No. 2023-1318, -1441

In the United States Court of Appeals for the Federal Circuit

ISLAND INTELLECTUAL PROPERTY LLC,

Plaintiff-Appellee,

v.

TD AMERITRADE, INC., TD AMERITRADE CLEARING, INC., TD AMERITRADE TRUST CO., TD AMERITRADE HOLDING CORP., THE CHARLES SCHWAB CORPORATION,

Defendants-Appellees.

Appeals from the United States District Court
for the Eastern District of Texas, No. 2:21-cv-00273-JRG-RSP.
The Honorable J. Rodney Gilstrap, Judge Presiding.

AMICUS CURIAE BRIEF OF US INVENTOR, INC. IN SUPPORT OF APPELLANT'S PETITION FOR REHEARING AND REVERSAL

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

CERTIFICATE OF INTEREST

Case Number 2023-1318, 2023-1441

Short Case Caption Island Intellectual Property LLC v. TD Ameritrade, Inc.

Filing Party/Entity US Inventor, Inc.

Instructions:

1. Complete each section of the form and select none or N/A if appropriate.
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Date: 07/01/2024

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Name: Robert P. Greenspoon

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities. ☑ None/Not Applicable	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities. ☑ None/Not Applicable
US Inventor, Inc.		

☐ 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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5. Related Cases. Other than the originating case(s) for this case, are there related or prior cases that meet the criteria under Fed. Cir. R. 47.5(a)?

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If yes, concurrently file a separate Notice of Related Case Information that complies with Fed. Cir. R. 47.5(b). **Please do not duplicate information.** This separate Notice must only be filed with the first Certificate of Interest or, subsequently, if information changes during the pendency of the appeal. Fed. Cir. R. 47.5(b).

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After an "opaque and unilluminating" two-sentence analysis of the merits at the district court (Pet. 1), Petitioner received even less after appealing to this Court: only one word, "Affirmed." Petitioner's status underscores that this Court issues one-word affirmances even where decisions on review never explained why a party lost. It is one thing to withhold reasoning behind a review decision when a lower tribunal completely explained itself. It is quite another when the appellant cogently showed there was no explanation. Petitioner now suffers a double-blind double-whammy. It does not know why it lost at either the trial or appellate level of the judicial system. This is anathema to the rule of law in a civil society, and merits searching review of this Court's practices.

This Court's controversial use of one-word affirmances merits this Court's review *en banc*. The local rule in question (Federal Circuit Rule 36) is illogical. Rule 36 embodies this Court bestowing upon itself a quixotic power to affirm even when the conditions exist for it to reverse or remand. Rule 36 as written permits affirmance in cases that should be reversed, negatively impacts development of both the public and the private patent law, and systematically biases cases toward affirmance through stymying "vote fluidity" among Circuit Judges. This Court *en banc* should take this opportunity to review Federal Circuit Rule 36 and issue a supervisory directive suspending it pending formal local rulemaking to eliminate it. Petitioner presented strong Supreme Court and other circuit authority showing that litigants

before this Court are entitled to some form (even a short form) of reasoned written appellate decisionmaking. The rhetorical question is obvious: If most other circuit courts of appeal can find a way to issue at least a short written decision alongside the appellate judgment in all of their cases, why can't this one?

I. INTEREST OF AMICUS CURIAE[1]

US Inventor, Inc. ("US Inventor") is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its tens of thousands of inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the "little guy" inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation.

US Inventor's membership includes both appellants and appellees adversely affected by the Federal Circuit's no-opinion affirmances. Appellants feel aggrieved

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[1] No counsel for a party authored this brief in whole or in part. No person or entity other than *Amicus* or its counsel made a monetary contribution to the preparation or submission of this brief. Consent for filing this *amicus* brief has been obtained from Petitioner Island, but not from Respondent TD Ameritrade *et al*. This brief is being filed pursuant to the concurrently filed motion for leave per Fed. R. App. P. 29(b)(2).

after having brought what they thought were meritorious appeals from district court invalidation decisions, only to lose their appeals without ever finding out why. Even appellees among US Inventor's membership cannot truly feel secure as winners, for reasons discussed below: through no fault of their own, their victories may not entitle them to the protections of issue preclusion / collateral estoppel.

As friend of the Court, US Inventor has perspective to supply additional reasons beyond those named by Appellant for adjudicating the soundness of the Federal Circuit's rule permitting affirmances without opinion.

II. THE PANEL DECISION AND RESULTING PETITION

On May 16, 2024, in a single-word opinion stating only "Affirmed," citing Rule 36, a panel of this Court affirmed a district court decision holding U.S. Patent No. 7,509,286 (the "'286 Patent") invalid under 35 U.S.C. § 101 for claiming ineligible subject matter. (ECF#45, Judgment at 2).

