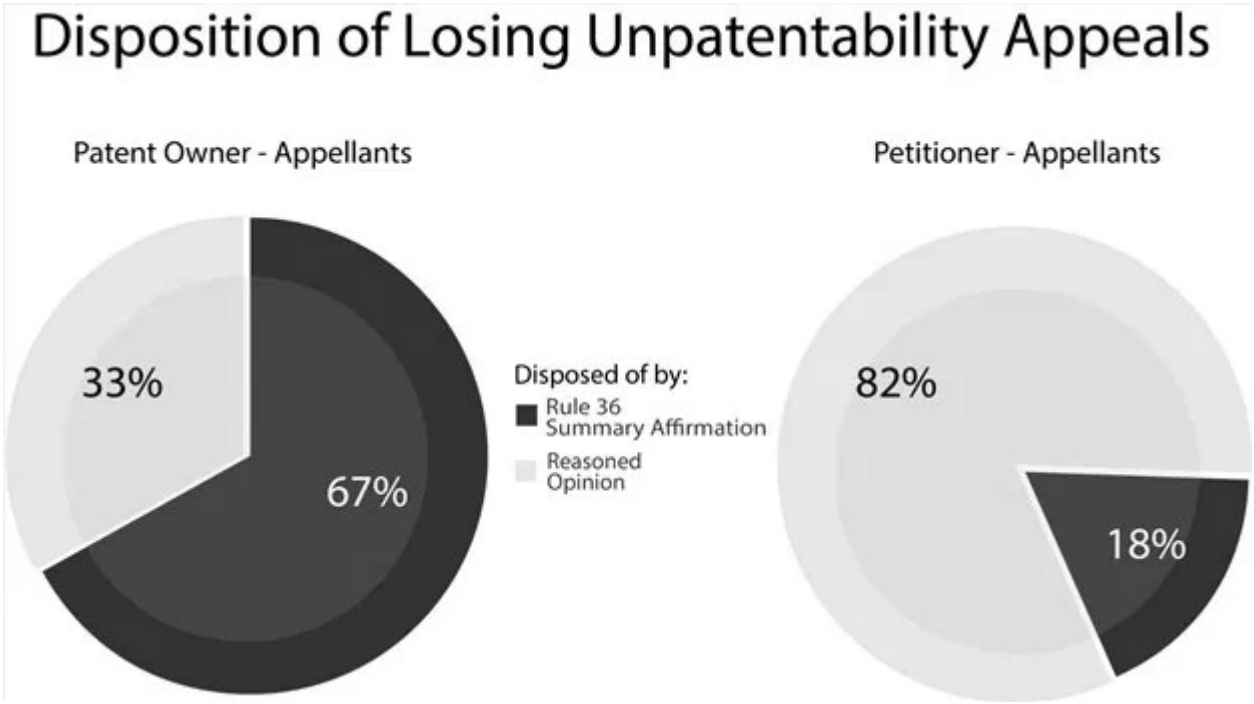
> *In an appeal from an inter partes review decision of unpatentability, a losing Patent Owner-Appellant is more than three times as likely to receive a one word summary affirmation than a losing Petitioner-Appellant. The Federal Circuit issues these one-word summary affirmations under Federal Circuit Rule 36.*

> *This Court has already requested briefing on a related question regarding Federal Circuit Rule 36(e) in Straight Path IP Group, LLC v. Apple Inc., et al., Sup. Ct. No 19-253. The Questions Presented below address disparities of outcomes for Patent Owners versus Petitioners, but they may be considered companion issues.*
>
> *1. Can a court ever choose to write reasoned opinions for one class of losing appellants and not another under the Due Process and Equal Protection Clauses; and if so, how disparate can the issuance rates of reasoned opinions, versus summary affirmations, be for different classes of appellants?*
>
> *2. Is the Public entitled to reasoned opinions when the absence of those opinions diminishes the Public's right of access to the courts and ultimately results in the erosion of the Rule of Law?*

In *Straight Path IP Group, LLC v. Apple Inc., et al.,* four patents claiming a new method for establishing point-to-point communications over a computer network were upheld as valid by the Patent Trial and Appeal Board (PTAB) and by two decisions of the Court of Appeals for the Federal Circuit. But the U.S. District Court for the Northern District of California granted summary judgment to Apple and Cisco, and on appeal, the Federal Circuit affirmed the decision via Rule 36. The petitioners in Straight Path are asking the Supreme Court to weigh in on "Whether Rule 36(e) of the Federal Circuit's Rules of Procedure violates the Fifth Amendment by authorizing panels of the Federal Circuit to affirm, with no explanation whatever, a District Court judgment resolving only issues of law." The Court requested a response from Apple and Cisco on September 18, and those responses and SPIP's reply have now been filed.

Chestnut Hill's petition cites statistics on the number of Rule 36 decisions being issued, which come from Larry Sandell's article, *What Statistical Analysis Reveals About Winning IPR Appeals*, LAW 360 (August 8, 2019, 5: 22 PM). A footnote in the petition explains that the likelihood of patent owner-appellants receiving a Rule 36 affirmance is actually closer to 3.6 than 3. "Since a losing Patent Owner- Appellant has a 66% chance of receiving a Rule 36 opinion, and a losing Petitioner- Appellant has an 18% chance of receiving a Rule 36 opinion, a Patent Owner- Appellant is 3.6 times as likely to receive a one- word affirmation than a Petitioner-

Appellant," says the petition (see below).



A narrower survey conducted by Chestnut Hill between January 2019 and September 2019 "found that on a patent by patent analysis of appeals from the PTAB (versus the case by case basis in Sandell's analysis), about 90% of all patents which were disposed of through Rule 36 were from appeals by Patent Owner. Only 10% of the patents disposed of by Rule 36 opinions were from appeals brought by Petitioners."

The situation raises concerns of equal protection and due process, says Chestnut Hill:

> *Under the Equal Protection and Due Process Clauses, a parity of procedural outcomes extends to all similarly situated litigants, and patent appellants should not be treated disparately based on whether they are Patent Owners-Appellants or Petitioner-Appellants. U.S. Const. amend. V, and amend. XIV, § 1. The Court is bound to offer appellants the same procedure, even if appellants are not guaranteed any*

> *particular substantive result. This result affects not merely the Patent Owner-Appellant by guaranteeing equal opportunities to make economic and legal decisions, but also guarantees the Public's faith in the judiciary and the Rule of Law.*

While Chestnut Hill concedes that the distribution of reasoned opinions versus Rule 36 judgments may not always be exactly equal, "there must be some parity." The petition adds that both sides should get the benefit of well-reasoned opinions at a comparable percentage/ frequency.

Among its remaining points, the petition argues that "judicial economy does not trump the fundamental rights of Patent Owner-Appellants to well-reasoned opinions under the Petition Clause;" "Rule 36 opinions economically and legally harm Patent Owner-Appellants, leaving them at a disadvantage relative to Petitioner-Appellants;" "Non-Precedential decisions often lead to precedential decisions, to the detriment of all;" Rule 36 opinions hinder the passage of valuable legislation;" and that "Rule 36 opinions are harmful to the Rule of Law that underpins our society."

A response to the petition is due by December 6.

Tags: Apple, CAFC, Chestnut Hill, Federal Circuit, innovation, intellectual property, inter partes review, inventor, IPR, patent, patent infringement, Patent Litigation, patent office, Patent Trial and Appeal Board, Patentability, patents, petition for certiorari, PTAB, Rule 36, SCOTUS, US Supreme Court, USPTO

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