

2022-1216

United States Court of Appeals for the Federal Circuit

ROKU, INC.,

Appellant

v.

UNIVERSAL ELECTRONICS, INC.,

Appellee

**Appeal from the United States Patent and Trademark Office, Patent Trial
and Appeal Board in No(s). IPR2021-00263**

PETITION FOR INITIAL EN BANC REVIEW

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Dated: December 13, 2021

**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

CERTIFICATE OF INTEREST

Case Number 2022-1216
Short Case Caption Roku, Inc. v. Universal Electronics, Inc.
Filing Party/Entity Roku, Inc.

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Name: Jon E. Wright

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<p>Roku, Inc</p>		

Additional pages attached

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).

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STATEMENT OF COUNSEL

Based on my professional judgment, I believe this appeal requires an answer to the following precedent-setting question of exceptional importance:

1. Roku seeks initial *en banc* review on the question of whether this Court has jurisdiction under 28 U.S.C. § 1295(A)(4) to hear a direct appeal from a final agency action by the United States Patent and Trademark Office’s Patent Trial and Appeal Board (“Office” or “Board”) denying inter partes review (“IPR”) under 35 U.S.C. § 314(a), notwithstanding the prohibition on appeals from institution decisions in 35 U.S.C. § 314(d), where the appellant alleges at least two different unlawful agency actions under the Administrative Procedure Act (“APA”). Specifically, Roku seeks initial *en banc* review (1) because of the Court’s precedential panel decision in *Mylan Laboratories., Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1378 (Fed. Cir. 2021) that it has no jurisdiction to hear this direct appeal, and (2) because it believes *Mylan* is inconsistent with 28 U.S.C. § 1295(A)(4), and Supreme Court precedent, including *Cuozzo Speed Technologies, LLC v. Lee*, 579 U.S. 261 (2016); *Thryv, Inc v. Click-To-Call Technologies*, 140 S. Ct. 1367 (2020); and *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2018).

/s/ Jon E. Wright

Jon E. Wright
Counsel for Appellant, Roku, Inc.

INTRODUCTION

Roku seeks initial *en banc* review because jurisdiction to hear this appeal is currently foreclosed by this Court’s precedential panel decision in *Mylan*, 989 F.3d at 1378 (“Because no statute grants us jurisdiction over appeals from decisions denying institution, we must dismiss *Mylan*’s direct appeal.”). The Court’s decision in *Mylan* that it has no jurisdiction to hear direct appeals from IPR denials is currently the subject of two petitions for certiorari pending at the Supreme Court—namely (1) Petition for a Writ of Certiorari, *Mylan Laboratories Ltd. v. Janssen Pharmaceutica, N.V.*, No. 21-202 (Aug. 9, 2021), and (2) Petition for a Writ of Certiorari, *Apple Inc. v. Optis Cellular Technology, LLC*, No. 21-118 (July 26, 2021).¹

Roku ultimately seeks the same relief as *Mylan* and *Apple* with respect to the jurisdictional issue posed above, though as set forth below, Roku’s fact pattern is different from both *Mylan* and *Apple* because the Office denied Roku’s IPR petition due solely to a parallel investigation into alleged unfair trade practices by the United States International Trade Commission (“Commission”) under 19 U.S.C. § 1337 (“Section 337”), while the denials in *Mylan* and *Apple* were in view of district-court actions. In rejecting Roku’s petition, the Office abdicated its

¹ The Supreme Court recently asked Optis Cellular to file a response to Apple’s petition by December 23, 2021, and thus postponed conference for both the Apple and *Mylan* petitions pending that response.

responsibility and authority to cancel invalid patent claims to the Commission, a sister agency with no such responsibility or authority. The denial of Roku's petition, under the auspices of the non-statutory *NHK-Fintiv* regime, was unlawful under 5 U.S.C. § 706(2)(A), and this Court should be able to review that final agency action on direct appeal.

In the alternative, Roku has also requested mandamus relief under 28 U.S.C. § 1651 from the Office's denial of its IPR petition. *See In re: Roku, Inc.*, No. 2022-117, (Dec. 13, 2021).

