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An engineer by training, Anthony Lo Cicero has represented companies in patent and trademark litigation involving product areas as diverse as e-commerce platforms, angular rate sensors, refrigeration chemistry, camcorders and flat panel displays. He conducts due diligence of IP portfolios and provides strategic patent counseling to companies in a wide range of industries from recorded and published music to consumer electronics.

Very sophisticated technology competes with style and price as key aspects of the customer experience in the fashion industry. Mr. Lo Cicero represents some of the most prominent brick-and-mortar and on-line retailers in the country in patent disputes relating to the enterprise's e-commerce, mobile and point of sale systems. The retail industry regularly confronts patent assertions involving mobile platforms, electronic merchandise presentation, billing, marketing, inventory management and other features of the 21st century marketplace. Mr. Lo Cicero evaluates and responds to these assertions in a practical, business-oriented manner. Mr. Lo Cicero also evaluates contractual terms with vendors and suppliers to mitigate liability and works with retailers to identify and obtain protection for their own innovations. He has assisted retailers in successfully pursuing indemnification claims ranging to seven-figure settlements.

Many of the most prestigious apparel manufacturers and retailers in the world, along with financial services, food products, computer, consumer electronics, home products, and toy companies also turn to Mr. Lo Cicero for trademark protection. He advances brand development and enforcement strategies ranging from anti-counterfeiting and trademark infringement protection to trade dress and Internet domain matters. For example, he overcame significant legal obstacles to protecting a name and symbol for what is now one of the best-known prestige brands in the country. On many occasions, he has been called upon to enforce trademark rights for entities that do not have the advantage of a federal trademark registration.



ROBERT J. RANDO - FOUNDER AND LEAD COUNSEL FOR THE RANDO LAW FIRM P.C.

Robert J. Rando is the founder and lead counsel of The Rando Law Firm P.C. Mr. Rando is a **Fellow of the Academy of Court-Appointed Masters** and, since 2004, has enjoyed the privilege and honor of judicial appointment as a **Special Master** in numerous cases involving complex patent law issues. He is a published author and frequent lecturer at law schools and CLE programs on patent law and other IP and constitutional law issues. He is the current Treasurer for the New York Intellectual Property Law Association (NYIPLA) and an active member of the NYIPLA Amicus, Legislative Action and Programs Committees. He is also a **Master in the Honorable William C. Conner Inn of Court**.

His professional experience spans over twenty-seven years as a federal civil litigator in matters ranging from intellectual property and antitrust, to employment discrimination, civil rights, employment disputes and class action product liability cases. Primarily his experience has been focused on the litigation of patent infringement disputes in the Southern District of New York (“SDNY”), the Eastern District of New York (“EDNY”) and several other United States District Courts across the country. He has also filed Circuit Court of Appeals briefs and argued before the Appeals Court for the Second Circuit. Additionally, he has authored, co-authored, and filed Amicus briefs before the United States Supreme Court on various patent law issues from 2006 to the present.

He is experienced in a wide range of technologies, including: **computer hardware and software, silicon chip manufacturing, biotechnology products, medical devices, pharmaceuticals, chemical compounds, food additives, alternative energy products, consumer electronics, communications, security, Internet and e-commerce.**

He has engaged in mediation on behalf of his clients and has served as a **Mediator** in several private mediations all with successful outcomes. He has also served as a **Neutral** in patent and non-patent cases.

He is active in patent-related legislative initiatives through his work on the NYIPLA Legislative Action Committee and with the Federal Bar Association Government Relations Committee. In 2012, along with two other patent practitioners, he enjoyed the honor and privilege of developing and conducting a series of lectures for the **SDNY and EDNY Patent Pilot Program Judges, Magistrates and Law Clerks on the America Invents Act**.

He received his Juris Doctor, with academic honors, from **St. John’s University School of Law** in 1989. He was the Executive Publications Editor of the **St. John’s Law Review** and the recipient of an Academic Scholarship, Civil Trial Institute Honors and the American Jurisprudence Award for Excellence in Constitutional Law. He received his Bachelor of Science, with academic honors, in mathematics and computer science, from **Hofstra University** in 1983.



Melvin C. Garner

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Melvin Garner's practice includes all phases of patent, trademark and copyright litigation and procurement involving various technologies. The technologies include laser applications, video circuits, telecommunications (particularly cellular phones), optics (including lenses for photolithographic equipment), sintered materials, office products, medical devices, and computer hardware and software (including gaming systems).

Mr. Garner also counsels a wide variety of clients. This often involves providing or supervising the preparation and prosecution of patent applications. He also frequently provides infringement opinions for potential plaintiffs, non-infringement opinions for potential defendants and validity opinions for both litigants and inventors.

Mel has been lead counsel in over 30 litigations. These litigations have included patent and trade dress infringement. He has also handled cases involving copyright in computer databases and user interfaces. He has appeared as an expert witness in trials throughout the country, and has served as a mediator in a patent litigation. His approach is to find out the business goal of the client and its present position. Then he seeks to utilize the client's assets and available prosecution, litigation and negotiation strategies to help the client reach its business goal.

Mel is the author of Chapter 13, "Intellectual Property Protection of E-Commerce" and Chapter 58, "Trade Secret Causes of Action and Defenses, Including Sample Pleadings," *Intellectual Property Counseling and Litigation*, Matthew Bender (2010). In addition, he is a frequent lecturer at AIPLA and PLI events.

Mel is a former member of the Board of Directors of the National Inventors Hall of Fame. He is listed in *Euromoney's Guide to the World's Leading Patent Law Experts*, *Who's Who Legal – Patents*, and *New York Super Lawyers*.

***OIL STATES ENERGY SERVICES, LLC V. GREENE’S ENERGY GROUP, LLC:
PATENT RIGHTS, PUBLIC OR PRIVATE AND WHOSE THOUGHTS
AND IDEAS ARE THEY ANYWAY?***¹

By: Robert J. Rando

INTRODUCTION

“[C]ommunal ownership violates every instinct of human nature. It destroys initiative, nullifies free agency, suppresses inventive exploration, minimizes the dignity of the individual and makes a god out of an abstract thing called ‘The State’- to which is delegated complete, unrestricted control over life, liberty and property. . . . Like so many other weak systems of government, it can survive only in an atmosphere of a slave state, ruled by a king or a dictator.”

~W. Cleon Skousen, The First 2,000 Years: From Adam To Abraham

This article addresses the issue before the United States Supreme Court in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, which concerns the constitutionality of the America Invents Act of 2011 (“AIA”) post-grant *inter partes* review (“IPR”). The views expressed herein are based upon the constitutional jurisprudence related to the question, which analyzes the status of the patent right as a public property right or a private property right. The conclusions and views also comprise the interpretation of the Patent & Copyright Clause of the United States Constitution; the intent and purpose of the clause as articulated by the Framers of the Constitution; and an understanding of the natural law attributes of life, liberty and property.

The article provides an analysis and conclusions suggested by a review of the principles, precepts, and concepts outlined above. It does not present, and should not be interpreted as presenting, an expression of any opinion regarding the utility of a legislatively promulgated post-grant review proceeding that is properly constructed in fidelity with the U.S. Constitution. Nor does it address the thousands of hardworking U.S. Patent & Trademark Office (“USPTO”) patent examiners toiling to issue high quality patents, and the hundreds of dedicated, thoughtful and highly competent, Patent Trial and Appeals Board (“PTAB”) Administrative Patent Judges (“APJ”) tasked to conduct PTAB IPR trials within the confines and administrative construct of Congress’ mandate in the AIA.

Instead, this article specifically addresses the question of whether a provision of a statute (*e.g.*, the AIA), enacted by an Article I Congress and executed by an Article II Executive Agency (the USPTO), violates the U.S. Constitution Article III Separation of Powers and the Bill of Rights’ Seventh Amendment right to a jury.

I. Administrative Agency IPRs are an Unconstitutional Usurpation of, and Intrusion on, the Article III Separation of Powers and a Denial of the Seventh Amendment Right to a Jury Trial

A. It is Improper for an Administrative Agency Adjudicative Body to Invalidate Patents because it Violates the Article III Separation of Powers

The separation of powers under the United States Constitution is the backbone of our tripartite system of government. Conflicts between and among the three branches of government arise in many circumstances relating to the governance of the people and the constitutional authority for a particular branch to exercise its power. Recent twenty-first century examples include conflicts over war powers, health care and immigration.² Ultimately, these conflicts are resolved by the Supreme Court.

Oil States illustrates another such conflict between the three branches of government with respect to the constitutionality of adjudicating patent validity disputes in administrative tribunals created under Article I enumerated powers and operating in Article II Agencies rather than the constitutionally required Article III Court adjudication of those disputes.

The Supreme Court’s jurisprudence, deciding the constitutionality of conflicting jurisdictional authority among the three branches, in this instance is based on an analysis addressing “public rights” (e.g., disputes between a private party and the government or between private parties concerning public property rights) and “private rights” (e.g., disputes between private parties concerning private property rights).

The public/private property rights dichotomy, and the conflict among the three branches of government has presented itself in this case involving the adjudication of a dispute between private parties concerning the validity of rights secured to an individual inventor under a lawfully issued United States patent certificate. The patent certificate was issued based upon the sovereign’s promise of exclusivity for a limited period of time in exchange for the individual inventor’s disclosure of his private creative thoughts and ideas.

B. Background of the Patent Law Adjudication Conflict Issue

Article I, Section 8, Clause 8, of the United States Constitution provides the explicit enumerated power of Congress to secure for inventors the exclusive right to their inventions for a fixed period of time, in exchange for disclosure of the invention to the public:

“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

United States patent laws developed through the common law and from an early act of Congress. In 1952, Congress codified much of today’s U.S. patent law (the Patent Act of 1952). With few exceptions, the law remained as codified in the Patent Act of 1952 until 2011 when Congress enacted a major overhaul in the law in the form of the AIA.

Pursuant to the AIA, Congress authorized, *inter alia*, the Article II executive branch agency that administers the United States patent system, the Commerce Department’s USPTO, to establish an administrative tribunal proceeding to decide challenges to the validity of a U.S. patent issued by the USPTO. The administrative agency tribunal charged with this function is the PTAB. These Article II administrative agency proceedings are referred to as IPRs and are conducted by Article I APJs.

This change in the patent law is troublesome because prior to the AIA any adversarial challenge to the validity of a U.S. patent and determination to revoke or cancel the patent was decided by the Article III courts. Additionally, it is significant to note that besides running afoul of historical precedent, the IPR proceedings function without a jury, operate under different evidentiary standards and presumptions, and employ different methods of interpreting the language of the patent. Additionally, as noted above, there is no Seventh Amendment right to a jury, which is common with Article I created administrative agency tribunal proceedings.

These distinctions between the Article III court adjudication of disputed patent validity and Article II administrative tribunals inform the question that is before the Supreme Court in *Oil States*: whether separation of powers and the Seventh Amendment are violated by a congressional act (*e.g.*, the AIA) empowering an Article II administrative agency tribunal to assert judicial power concerning the property rights between private parties embroiled in a private dispute, and whether those property rights are “private” property rights or “public” property rights.

C. The Integrity of the U.S. Patent System and Fidelity to the Constitutional Imperative to Incentivize Innovation and Creative Aspirations, Secure the Intellectual Property Rights to Individuals, and Provide Uniform and Stable Patent Laws Relies Upon the Proper Separation of Powers in Enforcing Those Rights

So great moreover is the regard of the law for private property, that it will not authorize the least violation of it; no, not even for the general good of the whole community.

~ William Blackstone

The question of the constitutionality of administrative agency adjudication of patent validity is of utmost importance in preserving the integrity of the United States patent system and the viability of the constitutional imperative to promote progress and innovation.³

This important mandate is clearly stated by James Madison in Federalist Paper No. 43, in the section referring to the enumerated power:

A power “to promote the progress of science and useful arts, by securing for a limited time, to authors and inventors, the exclusive right, to their respective writings and discoveries.”

The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, *seems with equal reason to belong to the inventors*. The public good fully coincides in both cases, with the claims of individuals. The States cannot separately make effectual provisions for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress.⁴

There is no greater evidence of the success of this constitutional imperative than the United States’ position as the leading worldwide economic and technological powerhouse. The success of the U.S. patent system, relying on the quid pro quo of disclosure by the individual of his/her most private and intimate creative thoughts in exchange for the promise of a limited period of time for exclusivity over the use of those private thoughts has spurred innovation through inspiration of others to build upon and/or build around disclosed inventions to achieve the proverbial “better mouse trap.”

As recognized by the Framers of the Constitution, the right to inventions is a natural right that belongs to inventors not to the public. Thus, there can be no mistake that the right is a “private” right rather than a “public” right.

D. An Inventor’s Disclosure of His/Her Private Creative Thoughts Should Enjoy the Same Protection as Disclosure of any Other Private Thoughts

“Every man has a property in his own person. This nobody has a right to, but himself.”

~ John Locke

In other contexts, the Supreme Court recognizes the Constitution’s guarantees that an individual’s innermost private thoughts (the genesis of all intangible intellectual property) are private and entitled to protection from compelled or induced disclosure (*e.g.*, Fifth Amendment right against self-incrimination). Likewise, once expressed or disclosed, these private thoughts are afforded protection as well (*e.g.*, First Amendment free speech and Fourth Amendment protection against illegal search and seizure).

Private property rights emanating from an individual’s private thoughts and ideas should be afforded no less constitutional protection merely because they involve intellectual property thoughts. In fact, these should arguably carry greater weight since the government induces the individual inventor to disclose such private thoughts and ideas in exchange for the promise of limited exclusivity. The mere fact that the government issues a patent, evidencing this agreement between the inventor and the government, is insufficient in itself to transform these valuable private rights into a public right. In fact, the patent laws recognize the distinction in that disclosed but not claimed subject matter is considered dedicated to the public domain rather than retained by the disclosing inventor.⁵ Similarly, once a patent expires, the claimed private rights are then considered public domain. Congress has recently affirmed the necessity to protect these private thoughts as private property rights by passing legislation, with overwhelming bipartisan support, nationalizing trade secret protection.⁶ Simultaneously trivializing the rights as public property rights after inducing the individual to disclose these nationally protected valuable secrets (inventions), denies the proper constitutional protection for those private thoughts and rights and renders the quid pro quo of the Patent/Copyright clause agreement illusory.

The founding fathers recognized the necessity for the independence of the third branch of government by providing for lifetime appointment and non-diminution of compensation for judges.⁷ In Federalist Paper No. 10, James Madison articulated the important recognition of the “faction” impact on a democracy and a republic.⁸ In Federalist Paper No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic.⁹ And in Federalist Paper No. 78, Hamilton provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence, providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*.¹⁰

Congressional enactment of the AIA followed many years of lobbying for its enactment. Those efforts promoted and pushed for the legislation which, in the case of IPRs, runs counter to the constitutional imperative behind congressional authority to enact laws *that promote the progress of innovations by providing strong, stable protection for intellectual property*. The evidence that IPRs have the opposite effect and weaken intellectual property protection is undeniable. Furthermore, the combination of IPR patent invalidation rates, recent legislation nationalizing trade secret protection, and curtailment of patent eligible subject matter, further depletes patent protection and dis-incentivizes promoting innovation and progress—all contrary to the constitutional imperative.

E. IPRs Violate the Three Principles of Article I, Section 8, Clause 8 of the U.S. Constitution

The constitutional imperative of Article I, Section 8, Clause 8, as gleaned from its plain language and recognized by the Framers, provides three specific purposeful goals:

(1) *Incentivizing innovation and creative aspirations*; (2) *Securing intellectual property rights to the individual (rather than the state or the public)*; (3) *Uniformity of Protection for Intellectual Property Rights*.¹¹

The administrative agency adjudication of patent validity in an IPR proceeding is counter to the constitutional imperative and violates its three principles.

1. *Incentivizing Innovation and Creative Aspirations*

There is an ample body of evidence that the IPR's 80% patent invalidation rate disincentivizes innovation and creative aspirations. Confidence in the valuation of patented technology has all but disappeared. The expense of acquiring a patent that has a mere 20% chance of surviving a validity challenge post-issuance deters the necessary investment in research and development required for innovation. Roulette wheels in Las Vegas casinos offer better odds for a return on investment. IPR proceedings violate the *incentivizing* principle of the constitutional imperative.

2. *Securing Intellectual Property Rights to the Individual Rather Than the State (the Public)*

Inducing an inventor to disclose his/her private creative thoughts in exchange for securing those rights to the individual, in accordance with the constitutional guarantee of securing the rights to the individual, requires the sovereign to honor and protect those rights as private (belonging to the individual), rather than confiscating them, post-issuance of the patent certificate, as public property. Anything less violates the *securing* principle of the constitutional imperative.

3. *Uniformity of Protection for Intellectual Property Rights*

The bizarre reality of two different adjudicative standards for the same determination (*e.g.*, patent invalidity) by the administrative agency in PTAB trials and by Article III courts deciding patent disputes is counter to the uniformity principle underlying the constitutional imperative (*e.g.*, PTAB broadest reasonable interpretation ("BRI") or BRI claim construction based upon preponderance of the evidence and absence of presumption of validity, compared with Article III courts' Phillips' ordinary meaning claim construction based upon clear and convincing standard and presumption of validity). The inconsistency, derived from a lack of uniformity, is compounded by the unpredictability of finality and binding authority in those patent validity determinations that occur with multiple parallel-tracked validity determinations in the two separate fora concerning validity of the same challenged patent claims.

Congressional exercise of its enumerated powers in this context has violated the principles behind the constitutional imperative and exceeded its authority by usurping the

authority of the third branch to set uniform standards for adjudicating patent validity disputes consistent with the constitutional imperative.

F. IPRs are not the Talismanic Solution in the Quest for Improved Patent Quality and Patent Law Reform

To be sure, patent quality is in the best interest of all stakeholders and the integrity of the United States patent system. It is commendable that Congress has attempted to achieve this goal. Unfortunately, IPRs, while paved with good intentions, have put the patent system on a dangerous road to a chaotic demise.

Solutions for improving patent quality need to be accomplished at the front-end administrative process and not at the expense of the constitutional imperative and the separation of powers on the back-end enforcement regime. Robust and comprehensive examination practices at the application stage achieves the goal consistent with congressional authority and the constitutional mandate.

For its part, the Supreme Court has rendered recent decisions in patent cases that reign in “bad actors” on the enforcement back end.¹² These cases equip trial courts with the necessary tools to combat abusive patent enforcement tactics without stifling the incentive to innovate, entrepreneurial investment in new technologies, and the disclosure of the private thoughts of inventors and innovators.

Unfortunately, the system has gone off the rails with Congress’ empowerment of an administrative agency to assume the heretofore judicial function of adjudicating private party disputes over patent validity simultaneously with the Article III courts under vastly different and inconsistent procedures.

G. The Constitutional Imperative of the Patent System is Not Disputed

The issue of constitutionally guaranteed patent protection for individual inventors is non-controversial from a right or left political perspective. It is about what is right and wrong with IPRs and its adverse impact on the U.S. patent system vis-a-vis the balance of power between the branches of our tripartite form of government.

As evidenced by many of the Supreme Court’s unanimous opinions in patent cases, the fundamental constitutional rights emanating from Article I, section 8, Clause 8, provide a singular foundation of principles that cannot be denied. The strength of these protections for the individual has been the lynchpin of the superior technological progress and economic success enjoyed over the history of our republic. One need only compare American progress with that of repressive regimes that do not honor and support strong protection for the private intellectual property rights of the individual to realize the genius of the Founding Fathers and Framers behind the constitutional imperative.

The basis for the constitutional provision has served the country well throughout our history and should provide the basis for determining whether an act of Congress achieves or violates the constitutional imperative. And when, as here, it is evident that an act of Congress (*i.e.*, the AIA provision establishing the IPR administrative agency adjudication of patent validity disputes and cancellation) is contrary to the constitutional imperative, the Supreme Court's historical precedent, and to the antecedent common law, then that provision must be struck down as an unconstitutional violation of the separation of powers and the Seventh Amendment right to a jury trial.

The Court has recognized in many other cases involving the Bill of Rights and separation of powers that Congress and/or the Executive has over-stepped its authority. Here, the separation of powers and the Seventh Amendment are at the heart of this case.

If the judicial branch does not abide and protect its own constitutional independence and authority, and the individual's protections under the Bill of Rights, no other branch can.

II. Evolution of Public Property Rights v. Private Property Rights

A. Article III Separation of Powers

In 1855, in *Murray's Lessee v. Hoboken Land & Improvement Co.*, the Supreme Court declared that Congress has the power to delegate disputes over public rights to non-Article III courts.¹³ The Court specifically held that “there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them . . . but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.” *Id.* at 281. This Article I public rights carve-out from Article III courts was first recognized by the Court in the context of disputes between the government and private parties. *Id.*

In 1921, in *Block v. Hirsh*, the Court extended the doctrine to disputes between private parties concerning public rights.¹⁴ The Court upheld the constitutionality of a District of Columbia statute authorizing an administrative agency to determine fair rents for holdover tenants as provided by the statute in a dispute between a private party landlord and private party tenants. *Id.*

In 1929, in *Ex parte Bakelite Corp.*, the Court held that an adversarial proceeding by a company against a competitor for unfair importation practices under federal law did not need to be heard in an Article III court.¹⁵ In *Bakelite*, the Court addressed the question of the constitutionality of “legislative courts.” *Id.* at 451-52. The case concerned executive power to levy tariffs and create a Tariff Commission to conduct hearings pursuant to the Tariff Act of 1922. *Id.* at 446. Determinations by the Tariff Commission were appealable to the Court of Customs Appeals. The Court declared that the Court of Customs Appeals was a legislative court, *i.e.*, an Article I court. Thus, regarding matters purely within the scope of the legislative

or executive branches, they may reserve to themselves the power to create new forums to decide disputes or delegate the adjudicatory function to administrative agency tribunals. *Id.* at 451.

More recently, in 1985, the Supreme Court in *Thomas v. Union Carbide Agricultural Products Co.*, upheld the binding arbitration scheme of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”).¹⁶ Under FIFRA, pesticide manufacturers seeking to register a pesticide were required to submit health, safety, and environmental data to the Environmental Protection Agency (“EPA”). *Id.* at 571-72. The data could be utilized by the EPA in approving registrations by other manufacturers, but compensation for its use was owed to the earlier registrant. The amount could be determined by agency arbitration instead of in an Article III court. The Court in *Thomas* held that this statutory scheme does not violate Article III, noting that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” *Id.* at 583. It followed that “Congress, acting for a valid legislative purpose to its constitutional powers under Article I, may create a seemingly ‘private’ right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.” *Id.* at 593-94.

The following year, in 1986, the Court in *Commodity Futures Trading Commission v. Schor*, used the same rationale to uphold the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”), for customers of commodity brokers to seek reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations.¹⁷

The Court expanded the Article I and Article II administrative agency adjudication of disputes between private parties concerning arguably private property rights in reliance upon its asserted nexus between the private rights and the public regulatory scheme or moreover the governmental interest in the outcome and resolution of those disputes. One can question this rationale and whether it presents an “open-ended” basis for unfettered expansion of regulatory control by the two political branches of the U.S. Government without the checks and balances of the co-equal non-political third branch. Certainly, a connection can be drawn between these cases and the massive expansion of Article I and Article II *regulatory agencies* and *regulatory power* over daily activities related to private property rights.

Concern over the open-endedness of this unfettered power is evident in the 2011 case *Stern v. Marshall*, 564 U.S. 462 (2011), where the Court issued its most expansive pronouncement on the standard for applying the public rights doctrine. In *Stern*, the Court continued to apply the analysis of public rights doctrine to disputes between private parties in “cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency's authority. . . . [W]hat makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action.” *Id.* at 498.

The Court however held that, the dispute between the parties in *Stern* concerned a claim *sounding in tort* and *thus could not be adjudicated by an Article I bankruptcy court*. *Id.* at 494. Rather, under Article III, an Article I bankruptcy court could not enter judgment on a state law counterclaim sounding in tort, because state law counterclaims “[do] not flow from a federal statutory scheme, . . . [are] not completely dependent upon adjudication of a claim created by federal law,” and do not involve “a situation in which Congress devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.” *Id.* at 493-94 (citations omitted).

Most notably, under the *Stern* analytical framework, Article I and Article II tribunal adjudications *are prohibited* if the federal claim had antecedents in the common law in 1789, and those agency tribunals acting as factfinder in private disputes must receive plenary review in an Article III court to be considered constitutionally sound. *See id.* at 484-85.

This “historical antecedents” test is determined by examining whether a claim existed at common law in 1789, and if so, its resolution implicates the “judicial power,” and a non-Article III tribunal may not finally adjudicate it at the trial level. The Article III purpose, its system of checks and balances, and the integrity of judicial decision making would be denied if the other branches of the federal government could confer the government’s “judicial power” on entities outside Article III. That is why since *Murray’s Lessee* it has long been recognized that Congress may not “withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.” 59 U.S. 272 (1856).

When a suit is made of “the stuff of the traditional actions at common law tried by the courts at Westminster in 1789” and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts. *Stern*, 564 U.S. at 484. The Constitution assigns that job—resolution of “the mundane as well as the glamorous, matters of common law and statute as well as constitutional law, issues of fact as well as issues of law” —to the judiciary. *Id.* at 495.

Nevertheless, the Court went on to recognize that Article III precedent “has not been entirely consistent.” *Id.* at 497. As Justice Scalia’s concurrence stated, this realization of how the *Stern* outcome was reconciled with every “not . . . entirely consistent” holding of the past has led reasonable jurists to believe that there were no less than seven distinct legal standards announced in the majority opinion. *Id.* at 507 (Scalia, J., concurring).

It is important to note that none of the public rights cases involve the disclosure of private thoughts induced by the sovereign, and, under the historical antecedent test, non-Article III tribunals may not finally adjudicate patent disputes at the trial level. Also, as in *Stern*, under the common law, violations of patent rights have been treated as a tort.

It is also noteworthy that the Court has recently held in *Matal v. Tam*, 137 S. Ct. 1744, 1760-61 (2017), in the context of trademark rights, that like copyrights, trademarks are “private” speech. Additionally, as pointed out by Justice Thomas (joined by Justice Scalia) in his dissenting opinion in *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293 (2015):

“[T]he right to adopt and exclusively use a trademark appears to be a *private property right that “has been long recognized by the common law and the chancery courts of England and of this country.” Trade-Mark Cases*, 100 U. S. 82, 92, 25 L. Ed. 550, 1879 Dec. Comm'r Pat. 619 (1879). As the Court explained when addressing Congress’ first trademark statute, enacted in 1870, the exclusive right to use a trademark “was not created by the act of Congress, and does not now depend upon it for its enforcement.” *Ibid.* “The whole system of trademark property and the civil remedies for its protection existed long anterior to that act, and have remained in full force since its passage.” *Ibid.* Thus, it appears that the trademark infringement suit at issue in this case might be of a type that must be decided by “Article III judges in Article III courts.” *Stern*, 564 U. S. at 484, 131 S. Ct. 2594, 180 L. Ed. 2d 475, 495.”

B&B Hardware, 135 S. Ct. 1293, 1317 (emphasis added).

The same is true for patent rights since the patent law developed from the common law.

B. Article III Separation of Powers in Invention and Land Patent Cases

In addition to patents for inventions, the U.S. government has issued patents for land grants. *United States v. Stone*, 69 U.S. 525, 535-38 (1864). Patents for invention and patents for land are treated the same way under the relevant law. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 358-59 (1888). The Supreme Court in several cases during the nineteenth century declared that a patent for either invention or land, once issued, is private property that has left the authority of the granting office.

The Court in *American Bell Telephone Company*, compared Article I, Section 8, Clause 8, with Article IV Section 3, Clause 2, and stated that “the power . . . to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source, and although exercised by different bureau or officers under the government, are of the same nature, character and validity. . . .” *Id.* The Court held that to take away a patent after issuance invokes “private” rights—namely, fully vested property rights. *Id.* at 370. The Court found that the invention “has been taken from the people, from the public, and made the private property of the patentee. . . .” *Id.*

The Court has held, with respect to both patents for invention and patents for land, that it is an unconstitutional encroachment on Article III courts for the executive to affect an issued patent in any way. *Id.* In *American Bell Telephone Company*, the Court found that a patent is

“the highest evidence of title, and is conclusive as against the Government, and all claiming under junior patents or titles, until it is set aside or annulled by some judicial tribunal. . . .” *Id.* at 365. Any determinations as to whether a patent has been improvidently granted must be made by courts of law. The agency that issues the patent provides evidence of a grant by an officer who issues it acting magisterially and not judicially. *Id.* Such office or officer is not competent to cancel or annul the act of his predecessor. *Id.* That is a judicial act, and requires the judgment of a court. *Id.*

The Supreme Court in *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606, 609 (1898), held that a patent, upon issuance, is not supposed to be subject to revocation or cancellation by any executive agent. *Id.* The Court held that it is an invasion of the province of Article III courts for the executive branch to revoke or cancel a patent as invalid. *Id.* at 612.

The Court reasoned that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has had affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other officer of the government. *Id.* at 608-09. It has become the property of the patentee, and as such is entitled to the same legal protection as other property. *Id.* The Court noted that the only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatsoever, is vested in the courts of the United States, and not in the department which issued the patent. And in this respect a patent for an invention stands in the same position and is subject to the same limitations as a patent for a grant of land.

There are numerous land patent cases preceding the invention patent cases that reached the same conclusion. In *United States v. Stone*, 69 U.S. 525, 535 (1864), the Court determined that an Article I tribunal lacked the authority to void a patent for land.

In *Moore v. Robbins*, 96 U.S. 530 (1878), the Court decided a dispute as to whether the Secretary of the Interior could rescind a patent for land where multiple parties claimed ownership over the same tract. *Id.* The Court reasoned that Article III courts are the sole venue for adjudication once a patent has been issued and become the private property of the patentee. The question of contested rights is within the jurisdiction of the land patent granting authority (the Land Office), but once the patent has been awarded to one of the contestants, and has been issued, delivered, and accepted, all right to control the title or to decide on the right to the title has passed from the Land Office and the executive. *Id.* at 532-33. Any disputes concerning the land patent must be decided by Article III courts. *Id.*

Similarly, in *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 293 (1890), the Court, relying on the same rationale to prevent officers of the Land Department from requiring two competing land owners to appear regarding the patents’ validity, stated that it “is always and

ultimately a question of judicial cognizance.” *Id.* The Court held that only the Article III courts could hear the case. *Id.* at 301-02.

In both the invention and land patent cases, the dispute arose as a result of a challenge to the validity of the granted patent. Whether the challenge is fueled by the issuing body’s mistake or negligence, the same consequence obtains—the issuing agency cannot adjudicate the dispute. Once the grant has occurred, the right is a private property right. Any dispute as to the patentee’s private property must be heard by an Article III tribunal. Otherwise, it violates the Article III separation of powers.

The harm to the rule of law that arises whenever persons other than Article III judges wield the judicial power is not overstated. The presumption of lifetime tenure and the prohibition against salary diminution is that it eliminates or minimizes the political influence on Article III judges. The lifetime tenure and no salary diminution requirement of Article III provide the greatest opportunity to maintain the independence of the federal judiciary. Also, the Article II advise and consent role for Senate confirmation of Presidential nominees to Article III Courts guarantees the People a representative voice in the vetting process. These protections do not exist in the administrative agencies of the Executive branch, whose employees perform their duties *within the bureaucracy subject to the power and authority of agency leaders, the President, and/or Congress.*

C. The Public Rights Exception Violates the Seventh Amendment Right to a Jury

The Seventh Amendment provides that, “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved”¹⁸

The public rights exception for administrative agency tribunals runs afoul of the Seventh Amendment right to a trial by jury with respect to the PTAB IPRs challenging the validity of patents. As pointed out in the discussion of the Supreme Court’s invention patents and land patents, the dispute is one that should be viewed as a private property rights case and not a public property rights case. Moreover, historically in the United States, the issues of patent validity have been adjudicated in Article III courts.

