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THE PROCEDURAL PATHWAY MATTERS: WHEN THE FEDERAL CIRCUIT LACKS JURISDICTION TO ADJUDICATE AN APPEAL ON PATENT VALIDITY

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Under the majority of circumstances, the United States Court of Appeals for the Federal Circuit ("Federal Circuit") has exclusive jurisdiction over patent law and related issues,[1] but in *Personal Audio, LLC v. CBS Corporation*,[2] the Federal Circuit found itself unable to pass judgment on patent validity claims due to a lack of jurisdiction. This atypical outcome resulted from interactions between multiple lawsuits, parties, and cases centering around one specific patent.

The passage of the America Invents Act[3] ("AIA") in 2011 dramatically changed the United States' patent landscape in many ways, including adoption of a 'first to file' system,[4] novel *inter partes* review ("IPR") proceedings, and the establishment of the Patent Trial and Appeal Board ("PTAB"). The PTAB primarily decides questions of patentability, dealing with appeals from patent examiner rejections, IPRs, and other patent-related matters.[5] Generally, appeals from PTAB decisions are heard by the Federal Circuit;[6] cases can be further appealed to the United States Supreme Court. However, neither the Supreme Court nor the Federal Circuit hears only patent-related cases. In *Personal Audio*, the Federal Circuit concluded the pathway by which an appeal of a PTAB decision lands in the Federal Circuit is dispositive on whether or not the court has jurisdiction to review the patent issue at hand.[7]

An overview of this case's complex procedural posture includes a federal district court, the PTAB, the Federal Circuit, and then the Federal Circuit for a second time. In the first chronological case leading to this PTAB appeal, Personal Audio, LLC ("Personal Audio") sued CBS Corporation ("CBS") for patent infringement in the Eastern District of Texas.[8] Before the district court case concluded, a third party petitioned for an IPR of the patent.[9] This one patent was now at issue

[1] 28 U.S.C. § 1338 (2018).
[2] 946 F.3d 1348 (Fed. Cir. 2020).
[3] Leahy-Smith America Invents Act. Pub. L. No. 112-29, 125 Stat. 284 (2011).
[4] Previously, the United States was a 'first to invent' system.
[5] 35 U.S.C. § 6 (2018).
[6] 35 U.S.C. § 141 (2018).
[7] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1351 (Fed. Cir. 2020).
[8] Pers. Audio, LLC v. CBS Corp., 2014 U.S. Dist. LEXIS 45713 (E.D. Tex., Mar. 11, 2014)
[9] Elec. Frontier Found. v. Pers. Audio, LLC, No. IPR2014-00070, 2014 Pat. App. LEXIS 9070 (P.T.A.B. Apr. 10, 2014).

before two adjudicative bodies, simultaneously.[10] The district court's jury sided with Personal Audio on infringement claims,[11] but the PTAB found the patent to be invalid.[12] As these decisions were likely to produce conflicting results, the parties agreed to stay district court proceedings until the PTAB's final judgment.[13] In the first round of appeals, the PTAB's decision was appealed to and affirmed by the Federal Circuit.[14] The parties resumed proceedings in the Eastern District of Texas and agreed to abide by the Federal Circuit's affirmation of the PTAB decision. The district court accordingly found judgment in favor of CBS. Finally, in a second round of appeals, Personal Audio appealed this decision to the Federal Circuit.

In early 2013, the first case in this saga materialized: Personal Audio brought a patent infringement suit against CBS, alleging infringement of Patent Number 8,122,504[15] ("the '504 patent") in the Eastern District of Texas.[16] The '504 patent was generally directed to a player for audio programming, but the claims at issue[17] "relate[d] to how audio program segments are distributed to client subscriber[s]."[18] In response, CBS alleged that the patent was invalid. In September 2014, a jury sided with Personal Audio and awarded $1.3 million in damages.[19] However, this jury decision did not end the district court case.

