



Banner Witcoff Assists Client Rogue Fitness in Successfully Opposing Supreme Court Review of Jump Rope Patent Dispute

The United States Supreme Court recently declined to review a case involving Federal Circuit law that Patent Trial and Appeal Board (“PTAB”) determinations of unpatentability, once judicially affirmed, collaterally estop pending infringement litigation in district courts.¹ The case involved Jump Rope Systems, LLC (“JRS”) suing Banner Witcoff client Coulter Ventures, LLC (“Rogue”) for patent infringement.

1.0 Background of the Case

In 2011, representatives of JRS alleged that Rogue infringed JRS’s jump rope patents. Independent counsel studied the patents and prior art and determined that the patents did not cover anything new. As a result, Rogue declined to pay a license fee and explained that its jump rope products did not infringe any valid claim of the patents. Rogue also invited JRS’s attorneys to provide additional information or answer questions regarding its allegations of infringement, but JRS’s attorneys did not respond.

JRS and its lawyers next embarked on a campaign of seeking and, in some instances, obtaining royalties for the patents from other parties that sold jump ropes. The parties that settled and agreed to pay royalties were small; the fees and costs of defending a patent infringement lawsuit, even briefly, would have dwarfed the royalty payments.

Seven years later, in 2018, JRS sued Rogue for patent infringement in federal district court. As part of its defense, Rogue requested inter partes review (“IPR”) of the patents in the PTAB. Rogue then moved to stay the lawsuit pending the outcome of the IPR. The district court granted the stay, recognizing the inefficiencies that would result if the parties continued to litigate patents that the PTAB later determined should not have been issued. The district court made no finding as to the validity of the asserted patents.

JRS’s patents claimed a jump rope having a rope attached to a spherical bearing placed on the end of a shaft that spins inside each handle.² In the IPR, the PTAB evaluated evidence that the use of a spherical bearing to attach a jump rope to a handle had been well known for decades. For example, this feature had been disclosed in a patent published in 1979, as shown in the figure below.³

¹ *Jump Rope Systems, LLC v. Coulter Ventures, LLC*, No. 22-298, 2022 WL 4585428 (U.S. 2022), *cert. denied* 2023 WL 2227755; *see XY, LLC v. Trans Ova Genetics, L.C.*, 890 F.3d 1282, 1294 (Fed. Cir. 2018) (holding that “an affirmance of an invalidity finding, whether from a district court or the [PTAB], has a collateral estoppel effect on all pending or co-pending actions.”).

² U.S. Patent No. 7,789,809, filed: Apr. 1, 2008 and issued Sept. 7, 2010; U.S. Patent No. 8,136,208, filed Apr. 1, 2008, issued Mar. 20, 2012.

³ French Patent Application Publication No. 2,408,362, published June 8, 1979, (referred to in the IPR proceeding as “Terper”).

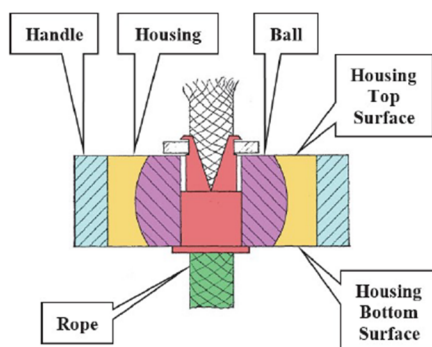


Figure 1: 1979 Terper prior art patent showing a jump rope attached to a spherical bearing at the handle.

(annotations and coloring added)

The PTAB also evaluated another prior art patent publication from the 1970s that also disclosed attaching a rope to the end of a shaft that spins inside each handle.⁴

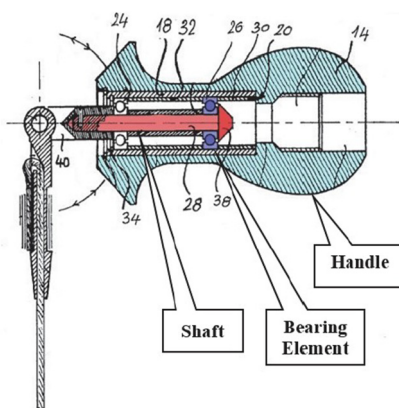


Figure 2: 1970s Wolf publication showing a jump rope attached to a shaft that spins in the handle.