Additionally, the Seventh Amendment right to a jury trial is violated under the Court’s historical antecedent test. Under the English Common law of the eighteenth century (at the time of the framing of the United States Constitution), the validity of patents sounded in common law. Such was the case whether incident to an infringement action or as a direct action to revoke in the Chancery Court of law and equity (since the factual determinations were actually tried in the common law courts because only they had the power to empanel juries).¹⁹ Accordingly, any distinction between validity determinations and infringement actions is misplaced.

Patent infringement actions inherently rely upon the validity of the patent at issue. This is true whether decided by adjudication of the affirmative defense, counterclaim, stipulation, or

the presumption of validity. The issues of patent infringement and patent validity are inextricably linked. Congress recognized this aspect of patent enforcement in the AIA one-year time bar for IPR petitions when the patent at issue is the subject of a patent infringement lawsuit.²⁰

Similarly, since the right to a jury trial is waivable, any patent dispute conducted by an Article III judge without a jury differs significantly from the PTAB IPR proceeding in that the litigants engage in the process knowing that their voluntary conduct waives the jury right. Patent holders faced with the challenge in IPRs are not afforded the opportunity to waive the jury right. And, of course, the separation of powers constitutional deficiency is not present since the matter is still tried as an Article III adjudicated proceeding.

While no Supreme Court case has addressed the specific question raised regarding the Seventh Amendment violation posed by PTAB IPRs (prior to the pending case), guidance may be gleaned from the Court's decision in *Granfinanciera v. Nordberg*, 492 U.S. 33 (1989):

Although 'the thrust of the Amendment was to preserve the right to jury trial as it existed in 1791,' the Seventh Amendment also applies to actions brought to enforce statutory rights that are analogous to common law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity or admiralty.

Id. at 41- 42 (citations omitted).

[Congress] lacks the power to strip parties contesting matters of private right of their constitutional right to a trial by jury . . . to hold otherwise would be to permit Congress to eviscerate the *Seventh Amendment's* guarantee by assigning to administrative agencies or courts of equity all causes of action not grounded in state law, whether they originate in a newly fashioned regulatory scheme or possess a long line of common-law forebears. The Constitution nowhere grants Congress such puissant authority. '[L]egal claims are not magically converted into equitable issues by their presentation to a court of equity,' nor can Congress conjure away the *Seventh Amendment* by mandating that traditional legal claims be brought there or taken to an administrative tribunal.

Id. at 51-52 (citations omitted).

In *Granfinanciera*, a common law claim arose in an Article I bankruptcy court. *Id.* The Court held that a bankruptcy trustee was constitutionally entitled to a jury trial in an action to recover a fraudulent conveyance, as such suits are matters of private rights. *Id.* at 55-56. The Court found that although the common law claim arose in an Article I (bankruptcy) court, the Seventh Amendment right to a jury still applied. *Id.* at 63-64.

III. Resolution of the Critical Constitutional Issues Raised by IPRs is Necessary to Insure the Integrity and Strength of the United States Patent System

“Life, liberty, and property do not exist because men have made laws. On the contrary, it was the fact that life, liberty, and property existed beforehand that caused men to make laws in the first place.”

~Frederic Bastiat

The passage of the AIA was a culmination of efforts spanning several years of congressional efforts; and the product of a push by the companies at the forefront of the twenty-first century new technology business titans. The legislation brought about monumental changes in the patent law in the way that patents are procured (first inventor to file instead of first to invent) and how they are enforced (the administrative challenges to patent validity through the PTAB IPRs).

The 113th and 114th Congresses also grappled with then newly proposed patent law reforms that, if enacted, would have presented additional tectonic shifts in the patent law. Major provisions of the proposals included: fee-shifting measures (requiring loser pays legal fees—counter to the American rule); strict detailed pleadings requirements, promulgated without the traditional Rules Enabling Act procedure, that exceed those of the *Twombly/Iqbal* standard applied to all other civil matters in federal courts; and the different standards applicable to patent claim interpretation between the PTAB IPR proceedings and Article III court litigation concerning patent validity.

The executive and administrative branch have also been active in the patent law arena. President Obama was a strong supporter of the AIA and in his 2014 State Of The Union Address, essentially stated that, with respect to the proposed patent law reforms aimed at “patent troll” issues, we must innovate rather than litigate. Additionally, the USPTO has embarked upon an energetic overhaul of its operations in terms of patent quality and PTO performance in granting patents, and the PTAB has expanded to over 250 administrative law judges in concert with the AIA IPRs’ strict timetable requirements.

The Supreme Court, along with the other branches of the U.S. government, has raised the profile of patent cases to historical heights. From 1996 to the present term, there has been a steady increase in the number of patent cases decided by the Court. For example, the 2014-2015 term occupied almost ten percent of the Court’s docket. Prior to the last two decades, the Supreme Court would rarely include more than one or two patent cases in a docket that was much larger than those we have become accustomed to over the more recent terms.

The need for strong protection of intellectual property rights is greater now than it was at the dawn of our Republic. Our Forefathers and the Framers of the U.S. Constitution recognized the need to secure those rights in Article 1, Section 8, Clause 8. James Madison provides clear insight for its significance in the Federalist Paper No. 43 (the only reference to the clause in the Federalist Papers). It is contained in the first Article section dedicated to the enumerated powers of Congress. The clause recognizes the need for uniformity of the protection of IP rights; securing those rights for the individual rather than the state; and incentivizing innovation and creative aspirations.

Underlying this particular enumerated power of Congress is the same struggle that the Framers grappled with throughout the formulation of the new Republic: how to promote a unified nation while protecting individual liberty. The fear of tyranny and protection of the “natural law” of individual liberty is a driving theme for the Constitution and throughout the Federalist Papers.

In Federalist Paper No. 10, James Madison articulated the important recognition of the “faction” impact on a democracy and a republic. In Federalist Paper No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic. And in Federalist Paper No. 78, Alexander Hamilton, provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*.

All of these related themes are relevant to Article I, Section 8, Clause 8, and at the center of intellectual property protections then and now. The Federalist Paper No. 10 recognition that a faction may influence the law has been playing itself out in the halls of Congress in the time period leading up to the AIA and in connection with more recent patent law reform debate. The large tech companies of the past, new tech, new patent-based financial business model entities, and pharma factions have been the drivers, proponents, and opponents of certain of these efforts.

To be sure, some change is inevitable, and both beneficial and necessary in an environment of rapidly changing technology where the law needs to evolve or conform to new realities. However, changes not grounded in the founding principles of the Constitution and the Patent/Copyright Clause (*i.e.*, uniformity, secured rights for the individual, incentivizing innovation and protecting individual liberty) run afoul of the intended purpose of the constitutional guarantee.

Although the Sovereign does not benefit directly from the fruits of the innovator, enacting laws that empower the King, and enables the King to remain so, has the same effect as deprivation and diminishment of the individual’s rights and effectively confiscates them from him/her. Specifically, with respect to intellectual property rights, effecting change to the laws that do not adhere to these underlying principles, in favor of the faction that lobbies the most and

the best in the quid pro quo of political gain to the governing body threatens to undermine the individual's intellectual property rights and hinder the greatest economic driver and source of prosperity in the country.

All of these vital intersecting factors are resonating with the critical issues to be decided regarding the constitutionality of PTAB IPRs. The public property rights/private property rights jurisprudence can be clarified, and vital issues related to the strength of invention patent protection in the United States can be secured, through resolving the fundamental question of the constitutionality of Article II versus Article III adjudication of invention patent validity.

IV. CONCLUSION

IPRs, as promulgated by Congress and as currently administered, are an unconstitutional usurpation of the Article III separation of powers and violate the Seventh Amendment's right to a jury.

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² See, e.g., *Hamdan v. Rumsfeld*, 548 U.S. 557 (2006) (war powers); *Nat'l Fed'n of Indep. Bus. v. Sebelius*, 132 S. Ct. 2566 (2012) (Affordable Care Act); *Zivotofsky v. Kerry*, 135 S. Ct. 2076 (2015) (naturalization/immigration).

³ See U.S. CONST. art. I, § 8, cl. 8.

⁴ THE FEDERALIST NO. 43 (James Madison) (emphasis added).

⁵ *Miller v. Brass Co.*, 104 U.S. 350 (1882) (“[T]he claim of a specific device or combination, and an omission to claim other devices or combinations *apparent on the face of the patent*, are, in law, a dedication to the public of that which is not claimed. It is a declaration that that which is not claimed is either not the patentee's invention, or, if his, he *dedicates it to the public.*”) (alteration in original) (emphasis added).

⁶ Defend Trade Secrets Act, Pub. L. 114-153, 130 Stat. 376 (2016) (codified at 18 U.S.C. § 1836 *et seq.*).

⁷ U.S. CONST. art. III, § 1.

⁸ THE FEDERALIST NO. 10 (James Madison).

⁹ THE FEDERALIST NO. 51 (James Madison).

¹⁰ 5 U.S. 137 (1803).

¹¹ THE FEDERALIST NO. 43 (James Madison).

¹² See, e.g., *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016) (district court's discretion to award enhanced damages and appellate review by abuse of discretion standard); *Highmark Inc. v. Allcare Mgmt. Sys.*, 134 S. Ct. 1744 (2014) (abuse of discretion standard for appellate review of attorney's fees award); *Octane Fitness v. ICON Health & Fitness*, 134 S. Ct. 1749 (2014) (“exceptional case” standard for award of attorney's fees).

¹³ 59 U.S. 272 (1855).

¹⁴ 256 U.S. 135 (1921).

¹⁵ 279 U.S. 438, 460-61 (1929).

¹⁶ 473 U.S. 568, 571 (1985).

¹⁷ 478 U.S. 833, 854 (1986).

¹⁸ *See* U.S. CONST. amend. VII.

¹⁹ *See* *Ex Parte Wood & Brundage*, 22 U.S. 603, 614-615 (1824).

²⁰ *See* 35 U.S.C. § 315 (2012).

IPRs Are a Constitutional Exercise of Congressional Authority to Empower an Administrative Agency to Determine the Validity of Patents

By: Melvin C. Garner

On June 12, 2017, the United States Supreme Court granted Oil States Energy Services' ("Oil") petition for certiorari to review the Federal Circuit's summary affirmance of a Patent and Trial Appeal Board ("PTAB") decision. The grant of certiorari was to determine: "Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury."¹

The petition also sought review of the PTAB's process for allowing amendments and its "broadest reasonable interpretation of patent claims." Although these other issues raise valid concerns, the Court chose not to address them, and they are not considered here.

The petitioner Oil makes two main arguments in challenging the constitutionality of *inter partes* review ("IPR"):

- (1) Patent "infringement cases today *must* be tried to a **jury**, as their predecessors were more than two centuries ago." *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (emphasis added). At a minimum, the Constitution requires that an **Article III judge** adjudicate all cases in law and in equity arising under federal law. U.S. CONST. art. III. (Pet. 11) (emphasis added).
- (2) Patents create property rights, protected by the Constitution. ***Once a patent is granted, it "is not subject to be revoked or cancelled by the President, or any other officer of the Government"*** because "[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property." *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 608-09 (1898). (Pet. 17) (emphasis added)

Analysis of both arguments shows that they do not support the conclusion that IPRs are unconstitutional. In particular, patent infringement cases are not patent validity cases (although validity can be a subsidiary issue), and the selected statements from old cases relied on by Oil do not establish that patents are private rights, which can only be revoked by an Article III court with a jury.

1. Patent Validity Does Not Need to be Determined in an Article III Court Before a Jury

Controversies that *may* be decided in the federal courts are identified in Article III, Section 2 of the Constitution, and include "all Cases, in Law and Equity, arising under [the] Constitution, the Laws of the United States, and Treaties made, or which shall be made." Certainly, patent

validity is within the purview of the federal courts.² Also, the Seventh Amendment provides a constitutional right to a jury trial if such a right existed at common law in 1791.³ While it is clear that at common law before 1791, and up until today, an Article III judge and jury could decide the validity of a patent; however, what is not clear is whether they are the only ones who can do so. In other words, although an Article III judge and jury are sufficient to determine validity, are they necessary?

a. An Article III Court is Not Necessary for a Patent Validity Determination

The Supreme Court has “long recognized that, in general, Congress may not ‘withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.’”⁴ If a suit is within federal jurisdiction, then the test for Article III is whether the case “is made of ‘the stuff of the traditional actions at common law tried by the courts at Westminster in 1789.’”⁵ In order to “preserve the integrity of judicial decisionmaking,” Congress cannot “confer the Government’s ‘judicial Power’ on entities outside Article III.”⁶

The cases relied upon by Oil, however, are patent infringement cases. IPRs are patent validity cases, not infringement cases. At most, patent validity may be determined in a modern patent infringement case as an affirmative defense to infringement.

In England in the eighteenth century, only chancery courts had the power to revoke a patent upon request of a private citizen. The chancery court was not a law court at Westminster. *See* Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 VA. L. REV. 1673, 1684 (Dec. 2013) (“Lemley”).

What an Article III judge has that an Article I administrative judge lacks is lifetime tenure and no diminution of compensation. This protects the Article III judge from undue political influence. What the typical Article III judge lacks in determining patent validity is a relevant technical background and an in-depth knowledge of patent law, backgrounds that the Administrative Patent Judges (APJs) of the PTAB must have. Thus, the public is more likely to get a proper determination of the validity of the patent from the Article II proceeding than from the Article III one.⁷ Concern about political influence on ALJs is moderated by the fact that the patent would not exist at all if the same agency judging it had not granted it in the first place.

b. A Jury is Not Necessary for a Patent Validity Determination

The Seventh Amendment ensures a jury trial right if that right existed in 1791. *Curtis v. Loether*, 415 U.S. 189, 193 (1974). Professor Lemley provides a detailed analysis of the use of juries in eighteenth-century England:

[I]n England in the eighteenth century, only chancery courts had the power to revoke a patent upon request of a private citizen. And chancery courts had no

power to convene a jury. [However, juries] could pass on the validity of a patent in two circumstances. First, a chancery court might seek the advice of a jury in assessing the facts underlying a *scire facias* petition. . . . Second, and more commonly, when a patentee sued for damages at common law rather than seeking an injunction in equity, matters of fact—including what factual issues existed concerning validity—were given by the law courts to the jury. . . . [A] ruling in the law courts could not invalidate a patent altogether, as a ruling of invalidity does today. In the law courts, invalidity as we understand it today didn't exist. The doctrines we think of today as rendering a patent invalid instead provided personal defenses to a particular infringer.

Lemley at 1684-86. Since there was no right to a jury in a pure invention patent validity case in 1791, there is no requirement for a jury trial for a patent validity determination now.

An Article III jury trial in which patent validity is determined is essentially judicial review of an administrative agency action, i.e., the original grant of the patent by the Patent Office. The Supreme Court has held that there is no constitutional right to jury review of administrative agency decisions. *See Atlas Roofing Co. v. Occupational Safety & Health Review Comm'n*, 430 U.S. 442, 455 (1977); *Cox v. United States*, 332 U.S. 442, 453 (1947). The Supreme Court has also held that the Patent Office is an administrative agency subject to the normal rules of the Administrative Procedure Act. *Dickinson v. Zurko*, 527 U.S. 150, 154–55 (1999).

In 1791, juries did evaluate the validity of patents in infringement cases, but they did not review the work of an administrative agency in the sense they do today. Further, a jury's determination that a patent was invalid in 1791 simply provided a personal defense to infringement; it did not mean (as it does today) that the patent was nullified. Judgments in England during this time period that a patent was invalid as to everyone were the province of the writ of *scire facias*, which required petitioning the King (i.e., the executive). *See* Lemley at 1683-84.

Therefore, there is no right to a jury in a purely patent-validity determination.

2. The Status of Patent Rights as Property Does Not Mean that all Determinations about Patents must be handled by an Article III Court

Oil relies heavily on the language in *McCormick*, i.e., “[o]nce a patent is granted, it ‘is not subject to be revoked or cancelled by the President, or any other officer of the Government’ because ‘[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property.’” Pet. 17 (citing 169 U.S. at 608-09) (emphasis added). Oil takes this language out of context to assert that the Patent Office cannot determine the validity of a patent and that such a determination must be made by a jury in an Article III court.

a. The Limitations of the Language in *McCormick*

There are at least three problems with reliance on *McCormick*. First, *McCormick* dealt with a reissue situation where the patentee had asked the PTO to correct the patentee's error, not a re-examination situation where the PTO is being asked to correct its own error. In contrast, the IPR is a curative statute invoked by a third party to correct an error made by the Patent Office in granting an invalid patent. The fact that it is the government's mistake that is being corrected speaks to the public nature of the right in question.

Second, in *McCormick*, the context of the statement is important in order to understand it. During a reissue, the Examiner found invalid certain original claims of the patent. Rather than appeal that decision, *McCormick* withdrew the request for reissue and obtained a return of its original patent. In a later infringement suit, the defendant tried to get the court to determine that these claims were invalid based on the determination during the reissue. The Supreme Court determined that since the reissue had been withdrawn and the original patent had been returned, the determination of the Examiner had no effect.

Third, the Supreme Court in *McCormick* did not rule on the constitutionality of the reissue procedure, and the quoted statement is dicta. This case from 1898 is of questionable value in determining the constitutionality of an agency tribunal. Under current Supreme Court analysis, this question turns on whether the right adjudicated by the agency is a "public right" or a "private right." See *Stern v. Marshall*, 564 U.S. 462 (2011). The determination of the validity of a patent by the Patent Office is a determination of a public right. However, a suit for infringement of the patent against a third party is the exercise of a private right, which must be handled by an Article III forum. Additionally, a jury is required if requested by the parties.

b. The Nature of the Patent Property Right

If the patent right is taken to be a property right that is indistinguishable from other property rights for all purposes, then it is a private right and can only be taken away from the owner by an Article III court and thus the IPR procedure is unconstitutional. However, a close examination of the property right in an idea as established by a patent shows that it is primarily a creation of government and is much different than other property, such as real estate or even copyright. In fact, a patent is a federally created property right and thus a public right. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015); *Patlex Corp v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985).

Land exists without the need for government, and ownership of land existed even before government. The government's role in real estate is to register the ownership of land so that in a proceeding involving it by an Article III court or a state court, it is easier to determine the true owner. This is especially true in the face of changes in ownership due to sales and inheritance. See e.g. *Martin v. Hunter's Lessee*, 14 U.S. 304 (1816). Copyright is similar. A person can

create a work of art without the government and that work exists independent of government. Government registration of a copyright merely aids in a determination of the owner.

Certainly people can get ideas for new and useful machines without government. However, no protection is provided for ideas in the abstract. In fact, society has always valued the free exchange of ideas. For example, if a farmer operating a gristmill with the power of horses were to have the idea to substitute a water mill on a stream for the horse, no protection for that idea would be extended to the farmer. Neighboring farmers would be free to create the same type of mill on their property. At best, without government ideas can be protected by keeping them secret. But, where that is not possible, they can be copied by all for the benefit of society.

The patent right is created by government action as the statement from *McCormick* even acknowledges. At least in the United States, the granting of a patent is not a registration process. Rather, a patent application is examined to assure that the claim that will be protected is directed to a physical embodiment of the idea, not an abstract idea. In fact, the claim defines the right that is created. In contrast, the right to a copyright is defined by the creation of the work of art. A patent claim is often analogized to a description of the metes and bounds in a real estate deed. However, in real estate, the land exists without the deed, and the metes and bounds are merely an attempt to define what exists in nature. Without the government grant of a claim, there is no patent property.

In the patenting process, a determination is made that the idea expressed in the claim is new and not obvious. In this determination, the claim as presented is compared to prior art patents, publications, and public uses. In the case of real estate, the land is not new. It always just was. A piece of land in another county has no effect on the land in question. In copyright, the requirement is originality, not novelty. The creation of a similar work in another county has no effect on the copyright. Thus, unlike other property, the patent right is created by government to protect some ideas created by individuals in a limited way. *Patlex*, 758 F.2d at 604.

c. The Holding in *McCormick* Explained

McCormick states that once a patent has issued “it has passed beyond the jurisdiction of [the Patent] Office and is not subject to be revoked or cancelled by the . . . Government. It has become the property of the patentee, and as such is entitled to the same legal protection as other property.” 169 U.S. at 608-09. Thus, the *McCormick* court did not engage in the “public” versus “private” right analysis required by *Stern*. Also, *McCormick* seems to take the position that the quality of the right changes upon issuance by the Patent Office. This suggests that it was a public right during its creation but somehow changed to a private right for some undisclosed reason upon issuance.

The cases that the *McCormick* court relies upon for the cited statement do not support the broad interpretation that Oil asserts. For example, *United States v. Schurz*, 102 U.S. 378 (1880),

involved the ownership of land, not patents on invention. In *Seymour v. Osborne*, 78 U.S. (11 Wall.) 516, 533 (1870), the Court held that “inventions secured by letters patent are “property” of the patentee, and as such are entitled to protection as any other property, consisting of a franchise, during the term for which the franchise or the exclusive right is granted.” It did not relate to whether those rights could be adjudicated in the very agency that granted them. To the same effect is *Cammeyer v. Newton*, 94 U.S. 225 (1876). However, in *Cammeyer*, the issue was whether the government could make use of the invention with compensation to the patentee. In *United States v. American Bell Telephone Co.*, the Court held that the United States could bring an action in federal court to cancel a patent allegedly procured by fraud—i.e., it authorized “the power of the government of the United States to get rid of a patent obtained from it by fraud and deceit.” 128 U.S. 315, 373 (1888). Thus, *McCormick* cannot be taken as holding that government has no power to revoke a patent.

3. Analysis of IPRs Under the “Public Rights” Exception Shows that They are Constitutional

a. Under the Principles Set Forth in *Stern*, the Patent Right is a Public Right

Although *McCormick* did not address it, the Supreme Court in *Stern v. Marshall* did address the “public right” exception; the Court recognized that its prior decisions held:

that there [is] a category of cases involving “public rights” that Congress could constitutionally assign to “legislative” courts for resolution. [This] “public rights” exception extend[s] “only to matters arising between” individuals and the Government “in connection with the performance of the constitutional functions of the executive or legislative departments . . . that historically could have been determined exclusively by those” branches.

564 U.S. at 485 (citations omitted).

Stern confirmed that Congress cannot “withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.” *Id.* at 489 (citations omitted). The Court also recognized that “[a]t the same time there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them, and which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.” *Id.* at 507 (citations omitted).

The “public right” exception extends to cases “where the Government is involved in its sovereign capacity under . . . [a] statute creating enforceable public rights,” while “[w]holly private tort, contract, and property cases, as well as a vast range of other cases . . . are not at all implicated.” *Id.* at 490 (citations omitted). The Court has continued, however, to limit the

exception to cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency's authority. *Id.* at 490-92.

The *Stern* Court set forth a number of factors to be considered on the issue of whether the right is considered public or private, which include the following:

- (a) the assertion of agency authority involves only “a narrow class of common law claims” in a “particularized area of law”;
- (b) the area of law in question was governed by “a specific and limited federal regulatory scheme” as to which the agency had “obvious expertise”; and
- (c) orders were “enforceable only by order of the district court.”

Id. at 491 (citations omitted).

Applying these factors to the IPR proceeding shows that a determination of patent validity is a determination of a public right which the PTO can make under legislative direction.

In support of its petition, Oil notes that Supreme Court precedent holds that patent infringement cases must be tried to a jury in an Article III court. (Pet. 11). However, the IPR proceeding does not involve infringement decisions—it only involves validity, which may be a defense in an infringement action. Thus, the IPR involves only “a narrow class of common law claims,” i.e., the invalidity defense in an infringement case. Further, patent law certainly is a “particularized area of law.”

Patent validity is an area of law governed by “a specific and limited federal regulatory scheme” as to which the agency has “obvious expertise.” The entirety of Title 35 of the U.S. Code establishes the federal regulatory scheme by which patents are granted. Without this scheme there are no patents to inventions. Not only does the Patent Office in general have obvious expertise in the determination of patent validity, since that is its main function, the PTAB of the PTO has exceptional expertise. In order to perform their job, Examiners must have a technical education and knowledge of patent law. Such Examiners make validity determinations on their own when they reach Primary status. The Administrative Patent Judges (APJ) of the PTAB have similar or even more technical education than Examiners and typically have more training in patent law than Examiners. Examiners are not required to be patent attorneys, but the APJs are. Finally, PTAB decisions are made by three APJs, as opposed to a single examiner.

Compare this to a jury trial in an Article III court where neither the judge nor jury are required to have a technical background or experience in patent law.

Finally, the decision of the PTAB declares that: (1) the patent claims are maintained; (2) some of them are cancelled (or, in rare cases, amended); or (3) all of the claims are found to be invalid.

The PTAB, however, takes no further action. It would require a district court to give effect to the ruling by dismissing a suit brought on a patent whose claims are determined to be invalid.

While the Supreme Court has never directly addressed the issue of whether a PTO procedure determining validity is constitutional, several Federal Circuit cases have applied the “public rights” doctrine to make such a determination.

b. The Federal Circuit has Properly Applied the “Public Rights” Exception to Find Reexamination and IPR Constitutional.

In *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), the court applied a “public rights” exception analysis to determine whether the patent reexamination statute at the time violated the Constitution. The Federal Circuit in that case affirmed “the constitutionality of legislative courts and administrative agencies created by Congress to adjudicate cases involving ‘public rights’” and found that “the grant of a valid patent is primarily a public concern.” *Id.* at 604. The court noted that “[t]he reexamination statute’s purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted.” *Id.* at 604. Also, *Patlex* distinguished *McCormick* on the basis that it did not “forbid[] Congress [from] authoriz[ing] reexamination to correct governmental mistakes, even against the will of the patent owner. A defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.*

In *Joy Technologies, Inc. v. Manbeck*, the court held that “the issuance of a valid patent is primarily a public concern and involves a ‘right that can only be conferred by the government’ even though validity often is brought into question in disputes between private parties.” 9 59 F.2d 226, 228 (Fed. Cir. 1992) (quoting and citing *Patlex*, 758 F.2d at 604).

More recently in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), the Federal Circuit specifically applied the Supreme Court’s “public rights” analysis from *Stern v. Marshall* to find that an IPR proceeding is constitutional. The *MCM* Court cited *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 571 (1985), which held that the statutory scheme in the Federal Insecticide, Fungicide, and Rodenticide Act, which allows the Environmental Protection Agency to determine compensation between private parties, does not violate Article III. The *MCM* court noted that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” 812 F.3d at 1290 (citing 473 U.S. at 583). It also cited *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833, 854 (1986), in which the Supreme Court upheld the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”) for customers of commodity brokers seeking reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations. The

MCM court then concluded that patent reexamination and inter partes review are indistinguishable from the agency adjudications held permissible in the *Thomas* and *Schor* cases.

The PTAB’s involvement in the determination of patent validity “is thus a quintessential situation in which the agency is adjudicating issues under federal law.” *MCM*, 812 F.3d at 1291. “Congress [having] devised an ‘expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.’” *Id.* (citing *Stern*, 564 U.S. at 494 (quoting *Crowell v. Benson*, 285 U.S. 22, 46 (1932))). The teachings of the Supreme Court in *Thomas*, *Schor*, and *Stern* compel the conclusion that assigning review of patent validity to the PTO is consistent with Article III.

4. Conclusion

The decision in *Oil* will turn on whether the patent right in the context of a validity determination is considered a “private” or a “public” right. Reference to common law in eighteenth-century England should not determine the case since there were no cases based only on the invalidity of a patent of invention that was tried at law before a jury. As explained above, the better analysis is that it is a “public” right and IPRs are constitutional. Some of the other issues raised by the petition but not taken up by the Court deserve some consideration in some forum.

¹ *Oil States Energy Services LLC v. Greene’s Energy Group, LLC.*, 639 Fed. App’x 639 (Fed. Cir 2016), *petition for cert. filed* 2016 WL 6995217 (U.S. Nov. 23, 2016) (No. 16-712).

² See U.S. CONST. art. I, § 8, cl. 8; 35 U.S.C. § 1 *et seq.*

³ *Curtis v. Loether*, 415 U.S. 189, 193 (1974).

⁴ *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (quoting *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1855)).

⁵ *Stern*, 564 U.S. at 484 (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring)).

⁶ *Stern*, 564 U.S. at 484.

⁷ This assumes the PTAB uses fair procedures and does not engage in the actions that the Petitioner was unable to get the Supreme Court to hear.

No. 16-712

IN THE
Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, *et al.*,

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF *AMICUS CURIAE*
THE ASSOCIATION OF AMICUS COUNSEL
IN SUPPORT OF NEITHER PARTY**

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INTEREST OF *AMICUS CURIAE*¹

The Association Of Amicus Counsel (“AAC”) is an independent, unincorporated non-profit organization of lawyers of diverse affiliations and law practices, who are committed to serving the public interest, and who, by training, scholarship, experience, and discernment in their respective areas of the law, are possessed of the requisite proficiency in preparing and submitting *amici curiae* briefs that are helpful to courts. Briefs are submitted by the AAC in support of individuals and entities both here and abroad, or in support of neither as may be appropriate. Such individuals and entities are those who feel called upon to participate in the judicial process by having their voices heard in cases of controversy, including precedent-setting litigations whose issues of contention and outcomes will affect the interests of the public, including their own, and of others similarly situated. The AAC broadly focuses on advancing the science of jurisprudence through the submission of briefs in specific cases of importance to legitimately advocate, promote, and assist in the correct judicial development of the law in the time-honored tradition of “friends of the court.”

1. No counsel for a party authored this brief in whole or in part, and no such counsel or party made a monetary contribution intended to fund the preparation or submission of this brief. No person other than the *amicus curiae*, or its counsel, made a monetary contribution to its preparation or submission. Respondent, Greene’s Energy Group, LLC’s written consent to this filing, and Federal Respondent’s written consent to this filing, are submitted herewith. Petitioner consented to the filing of *amicus briefs* in support of either party or neither party in a docket entry dated July 7, 2017.

Because of the increasing prevalence of IPR proceedings and the impact of such proceedings on patent owners, the AAC's associated counsel and their clients have a strong interest in the issues presented in this case.²

SUMMARY OF ARGUMENT

The issue before the Court is whether the America Invents Act of 2011 ("AIA") post-patent-grant Inter Partes Reviews ("IPR"), which is an adversarial proceeding used by the U.S. Patent & Trademark Office ("USPTO") to analyze the validity of existing patents, violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

The views expressed herein are based upon the constitutional jurisprudence related to the question, which analysis derives from the status of the exclusive patent right as a public property right or a private property right. They also comprise the interpretation of the Patent & Copyright clause of the United States Constitution; the intent and purpose of the clause as articulated by the

2. The arguments made in this brief were approved by an absolute majority of AAC's associated counsel, but do not necessarily reflect the views of all of the associated counsel of the AAC, or of the law or corporate firms with which those associated counsel are affiliated. After reasonable investigation, the AAC believes that no associated counsel of the AAC who voted in favor of filing this brief, nor any attorney affiliated with any such associated counsel in any law or corporate firm, represents a party to this litigation. Some associated counsel or affiliated attorneys may represent entities, including other *amici curiae*, which have an interest in other matters that may be affected by the outcome of this litigation.

Framers of the Constitution; and, an understanding of the natural law attributes of life, liberty and property.³

1. The IPRs are an unconstitutional usurpation of, and intrusion on, the Article III Separation of Powers and a denial of the Seventh Amendment right to a jury trial. Congress's AIA provision, establishing the IPR administrative agency adjudication of patent validity disputes and cancellation, in a non-Article III forum without a jury, is contrary to the Supreme Court's historical precedent, the antecedent common law, and the Patent & Copyright clause's mandate.