Before the district court case concluded, in October 2013, a third party, the Electronic Frontier Foundation, filed for an IPR of the very same claims of the '504 patent.[20] In April 2014, the PTAB reviewed the claims and issued a final written decision stating the claims were anticipated and obvious, and therefore unpatentable.[21] The

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[10] For a list of other cases involving this patent, see *infra* note 40.
[11] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1350 (Fed. Cir. 2020).
[12] Elec. Frontier Found. v. Pers. Audio, LLC, No. IPR2014-00070, 2014 Pat. App. LEXIS 9070, *38–*39 (P.T.A.B. Apr. 10, 2014).
[13] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1349 (Fed. Cir. 2020).
[14] Pers. Audio, LLC v. Elec. Frontier Found., 867 F.3d 1246, 1247–48 (Fed. Cir. 2017).
[15] U.S. Patent No. 8,112,504.
[16] Pers. Audio, LLC v. CBS Corp., 2014 U.S. Dist. LEXIS 45713 (E. D. Tex. Mar. 11, 2014).
[17] The claims at issue were Claims 31-35 of the '504 patent.
[18] Elec. Frontier Found. v. Pers. Audio, LLC, No. IPR2014-00070, 2014 Pat. App. LEXIS 9070, *3 (P.T.A.B. Apr. 10, 2014).
[19] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1350 (Fed. Cir. 2020).
[20] Elec. Frontier Found. v. Pers. Audio, LLC, No. IPR2014-00070, 2014 Pat. App. LEXIS 9070, *2 (P.T.A.B. Apr. 10, 2014).
[21] *Id*. at *6.

PTAB rejected Personal Audio's petition to rehear the case, which was grounded in two purported constitutional violations: that the district court's re-examination of jury findings violated the Seventh Amendment's prohibition on re-examination of jury findings and that IPRs, and therefore the PTAB's final written decision, violated the Fifth Amendment's Due Process Clause.[22] In 2017, the Federal Circuit affirmed the PTAB's decision,[23] and, in early 2018, the Supreme Court denied certiorari.[24]

At this point, the original district court case from 2013 — temporarily stayed until the IPR was officially concluded — resumed. In May 2018, after conclusion of the PTAB case, Personal Audio and CBS submitted a status report to the district court that stated they would abide by the IPR's final result and that no precedent existed that would support any other result.[25] Even though Personal Audio claimed that the court overturning a jury verdict to side with CBS constituted an impermissible Seventh Amendment violation and that the IPR outcome should not be given collateral estoppel effect, both parties signed this statement. The court, abiding by this agreement instead of following the jury's determination from 2014, entered judgment for CBS.[26] Soon after, in July 2018, the U.S. Patent and Trademark Office canceled the patent claims at issue.[27]

Personal Audio appealed the district court's decision to the Federal Circuit, which affirmed.[28] Judge Taranto, writing for the panel, rejected both of Personal Audio's arguments, for a lack of jurisdiction and a forfeiture of legal arguments. Personal Audio's two arguments challenged the PTAB's final written decision, for the second time, and the district court's decision incorporating the PTAB's final written decision.

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[22] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1350 (Fed. Cir. 2020).
[23] Pers. Audio, LLC v. Elec. Frontier Found., 867 F.3d 1246, 1253 (Fed. Cir. 2017)
[24] Pers. Audio, LLC v. Elec. Frontier Found., 138 S. Ct. 1989, 201 L. Ed. 2d 249 (2018).
[25] Pers. Audio, LLC v. CBS Corp., 946 F.3d 1348, 1350 (Fed. Cir. 2020).
[26] *Id.*
[27] *Id.* at 1350–51.
[28] *Id.* at 1351.

The court grappled with the first challenge and its own lack of jurisdiction to re-hear these patent validity claims from the IPR. The court was unable to speak to the PTAB's decision in this case, because this power is reserved only for "direct appeal from the [PTAB's] final written decision."[29] This was not a direct appeal of the PTAB's decision, as that appeal occurred years prior, and this case came from the Eastern District of Texas. The Federal Circuit flatly disallowed this "collateral attack" on the PTAB's decision.[30] This holding emphasizes the importance of procedure, ensures stability in the legal system by requiring adherence to formal procedural rules, and disallows a party a second chance to litigate an issue already fully litigated and decided — especially as it was brought before the same court, the Federal Circuit. The court did not address the question of permissibility of hearing issues from the PTAB appeal at the district court appeal, if both the PTAB and district court appeals to the Federal Circuit had been concurrent.

Because the court lacked jurisdiction to address the PTAB decision, all of Personal Audio's arguments, alleging violations of constitutional rights, failed.[31] Personal Audio claimed the PTAB's final decision violated the Seventh Amendment's Reexamination Clause, Article I's Ex Post Facto Clause, the Fifth Amendment's Takings Clause, and the Fifth Amendment's Due Process Clause.[32] The court also noted that, except for the Seventh Amendment argument, Personal Audio forfeited these claims by failing to mention them at the district court.[33] After the briefing stage, Personal Audio added yet another Constitutional challenge regarding the Appointments Clause.[34] This also failed for lack of jurisdiction and was forfeited.[35] Relating to the Seventh Amendment challenge, Personal Audio essentially wanted the jury verdict about infringement against CBS to have a collateral estoppel effect in an IPR initiated by an unrelated third party, just because the same patent and claims were at issue.