(annotations and coloring added)

Rogue argued that JRS’s patent claims would have been obvious in view of a combination of this prior art, as demonstrated in the figure below.

⁴ German Patent Application Publication DE 2,641,383, published: Mar. 16, 1978, (referred to in the IPR proceeding as “Wolf”).

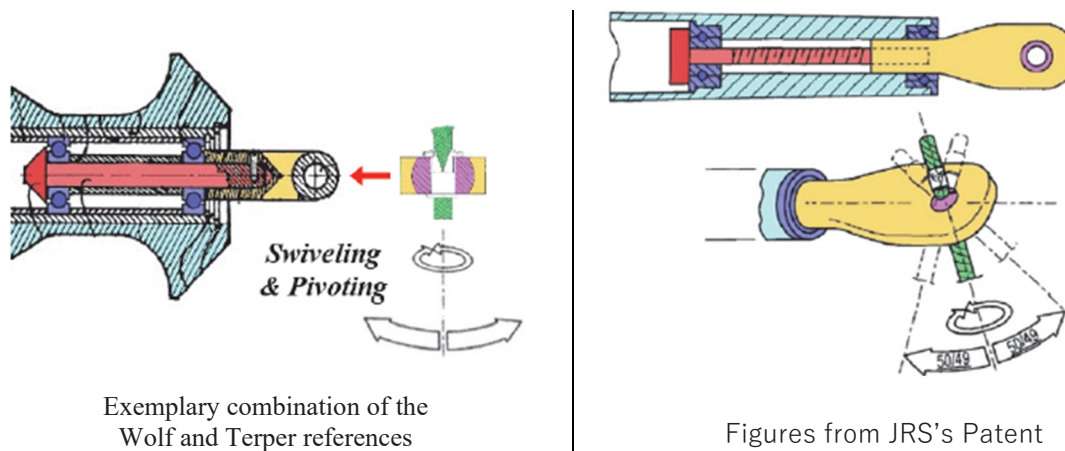


Figure 3: Excerpt from Rogue's IPR argument that JRS's patent claims would have been obvious in view of a combination of the Wolf and Terper References. (annotations and coloring added)

The PTAB conducted a trial that involved fact and expert discovery, expert reports, expert depositions, briefing, and oral argument. JRS fully participated, submitting a patent owner's statement, patent owner's reply, an expert report, and trial exhibits, as well as cross examining respondent's expert and participating in oral argument. During the IPR, JRS also had the opportunity to amend or narrow its patent claims to avoid the prior art, but JRS did not do so.

The PTAB agreed with Rogue and found all of JRS's claims to be unpatentable as directed to subject matter that would have been obvious in light of the prior art.⁵ The Federal Circuit affirmed the PTAB decision.⁶ JRS did not appeal the PTAB's decision to the Supreme Court.

JRS and Rogue agreed that the Federal Circuit's treatment of collateral estoppel⁷ in *XY, LLC v. Trans Ova Genetics, L.C* required dismissal of the pending infringement litigation. In that case, the Federal Circuit held that "an affirmance of an invalidity finding, whether from a district court or the [PTAB], has a collateral estoppel effect on all pending or co-pending actions."⁸

The parties stipulated to a consent judgment for Rogue, but the fight wasn't over for JRS. JRS appealed the consent judgment, petitioning for hearing *en banc* with the Federal Circuit in view of the governing *XY* decision. Without dissent, the Federal Circuit denied that petition.⁹ The Federal Circuit then affirmed

⁵ *Coulter Ventures, LLC v. Jump Rope Systems, LLC*, No. IPR2019-00586, 2020 WL 4037647 (P.T.A.B. July 17, 2020); *Coulter Ventures, LLC v. Jump Rope Systems, LLC*, No. IPR2019-00587, 2020 WL 4037935 (P.T.A.B. July 17, 2020).

⁶ *Jump Rope Systems, LLC v. Coulter Ventures, LLC*, Nos. 2020-2284, 2020-2285, 2021 WL 4592276 (Fed. Cir. Oct. 6, 2021).

⁷ The Restatement provides a general rule for collateral estoppel as follows: "When an issue of fact or law is actually litigated and determined by a valid and final judgment, and the determination is essential to the judgment, the determination is conclusive in a subsequent action between the parties, whether on the same or a different claim." Restatement (Second) of Judgments § 27 (Am. L. Inst. 1982).