2. The patent right, as found in this Court's historical precedent and the antecedent common law, as intended by the Framers of the Constitution, and as comprehended by the natural law or the nature of the thing, is a private property right. *See* May, Randolph J. & Cooper, Seth L., *The "Reason and Nature" of Intellectual Property:*

3. *Amicus Curiae's* analysis and conclusions are informed by a review of the principles, precepts, and concepts as noted. It does not express any opinion regarding the utility of a legislatively promulgated post-grant review proceeding that is properly constructed in fidelity with the U.S. Constitution. Nor does it directly address the *presumptively valid patents* issued by the thousands of hardworking USPTO patent examiners, and the hundreds of dedicated, thoughtful and highly competent, Patent Trial and Appeals Board ("PTAB") Administrative Patent Judges ("APJ") tasked to conduct PTAB IPR trials within the confines and administrative construct of Congress' mandate in the AIA. Moreover, it addresses the question of whether a provision of a statute (*e.g.*, the AIA), enacted by an Article I Congress and executed by an Article II Executive Agency (the USPTO), violates the U.S. Constitution Article III Separation of Powers and the Bill of Rights' Seventh Amendment Right To A Jury.

Copyright and Patent in The Federalist Papers, Perspectives from the Free State Foundation Scholars, January 14, 2014, Vol. 9, No. 4.⁴

3. The intent and purpose, or imperative, of the Patent & Copyright clause of the U.S. Constitution, comprises three distinct principles: (1) to incentivize innovation; (2) to secure the patent rights to the individual (*e.g.*, a private right) rather than the sovereign (*e.g.*, a public right); and, (3) the uniformity of protection for those rights. *See* The Federalist No. 43 (James Madison). IPRs violate each of those three principles.

ARGUMENT

I. Administrative Agency IPRs Are An Unconstitutional Usurpation Of, And Intrusion On, The Article III Separation Of Powers And A Denial Of The Seventh Amendment Right To A Jury Trial

A. It is Improper for an Administrative Agency Adjudicative Body to Invalidate Patents because it Violates the Article III Separation of Powers

The separation of powers under the United States Constitution is the backbone of our tripartite system of government. Conflicts between and among the three branches arise in many circumstances relating to the governance of the People and the Constitutional authority for a particular branch to exercise its power.

4. Available at http://www.freestatefoundation.org/images/The_Reason_and_Nature_of_Intellectual_Property_011014.pdf

Recent examples include war powers, health care and immigration. See *Hamdan v. Rumsfeld*, 548 U.S. 557 (2006) (war powers - Separation of Powers); *Nat'l Fed'n of Indep. Bus. v. Sebelius*, 132 S. Ct. 2566 (2012) (Affordable Care Act - Separation of Powers); *Zivotofsky v. Kerry*, 135 S. Ct. 2076 (naturalization/immigration - Separation of Powers) (2015). Ultimately these conflicts are resolved by this Court.

The present case illustrates such conflict between the three branches of government, and the separation of powers, with respect to the constitutionality of adjudicating patent validity disputes in Administrative tribunals created under Article I enumerated powers and operating in Article II Agencies rather than the constitutionally required Article III Court adjudication of those disputes.

The Supreme Court's jurisprudence, deciding the constitutionality of conflicting jurisdictional authority among the three branches, in this instance, is based on an analysis addressing "public rights" (*e.g.*, disputes between a private party and the government or between private parties concerning public property rights) and "private rights" (*e.g.*, disputes between private parties concerning private property rights).

The public/private property rights dichotomy, and the conflict among the three branches of government has presented itself in this case involving the adjudication of a dispute between private parties concerning the validity of rights secured to an individual inventor under a lawfully issued United States patent certificate. The patent certificate was issued based upon the sovereign's promise

of exclusivity for a limited period of time in exchange for the individual inventor's disclosure of his private creative thoughts and ideas.

B. Background Of The Patent Law Adjudication Conflict Issue

Article I, Section 8, Clause 8, of the United States Constitution provides the explicit enumerated power of Congress to secure for inventors the exclusive right to their inventions for a fixed period of time, in exchange for disclosure of the invention to the public, as follows:

“To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”

Id.

The U.S. Patent laws developed through the common law and from an early Act of Congress. In 1952, Congress codified much of today's U.S. patent law (the Patent Act of 1952). With few exceptions, the law remained as codified in the Patent Act of 1952 until 2011 when Congress enacted a major overhaul in the law in the form of the AIA.

Pursuant to the AIA, Congress authorized, *inter alia*, the Article II Executive Branch agency that administers the United States Patent system, the Commerce Department's United States Patent and Trademark Office, to establish an administrative tribunal proceeding to decide challenges to the validity of a U.S. patent issued by the USPTO. The administrative agency tribunal charged with this function is the Patent Trial and Appeals Board.

These Article II administrative agency proceedings are referred to as an inter-partes review or IPR conducted by Article I APJs. This change in the patent law is troublesome since prior to the AIA any adversarial challenge to the validity of a U.S. patent and determination to revoke or cancel the Patent was decided by the Article III courts. Additionally, it is significant to note that besides running afoul of historical precedent, the PTAB proceeding functions without a jury, operates under different evidentiary standards and presumptions, and employs different methods of interpreting the claim language of the patent which informs the public regarding the limitations or “metes and bounds” of the invention as described and claimed in the patent. Additionally, as is common with Article I tribunal proceedings, there is no Seventh Amendment right to a jury.

The distinctions between the Article III court adjudication of disputed patent validity and Article II administrative tribunal proceedings inform the question that is before the Supreme Court. The issues or questions being decided are whether the Separation of Powers and the Seventh Amendment are violated by the AIA empowering an Article II administrative agency tribunal to assert judicial power concerning the property rights between private parties embroiled in a private dispute and whether those property rights are “private” property rights or “public” property rights.

C. The Integrity of the U.S. Patent System and Fidelity to the Constitutional Mandate to Incentivize Innovation and Creative Aspirations, Secure the Intellectual Property Rights to Individuals, and Provide Uniform and Stable Patent Laws, Relies Upon the Proper Separation Of Powers in Enforcing Those Rights

The question of the constitutionality of administrative agency adjudication of patent validity is of utmost importance in preserving the integrity of the United States patent system and the viability of the Constitutional imperative to promote progress and innovation. *See* U.S. Const. art. I, § 8, cl. 8.

As clearly stated by James Madison in Federalist No. 43, referring to the enumerated power:

A power “to promote the progress of science and useful arts, by securing for a limited time, to authors and inventors, the exclusive right, to their respective writings and discoveries.”

“The utility of this power will scarcely be questioned. The copyright of authors has been solemnly adjudged in Great Britain to be a right at common law. The right to useful inventions, *seems with equal reason to belong to the inventors*. The public good fully coincides in both cases, with the claims of individuals. The States cannot separately make effectual provisions for either of the cases, and most of them have anticipated the decision of this point, by laws passed at the instance of Congress.”

Id. (emphasis added).

There is no greater evidence of the success of this Constitutional imperative than the United States' position as the leading worldwide economic and technological powerhouse. The success of the U.S. patent system, relying on the quid pro quo of disclosure by the individual of his/her most private and intimate creative thoughts in exchange for the promise of a limited period of time for exclusivity over the use of those private thoughts has spurred innovation through inspiration of others to build upon and/or build around disclosed inventions to achieve the proverbial "better mouse trap."

As recognized by the Framers of the Constitution, the right to inventions is a natural right that belongs to inventors not to the public. Thus, there can be no mistake that the right is a "private" right rather than a "public" right. See May, Randolph J. & Cooper, Seth L., *The "Reason and Nature" of Intellectual Property: Copyright and Patent in The Federalist Papers*, Perspectives from the Free State Foundation Scholars, January 14, 2014, Vol. 9, No. 4, at 9-10.

D. An Inventor's Disclosure of Private Creative Thoughts Should Enjoy The Same Protection as Disclosure of any Other Private Thoughts

In other contexts the Supreme Court recognizes the Constitution's guarantees that an individual's innermost private thoughts (which also comprise the genesis of all intangible intellectual property) are private and entitled to protection from compelled or induced disclosure (*e.g.*, Fifth Amendment right against self-incrimination). Likewise,

once expressed or disclosed, these private thoughts are afforded protection as well (*e.g.*, First Amendment free speech, Fourth Amendment protection against illegal search and seizure).

Private property rights emanating from an individual's private thoughts and ideas should be afforded no less constitutional protection merely because they involve intellectual property thoughts. In fact, it arguably carries greater weight since the sovereign induces the individual inventor to disclose such private thoughts and ideas in exchange for the promise of limited exclusivity. The mere fact that the sovereign issues a certificate, evidencing this agreement between the inventor and the sovereign, is insufficient in itself to transform these valuable private rights into a public right. In fact, the patent laws recognize the distinction in that disclosed but not claimed subject matter is considered dedicated to the public domain rather than retained by the disclosing inventor. *Miller v. Brass Co.*, 104 U.S. 350 (1882) (“the claim of a specific device or combination, and an omission to claim other devices or combinations *apparent on the face of the patent*, are, in law, a dedication to the public of that which is not claimed. It is a declaration that that which is not claimed is either not the patentee's invention, or, if his, he *dedicates* it to the public.”) (emphasis added).

Similarly, once a patent expires the claimed private rights are then considered public domain. Congress has recently affirmed the necessity to protect these private thoughts as private property rights by passing legislation, with overwhelming bipartisan support, nationalizing trade secret protection. Simultaneously trivializing the rights as public property rights after inducing the individual

to disclose these nationally protected valuable secrets (inventions), denies the proper constitutional protection for those private thoughts and rights and renders the quid pro quo of the Patent/Copyright clause agreement illusory.⁵

E. IPRs Violate the Three Principles of the U.S. Constitution Article I, Section 8, Clause 8

The Constitutional imperative of Article I, Section 8, Clause 8, as gleaned from its plain language and recognized by the Framers, provides three specific purposeful goals: (1) *Incentivizing innovation and creative aspirations*; (2) *Securing intellectual property rights to the individual (rather than the state or the public)*; (3) *Uniformity of protection for intellectual property rights*. See The Federalist No. 43 (James Madison).

The administrative agency IPR adjudication of patent validity is counter to the constitutional imperative and violates its three principles.

1. Incentivizing Innovation and Creative Aspirations

There is an ample body of evidence that the IPR's 80% invalidation rate dis-incentivizes innovation and creative aspirations. Confidence in the valuation of patented technology has all but disappeared. The expense of acquiring a patent that has a mere 20% chance of surviving a validity challenge post-issuance deters the necessary investment in R & D required for innovation.

5. Stripping away an issued patent's presumption of validity has a similar effect.

Roulette wheels in Las Vegas Casinos offer better odds for a return on investment. IPRs violate the *incentivizing* principle of the Constitutional imperative.

2. Securing Intellectual Property Rights to the Individual Rather Than The State (the Public)

Inducing an inventor to disclose his/her private creative thoughts and ideas in exchange for securing those rights to the individual, in accordance with the Constitutional guarantee of securing the rights to the individual, requires the sovereign to honor and protect those rights as private (belonging to the individual) rather than confiscating them, post-issuance of the patent certificate, as public property. Anything less violates the *securing* principle of the Constitutional imperative.

3. Uniformity of Protection for Intellectual Property Rights

The bizarre reality of two different adjudicative standards for the same determination (*e.g.*, patent invalidity) by the administrative agency, in PTAB trials, and by Article III Courts, deciding patent disputes, is counter to the uniformity principle underlying the Constitutional imperative (*e.g.*, PTAB Broadest Reasonable Interpretation or BRI claim construction based upon preponderance of the evidence and absence of presumption of validity, compared with, Article III courts' Phillips' ordinary meaning claim construction based upon clear and convincing standard and presumption

of validity).⁶ The inconsistency derived from a lack of uniformity, is compounded by the unpredictability of finality and binding authority in those patent validity determinations that occur with multiple parallel-tracked validity determinations in the two separate fora concerning validity of the same challenged patent claims.

Congressional exercise of its powers to legislate in this context has violated the principles behind the Constitutional imperative and exceeded its authority by usurping the authority of the third branch to set uniform standards for adjudicating patent validity disputes consistent with the Constitutional imperative.

The founders recognized the necessity for the independence of the third branch of government by providing for lifetime appointment and non-diminution of compensation for Judges. *See* U.S. Const. art. III, § 1. In Federalist No. 10, James Madison articulated the important recognition of the “faction” impact on a democracy and a republic. *See* The Federalist No. 10 (James Madison). In

6. The “broadest reasonable interpretation” claim construction standard provides that the claim is given its broadest reasonable meaning consistent with the language of the claim as viewed within the context of the patent specification. It is the standard employed by patent examiners for original patent application examinations and in some *ex parte* proceedings at the USPTO, where, unlike adversarial IPRs, a patent applicant may *freely* amend its claims in response to such construction. The Article III courts’ standard provides that the language of a claim, and a disputed claim term, acquires its ordinary meaning from the viewpoint of a person of ordinary skill in the art within the context of the patent specification at the time of the invention. *Phillips v. AWH. Corp.*, 415 F.3d. 1303, 1313 (Fed. Cir. 2005).

Federalist No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic. *See* The Federalist No. 51 (James Madison). In Federalist No. 78, Alexander Hamilton, provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*, 5 U.S. 137 (1803). *See* The Federalist No. 78 (Alexander Hamilton).

Congressional enactment of the AIA followed many years of lobbying for its enactment. Those efforts promoted and pushed for the legislation which, in the case of IPRs, runs counter to the Constitutional imperative behind Congressional authority to enact laws *that promote the progress of innovations by providing strong, stable protection for intellectual property*. The evidence that IPRs have the opposite effect and weaken intellectual property protection is undeniable. Furthermore, the combination of IPR patent invalidation rates, recent legislation nationalizing trade secret protection, and curtailment of patent eligible subject matter, further depletes patent protection and dis-incentivizes promoting innovation and progress -- all contrary to the Constitutional imperative.

F. IPRs are not the Talismanic Solution in the Quest for Improved Patent Quality and Patent Law Reform

To be sure, patent quality is in the best interest of all stakeholders and the integrity of the United States patent system. It is commendable that Congress has attempted

to achieve this goal. Unfortunately, IPRs, while paved with good intentions, have put the patent system on a dangerous road to a chaotic demise.

Solutions for improving patent quality need to be accomplished at the front-end administrative process and not at the expense of the Constitutional imperative and the separation of powers on the back-end enforcement regime. Robust and comprehensive examination practices at the application stage achieves the goal consistent with Congressional authority and the Constitutional mandate.

For its part, this Court has rendered recent decisions in patent cases that reign in “bad actors” on the enforcement back-end. *See, e.g., Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923 (2016); *Highmark Inc. v. Allcare Mgmt. Sys.*, 134 S. Ct. 1744 (2014); *Octane Fitness v. ICON Health & Fitness*, 134 S.Ct. 1749 (2014). These cases equip the trial courts with the necessary tools to combat abusive patent enforcement tactics without stifling the incentive to innovate, entrepreneurial investment in new technologies, and the disclosure of the private thoughts of inventors and innovators.

Unfortunately, the patent enforcement system has gone off the rails with Congress’ empowerment of an administrative agency to assume the heretofore judicial function of adjudicating private party disputes over patent validity simultaneously with the Article III Courts under vastly different and inconsistent procedures.

G. The Constitutional Imperative of the Patent System is Not Disputed

The issue of Constitutionally guaranteed patent protection for individual inventors is non-controversial from the right or left political perspective. It is about what is right and wrong with IPRs and its adverse impact on the U.S. patent system vis-a-vis the balance of power between the branches of our tripartite form of government.

As evidenced by many of this Court's unanimous opinions in patent cases, the fundamental constitutional rights emanating from Article I, section 8, Clause 8, provide a singular foundation of principles that cannot be denied. The strength of these protections for the individual has been the lynchpin of the superior technological progress and economic success enjoyed over the history of our Republic's patent system. One need only compare American progress with that of repressive regimes that do not honor and support strong protection for the private intellectual property rights of the individual to realize the genius of the Founding Fathers and Framers behind the Constitutional imperative.

The basis for the Constitutional provision has served the country well throughout our history and should provide the basis for determining whether an Act of Congress achieves or violates the Constitutional imperative. And when, as here, it is evident that an Act of Congress (*i.e.*, the AIA provision establishing the IPR administrative agency adjudication of patent validity disputes and cancellation) is contrary to the Constitutional imperative, the Supreme Court's historical precedent, and to the antecedent common law, then that provision of the

AIA must be struck down as an unconstitutional violation of the Separation of Powers and the Seventh Amendment right to jury trial.

This Court has recognized in many other cases involving the Bill of Rights and Separation of Powers that Congress and/or the Executive has over-stepped its authority. Here the Separation of Powers and Seventh Amendment are at the heart of the case.

If the judicial branch does not abide and protect its own Constitutional independence and authority, and the individual's protections under the Bill of Rights, no other branch can.

II. Evolution of Public Property Rights v. Private Property Rights

A. Article III Separation of Powers

In 1856, in *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272 (1856), the Supreme Court declared that Congress has the power to delegate disputes over public rights to non-Article III courts. The Court specifically held that "there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them . . . but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper." *Id.* at 281. This Article I public rights carve-out from Article III courts was first recognized by the Court in the context of disputes between the government and private parties. *Id.*

In 1921, in *Block v. Hirsh*, 256 U.S. 135 (1921), the Court extended the doctrine to disputes between private parties concerning public rights. The Court upheld the constitutionality of a District of Columbia statute authorizing an administrative agency to determine fair rents for holdover tenants as provided by the statute in a dispute between a private party landlord and private party tenants. *Id.*

In 1929, in *Ex parte Bakelite Corp.*, 279 U.S. 438 (1929), the Court held that an adversarial proceeding by a company against a competitor for unfair importation practices under federal law did not need to be heard in an Article III court. *Id.* at 460-61. In *Bakelite*, the Court addressed the question of the constitutionality of “legislative courts.” *Id.* at 451-52. The case concerned Executive power to levy tariffs and create a Tariff Commission to conduct hearings pursuant to the Tariff Act of 1922. *Id.* at 446. Determinations by the Tariff Commission were appealable to the Court of Customs Appeals. The Court declared the Court of Customs Appeals was a legislative court, *i.e.*, an Article I court. Thus, regarding matters purely within the scope of the legislative or executive branches, they may reserve to themselves the power to create new forums to decide disputes or delegate the adjudicatory function to administrative agency tribunals. *Id.* at 451.

More recently, in 1985, the Court in *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568 (1985), upheld the binding arbitration scheme of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”). *Id.* at 571. Under FIFRA, pesticide manufacturers seeking to register a pesticide were required to submit health, safety, and environmental data to the EPA. *Id.* at 571-72. The data

could be utilized by the EPA in approving registrations by other manufacturers, but compensation for its use was owed to the earlier registrant. The amount could be determined by agency arbitration instead of in an Article III court. The Court in *Thomas* held that this statutory scheme does not violate Article III, noting that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” *Id.* at 583. It followed that “Congress, acting for a valid legislative purpose to its constitutional powers under Article I, may create a seemingly ‘private’ right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.” *Id.* at 593-94.

The following year, 1986, the Court in *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833 at 854 (1986), used the same rationale in upholding the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”), for customers of commodity brokers to seek reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations. *Id.*

The Court expanded the Article I and Article II administrative agency adjudication of disputes between private parties concerning arguably private property rights in reliance upon its asserted nexus between the private rights and the public regulatory scheme or moreover the governmental interest in the outcome and resolution of those disputes. One can question this rationale and whether it presents an “open-ended” basis for unfettered expansion of regulatory control by the two

political branches of the U.S. Government without the checks and balances of the co-equal non-political third branch. Certainly, a connection can be drawn between these cases and the massive expansion of Article I and Article II *regulatory agencies* and *regulatory power* over daily activities related to private property rights.

As for the open-endedness of this unfettered power, the concern is evident in the 2011 case *Stern v. Marshall*, 564 U.S. 462 (2011), where this Court issued its most expansive pronouncement on the standard for applying the public rights doctrine. *Id.* In *Stern*, the Court continued to apply the analysis of public rights doctrine to disputes between private parties in “cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority. . . . [W]hat makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action.” *Id.* at 498.

The Court however held that, the dispute between the parties in *Stern* concerned a claim *sounding in tort* and *thus could not be adjudicated by an Article I bankruptcy court*. *See id.* at 494. Rather, under Article III, an Article I bankruptcy court could not enter judgment on a state law counterclaim sounding in tort, because state law counterclaims “[do] not flow from a federal statutory scheme, . . . [are] not completely dependent upon adjudication of a claim created by federal law,” and do not involve “a situation in which Congress devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative

agency specially assigned to that task.” *Id.* at 493-94 (citations omitted).

Most notably, under the *Stern* analytical framework, Article I and Article II tribunal adjudications *are prohibited* if the federal claim had antecedents in the common law in 1789 and those agency tribunals acting as factfinder in private disputes must receive plenary review in an Article III court to be considered constitutionally sound. *See id.* at 484-85.

This “historical antecedents” test is determined by examining whether a claim existed at common law in 1789, and if so, its resolution implicates the “judicial power,” and a non-Article III tribunal may not finally adjudicate it at the trial level. The Article III purpose, its system of checks and balances, and the integrity of judicial decision making would be denied if the other branches of the Federal Government could confer the Government’s “judicial power” on entities outside Article III. That is why since *Murray’s Lessee* it has long been recognized that Congress may not “withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.” 59 U.S. 272 (1856).

When a suit is made of “the stuff of the traditional actions at common law tried by the courts at Westminster in 1789” and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts. *Stern*, 564 U.S. 462. The Constitution assigns that job – resolution of “the mundane as well as the glamorous, matters of common law and statute as well as constitutional law,

issues of fact as well as issues of law” – to the Judiciary. *Id.* at 495.

Nevertheless the Court went on to recognize that Article III precedent “has not been entirely consistent.” *Id.* at 497. As Justice Scalia’s concurrence stated, this realization of how the *Stern* outcome was reconciled with every “not . . . entirely consistent” holding of the past has led reasonable jurists to believe that there were no less than seven distinct legal standards announced in the majority opinion. *Id.* at 507 (Scalia, J., concurring).

It is important to note that no public rights case involves the disclosure of private thoughts induced by the Sovereign, and, under the historical antecedent test non-Article III tribunals may not finally adjudicate patent disputes at the trial level. Also, as in *Stern*, under the common law, violations of patent rights have been treated as a tort since a patent dispute is fundamentally an action in tort. *Carbice Corp. of Am. v. Am. Patents Dev. Corp.*, 283 U.S. 27, 33 (1931).

Furthermore, private property rights are all of those rights that are not categorized as public property rights. Thus, all other rights are considered “private” and may only be subject to adjudication in Article III Courts. This guarantee is a fundamental element of the Constitution that helps ensure the separation of powers of the three branches of government. *See Stern*, 564 U.S. 462, 484.

It is also noteworthy that this Court has recently held in *Matal v. Tam*, 137 S. Ct. 1744, 1760-61 (2017), in the context of Trademark rights, that like Copyrights, Trademarks are “private” speech. Additionally, as pointed

out by Justice Thomas (joined by Justice Scalia) in his dissenting opinion in *B&B Hardware, Inc. v. Hargis Indus.*, 135 S. Ct. 1293 (2015):

“[T]he right to adopt and exclusively use a trademark appears to be a *private property right that “has been long recognized by the common law and the chancery courts of England and of this country.” Trade-Mark Cases*, 100 U. S. 82, 92, 25 L. Ed. 550, 1879 Dec. Comm’r Pat. 619 (1879). As the Court explained when addressing Congress’ first trademark statute, enacted in 1870, the exclusive right to use a trademark “was not created by the act of Congress, and does not now depend upon it for its enforcement.” *Ibid.* “The whole system of trademark property and the civil remedies for its protection existed long anterior to that act, and have remained in full force since its passage.” *Ibid.* Thus, it appears that the trademark infringement suit at issue in this case might be of a type that must be decided by “Article III judges in Article III courts.” *Stern*, 564 U. S., at 484, 131 S. Ct. 2594, 180 L. Ed. 2d 475, 495.”

B&B Hardware, 135 S. Ct. 1293, 1317 (emphasis added).

The same is true for patent rights since the patent law developed from the common law.

B. Article III Separation of Powers in Invention and Land Patent Cases

In addition to issuing patents for inventions, the U.S. Government issued patents for land grants. *United States v. Stone*, 69 U.S. 525 at 535-38 (1864). Patents for invention and patents for land are treated the same way under the relevant law. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315 at 358-59 (1888). The Supreme Court in several cases during the nineteenth century declared that a patent for either invention or land, once issued, is private property that has left the authority of the granting office.

The Court in *Am. Bell Tel. Co.*, compared Article I, Section 8, Clause 8, with Article IV Section 3, Clause 2 and stated that “the power . . . to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source, and although exercised by different bureau or officers under the government, are of the same nature, character and validity. . . .” *Id.* The Court held that to take away a patent after issuance invokes “private” rights – namely, fully vested property rights. *Id.* at 370. The Court found that the invention “has been taken from the people, from the public, and made the private property of the patentee” *Id.*

The Court has held, with respect to both patents for invention and patents for land, that it is an unconstitutional encroachment on Article III courts for the Executive to affect an issued patent in any way. *Id.* In *Am. Bell Tel. Co.*, the Court found that a patent is “the highest evidence of title, and is conclusive as against the Government, and all claiming under junior patents or titles, until it is set

aside or annulled by some judicial tribunal. . . .” *Id.* at 365. Any determinations as to whether a patent has been improvidently granted must be made by courts of law. The agency that issues the patent provides evidence of a grant by an officer who issues it acting magisterially and not judicially. *Id.* Such office or officer is not competent to cancel or annul the act of his predecessor. *Id.* That is a judicial act, and requires the judgment of a court. *Id.*

The Court, in *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606 at 609 (1898), held that a patent, upon issuance, is not supposed to be subject to revocation or cancellation by any executive agent. *Id.* The Court held that it is an invasion of the province of Article III courts for the Executive branch to revoke or cancel a patent as invalid. *Id.* at 612.

The Court reasoned that when a patent has received the signature of the Secretary of the Interior, countersigned by the Commissioner of Patents, and has had affixed to it the seal of the Patent Office, it has passed beyond the control and jurisdiction of that office, and is not subject to be revoked or cancelled by the President, or any other officer of the Government. *Id.* at 608-09. It has become the property of the patentee, and as such is entitled to the same legal protection as other property. *Id.* The Court noted that the only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent. And in this respect a patent for an invention stands in the same position and is subject to the same limitations as a patent for a grant of land.

There are numerous land patent cases preceding the invention patent cases that reached the same conclusion. In *United States v. Stone*, 69 U.S. 525 at 535 (1864), the Court determined that an Article I tribunal lacked the authority to void a patent for land. *Id.*

In *Moore v. Robbins*, 96 U.S. 530 (1878), the Court decided a dispute as to whether the Secretary of the Interior could rescind a patent for land where multiple parties claimed ownership over the same tract. *Id.* The Court reasoned that Article III courts are the sole venue for adjudication once a patent has been issued and become the private property of the patentee. The question of contested rights is within the jurisdiction of the land patent granting authority (the Land Office) but once the patent has been awarded to one of the contestants, and has been issued, delivered, and accepted, all right to control the title or to decide on the right to the title has passed from the Land Office and the Executive. *Id.* at 532-33. Any disputes concerning the land patent must be decided by Article III courts. *Id.*

Similarly, in *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 293 (1890), the Court, relying on the same rationale to prevent officers of the Land Department from requiring two competing land owners to appear regarding the patents' validity, stated that it "is always and ultimately a question of judicial cognizance." *Id.* The Court held that only the Article III Courts could hear the case. *Id.* at 301-02.

In both the invention and land patent cases the dispute arose as a result of a challenge to the validity of the granted patent. Whether the challenge is fueled by the issuing body's mistake or negligence, the same consequence obtains -- the issuing agency cannot

adjudicate the dispute. Once the grant has occurred the right is a private property right. Any dispute as to the patentee's private property must be heard by an Article III tribunal. Otherwise it violates the Article III Separation of Powers.

The harm to the rule of law that arises whenever persons other than Article III judges wield the judicial power is not overstated. The presumption of lifetime tenure and the prohibition against salary diminution is that it eliminates or minimizes the political influence on Article III judges. The lifetime tenure and no salary diminution requirement of Article III provide the greatest opportunity to maintain the independence of the Federal Judiciary. Also, the Article II advise and consent role for Senate confirmation of Presidential nominees to Article III courts guarantees the People a representative voice in the vetting process. These protections do not exist in administrative agencies of the Executive branch, whose employees perform their duties *within the bureaucracy subject to the power and authority of agency leaders, the President, and/or Congress*.

C. The Public Rights Exception Violates the Seventh Amendment Right to a Jury

The Seventh Amendment provides that, “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved” *See* U.S. Const. amend. VII.

The public rights exception for administrative agency tribunals runs afoul of the Seventh Amendment right to a trial by jury with respect to the PTAB IPRs challenging the validity of patents. As pointed out in the discussion of the Supreme Court's invention patents and land patents,

the dispute is one that should be viewed as a private property rights case and not a public property rights case. Moreover, historically in the United States, the issues of patent validity have been adjudicated in Article III courts.

Additionally, the Seventh Amendment right to a jury trial is violated under the Court's historical antecedent test. Under the English Common law of the eighteenth century (at the time of the framing of the United States constitution) the validity of patents sounded in common law. Such was the case whether incident to an infringement action or as a direct action to revoke in the Chancery Court of law and equity (since the factual determinations were actually tried in the common law courts because only they had the power to empanel juries). *See Ex Parte Wood & Brundage*, 22 U.S. 603, 614-615 (1824). Accordingly, any distinction between validity determinations and infringement actions regarding the jury right is misplaced.

Patent infringement actions inherently rely upon the validity of the patent at issue. This is true whether decided by adjudication of the affirmative defense, counterclaim, stipulation, or the presumption of validity. The issues of patent infringement and patent validity are inextricably linked. Congress recognized this aspect of patent enforcement in the AIA one-year time bar for IPR petitions when the patent at issue is the subject of a patent infringement lawsuit. *See* 35 U.S. C. § 315.

Similarly, since the right to a jury trial is waivable, any patent dispute conducted by an Article III judge without a jury differs significantly from the PTAB IPR in that the litigants engage in the process knowing that their voluntary conduct waives the jury right. Patent holders faced with the challenge in IPRs are not afforded the opportunity to waive the jury right. And, of course,

the Separation of Powers Constitutional deficiency is not present since the matter is still tried as an Article III adjudicated proceeding.

While the specific question of the right to a jury trial in the context of IPRs is an issue of first impression, guidance may be obtained from the rationale of the Court's decision in *Granfinanciera v. Nordberg*. 492 U.S. 33 (1989):

“Although ‘the thrust of the Amendment was to preserve the right to jury trial as it existed in 1791,’ the Seventh Amendment also applies to actions brought to enforce statutory rights that are analogous to common law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity or admiralty.”

Id. at 41- 42 (citations omitted).

“[Congress] lacks the power to strip parties contesting matters of private right of their constitutional right to a trial by jury.... to hold otherwise would be to permit Congress to eviscerate the *Seventh Amendment's* guarantee by assigning to administrative agencies or courts of equity all causes of action not grounded in state law, whether they originate in a newly fashioned regulatory scheme or possess a long line of common-law forebears. The Constitution nowhere grants Congress such puissant authority. ‘[L]egal claims are not magically converted into equitable issues by their presentation to a court of equity,’ nor can Congress conjure away the *Seventh*

Amendment by mandating that traditional legal claims be brought there or taken to an administrative tribunal.”