STATEMENT OF THE CASE

I. Legal Background for the Board's Denial of Roku's IPR petition

The Office's non-statutory policy guiding Director discretion under § 314(a) to deny institution is set forth in two precedential decisions: *NHK Spring Co. v. Intri-Plex Technologies, Inc.*, 2018 WL 4373643 (P.T.A.B. Sept. 12, 2018) (precedential) ("*NHK*") and *Apple Inc. v. Fintiv Inc.*, 2020 WL 2126495 (P.T.A.B. Mar. 20, 2020) (precedential) ("*Fintiv*").

Starting with *NHK* in 2018, the Board declared that it would treat the "advanced state of [a] district court proceeding" as a "factor that weighs in favor of denying" a timely IPR petition as a matter of discretion under § 314(a). *NHK*, at *7. *NHK* said nothing about parallel Commission investigations. In 2020, the Board in *Fintiv* set forth five factors related to the status of a parallel district court

action that it would consider in determining whether to deny institution on the basis of a parallel district court action. *Fintiv*, at *3. In the first *Fintiv* factor related to stays of district-court actions where there is a parallel Section 337 investigation, the Board determined that the Section 337 investigation could act as a proxy for the district-court action. *Id.* at *4. The Board included as final sixth factor, “other circumstances that impact the Board’s exercise of discretion, including the merits.” *Id.* at *6.

The Director subsequently designated *NHK* and *Fintiv* as “precedential” in May of 2019 and May of 2020, respectively, without entertaining public comment. *See* Precedential and Informative Decisions, USPTO, <https://tinyurl.com/y2ja3c7r> (last visited Nov. 28, 2021) (listing precedential decisions). Under the Office’s Standard Operating Procedures, the so-called *NHK-Fintiv* regime now constitutes “binding Board authority in subsequent matters involving similar facts or issues.” *See* PTAB Standard Operating Procedure 2 (Revision 10) at 11, USPTO, <https://tinyurl.com/ypchsmtf>.

II. Factual Background for the Board’s Denial of Roku’s IPR petition

Roku filed an IPR petition challenging all claims in U.S. Patent 10,600,317. *Roku, Inc. v. Universal Elecs., Inc.*, IPR2021-00263, Paper 2 (P.T.A.B. Dec. 14,

2020). There, Roku affirmatively addressed the *Fintiv* factors in view of a parallel Section 337 Commission investigation involving the '317 patent.² *Id.* at 7-11.

Roku argued that the petition raises an anticipation ground not ultimately presented to the Commission. *Id.* Roku also argued that it was improper for the Board to defer to the Commission because, in part, “the ITC does not have the authority to invalidate a patent in a way that is applicable to other forums’ and the district court will still ‘need to address patentability once stays are lifted.’” *Id.* at 10 (citing *Nichia Corp. v. Lighting Sci. Grp. Corp.*, 2020 WL 259578, at *11 (P.T.A.B. Jan. 15, 2020) and *Tex. Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558 (Fed. Cir. 1996)).

Patent Owner Universal Electronics Inc. (“UEI”) filed a preliminary response asking, under the auspices of *NHK-Fintiv*, that the Board exercise its discretion and deny institution based *only* on the status of the parallel Section 337 investigation. *Roku*, IPR2021-00263, Paper 8, at 4. It argued that “*Fintiv* expressly recognized that even though ITC final invalidity determinations do not have preclusive effect, denial of institution can be appropriate under circumstances squarely presented here.” *Id.* at 4-5 (listing cases).

² *Certain Electronic Devices, Including Streaming Players, Televisions, Set Top Boxes, Remote Controllers, and Components Thereof*, Inv. No. 337-TA-1200.

The Board denied Roku’s petition *solely* over the parallel Section 337 investigation. Dkt. No. 1-2 at 11-28. The Board analyzed each of first five *Fintiv* factors exclusively through the lens of the parallel Commission investigation and found that each weighed in favor of exercising discretion to deny institution. *Id.* The Board did not even address whether Roku’s petition met the only statutory threshold set forth in § 314(a)—whether Roku’s petition showed a “reasonable likelihood” of success on the merits with respect to at least one claim. Rather, it dismissed the merits in a single sentence with *Fintiv*’s catch-all sixth factor, finding that “the merits [do not] outweigh the other *Fintiv* factors favoring exercising our discretion to deny institution.” Dkt. No. 1-2 at 26.