⁸ *XY, LLC v. Trans Ova Genetics, L.C*, 890 F.3d 1282, 1294 (Fed. Cir. 2018).

⁹ Order Denying Petition for En Banc Hearing, *Jump Rope Sys., LLC v. Coulter Ventures, LLC*, No. 22-1624 (Fed. Cir. May 5, 2022), ECF No. 11.

the district court's consent judgment,¹⁰ resulting in JRS's petition for writ of certiorari to the Supreme Court. In the meantime, the PTO issued cancellation certificates cancelling all of JRS's patent claims.

2.0 JRS's Petition for Certiorari

JRS's petition for certiorari argued that *XY* overlooked the Restatement suggestion that collateral estoppel sometimes does not apply where in the subsequent action "the adversary has a significantly heavier burden than [they] had in the first action."¹¹ Accordingly, JRS argued that IPR determinations could not estop district court litigation:

[I]n a PTAB administrative proceeding, a petitioner's burden is to demonstrate the factual elements of obviousness by a preponderance of the evidence. Conversely, in a patent infringement lawsuit in federal district court, the alleged infringer (as the defendant) must prove patent invalidity by clear and convincing evidence.¹²

In support of its position, JRS cited cases that generally commented on the Restatement in other contexts.¹³ JRS wanted to litigate the validity of its now cancelled patents in federal district court under the standard of clear and convincing evidence.¹⁴

3.0 Rogue's Opposition to JRS's Petition

Rogue first explained that because the PTO cancelled the patent claims, JRS had no rights, so there was no actual controversy, and the case was moot.¹⁵ Because JRS had no patent rights, it had not suffered

¹⁰ *Jump Rope Sys., LLC v. Coulter Ventures, LLC*, No. 2022-1624, 2022 WL 2313969 (Fed. Cir. June 28, 2022).

¹¹ Restatement (Second) of Judgments § 28(4) (Am. L. Inst. 1982).

¹² JRS Pet. at 10 (citations omitted).

¹³ JRS Pet. at 6-14 (citing *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 575 U.S. 138 (2015) (holding that the PTO's decision concerning registrability of trademarks would collaterally estop a parallel infringement litigation as long as the "ordinary elements of issue preclusion are met."); *Medtronic, Inc. v. Mirowski Fam. Ventures, LLC*, 571 U.S. 191 (2014) (making only a passing reference to the Restatement's estoppel exception while discussing the outcome of a hypothetical example where the burden of proof shifted between parties in a declaratory judgment action regarding patent infringement); *Grogan v. Garner*, 498 U.S. 279 (1991) (mentioning the collateral estoppel exception in dicta while analyzing the burden of proof required to prevent discharge of debts in bankruptcy proceedings)).

¹⁴ JRS Pet. at 18.

¹⁵ See *Moffitt v. Garr*, 66 U.S. 273, 283 (1861) ("unless [a patent] exists, and is in force at the time of trial and judgment, the suit fails"); *Meyer v. Pritchard*, 23 L. Ed. 961, 961 (1877) ("because the patent upon which their rights depend has been cancelled[,] [t]here is no longer any real or substantial controversy . . . and for that reason the appeal is dismissed"); *John Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82, 91 (1922) (holding

“an invasion of a legally protected interest” and thus had no standing.¹⁶ Therefore, if the Supreme Court had granted certiorari, it could only be for the purpose of dismissal.¹⁷

Rogue next argued that the case involved the straight-forward application of collateral estoppel. The PTAB unpatentability determination means that JRS does not have, and should never have had, patent rights. Once the Federal Circuit affirmed the PTAB determination, JRS was collaterally estopped from further litigating infringement and validity of the unpatentable claims.

Rogue explained that Congress intended for IPRs to act as binding alternatives to district court litigation. The legislative record of the America Invents Act is brimming with statements to this effect.¹⁸ Furthermore, the Supreme Court has stated that “because the principle of [collateral estoppel] was so ‘well established’ at common law, in those situations in which Congress has authorized agencies to resolve disputes, ‘courts may take it as given that Congress has legislated with the expectation that the principle [of collateral estoppel] will apply except when a statutory purpose to the contrary is evident.’”¹⁹

Rogue acknowledged that although the Restatement suggests that collateral estoppel sometimes may not apply where two proceedings involve different burdens, in this case the statutory basis of the burdens makes clear that Congress legislated for IPRs with the expectation that collateral estoppel would apply. How the statutes work makes the differing burdens a non-issue.

