

In The
Supreme Court of the United States

—◆—
J. CARL COOPER,

Petitioner,

v.

SQUARE, INC.,

Respondent.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
**BRIEF FOR RESPONDENT
SQUARE, INC. IN OPPOSITION**

—◆—
ERIKA H. ARNER
DANIEL C. COOLEY
FINNEGAN, HENDERSON, FARABOW
GARRETT & DUNNER, LLP
Two Freedom Square
11955 Freedom Drive,
Suite 800
Reston, VA 20190
(571) 203-2700

THEODORE J. ANGELIS
Counsel of Record
DOUGLAS B. GREENSWAG
K&L GATES LLP
925 4th Avenue,
Suite 2900
Seattle, WA 98104
theo.angelis@klgates.com
(206) 623-7580

Counsel for Respondent Square, Inc. October 11, 2016

QUESTIONS PRESENTED

For more than 35 years, Congress has vested the U.S. Patent and Trademark Office (“PTO”) with the authority to reconsider the validity of claims in a previously issued patent. One vehicle for that reconsideration is *inter partes* review, which is an adversarial administrative proceeding Congress established in the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011). The PTO conducts *inter partes* review through panels of administrative judges within the PTO, all of whom have technical expertise. Here, a panel instituted review of challenged claims within three of petitioner’s patents. It ultimately concluded that the claims under review were unpatentable under 35 U.S.C. § 102 because someone else had invented the technology they cover.

The questions presented are:

- (1) Does *inter partes* review violate Article III by authorizing an Executive Branch agency, rather than a court, to invalidate claims in a previously issued patent?
- (2) Has petitioner waived, and failed to exhaust, his Article III challenge?
- (3) Does the AIA (35 U.S.C. § 314(d) and § 319) prevent the Court from reviewing petitioner’s Article III challenge?

RULE 29.6 DISCLOSURE STATEMENT

Square, Inc. (“Square”) is an independent, publicly traded company. Square has no parent corporation, and no publicly held company owns 10% or more of Square’s stock.

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BRIEF FOR RESPONDENT SQUARE IN OPPOSITION

In 2011, Congress vested the PTO with additional authority to “revisit and revise earlier patent grants.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. ___ (June 20, 2016) (slip op. at 8) (discussing the “congressional objective” in passing the AIA). That additional authority includes the power to conduct *inter partes* review (“IPR”) proceedings. Those proceedings culminate in a “Final Written Decision,” in which the PTO’s Patent Trial and Appeal Board (the “Board”) may conclude that one or more previously issued claims are unpatentable.

To facilitate IPR proceedings, Congress granted the PTO Director authority to establish procedures for such proceedings, 35 U.S.C. § 316(a), and it granted the Board authority to conduct the proceedings, 35 U.S.C. § 316(c). Pursuant to that authority, the PTO Director has issued a detailed practice guide containing procedural rules, and the Board issues standard orders, all of which ensure that the parties to an IPR have a full opportunity to brief, present evidence regarding, and argue, all issues presented to the Board for resolution.

In his initial submission to the Board (known as a “Preliminary Response”), the petitioner here argued that Congress violated Article III when it granted the Board authority to reconsider the patentability of his claims under 35 U.S.C. § 318(a). Thereafter, however, petitioner waived those constitutional challenges by failing to raise them in a manner: (1) that would

ensure they were part of the record; (2) that would allow Square to respond to them in writing and at oral argument; and (3) that would allow the Board to consider them after the parties had addressed them.

When petitioner recognized that he had failed to present his constitutional arguments in the manner the PTO requires, he belatedly asked the Board for permission to raise them at oral argument. The Board denied that request, but it invited petitioner to seek leave to address the issues through a post-hearing motion. Petitioner declined the Board's invitation, thereby waiving his constitutional arguments a second time.

Because petitioner abandoned—and therefore waived—his constitutional arguments, Square did not have the ability to respond to them before the Board, and the Board had no opportunity to review briefs from both parties, consider evidence, or hear argument on petitioner's arguments. Thus, the Board was not in a position to find relevant facts and provide a reasoned analysis of petitioner's arguments. Without any administrative record on petitioner's constitutional challenges, it is unsurprising that the Federal Circuit likewise declined to address them in its summary affirmation of the Board's rulings.