Roku sought rehearing by the Board’s Precedential Opinion Panel (“POP”) as outlined in the Board’s Standard Operating Procedure 2 (Revision 10). *Roku*, IPR2021-00263, Paper 12. In its request for rehearing, Roku repeated its arguments that deferral to the Commission under the *NHK-Fintiv* regime is inconsistent with the AIA and that “[b]y deferring the question of invalidity to an administrative body that cannot invalidate patents, both the public and petitioners are harmed” and “[r]esources will be duplicated and wasted.” *Roku*, IPR2021-00263, EX3001 at 1.

The Acting Director, along with the Chief APJ and a Deputy Chief APJ, in a *per curiam* order, denied POP review of the decision denying institution. Dkt. No. 1-2 at 29-30.

ARGUMENT

I. 35 U.S.C. § 314(d) does not strip this Court’s jurisdiction over appeals from *NHK-Fintiv* denials under 28 U.S.C. § 1295(a)(4)(A).

This Court’s panel decision in *Mylan* foreclosing all direct appeals from IPR petition denials conflicts with the relevant statutory text and Supreme Court precedent. Under Supreme Court precedent, this Court has appellate jurisdiction under 28 U.S.C. § 1295(a)(4)(A), notwithstanding 35 U.S.C. § 314(d).

The statutory analysis is straightforward. Section 1295(a)(4)(A) vests the Federal Circuit with appellate jurisdiction over any final Board “decision . . . with respect to . . . inter partes review.” 28 U.S.C. § 1295(a)(4)(A). The Board’s denials of IPR petitions are final agency decisions “with respect to” IPRs. Section 314(d) states that “[t]he determination by the Director whether to institute an inter partes review *under this section* shall be final and nonappealable.” 35 U.S.C. § 314(d) (emphasis added). But the Board did not make a determination of whether to institute Roku’s IPR “*under this section.*” Instead, the Board denied institution based on the non-statutory *NHK-Fintiv* regime that has nothing to do with “this section.” Therefore, § 314(d) does not bar review of the Office’s final action denying Roku’s IPR petition. The Supreme Court has interpreted § 314(d) in

Cuozzo, *Thryv*, and *SAS*. Roku respectfully submits that this Court’s decision in *Mylan* is inconsistent with these cases.

In *Cuozzo*, the Supreme Court held that this Court lacks jurisdiction to answer “questions that are closely tied to the application and interpretation of” institution-related statutes. *Cuozzo*, 579 U.S. at 275. That decision did not, however, foreclose Federal Circuit review in appeals “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 ‘this section.’” *Id.* This case—which injects non-statutory policy considerations into institution decisions—falls comfortably in the latter category.

In *SAS*, the Supreme Court determined “that § 314(d) precludes judicial review *only* of the Director’s ‘initial determination’ under § 314(a) that ‘there is a ‘reasonable likelihood’ that the claims are unpatentable on the grounds asserted.’” *SAS*, 138 S. Ct. at 1359 (emphasis added). It reaffirmed that *Cuozzo* could not be used to overcome “the ‘strong presumption’ in favor of judicial review” when the claim is that the Office “act[ed] outside its statutory limits.” *Id.* That is because “judicial review remains available consistent with the Administrative Procedure Act.” *Id.* (citing 5 U.S.C. § 706(2)(A), (C)).

In *Thryv*, the Supreme Court again confirmed “*Cuozzo*’s holding that § 314(d) bars review at least of matters ‘closely tied to the application and

interpretation of statutes related to’ the institution decision.” *Thryv*, 140 S. Ct. at 1373. It concluded that a challenge to the Board’s interpretation of 35 U.S.C. § 315(b), which governs the timeliness of IPR petitions, “easily meets that measurement.” *Id.* But the *Thryv* Court further explained that “§ 314(d) refers . . . to the determination ‘under this section.’” *Id.* at 1375. The phrase “this section” refers to § 314, *i.e.*, “the section housing the command to the Director to ‘determine whether to institute an inter partes review,’ § 314(b).” *Id.* “Thus, every decision to institute is made ‘under’ § 314 but must take account of specifications in other provisions.” *Id.* *Thryv* confirms that the phrase “under this section” refers to statutes—§ 314 itself, as well as surrounding statutes to which § 314 points.