Id. at 51-52 (citations omitted).

In *Granfinanciera*, a common law claim arose in an Article I bankruptcy court. *Id.* The Court held that a bankruptcy trustee was constitutionally entitled to a jury trial in an action to recover a fraudulent conveyance, as such suits are matters of private rights. *Id.* at 55-56. The Court found that although the common law claim arose in an Article I (Bankruptcy) Court the Seventh Amendment right to a jury still applied. *Id.* at 63-64.

III. Resolution of the Critical Constitutional Issues Raised by IPRs is Necessary to Insure the Integrity and Strength of the United States Patent System

The passage of the AIA was a culmination of efforts spanning several years of Congressional efforts; and the product of a push by the companies at the forefront of the twenty-first century new technology business entity titans. The legislation brought about monumental changes in the patent law in the way that patents are procured (first inventor to file instead of first to invent) and how they are enforced (the administrative challenges to patent validity through the PTAB IPRs).

The 113th and 114th Congress also grappled with then newly proposed patent law reforms that, if enacted, would have presented additional tectonic shifts in the patent law. Major provisions of the proposals included: fee-shifting measures (requiring loser pays legal fees - counter to the American rule); strict detailed pleadings requirements,

promulgated without the traditional Rules Enabling Act procedure, that exceed those of the Twombly/Iqbal standard applied to all other civil matters in federal courts, and the different standards applicable to patent claim interpretation between the PTAB IPR proceedings and Article III court litigation concerning patent validity.⁷

The Executive and administrative branch have also been active in the patent law arena.⁸ President Obama was a strong supporter of the AIA and in his 2014 State Of The Union Address, essentially stated that, with respect to the proposed patent law reforms aimed at “patent troll” issues, we must innovate rather than litigate. Additionally, the USPTO has embarked upon an energetic overhaul of its operations in terms of patent quality and PTO performance in granting patents, and the PTAB has expanded to almost 250 Administrative Law Judges in concert with the AIA IPRs’ strict timetable requirements.

The Supreme Court, in addition to the Articles I and II co-equal branches of the U.S. government, has raised the profile of patent cases to historical heights. From 1996 to the present term there has been a steady increase in the number of patent cases decided by the Court. For example, in the 2014-15 term, patent cases occupied almost ten percent of the Court’s docket. Prior to the last two decades, the Supreme Court would rarely include more than one or two patent cases in a docket that was much

7. See Rando, Robert J., *Mastering Patent Claim Construction: A Special Master’s Perspective*, 30 *Touro L. Rev.* 591, 595-98 (2014). Available at: <http://digitalcommons.tourolaw.edu/lawreview/vol30/iss3/6>

8. *Id.* at 598.

larger than those we have become accustomed to over the more recent terms.⁹

The need for strong protection of intellectual property rights is greater now than it was at the dawn of the Republic.¹⁰ Our Forefathers and the Framers of the U.S. Constitution recognized the need to secure those rights in Article I, Section 8, Clause 8. James Madison provides clear insight for its significance in the Federalist No. 43 (the only reference to the clause). It is contained in the first Article section dedicated to the enumerated powers of Congress. The clause recognizes the need for: uniformity of the protection of IP rights, securing those rights for the individual rather than the state; and, incentivizing innovation and creative aspirations.

Underlying this particular enumerated power of Congress is the same struggle that the Framers grappled with throughout the formulation of the new Republic: how to promote a unified nation while protecting individual liberty. The fear of tyranny and protection of the “natural law” of individual liberty is a driving theme for the Constitution and throughout the Federalist Papers.¹¹

9. *Id.* at 594-95.

10. For a more detailed overview of the need for strong protection of intellectual property rights, see Rando, Robert J., *America's Need For Strong, Stable and Sound Intellectual Property Protection and Policies: Why It Really Matters*, The Federal Lawyer, June 2016, at 12. Available at: http://www.randolawfirm.com/uploads/3/4/2/1/3421962/ip_insight.pdf.

11. “Ultimately, Federalist No. 43 reveals a rich understanding of the nature of IP and its place in the U.S. Constitutional order. In subtle and succinct fashion, Federalist No. 43 identifies the ultimate source for copyright and patent in an individual’s natural right to the fruits of his or her labor. Madison regarded copyright

In Federalist No. 10, James Madison articulated the important recognition of the “faction” impact on a democracy and a republic. In Federalist No. 51, Madison emphasized the importance of the separation of powers among the three branches of the republic. And in Federalist No. 78, Alexander Hamilton, provided his most significant essay, which described the judiciary as the weakest branch of government and sought the protection of its independence providing the underpinnings for judicial review as recognized thereafter in *Marbury v. Madison*.

All of these related themes are relevant to Article I, Section 8, Clause 8, and at the center of intellectual property protections then and now. The Federalist No. 10 recognition that a faction may influence the law has been playing itself out in the halls of Congress in the time period leading up to the AIA and in connection with more recent patent law reform debate. The large tech companies of the past, new tech, new patent-based financial business

and patent as forms of property that government is established to protect. Additionally, as Federalist No. 43 and other numbers point out, securing an individual’s IP rights, consistent with the rules of justice, also furthers the public good by incentivizing further investments and discoveries that promote the “progress of science and useful arts.” Consistent with Federalist No. 43, considerations of public good or social utility may be said to supply a boundary principle for IP rights, but natural right supplies IP’s grounding principle in Publius’s exploration of the U.S. Constitution.” May, Randolph J. & Cooper, Seth L., *The “Reason and Nature” of Intellectual Property: Copyright and Patent in The Federalist Papers*, Perspectives from the Free State Foundation Scholars, January 14, 2014, Vol. 9, No. 4, at 15. Available at http://www.freestatefoundation.org/images/The_Reason_and_Nature_of_Intellectual_Property_011014.pdf

model entities, and pharma factions have been the drivers, proponents and opponents of certain of these efforts.

To be sure, some change is inevitable, and both beneficial and necessary in an environment of rapidly changing technology where the law needs to evolve or conform to new realities. However, changes not grounded in the founding principles of the Constitution and the Patent/Copyright Clause (*i.e.*, uniformity, secured rights for the individual, incentivizing innovation and protecting individual liberty) run afoul of the intended purpose of the constitutional guarantee.

Although the Sovereign does not benefit directly from the fruits of the innovator, enacting laws that empower the King, and enables the King to remain so, has the same effect as deprivation and diminishment of the individual's rights and effectively confiscates them. Specifically, with respect to intellectual property rights, effecting change to the laws that do not adhere to these underlying principles, in favor of the faction that lobbies the most and the best in the quid pro quo of political gain to the governing body threatens to undermine the individual's intellectual property rights and hinder the greatest economic driver and source of prosperity in the country.

All of these vital intersecting factors are resonating with the critical issues to be decided regarding the constitutionality of PTAB IPRs. The public property rights/private property rights jurisprudence can be clarified, and vital issues related to the strength of invention patent protection in the United States can be secured, through resolving the fundamental question of the constitutionality of Article II versus Article III adjudication of invention patent validity.

CONCLUSION

For the foregoing reasons and authority, AAC respectfully requests that this Court find that IPRs, as promulgated by Congress, and as currently administered, are an unconstitutional usurpation of the Article III Separation of Powers and violate the Seventh Amendment Jury Right.

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Respectfully submitted,

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No. 16-712

IN THE
Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, ET AL.

Respondents.

ON WRIT OF CERTIORARI TO THE UNITED STATES
COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**BRIEF OF AMICUS CURIAE AMERICAN
INTELLECTUAL PROPERTY LAW
ASSOCIATION IN SUPPORT OF NEITHER PARTY**

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QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

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INTEREST OF AMICUS CURIAE

The American Intellectual Property Law Association (“AIPLA”) is a national bar association of approximately 13,500 members who are primarily lawyers engaged in private and corporate practice, in government service, and in the academic community. AIPLA’s members represent a wide and diverse spectrum of individuals, companies, and institutions involved directly and indirectly in the practice of patent, trademark, copyright, trade secret, and unfair competition law as well as other fields of law affecting intellectual property. Our members represent both owners and users of intellectual property. Our mission includes helping establish and maintain fair and effective laws and policies that stimulate and reward invention while balancing the public’s interest in healthy competition, reasonable costs, and basic fairness.¹

AIPLA has no stake in the parties to this litigation or in the result of this case, other than its interest in

¹ In accordance with Supreme Court Rule 37.6, AIPLA states that this brief was not authored, in whole or in part, by counsel to a party, and that no monetary contribution to the preparation or submission of this brief was made by any person or entity other than AIPLA and its counsel. Specifically, after reasonable investigation, AIPLA believes that (i) no member of its Board or Amicus Committee who voted to file this brief, or any attorney in the law firm or corporation of such a member, represents a party to the litigation in this matter, (ii) no representative of any party to this litigation participated in the authorship of this brief, and (iii) no one other than AIPLA, or its members who authored this brief and their law firms or employers, made a monetary contribution to the preparation or submission of this brief.

the correct and consistent interpretation of the laws affecting intellectual property.²

SUMMARY OF ARGUMENT

The constitutionality of the statute authorizing the Patent Trial and Appeal Board (“PTAB”) to determine patent validity³ in its *inter partes* review (“IPR”) proceedings cannot be resolved simply by asking whether patent rights are “private rights” that must be adjudicated by an Article III tribunal, or are instead “public rights” that may be adjudicated by a non-Article III tribunal. Such a rigid, binary parsing of the bundle of patent rights is not required by judicial precedent, nor is it what Congress intended when, in 2011, it enacted the Leahy-Smith America Invents Act (“AIA”).

Rather, to determine whether Congress acted within the limits of its authority in establishing a non-Article III adjudicatory forum, one must consider the substance of what Congress was seeking to accomplish with the enabling legislation. In the case of the

² AIPLA has the consent of the parties to file this amicus brief, pursuant to Supreme Court Rule 37.3(a), based on letters filed with this Court on July 7, 2017 by Petitioner and on August 11, 2017 by Respondent granting blanket consent to the filing of amicus briefs.

³ The question presented refers to the Patent and Trademark Office’s analysis of the “validity” of existing patents, whereas the issue in *inter partes* review under 35 U.S.C. § 311(b) is “unpatentability,” a determination ordinarily associated with the patent application process. While the distinctions surrounding validity and patentability can be important, those distinctions are not relevant here. For consistency with the question presented, we use the term “validity” to describe the issue considered in IPRs.

AIA, Congress sought to take advantage of the Patent and Trademark Office's ("PTO") expertise by authorizing it to revisit and revise earlier patent grants in *inter partes* adjudications with specifically limited criteria and procedures. In creating this authority within the PTO, Congress acted within its right to "promote the progress of the useful arts" under Article I of the Constitution.

ARGUMENT

I. AN ARTICLE I TRIBUNAL'S LIMITED ADJUDICATORY AUTHORITY TO REVIEW PATENT VALIDITY VIOLATES NEITHER THE SEPARATION OF POWERS DOCTRINE NOR THE SEVENTH AMENDMENT

Congress's creation of an adjudicatory process within the Patent and Trademark Office ("PTO") for the limited purpose of reviewing and, if necessary, cancelling improperly issued patents violates neither the Constitution's separation of powers nor its Seventh Amendment guarantee of a right to a jury trial. This administrative adjudication process was a significant part of the extensive patent reform under the AIA. It was enacted to permit expert review of a patent's validity in a quick, efficient and relatively inexpensive process. The legislation establishes procedures specific to the patent review proceeding, and delegates to the agency the authority to promulgate procedural rules adapted to the agency resources and the statutory procedures

The use of a limited adjudicatory process administered by an agency is by no means unique to patent

law. Congress has created agency adjudicatory bodies in numerous federal agencies, including, for example, the Securities and Exchange Commission, 5 U.S.C. § 557, 17 C.F.R. § 201.360, the Federal Trade Commission, 15 U.S.C. § 43, 16 C.F.R. § 3, and the Food and Drug Administration, 21 U.S.C. §§ 334, 335(b), 21 C.F.R. § 17, to name a few. In the case of patent rights, such law-making is well within Congress's distinct authority under Article I of the Constitution to promote the progress of the useful arts.

This is not to say that the necessary level of fairness has been achieved in the PTO's implementation of the AIA provisions on patent review. This new type of patent review, described below, continues to pose important procedural challenges on issues such as pleading practice, burdens of proof, claim construction, and amendment of patent claims. The PTO has engaged with the patent bar to work on the fairness of the proceeding.

Notwithstanding these issues of procedural fairness, the patent review proceeding established by the AIA is well within the long-accepted bounds of legislative tribunals that engage in limited adjudication to effect specific statutory rights created by Congress.

**A. The Separation of Powers
Doctrine Permits Limited
Adjudication By Non-Article III
Tribunals**

Article III of the Constitution implements the separation of powers doctrine by promoting an independent judiciary free from influence by the political branches and public opinion. *See, e.g., Thomas v. Union Carbide Agricultural Prods. Co.*, 473 U.S. 568, 582

(1985) (citations omitted) (“Article III, § 1, establishes a broad policy that federal judicial power shall be vested in courts whose judges enjoy life tenure and fixed compensation”).

By contrast, Article I of the Constitution authorizes Congress to implement a wide range of governmental functions, including the establishment of adjudicatory tribunals to carry out those functions. *See, e.g.*, Const. Art. I. While such Article I tribunals lack the attributes of independence required under Article III, they do not necessarily conflict with the judicial prerogatives of Article III. *See Thomas*, 473 U.S. at 583 (“[T]he Court has long recognized that Congress is not barred from acting pursuant to its powers under Article I to vest decisionmaking authority in tribunals that lack the attributes of Article III courts.”); *see also Crowell v. Benson*, 285 U.S. 22, 50 (1932) (determining that claims for compensation between private parties under a federal statute providing for employer strict liability could be determined by administrative proceeding).

This Court has described the matters adjudicated by such legislative tribunals as “public rights,” which were first characterized as disputes in which the government is a party,⁴ although the public rights/private rights dichotomy has been rejected as a bright-line test for determining when Article III must apply. *Thomas*, 473 U.S. at 585-586. An Article I tribunal is one where “the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential

⁴ *See Ex Parte Bakelite Corp.*, 279 U.S. 438, 451-52 (1929); *see also Crowell v. Benson*, 285 US 22, 50-51 (1932).

to a limited regulatory objective within the agency's authority.” *Stern v. Marshall*, 131 S. Ct. 2594, 2613 (2011). *See also Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989) (“If a statutory right is not closely intertwined with a federal regulatory program Congress has power to enact, and if that right neither belongs to nor exists against the Federal Government, then it must be adjudicated by an Article III court.”).

As further explained below, the limited adjudication of patent validity within the expert agency of the PTO is fully authorized by Article I and does not impinge on Article III.

B. Article I Agency Adjudication Does Not Trigger The Seventh Amendment’s Right To Jury Trial

Not all adjudications implicate the right to jury trial. In particular, an adjudication that properly takes place in a non-Article III forum is not subject to the Seventh Amendment. *See e.g., Atlas Roofing Co., Inc. v. Occupational Safety and Health Review Comm’n*, 430 U.S. 442, 443 (1977) (holding that the Seventh Amendment does not prevent Congress from assigning the task of adjudicating OSHA violations to an administrative agency); *see also, Block v. Hirsch*, 256 U.S. 135, 155-56 (1921) (upholding commission determination of rent increase as for the public benefit); *NLRB v. Jones & Laughlin Steel Corp.*, 301 U. S. 1, 48-49 (1937) (upholding the award of back pay without jury trial in an NLRB unfair labor practice proceeding).

In deciding whether a right to a jury trial applies in a non-Article III tribunal, this Court considers more

than whether the matter adjudicated is a public right or a private right. The additional considerations include the following:

- Did Congress create the right assigned to the non-Article III tribunal for adjudication?
- Did Congress's reasons for not relying on an Article III court support resolution of the matter by the non-Article III tribunal?
- Is the non-Article III tribunal's jurisdiction limited to specific issues?
- Are the decisions of the non-Article III forum subject to appropriate review by an Article III court?

See Commodity Futures Trading Comm'n ("CFTC") v. Schor, 478 U.S. 833, 851 (1986) (hereinafter, "*Schor*"). The discussion of PTAB adjudications below demonstrates that the foregoing considerations weigh heavily against applying the Seventh Amendment right to a jury trial in proceedings before the PTAB.

II. CONGRESS PROPERLY DELEGATED RESOLUTION OF PATENT VALIDITY DISPUTES TO THE PTAB

A. Patents Are Property Rights But May Be Properly Classified As "Public Rights" For Article III Analysis

The creation by Congress of the PTAB for reviewing the validity of patents does not conflict with the uniform recognition of a patent as a "property right." It

is erroneous to equate the private property status of patent rights with “private rights” that are governed exclusively in Article III tribunals.

The “property right” character of a patent is confirmed in both the Patent Act and in the case law, both of which highlight the hallmark characteristic of property interests as the right to exclude others. *See* 35 U.S.C. § 154(a)(1) (“Every patent shall contain ... a grant to the patentee ... of the right to exclude others from making, using, offering for sale, or selling the invention...”); *see also Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (holding that patents are property rights secured under the Due Process Clause of the Fourteenth Amendment). A patent also “confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used ... without just compensation ...” *James v. Campbell*, 104 U.S. 356, 358 (1881).

This property right characterization is central to the commodity status and transferability of patents. In 1952, Congress incorporated the private property concept into the patent statute, where it remains to this day. *See* 35 U.S.C. § 261. Following the initial qualifying language, “[s]ubject to the provisions of this title,” Section 261 provides that “patents shall have the attributes of personal property.” *Id.* Section 261 has been explained as “codify[ing] the case law reaching back to the early American Republics.” Adam Mossoff, *Exclusion and Exclusive Use in Patent Law*, 22 HARV. J. L. & TECH. 321, 343-45 (2009).

However, there is no inconsistency in concluding that the source of the patent property right is a public right conferred by federal statute. *See, e.g., Cascades*

Projection LLC v. Epson Am., Inc., 864 F.3d 1309, 1310-12 (Fed. Cir. May 11, 2017) (Dyk, J., concurrence in denial of initial hearing *en banc*, Prost, C.J., Hughes, J., joining in the concurrence). Patents did not exist at common law, and the rights created by Congress are available only upon compliance with strict statutory requirements. *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1850). *See also Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964) (“Patent rights exist only by virtue of statute.”); Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B.U. J. OF SCI. & TECH. L., 1, 34 (“The relevant Article III question is not whether a claim involves private property rights but rather what the source of those rights is.”) (forthcoming). Moreover, the PTAB’s consideration of issues of patent validity does not preclude patent validity consideration by the judiciary in traditional patent enforcement litigation. Where such issues arise in infringement litigation, the Article III court is empowered to resolve them as part of providing complete relief to the parties in the dispute. *See Cardinal Chem. Co. v. Morton Int’l Inc.*, 508 U.S. 83, 101 (1993) (emphasizing the “strong public interest in the finality of judgments in patent litigation,” and overruling the Federal Circuit’s practice of reversing district court invalidity decisions on appeal if the district court’s non-infringement ruling is affirmed).

Nonetheless, since the Patent Act of 1836, the PTO has had limited authority to resolve patent validity disputes that are brought before it.⁵ Patent Act of

⁵ Patent Act of 1836, Pub. L. No. 24-357, § 12, 5 Stat. 117, 120-21 (1836) (setting up interference proceedings). In an interference proceeding, the PTO determines an inventor’s priority of

1836, Pub. L. No. 24-357, § 8, 5 Stat. 117, 120-21 (1836). Since 1999, with the implementation of the *inter partes* reexamination process, a board of administrative law judges at the PTO has had the authority to resolve questions related to patent validity pursued by third parties adverse to the patentee. American Inventors Protection Act, Public Law 106-113 (1999).

Hence, Congress's creation of the PTAB within the PTO for resolution of patent validity issues follows a long history of resolving such issues within the agency. In enacting the AIA, Congress amended several sections of the patent statute relating to the grant and enforcement of a patent, and revised the longstanding practice of reexamining issued patents by creating three new procedures for implementation by the PTAB. *See* 35 U.S.C. §§311 *et seq.* (*inter partes* review), 321 *et seq.* (post-grant review), and §18 of the AIA (covered business method patent review).⁶ These

invention as compared to a second inventor claiming the same invention. The losing inventor forfeits his patent rights. While the first interference statutes permitted the PTO to make the determination of lack of priority, they required a supplemental district court proceeding to cancel the patent. *See, e.g.*, Patent Act of 1836, § 12. With the Patent Act of 1952, the PTO was given the power to cancel patent claims. *See* 35 U.S.C. § 135 (1952); *see also* P. J. Federico, *Commentary on the New Patent Act*, 75 J. PAT. & TRADEMARK SOC. 151, 198 (1993) (noting that PTO cancellation of the claims “is new in substance [in the 1952 Act] and is made possible by the amplification of the right of review of the patentee provided for in section 146,” relating to civil actions).

⁶ *Inter partes* review provides for review by the PTAB of any issued patent based on limited statutory sections. 35 U.S.C. § 319. Post-grant review provides for review by the PTAB of newly-issued patents up to nine months after the date of issuance on limited statutory sections. 35 U.S.C. § 321(c). Covered

provisions of the AIA are tailored to respect the separation of powers doctrine and to provide appropriate limited adjudicatory rights to the PTAB, consistent with Article III Court oversight.

B. Patent Rights Are Properly Subject To Article I Adjudication

From the first Patent Act to the present implementation of the AIA, Congress has enacted statutes with strict conditions and requirements for conferring the exclusive rights under a patent. *See Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 6 (1966) (“Within the scope established by the Constitution, Congress may set out conditions and tests for patentability”). This Court’s precedent provides that:

when Congress creates a substantive federal right, it possesses substantial discretion to prescribe the manner in which that right may be adjudicated ... [including] provid[ing] that persons seeking to vindicate that right must do so before particular tribunals created to perform the specialized adjudicative tasks related to that right.

Northern Pipeline Construction Co. v. Marathon Pipe Line Co., 458 U.S. 50, 80, 83 (1982) (plurality). The power to determine how disputes within its statutory right are resolved is “incidental to Congress’s power to define the right that it has created.” *Id.* at 83. Thus, Congress’s enactment of the Patent Statute and

Business Method is limited to review by the PTAB of patents that claim business methods. 35 U.S.C. § 321.

hence, resolution of patent rights pursuant to its Article I powers, strongly supports the conclusion that Congress may apportion limited adjudication to the agency responsible for managing the grant of rights. *See, e.g.*, Reilly, 23 B.U. J. OF SCI. & TECH. L. at 34.

In this respect, the “public right” / “private right” dichotomy to determine the limits of legislative tribunals fails because it ignores Congressional discretion to prescribe modes of relief in the laws it enacts. For example, in *Block v. Hirsh*, this Court addressed a land owner’s exclusive possession of his property. 256 U.S. at 153. There, the owner tried to recover possession of his property after a tenant refused to vacate at the end of his lease. *Id.* Even though real property disputes between two parties are the epitome of private rights, this Court upheld Congress’s creation of an administrative commission to determine both the right of possession and the appropriate amount of rent. *Id.* at 157-58.

In several other cases, this Court also has held that claims involving private property interests are appropriately adjudicated by non-Article III forums when created by federal statute. *See, e.g.*, *Stern*, 564 U.S. at 498-99 (upholding non-Article III adjudication in bankruptcy cases that involved a “right of recovery created by federal bankruptcy law”); *Thomas*, 473 U.S. at 586 (upholding resolution of disputes between pesticide manufactures in non-Article III forum); *Crowell*, 285 U.S. at 58 (1932) (upholding agency adjudication when the right to compensation for injuries sustained on navigable waters was created by federal law). Thus, where, as here, Congress has created rights pursuant to its Article I power, such creation

provides a strong indication that Congress also can assign adjudication of those rights to an expert agency. *See, e.g.*, Reilly, 23 B.U. J. OF SCI. & TECH. L. at 32.

This Court's decision in *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898) is not to the contrary. *McCormick* dealt with the patent reissue statute in effect at the time, which required the patent owner to surrender the original patent in order for the reissue patent to take effect and hence for the original patent to be canceled. *McCormick*, 169 U.S. at 610. When the patent owner failed to surrender the original patent, *McCormick* held that only the courts, and not the PTO, had the authority to set aside a patent, based on the language of the reissue statute. *Id.*

As pointed out by the Federal Circuit, *McCormick* was based on a statutory challenge rather than a constitutional challenge. *See, e.g.*, *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), *cert denied* 137 S. Ct. 292 (2016). Because the source of the rights at issue was the patent reissue statute of 1878,⁷ the *McCormick* decision accords with the line of cases that defer to Congress's choice in implementing the statutory rights it has created. *See, e.g.*, *Crowell*, 285 U.S. at 58; *Thomas*, 473 U.S. at 573, *Schor*, 478 U.S. at 851; *see also*, *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604, 606 (Fed. Cir. 1985) (considering constitutionality of the *ex parte* reexamination statute); *MCM Portfolio*, 812 F.3d at 1291 (considering the constitutionality of patent invalidation by the PTAB in an IPR proceeding); *Cascades Projection.*, 864 F.3d

⁷ Act of July 8, 1870, c. 230, § 53, 16 Stat. 205; Rev. Stat. § 4916,

at 1310-12 (Fed. Cir. May 11, 2017) (Dyk, J., concurrence in denial of hearing *en banc*, Prost, C.J., Hughes, J., joining in the concurrence).

**C. The AIA Proceedings Advance
The Patent Office’s Expert
Regulatory Function Of
Evaluating and Issuing Patents**

This Court has confirmed that Congress is entitled under Article I of the Constitution to create tribunals that can adjudicate claims that derive “from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.” *Stern*, 131 S. Ct. at 2613 (2011).

Patent law is plainly “a federal regulatory scheme,” considering not only the exclusively federal source of the patent right and the exclusive adjudicatory authority over the enforcement of those rights. It is also plain that patent law includes an extensive regulatory program designed to achieve “a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the “Progress of Science and useful Arts.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989).

Moreover, the PTO is an expert agency responsible for examining patent applications and issuing patent claims that survive the scrutiny of examination. The Patent Office has long maintained procedures for an administrative “second look” at its decisions to grant patents, and since at least 1980, the Patent Office also

has had the authority to reexamine and cancel a patent claim that it previously allowed.⁸ *See, e.g., Cuozzo Speed Techs. LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). Through various iterations, that authority has expanded to its current scope in IPR proceedings. *See, e.g., Cuozzo*, 136 S. Ct. at 2137-2138 (walking through statutory iterations from *ex parte* reexamination through *inter partes* review).

With respect to the AIA IPR provisions, one important objective was to expand the PTO's power to revisit and revise earlier patent grants in order to improve the overall patent system. *See id.* at 2140, citing H.R. Rep. No. 112-98, pt. 1, pp. 45, 58 (2011) (H.R. Rep.) (explaining the AIA statute seeks to “improve patent quality and restore confidence in the presumption of validity that comes with issued patents”); 157 Cong. Rec. 9778 (2011) (remarks of Rep. Goodlatte) (noting that IPR is meant to “screen out bad patents while bolstering valid ones”).

Congress created the PTAB administrative adjudicatory body to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs, while making sure no party's access to court is denied.” AIA, H.R. Rep. 1249 (2011) (remarks of Sen. Leahy); *see also Schor*, 478 U.S. at 855 (stating purpose of CFTC). The recognition of a need for “an inexpensive and expeditious alternative forum” to promote the progress of the useful arts supports Congress's decision to depart from an Article III forum.

⁸ *See* Patent Act of 1952, 35 U.S.C. § 135, *see supra*, n.3.

Schor, 478 at 855. Instead of trying to undermine Article III with this procedure, Congress attempted to “ensure the effectiveness of th[e] scheme” it created pursuant to its Article I powers. *Id.* at 256; *see also* Reilly, 23 B.U. J. OF SCI. & TECH. L. at 45.

D. PTAB Adjudication Applies Only To A Limited Subset of Issues Within The Specialized Area Of Patent Law

The adjudication conducted by the PTAB in *inter partes* review is subject to a variety of significant limitations. The PTAB’s IPR proceeding is concerned only with patent validity, not infringement, and even its validity determination is limited:

A petitioner in an inter partes review may request to cancel as unpatentable 1 [one] or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

35 U.S.C. § 311(b).⁹ Confining the PTAB to validity issues of novelty and nonobviousness under Sections 102 and 103, respectively, based on prior art patents and printed publications stands in sharp contrast to the expansive scope of issues that could be considered by the bankruptcy courts analyzed in *Northern Pipeline*. *See Northern Pipeline*, 458 U.S. at 83 (holding

⁹ Statutory invalidity defenses that are not covered by the PTAB’s inter partes review authority include 35 U.S.C. §§ 101 (patent eligible subject matter) and 112 (requirements of the patent specification).

that Art. III bars Congress from establishing legislative courts to exercise jurisdiction over all matters arising under the bankruptcy laws). Instead, the PTAB post-issuance review proceedings are “limited to a ‘particularized area of law,’ as in *Crowell*, *Thomas*, and *Schor*.” *Stern*, 564 U.S. at 493. The PTAB’s jurisdiction also is limited by specific timing requirements: under Section 315(b), an IPR petition must be filed within a year of receiving notice of infringement litigation, and under Section 316(11) the IPR proceeding must be concluded within 12 months of institution.

In sum, through its establishment of the IPR proceeding, Congress focused on “making effective a specific and limited federal regulatory scheme,” *Schor*, 478 U.S. at 855; “i.e., the Patent Office’s basic regulatory role in limiting patent rights to the permissible scope ... authorized by the ... Patent Act.” Reilly, 23 B.U. J. OF SCI. & TECH. L. at 45.

E. Article III Courts Retain Full Appellate Review Of PTAB Decisions, Thereby Respecting The Separation of Powers Doctrine

In reviewing the constitutionality of Congressional delegations of adjudicatory authority to a non-Article III tribunal, this Court’s precedent considers the availability of Article III review of those tribunals’ decisions. *See, e.g., Thomas*, 473 U.S. at 592, citing *Crowell*, 285 U.S. at 54 (holding that judicial review of agency adjudication afforded by statute including review of matters of law, “provides for the appropriate exercise of the judicial function ...”).

For example, in *Thomas*, a pesticide manufacturer challenged the constitutionality Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”). According to the manufacturer, FIFRA violated Article III by allocating to arbitrators the functions of the judiciary and by limiting Article III review. This Court held, however, that Article III did not prohibit Congress from selecting a non-Article III forum with limited judicial review as the mechanism for resolving disputes in Congress’s statutory scheme, regardless of the private nature of the disputes between pesticide companies. *Id.* at 590. According to the Court, “many matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” *Id.* at 583.

The IPR proceedings at issue in this case are subject to a more thorough Article III review of the expert agency decision. The statute provides for appellate review by the Federal Circuit Court of Appeals under the Administrative Procedure Act standards. *See* 5 U.S.C. § 706 (scope of appellate review of agency final decision). Specifically, legal determinations are reviewed *de novo* and factual determinations are reviewed for substantial evidence. 5 U.S.C. § 706(2)(D), (E). In addition, the IPR proceedings do not preclude a determination by an Article III court in a corresponding infringement action. The defendant in such an action has the right to choose the IPR proceeding initially over validity adjudication in an Article III court, and it is within the Article III court’s discretion to stay its own proceedings in view of an IPR proceeding. *Clinton v. Jones*, 520 U.S. 681, 706 (1997) (“The

District Court has broad discretion to stay proceedings as an incident to its power to control its own docket.”).

Congress’s limited delegation of authority to the PTO to resolve specific validity issues with appellate review by the Federal Circuit is thus appropriate in this statutory scheme. *See Thomas*, 473 U.S. at 593; *see also Crowell*, 285 U.S. at 51.

