

NOT SO FAST! PROCEED CAUTIOUSLY BEFORE CONCEDED DEFEAT: PERSONAL AUDIO, LLC V. CBS CORP.

By: Edward A. Mas & Manuela Cabal Carmona
McAndrews, Held & Malloy, Ltd.

The Federal Circuit's recent decision in *Personal Audio, LLC v. CBS Corp.*, 2018-2256, slip op. at 3 (Fed. Cir. Jan. 10, 2020), is yet another example of the court finding waiver when an argument was not adequately preserved below in the district court. In April 2013, Personal Audio, LLC ("Personal Audio") sued CBS Corporation ("CBS") in the U.S. District Court for the Eastern District of Texas, alleging that CBS infringed a Personal Audio patent, U.S. Patent No. 8,112,504 ("the 504 patent"). Later that year, Electronic Frontier Foundation petitioned for an inter partes review ("IPR") of certain claims of the 504 patent, including the claims Personal Audio was asserting against CBS in district court. *Id.* After the Patent Trial and Appeal Board ("PTAB") instituted review in April 2014, CBS moved for a stay of the litigation pending the resolution of the IPR. *Id.* The district court denied that motion, and the case proceeded to trial. *Id.* On September 15, 2014, the jury returned a verdict finding that CBS had infringed the asserted claims and that CBS had failed to establish that the asserted claims were invalid. *Id.* The jury awarded Personal Audio \$1,300,000 in damages. *Id.* At the district court, the burden of proof for CBS's invalidity defense was by clear and convincing evidence.

In April 2015, before the entry of judgment, and while CBS's motions for judgment as a matter of law were still pending, the PTAB issued a final written decision concluding that all of the challenged claims of the 504 patent were unpatentable. *Id.* In the IPR, the petitioner's burden of proof was by a preponderance of the evidence. Personal Audio and CBS jointly moved to stay the litigation pending resolution of Personal Audio's appeal of that decision. *Id.* The district court granted the stay and ordered that the parties submit a joint status report within 14 days after appellate review of the PTAB's final written decision had concluded. Joint Status Report at 2, Dkt. No. 122. The parties were instructed that the joint status report should inform the court of the outcome of any such review and the parties' positions as to the impact of any appellate decisions on the pending litigation. *Id.* Eventually, the Federal Circuit affirmed the PTAB's final written decision, and the Supreme Court denied Personal Audio's petition for a writ of certiorari. Personal Audio, slip op. at 4.

In December 2017, per the district court's request, Personal Audio and CBS submitted a joint status report. *Id.* In the joint status report, Personal Audio stated that it "continue[d] to believe that overturning the verdict of the jury with a later IPR proceeding violate[d] the Seventh Amendment of the Constitution" and that "the outcome of the IPR should not be given collateral estoppel effect, since it was filed by a third party under a different standard . . ." Joint Status Report at 6, Dkt. No. 122. Nonetheless, Personal Audio agreed to judgment against it because "current authority support[ed] rendering a judgment in favor of [CBS]" and "there [was] no current precedent for doing otherwise at th[e] time . . ." *Id.* Thereafter, the district court entered judgment in favor of CBS in July 2018. Personal Audio, slip op. at 4. Personal Audio appealed, presenting various constitutional challenges to the lawfulness of the PTAB's final written decision. *Id.* Personal Audio also challenged the district court's ruling that the Federal Circuit's affirmance of the PTAB's final written decision required termination of Personal Audio's infringement suit against CBS in favor of CBS despite the jury's verdict in Personal Audio's favor. *Id.* at 4-5.

On appeal, the Federal Circuit affirmed the district court's judgment in favor of CBS. *Id.* at 5. The court concluded that it did not have jurisdiction to hear Personal Audio's constitutional challenges as to the validity of the PTAB's final written decision. *Id.* at 5-9. The Federal Circuit also addressed Personal Audio's challenge to the district court's ruling regarding the consequences of the affirmed final written decision on the disposition of the infringement lawsuit. In this regard, the court determined that Personal Audio "forfeited any argument that [] existing precedent [was] not determinative against it." *Id.* at 9. Specifically, the court noted that Personal Audio made no arguments in the district court for distinguishing the cases in which the Federal Circuit has held that district court actions must terminate when a PTAB unpatentability ruling is affirmed on appeal. As a result, the Federal Circuit ruled that it "lack[ed] authority to reconsider the precedent that Personal Audio agrees was adverse and controlling." *Id.* at 10.

Preserving an argument for appeal must be done with foresight and care. Generally speaking, an appellate court may only consider arguments, objections, and evidence that were first raised below in the district court. This default rule should guide most decisions. And although there are certain exceptions to the general rule, parties must understand the exceptions and their nuances before departing from the general rule. For example, although appellate courts have certain discretion to consider legal arguments not raised below, a party can forfeit this opportunity by specifically conceding the point below as Personal Audio did.

In the world of patents specifically, where two different forums (the PTAB and district court) may be adjudicating the same or similar issues concurrently, parties must tread carefully when acknowledging the consequences of any intervening or contemporaneous decisions. The plaintiff in Personal Audio failed to argue sufficiently before the district court that the necessary consequence of the affirmed written decision was not termination of the litigation in favor of CBS. In fact, not only did Personal Audio fail to raise the argument adequately, it went a step further and affirmatively stated that current authority supported entering judgment in favor of CBS.

As a result, Personal Audio forfeited any argument that existing precedent was not determinative against it (i.e., affirmation of the final written decision was not dispositive). Notably, Personal Audio could have avoided that outcome by first presenting its argument for distinguishing its case from existing precedent in the district court, instead of for the first time on appeal.

Personal Audio is a reminder to always proceed with caution before agreeing to an entry of judgment. More specifically, parties should not be quick to concede that intervening or contemporaneous decisions are dispositive of their case. And it's far better to show your cards early than to be foreclosed from ever showing them at all. When faced with adverse and controlling precedent, parties should take any good faith opportunity to distinguish unfavorable precedent from their case to preserve the right to challenge such precedent on appeal.

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