On June 17, 2024, Appellant filed a Petition for Rehearing *En Banc*, arguing that the district court erred (1) under Fed. R. Civ. P. 56 by failing to view facts in a light most favorable to Appellant, and (2) in failing to provide any analysis under the second step of the two-step test for patent eligibility set forth in *Alice Corp. Pty. Ltd. v. CLS Bank Int'l*, 573 U.S. 208, 217-18 (2014). (ECF#54, Petition at 1-2). In addition to supporting *en banc* review based upon Appellant's Petition grounds, and for the reasons discussed below, *Amicus* US Inventor respectfully submits that this

Court's use of Rule 36 for the issuance of judgments without opinion is illogical, against public policy, and deprives Judges of this Court the best opportunity to reach correct case outcomes.

III. THESE ISSUES SHOULD BE ADDRESSED ON REHEARING

A. Rule 36 Is Illogical and Unsound on Its Face, as It Bestows Authority on this Court to Affirm in Appeals Where It Should Reverse or Remand.

First and foremost, Rule 36 deserves this Court's review because it is illogical and constitutionally unsound. On its face, Rule 36 gives license to appellate panels to affirm when they should reverse. The text of this appellate local rule sets forth "any of" five conditions under which the Court will grant itself authority to affirm without opinion:

Federal Circuit Rule 36
Rule 36. Entry of Judgment – Judgment of Affirmance Without Opinion

> The court may enter a judgment of affirmance without opinion, citing this rule, when it determines that any of the following conditions exist and an opinion would have no precedential value:
>
> (a) the judgment, decision, or order of the trial court appealed from is based on findings that are not clearly erroneous;
>
> (b) the evidence supporting the jury's verdict is sufficient;
>
> (c) the record supports summary judgment, directed verdict, or judgment on the pleadings;

> (d) the decision of an administrative agency warrants affirmance under the standard of review in the statute authorizing the petition for review; or
>
> (e) a judgment or decision has been entered without an error of law.

Fed. Cir. R.36.

Consider the final condition (e). If this Court determines that a decision has been "entered without an error of law," and its opinion would not have precedential value, Rule 36 would then allow a one-word disposition: "AFFIRMED." Yet this Court may affirm in that circumstance even if it agrees that the decision under review contains prejudicial ***factual*** errors that led the lower tribunal to the wrong outcome. Petitioner makes a strong case that this illogic might have occurred in this very case. After all, the list of five conditions is disjunctive (separated in effect by "or's," not "and's"). That is, as long as a lower tribunal states correctly the legal standard of decision, this Court licenses itself to affirm without explanation even if the same lower tribunal grossly mistook the facts applied to that standard.

Thus on its face, Rule 36 permits unjust outcomes, allowing affirmances where there should be reversals or remands. *Cf.* 28 U.S.C. § 2111 (solely permitting Court of Appeals dispositions that are "just").

Due process under the U.S. Constitution requires notice and opportunity to be heard by a neutral and unbiased decision maker. Due process requires, at minimum, decision making by an "adjudicator who is not in a situation which would offer a

possible temptation to the average man as a judge which might lead him not to hold the balance nice, clear and true." *Concrete Pipe & Prods. of Cal., Inc. v. Construction Laborers Pens. Trust for Southern Cal.*, 508 U.S. 602, 617-18 (1993). Constitutional concerns arise over neutrality not because of any actual bias by decision makers, but because of a probability or perceived possibility of bias. *Caperton v. A.T. Massey Coal Co.*, 556 U.S. 868, 872 (2009).

Rule 36 undermines this Court's ability to rule out any perceived possibility of bias. Implicit in the requirement of an unbiased decisionmaker is the notion that cases should receive the disposition that they deserve. That is why it is called "due" process. Rule 36 permits this Court's to dispose of cases in the opposite manner: with an affirmance when it should actually vacate or reverse because of mistaken factual findings. The very existence of the rule justifies "undue" outcomes.

This danger is not theoretical. In the Appellant's appeal, it raised and developed its argument that the district court committed material ***factual*** errors in its findings leading to invalidity. (ECF#20, Opening Brief at 43-50, 53-55, arguing that the district court ignored evidence of inventiveness under step two of *Alice*). Paradoxically, Rule 36(e) permits a panel of this Court to agree that prejudicial factual errors like these permeate the lower tribunal's decision, yet affirm anyway. This Court should step in *en banc* to review the validity of this unneeded, unjust and disruptive power that this Court bestows upon itself.

B. Rule 36 Frustrates the Purpose of Precluding Issues Resolved Against a Losing Party.

Rule 36 is not only facially illogical. It also leads to an unnecessary failure of the civil justice system to resolve litigated issues. This Court itself has recognized this point, apparently unperturbed. Yet it continues to use Rule 36.

In *TecSec, Inc. v. International Business Machines Corp.*, 731 F.3d 1336 (Fed. Cir. 2013), this Court confronted a prior Rule 36 affirmance lodged against the same appellant in the same case. TecSec had accused IBM and several other defendants of infringement. The district court severed TecSec's claims against IBM and stayed proceedings against the other defendants. *Id.* at 1340. IBM sought summary judgment of noninfringement, which the court granted on two grounds. The court found: (1) a failure to present sufficient evidence of direct and indirect infringement; and (2) a failure to show that IBM's software met various claim limitations, as construed. *Id.* at 1342. TecSec appealed to this Court, challenging both determinations. TecSec lost when this Court affirmed under Rule 36. *TecSec, Inc. v. IBM*, 466 F. App'x 882 (Fed. Cir. 2012).