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[29] *Id*. at 1349.
[30] *Id*. at 1353.
[31] *Id*. at 1351.
[32] *Id*.
[33] *Id*.
[34] *Id*. at 1351 n.1.
[35] *Id*.

Personal Audio's second argument did not challenge the PTAB's final decision, but the district court's application of it.[36] However, the court found that Personal Audio forfeited these arguments.[37] When the status report was submitted to the district court, at the conclusion of the preceding case, no such arguments were mentioned. The status report specifically included an agreement between both parties that the district court must rule in favor for CBS and that no legal precedent existed which may indicate another course could be followed.[38] Additionally, Personal Audio "made no argument at all" to distinguish any existing precedent from this case.[39]

Personal Audio has since filed a petition for a writ of certiorari at the Supreme Court.[40] Personal Audio, again, raised its same constitutional issues regarding the PTAB decision, all of which were previously dismissed by the Federal Circuit for a lack of jurisdiction. It repeated its allegations that the IPR decision violated the Appointments Clause of the Constitution and that the non-adherence to the 2014 jury verdict from the original case violated the Seventh Amendment's Re-examination Clause. On October 1, 2020, CBS filed an opposition brief with the Supreme Court, urging that the Federal Circuit decision not be reviewed.[41] Specifically, CBS argued that the PTAB's decision to invalidate the patent was based on information not available to the original jury, meaning that this would be a poor case to address the relationship between PTAB decisions and the Reexamination Clause. CBS also stated that the issues in this case are no broader than this specific lawsuit and these two parties.

Personal Audio's unique story is the result of the messy intersection of multiple, concurrent cases. But, unlike the patent-related litigation spanning multiple courts and producing conflicting results, the Federal Circuit's holding — that the pathway to the Federal Circuit dictates what issues are appealable at the Federal Circuit — produces a clean solution to an unanticipated sequence of events recently allowed by the AIA. This case also emphasizes that, despite the AIA's additional methods to bring patent cases to litigation, patent issues can

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[36] *Id*. at 1353–54.
[37] *Id*. at 1354.
[38] *Id*.
[39] *Id*.
[40] Petition for Writ of Certiorari at 5–14, Personal Audio, LLC v. CBS Corp., 946 F.3d 1348 (Fed. Cir. 2020) (No. 20-260), https://www.supremecourt.gov/DocketPDF/20/20-260/151526/20200827163313954_Personal%20Audio%20Petition%20ALL%20FINAL%20PDFA.pdf [https://perma.cc/MJ9S-ZLBX].
[41] Def.'s Resp. to Pet'r's Writ of Certiorari at 7–10, Personal Audio, LLC v. CBS Corp., 946 F.3d 1348 (Fed. Cir. 2020) (No. 20-260), https://www.ipwatchdog.com/wp-content/uploads/2020/10/CBS-Corp-opposition-brief.pdf [https://perma.cc/7B73-NCM7].

still be appealed only once. The main legal takeaway from this case is that the Federal Circuit, due to statutory schemes and imposed limitations, is unable to and will not hear issues brought to it on an indirect appeal. The secondary takeaway is a reminder that if a legal argument makes its first appearance on appeal, it is forfeited.

The legal developments from the *Personal Audio* saga are unrelated to the impetus behind each of these cases. The '504 patent was filed in 2009, but was implicated in at least seven different district court cases concluding in 2013.[42] Personal Audio, a Texas-based holding company which owns and attempts to enforce five patents, one of which is the '504 patent,[43] has been described as a 'patent troll' on multiple occasions.[44] This enforcement strategy proved successful for Personal Audio, as they have won significant judgments against large companies, including $8 million from Apple over downloadable playlists related to a different patent,[45] and smaller settlements against individual defendants.[46] Personal Audio's suit against a comedian for infringement of the '504 patent caught the attention of the Electronic Frontier Foundation, causing their subsequent petition for an IPR about the '504 patent.[47] Although the claims at issue in *Personal Audio* were limited to sound technology and distribution of program segments, the