Roku’s case is distinguishable from *Thryv* because the Board’s application of *NHK-Fintiv* does not reflect an interpretation of § 314 or any other statute to which § 314 points. The *prima facie* scope of § 314(d) thus does not bar direct appeal under 28 U.S.C. § 1295(a)(4)(A) of the Office’s final decision denying institution of Roku’s IPR.

* * *

For the reasons outlined in Section II and III below, the Office’s non-statutory policy of abdicating its responsibility and authority to cancel invalid patent claims to the Commission violates the APA. This Court can review these claims of error because they fall outside the appellate prohibition of § 314(d). If the

en banc Court agrees that it should have jurisdiction to hear this direct appeal, then Roku will make the arguments outlined in Section II and Section III below, which show that the Office’s action was unlawful under the APA.

II. The *NHK-Fintiv* regime is unlawful because it was instituted by the Director without authority under the AIA and without proper procedure under the APA.

The arguments in this Section mirror those that at least Apple and Mylan have already posed to this Court, which the Court refused to consider in a direct appeal on jurisdictional grounds, and for which Apple and Mylan are currently seeking review at the Supreme Court. *See* Introduction *supra*.

A. Congress did not provide the Director with the authority to deny IPR institution based on the *NHK-Fintiv* factors.

Agencies are creatures of Congress. While agencies have discretion to institute administrative policies, agencies are not “free to disregard legislative direction in the statutory scheme that the agency administers.” *Heckler v. Chaney*, 470 U.S. 821, 833 (1985). The AIA directs the Director to institute or deny IPR petitions after considering a number of conditions, none of which are the *NHK-Fintiv* factors.

The AIA provides both substantive and procedural guidelines, creating boundaries around the Director’s discretion to institute an IPR or not. In § 314(a), the Director “may not” institute IPR unless the petitioner shows a “reasonable likelihood” that it “would prevail with respect to at least 1 of the claims challenged

in the petition.” 35 U.S.C. § 314(a). The Director also cannot institute partial review of IPR decisions. *See SAS*, 138 S. Ct. at 1359-60; 35 U.S.C. §§ 314(a), 318(a). In addition, Congress provided a number of timing provisions to guide the Director’s decision: (1) an IPR cannot be filed until nine months after the patent is granted or post-grant review is finished, 35 U.S.C. § 311(c); (2) a petition may not be considered if it is filed more than one year after the petitioner is “served with a complaint alleging infringement of the patent,” *id.* § 315(b); and (3) a petition may not be considered if the petitioner first “filed a civil action challenging the validity of a claim of the patent,” *id.* § 315(a)(1). To avoid duplicative efforts, Congress provided that civil actions challenging the validity of a patent filed after an IPR petitioner are automatically stayed. *Id.* § 315(a)(2). Finally, IPR decisions are granted preclusive effects before district courts and the Commission. *Id.* § 315(e)(2). These substantive and procedural restrictions on the Director’s discretion to institute IPR reflect Congress’s careful considerations of efficiency.

NHK-Fintiv, however, circumvents Congress’s assessment of how best to achieve these goals. The Office expressly justifies *NHK-Fintiv* as a policy for “system efficiency” and “patent quality.” *Fintiv*, at *2. But, as the Supreme Court warned in *SAS*, “[w]here a statute’s language carries a plain meaning, the duty of an administrative agency is to follow its commands as written, not to supplant those commands with others it may prefer.” *SAS*, 138 S. Ct. at 1355. The Director

thus may not substitute her judgment for Congress's in determining what factors to consider when deciding whether to deny or institute IPR petitions.