In sum, petitioner twice waived his constitutional challenges and failed to exhaust his administrative remedies. His inaction led the Board and the Federal Circuit to remain silent on the issue he now asks this Court to resolve. Because the Board and Federal Circuit did not, and largely could not, address petitioner's

Article III challenge, this case is an improper vehicle for addressing that challenge, and the Court should deny the petition.



STATEMENT

This case involves the PTO's authority to reconsider a prior decision to issue a patent. Although Congress established IPR proceedings only a few years ago, in the AIA, Pub. L. No. 112-29, 125 Stat. at 284, Congress has authorized the PTO to cancel invalid patents since 1980. *See* Act of Dec. 12, 1980, Pub. L. No. 96-517, § 1, 94 Stat. 3015-17 (35 U.S.C. § 301 *et seq.*).

In September 2013, petitioner sued Square for infringement of three patents: U.S. Patent Nos. 6,764,005, 7,828,207, and 8,490,875. Pet. App. 4a; *id.* at 35a; *id.* at 61a. Square timely requested *inter partes* review of the claims it allegedly infringed as well as several others within the three asserted patents. Pet. App. 3a-4a; *id.* at 34a-35a; 60a-61a. Petitioner and Square agreed to stay the district court case pending resolution of the *inter partes* review proceedings.

A. Proceedings Before the Board

In response to a petition for *inter partes* review, the PTO's procedural rules permit patent owners to file a Preliminary Response that provides reasons the Board (as the PTO Director's designee) should not institute review. 37 C.F.R. § 42.107. In his Preliminary

Response, petitioner asserted that “these proceedings violate the Article I Separation of Powers doctrine,” and he argued that “only a judicial proceeding under Article III may properly revoke a patent. . . .” A0951-53; A2605-07; A4436-38. He also argued that the Board’s review violates his Seventh Amendment rights. *Id.* The Board did not address petitioner’s constitutional arguments in its institution decision. Instead, it focused exclusively on the merits of Square’s challenge, and it instituted review of most of the claims Square challenged and all of the claims at issue in the pending district court action. Pet. App. 3a-4a; *id.* at 34a-35a; *id.* at 60a-61a. Petitioner did not move for rehearing of the Board’s institution decision on any issue, even though the Board’s rules expressly allow for such a motion. 37 C.F.R. § 42.71(d).

After instituting review, the Board issued its standard scheduling order, which warned petitioner that “any arguments for patentability not raised in the [Patent Owner] Response would be deemed waived.” A1856, A3495, A5309; *see also* IPR2014-00156, Paper 10, at 3 (PTAB May 15, 2014) (reproducing the Board’s order). Petitioner did not, however, raise any constitutional challenges in his Patent Owner Response. Nor did petitioner ever seek leave to amend his Patent Owner Response to submit briefing on any constitutional claims. Petitioner’s decision to withhold his constitutional arguments from the Patent Owner Response prevented Square from addressing them and

creating a full administrative record: PTO rules expressly limited Square’s reply “to arguments raised in the . . . patent owner response.” 37 C.F.R. § 42.23.

After briefing and discovery closed, petitioner submitted a Request for Oral Argument. *See, e.g.*, IPR2014-00156, Paper 24, at 1 (PTAB Nov. 6, 2014). Petitioner’s request did not state that he intended to raise his constitutional challenges. A week before the oral argument, however, petitioner filed a “Notice of Patentee’s Intent To Argue Unconstitutionality” (“Notice of Intent”) without obtaining leave from the Board to do so. *Id.*, Paper 34, at 1 (PTAB Jan. 2, 2015). In that Notice, petitioner explained that—in parallel proceedings before the U.S. District Court for the Eastern District of Virginia—the Government “flagged a need for [petitioner] to ‘preserve’ [his constitutional challenges] to be entitled to appellate review of the question.” *Id.* at 1. Accordingly, petitioner wanted to make it “more clear” that he intended to pursue his constitutional challenges to the Board’s ability to find previously issued claims unpatentable. *Id.* at 2. The Board expunged petitioner’s Notice of Intent as unauthorized and untimely. A5331-32.

