No. 18-2256

United States Court of Appeals for the Federal Circuit

PERSONAL AUDIO, LLC,
Appellant

v.

CBS CORPORATION,
Appellee

Appeal from the United States District Court for the Eastern District of Texas, Case No. 2:13-cv-00270, Judge Gilstrap.

APPELLEE'S RESPONSE TO PERSONAL AUDIO'S PETITION FOR REHEARING AND REHEARING *EN BANC*

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March 16, 2020

FORM 9. Certificate of Interest **Form 9**
Rev. 10/17

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

PERSONAL AUDIO, LLC, **v.** CBS CORPORATION,

Case No. 18-2256

CERTIFICATE OF INTEREST

Counsel for the:
☐ (petitioner) ☐ (appellant) ☐ (respondent) ■ (appellee) ☐ (amicus) ☐ (name of party)

CBS CORPORATION

certifies the following (use "None" if applicable; use extra sheets if necessary):

1. Full Name of Party Represented by me	2. Name of Real Party in interest (Please only include any real party in interest NOT identified in Question 3) represented by me is:	3. Parent corporations and publicly held companies that own 10% or more of stock in the party
CBS CORPORATION	CBS CORPORATION	See Addendum

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court **(and who have not or will not enter an appearance in this case)** are:

Rothwell Figg Ernst & Manbeck P.C.: Steven Lieberman, Sharon Davis, Brian Rosenbloom, Daniel McCallum, and Jennifer Maisel

Wilson Robertson & Cornelius PC : Jennifer Ainsworth

FORM 9. Certificate of Interest **Form 9**
Rev. 10/17

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. *See* Fed. Cir. R. 47. 4(a)(5) and 47.5(b). (The parties should attach continuation pages as necessary).

None

03/16/2020
Date

/s/Steven Lieberman
Signature of counsel

Please Note: All questions must be answered

Steven Lieberman
Printed name of counsel

cc: All Counsel of Record

Reset Fields

Personal Audio, LLC v. CBS Corporation, Case No. 18-2256

Certificate of Interest – Addendum

National Amusements, Inc., a privately held company, beneficially owns the majority of the Class A voting stock of CBS Corporation. CBS Corporation is not aware of any publicly held corporation owning 10% or more of its total common stock, *i.e.*, Class A and Class B on a combined basis.

Further, CBS Corporation is now known as ViacomCBS Inc.

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INTRODUCTION

The present appeal is from a district court judgment entered on July 11, 2018. At that point, Personal Audio's asserted patent claims had already been found invalid, first in a Final Written Decision by the Patent Trial and Appeal Board, and then in a decision by this Court affirming that Final Written Decision. *See Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246 (Fed. Cir. 2017). During the course of that appeal, Personal Audio raised some (but not all) of the arguments it now raises in this appeal.

In the district court litigation, Personal Audio had agreed with defendant CBS—while CBS's post-trial motions were pending and before judgment had been entered—to stay the litigation pending resolution of the PTAB proceeding and Personal Audio's subsequent appeal. Personal Audio had also agreed in the district court that "current authority supports rendering a judgment in favor of the Defendant CBS" and that "there is no current precedent for doing otherwise at this time." Panel Opinion at 10.

The panel correctly held that the district court's judgment should be affirmed because: (1) the district court lacked jurisdiction to hear collateral attacks on a final written decision from the Patent and Trial and Appeal Board, which was then affirmed by this Court; and (2) Personal Audio waived any challenges to the

application of this Court's prior opinion affirming the invalidity of Personal Audio's asserted patent claims by failing to raise them in the district court.

Personal Audio's petition for rehearing and rehearing *en banc* fails to address either the panel's reasoning or this Court's precedent, and would therefore be a particularly unsuitable vehicle for reexamining such precedent. The petition should therefore be denied.

BACKGROUND

This is not Personal Audio LLC's ("Personal Audio") first appeal to this Court involving U.S. Patent No. 8,112,504 ("the '504 Patent"). In 2014, the Patent Trial and Appeal Board ("PTAB") determined that claims 31-35 of U.S. Patent No. 8,112,504 ("the '504 Patent") were invalid. *Elec. Frontier Found. v. Pers. Audio, LLC*, No. IPR2014-00070 (P.T.A.B. Apr. 10, 2014) (Appx0432 – 460). Personal Audio appealed that decision to this Court, which affirmed the PTAB's decision. *Pers. Audio, LLC v. Elec. Frontier Found.*, 867 F.3d 1246 (Fed. Cir. 2017). Personal Audio's petition for a writ of *certiorari* was then denied. 138 S. Ct. 1989 (2018).

The prior appellate process occurred in tandem with a district court litigation that Personal Audio voluntarily agreed to stay pending resolution of the PTAB proceeding. Specifically, on April 11, 2013, Personal Audio filed suit against CBS in the United States District Court for the Eastern District of Texas, asserting

infringement of the '504 Patent. Appx2015. On October 16, 2013, the Electronic Frontier Foundation ("EFF") filed an IPR petition directed to claims 31-35 of the '504 Patent. Appx713. The petition was instituted by the PTAB on April 24, 2014.