B. The Director failed to institute the *NHK-Fintiv* regime through required notice-and-comment rulemaking procedures.

Congress provided the Director with affirmative authority to create regulations that govern IPR. 35 U.S.C. § 316(a). This includes rules governing “the standards for the showing of sufficient grounds to institute a review under § 314(a).” *Id.* § 316(a)(2). But those regulations must be passed pursuant to the APA rulemaking requirements, and *NHK-Fintiv* was not.

The APA requires that legislative rules—those that bind third parties—go through an informal or formal rulemaking process. *Kisor v. Wilkie*, 139 S. Ct. 2400 (2019); *see also* 35 U.S.C. § 2(b)(2)(B) (requiring the Office to use rulemaking to establish regulations pursuant to 5 U.S.C. § 553). The policy set forth in *NHK-Fintiv* could have been issued through either informal or formal rulemaking. *SEC v. Chenery Corp.* (“*Chenery II*”), 332 U.S. 194 (1947). But the Director chose neither.

The Director made *NHK-Fintiv* binding on third parties simply by designating some prior Board decisions precedential. That process cannot be defended as informal or formal rulemaking. It involved none of the procedural protections, like notice and public input, required by the APA. *See Aqua Products, Inc. v. Matal*, 872 F.3d 1290, 1339 (Fed. Cir. 2017). As a result, the Office had no

opportunity to respond to cogent concerns about the boundaries of the Director’s discretion. And *NHK-Fintiv* continues to evade review on the faulty assertion that this APA violation is unreviewable under 35 U.S.C. § 314(d).

III. The Office’s use of *NHK-Fintiv* to adopt a policy that abdicates its patent-review authority to the Commission is arbitrary and capricious.

Reviewing courts “shall . . . hold unlawful and set aside agency action” that is “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law.” 5 U.S.C. § 706(2)(A). Here, the Office’s use of the *NHK-Fintiv* regime to establish a policy of denying IPR institution in favor of parallel co-pending Commission proceedings is an arbitrary and capricious abuse of discretion. The arguments below mirror those presented in Roku’s concurrently pending request for mandamus relief. *See In re: Roku, Inc.*, No. 2022-117, (Dec. 13, 2021).

A. The Office’s policy under *Fintiv* to consider parallel Commission proceedings contradicts the statutes governing both agencies.

Congress has provided only two venues where a party may seek cancellation of a claim in an issued U.S. patent on the basis that the claim is invalid: federal district court and the Office.

1. A district court’s authority to revoke bad patent claims is set forth in 35 U.S.C. § 282. Section 282 provides for an affirmative defense of invalidity against a claim of patent infringement. 35 U.S.C. § 282(b)(2)-(3). And the law allows for declaratory judgment of patent invalidity in response to threat of patent

infringement. *See* 28 U.S.C. § 2201. In each case, where a district court determines that a claim in a patent is invalid, that claim is cancelled not only as to the parties, but as to the public at large. *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-350 (1971).

2. The Office’s authority to revoke bad patent claims, via IPR for example, is set forth in 35 U.S.C. §§ 311-19. Congress provided that, at the conclusion of any appellate review, the Office has the authority to formally revoke any claim in an issued U.S. patent that was found and affirmed to be unpatentable. *See* 35 U.S.C. § 318(b). As in district court, such claims are cancelled as to the public at large.

Congress has granted no such patent cancellation authority to the Commission. The Commission is instead statutorily charged with enforcing trade laws under 19 U.S.C. §§ 1330-41. As an auxiliary to Section 337 investigations, the Commission can decline to enforce a U.S. patent at the border if it determines that the patent is likely invalid. But the Commission lacks authority to actually cancel an invalid patent claim.

“The [Commission’s] findings neither purport to be, nor can they be, regarded as binding interpretations of the U.S. patent laws in particular factual contexts. Therefore, it seems clear that any disposition of a [Commission] action . . . should not have res judicata or collateral estoppel effect.”

Tex. Instruments, 90 F.3d at 1569.

The AIA simply does not permit the Office to abdicate its responsibility and authority to cancel invalid patent claims to the Commission. To the extent the Office leverages the non-statutory *NHK-Fintiv* regime to achieve that result, it is unlawful under APA § 706(2)(A).