The ‘heavier burden’ to invalidate an issued patent in district court is conditioned on the existence of a patent right issued by the PTO.²⁰ A patent is presumed valid because the PTO is expected to have duly and legally issued the patent after an examination process that determines whether the patentability requirements have been met.²¹ To overcome this presumption, the burden in a district court litigation to invalidate an issued patent is clear and convincing evidence.²²

that a court must apply intervening legal developments affecting the asserted patent’s validity while a patent suit remains pending).

¹⁶ *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992) (constitutional standing requires that the plaintiff has suffered “an invasion of a legally protected interest”).

¹⁷ Rogue Opp. at 11 (citing *United States v. Munsingwear*, 340 U.S. 36, 39 (1950) (“The established practice of the Court in dealing with a civil case from a court in the federal system that has become moot while on its way here or pending our decision on the merits is to reverse or vacate the judgment below and remand with a direction to dismiss.”)).

¹⁸ *E.g.* 157 Cong. Rec. 2710 (2011) (statement of Sen. Grassley) (“These new [IPR] procedures would also provide faster, less costly alternatives to civil litigation to challenge patents.”); 157 Cong. Rec. 2861 (2011) (statement of Sen. Whitehouse) (“[T]he bill will improve administrative processes so that disputes over patents can be resolved quickly and cheaply without patents being tied up for years in expensive litigation.”); S. Rep. No. 110-259, at 69 (2008) (“The process should be timely and streamlined and should take issues off the table that cannot be resurrected in subsequent litigation, providing a cost effective alternative to litigation.”).

¹⁹ *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 575 U.S. 138, 148 (2015) (quoting *Astoria Fed. Sav. & Loan Ass’n v. Solimino*, 501 U.S. 104, 108 (1991)).

²⁰ 35 U.S.C. § 282(a) (“A patent shall be presumed valid.” (emphasis added)).

²¹ See *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 97 (2011).

²² *Id.* at 95, 102.

But Congress chose to subject issued patent rights to PTO reconsideration in an IPR under a lower burden of proof, preponderance of the evidence.²³ So exactly as Congress directed, the higher burden associated with the presumption of validity of an issued patent in a district court proceeding is not applicable in IPRs because the PTO's PTAB is reconsidering whether a patent should have issued.

The PTO reconsidered its grant of JRS's patents and found that the patents should never have issued because the claims were unpatentable. So in district court, the presumption of validity, which is based on the idea that the PTO correctly issued the patent, does not apply and neither does the higher burden of proving invalidity of an issued patent. Thus, collateral estoppel applies even under the Restatement provisions.

Rogue also argued that JRS's proposal that unpatentable claims should be litigated in district court is a significant departure from established precedent and would frustrate the framework of the AIA. For decades, the PTO has exercised its authority to cancel patent claims, yet JRS cited no example of a district court litigating a cancelled claim. Indeed, JRS's proposal would improperly allow a district court to recognize or create patent rights where the PTO has determined (and the Federal Circuit has affirmed) that there are none. And JRS's proposal would turn the AIA on its head. Congress created IPR proceedings to allow for more efficient review and removal of low-quality patents that should not have been issued and expressly envisioned IPRs to be an alternative to litigation. JRS's proposal would render this fundamental aspect of the AIA meaningless because patent claims found unpatentable by the PTAB in an IPR would still be subject to litigation in district court.

4.0 New Arguments in JRS's Reply

JRS's reply raised for the first time two new arguments that it had not previously raised regarding pre-cancellation damages and due process.

JRS's reply argued that the PTO's cancellation of patents should not retroactively "extinguish[] a patentholder's right to sue an infringer for pre-cancellation damages."²⁴ The case was not moot, JRS argued, because pre-cancellation damages remained available. In support of its position, JRS argued that the meaning of the term "cancelled" suggested only prospective effect. JRS analogized that "[c]anceling a magazine subscription stops future deliveries, but past issues remain in hand."²⁵

But as Rogue explained in its opposition brief, the Supreme Court has long held that there is nothing to litigate with a "cancelled" patent.²⁶ And JRS did not explain how magazines are analogous to patents,

²³ 35 U.S.C. § 316(e); see *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) ("Inter partes review is simply a reconsideration of [a patent] grant, and Congress has permissibly reserved the PTO's authority to conduct that reconsideration.").