Personal Audio's lawsuit against CBS proceeded to trial, which began on September 8, 2014. CBS argued that it did not infringe the asserted claims of the '504 Patent (claims 31-34) and that those claims were invalid. Appx2032, 2060, 2321, 2325. CBS moved for judgment as a matter of law at the close of evidence on the grounds that the asserted claims were invalid, not infringed, and also on the ground that the asserted claims were directed to ineligible subject matter under 35 U.S.C. § 101. Appx2032, 2060, 2321, 2325. The trial continued, and on September 15, 2014, the jury returned a verdict finding that Personal Audio had proved infringement by a preponderance of the evidence, and that CBS had not proved the claims were invalid by clear and convincing evidence. Appx0427 – 431. CBS then renewed its motions for judgment as a matter of law. Appx591, 602, 610, 626, 658.

On April 10, 2015, while CBS's motions for a judgment as a matter of law were still pending and before the entry of judgment, the PTAB issued its final written decision determining that claims 31-35 of the '504 Patent were

unpatentable. *Elec. Frontier Found. v. Pers. Audio*, No. IPR2014-00070 (P.T.A.B. Apr. 10, 2015) (Appx0432 – 460).

Personal Audio and CBS then jointly moved to stay the litigation pending Personal Audio's appeal of the IPR, noting that the "**final outcome of said appeal is likely to affect the outcome of this matter**" and that a stay would "**save this Court and the parties time and effort**." Appx660 (emphasis added). The district court granted the stay motion on April 30, 2015. Appx665.

Personal Audio pursued its appeal of the PTAB's decision to this Court. On August 7, 2017, this Court affirmed the PTAB's decision. *Pers. Audio, LLC*, 867 F.3d at 1253. Personal Audio unsuccessfully sought panel rehearing and rehearing *en banc*, finally filing a petition for writ of *certiorari* in the United States Supreme Court, which was denied on May 14, 2018. Appx2215.

On May 29, 2018, CBS and Personal Audio submitted a Joint Status Report to the district court. CBS argued that because the asserted claims would be cancelled by the Patent Office, Personal Audio's case was moot. CBS also argued that Personal Audio was collaterally estopped from challenging the invalidity of claims 31-35 of the '504 Patent based on, *inter alia*, this Court's decision in *XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282 (Fed. Cir. 2018). Appx420-23. CBS subsequently raised these same arguments in the motion for entry of judgment and an award of costs. Appx668-70. Personal Audio stated that it did

"not oppose entry of judgment under a reservation of its right to appeal." Appx0674 . Personal Audio explained:

> However, **Personal Audio believes that current authority supports rendering a judgment in favor of the Defendant CBS**, so that these issues can be appealed. Personal Audio agrees there is no current precedent for doing otherwise at this time, although Personal Audio reserves its rights to argue these issues on appeal.

Appx675 (emphasis added). Personal Audio did not advance before the District Court any arguments as to why this Court's precedents were distinguishable or inapplicable.

The district court entered judgment in CBS's favor on July 11, 2018, noting that the "the Parties agree[d] that current authority requires rendering a judgment in favor of CBS." It denied all other pending motions as moot. Appx001 – 002. One week later the Patent Office cancelled claims 31, 32, 33, 34, and 35 of the '504 Patent, the only claims at issue between Personal Audio and CBS. Appx0589 – 590. On August 10, 2018—after the PTO had cancelled the claims at issue—Personal Audio filed this appeal.

The panel issued an opinion on January 10, 2020, affirming the district court's judgment in CBS's favor. The panel explained that there were two bases for its affirmance:

> To the extent that Personal Audio challenges the Board's final written decision, the district court lacked jurisdiction to consider the challenges, and we have no jurisdiction to review them on appeal from the district court's judgment. The exclusive avenue for review

> was a direct appeal from the final written decision. To the extent that Personal Audio challenges the district court's determination of the consequences of the affirmed final written decision for the proper disposition of this case, Personal Audio conceded that governing precedent required judgment for CBS. We therefore affirm the district court's judgment.

Panel Op. at 2.

ARGUMENT

Rehearing is not warranted here because the panel correctly disposed of this case without reaching the purported "precedent-setting questions of exceptional importance" set forth in Personal Audio's petition. Fed. R. App. P. Rule 35(a). Personal Audio's petition fails to address the reasoning in the panel's opinion, this Court's prior precedents, or the underlying facts which support the panel's reasoning. The petition should therefore be denied.

I. THE PANEL CORRECTLY CONCLUDED THAT PERSONAL AUDIO COULD NOT CHALLENGE THE BOARD 'S DECISION COLLATERALLY

Personal Audio's three arguments—that "That Estoppel Issues Must Be Raised In The Appeal of the IPR Violates Supreme Court Precedent", that the "Panel's Decision to Give Collateral Estoppel Effect to An Unconstitutional Procedure Was Erroneous," and that "Overturning the Previous Jury Verdict with the Later IPR Violates the Reexamination Clause"—misapprehend what the panel actually held.