CONCLUSION

For the foregoing reasons, AIPLA respectfully requests that this Court confirm the constitutionality of the PTO’s *inter partes* review process.

Respectfully submitted,

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No. 16-712

In the Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC, PETITIONER

v.

GREENE'S ENERGY GROUP, LLC, ET AL.

*ON WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE FEDERAL RESPONDENT

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QUESTION PRESENTED

Whether inter partes review comports with Article III and the Seventh Amendment.

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BRIEF FOR THE FEDERAL RESPONDENT

OPINIONS BELOW

The order of the court of appeals (Pet. App. 1-2) is not published in the Federal Reporter but is available at 639 Fed. Appx. 639. The decision of the Patent Trial and Appeal Board (Pet. App. 3a-36a) is not published in the United States Patents Quarterly but is available at 2015 WL 2089371.

JURISDICTION

The judgment of the court of appeals was entered on May 4, 2016. A petition for rehearing was denied on July 26, 2016 (Pet. App. 37-38). On October 14, 2016, the Chief Justice extended the time within which to file a petition for a writ of certiorari to and including November 23, 2016, and the petition was filed on that date. The petition for a writ of certiorari was granted on June 12, 2017. The jurisdiction of this Court rests on 28 U.S.C. 1254(1).

**CONSTITUTIONAL AND STATUTORY
PROVISIONS INVOLVED**

Pertinent constitutional and statutory provisions are set forth in the appendix to this brief. App., *infra*, 1a-12a.

STATEMENT

1. a. The Intellectual Property Clause of the Constitution authorizes Congress to “promote the Progress of Science and useful Arts by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. Art. I, § 8, Cl. 8. At the Founding, patents were understood as an “except[ion]” to the “[w]rong[.]” of restraint of trade. 4 William Blackstone, *Commentaries on the Laws of England* 159 (1769). The Intellectual Property Clause is the only one of Congress’s enumerated powers that is conditioned on promotion of a specific public purpose.

The first patent statute conditioned the issuance of patents on approval by an Executive Branch committee that was charged with determining whether the invention in question was sufficiently useful and novel. See Patent Act of 1790, ch. 7, § 1, 1 Stat. 109-110. In 1793, Congress authorized the issuance of patents under a registration system with no examination into patentability. See Act of Feb. 21, 1793, ch. 11, § 1, 1 Stat. 318-321. Since 1836, Congress has entrusted the decision whether to grant a patent to an agency now known as the U.S. Patent and Trademark Office (USPTO). See 35 U.S.C. 2(a)(1), 131. When an inventor files an application with the USPTO, “[a] patent examiner with expertise in the relevant field reviews an applicant’s patent claims, considers the prior art, and determines

whether each claim meets the applicable patent law requirements.” *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2136-2137 (2016). The invention must satisfy conditions that include eligibility and utility, 35 U.S.C. 101; novelty, 35 U.S.C. 102; and non-obviousness over the prior art, 35 U.S.C. 103.

The examination is an ex parte proceeding in which no person other than the applicant has an opportunity to participate. While an applicant must disclose material prior art of which he is aware, 37 C.F.R. 1.56, he has “no general duty to conduct a prior art search” and “no duty to disclose art of which [the] applicant is unaware.” *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1351 n.4 (Fed. Cir. 2005). As a result, the patent examiner evaluating an application may be unaware of information that bears on whether the requirements for patentability are satisfied. See *Kappos v. Hyatt*, 566 U.S. 431, 437 (2012); *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 108-112 (2011).

In 2015, the USPTO received more than 600,000 applications—more than three times as many as it had received two decades earlier. See USPTO, *U.S. Patent Statistics Chart* (Calendar Years 1963-2015).¹ In 2015, the USPTO issued more than 325,000 patents. *Ibid.*

A patent confers on its owner “the right to exclude others from making, using, offering for sale, or selling the invention throughout the United States.” 35 U.S.C. 154(a)(1). A patent holder may enforce that right through an infringement action against others who make, use, or sell the invention within the United States without authorization. 35 U.S.C. 271(a). A defendant may assert invalidity as a defense to infringement—

¹ https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm.

“that is, he may attempt to prove that the patent never should have issued in the first place.” *i4i Ltd. P’ship*, 564 U.S. at 96; see 35 U.S.C. 282. But the patent is presumed to be valid during litigation, 35 U.S.C. 282, and that statutory presumption can be rebutted only through clear and convincing evidence of invalidity, *i4i Ltd. P’ship*, 564 U.S. at 95.

b. “For several decades,” Congress has authorized the USPTO to reconsider its own decisions in issuing patents through proceedings “to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo*, 136 S. Ct. at 2137.

In 1980, Congress created ex parte reexamination, with the goal of restoring public and commercial “confidence in the validity of patents issued by the PTO” by providing a speedy and inexpensive mechanism for eliminating patents that had been wrongly issued. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir.), modified on other grounds on reh’g, 771 F.2d 480 (Fed. Cir. 1985). “Any person at any time” may file a request for reexamination of a patent based on certain prior art that bears on patentability. 35 U.S.C. 301(a)(1) and (2). The USPTO may institute an ex parte reexamination if it concludes that the petition raises “a substantial new question of patentability.” 35 U.S.C. 303(a), 304. The Director of the USPTO is also authorized “[o]n his own initiative, and [at] any time,” to “determine whether a substantial new question of patentability is raised” with respect to any issued patent “by patents and publications discovered by him.” 35 U.S.C. 303(a). In an ex parte reexamination, an examiner may cancel any claims that he finds to be unpatentable. See 35 U.S.C. 305.

In 1999, Congress created inter partes reexamination—the predecessor to inter partes review—to expand the USPTO’s authority to correct its erroneous patent grants. Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. Inter partes reexamination was “similar” to ex parte reexamination but allowed “third parties greater opportunities to participate in the Patent Office’s reexamination proceedings,” *Cuozzo*, 136 S. Ct. at 2137, by permitting them to respond to the patent owner’s arguments, introduce evidence in response to the patent owner’s evidence, and engage in motions practice. See 35 U.S.C. 311-318 (2000). Subsequent amendments to the reexamination statute allowed third parties to participate in any appeal of the agency’s decision. 21st Century Department of Justice Appropriations Authorization Act, Pub. L. No. 107-273, § 13106(c), 116 Stat. 1901.

In 2011, with broad bipartisan support in both Houses, see 157 Cong. Rec. 9959-9960 (2011); *id.* at 13,200, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. The AIA responded to the “growing sense” that under existing procedures, “questionable patents [were] too easily obtained and [were] too difficult to challenge.” H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39 (2011) (House Report).

In order “to improve patent quality and restore confidence in the presumption of validity that comes with issued patents in court,” House Report 48, Congress revised the Patent Act’s post-issuance review procedures. The AIA created a new procedure, known as post-grant review, for challenges to patentability brought within nine months after patent issuance. 35 U.S.C. 321(c).

For challenges brought more than nine months after a patent was issued, the AIA created inter partes review, which replaced inter partes reexamination. 35 U.S.C. 311. Inter partes review serves the same “basic purposes” as inter partes reexamination—“namely, to reexamine an earlier agency decision” granting a patent. *Cuozzo*, 136 S. Ct. at 2144; see House Report 39-40 (describing inter partes review as a “system for challenging patents that should not have issued”).

As with inter partes reexamination, any person other than the patent owner may seek inter partes review on the ground that, at the time a patent was issued, the invention was not novel or was obvious in light of “prior art consisting of patents or printed publications.” 35 U.S.C. 311(a) and (b). After receiving any response from the patent owner, the Director of the USPTO may institute an inter partes review if he finds “a reasonable likelihood that the petitioner would prevail” with respect to at least one of its challenges to the validity of a patent. 35 U.S.C. 314(a).² A review of the patent’s validity is then conducted by the USPTO’s Patent Trial and Appeal Board (PTAB or Board), an administrative body created by the AIA that is composed of administrative patent judges “who are patent lawyers and former patent examiners, among others.” *Cuozzo*, 136 S. Ct. at 2137; see 37 C.F.R. 42.4(a).

² Inter partes review may not be instituted if the petitioner previously filed a civil action challenging the validity of the disputed patent, 35 U.S.C. 315(a), or if the patent owner sued the petitioner for infringement of the disputed patent more than one year before the petition was filed, 35 U.S.C. 315(b). If a petitioner seeks inter partes review within one year after being sued for infringement, the district court has discretion to decide whether to stay the underlying infringement suit. See, e.g., *Murata Mach. USA v. Daifuku Co.*, 830 F.3d 1357, 1361 (Fed. Cir. 2016).

The AIA gave third-party challengers “broader participation rights” in inter partes review than they had possessed in inter partes reexamination. *Cuozzo*, 136 S. Ct. at 2137. Both the patent owner and the third-party challenger are entitled to certain discovery, 35 U.S.C. 316(a)(5); to file affidavits, declarations, and written memoranda, 35 U.S.C. 316(a)(8); and to request an oral hearing, 35 U.S.C. 316(a)(10). The patent owner may also file a motion to amend the patent, including by proposing a reasonable number of substitute patent claims. 35 U.S.C. 316(d)(1)(B).

The Board is required to issue a final written decision on patentability within one year after the decision to institute inter partes review, unless the deadline is extended for good cause or the review is dismissed. 35 U.S.C. 316(a)(11). The Board may issue a decision “even after the adverse party has settled.” *Cuozzo*, 136 S. Ct. at 2144; see 35 U.S.C. 317(a). The Board’s decision may be appealed to the Federal Circuit. See 35 U.S.C. 141, 319. If the Board determines that any challenged claims of the patent are unpatentable, those claims are not cancelled until “the time for appeal has expired or any appeal has terminated.” 35 U.S.C. 318(b). The USPTO has a right to intervene in the court of appeals to defend the Board’s decision, whether or not any other party to the inter partes review defends the judgment. 35 U.S.C. 143; see, e.g., *Cuozzo*, 136 S. Ct. at 2144.

Before enacting the AIA, Members of Congress sought views regarding the constitutionality of the inter partes review mechanism from Professor Michael W. McConnell, formerly of the U.S. Court of Appeals for the Tenth Circuit. Professor McConnell wrote to Congress that “it is entirely consistent with the Constitution for Congress to bring to bear the experience and

expertise of the PTO in providing for more robust review of issued patents.” 157 Cong. Rec. at 13,042 (McConnell). He explained that, “from the beginning, patents have never been regarded as a fully and irrevocably vested right,” because a “patent is not a natural right, but solely a product of positive law” whose “extent, duration, and validity is a matter that must be determined by the legislative branch.” *Ibid.* He concluded that it “is entirely proper” for the AIA to “vest authority to determine validity upon reexamination in the agency entrusted by Congress with making the validity decision in the first instance,” and that such review “need not be limited to an Article III court in the first instance.” *Id.* at 13,043.

As of July 2017, more than 7000 petitions for inter partes review had been filed with the USPTO, and the agency had issued final written decisions cancelling in whole or in part more than 1300 patents. See PTAB, USPTO, *Trial Statistics: IPR, PGR, CBM 11* (July 2017).³ The median cost of litigating a patent dispute in federal court substantially exceeds the median cost of an inter partes review. See Am. Intellectual Prop. Law Ass’n, *Report of the Economic Survey* 46, 51 (June 2017).

2. Petitioner owns U.S. Patent No. 6,179,053 (the ’053 patent), which relates to an apparatus and method for protecting wellheads during hydraulic fracturing. Petitioner obtained the patent in 2001, after an examiner approved an application that did not specifically identify a Canadian patent application by the same inventor for a similar apparatus. See J.A. 1.

³ https://www.uspto.gov/sites/default/files/documents/trial_statistics_july2017.pdf.

In 2012, petitioner filed suit against respondent, alleging infringement of the '053 patent. Less than one year later, respondent filed a petition for inter partes review of two claims in the '053 patent. C.A. App. 306, 369.

The Board granted the petition, conducted an inter partes review, and found the challenged claims unpatentable under 35 U.S.C. 102. Pet. App. 29. The Board concluded that the claims were anticipated by the Canadian patent application, which the examiner did not discuss or reference during the initial examination of petitioner's patent application. The Board concluded that the prior art disclosed every element of the challenged claims, *ibid.*, and enabled one skilled in the art to make the claimed invention, *id.* at 27.

3. Petitioner appealed to the Federal Circuit, challenging the Board's patentability determination and contending that inter partes review violates Article III and the Seventh Amendment. The USPTO intervened to defend the Board's decision. Notice of Intervention (Oct. 26, 2015).

While petitioner's appeal was pending, the Federal Circuit rejected a comparable Article III and Seventh Amendment challenge to inter partes review in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1288 (2015), cert. denied, 137 S. Ct. 292 (2016). The court explained that "Congress has the power to delegate disputes over public rights to non-Article III courts," *id.* at 1289, and that "[w]hat makes a right 'public' rather than private is that the right is integrally related to particular federal government action," *id.* at 1290 (quoting *Stern v. Marshall*, 564 U.S. 462, 490-491 (2011)) (brackets in original).

The Federal Circuit in *MCM Portfolio* concluded that inter partes review of patent rights satisfies that standard. It observed that patent rights are creations of federal law, and that Congress had established inter partes review “to correct the [USPTO’s] own errors in issuing patents in the first place.” 812 F.3d at 1290. The court explained that the USPTO’s correction of its own errors in granting patents falls comfortably within this Court’s precedents allowing agency adjudications as an “expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.” *Ibid.* (citation omitted). The court further held that, “[b]ecause patent rights are public rights, and their validity [is] susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury.” *Id.* at 1293.

In the present case, the Federal Circuit issued an unpublished order that followed *MCM Portfolio* and affirmed the Board’s decision. Pet. App. 1-2.

SUMMARY OF ARGUMENT

I. Inter partes review is consistent with Article III.

A. Consistent with longstanding practice, the Patent Act authorizes USPTO examiners within the Executive Branch to determine in the first instance whether patents should be granted. That allocation of authority is clearly constitutional. The scope, duration, and contours of the patent monopoly have no common-law footing, but are defined entirely by Congress. And in determining whether a patent should issue, the examiner does not decide the sort of concrete dispute between opposing litigants that an Article III court might resolve,

but instead decides whether the applicant will have certain rights *as against the world*.

Like the initial patent examination, inter partes review serves to protect the public from the unwarranted burdens that erroneously issued patents impose. That public purpose continues to be fully implicated for as long as a patent remains in force. And because a patent is presumed valid in litigation, based largely on the expert agency's prior decision to issue it, it was particularly appropriate for Congress to establish mechanisms to verify that the USPTO continues to view the patent as valid.

The fact that Congress specified that patents "shall have the attributes of personal property," subject to other provisions of the Patent Act, 35 U.S.C. 261, does not prevent Executive Branch officials from rescinding an earlier patent grant, subject to judicial review. Executive Branch (and other non-Article III) officials often take actions that cause the divestiture of private property rights. The justifications for that approach are particularly strong with respect to inter partes review, since the relevant property interests are entirely defined by Congress, and the agency that is authorized to cancel invalid patents is the same one that made the initial patent grant.

The fact that inter partes review uses trial-type procedures and gives the private challenger substantial participatory rights does not render it constitutionally problematic. Inter partes review is simply one mechanism by which the USPTO can leverage knowledge possessed by persons outside the government to assist it in making a decision within its bailiwick. If the Board concludes that the challenged claims are unpatentable, the

challenger receives no benefit that it would not have received if the USPTO examiner had denied the patent application in the first instance, or if the USPTO Director had reexamined and cancelled the claims *sua sponte*. Indeed, the challenger need not have Article III standing to participate in an *inter partes* review, and the Board can continue to conduct an *inter partes* review even if the challenger withdraws from the proceedings.

In a variety of circumstances, Congress requires federal agencies to solicit public comments, and sometimes to utilize trial-type procedures, before taking particular administrative action. So long as the action that the agency ultimately takes is a permissible exercise of Executive Branch authority, Congress's imposition of those requirements creates no meaningful Article III question. The same principle applies here. Congress presumably incorporated trial-type procedures into *inter partes* review in order to improve the accuracy of the Board's decisions, and there is no sound reason to force Congress to settle for procedures it views as sub-optimal.

Inter partes review is also conducive to efficient allocation of the USPTO's finite resources. As a constitutional matter, Congress could have required the USPTO to afford objecting parties an opportunity to be heard during the initial examination process. That approach, however, would have entailed substantial cost and delay for patent applicants as a class. Congress reasonably chose instead to utilize a comparatively fast *ex parte* examination at the outset, thereby allowing successful applicants to gain patent protection more quickly, while focusing more resource-intensive post-issuance review on a small class of patents that (1) are

of questionable validity and (2) have sufficient commercial importance to induce a private petitioner to bring a challenge.

The AIA did not withdraw any category of patentability disputes from the jurisdiction of Article III courts, but instead left in place all pre-existing avenues for judicial resolution of validity issues. Although *inter partes* review may sometimes obviate the need for judicial intervention, that is a familiar (and generally welcome) result of agency self-correction mechanisms.

This Court has issued a series of decisions addressing the constitutional limits on Congress's power to authorize the use of non-Article III adjudicators. *Inter partes* review much more closely resembles the non-Article III adjudicatory mechanisms that this Court has upheld than those that the Court has found to be invalid. The private interests involved are created entirely by federal statutes; resolution of patentability disputes implicates the agency's specialized expertise; and the AIA authorizes an Article III court to review the Board's legal conclusions *de novo*.

B. The longstanding treatment of patents as revocable privileges, and the abundant history of non-judicial patent revocations, confirm the constitutional validity of *inter partes* review. The justification for patents is not that an inventor has a natural right to preclude others from making or using his invention, but that patent protection will ultimately benefit the public by providing an incentive to innovate. Governmentally-conferred franchises designed to serve such purposes create "public rights," whose scope and continuing effectiveness may be resolved by non-Article III tribunals. Both in England before the Founding, and in the

United States thereafter, a variety of mechanisms existed through which patents could be revoked without judicial involvement.

As petitioner emphasizes, questions of patent validity have historically been decided by courts as well. This Court has long recognized, however, that a variety of factual and legal matters are suitable for resolution by *either* judicial or nonjudicial forums. Such matters are “public rights” for purposes of this Court’s Article III jurisprudence.

Petitioner’s reliance on *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606 (1898), is misplaced. The Court in *McCormick* simply held that the then-existing reissue statute did not authorize the Patent Office to rescind an existing patent under the circumstances of that case. The Court did not suggest that Congress was constitutionally precluded from giving such authorization. The nineteenth-century land-patent decisions that petitioner invoked in its petition for a writ of certiorari are likewise inapposite here. Those decisions announce holdings of statutory interpretation rather than constitutional law. In any event, the government in issuing a patent does not (as with a land patent) convey title to something it previously owned, but instead grants a limited franchise whose scope and contours are wholly defined by the government itself.

II. Inter partes review is consistent with the Seventh Amendment. This Court has made clear that, if Congress has permissibly assigned the resolution of a particular type of dispute to a non-Article III adjudicator, the Seventh Amendment imposes no separate bar to the use of a nonjury factfinder. That is so even in settings where the Seventh Amendment jury-trial right would apply if the dispute were heard in federal court.

Petitioner's Seventh Amendment challenge fails for an additional reason as well. Even in federal-court suits, the Seventh Amendment does not apply to equitable claims. Money damages are not available in inter partes review, and the closest judicial analog to cancellation of a patent is a declaratory judgment of invalidity. No jury-trial right attaches when a plaintiff in federal court seeks such a declaration.

ARGUMENT

Petitioner does not dispute that the initial determination whether a patent should be issued has permissibly been entrusted to Executive Branch examiners within the USPTO. Petitioner contends, however, that Article III precludes Congress from authorizing the same agency to reconsider the validity of previously issued patents. That argument is unsupported by precedent, logic, or history. Cancellation of an existing patent after inter partes review serves the same public purpose that an examiner seeks to vindicate when he concludes that a putative invention does not satisfy the statutory prerequisites to patentability. Congress's decisions to solicit input from private challengers, and to utilize trial-type procedures during inter partes reviews, create no substantial constitutional issue either. The judgment of the court of appeals should be affirmed.

I. INTER PARTES REVIEW IS CONSISTENT WITH ARTICLE III

Article III generally reserves to the judiciary the adjudication of disputes over private rights, but it imposes no such limitation on disputes over public rights, which "[C]ongress may or may not bring within the cognizance of the courts of the United States, as it may deem

proper.” *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1856). A patent holder’s right to obtain a government-issued patent allowing the inventor “to exclude others from making, using, offering for sale, or selling” a patented invention, 35 U.S.C. 154(a)(1), is a paradigmatic public right. Just as Congress has long authorized Executive Branch employees to determine in the first instance whether patents should be granted, inter partes review is a constitutionally permissible means by which the USPTO may reassess its prior patent grants and, if necessary, correct its own errors. That conclusion also comports with the traditional understanding of patent rights as privileges that the government may revoke without judicial involvement. The fact that the Board’s final decisions in inter partes reviews are appealable to the Federal Circuit, which can correct any legal errors the Board may make in deciding whether existing patents should be cancelled, reinforces that conclusion.

A. Congress May Authorize The USPTO To Reconsider Its Own Decision To Grant A Patent

1. Congress has permissibly authorized USPTO patent examiners within the Executive Branch to determine in the first instance whether patents should be granted

a. Public rights are rights that are “integrally related to particular Federal Government action.” *Stern v. Marshall*, 564 U.S. 462, 490-491 (2011); see *Granfinanciera S. A. v. Nordberg*, 492 U.S. 33, 55 n.10 (1989). Under this Court’s public-rights precedents, a matter is appropriate for agency determination if “the claim at issue derives from a federal regulatory scheme, or * * * resolution of the claim by an expert Government agency

is deemed essential to a limited regulatory objective within the agency’s authority.” *Stern*, 564 U.S. at 490-491. The Court has defined these matters in contradistinction to matters of “private right,” *Crowell v. Benson*, 285 U.S. 22, 51 (1932), such as common-law claims and claims arising under state law, *Granfinanciera*, 492 U.S. at 51, 55-56. The public-rights doctrine reflects the principle that, when the very existence of a right “depends upon the will of [C]ongress,” *Murray’s Lessee*, 59 U.S. (18 How.) at 284, Congress can set conditions on the manner of its adjudication, *id.* at 283-284; see *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 83 (1982) (plurality).

b. Consistent with longstanding practice, the Patent Act authorizes Executive Branch employees (*i.e.*, USPTO examiners) to determine in the first instance whether patents should be granted. Petitioner does not contend that initial patent-issuance decisions must instead be made by Article III courts. For at least two principal reasons, Congress’s conferral of this power on the Executive Branch is clearly constitutional.

First, patent rights “did not exist at common law,” *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1851), and have not historically been understood to reflect any “natural right” of inventors, *Graham v. John Deere Co.*, 383 U.S. 1, 9 (1966). The Constitution permits, but does not compel, the creation of a national patent system; it thus leaves to Congress the decision whether to promote the progress of the useful arts by enacting patent laws. See *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518, 530 (1972). “The [patent] monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of the common law.” *Gayler*, 51 U.S. (10 How.) at

494. Rather, any patent monopoly “is created by the act of Congress,” and “no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.” *Ibid.*; see *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229-230 & n.5 (1964); *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 848 (2015) (Thomas, J., dissenting); see also McConnell, 157 Cong. Rec. at 13,042 (explaining that patents are “solely a product of positive law,” whose “extent, duration, and validity [are] matter[s] that must be determined by the legislative branch”).

Second, in determining whether a patent should issue, a patent examiner decides whether the applicant will have certain rights *as against the world*. While Article III courts resolve concrete disputes between opposing litigants, “[v]indicating the *public* interest * * * is the function of Congress and the Chief Executive.” *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 576 (1992). To be sure, to “decide on the rights of individuals,” *ibid.* (quoting *Marbury v. Madison*, 5 U.S. (1 Cranch) 137, 170 (1803)), Article III courts may and do resolve issues of patent validity in the course of deciding suits (*e.g.*, infringement suits and declaratory-judgment actions) that satisfy the Constitution’s case-or-controversy requirement. Outside the context of such concrete disputes, however, the determination whether a particular invention qualifies for patent protection under the statutory criteria is appropriate for Executive but not Judicial Branch resolution.

2. *Inter partes* review resolves a matter of public right that is integrally connected to the federal patent scheme

a. *Inter partes* review differs from the initial patent-examination process in two principal respects. First,

the question before the Board during an inter partes review is whether claims in an existing patent should be cancelled, not whether a patent should be issued in the first instance. Second, whereas the initial examination involves solely the patent applicant and the USPTO, the AIA gives significant participatory rights in the review process to a private party that successfully petitions for inter partes review. Neither of those differences, however, provides a sound basis for questioning the constitutionality of the AIA provisions that establish inter partes review.

i. Since the Founding, Congress has employed a variety of non-judicial mechanisms for cancelling issued patents. See pp. 38-45, *infra*. That historical tradition provides strong evidence that USPTO cancellation of issued patents comports with Article III. A variety of other factors reinforce that conclusion.

Inter partes review serves the same important public purposes as the initial examination, namely the protection of the public from private monopolies that exceed the bounds authorized by Congress. Inventors are entitled to patents only for inventions that further the public interest because they meet stringent statutory criteria, including novelty and non-obviousness over prior art. 35 U.S.C. 102, 103. These limitations have constitutional underpinnings, because Congress's authority to create patents is conditioned on "promotion of advances in the 'useful arts,'" and Congress "may not overreach the restraints imposed" by that purpose. *Graham*, 383 U.S. at 5-6; see *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 36 (1923); *Kendall v. Winsor*, 62 U.S. (21 How.) 322, 327-328 (1859).

This Court has recognized the government’s “obligation to protect the public” from improperly issued patents, *United States v. American Bell Tel. Co.*, 128 U.S. 315, 357, 367 (1888) (*American Bell I*), which impose high social costs, see *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1930 (2015) (meritless patents “can impose a ‘harmful tax on innovation’”) (citation omitted); *eBay Inc. v. MercExchange, L. L. C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring); *Cardinal Chem. Co. v. Morton Int’l, Inc.*, 508 U.S. 83, 100-101 (1993). The public and governmental interest in preventing unauthorized exercises of the patent monopoly continues to be fully implicated for as long as a patent remains in force. In drafting the Intellectual Property Clause, “the Framers sought to balance the goal of encouraging innovation against the dangers and economic loss of monopoly. The reexamination process serves to preserve that balance by adopting a procedure by which the [USPTO] can identify patents that were issued in error.” McConnell, 157 Cong. Rec. at 13,042; see *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2135 (2016).

Facilitating the USPTO’s efforts to correct its own mistakes is particularly appropriate in light of “the presumption of validity that comes with issued patents in court.” House Report 48; see 35 U.S.C. 282(a). That presumption can be rebutted in litigation only through clear and convincing evidence, see *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 95 (2011), and its primary rationale is “that the [USPTO], in its expertise, has approved the claim,” *KSR Int’l Co. v. Teleflex Co.*, 550 U.S. 398, 426 (2007). Petitioner seeks to retain the benefits of that presumption in any infringement suit it might file, while contesting Congress’s efforts to ensure that

the existence of a patent actually reflects the USPTO's current, informed judgment that the claimed invention satisfies statutory patentability requirements.

Petitioner suggests (Br. 28-29) that, because patents are a form of private property, Executive Branch officials may not rescind an earlier patent grant. That argument confuses the distinct concepts of private property and "private rights"—those rights that are not integrally related to federal government action. See *Stern*, 564 U.S. at 490-491. Executive Branch agencies routinely act on private parties' claims of entitlement to property, such as money, land, and other assets. Those Executive Branch actions can include dissolution of existing property interests as well as the creation of new property rights. That may occur, for example, when the government terminates a tenured public employee, see, e.g., *Cleveland Bd. of Educ. v. Loudermill*, 470 U.S. 532, 538-543 (1985), or when it decides that a recipient is no longer entitled to continuing public-assistance payments, see, e.g., *Goldberg v. Kelly*, 397 U.S. 254, 261-262 (1970). Bankruptcy courts allocate property that exists apart from federal bankruptcy law; the Court in *Murray's Lessee* upheld use of a summary, non-judicial process to seize land; and various administrative tribunals have divested people of "core private rights to traditional forms of property" by ordering them to pay money damages, Caleb Nelson, *Adjudication in the Political Branches*, 107 Colum. L. Rev. 559, 611 (2007). The Constitution protects against arbitrary deprivations of property interests, see *Goldberg*, 397 U.S. at 261-262; *Murray's Lessee*, 59 U.S. (18 How.) at 276-277, but it does not bar Executive Branch agencies (or other non-Article III federal officials) from making those determinations.

That principle applies with particular force to cancellation of patent rights, since such rights are created by the government and their scope and contours are defined entirely by federal statute. The Patent Act states that, “[s]ubject to the provisions of this title, patents shall have the attributes of personal property.” 35 U.S.C. 261 (emphasis added). The same statutory provision that declares patent rights to be property rights thus makes clear that the nature and extent of those rights are defined by Congress. See *eBay*, 547 U.S. at 392 (emphasizing this limitation). Congress has authorized reassessment of issued patents by the expert agency charged with deciding patentability in the first instance, and the USPTO is particularly well-positioned to undertake that reassessment when additional information or arguments have come to light. See *Boesche v. Udall*, 373 U.S. 472, 476, 483 (1963) (describing an agency’s exercise of authority to cancel a lease that the agency had issued as a case “peculiarly appropriate * * * for administrative determination in the first instance”); see also McConnell, 157 Cong. Rec. at 13,043 (concluding that it is “entirely proper” for Congress to vest authority to correct erroneous patent grants “in the agency entrusted by Congress with making the * * * decision in the first instance”).

Agencies’ use of administrative processes to correct their own mistakes is commonplace.⁴ And the fact that

⁴ See, e.g., 5 U.S.C. 8470 (authorizing agency to recoup erroneously issued federal employee benefits); 38 U.S.C. 5302 (authorizing agency to recoup erroneously issued veterans’ benefits); 42 U.S.C. 404 (authorizing agency to recoup erroneously issued social security benefits); 47 U.S.C. 312 (authorizing agency to revoke radio station licenses); 49 U.S.C. 13905(d)(2) (authorizing agency to revoke erroneously issued federal motor carrier registrations); 49 U.S.C. 41110

the USPTO is reassessing a decision that it was authorized to make in the first instance is strong evidence that inter partes review is not “inherently judicial.” See *Northern Pipeline*, 458 U.S. at 68 (plurality) (“The public-rights doctrine is grounded in a historically recognized distinction between matters that could be conclusively determined by the Executive and Legislative Branches and matters that are ‘inherently . . . judicial.’”) (citation omitted); *Ex Parte Bakelite Corp.*, 279 U.S. 438, 458 (1929) (distinguishing between matters that “inherently or necessarily require[] judicial determination” and “matters the determination of which may be, and at times has been, committed exclusively to executive officers”). In light of Congress’s unquestioned “authority to delegate to the PTO the power to issue patents in the first instance[,] [i]t would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.” *MCM Portfolio, LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

ii. Many of petitioner’s arguments logically imply that *any* form of USPTO reconsideration of an issued patent would violate Article III. Late in its brief, however, petitioner obliquely suggests that ex parte reexamination is constitutional because it “is an interactive proceeding between the agency and the patent owner” that “stops short of exercising Article III judicial power over private rights.” Pet. Br. 50. Petitioner argues that inter partes review is distinguishable from ex parte

(authorizing agency to revoke erroneously issued air carrier certificates); 49 U.S.C. 44709 (authorizing agency to revoke erroneously issued airman certificates).

reexamination, and inconsistent with Article III, because it “is an adversarial proceeding with all the trappings of litigation.” *Ibid.* That argument lacks merit.