On remand, against the other defendants, TecSec stipulated to noninfringement under the claim construction adopted in the IBM proceedings. The district court accordingly entered judgment of noninfringement, whereupon TecSec appealed again. On appeal, the defendants argued collateral estoppel, seeking an

appellate holding that the prior Rule 36 affirmance in the IBM appeal precluded TecSec from reasserting its claim construction arguments. *TecSec*, 731 F.3d at 1341.

This Court, however, agreed with TecSec that collateral estoppel did not apply. The district court's judgment for IBM based on TecSec's failure of proof was independent of that court's claim construction. *Id.* at 1344. Because claim construction was "neither actually determined by nor critical and necessary to our summary affirmance in the IBM appeal," this Court held that collateral estoppel did not preclude TecSec's challenge. *Id.*

The TecSec court candidly acknowledged that "'a Rule 36 judgment simply confirms that the trial court entered the correct judgment. It does not endorse or reject any specific part of the trial court's reasoning.'" *Id.* at 1343 (quoting *Rates Tech, Inc. v. Mediatrix Telecom, Inc.*, 688 F.3d 742, 750 (Fed. Cir. 2012)). *TecSec* thus shows that collateral estoppel will not apply where the appellate court affirmed, without explanation, the judgment of a trial court that "determined two issues, either of which could independently support the result," because one can never know which issue was "necessary" to the final appellate judgment. *Id.* at 1343-44. This leads to the absurd outcome that a party who loses for one reason (later affirmed under Rule 36) will be bound by that loss, whereas a party whose case was actually worse – losing for multiple reasons later affirmed under Rule 36 – will not be so bound.

Of course, it was this Court's use of Rule 36 in the first place that made it impossible to know the basis for decision. In this way, even this Court has acknowledged that its use of Rule 36 judgments will frequently not settle disputes with collateral estoppel effect the way fully reasoned opinions can. Rule 36 will leave unsettled the *private* law among litigants.

This state of affairs is especially disruptive in patent cases. Often (as in the *TecSec* decision) the same patent will end up in litigation against distinct infringement defendants. Yet none of those litigants – patentee or accused infringer – may rely on a prior Federal Circuit Rule 36 affirmance to have settled a fully litigated issue for the future case, when (as often happens) alternative independent grounds might have led to the earlier appellate judgment but this Court refused to "show its work."

C. The Existence and Use of Rule 36 Systematically and Unfairly Biases Outcomes in Favor of Affirmance.

Finally, Respondent may argue that Petitioner's effort to seek review of Rule 36 is for no purpose, on the theory that there will still be an affirmance whether this Court writes an opinion or not. But this is not true. Appellate panels experience what academics call "vote fluidity." *See, e.g.*, Lee Epstein, William M. Landes & Richard A. Posner, "Why (and When) Judges Dissent: A Theoretical and Empirical Analysis," 3 J. Leg. Anal. 101, 108 n.11 (2011) ("A small literature in political science examines vote 'fluidity' on the Supreme Court, which occurs when a Justice

changes his vote between the initial conference vote and publication of the opinion. The most recent study shows that in the 1969–1985 terms at least one Justice changed his vote in 36.6 percent of the cases, though an individual Justice switched, on average, in just 7.5 percent of the cases."). While litigants will never know that it has happened in a given case, it is well understood that the deliberative process itself – after the initial vote at conference after oral argument – can change votes. *Id.* The process itself of writing an opinion, and exchanging ideas about it with judicial colleagues, can provoke thoughtful reconsideration (*i.e.*, when a basis for decision "just doesn't write").

Despite statements from this Court that Rule 36 cases receive the same "full consideration" of the court as full-opinion cases, no losing appellant actually believes this. *See U.S. Surgical Corp. v. Ethicon, Inc.*, 103 F.3d 1554, 1556 (Fed. Cir. 1997) (stating that Rule 36 decisions "receive the full consideration of the court, and are no less carefully decided" than full-opinion cases). The academic literature bears this out, proving that "vote fluidity" is real. Yet "vote fluidity" can never happen after a Rule 36 rush to judgment. This artificially increases the proportion of cases that end up affirmed.

This Court should thus step in *en banc* to review this Court's practice of using Rule 36 to arrive at appellate judgments without "showing its work." If this Court decides to suspend using that rule to avoid writing opinions, perceptions over the

quality of judging at this Court will improve. The public will appreciate that panels who fully deliberate are more likely to arrive at the correct appellate outcome. And litigants will come away believing that they have been treated fairly, in ways that losing appellants facing a Rule 36 judgment presently do not.

IV. CONCLUSION

For all of the foregoing reasons, and those stated by Appellant, *Amicus Curiae* US Inventor, Inc., urges the Court to grant the petition for rehearing *en banc* and review this Court's issuance of judgments without opinion, particularly in district court patent invalidity appeals.

Dated: July 1, 2024

By: */s/ Robert P. Greenspoon*

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UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

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