²⁴ JRS Rep. at 4.

²⁵ JRS Rep. at 4.

²⁶ See *Meyer v. Pritchard*, 23 L. Ed. 961, 961 (1877) ("because the patent upon which their rights depend has been cancelled[,] [t]here is no longer any real or substantial controversy . . . and for that reason the appeal is dismissed"); *Moffitt v. Garr*, 66 U.S. 273, 283 (1861) ("unless [a patent] exists, and is in force at the time of trial and judgment, the suit fails"). JRS attempted to distinguish Rogue's Supreme Court cases by arguing that these cases are from "a different era of patent law" (JRS Rep. at 2) but in fact, both of these cases have been cited favorably by the Federal Circuit. *E.g. Fresenius USA, Inc. v. Baxter Intern., Inc.*, 721 F.3d 1330, 1336–37 n.6 (Fed. Cir. 2013).

which are reserved for worthy inventions because they give the owner the right to exclude and therefore limit the public's use of those inventions.

Rogue also observed that the Supreme Court has recognized “the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope.”²⁷ Pre-cancellation damages would result in an unprecedented and unjustified expansion of the scope of monopoly rights to cover unpatentable subject matter. In an IPR, the PTAB determines patentability, i.e. whether a patent should have issued in the first place. A determination of unpatentability means that the patent never should have issued, and the subsequent cancellation of the patent right reflects that by operating retrospectively. As Rogue noted, the legislative intent for IPRs was to reduce the harm to legitimate business caused by “dubious patents.”²⁸ JRS also did not address an inconsistency in its position – that a patent invalidated in district court does not entitle the owner to sue for damages prior to the invalidation.

JRS’s reply also raised a new due process argument that it did not raise earlier. JRS argued that “by not permitting traditional live cross-examination of witnesses (instead, relying on written depositions), IPR procedures violate due process in view of the importance of the property right at issue.”²⁹ But as Rogue noted, JRS conducted live witness cross examination and fully (and vigorously) participated in the IPRs, including by filing briefs and arguing at a live argument hearing. JRS also contended that IPR proceedings violate due process because the Board is not “sufficiently insulated from political forces.”³⁰ But JRS did not explain how PTAB judges differed from other administrative judges.³¹ In any event, the Supreme Court reviewed the constitutionality of IPRs in *Oil States* and there held that “[t]he Constitution does not prohibit the Board from resolving [patent rights] outside of an Article III court.”³² In the decade since the passage of AIA, the Court has not ruled on these putative due process concerns.

5.0 Conclusion

The Supreme Court denied JRS’s certiorari petition without comment. Given the interest that this case and similar cases have drawn, more challenges on these issues are likely to come.

²⁷ *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 279–80 (2016)).

²⁸ 157 Cong. Rec. 2707 (2011) (statement of Sen. Leahy) (“Patents of low quality and dubious validity, by contrast, enable patent trolls who extort unreasonable licensing fees from legitimate businesses, and constitute a drag on innovation. Too many dubious patents also unjustly cast doubt on truly high quality patents.”); 157 Cong. Rec. 9791 (2011) (statement of Rep. Smith) (“Never in the history of U.S. patent law has it been held, after a patent claim was determined to be invalid because it covered unprotectable subject matter, that the owner of the patent was nevertheless entitled to compensation on the basis of that invalid claim.”); S. Rep. No. 110-259, at 21 (2008) (“No patent holder has a right to an invalid patent, however long that patent holder may have enjoyed that right inappropriately.”).

²⁹ JRS Rep. at 6–7.

³⁰ JRS Rep. at 6.

³¹ Greg Reilly, *The PTAB’S Problem*, 27 Tex. Intell. Prop. L.J. 31, 36–37, 50 (2019) (dismissing due process challenges to PTAB proceedings as unpersuasive, “[t]he PTAB undoubtedly provides constitutionally adequate notice and an opportunity to be heard” and “[t]he limited differences between [the PTAB’s] APJs and . . . other non-ALJ adjudicators [that are commonplace in the modern administrative state] are unlikely to rise to the level of a constitutional due process violation”).

³² *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018).