Inter partes review is simply one mechanism by which the USPTO seeks to leverage knowledge possessed by persons outside the government to assist it in making a decision within its bailiwick. Even ex parte reexamination may be conducted at the request of private parties, who may apprise the USPTO of the existence and relevance of prior art of which the agency was previously unaware. See 35 U.S.C. 301, 302. Unlike in ex parte reexamination, the AIA gives the petitioner for inter partes review substantial participatory rights in the review proceeding itself. At the end of both proceedings, however, the agency makes the same decision: whether a patent (or particular patent claims) should be cancelled.

In this case, in deciding whether the two challenged claims in petitioner’s patent should remain in force, the USPTO was determining petitioner’s rights as against the world, not its rights vis-à-vis the private party (respondent Greene’s Energy Group, LLC) that had petitioned for inter partes review. The agency’s decision cancelling the claims gave Greene’s Energy Group no benefit that it would not have received if the USPTO had disapproved the claims during the initial examination, or if the Director had reexamined and cancelled the claims sua sponte. The proceeding therefore did not determine “the liability of one individual to another under the law as defined”—the characteristic hallmark of a matter of “private right.” *Stern*, 564 U.S. at 489 (quoting *Crowell*, 285 U.S. at 489).

In other respects as well, inter partes review differs from the sorts of judicial proceedings (*e.g.*, infringement suits and declaratory-judgment actions) in which an Article III court might resolve questions of patent validity. A third-party challenger in an inter partes review need not have any concrete dispute with the patent holder and “may lack constitutional standing.” *Cuozzo*, 136 S. Ct. at 2143-2144. And the challenger “need not remain in the proceeding; rather, [the USPTO] may continue to conduct an inter partes review even after the adverse party has settled.” *Id.* at 2144; see 35 U.S.C. 317(a). Similarly, the USPTO “may intervene in a later judicial proceeding” to defend its cancellation of an improperly granted patent, “even if the private challengers drop out.” *Cuozzo*, 136 S. Ct. at 2144 (emphasis omitted); see 35 U.S.C. 143. Those aspects of inter partes review reinforce the understanding that, although private challengers may assist the Board by identifying questionable patents and bringing forward new information and arguments, the Board’s role is to protect the public interest in the integrity of existing patents, not to determine the respective rights of the patentee and challenger vis-à-vis each other.

If it is otherwise consistent with Article III for the USPTO to reassess the validity of issued patents, neither precedent nor logic suggests that Congress’s decision to mandate trial-type procedures renders inter partes review unconstitutional. In a variety of contexts, Congress requires federal agencies to solicit public comments before taking particular administrative actions. See, *e.g.*, 5 U.S.C. 553(e) (notice-and-comment rulemaking); 33 U.S.C. 1344(a) (authorizing the Secretary of the Army to “issue permits, after notice and opportunity for public hearings for the discharge of

dredged or fill material into the navigable waters”). Indeed, when particular agency rules “are required by statute to be made on the record after opportunity for an agency hearing,” the agency must employ formal rulemaking procedures having many of the attributes associated with courtroom proceedings. 5 U.S.C. 553(c); see 5 U.S.C. 556, 557. So long as the rules ultimately promulgated are permissible exercises of Executive Branch authority, Congress’s decision to impose those procedural requirements does not create any meaningful Article III question.

Similarly here, so long as the decision the Board ultimately makes is one that can properly be entrusted to Executive Branch officials, the use of trial-type procedures does not render the inter partes review mechanism constitutionally infirm. This Court has long recognized that “the crucible of meaningful adversarial testing” can enhance the accuracy of decision-making, *United States v. Cronin*, 466 U.S. 648, 656 (1984), and prevent “administrative abuses,” *Boesche*, 373 U.S. at 485-486. Congress presumably mandated the use of trial-type procedures in inter partes review because it believed they would increase the accuracy of the Board’s decisions. If reconsideration of issued patents is a function the Board may constitutionally perform, nothing in this Court’s Article III precedents requires Congress to settle for internal agency procedures that it views as sub-optimal.

Petitioner is also wrong in suggesting (Br. 42-47) that inter partes review violates Article III because the administrative patent judges who sit on the Board are chosen and assigned to specific matters without the involvement of Article III courts. The Constitution no more requires that form of Article III supervision for

the Board members who reconsider issued patents than for the patent examiners who rule on patent applications in the first instance.⁵ Petitioner’s criticisms (Br. 43-47) of various procedures that give the Director of the USPTO a role in the selection, promotion, retention, and assignment of administrative patent judges likewise do not cast doubt on the validity of the AIA provisions that authorize inter partes review.

A virtue of administrative adjudication is the agency’s ability to ensure application of uniform standards “to the thousands of cases involved” through tools that include oversight of agency employees. *Crowell*, 285 U.S. at 54; see *Boesche*, 373 U.S. at 484 (noting the importance of uniformity in managing the “magnitude and complexity” of an administrative scheme). If a particular USPTO procedure regarding assignment or oversight of judges raises serious constitutional concerns, those concerns can be addressed on an as-applied basis in a case (unlike this one) where the allegedly infirm procedure has actually been utilized. The possibility of such challenges, however, provides no basis for holding that the AIA provisions authorizing inter partes review are facially inconsistent with Article III.

⁵ This Court has sometimes treated supervision of particular adjudicators by Article III judges as relevant to its public-rights analysis. See, e.g., *Peretz v. United States*, 501 U.S. 923, 936 (1991) (magistrate judges conducting voir dire in criminal trials). In other cases, however, it has upheld decision-making by adjudicators that do not function as adjuncts of Article III courts. See, e.g., *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 590 (1985) (civilian arbitrators selected on consent of the parties or appointed by federal agency); *Atlas Roofing Co. v. Occupational Safety & Health Rev. Comm’n*, 430 U.S. 442, 445 (1977) (Occupational Safety and Health Commission).

b. Inter partes review is also conducive to efficient allocation of the USPTO's finite resources. The USPTO performs pre-issuance review of more than half a million patent applications each year, but initial patent examinations are conducted ex parte, with no opportunity for persons other than the applicant to participate. Examiners therefore must decide, in a limited period of time, whether an invention satisfies statutory criteria "without the aid of arguments which could be advanced by parties interested in proving patent invalidity." *Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). The patent applicant, moreover, has "no general duty to conduct a prior art search" and "no duty to disclose art of which [the] applicant is unaware." *Bruno Indep. Living Aids, Inc. v. Acorn Mobility Servs., Ltd.*, 394 F.3d 1348, 1351 n.4 (Fed. Cir. 2005). In addition, patent examiners' own research "often does not (and cannot) encompass the full scope of prior art relevant to a patent application," which may take the form of patents in foreign languages, "thesis papers located in obscure libraries around the world, obscure foreign publications that have not been translated into English, and online journals that require subscriptions or payments." PTAB Bar Ass'n Amicus Br. 13-14.

By enabling the USPTO to take "a second look at an earlier administrative grant of a patent" based on new information or arguments, *Cuozzo*, 136 S. Ct. at 2144, inter partes review thus helps to ensure that unpatentable inventions do not continue to receive unwarranted monopoly protection, thereby addressing what Congress determined was a substantial problem of erroneous grants under the preexisting patent system. House Report 39-40. Inter partes review also affords advantages over alternative mechanisms for pursuing the

same objectives. Congress could have required, in connection with every initial patent examination, that third parties who are opposed to the application be given an opportunity to argue and submit evidence. But undertaking that process for each of the 500,000 patent applications submitted every year would “lead to years’ delay in the issuance of patents” and risk “disincentiviz[ing] innovation or entry into the patent system.” PTAB Bar Ass’n Amicus Br. 19 (alteration omitted). It would also greatly increase costs.

Congress’s decision to pair a comparatively fast *ex parte* examination at the outset with opportunities for post-grant review thereafter benefits patent applicants by enabling them to gain patent protection more quickly. It also benefits the public by focusing more resource-intensive review on a small class of cases: those in which a third party identifies a challenge to patentability that has a reasonable likelihood of success, and in which the patent has proved to be of sufficient commercial importance to make it worthwhile for the third party to bring a challenge. See 35 U.S.C. 311(b), 314(a); PTAB Bar Ass’n Amicus Br. 12 (“[N]o member of the public will spend the hundreds of thousands of dollars needed to prepare an IPR petition and see the proceeding through to its conclusion” for “[t]he run-of-the-mill patent that is not commercially significant and never asserted against an accused infringer.”). Congress’s evident authority to mandate an opportunity for third-party participation in the initial examination process reinforces the constitutionality of the more modest approach reflected in the AIA, under which the USPTO makes initial patent grants without that scrutiny but may conduct more intensive post-issuance review in a smaller class of cases.

3. *The AIA provisions that govern inter partes review do not intrude on or diminish the authority of Article III courts*

Contrary to petitioner’s contention (Br. 49), the AIA provisions that created inter partes review did not “withdraw” questions of patent validity from Article III courts. The AIA did not eliminate or curtail any preexisting authorization for courts to resolve such questions, either in infringement suits or in declaratory-judgment actions. To be sure, by establishing an additional mechanism for the USPTO to correct its own mistakes, Congress sought to reduce the need for courts to perform the same function. But the possibility that agency self-correction may obviate the need for judicial intervention has traditionally been viewed as a *virtue* of administrative-appeal mechanisms and administrative-exhaustion requirements. See, e.g., *McKart v. United States*, 395 U.S. 185, 195 (1969). There is no sound reason to regard inter partes review with a more jaundiced eye.

Even in situations (not present here) where a judge or jury rejects an alleged infringer’s defense of invalidity, and the Board subsequently cancels the same patent on inter partes review, the agency’s decision does not usurp or undermine judicial authority. “Courts do not find patents ‘valid,’” but “only that the patent challenger did not carry the ‘burden of establishing invalidity in the particular case.’” *Ethicon, Inc. v. Quigg*, 849 F.2d 1422, 1429 n.3 (Fed. Cir. 1988) (citations and emphasis omitted); see McConnell, 157 Cong. Rec. at 13,043. Invalidity defenses in court must be established by clear and convincing evidence, see *ili Ltd. P’ship*, 564 U.S. at 102-103, while the Board decides questions of patentability using a preponderance standard, see

35 U.S.C. 316(e). Just as a civil finding of liability for wrongful death does not displace an acquittal in a criminal prosecution where the beyond-a-reasonable-doubt standard applies, the Board's conclusion that particular claims are unpatentable is not logically inconsistent with a court's determination that an infringement defendant failed to prove the invalidity of those claims by clear and convincing evidence. See McConnell, 157 Cong. Rec. at 13,044.

The current functional resemblance between inter partes review and litigation, moreover, is attributable in large part to twentieth century legal developments. For much of the country's history, "this Court harbored doubts about the compatibility of declaratory-judgment actions with Article III's case-or-controversy requirement," until those doubts were "dispelled" in 1933. *Medimmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126 (2007) (citing cases). And until this Court's decision in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), a judgment of patent invalidity had issue-preclusive effect only in subsequent litigation between the same parties, leaving the patent holder free to attempt to enforce its patent against other alleged infringers. See *id.* at 317, 349-350. If that preclusion rule were still in place, the distinction between the role of federal courts in determining the rights of individual litigants, and the role of Executive Branch officials in protecting the public interest, would be particularly apparent.

To current patent practitioners, a declaratory-judgment action that seeks to render the challenged patent a practical nullity is a familiar type of judicial proceeding. For most of our country's history, however, no private litigant in federal court could have achieved that

result. One consequence of *Blonder-Tongue* is that judicial determinations of patent invalidity are now a more powerful tool for protecting the public from the costs imposed by erroneously issued patents. The increased potential for judicial rulings to vindicate that public interest, however, does not cast doubt on the USPTO's constitutional authority to perform that quintessential Executive Branch function.

4. *Inter partes* review satisfies even the standards this Court has articulated for the imposition of monetary liability by non-Article III adjudicators

This Court has issued a series of decisions addressing the constitutional limits on Congress's power to authorize the use of non-Article III adjudicators. The adjudicators in those cases were typically empowered to determine "the liability of one individual to another," *Stern*, 564 U.S. at 489 (quoting *Crowell*, 285 U.S. at 51), including liability for monetary relief. Even in that setting, the Court has frequently sustained Congress's use of non-Article III officials.

In *Crowell v. Benson*, *supra*, this Court sustained, against an Article III challenge, statutory provisions that authorized an agency to adjudicate claims under the Longshore and Harbor Workers' Compensation Act, 33 U.S.C. 901 *et seq.* See 285 U.S. at 36-37. The Court explained that "there is no requirement that, in order to maintain the essential attributes of the judicial power, all determinations of fact" must be made by Article III judges. *Id.* at 51. The court concluded that claims under the statute, which displaced a traditional common-law cause of action, were claims of private right. *Ibid.*; see *Thomas*, 473 U.S. at 587. But the Court concluded that the statute permissibly authorized the

agency to decide disputes and to make conclusive findings of fact regarding compensation claims, because the authority of Article III courts “to deal with matters of law” in reviewing or enforcing the agency’s decisions “provide[d] for the appropriate exercise of the judicial function in this class of cases.” *Crowell*, 285 U.S. at 54, 57. In reaching that conclusion, the Court emphasized that the agency’s determinations were confined to a discrete area of law, were “closely analogous” to other determinations that agencies regularly made, *id.* at 54, and provided a “prompt, continuous, expert and inexpensive method for dealing with a class of questions of fact” particularly suitable for specialized agency determination, *id.* at 46; see *Stern*, 564 U.S. at 489 n.6 (“*Crowell* may well have additional significance in the context of expert administrative agencies that oversee particular substantive federal regimes.”).

In *Thomas v. Union Carbide Agricultural Products Co.*, *supra*, this Court upheld a mandatory arbitration system under which private parties can be ordered to make payments to other private parties for using information pertaining to pesticides under the Federal Insecticide, Fungicide, and Rodenticide Act (FIFRA), 7 U.S.C. 136 *et seq.* The Court explained that “Congress, acting for a valid legislative purpose pursuant to its constitutional powers under Article I, may create a seemingly ‘private’ right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.” *Thomas*, 473 U.S. at 593-594. The Court upheld the FIFRA arbitration system after observing that it concerned a compensation right created by federal law and that arbitration advanced FIFRA’s objective of swiftly resolving before subject-

matter experts specialized questions of compensation. *Id.* at 590-591.

This Court has upheld other uses of agency forums to decide questions “integrally related to particular Federal Government action.” *Stern*, 564 U.S. at 490-491. It has upheld resolution of landlord-tenant disputes through a federal administrative system. *Block v. Hirsh*, 256 U.S. 135, 158 (1921). It has upheld an agency procedure to determine whether companies violated a federal worker-safety statute and to impose penalties for violations. *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 458 (1977). The Court has also concluded that Congress may assign non-Article III courts to adjudicate claims concerning restructuring of debtor-creditor relations under federal bankruptcy law. *Stern*, 564 U.S. at 492 n.7; see *Wellness Int’l Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1951 (2015) (Roberts, C.J., dissenting).

By contrast, the Court has disapproved the use of non-Article III adjudicators to resolve common-law and state-law claims, after determining that adjudication of those causes of action was not closely intertwined with administration of a federal statutory scheme. In *Stern*, for example, the Court concluded that a bankruptcy court could not adjudicate a common-law claim of tortious interference as a counterclaim in bankruptcy because the counterclaim did “not flow from a federal statutory scheme,” qualify as “‘completely dependent upon’ adjudication of a claim created by federal law,” or call upon agency expertise in a “particularized area of the law.” 564 U.S. at 493 (citations omitted); see *Northern Pipeline*, 458 U.S. at 69-79 (plurality) (state-law claims); *Granfinanciera*, 492 U.S. at 60-61 (“fraudulent conveyance actions” constituting “a pre-existing,

common-law cause of action that was not integrally related to the reformation of debtor-creditor relations”).

Inter partes review much more closely resembles the non-Article III adjudicatory mechanisms that this Court has upheld than those that the Court has found to be invalid. Inter partes review involves interests that are “derived from a federal regulatory scheme.” *Stern*, 564 U.S. at 490; see *ibid.* (explaining that “resolution of [a] claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority”). Patent law is a “technically complex subject matter,” *Dickinson v. Zurko*, 527 U.S. 150, 160 (1999), making it “especially appropriate to administrative as opposed to judicial redetermination,” McConnell, 157 Cong. Rec. at 13,045, and the USPTO has “special expertise in evaluating patent applications,” *Kappos v. Hyatt*, 566 U.S. 431, 445 (2012). PTAB judges include patent lawyers and former patent examiners, *Cuozzo*, 136 S. Ct. at 2137, who have far more experience assessing novelty and obviousness than generalist judges or juries, PTAB Bar Ass’n Amicus Br. 20-21.

In addition, while the USPTO decides in an inter partes review whether a claimed invention failed to satisfy the requirements of novelty and non-obviousness, its determinations can be appealed to an Article III court, which reviews the agency’s findings of fact deferentially and its conclusions of law de novo. See *MCM Portfolio*, 812 F.3d at 1287. Inter partes review thus preserves the “complete authority” of Article III courts “to insure the proper application of the law” with respect to questions of patentability, while providing an “expert and inexpensive method” for determining subsidiary factual questions. *Crowell*, 285 U.S. at 46-47, 54.

And by specifying that no patent may be cancelled until any appellate review has been completed, see 35 U.S.C. 318(b), inter partes review affords greater solicitude to judicial review than did the administrative scheme upheld in *Crowell*, where the agency orders were “not to be stayed pending” judicial review except on a showing of “irreparable damage.” *Crowell*, 285 U.S. at 44-45.

Inter partes review therefore would satisfy even the standards this Court has imposed when Congress authorizes non-Article III adjudicators to hold one private party liable to another for monetary relief. As we explain above (see pp. 18-25, *supra*), however, the more fundamental flaw in petitioner’s argument is that inter partes review is not a mechanism for imposing legal liability, or for determining the respective rights of adverse litigants vis-à-vis each other. It is instead a procedure by which the USPTO reconsiders its own prior determination that a putative inventor has satisfied the statutory prerequisites for obtaining a patent monopoly as against the world. For substantially the same reasons that initial patent examination is appropriately entrusted to an Executive Branch agency, Congress’s authorization for the same agency to review its own prior decisions raises no significant Article III concern.

B. The Longstanding Treatment of Patents As Revocable Privileges Confirms That Congress May Authorize the USPTO To Reconsider Its Patent Grants

1. At the Founding, patent rights were understood to be revocable without judicial involvement—in other words, as public rights. The Founding generation distinguished between “‘core’ private rights” that individuals would enjoy “even in the absence of political society,” and “privileges” or “franchises” that the government could create “for reasons of public policy.” Nelson

567. Privileges and franchises were “legal interests capable of being held by individuals” and could “form the basis for private claims against other individuals.” *Ibid.* But “even in private hands they amounted to mere ‘trusts of civil power to be exercised for the public benefit.’” *Id.* at 568 (citation omitted).

Such rights therefore were “not understood to vest in private individuals in the same way as core private rights.” Nelson 568. Instead, because these interests existed as creations of the sovereign to serve the public interest, the sovereign could allow their revocation without judicial involvement. *Teva Pharms.*, 135 S. Ct. at 848 (Thomas, J., dissenting) (detailing history); see *Public Serv. Comm’n of Puerto Rico v. Havemeyer*, 296 U.S. 506, 515-517 (1936); Nelson 571-572; Thomas M. Cooley, *A Treatise on the Constitutional Limitations Which Rest Upon the Legislative Power of the States of the American Union* 384 (1868). The interests that the Founding generation described as “privileges” or “franchises” thus had the attributes of what this Court since *Murray’s Lessee* has called “public rights.” See Nelson 563-564.

Patents have always been understood as privileges or franchises. Rather than reflecting any perceived “natural right” of inventors to monopolize discoveries, *Graham*, 383 U.S. at 9, patents were understood as creations of the sovereign that “intrude” on “the natural right of the public to appropriate all new ideas that may be voluntarily disclosed,” 1 William C. Robinson, *The Law of Patents for Useful Inventions* §§ 25-26 (1890); see *American Bell I*, 128 U.S. at 370 (patents “take[] from the people this valuable privilege and confer[] it as an exclusive right upon the patentee”); *Teva Pharms.*, 135 S. Ct. at 848 n.2 (Thomas, J., dissenting) (explaining

that the Founders saw no “‘core’ property right in inventions”). Thus, at English common law, see *Teva Pharms.*, 135 S. Ct. at 848 (Thomas, J., dissenting), and in the United States, courts consistently classified the patent as a “franchise or exclusive privilege,” *Bloomer v. McQuewan*, 55 U.S. (14 How.) 539, 549 (1853); see *Grant v. Raymond*, 31 U.S. (6 Pet.) 218, 244 (1832) (a patent is a “privilege which is the consideration paid by the public for the future use of the machine”); see *Boesch v. Graff*, 133 U.S. 697, 702 (1890) (“franchise” or “exclusive privilege”); *Mitchell v. Hawley*, 83 U.S. (16 Wall.) 544, 548 (1873) (“franchise” secured by patent); *O’Reilly v. Morse*, 56 U.S. (18 How.) 62, 133 (1854) (“franchise granted to [inventor] by the law”); *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 9 (1829) (“exclusive privileges”).⁶

2. A long history of non-judicial patent cancellation confirms that understanding. For as long as governments have issued patents, they have reserved the right

⁶ Several of petitioner’s amici argue that the Intellectual Property Clause’s reference to “secur[ing]” rights for inventors indicates that the Framers believed that inventors possess inherent or natural rights in their inventions, which the law would “secure” to them with patents. See Biotechnology Innovation Org. Amicus Br. 7-8; Pharma. Research & Manuf. of Am. Amicus Br. 29; 27 Law Professors Amicus Br. 14. The copyright plaintiff in *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591 (1834), made substantially the same argument, contending that the term “secure,” as used in the Intellectual Property Clause, “clearly indicates an intention, not to originate a right, but to protect one already in existence.” *Id.* at 661. The Court squarely rejected that argument, stating that when read in context, “the word *secure*, as used in the constitution, could not mean the protection of an acknowledged legal right.” *Ibid.* The Court further explained that, “where the legislature are about to vest an exclusive right in an author or an inventor, they have the power to prescribe the conditions on which such right shall be enjoyed.” *Id.* at 663-664.

to cancel patents without judicial involvement or subject only to appellate judicial review.

English Practice: Post-issuance patent cancellation dates at least to Elizabethan England. The sovereign's authority to grant a patent was a matter of royal prerogative, and that "same prerogative could be used to revoke the grant." Edward C. Walterscheid, *The Early Evolution of the United States Patent Law: Antecedents (Part 2)*, 76 J. Pat. & Trademark Off. Soc'y 849, 859 (1994). Queen Elizabeth I famously employed that power in 1601, when Parliament threatened to legislate against patents that she had granted affording monopoly protections over such everyday items as salt, vinegar, ale, and soap. *Id.* at 854 n.14. The Queen responded by "summarily cancel[ling] the most objectionable patents," and by "allow[ing] courts of law to pass judgment on the remainder." Floyd L. Vaughan, *The United States Patent System* 14 (1st ed., 1956).

The English Privy Council, the Crown's principal advisory body, was also empowered to annul patents (or to recommend that the sovereign annul patents) without involving the courts. "From the earliest times," patents were granted on the condition that "the patent should be forthwith voided if it was made to appear to six or more of the Privy Council * * * that the invention was not new, or the patentee not the first and true inventor." William Martin, *The English Patent System* 111 (1904); see *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 381 (1996). Throughout the seventeenth and eighteenth centuries, the Privy Council regularly entertained third parties' petitions to cancel patents. In 1732, for example, the Privy Council "made void" a patent for lighting a coastline upon the petition of a third

party “on the ground of the insufficiency of the specification and the want of novelty and prejudicial character of the invention.” E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention from the Restoration to 1794*, 33 L.Q.R. 180, 187-189 (1917). And while in 1753 the Privy Council “granted the courts concurrent jurisdiction to revoke a patent,” Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1683 (2013), the Privy Council acted on petitions to cancel defective patents through the American Founding. See *ibid.* (noting that the Privy Council retained the right to revoke patents until 1847); Hulme 192-193 (describing the Privy Council’s consideration of petitions to cancel patents through the Founding).

Early American Practice: Early American courts and legislatures also treated patents as privileges or franchises that could be revoked without judicial involvement. When patent-revocation questions arose in early American practice, “it seems to have been assumed that patents were revocable” without the involvement of the courts, based on the principle that “what the legislature’s discretion could award in the patent grant could also be taken away by the same power.” Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property* 110-111 (June 2005); see *id.* at 110 n.251.⁷ In 1798, for example, the New York legislature revoked a steamboat patent that it had issued to one inventor (John Fitch) and assigned the patent to Robert Livingston. See *id.* at 110 n.251. When Livingston sued to enjoin alleged violations of his patent rights, the defendants raised myriad defenses, but “all assumed that the legislature had [the]

⁷ <https://law.utexas.edu/faculty/obracha/dissertation/>.

power” to revoke Fitch’s patent and award it to Livingston. *Ibid.*; see *Livingston v. Van Ingen*, 9 Johns. 507 (N.Y. 1812). Similarly, after Congress issued one of the earliest United States patents to Benjamin Folger, a rival “petitioned Congress for the repeal of Folger’s grant,” Christopher Beauchamp, *Repealing Patents* 21 (Sept. 27, 2017),⁸ on the ground that “letters patent ha[d] been obtained by the said Benjamin Folger surreptitiously, and from false suggestions.” *House of Representatives Journal*, 3d Cong., 1st Sess. 98 (1793) (House Journal); see Beauchamp 19-20. Folger filed a counter-petition. House Journal 125. While the House ultimately chose to enact legislation authorizing a court to resolve the dispute, Beauchamp 20-22, the actions of the petitioners and the House reflect a shared understanding that the choice of forum for patent repeal belonged to the legislature.

American legislatures’ uses of “working clauses” or “revocation clauses” also reflected the understanding that patents could be revoked without judicial involvement. See Herbert Hovenkamp, *The Emergence of Classical American Patent Law*, 58 *Ariz. L. Rev.* 263, 284 (2016). Colonial legislatures often inserted into patents clauses that required inventors to begin practicing their inventions within a specified time period after a patent grant. See Bruce Bugbee, *Genesis of American Patent and Copyright Law* 67 (1967) (citing examples).⁹ If the inventor failed to satisfy those requirements, “the legislatures would retract or transfer the patent to a more deserving grantee” without judicial process. Camilla A. Hrdy, *State Patent Laws in the Age of Laissez Faire*, 28 *Berkeley Tech. L.J.* 45, 65-66 (2013).

⁸ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3044003#.

⁹ These clauses were also common in English patents. See Hovenkamp 284.

Congress also used such clauses in private patent bills in which Congress issued patents to particular inventors through legislation. In a patent for the steam engine, Congress specified that the patent “shall cease, determine, and become absolutely null and void, *without resort to legal process*,” if the inventor “shall fail to introduce the said invention into public use in the United States, within two years from the passing of this act.” Act of Mar. 3, 1835, ch. 89, 6 Stat. 614-615 (emphasis added). And a statute allowing resident aliens to apply for patents similarly specified that “every patent granted by virtue of this act * * * shall cease and determine and become absolutely void *without resort to any legal process*” if the patentees failed to introduce the patented invention into public use within one year. Act of July 13, 1832, ch. 203, 4 Stat. 577 (emphasis added).

Reissues: The Patent Office was also authorized to cancel patents under reissue statutes. Under the reissue statute in effect from 1836 until 1870, a patent holder could seek reissue of a patent in order to fix an error resulting from a mistake in the application, but was required to surrender the original patent to do so. See Patent Act of 1836, ch. 357, § 13, 5 Stat. 117, 122; Patent Act of 1870, ch. 230, § 53, 16 Stat. 206. The patent “became destitute of validity and absolutely void” at the start of the reissue proceedings, and the Patent Office would cancel the original patent even if the application for reissue was rejected. *Peck v. Collins*, 103 U.S. 660, 663 (1881). Congress later amended the statute to change that procedure, specifying that the surrender of the original patent would take effect only “upon the issue of the amended patent.” Patent Act of

1870, ch. 230, § 53, 16 Stat. 206; see *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 610-611 (1898) (construing the 1870 law); pp. 47-49, *infra*.

Interferences Under the Patent Act: The longstanding procedure of patent interference also reflects the understanding that agencies may invalidate patents. Before the AIA was enacted, the Patent Act provided that a patent should go to an invention's first inventor, whether or not that person was first to seek a patent. Starting in 1836, the Patent Office used a procedure known as interference to determine priority of invention between a patent application and either a competing application or an issued patent. See Act of July 4, 1836, ch. 357, § 16, 5 Stat. 123-124. A disappointed party in an interference proceeding "could bring a bill in equity in federal district court" to challenge the agency's decision. *Kappos*, 566 U.S. at 439. But the factual findings of the Patent Office—"a special tribunal, entrusted with full power in the premises"—had near-preclusive effect in that judicial review. *Morgan v. Daniels*, 153 U.S. 120, 124 (1894).

The 1952 Patent Act expanded the USPTO's interference authority by providing that the agency's "final judgment adverse to a patentee" in an interference proceeding "shall constitute cancellation of the claims involved." Ch. 13, § 135, 66 Stat. 801-802. The USPTO could thus render final decisions cancelling issued patents on the basis of prior inventions. See Edward C. Walterschied & Kenneth L. Cage, *Jurisdiction of the Patent and Trademark Office to Consider the Validity of Issued Patents*, 61 J. Pat. & Trademark Off. Soc'y 444, 462 (1979). A disappointed party could seek review in district court, see Patent Act of 1952, ch. 13, § 146, 66

Stat. 802, but the agency’s findings of fact were reviewable only under the deferential “substantial evidence” standard unless new evidence was introduced in the judicial proceeding, *Kappos*, 566 U.S. at 436; *Troy v. Samson Mfg. Corp.*, 758 F.3d 1322, 1328 (Fed. Cir. 2014).

Maintenance Fees: Since 1980, Congress has also required most patentees to pay maintenance fees, 35 U.S.C. 41(b)(1), and specified that if the fee is not paid within six months after the deadline, “the patent shall expire,” 35 U.S.C. 41(b)(2). Thus, Congress has authorized the cancellation of issued patents before the end of the patent term for “[f]ailure to pay a maintenance fee,” subject only to appellate review. Cf. *Ray v. Lehman*, 55 F.3d 606, 608 (Fed. Cir.) (Rich, J.) (affirming the USPTO’s refusal to reinstate a patent after the patent expired for non-payment of maintenance fees and the patentee belatedly paid the fees), cert. denied, 516 U.S. 916 (1995).

Post-Issuance Agency Review: Every U.S. patent that is currently in force was issued at a time when the USPTO was authorized by statute to cancel patents as improperly granted. Since 1980, the USPTO has been authorized to conduct an ex parte reexamination of an issued patent on the petition of a third party, 35 U.S.C. 301, or at “any time” on the Director’s “own initiative,” 35 U.S.C. 303(a). The Federal Circuit has repeatedly upheld the constitutionality of that practice. See *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226, 228-229, cert. denied, 506 U.S. 829 (1992); *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603-604, modified on other grounds on reh’g, 771 F.2d 480 (Fed. Cir. 1985); McConnell, 157 Cong. Rec. at 13,043. More than 15 years ago, Congress authorized the USPTO to cancel

patents through inter partes reexamination, the predecessor to inter partes review. See Optional Inter Partes Reexamination Procedure of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572. Inter partes reviews are therefore “hardly novel but rather are based on longstanding procedures established by Congress and repeatedly recognized as constitutional.” McConnell, 157 Cong. Rec. at 13,043; cf. *The Pocket Veto Case*, 279 U.S. 655, 690 (1929) (a government practice of “twenty years duration” can merit “great regard in determining the true construction of a constitutional provision the phraseology of which is in any respect of doubtful meaning”).