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[42] The '504 patent was involved in the following seven cases in 2013: Pers. Audio, LLC v. CBS Corp., No. 2:13-cv270 (E.D. Tex. Apr. 11, 2013); Pers. Audio, LLC v. NBC Universal Media, LLC, No. 2:13-cv-271 (E.D. Tex. Apr. 11, 2013); Pers. Audio, LLC v. Ace Broad. Network, LLC, No. 2:13-cv-14 (E.D. Tex. Jan. 7, 2013); Pers. Audio, LLC v. Howstuffworks.com, No. 2:13-cv15 (E.D. Tex. Apr. 10, 2013); Pers. Audio, LLC v. Togi Entm't, Inc., No. 2:13-cv-13 (E.D. Tex. Jan. 7, 2013); Fox Networks Grp., Inc. v. Pers, Audio, LLC, No. 1:13-cv-11794 (D. Mass. July 26, 2013); Pers. Audio, LLC v. Fox Broad. Co., No. 2:13-cv-577 (E.D. Tex. Aug. 6, 2013).

[43] Sarah Jeong, *Court says patent troll didn't invent podcasting*, THE VERGE (Aug. 8, 2017, 11:12 AM), https://www.theverge.com/2017/8/8/16110766/podcast-patent-troll-appeal-federal-circuit-personal-audio-llc-eff-radio [https://perma.cc/LKY3-QFJS].

[44] *Id*.; Joe Mullin, *"Patent troll" claiming playlist podcasts scores license with SanDisk*, ARS TECHNICA (Sept. 12, 2013, 6:40 PM), https://arstechnica.com/tech-policy/2013/09/patent-troll-claiming-playlists-and-podcasts-scores-license-with-sandisk/ [https://perma.cc/T3KA-RD4X]; Daniel Nazer, *The Good, the Bad, and the Ugly of Adam Carolla's Settlement with the Podcasting Troll*, ELEC. FRONTIER FOUND. (Aug. 18, 2014), https://www.eff.org/deeplinks/2014/08/good-bad-and-ugly-adam-carollas-settlement-podcasting-troll [https://perma.cc/E6ZA-NMSE].

[45] Michelle Meyers, *Apple loses playlist patent suit, must pay $8M*, CNET (July 9, 2011, 11:15 AM), https://www.cnet.com/news/apple-loses-playlist-patent-suit-must-pay-8m/ [https://perma.cc/83CF-RYCS].

[46] Daniel Nazer, *The Good, the Bad, and the Ugly of Adam Carolla's Settlement with the Podcasting Troll*, ELEC. FRONTIER FOUND. (Aug. 18, 2014), https://www.eff.org/deeplinks/2014/08/good-bad-and-ugly-adam-carollas-settlement-podcasting-troll [https://perma.cc/E6ZA-NMSE].

[47] *Id*.

overall patent was about podcasting.[48] There was significant uproar in the podcasting community, as the technology claimed by the '504 patent was so ubiquitous that its patent protection seemed absurd.[49] This occurred at the same time as and independently of Personal Audio's suit against CBS.

Even though the legal takeaways from *Personal Audio* are about jurisdiction stemming from a direct appeal, this line of cases is celebrated by the broader tech community as a victory for podcasters and against patent trolls.[50]

[48] Matthew Bultman, *CBS Secures Victory in Podcasting Patent Infringement Fight*, BLOOMBERG LAW (Jan. 10, 2020, 9:11 AM), https://news.bloomberglaw.com/ip-law/cbs-secures-victory-in-podcasting-patent-infringement-fight [https://perma.cc/5YB5-JUP9].
[49] Sarah Jeong, *Court says patent troll didn't invent podcasting*, THE VERGE (Aug. 8, 2017, 11:12 AM), https://www.theverge.com/2017/8/8/16110766/podcast-patent-troll-appeal-federal-circuit-personal-audio-llc-eff-radio [https://perma.cc/LKY3-QFJS]; *EFF v. Personal Audio LLC*, ELEC. FRONTIER FOUND, https://www.eff.org/cases/eff-v-personal-audio-llc.
[50] Daniel Nazer, *EFF Wins Final victory Over Podcasting Patent*, ELEC. FRONTIER FOUND (May 14, 2018), https://www.eff.org/deeplinks/2018/05/eff-wins-final-victory-over-podcasting-patent [https://perma.cc/E6ZA-NMSE]; Tim Sampson, *Podcasting gets major victory over patent troll*, DAILY DOT (Apr. 16, 2015, 3:46 PM), https://www.dailydot.com/debug/podcasters-win-war-on-patent-trolls-personal-audio/ [https://perma.cc/RAV9-DAD3].