At oral argument, petitioner nonetheless attempted to raise “the constitutionality question the [petitioner] raised in the preliminary response.” A1804. The Board declined to hear those arguments. In particular, when petitioner attempted to raise his constitutional challenges, the Board asked Square if it had “underst[ood] that [petitioner] w[as] going to bring up constitutionality issues.” A1805. Square responded: “No, that’s why

[those arguments] weren't in our reply brief. They weren't in the Patent Owner response." *Id.* The Board concluded that petitioner had waived his right to raise constitutional challenges at the oral argument, noting that "there simply is not sufficient notice to the other side." *Id.*; *see also id.* at A1805-06 ("Even the Board did not understand you wanted to argue that[. . .] [T]here is not enough notice to the other side. So you can't raise that at this oral argument."); *id.* at 1806 ("[T]hey just said they didn't have enough notice. And we understand why that is.").

The Board did, however, give petitioner the opportunity to seek to raise his constitutional arguments in a manner that would have allowed Square to respond. The Board said: "If you want to pursue the issue further, you can initiate another conference call after the oral argument." *Id.* Petitioner declined the Board's invitation, however, and he took no additional steps to raise his constitutional challenges according to the PTO's rules. As a result, the record related to those arguments was not developed.

The Board ultimately issued a Final Written Decision for each challenged patent, in which it concluded that all of the challenged claims were unpatentable. Pet. App. 3a-101a. The Board did not address petitioner's constitutional challenges in those decisions. Petitioner again failed to seek reconsideration of this or any aspect of the Board's decisions which, by regulation, it had the unfettered right to do. 37 C.F.R. § 42.71(d).

B. Proceedings Before the Federal Circuit and this Court

In proceedings before the Federal Circuit, petitioner sought reversal of the Board’s decisions on the merits and also on the grounds that IPR proceedings violate Article III and the Seventh Amendment.¹ In response, Square argued (among other things) that petitioner had waived his constitutional challenges.

Before this Court, petitioner contends that he “overcame” the waiver arguments Square presented to the Federal Circuit. Pet. at 4. That is incorrect. The Federal Circuit issued a summary affirmance of the Board’s Final Written Decisions. Pet. App. 1a-2a.



REASONS FOR DENYING THE WRIT

I. This Case Is an Improper Vehicle for Review

A. Petitioner Waived His Article III Challenge

Petitioner repeatedly waived his Article III challenge by failing to comply with the Board’s rules and orders. Congress created *inter partes* review 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 40 (2011). To further that goal, Congress granted the PTO “authority to issue ‘regulations . . . establishing and governing inter

¹ Petitioner has abandoned his Seventh Amendment challenge and limits his arguments before this Court to Article III.

partes review.’” *Cuozzo*, 579 U.S. ___ (slip op. at 13) (quoting 35 U.S.C. § 316(a)(4)). Congress also has given the Board authority to conduct *inter partes* proceedings. 35 U.S.C. § 316(c). Pursuant to that delegated authority, the PTO Director has established detailed procedural rules for each IPR. Likewise, pursuant to its delegated authority and the PTO Director’s rules, the Board issues a standard scheduling order in each IPR. These rules and orders govern the manner in which parties must raise their arguments and the Board’s process for deciding them.

In view of petitioner’s repeated failure to present his constitutional challenges in the manner the Board requires, and instructed him to use, the Board correctly declined to hear petitioner’s Article III challenge. As shown, petitioner did not include his constitutional challenges in his Patent Owner Response, which prevented Square from responding in writing and developing the record on those issues. *See supra* pp. 4-5. Moreover, petitioner did not provide adequate notice that he intended to argue the issue at oral argument. *Id.* pp. 5-6. Thus, Square was prevented from responding to petitioner’s constitutional challenges either prior to, or at, oral argument. Moreover, during oral argument, the Board provided petitioner with an opportunity to request leave to present his constitutional challenges in a manner that complied with the PTO’s rules and orders—and afforded Square an opportunity to respond—but he declined to do so. *Id.* p. 6.

Petitioner’s decision not to present his constitutional challenges in the manner the Board instructed

operates as a waiver. This Court has held: “No procedural principle is more familiar to this Court than that a constitutional right may be forfeited in criminal as well as civil cases by the failure to make timely assertion of the right before a tribunal having jurisdiction to determine it.” *Yakus v. United States*, 321 U. S. 414, 444 (1944); *see also Stern v. Marshall*, 564 U.S. 462, 482 (2011) (holding that the party challenging jurisdiction waived his challenge by failing to raise it timely).² On this basis alone, the petition should be denied.