The panel correctly found that the "the district court did not have jurisdiction to consider challenges to the legality of the Board decision." Panel Op. at 6. The panel explained that Congress had provided for an exclusive review mechanism for IPR decisions, that "Personal Audio took such an appeal, and there [was] no basis for any conclusion that the opportunity provided in that appeal was inadequate for the assertion and adjudication of any properly preserved challenge to the final written decision as unlawful." Panel Op. at 9.

Personal Audio's petition does not address, much less contest, the panel's reasoning or why rehearing on this issue is warranted. The panel did not hold, as Personal Audio contends, that estoppel must be raised in the "appeal of the IPR." Petition at 2. Nor did the panel improperly apply collateral estoppel to a Board decision that Personal Audio contends was constitutionally infirm. Instead, the panel held that while Personal Audio was contesting the constitutionally of the IPR process, those arguments needed to be raised on direct appeal from the Board's decision. Personal Audio had that opportunity. It either failed to convince this Court of their merit on that direct appeal, or waived those arguments by not making them on the direct appeal. Personal Audio cannot now complain that it did not have its day in (this) Court.

II. THE PANEL CORRECTLY CONCLUDED THAT PERSONAL AUDIO WAIVED CHALLENGES TO THE APPLICATION OF THE PRIOR APPEAL

Personal Audio's petition also ignores the second basis for the panel's opinion—that Personal Audio had "forfeited any argument that [this Court's] existing precedent is not determinative against it," Panel Op. at 5, when, in the district court, "Personal Audio made no argument at all for distinguishing this case from the cases in which we held that district court actions had to terminate when a Board unpatentability ruling as to the relevant patent claims was affirmed on appeal." Panel Op. at 9-10. The panel then cited to four such cases—*XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018); *Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, 803 F.3d 620, 628 (Fed. Cir. 2015); *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1358 (Fed. Cir. 2015); *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013). Personal Audio's petition does not mention these decisions, much less argue why they are either distinguishable or incorrectly decided.

Personal Audio's petition refers to *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), without noting that this Court relied on *Blonder-Tongue* in the very precedent which forecloses Personal Audio's current arguments. *See XY, LLC v. Trans Ova Genetics*, 890 F.3d 1282, 1294 (Fed. Cir. 2018). Similarly, Personal Audio relies on, *Duro-Last, Inc. v.*

Custom Seal, Inc., 321 F.3d 1098, 1107 (Fed. Cir. 2003), which held that arguments not raised in a pre-verdict motion for judgment as a matter of law cannot be raised post-verdict motion for judgment as a matter of law. That opinion does not address the separate body of case law (also not addressed by Personal Audio) holding that an intervening decision finding claims invalid has a preclusive effect in pending litigation.

Personal Audio had the opportunity to contest the constitutionality of the IPR process before this Court while simultaneously litigating its asserted patents in the district court. With full knowledge of this Court's controlling precedent regarding the preclusive effect of an appellate decision finding a patent claim invalid, Personal Audio decided to agree to stay the district court litigation and let the IPR appeal conclude first. Personal Audio raised constitutional challenges to the IPR process on direct appeal, but those challenges were unsuccessful.

Personal Audio now desires to reargue those challenges—or raise additional arguments for the first time—in an effort to escape the results of its prior strategic decision. Personal Audio fails to provide a reason why the panel opinion, and this Court's controlling precedent, should not foreclose such efforts.

CONCLUSION

For the reasons described above, this Court should deny Personal Audio's petition for rehearing and rehearing *en banc*.

Dated: March 20, 2020

Respectfully submitted,

/s/ Steven M. Lieberman

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CERTIFICATE OF FILING AND SERVICE

I hereby certify that on March 16, 2020, I electronically filed the foregoing with the United States Court of Appeals for the Federal Circuit using the CM/ECF System, which will send notice of such filing to all registered users.

I further certify that, upon acceptance and request from the Court, the required paper copies of the foregoing will be hand delivered to the Clerk, United States Court of Appeals for the Federal Circuit, 717 Madison Place, N.W., Washington, D.C. 20439.

/s/ Nasri V. B. Hage
Nasri V. B. Hage

CERTIFICATE OF COMPLIANCE

1. This brief complies with the type-volume limitation of Federal Circuit Rule 35 because this brief contains 2,073, excluding the parts of the brief exempted by Federal Circuit Rule 35(c)(2).

2. This brief complies with the page limit requirements of Federal Rule of Appellate Procedure 35(b)(2)(B), because the brief is 10 pages long, excluding the parties exempted by Federal Circuit Rule 35(c)(2).

Dated: March 16, 2020

/s/ Steven M. Lieberman
Steven M. Lieberman