3. Petitioner acknowledges (Br. 25) that the English Crown or Privy Council could cancel improperly issued patents. But after relying extensively on English practice as part of its own argument (Br. 22-25), petitioner dismisses the English tradition of non-judicial cancellation as showing only that patents were seen as “a royal prerogative, to be granted or withdrawn at the sovereign’s discretion.” Br. 25. That argument overlooks that public rights *are* those matters that can “be granted or withdrawn at the sovereign’s discretion.” *Ibid.* Because the “traditional taxonomy” distinguishing privileges or franchises from private rights under English law “informed American understandings of the respective roles of the political branches and the judiciary in the constitutional separation of powers,” Nelson 568-569, this Court has treated an English tradition of non-judicial adjudication as demonstrating that a matter may be adjudicated outside of Article III courts. See, e.g., *Murray’s Lessee*, 59 U.S. (18 How.) at 281-282 (relying on English practice concerning “claims for pub-

lic taxes”); *Sharif*, 135 S. Ct. at 1951 (Roberts, C.J., dissenting) (explaining that the “exception to the requirements of Article III for certain bankruptcy proceedings” reflects that, “[w]hen the Framers gathered to draft the Constitution, English statutes had long empowered nonjudicial bankruptcy ‘commissioners’” to resolve bankruptcy claims).

Petitioner also suggests that the centuries-old practice of treating patents as revocable privileges is not relevant if patent-validity questions were more “typically” resolved in judicial than in nonjudicial forums. Pet. Br. 26 (emphasis omitted). That argument lacks merit. This Court has explained since *Murray’s Lessee* that matters that can be resolved in both judicial and nonjudicial forums are public rights. See 59 U.S. (18 How.) at 284 (defining as public rights those matters “which are susceptible of judicial determination, but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper”). Even if challenges to the validity of issued patents were often brought in judicial forums, the undisputed authority of the Crown and Privy Council to cancel patents is inconsistent with private-right status. To support a contrary view, petitioner invokes a passage in *Granfinanciera* (Br. 25-26), but that passage did not discuss whether a matter involved public rights at all. See 492 U.S. at 43-44. Instead, it addressed the separate question whether a dispute sounds in law or in equity for purposes of the Seventh Amendment. *Ibid.*

4. Petitioner also suggests (Br. 33-34) that Congress is constitutionally barred from authorizing inter partes review because Congress did not create inter partes review when it first created a federal patent system. See Pet. Br. 33 (stating that Congress may provide for

agency adjudication only when it creates “a ‘new statutory obligation’” that is “without a historical analogue to actions adjudicated by courts”) (brackets and citation omitted). Even in reviewing adjudicative schemes used to impose liability on private parties, this Court has not imposed any such limitation on the public-rights doctrine. See, e.g., *Stern*, 564 U.S. at 490-491 (“[W]hat makes a right ‘public’ rather than private is that the right is integrally related to particular Federal Government action.”). And while some frameworks for agency adjudication that this Court has upheld involved entirely new statutory obligations, others did not. The agency arbitration scheme challenged in *Thomas* replaced a prior framework for determining fees under a compulsory-licensing provision. See 473 U.S. at 590 (explaining Congress’s choice to “select arbitration as the appropriate method of dispute resolution” due to shortcomings in prior statute); *id.* at 571-575 (describing history). And the federally created obligations in *Atlas Roofing* and *Block* could hardly be described as “without a historical analogue to actions adjudicated by courts,” Pet. Br. 33, because they involved, respectively, workplace-safety requirements and landlord-tenant obligations. See *Atlas Roofing*, 430 U.S. at 450; *Block*, 256 U.S. at 156.

In any event, inter partes review does not authorize the USPTO to impose liability on any private party. It is simply a mechanism by which the agency can reconsider its own prior patent-issuance decision. See pp. 18-25, *supra*. Nothing in this Court’s precedents remotely suggests that Congress is constitutionally foreclosed from adding new administrative-reconsideration mechanisms to an existing statutory scheme.

5. Petitioner’s reliance (Br. 28-29) on *McCormick Harvesting Mach. Co.*, *supra*, is misplaced. The Court in *McCormick* did not announce any constitutional limit on Congress’s power to authorize the Patent Office to correct its own mistakes, but simply construed the then-extant version of a federal patent-reissue statute. The patent owner in *McCormick* sought a reissue of his patent from the Patent Office, and he surrendered his original patent upon submitting his reissue application. During the reissue proceeding, an examiner rejected patent claims that were common to both the original patent and the reissue. Before the Patent Office formally acted on the reissue, the patent owner abandoned the application for reissue, and the Patent Office returned the surrendered patent. 169 U.S. at 608.

The patent owner subsequently brought an infringement suit, and the district court held that the Patent Office had annulled the original patent when it rejected the reissue. *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 58 F. 773, 778 (N.D. Ohio 1893). On appeal, the Sixth Circuit recognized that the district court would have been correct “under the patent laws in force in 1866” as those laws had been construed in *Peck*, *supra*. See *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 69 F. 371, 400 (1895) (Taft, C.J.). The court of appeals explained, however, that this Court had not yet “considered and decided” whether the Patent Office’s rejection of patent claims in reissue proceedings still amounted to a cancellation of the original patent under amended reissue provisions that Congress had enacted in 1870. *Id.* at 401. The panel certified to this Court the question whether an examiner’s rejection of a reissue that includes “the same claims as those

which were included in the [original] patent” invalidates the original patent. *Ibid.*

This Court answered that question in the negative, holding that rejection of a reissue had no effect on the original patent under the amended reissue statute. The Court recognized that Congress had previously granted the Patent Office authority to “absolutely extinguish the original patent” during a reissue proceeding. *McCormick Harvesting Mach. Co.*, 169 U.S. at 610-611 (citing *Peck*, 103 U.S. at 660). The Court concluded, however, that the revised statute did not grant that authority, because under that statute the surrender of the original patent “takes effect only upon the issue of the amended patent,” and “until the amended patent shall have been issued the original stands precisely as if a reissue had never been applied for.” *Id.* at 610. The Court explained that, since Congress had not authorized the Patent Office to cancel an original patent during a reissue, “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States.” *Id.* at 609. As a leading patent historian explained in 1979 when the USPTO considered amending its regulations on reconsideration of issued patents, the Court in *McCormick* simply held that the USPTO lacked authority to cancel a patent “except to the extent that such is expressly permitted by statute.” Edward C. Walterscheid & Kenneth L. Cage 450. The *McCormick* Court’s statutory analysis does not control the constitutional question presented here.

6. The nineteenth-century land-patent cases that petitioner invoked in its petition for a writ of certiorari (Pet. 17) are even farther afield. This Court has rejected administrative attempts to cancel land patents

when statutory authorization was absent. See, e.g., *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 298-299 (1890) (holding, based on “a careful examination of th[e] statute,” that Land Office could not revoke an issued land patent). But the Court has upheld cancellations that were authorized by, for example, clauses that reserved a right of cancellation if the grantee failed to satisfy conditions, see *United States v. Repentigny*, 72 U.S. (5 Wall.) 211, 267-268 (1866).

In any event, patents for land and inventions “are not in all things alike.” *United States v. American Bell Tel. Co.*, 167 U.S. 224, 238 (1897) (*American Bell II*). A land patent confers “absolute property of the Government” that is “in existence before the right is conveyed.” *Ibid.* Hence, this Court has likened the grant of a land patent to the sale of real property in which the United States, “as owner,” passes title and is bound “in the same manner that an individual would have been bound under similar circumstances.” *United States v. Hughes*, 52 U.S. (11 How.) 552, 568 (1851). By contrast, a “patent for an invention is not a conveyance of something which the Government owns,” *American Bell II*, 167 U.S. at 238, but is instead a time-limited monopoly derived entirely from a statute. Control over such a federally created privilege is more “closely integrated into a public regulatory scheme,” *Granfinanciera*, 492 U.S. at 54 (citation omitted), than control over land the government has transferred. And patents “have the attributes of personal property” only because Congress has so provided, and only “[s]ubject to the provisions of” Title 35. 35 U.S.C. 261.

This Court in *Boesche*, in upholding the Secretary of the Interior’s “authority to cancel [a] [mineral] lease administratively for invalidity at its inception,” 373 U.S. at

476, distinguished the Court’s precedents holding that “land patents once delivered and accepted could be canceled only in judicial proceedings,” *id.* at 477. The Court explained that “the true line of demarcation is whether as a result of the transaction ‘all authority or control’ over the lands has passed from ‘the Executive Department,’ or whether the Government continues to possess some measure of control over them.” *Ibid.* Observing that a mineral lease does not give the lessee “anything approaching full ownership” of the land, the Court concluded that the Secretary “should have the power, in a proper case, to correct his own errors.” *Id.* at 478. The same reasoning applies here.

II. INTER PARTES REVIEW IS CONSISTENT WITH THE SEVENTH AMENDMENT

A. Because inter partes review comports with Article III, the Seventh Amendment imposes no separate obstacle to its constitutionality. If Congress has permissibly assigned “the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.” *Granfinanciera*, 492 U.S. at 53-54; see *id.* at 55 n.10 (“Congress may decline to provide jury trials” where the action involves “statutory rights that are integral parts of a public regulatory scheme and whose adjudication Congress has assigned to an administrative agency.”); *Tull v. United States*, 481 U.S. 412, 418 n.4 (1987) (“[T]he Seventh Amendment is not applicable to administrative proceedings.”); see also *Block*, 256 U.S. at 158.

That principle applies “even if the Seventh Amendment would have required a jury where the adjudication of those rights is assigned to a federal court of law instead.” *Atlas Roofing*, 430 U.S. at 455. For example, in

Pernell v. Southall Realty, 416 U.S. 363 (1974), this Court held that the parties to a suit in district court were entitled to a jury trial under the Seventh Amendment, but recognized that “the Seventh Amendment would not be a bar to” entrusting those same disputes “to an administrative agency” rather than a court. *Id.* at 383. Only because “Congress ha[d] not seen fit” to entrust the dispute to an agency was Congress required to “preserve to parties their right to a jury trial.” *Ibid.* Petitioner does not dispute that principle. In sum, because Congress permissibly charged the USPTO with reevaluating its own patentability determinations in an administrative proceeding, “the Seventh Amendment poses no barrier to agency adjudication without a jury,” *MCM Portfolio*, 812 F.3d at 1293.

B. Petitioner’s Seventh Amendment claim also fails for the separate reason that inter partes review does not afford relief analogous to that traditionally granted by courts of law. When a matter is assigned to the courts for adjudication, the Seventh Amendment preserves a jury-trial right only in suits “in which legal rights [are] to be ascertained and determined, in contradistinction to those where equitable rights alone [are] recognized, and equitable remedies [are] administered.” *Curtis v. Loether*, 415 U.S. 189, 193 (1974) (quoting *Parsons v. Bedford*, 28 U.S. (3 Pet.) 433, 447 (1830) (Story, J.)) (emphasis omitted). Inter partes review provides no right to monetary damages, but instead allows only the equitable remedy of cancellation of a patent. Its closest judicial analog therefore is a declaratory-judgment action for patent invalidity, in which no jury-trial right attaches. See *In re Technology Licensing Corp.*, 423 F.3d 1286, 1290-1291 (Fed. Cir. 2005) (per curiam) (if only equitable relief is at issue,

“the accused infringer has no right to a jury trial”), cert. denied, 547 U.S. 1178 (2006).

This Court’s precedents underscore that patent cancellations do not implicate a jury-trial right, even when patent-cancellation cases have been assigned to the courts, rather than to an administrative agency. When the United States brought suits in federal court to cancel patents on grounds of invalidity—before the creation of administrative procedures for post-issuance review—the suits were brought in equity and resolved without juries. See *American Bell I*, 128 U.S. at 360 (affirming authority of the government to bring a bill in equity to cancel a patent, and rejecting the argument that the proper remedy “is in the common-law courts, and not in a court of equity”); see also *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434, 440 (1872); *United States v. Stone*, 69 U.S. (2 Wall.) 525, 535 (1865). In deeming equity jurisdiction proper, the Court relied on English practice and on early patent statutes, which specified that parties seeking to challenge decisions of the Patent Office could proceed only through a “bill in equity.” *American Bell I*, 128 U.S. at 364; see Patent Act of 1870, ch. 230, § 52, 16 Stat. 205, Patent Act of 1836, ch. 357, § 16, 5 Stat. 123-124; see also Lemley 1683. The historical understanding that patent-cancellation actions sound in equity would be fatal to petitioner’s Seventh Amendment claim even if this case involved patent cancellation through the courts, rather than through an administrative agency.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted.

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APPENDIX

1. U.S. Const. Art. III, § 2 provides:

The judicial power shall extend to all Cases, in Law and Equity, arising under this Constitution, the Laws of the United States, and Treaties made, or which shall be made, under their Authority;—to all Cases affecting Ambassadors, other public Ministers and Consuls;—to all Cases of admiralty and maritime jurisdiction;—to Controversies to which the United States shall be a party;—to Controversies between two or more states;—between a State and Citizens of another State;—between Citizens of different states;—between Citizens of the same State claiming Lands under Grants of different States, and between a State, or the Citizens thereof, and foreign States, Citizens or Subjects.

2. U.S. Const. Amend. VII provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

3. 35 U.S.C. 2(a) provides in pertinent part:

Powers and duties

(a) IN GENERAL.—The United States Patent and Trademark Office, subject to the policy direction of the Secretary of Commerce—

(1) shall be responsible for the granting and issuing of patents and the registration of trademarks;

* * * * *

4. 35 U.S.C. 141(c) provides:

Appeal to Court of Appeals for the Federal Circuit

(c) POST-GRANT AND INTER PARTES REVIEWS.—A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit.

5. 35 U.S.C. 261 provides:

Ownership; assignment

Subject to the provisions of this title, patents shall have the attributes of personal property. The Patent and Trademark Office shall maintain a register of interests in patents and applications for patents and shall record any document related thereto upon request, and may require a fee therefor.

Applications for patent, patents, or any interest therein, shall be assignable in law by an instrument in writing. The applicant, patentee, or his assigns or legal representatives may in like manner grant and convey an exclusive right under his application for patent, or patents, to the whole or any specified part of the United States.

A certificate of acknowledgment under the hand and official seal of a person authorized to administer oaths within the United States, or, in a foreign country, of a diplomatic or consular officer of the United States or an officer authorized to administer oaths whose authority is proved by a certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention, accords like effect to apostilles of designated officials in the United States, shall be prima facie evidence of the execution of an assignment, grant or conveyance of a patent or application for patent.

An interest that constitutes an assignment, grant or conveyance shall be void as against any subsequent purchaser or mortgagee for a valuable consideration, without notice, unless it is recorded in the Patent and Trademark Office within three months from its date or prior to the date of such subsequent purchase or mortgage.

6. 35 U.S.C. 311 provides:

Inter partes review

(a) **IN GENERAL.**—Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) **SCOPE.**—A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) **FILING DEADLINE.**—A petition for inter partes review shall be filed after the later of either—

- (1) the date that is 9 months after the grant of a patent; or
- (2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

7. 35 U.S.C. 314 provides:

Institution of inter partes review

(a) **THRESHOLD.**—The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response

filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) **TIMING.**—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

(1) receiving a preliminary response to the petition under section 313; or

(2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) **NOTICE.**—The Director shall notify the petitioner and patent owner, in writing, of the Director's determination under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) **NO APPEAL.**—The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

8. 35 U.S.C. 315 provides:

Relation to other proceedings or actions

(a) **INFRINGEMENT'S CIVIL ACTION.**—

(1) **INTER PARTES REVIEW BARRED BY CIVIL ACTION.**—An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in

interest filed a civil action challenging the validity of a claim of the patent.

(2) STAY OF CIVIL ACTION.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) TREATMENT OF COUNTERCLAIM.—A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) PATENT OWNER'S ACTION.—An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(C) JOINDER.—If the Director institutes an inter partes review, the Director, in his or her discretion, may

join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) **MULTIPLE PROCEEDINGS.**—Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) **ESTOPPEL.**—

(1) **PROCEEDINGS BEFORE THE OFFICE.**—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) **CIVIL ACTIONS AND OTHER PROCEEDINGS.**—The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in

part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

9. 35 U.S.C. 316 provides:

Conduct of inter partes review

(a) REGULATIONS.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;

(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) CONSIDERATIONS.—In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) PATENT TRIAL AND APPEAL BOARD.—The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) AMENDMENT OF THE PATENT.—

(1) IN GENERAL—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) **ADDITIONAL MOTIONS.**—Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) **SCOPE OF CLAIMS.**—An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) **EVIDENTIARY STANDARDS.**—In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

10. 35 U.S.C. 318 provides in pertinent part:

Decision of the Board

(a) **FINAL WRITTEN DECISION.**—If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

(b) **CERTIFICATE.**—If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally de-

terminated to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

* * * * *

11. 35 U.S.C. 319 provides:

Appeal

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.

No. 16-712

IN THE
Supreme Court of the United States

OIL STATES ENERGY SERVICES, LLC,
Petitioner,
v.

GREENE'S ENERGY GROUP, LLC, ET AL.,
Respondents.

**On Writ of Certiorari to the
United States Court of Appeals
for the Federal Circuit**

**BRIEF FOR RESPONDENT
GREENE'S ENERGY GROUP, LLC**

PAVAN K. AGARWAL
DAVID B. GOROFF
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QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

**PARTIES TO THE PROCEEDINGS
AND RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover.

Greene's Energy Group, LLC ("Respondent" or "Greene's") is an independent, privately held company. Respondent has no parent corporation. No publicly held company owns 10% or more of Respondent's stock.

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OPINIONS AND ORDERS BELOW

The order denying panel rehearing and rehearing en banc (Pet. App. 37-38) is unreported. The panel order disposing of the case without opinion (Pet. App. 1-2) is not published in the *Federal Reporter* but is reprinted at 639 F. App'x 639 (Fed. Cir. May 4, 2016). The opinion and order of the Patent Trial and Appeal Board ("PTAB") (Pet. App. 3-36) is not published in the *United States Patents Quarterly* but is available at 2015 WL 2089371 (PTAB May 1, 2015).

STATEMENT OF JURISDICTION

The court of appeals entered its order denying en banc rehearing on July 26, 2016. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article I, Section 8, Clause 8 of the United States Constitution provides:

Congress shall have the power * * * [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.

Article III, Section 1 of the United States Constitution provides:

The judicial Power of the United States, shall be vested in one Supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which

shall not be diminished during their Continuance in Office.

The Seventh Amendment to the United States Constitution provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than according to the rules of the common law.

STATEMENT

In passing the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, 35 U.S.C. § 1 *et seq.* (2011) (“AIA”), Congress provided for *inter partes* review (“IPR”), an administrative mechanism intended to “protect the public’s ‘paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.’” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (quoting *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945)). Like its antecedents, IPR is a “specialized agency proceeding” according the United States Patent and Trademark Office (“PTO”) a “second look” at its own initial patentability decision. 136 S. Ct. at 2143-44.

Patent rights derive exclusively from federal statute, and Congress has given the PTO the sole authority to issue patents. The PTO examines patent applications and issues a patent if the statutory criteria for patentability are satisfied. IPR permits the PTO to perform limited post-issuance error-correction; that is, to determine whether the claims in a patent should

have issued in the first place. The PTO has long been empowered by Congress to review, post-issuance, its own initial patentability determinations, and such post-issuance error-correction forms an integral part of the patent regulatory scheme.

IPR allows a third party, like Greene's, to ask the PTO to reexamine its initial patentability decision and to cancel any challenged claims found unpatentable in light of prior art. 35 U.S.C. § 311(a). The "prior art" is the collective body of preexisting information in the categories listed in 35 U.S.C. § 102 (2000) (pre-AIA), and includes patents or printed publications that published more than one year before the U.S. patent application was filed. See, *e.g.*, 35 U.S.C. § 102(b) (2000). Prior art is generally considered information in the public domain. The AIA modified what constitutes prior art, but those changes do not impact this case.

IPR has two principal phases. In the pre-institution phase, a petition requesting IPR is filed, detailing the challenged claim, the grounds for the challenge, and the evidentiary support for the challenge. 35 U.S.C. § 312(a)(3). A patent holder has the option to file a preliminary response. § 313. The PTO, as gatekeeper, must determine whether to institute an IPR based on whether a petitioner has shown a reasonable likelihood it would prevail as to at least one of the claims in the petition. § 314(a).

In the post-institution phase, the PTO examines the patentability of challenged claims, applying the broadest reasonable construction. The PTO applies this same standard during prosecution of patent applications prior to issuance. *Cuozzo*, 136 S. Ct. at 2143. The post-institution process leads to a final written decision on the patentability of the instituted claims. See §§ 316, 318.

This case involves an IPR of U.S. Patent No. 6,179,053 (“the ’053 patent”), which names L. Murray Dallas (“Mr. Dallas”) as sole inventor. J.A. 1. The ’053 patent discloses a well tool described as being used to protect wellhead equipment during fracking, *i.e.*, “stimulation to enhance hydrocarbon flow and make or keep [oil and gas wells] economically viable.” J.A. 11. The original patent application leading to the ’053 patent was filed in the PTO on August 12, 1999. Based on the prior art that the PTO examiner evaluated at the time, the claims were found patentable and the PTO issued the ’053 patent on January 30, 2001.

Mr. Dallas is also identified as sole inventor in a Canadian published patent application, No. 2,195,118 (“Dallas ’118”). The Canadian patent office published that application on July 14, 1998. J.A. 18. Like the ’053 patent, Dallas ’118 discloses a well tool for protecting wellhead equipment during fracking operations. Because Dallas ’118 published more than one year before the ’053 patent application was filed, Dallas ’118 is prior art to the ’053 patent under 35 U.S.C. § 102(b) (2000) (pre-AIA). Pet. App. 20 n.5.

However, Dallas ’118 was never cited to the PTO during the original examination of the ’053 patent.¹ J.A. 1. Nor did the PTO independently locate Dallas ’118 during the original examination. In short, the PTO did not evaluate the patentability of claims 1 and 22 over Dallas ’118 before issuing the ’053 patent. See J.A. 1 (face of ’053 patent does not list Dallas ’118). As Greene’s IPR of the ’053 patent ultimately

¹ “Each individual associated with the filing and prosecution of a patent application has * * * a duty to disclose to the Office all information known to that individual to be material to patentability.” 37 C.F.R. § 1.56(a) (2000).

demonstrated, had the PTO evaluated Dallas '118 during the original examination, patent claims 1 and 22 would have never issued.

On December 3, 2013, Greene's petitioned for IPR, requesting that the PTO institute an IPR proceeding and find claims 1 and 22 of the '053 patent unpatentable (the "IPR Petition"). Greene's request was simple: the PTO should conduct a specialized agency proceeding to take a second look at its initial patentability determination because prior art demonstrated that its earlier grant of two claims in the '053 patent was in error. Pet. App. 4. Greene's IPR Petition explained why Dallas '118 anticipated (*i.e.*, rendered not novel) claims 1 and 22 of the '053 patent.² Pet. App. 4. Greene's IPR Petition targeted only two claims in the '053 patent, making no request as to the remaining 25 claims.

The Petitioner (Oil States Energy Services) filed a patent owner preliminary response, arguing that the IPR proceeding should not be instituted. Patent Owner Preliminary Response [IPR2014-00216, Doc. 8] available at <https://goo.gl/k6WrSB>. However, the PTO disagreed. In performing its gatekeeping function, the PTO found that Greene's established a reasonable likelihood that claims 1 and 22 of the '053 patent were unpatentable as anticipated by Dallas '118, and instituted the IPR. C.A. App. 36-56.

Following institution, Petitioner actively participated in the IPR proceeding, filing a patent owner

² The Dallas '053 patent refers to U.S. Patent No. 5,819,851 ("the '851 patent"), which has the same basic disclosure as Dallas '118. However, under section 102, the '851 patent is not prior art to the '053 patent. Pet. App. 20 n.5.

response (arguing claims 1 and 22 remained patentable), several supporting declarations, and an optional “motion to amend,” seeking to substitute claims 1 and 22 of the ’053 patent with new claims 28 and 29. Pet. App. 4. Greene’s opposed Petitioner’s motion to amend because, *inter alia*, the proposed amended claims were also not patentable over the prior art. Pet. App. 34-36.

While both parties submitted declarations to support their positions, and took depositions of certain declarants, neither party served any document requests, interrogatories, or requests for admissions; deposed non-declarants; or subpoenaed third parties. The PTO did not conduct a claim construction hearing, summary judgment proceeding, or pre-trial proceeding.

The PTAB held a short hearing where counsel presented argument but no live testimony. Rec. of Oral Hrg. 3 [IPR2014-00216, Doc. 52] available at <https://goo.gl/ozwp7f>. Thereafter, the PTAB rejected Petitioner’s claim construction position, and issued a final written decision holding claims 1 and 22 of the ’053 patent unpatentable as anticipated by Dallas ’118. Pet. App. 29. The PTAB explained in detail why Dallas ’118 rendered claims 1 and 22 of the ’053 patent unpatentable, *i.e.*, why they should have never issued in the first place. Pet. App. 20-29.

Rather than seek reconsideration by the PTAB, as permitted under 37 C.F.R. § 42.71(d), Petitioner appealed to the Court of Appeals for the Federal Circuit (“Federal Circuit”). In that appeal, Petitioner fully presented its claim construction and patentability positions. Pet. C.A. Br.

The Federal Circuit reviewed *de novo* the claim construction determination and affirmed the PTAB’s final written decision. Pet. App. 1-2. Petitioner sought

panel rehearing, or en banc rehearing, which the Federal Circuit denied. Pet. App. 37-38. Petitioner then petitioned the Court for certiorari.

SUMMARY OF ARGUMENT

Congress has plenary power under the Constitution to provide for patent monopolies of proper scope to “promote the Progress of Science and useful Arts.” U.S. Const. Art. I, § 8, cl. 8. Exercising this power, Congress has created by statute the patent right, and defined the nature, scope and limits of that right. *Deepsouth Packing Co., Inc. v. Laitram Corp.*, 406 U.S. 518 (1972). U.S. patent rights thus derive not from the common law, but exclusively from statutes enacted to advance a paramount public purpose. *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502 (1917); *Gayler v. Wilder*, 51 U.S. (10 How.) 477, 494 (1850). Moreover, patent rights are expressly granted “subject to” the power of Congress to define such rights. 35 U.S.C. § 261; *eBay, Inc. v. Mercexchange, LLC*, 547 U.S. 388, 392 (2006). The nature of U.S. patent rights, which Petitioner ignores out of necessity, is at the core of the constitutional question before the Court.

Congress has also adopted a comprehensive regulatory scheme for issuing patents. Congress created the PTO, a highly specialized administrative agency, granting it the exclusive authority to issue patents. As to patents, the PTO has one predominant objective: to issue valid patents. In furtherance of that objective, the PTO examines patent applications and is authorized to issue a patent only if the specific statutory criteria for patentability are satisfied. Of course, where the standards for patentability are not

met, a patent should not issue, and any patent issued in error cannot possibly create a legitimate property right in the holder.

The PTO, while proficient and diligent in advancing its core mission, is not perfect. Errors are made in the course of original examination and issuance of a substantial number of patents.³ Indeed, this case presents one such error. During the initial examination process, the PTO was unaware of prior art which rendered claims 1 and 22 of the '053 patent unpatentable. The less-than-fully informed PTO nonetheless granted the patent, and bestowed upon the recipient a federal monopoly cloaked in the presumption of validity.

To address this problem, and to ensure patent monopolies are “kept within their legitimate scope,” Congress long ago authorized the PTO to engage in limited, post-issuance error-correction. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). IPR is one such error-correction mechanism, allowing the specialized agency empowered to make the initial patentability determination a “second look” at its own decision. *Id.* at 2143-44. Thus IPR is an integral part of Congress’s regulatory framework for maintaining the proper scope of patent monopolies.

Petitioner asserts that the post-issuance patentability determinations made in an IPR are the exclusive province of Article III courts. But this assertion ignores fully that “the primary responsibility for sifting out

³ From 2012 to 2015 (the last full year of available statistics), the PTO received 2,282,639 applications for invention patents, and issued 1,130,075 such patents. U.S. Patent & Trademark Office, *Table of Annual U.S. Patent Activity Since 1790*, at 1 (Mar. 17, 2016) available at <https://goo.gl/wUnZXm>.

unpatentable material lies in the [PTO]. To await litigation is—for all practical purposes—to debilitate the patent system.” *Graham v. John Deere Co.*, 383 U.S. 1, 18 (1966). Fortunately however, neither Article III nor the Seventh Amendment compel Petitioner’s untoward result.

Article III “does not confer on litigants an absolute right to the plenary consideration of every nature of claim by an Article III court.” *Commodities Futures Trading Comm’n v. Schor*, 478 U.S. 833, 848 (1986). Indeed, the limited patentability questions presented in an IPR include nothing that “inherently or necessarily requir[e] judicial determination.” *Ex parte Bakelite Corp.*, 279 U.S. 438, 453 (1929). Where, as here, “the claim at issue derives from a federal regulatory scheme, or * * * resolution of the claim by an expert Government agency is deemed essential to a limited regulatory objective,” the Court has applied the “public rights” doctrine, determining that Congress may in such circumstances assign adjudication to a non-Article III forum. *Stern v. Marshall*, 564 U.S. 462, 490 (2011). In applying this doctrine, “what makes a right ‘public’ rather than private is that the right is integrally related to particular Federal Government action.” *Id.* at 490-91.

Accordingly, patent rights are public rights, that is, derived from a “federal regulatory scheme” and “integrally related to particular Federal Government action.” *Stern*, 564 U.S. at 490-91. See also *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (patent a “grant of a special privilege”); cf. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 848 n.2 (2015) (Thomas, J., dissenting) (describing invention patents as “‘privileges’ or ‘franchises’ ‘which public authorities ha[ve] created purely for reasons of

public policy and which ha[ve] no counterpart in the Lockean state of nature”) (citation omitted). IPR is an administrative mechanism designed for “improving patent quality and providing a more efficient system for challenging patents that should not have issued.” H.R. Rep. No. 112-98, at 39-40 (2011). The reexamination of patentability determinations to correct errors made in the initial assessment is “closely intertwined with [the] federal regulatory program Congress has power to enact.” *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 55 (1989).

The patentability determinations made in an IPR bear no resemblance to the claims this Court addressed in *Stern, Granfinanciera*, and *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 83 (1982). Unlike those claims, which Congress had “nothing to do with,” *Stern*, 564 U.S. at 493, Congress has **everything** to do with IPR. Patent rights are created solely by Congress, the power to determine patentability and issue patents is given by Congress to the PTO, and the federal statutes provide the exclusive criteria for patentability. According to the PTO the limited ability to review its own patentability determination hardly constitutes the adjudication of a “[w]holly private” dispute. *Granfinanciera*, 492 U.S. at 51.

Moreover, despite Petitioner’s arguments to the contrary, IPR differs fundamentally from litigation. Indeed, the Court in *Cuozzo* noted IPR has a different “purpose” and is not like litigation, but rather “more like a specialized agency proceeding.” 136 S. Ct. at 2143. In an IPR, there is no adjudication of liability as between private parties, nor any award of damages. The PTO simply determines whether it made a mistake when issuing the challenged patent claims. The issue has not been “removed” from federal court as

Petitioner suggests (Pet. Br. 14); Congress has simply determined certain patentability questions need not arrive there in the first place.

Petitioner's reliance on Nineteenth Century precedent is unavailing. All the cited cases were decided based on the patent statutes as they existed at the time and not on Article III or the Seventh Amendment. See, e.g., *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606 (1898).