B. *NHK-Fintiv* is arbitrary and capricious because the policy lacks a sufficient rationale for considering parallel Commission proceedings.

An agency must “cogently explain why it has exercised its discretion in a given manner.” *Motor Vehicle Mfrs. Ass’n of U.S., Inc. v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 49-50 (1983). In setting forth the policy in *Fintiv*, the Office provides no cogent rationale or analysis with respect to the impact of considering and deferring to Commission decisions.

In *Fintiv* the Office effectively determined that Section 337 investigations can act as a proxy for district court cases stayed under 28 U.S.C. § 1659. *Fintiv*, at *4. But at the same time, the Office also expressly recognized that Commission decisions have no preclusive effect. *Id.* So even if a would-be petitioner succeeds in convincing the Commission that the asserted claims are invalid, no claims are cancelled. In no scenario is this outcome *more* efficient than having the Office deal with the claims in the first instance.³

³ The same outcome does not hold where no Section 337 exists and the Office defers its responsibility to an Article III district court. District courts, at least, have the authority to finally revoke invalid claims.

Against these well-known procedural issues, the Office in *Fintiv* provided no analysis, supporting data, or explanation to prove that abdicating its authority to the Commission would serve the “efficiency and integrity of the system,” as its “holistic” analysis of its *Fintiv* factors purport to do. *Fintiv*, at *3.

C. The Office has arbitrarily and capriciously applied its *NHK-Fintiv* policy of abdicating authority to the Commission.

For the first six years of IPR, the Board premised institution decisions on the grounds provided for in the statute or in regulations adopted through notice-and-comment rulemaking. The Board did not, during that time, consider the progress of parallel Section 337 Commission proceedings in deciding whether to institute an IPR. This is because the Office does not consider service of a Section 337 complaint to trigger the one-year § 315(b) statutory bar. *Amkor Tech., Inc. v. Tessera, Inc.*, IPR2013-00242, Paper 98, at 11 (P.T.A.B. Jan. 31, 2014). Post-*NHK* when parties did start to raise the status of Section 337 investigations as a rationale for non-institution, some panels declined the invitation precisely because the Commission has no authority to cancel an issued patent claim, and because the Commission’s decision on invalidity has no preclusive effect. *See, e.g., Nichia*, 2020 WL 259578, at *11; *3Shape A/S v. Align Tech., Inc.*, 2020 WL 2738516, at *14-15 (P.T.A.B. May 26, 2020).

Now, post-*Fintiv*, the Office routinely employs its policy of abdication to the Commission using *NHK-Fintiv* when Commission proceedings are in more

advanced stages. Indeed, in one analysis of 42 post-*Fintiv* cases with parallel Commission proceedings, the Office has abdicated its authority to the Commission in 36 of them.⁴ An agency's failure to consistently apply a policy is arbitrary and capricious. *See Encino Motorcars, LLC v. Navarro*, 579 U.S. 211, 222 (2016) (“[A]n unexplained inconsistency in agency policy is a reason for holding [it] to be an arbitrary and capricious change from agency practice.” (cleaned up)). Even if the Office can lawfully institute *NHK-Fintiv* as a policy, it cannot waffle between excluding and including consideration of Commission proceedings in applying that policy when the Commission's lack of authority to cancel invalid patent claims has not changed.

CONCLUSION AND RELIEF SOUGHT

Roku asks the Court to vacate the Board's Decision Denying Institution in IPR2021-00263 along with an order to the Board to consider the substantive merits of Roku's '263 IPR petition. Roku also seeks *en banc* review of the Court's current precedent foreclosing review of decisions denying IPR institution.

⁴ See Matthew Johnson, *Jones Day's Fintiv-ITC Developments Tracker*, JONES DAY (Jan. 22, 2021), <https://www.ptablitigationblog.com/jones-days-fintiv-itc-developments-tracker> (tracking *NHK-Fintiv* denials).

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Respectfully submitted,

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**UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT**

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Short Case Caption: Roku, Inc. v. Universal Electronics, Inc.

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