Below, petitioner suggested that he need not have raised his constitutional challenges before the Board because the Board lacks jurisdiction to strike down Congressional enactments. That argument is contrary to this Court’s authority. For example, in *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 215 (1994), this Court noted that an agency can be found to have jurisdiction to consider constitutional questions when it has addressed such questions “in previous enforcement proceedings.” Here, the Board repeatedly has addressed constitutional challenges to its authority. *See, e.g., American Express Co. v. Lunenfeld*, CBM2014-00050, Paper 51, at 9-10 (PTAB May 22, 2015) (“[F]or the reasons articulated in *Patlex*, we conclude that covered business method patent reviews, like reexamination proceedings, comply with the Seventh Amendment.”); *Hewlett-Packard Co. v. MCM Portfolio, LLC*,

² Square does not distinguish between “waiver” and “forfeiture” of rights in this Brief because petitioner’s constitutional challenges are not properly before this Court whether he waived or forfeited those challenges.

IPR2013-00217, Paper 31, at 4-5 (PTAB Aug. 6, 2014) (rejecting MCM Portfolio’s Article III challenge to IPR proceedings).³

Likewise, this Court has held that the principle that “[a]djudication of the constitutionality of congressional enactments has generally been thought beyond the jurisdiction of administrative agencies” is “not mandatory.” *Thunder Basin*, 510 U.S. at 215. Courts typically conclude that an agency lacks authority to consider constitutional questions only when the agency’s consideration of the question would require “the agency to act contrary to its statutory charter” or would preclude judicial review. *Riggin v. Office of Senate Fair Employment Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995).⁴ That is not the case here. Indeed, petitioner has represented to this Court that—if he prevails—the Board will continue to operate precisely as it does now but its opinions will be treated as

³ Some panels of the Board have explicitly declined to address constitutional challenges to their authority to conduct *inter partes* review on the grounds that they lack authority to invalidate a statute on constitutional grounds. *See, e.g., Square, Inc. v. Unwired Planet LLC*, IPR2014-01165, Paper 32, at 25-26 (PTAB Oct. 30, 2015).

⁴ Petitioner relied on *Riggin* before the Federal Circuit, but its holding supports Square. There, the Federal Circuit *reversed* the administrative agency’s ruling that it lacked jurisdiction to address constitutional questions, and it confirmed that agencies typically do have jurisdiction to consider constitutional questions: “[W]e believe the hearing board was too quick to disclaim jurisdiction over the petitioners’ constitutional challenge to the CPRA.” *Id.* The Federal Circuit in *Riggin* likewise noted that there are many instances in which a Board’s determination of constitutional questions is both helpful and appropriate. *Id.* at 1570.

non-binding. *See* Pet. For Writ of Certiorari, *Cooper v. Lee* (No. 15-955), at 38. Thus, the Board's decision to address constitutional challenges to its authority is not inconsistent with its statutory obligation to determine if particular claims are unpatentable.

Petitioner next improperly argues that his inaction in raising his constitutional challenges is excused because the PTO's rules prevented him from including his challenges in his Patent Owner Response. *See* 37 C.F.R. § 42.120. This argument fails. As the Board explained to petitioner at oral argument, he would have been permitted to argue his constitutional challenges if he had included them in his Patent Owner Response. A1804-05. Thus, the Board has construed its own procedural rules as allowing (and indeed requiring) petitioner to raise his constitutional challenges in his Patent Owner Response. Having failed to do so, it is incomprehensible that the petitioner thereafter decided not to accept the Board's invitation to file a separate, post hearing motion specifically directed to his constitutional challenges.

In sum, petitioner repeatedly waived his constitutional challenges by ignoring the Board's rules, orders, and instructions, all of which informed him how he could raise his challenges. The Court should decline to review these waived arguments.

B. Petitioner Failed To Exhaust Administrative Remedies

Petitioner’s claims are also barred because he failed to exhaust his constitutional challenges before the Board. In *Woodford v. Ngo*, 548 U.S. 81 (2006), this Court explained that “[t]he doctrine of administrative remedies is well established in the jurisprudence of administrative law,” and the “doctrine provides that no one is entitled to judicial relief . . . until the prescribed administrative remedy has been exhausted.” *Id.* at 88-89 (internal quotations omitted).

The exhaustion requirement offers numerous benefits. For example, it promotes efficiency because proceedings before the agency can eliminate the need for judicial review of particular issues or facilitate settlement. *Id.* at 89. In addition, exhaustion “may produce a useful record for subsequent judicial consideration, especially in a complex or technical factual context.” *McCarthy v. Madigan*, 503 U.S. 140, 145 (1992). Here, if this Court were to address petitioner’s constitutional challenges, it would need to determine, among other things, whether a patent is a “‘public right’ [whose validity] can be decided outside the Judicial Branch” without violating Article III. *Stern*, 564 U.S. at 488. Public rights include those that “derive[] from a federal regulatory scheme” and those whose resolution “by a government agency is deemed essential to a limited regulatory objective within the agency’s authority.” *Id.* at 490. Had petitioner exhausted his constitutional arguments, the Board—through its panels

of expert administrative patent judges—could have entered factual findings regarding the PTO’s regulatory objectives and whether it is essential to those objectives that the PTO have the ability to reconsider issued patent claims. Based on those findings, the Board could have provided a nuanced and helpful analysis of the constitutional issues presented here.

Despite the obvious benefit of exhaustion, this Court has recognized that there are many “parties who do not want to exhaust,” and who either fail completely in their obligations or make only halfhearted efforts. *Woodford*, 548 U.S. at 90. Accordingly, this Court has generally insisted—as a condition for judicial review—on exhaustion “using all the steps the agency holds out, and doing so *properly*.” *Id.* Here, petitioner repeatedly failed to comply with the Board’s rules and orders when raising his constitutional challenges. *See supra* pp. 4-6. Accordingly, his claims are barred for failure to exhaust.

Below, petitioner argued that *Woodford* is distinguishable because it involved a statutory exhaustion requirement. That argument misstates *Woodford*’s analysis. In *Woodford*, when discussing the exhaustion requirement, this Court made clear that exhaustion is a basic feature of administrative law. 548 U.S. at 88-90. It applies whether or not an agency’s organic statute explicitly requires exhaustion. *Id.* at 90 (referring to “[a]dministrative law” as the basis for “requiring proper exhaustion of administrative remedies”). Moreover, the AIA contains a *de facto* statutory exhaustion requirement. In particular, 35 U.S.C. § 314(d) provides

that the courts may only review the Board's Final Written Decision. *Id.* By confining review to the Board's Final Written Decision, the AIA requires those seeking review to present their challenges to the Board, and it allows judicial review only of those issues the Board decides. *Cuozzo*, 579 U.S. at __ (slip op. at 9-11). That is the essence of exhaustion.

In addition, petitioner's argument that *Woodford* is distinguishable (because it involved an express exhaustion requirement) ignores the Board's orders that expressly required exhaustion. In particular, the Board issued scheduling orders that instructed petitioner that any issue regarding patentability not raised in his Patent Owner Response would be waived. A1856; A3495; A5309. Likewise, at oral argument, the Board explained to petitioner that he had not properly raised his constitutional challenges, and it explained the steps he needed to take to do so. Petitioner declined to take the necessary steps. In sum, petitioner could have raised his constitutional arguments in his Patent Owner Responses or through supplemental proceedings the Board invited. By declining those opportunities, he failed to heed the Board's exhaustion requirements.

Petitioner has also argued that his failure to exhaust is excused by futility or bias. Regarding futility, petitioner contends that the Board lacks the authority to declare that IPR proceedings violate Article III, and it would therefore be useless to require him to raise his claims before the Board. As shown above, even though

the Board lacks authority to declare *inter partes* review unconstitutional, the Board's analysis would nonetheless be valuable. *See supra* pp. 12-13. For example, the Board could have entered factual findings and provided related analysis that would have been beneficial for the Federal Circuit or for this Court. *See id.* p. 13. Petitioner's bias arguments also fail. Below, he argued that the Board is biased, but he provides no evidence to support that claim.

Finally, petitioner argues that exhaustion was not required under the Federal Circuit's opinion in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1321 n.10 (Fed. Cir. 2015). *Versata* does not bind this Court and, in any event, is inapposite. There, the Federal Circuit held that it may review the Board's determination that a patent qualifies for Covered Business Method Review even if that issue was raised and resolved only during the "initiation stage of the proceeding." *Id.* at 1321. In *Versata*, unlike in this case, the party challenging the patent's validity raised the issue in its IPR petition, arguing that the challenged patent qualified as a "covered business method patent" and was not a "technological invention." *Id.* at 1314, 1323. In its Preliminary Response, the patent owner had a full and fair opportunity to "challenge[] each of these propositions." *Id.* at 1314. Thereafter, based on a full record, the Board addressed and resolved those issues. *Id.* When the jurisdictional issue was presented to the Federal Circuit for judicial review, it had been fully exhausted and a complete record existed to facilitate its review. Here, in contrast, petitioner raised his

constitutional challenges in a way that barred Square from responding on the merits and ensured there would not be a full record regarding those challenges. He further declined the Board's invitation to raise his challenges in an approved manner. Accordingly, *Versata* supports rather than undercuts Square's argument that petitioner failed to exhaust.

C. This Court Should Decline Review Because the Proceedings Below Do Not Assist the Court in Answering the Questions Presented

Petitioner improperly asks the Court to decide issues that neither the Federal Circuit nor the Board addressed because the record below was inadequate. The Court should decline petitioner's invitation.

To reach petitioner's constitutional challenges, the Court would first need to decide whether it has jurisdiction to do so. In *Cuozzo*, this Court recounted that 35 U.S.C. § 314(d) generally bars appeal of the Board's decision to institute *inter partes* review. 579 U.S. __ (slip. op. at 11). Likewise, 35 U.S.C. § 319 "limit[s] appellate review to the 'final written decision.'" *Cuozzo*, 579 U.S. __ (slip op. at 8) (citing 35 U.S.C. § 319). Here, the Board's Final Written Decisions do not address petitioner's constitutional arguments. Accordingly, this case presents the question this Court reserved in *Cuozzo*: Whether § 314(d) and § 319 bar review of constitutional challenges raised solely at the institution stage of an IPR. *Cuozzo*, 579 U.S. __ (slip op. at 11).

The problem is that—because of petitioner’s inaction—the Federal Circuit did not address whether § 314(d) or § 319 bar consideration of petitioner’s constitutional challenges. For the same reason, neither the Board nor the Federal Circuit addressed the merits of petitioner’s constitutional challenges. Respected commentators have noted that the court of appeals’ decision not to address the question presented is “ordinarily fatal to the petition.” *Shapiro et al., Supreme Court Practice* § 6.37(i)(3) at 508 (10th ed. 2014). Accordingly, this case is an improper vehicle for addressing petitioner’s constitutional challenges or the predicate issue of whether the AIA prevents this Court from addressing them.

II. The PTO’s Authority To Reconsider The Validity of Issued Patents Is Well Settled

Petitioner presents no substantive arguments in support of his constitutional challenges, nor does he explain why the Court should disturb the PTO’s 35-plus-year history of cancelling erroneously issued patent claims. Instead, petitioner simply refers to the arguments he raised in his petition in *Cooper v. Lee* (No. 15-955). Square likewise refers to and adopts the arguments the Solicitor General offered in his Brief for the Respondent in Opposition in *Cooper v. Lee*, as well as the arguments the Solicitor General and HP Inc. raised in their briefs in opposition to certiorari in

MCM Portfolio LLC v. Hewlett-Packard Co. (No. 15-1330). Having denied certiorari in those cases, the Court should deny certiorari here as well.



CONCLUSION

The Court should deny the petition for a writ of certiorari.

Respectfully submitted,

ERIKA H. ARNER
DANIEL C. COOLEY
FINNEGAN, HENDERSON, FARABOW,
GARRETT & DUNNER, LLP
Two Freedom Square
11955 Freedom Drive, Suite 800
Reston, VA 20190
(571) 203-2700

THEODORE J. ANGELIS
Counsel of Record
DOUGLAS B. GREENSWAG
K&L GATES LLP
925 4th Avenue, Suite 2900
Seattle, WA 98104
theo.angelis@klgates.com
(206) 623-7580

Counsel for Respondent Square, Inc.