English tradition is equally unavailing. First, the historical record is less than clear. Moreover, to the extent there is any clarity, it favors the constitutionality of IPR. But in all events, the Court should decline Petitioner's invitation to disregard constitutionally established congressional primacy over U.S. patents based on a hazy historical record.

In sum, Article III does not preclude Congress from authorizing the PTO to correct its own errors through a limited, post-issuance administrative proceeding.

The Seventh Amendment likewise presents no impediment to IPR. Where Congress may appropriately assign the limited, post-issuance patentability questions presented in an IPR to a non-Article III forum, the Seventh Amendment "poses no independent bar." *Granfinanciera*, 492 U.S. at 53-54. Moreover, even if the Court considers the Seventh Amendment analysis, an IPR is not a suit at common law, does not adjudicate a "legal claim," and entails no possible award of damages. The patentability questions presented in an IPR have no English common-law analogues and any "relief" granted is purely equitable in nature and serves the general public.

ARGUMENT**I. PATENT RIGHTS EMANATE SOLELY FROM FEDERAL STATUTE.**

The nature of the right at issue is central to the Court's determination of the question presented. Congress has plenary authority to create and regulate patents, and U.S. patents have always emanated solely from federal statute. Petitioner's assertion that patents are "common law, private property," (Pet. Br. 3), is incorrect. Patent rights are created solely by Congress to promote a paramount public purpose. Congress alone defines the parameters of the patent rights bestowed on an inventor, and establishes both substantive and procedural limits on the access to and exercise of those rights. Petitioner's argument contravenes the origin, purpose, nature, and limits of patent rights. Petitioner asks the Court to deprive Congress of the power to create an administrative mechanism designed to promote the core purpose of the patent laws, namely, to ensure only valid patent claims are granted the statutory monopoly.

A. Congress Has Plenary Power to Promote Useful Arts.

The Constitution delegates to Congress the sole, discretionary, and permissive power to secure exclusive rights to inventors. U.S. Const. Art. I, § 8, cl. 8. Congress decides the nature and scope of any such exclusive rights for limited times, whether through patents or otherwise. See *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510-11, 517 (1917) (Congress is "the source of all rights under patents"). The Article I grant is "permissive," meaning that nothing in the Constitution requires giving exclusive rights to inventors for their discoveries.

Deepsouth Packing Co., Inc. v. Laitram Corp., 406 U.S. 518, 530 (1972). Thus, Congress has broad authority to create the patent right, to define the contours of that right, and to establish the conditions attached to the grant of that right. *Id.* (“[T]he sign of how far Congress has chosen to go can come only from Congress.”).

Petitioner argues that patents existed in the United States before the Constitution, suggesting erroneously that U.S. patents derive from common law rights. See Pet. Br. 3, 34-35. But U.S. patents derive entirely from federal statute:

The [patent] monopoly did not exist at common law, and the rights, therefore, which may be exercised under it cannot be regulated by the rules of the common law. It is created by the act of Congress; and no rights can be acquired in it unless authorized by statute, and in the manner the statute prescribes.

Gayler v. Wilder, 51 U.S. (10 How.) 477, 494 (1850); see also *Crown Die & Tool Co. v. Nye Tool & Mach. Works*, 261 U.S. 24, 40 (1923) (“Patent property is the creature of statute law and its incidents are equally so and depend upon the construction to be given to the statutes creating it and them, in view of the policy of Congress in their enactment.”). The patent right is created exclusively through the statutory monopoly, and has no separate existence. See *Gayler*, 51 U.S. at 493-94.

In *Wheaton v. Peters*, 33 U.S. (8 Pet.) 591, 592 (1834), this Court rejected the notion that patent rights predated the Constitution at common law. Construing Article I, Section 8, the Court observed

the word *secure*, as used in the constitution, could not mean the protection of an

acknowledged legal right. It refers to inventors * * * and it has never been pretended, by any one, either in this country or in England, that an inventor has a perpetual right, at common law, to sell the thing invented.

33 U.S. (8 Pet.) at 661. See also *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 195 (1856) (“the right of property which a patentee has in his invention * * * is derived altogether from these statutory provisions” and “his rights are to be regulated and measured by these laws, and cannot go beyond them”).

Pursuant to its constitutional authority, Congress enacted comprehensive patent legislation, beginning with the Patent Act of 1790 (“1790 Act”), defining the patent right and authorizing the Executive Branch to issue patents based on specified criteria. Patent Act of 1790, § 1, 1 Stat. 109. Since 1790, Congress has enacted numerous Patent Acts, including the Patent Act of 1793, the Patent Act of 1832, the Patent Act of 1836, the Patent Act of 1952 (“1952 Act”), Act to Amend the Patent and Trademark Laws of 1980, American Inventors Protection Act of 1999 (“AIPA”), and the AIA in 2011. U.S. patent rights derive solely from these statutes, not from the common law. The patentability determinations made in an IPR are therefore not “the stuff of the traditional actions at common law.” Pet. Br. 15. See *Crown Die & Tool*, 261 U.S. at 40; *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 848 n.2 (2015) (Thomas, J., dissenting) (“Notwithstanding a movement to recognize a ‘core’ property right in inventions, the English common law placed patents squarely in the final category, as franchises that ‘depend upon express legislation,’ and ‘hath [their] essence by positive municipal law.’”) (quoting 7 W.

Holdsworth, *A History of English Law* 479 n.7, 480 & n.4, 497 (1926)).

A patent does not give an inventor affirmative rights to make, sell, or use a patented invention. Instead, it provides a right to exclude others via a federally issued monopoly. See, e.g., *Crown Die & Tool*, 261 U.S. at 36-37 (“Government is not granting the common law right to make, use and vend,” but the statutory right to “exclude others.”); 35 U.S.C. § 154(a)(1) (“Every patent shall contain * * * a grant to the patentee * * * of the right to exclude others from making, using, offering for sale, or selling the invention.”); *Motion Picture Patents*, 243 U.S. at 510 (patents “restrain others from manufacturing, using or selling that which [the patent holder] has invented”). “In granting a patent, the Government is acting * * * as a sovereign bestowing upon the inventor a right to exclude the public at large from the invention marked out by his claims.” *Teva*, 135 S. Ct. at 848 (Thomas, J., dissenting).

As an exception to an otherwise free market, Congress may not “enlarge the patent monopoly without regard to the innovation, advancement or social benefit gained thereby.” *Graham v. John Deere Co.*, 383 U.S. 1, 6 (1966). Congress also may not authorize patents “whose effects are to remove existent knowledge from the public domain, or to restrict free access to materials already available.” *Id.*; see also *Lear, Inc. v. Adkins*, 395 U.S. 653, 663-64, 670 (1969) (“Surely the equities of the [patentee/]licensor do not weigh very heavily when they are balanced against the important public interest in permitting full and free competition in the use of ideas which are in reality a part of the public domain” and “[i]t is as important to the public that competition should not be repressed by worthless

patents as that the patentee of a really valuable invention should be protected in his monopoly.”) (citation omitted); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (restriction of patent monopolies “paramount”); *Mercoïd Corp. v. Mid-Continent Inv. Co.*, 320 U.S. 661, 665 (1944) (“protection of the public in a system of free enterprise * * * nullifies a patent where any part of it is invalid”). Unpatentable claims reflect knowledge that is and should remain freely available to the public.

While Petitioner asserts a patent is “emphatically a private property right,” (Pet. Br. 16), the rights embodied in a patent are instead public, granted to promote the paramount public purpose of the progress of science and useful arts. *Mercoïd*, 320 U.S. at 665 (“public interest * * * is dominant in the patent system”). See also 37 C.F.R. § 1.56(a) (2000) (“A patent by its very nature is affected with a public interest.”). Any benefit accorded the individual inventor is subservient to this overriding public purpose. See, e.g., *Quanta Computer, Inc. v. LG Elects., Inc.*, 553 U.S. 617, 626 (2008) (purpose “not the creation of private fortunes for the owners of patents but is ‘to promote the progress of science and useful arts’”) (quoting *Motion Picture Patents*, 243 U.S. at 511). Congress created IPR to advance this paramount public purpose by reducing the prevalence of invalid monopolies. Thus the nature of the patent right, which Petitioner ignores out of necessity, authorizes Congress to provide for limited post-issuance patentability determinations by the PTO.⁴

⁴ At the very least, patents are quasi-private rights, that is, “statutory entitlements * * * bestowed by the government on individuals.” *B & B Hardware v. Hargis Indus.*, 135 S. Ct. 1293, 1316 (2015) (Thomas, J., dissenting) (citation omitted). Either

**B. Patent Rights Are Granted “Subject To”
the Power of Congress.**

Petitioner ignores the key language in the Patent Act limiting the property interest conferred by Congress to an inventor in the form of a patent. The Act provides: “*Subject to the provisions of this title*, patents shall have the attributes of personal property.” 35 U.S.C. § 261 (emphasis added). In quoting section 261, Petitioner omits this limitation that long pre-dates the application for the ’053 patent. Pet. Br. 27-28. But the phrase “subject to” is a potent modifier, expressly qualifying a patent’s “attributes of personal property.” § 261; see also *eBay, Inc. v. Mercexchange, LLC*, 547 U.S. 388, 392 (2006) (noting the statutory limitation). Thus, an applicant has no property right to receive or retain a patent that fails the statutory standards. A patent issued in error cannot possibly create a legitimate property right. Further, such a patent does not transform into a legitimate property right simply because the error might be revealed in a limited, post-issuance review process conducted by the very agency that issued the patent in the first place.

Moreover, an inventor need not seek patent protection and can protect her invention in other ways (*e.g.*, as a trade secret such as the formula for Coca-Cola®). But should an inventor seek voluntarily to obtain the government-granted monopoly rights embodied in a patent, she does so knowing any such rights are “subject to” Congress’s power to define the parameters and to adopt procedures to correct error. Thus the PTO power to engage in post-issuance error-correction inheres in every issued patent.

way, the rights granted remain subject to the power of Congress, and subservient to the paramount public purpose.

II. CONGRESS IS AUTHORIZED TO PROVIDE FOR POST-ISSUANCE ERROR-CORRECTION.

IPR simply provides a mechanism by which the PTO can correct its own initial mistake. As this Court has determined, IPR is a “specialized agency proceeding” the purpose of which is to allow the PTO to “reexamine an earlier agency decision.” *Cuozzo*, 136 S. Ct. at 2143-44. Moreover, IPR has a narrow scope, limited to consideration of only grounds that “could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications,” and incorporating several procedural protections for the patent owner. 35 U.S.C. §§ 311, 315.

A. IPR Is a Permissible Post-Issuance Error-Correction Mechanism.

Congress has provided several post-issuance error-correction mechanisms empowering the administrative agency that initially assessed patentability to reexamine issued patents and correct or cancel them where appropriate. *Cuozzo*, 136 S. Ct. at 2137 (“For several decades, the Patent Office has also possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.”). As Congress has refined the process over the years, the fundamental question of whether a patent should have issued in the first place has remained constant.

Reissue is an early post-issuance error-correction mechanism, codified in the Patent Act of 1832. See § 3, 4 Stat. 559; *Grant v. Raymond*, 31 U.S. (6 Pet.) 218, 242-43 (1832) (finding that, even before the 1832 Act, the Department of State, the entity issuing the patent, could correct a defect in that patent post-

issuance).⁵ In a reissue, the patent owner requests that the patent-granting authority—today the PTO—correct a defective patent. See Patent Act of 1836, Ch. 357, § 13, 5 Stat. 117. One such defect is the patentee claiming as her invention more than she had a right to claim as new. *Id.*; *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609-10 (1898) (citing Patent Act of 1870, § 53, 16 Stat. 198). In a reissue, the patentee requests that the original issuing administrative agency, *e.g.*, the PTO, change the patent to correct the specified defect. Reissue practice continues today. 35 U.S.C. § 251.

Another post-issuance error-correction mechanism, evolving from the 1800's, is an interference proceeding. Beginning in 1836, the Commissioner could decide whether a patent application interfered with (that is, claimed the same invention as) “any unexpired patent which shall have been granted” to determine priority of invention. See Patent Act of 1836, § 8. The losing inventor had a remedy by bill in equity. *Id.* § 16. The 1952 Act authorized the PTO to cancel patent claims. 35 U.S.C. § 135 (1952) (final judgment of the Board “shall constitute cancellation of the claims”).

Congress further expanded post-issuance error-correction in 1980, creating *ex parte* reexamination. This procedure gives “the Patent Office * * * the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo*, 136

⁵ In *Grant*, the Court reasoned that “[i]f the mistake should be committed in the department of state, no one would say that it ought not to be corrected. All would admit that a new patent, correcting the error, and which would secure to the patentee the benefits which the law intended to secure, ought to be issued.” 31 U.S. (6 Pet.) at 242.

S. Ct. at 2137. *Ex parte* reexaminations allow third parties to request that the PTO reexamine an issued patent based on prior art. Third parties with historical background and expertise in the same subject matter often locate important prior art the PTO does not locate during the initial examination process. Cf. *Lear*, 395 U.S. at 670 (“[T]he Patent Office is often obliged to reach its [initial] decision in an *ex parte* proceeding, without the aid of the arguments which could be advanced by parties interested in proving patent invalidity.”). Congress considered it critical that the PTO have the ability to reexamine issued patents. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985). Congress expected that *ex parte* reexamination would keep strong patents in the system while removing illegitimate ones, thereby helping “restore confidence in the effectiveness of our patent system.” H.R. Rep. No. 96-1307(I), at 3 (1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462-63.

Recognizing weaknesses in prior reexamination procedures, including limited third-party participation and the third party’s inability to appeal the PTO’s decision, in the 1999 AIPA, Congress expanded reexamination to include *inter partes* reexamination. *Inter partes* reexamination afforded third parties a greater opportunity to participate in the proceeding. See 35 U.S.C. § 314 (2000); H.R. Rep. No. 106-287, at 59 (1999) (discussing same). The third party requester also received certain appeal rights. 35 U.S.C. § 315(b) (2000).

Congress yet further improved reexamination through IPR, an “inter partes reexamination expansion,” (157 CONG. REC. S1357-58 (daily ed. Mar. 8, 2011) (statement of Sen. Hatch)), intended to “improve the current inter partes administrative process for

challenging the validity of a patent.” 157 CONG. REC. S952 (daily ed. Feb. 28, 2011) (statement of Sen. Grassley).⁶ Congress also mandated that IPRs would be decided within one year from institution, seeking to remedy the problem of lengthy *inter partes* reexamination proceedings, which usually last three to five years. 157 CONG. REC. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl). Congress also believed that IPR would remedy another flaw of *inter partes* reexamination—the possibility of serial challenges—because the PTO can reject IPR petitions that raise the same or substantially the same prior art or arguments previously presented to the PTO with respect to the patent. 35 U.S.C. § 325(d); 157 CONG. REC. S1376 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl).

In *Cuozzo*, this Court determined the purpose of IPR is the same as reexamination, namely, “to reexamine an earlier agency decision.” 136 S. Ct. at 2144. Petitioner tacitly concedes the constitutionality of *ex parte* reexamination and *inter partes* reexamination. See Pet. Br. 5-7, 49-50. Yet there is no principled basis for a different constitutional result as to IPR. Congress has modified the process, but not the power. Like IPR, *ex parte* and *inter partes* reexamination authorize post-issuance error-correction by the PTO of an initial patentability determination, do not accord the challenged claims any presumption of validity, and construe those claims using the broadest reasonable

⁶ The AIA provides several post-issuance error-correction mechanisms. For patents that are up to nine months old, it provides for “post-grant review” by the PTAB. 35 U.S.C. § 321(c). For older patents, it provides for IPR. § 319. For certain patents, it provides for Covered Business Method review. AIA § 18, 125 Stat. 329.

construction.⁷ Petitioner argues, without authority, that increased participation in an IPR by third parties and the conduct of the proceedings somehow cross the constitutional line. Pet. Br. 6-8, 50. But, in “chang[ing] the name from ‘reexamination’ to ‘review,’ [there is nothing to indicate] Congress wanted to change its basic purposes, namely, to reexamine an earlier agency decision.” *Cuozzo*, 136 S. Ct. at 2144. Rather, Congress determined the patent system, and therefore the public, would benefit if the PTO received more developed input from third parties.

B. IPR Is a Limited and Specialized Agency Proceeding.

1. IPR Is Narrow in Scope.

IPR decides only the patentability of individual patent claims. IPR does not decide infringement,⁸ damages, inequitable conduct, ownership, and/or a host of other patent issues. The PTO reviews its initial patentability determination to assess whether it had erroneously found that the claims presented in the application process were patentable.

Even as to patentability, IPRs concern only a limited subset of issues. During the initial examination of a patent application, the PTO generally considers numerous patentability issues, including prior art that may exist in many forms (*i.e.*, patents, publications, prior sales, public knowledge, and earlier invention materials by others); patent eligibility (35 U.S.C.

⁷ This standard differs from the “ordinary meaning” standard applied when district courts assess validity.

⁸ Throughout its brief, Petitioner merges the concepts of validity and infringement (*e.g.*, Pet. Br. 2, 23-24). But IPR does not involve or adjudicate infringement claims.

§ 101); anticipation/novelty (§ 102); obviousness (§ 103); and specification requirements, such as written description and indefiniteness (§ 112). By contrast, an IPR petition may request to cancel one or more claims “only on a ground that could be raised under section 102 or section 103 and only on the basis of prior art consisting of patents or printed publications.” § 311.

The IPR process also includes important procedural safeguards that protect patent owners, imposing greater restrictions on third parties as compared to *ex parte* reexamination. *First*, a challenger may not file an IPR petition if that challenger filed a civil action challenging the validity of the same patent. 35 U.S.C. § 315(a). *Second*, a challenger may not file an IPR petition more than one year after it has been served with a complaint alleging infringement of the patent at issue. § 315(b). *Third*, if the PTAB issues a final written decision in an IPR proceeding, certain estoppels apply against the petitioner. Thus, the petitioner may not “request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that [IPR].” § 315(e)(1). In addition, the petitioner may not “assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that [IPR].” § 315(e)(2).

2. IPR Is Not Litigation or Inherently Judicial.

Despite Petitioner’s claims otherwise (Pet. Br. 8-10, 17, 20-22), IPR differs fundamentally from private party litigation, both in form and purpose. In *Cuozzo*,

a case ignored completely by Petitioner, this Court rejected similar arguments, holding that IPR “is less like a judicial proceeding and more like a specialized agency proceeding.” 136 S. Ct. at 2143. The Court noted several distinctions: (1) initiating parties need not have a stake in the outcome or even standing, (2) the PTO may continue an IPR even after the initiating party has settled, (3) the PTO may intervene in a later *judicial* proceeding to defend its decision, even where private challengers settle or drop out, and (4) the burden of proof in an IPR is different from that in district court. *Id.* at 2143-44. Also unlike in district court, in IPR the patent owner may make one “motion to do just what he would do in the examination process, namely, amend or narrow the claim” (*i.e.*, modify what is adjudicated). *Id.* at 2145 (citing 35 U.S.C. 316(d)). “[T]hese features, as well as *inter partes* review’s predecessors, indicate that the purpose of the proceeding is not quite the same as the purpose of district court litigation.” *Id.* at 2144.

Additionally, unlike filing a complaint in district court (initiating suit), an IPR petitioner must *ask* the PTO to institute an IPR. The PTO may only do so if it determines there is a reasonable likelihood the petitioner will prevail (*i.e.*, demonstrate unpatentability) on at least one claim. 35 U.S.C. § 314; see 157 Cong. Rec. S1375 (daily ed. Mar. 8, 2011) (statement of Sen. Kyl) (“petitioners [must] present information that creates serious doubts about the patent’s validity”). The PTO thus plays a significant gatekeeping role with no analogue in district court lawsuits. PTO statistics demonstrate that, as of December 31, 2016, the PTO rejected close to 30% of IPR petitions before

institution, *i.e.*, 1171 out of 4054 “completed” IPR petitions.⁹

Petitioner also argues IPR uses common litigation terms like “discovery” and “trial.” Pet. Br. 21. But “discovery” in an IPR is unlike discovery in district court. In the latter, Federal Rule 26 provides for broad discovery. Fed. R. Civ. P. 26(b)(1). In IPR, discovery is limited. 35 U.S.C. § 316(a)(5). Moreover, IPR “trials” are short hearings, almost never involving live witnesses. See Eric C. Cohen, *A Primer on Inter Partes Review, Covered Business Method Review, and Post-Grant Review before the Patent Trial and Appeal Board*, 24 Fed. Cir. B. J. 1, 5 n.40 (2014) (noting that in the first two years of IPRs, the Board allowed live testimony once).

Further, in an IPR the PTO has an independent ability to ensure statutorily granted monopolies remain within their legitimate scope. While Petitioner stresses that parties in an IPR can settle their dispute “at any time,” (Pet. Br. 21), it ignores that, unlike litigation, where a settlement usually ends a lawsuit, in an IPR, the PTAB can proceed to issue a final

⁹ U.S. Patent & Trademark Office, *Patent Trial and Appeal Board Statistics*, at 10 (Dec. 31, 2016) available at <https://goo.gl/h7Y4Yv>. Petitioner claims the PTAB acts as a patent “death squad” (Pet. Br. 48), but the data indicate otherwise. Since passage of the AIA through September 30, 2017, a total of 6,955 IPR petitions have been filed (not all completed), and the PTAB has issued 1,440 final written decisions finding some or all of the challenged claims unpatentable. See U.S. Patent & Trademark Office, *Trial Statistics/IPR, PGR, CBM/Patent Trial and Appeal Board*, at 3, 11 (Sept. 2017) available at <https://goo.gl/tmD8a3>. This compares to the 1,130,075 invention patents granted just between 2012 and 2015. U.S. Patent & Trademark Office, *Table of Annual U.S. Patent Activity Since 1790*, at 1 (Mar. 17, 2016) available at <https://goo.gl/wUnZXm>.

written decision even after the parties seek termination. 35 U.S.C. § 317(a); see also *Cuozzo*, 136 S. Ct. at 2144 (citing § 317(a)).

Finally, the limited patentability questions presented in an IPR proceeding include nothing that “inherently or necessarily requir[e] judicial determination.” *Ex parte Bakelite Corp.*, 279 U.S. 438, 453 (1929). IPR targets specific, individual claims in a patent on the narrow basis of obviousness or anticipation/novelty over the prior art. Like the initial examination process, the PTAB applies the same patentability criteria to the claims construed based on the same broadest reasonable construction standard, and no presumption of validity is accorded the challenged claims. These characteristics demonstrate IPR is truly a “second look,” not an Article III adjudication. See *Cuozzo*, 136 S. Ct. at 2144.

III. IPR DOES NOT VIOLATE ARTICLE III.

Article III provides that the “judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish.” U.S. Const. Art. III, § 1. But Article III “does not confer on litigants an absolute right to the plenary consideration of every nature of claim by an Article III court.” *Commodities Futures Trading Comm’n v. Schor*, 478 U.S. 833, 848 (1986). “Many matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts,” and “the Court has long recognized that Congress is not barred from acting pursuant to its powers under Article I to vest decision-making authority in tribunals that lack the attributes of Article III courts.” *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 583 (1985); see also *Palmore*

v. *United States*, 411 U.S. 389, 407 (1973) (“[n]either [the Supreme] Court nor Congress has read the Constitution as requiring every federal question arising under the federal law * * * to be tried in an Art. III court before a judge enjoying lifetime tenure and protection against salary reduction.”).

Where, as here, Congress has exercised its plenary authority to delegate to a non-Article III forum the adjudication of a “particularized area of law,” *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 85 (1982), the Court has, as Petitioner acknowledges (Pet. Br. 27), recognized application of the “public rights” doctrine. *Stern v. Marshall*, 564 U.S. 462 (2011); *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33 (1989); *Schor*, 478 U.S. 833; *Thomas*, 473 U.S. 568; *N. Pipeline*, 458 U.S. 50; *Crowell v. Benson*, 285 U.S. 22 (1932); *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1855) (“congress may or may not bring [certain matters] within the cognizance of the courts of the United States, as it may deem proper”).

In *Stern*, the Court determined the public rights doctrine applies in “cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert Government agency is deemed essential to a limited regulatory objective within the agency’s authority.” 564 U.S. at 490. Thus, “what makes a right ‘public’ rather than private is that the right is integrally related to particular Federal Government action.” *Id.* at 490-91. See also *Granfinanciera*, 492 U.S. at 54 (public rights include “seemingly ‘private’ right[s] that [are] so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary”) (citation

omitted). The Court contrasted between suits that were “quintessentially suits at common law,” where the doctrine has not been applied, and those that “flow from a federal statutory scheme,” where it has been applied. *Stern*, 564 U.S. at 492-93 (citing *Granfinanciera*, 492 U.S. at 54-56; *Thomas*, 473 U.S. at 584-85; *Atlas Roofing v. Occupational Safety & Health Comm’n*, 430 U.S. 442, 458 (1977)). The Court has also made clear the government need not be a party for the doctrine to apply.¹⁰ *Stern*, 564 U.S. at 490. See also *Thomas*, 473 U.S. at 586-87 (noting that in *Crowell*, the fact that an adjudication “clearly concern[ed] obligations among private parties, * * * did not make the scheme invalid under Article III”).

This Court has also eschewed bright-line tests in determining whether a given congressional delegation of adjudicative functions to a non-Article III body is within its powers. See *Schor*, 478 U.S. at 857. The “inquiry, in turn, is guided by the principle that ‘practical attention to substance rather than doctrinaire reliance on formal categories should inform application of Article III.’” *Id.* at 847-48 (quoting *Thomas*, 473 U.S. at 587). In conducting such inquiry, “due regard must be given in each case to the unique aspects of the congressional plan at issue and its practical consequences in light of the larger concerns that underlie Article III.” *Schor*, 478 U.S. at 857. In assessing those practical consequences, the Court in *Schor* weighed

¹⁰ Petitioner’s argument (Pet. Br. 30) to the contrary is thus unavailing. Moreover, as developed herein, while not a “party,” the government has an interest in the patentability question presented in an IPR, as the adjudication impacts directly the relationship between the government and the patentee, determining whether the patentee meets the requirements to hold a federal monopoly.

various factors to determine whether agency adjudication of a claim “impermissibly threatens the institutional integrity of the Judicial Branch.” *Id.* at 851. The Court listed various factors for making the determination:

the extent to which the “essential attributes of judicial power” are reserved to Article III courts, and, conversely, the extent to which the non-Article III forum exercises the range of jurisdiction and powers normally vested only in Article III courts, the origins and importance of the right to be adjudicated, and the concerns that drove Congress to depart from the requirements of Article III.

Id. The Court further analyzed whether the parties consented to the administrative forum and the nature of the available judicial review. See *id.* at 852, 855. In applying the factors, the Court concluded that, even though the cause of action was a pure state law claim to recover debit balances, *id.* at 838, its initial adjudication by an administrative agency did not contravene separation of powers principles or Article III. *Id.* at 856-57.

A. IPR Adjudicates Public Rights.

In adopting IPR, “Congress devised an ‘expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.’” *Stern*, 564 U.S. at 494 (quoting *Crowell*, 285 U.S. at 46-47). IPR is a narrow procedural mechanism Congress has chosen to enable the PTO to correct its own patentability determination errors, thereby “improv[ing] patent quality and restor[ing] confidence in the presumption

of validity that comes with issued patents.” *Cuozzo*, 136 S. Ct. at 2140 (quoting legislative history). Determining patentability in an IPR is therefore “integrally related to particular Federal Government action.” *Stern*, 564 U.S. at 490-91.

1. The Claims at Issue in IPR Derive Solely from a Federal Regulatory Scheme.

As discussed, (pp. 12-17, *supra*), patent rights emanate solely from federal statute and are expressly granted “subject to” the power of Congress to define those rights. Patent rights are therefore public rights, derived from a “federal regulatory scheme.” *Stern*, 564 U.S. at 490. See also *Mercoïd*, 320 U.S. at 665 (patent is “grant of a special privilege ‘to promote the Progress of Science and useful Arts.’”); cf. *Teva*, 135 S. Ct. at 848 n.2 (Thomas, J., dissenting) (describing invention patents as “‘privileges’ or ‘franchises’ ‘which public authorities ha[ve] created purely for reasons of public policy and which ha[ve] no counterpart in the Lockean state of nature’”) (citation omitted).

As this Court has recognized, Congress has created a federal patent system that seeks “a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989). The core of the regulatory scheme involves extensive statutory conditions that govern when an inventor is entitled to a patent. *Id.* at 156. Beyond these substantive statutory criteria, Congress’s regulatory scheme for granting patents includes the fees for filing and examination, formal requirements for applications, and how examination of applications is to be conducted. 35

U.S.C. §§ 41, 111-113, 115, 131-133. Indeed, Congress has established an entire agency, the PTO, whose core function is to determine patentability.

Complementing the authority it gives to the PTO to make initial patentability determinations, Congress also authorized the PTO to conduct certain post-issuance error-correction procedures to ensure further the validity of the patent monopolies granted. Some post-issuance procedures take a second look at the initial administrative act to grant a patent, namely *ex parte* reexamination, *inter partes* reexamination, and IPR. Thus, IPR is an integral part of the federal regulatory scheme of patent rights. Allowing the PTO to engage in post-issuance error-correction of its own initial decisions is essential to the regulatory scheme of granting valid patent monopolies.

An IPR determination involves the core elements of Congress's broad power over patents. To issue a patent, Congress's scheme requires that the PTO examine patent claims and determine patentability. Reevaluating patentability to correct errors made in that initial assessment is "closely intertwined with [the] federal regulatory program Congress has power to enact." *Granfinanciera*, 492 U.S. at 55. See also *id.* (noting that challenged provision involves public rights because "the dispute arises in the context of a federal regulatory scheme that virtually occupies the field") (citing *Thomas*, 473 U.S. at 600 (Brennan, J., concurring in the judgment)).

Taking Petitioner's assertion to its logical extent, the moment the PTO issues a patent, it loses the ability to correct its own errors regarding its own initial patentability determination. Thus, even where, as here, the PTO's error is due to the omission or failure by a patent applicant during the examination process,

an otherwise invalid patent may still be enforced. A patent issued in error will carry a “presumption of validity” and the holder will enjoy the statutory monopoly against ideas that should be open to free competition. This result contravenes the fundamental purpose of the congressional regime, the public interest, and this Court’s precedent. See *Lear*, 395 U.S. at 656 (the Court’s decisions emphasize “the strong federal policy favoring free competition in ideas which do not merit patent protection”).

2. IPR Determinations Are Essential to a Limited Regulatory Objective.

As to patents, the PTO has one paramount regulatory objective: to issue valid patents. IPR advances that core mission, providing a mechanism for the PTO to take “a second look” and to ensure patent monopolies are valid. *Cuozzo*, 136 S. Ct. at 2144. In *Cuozzo*, this Court reviewed the AIA’s legislative history and ruled that it was an “important congressional objective [to] giv[e] the Patent Office significant power to revisit and revise earlier patent grants.” *Cuozzo*, 136 S. Ct. at 2139-40.

Petitioner asserts post-issuance error-correction must be litigated in an Article III court. Pet. Br. 19-20. But Congress and the Court have both recognized that litigation is an imperfect instrument for ensuring patent monopolies are legitimate. Patents issued in error contravene the public interest. Congress therefore “designed [IPR] 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. 112-98, at 40. The PTO, not the courts, has “the primary responsibility for sifting out unpatentable material, * * * [t]o await

litigation is—for all practical purposes—to debilitate the patent system.” *Graham*, 383 U.S. at 18.

Petitioner would handcuff Congress, leaving all post-issuance patentability determinations to be resolved through litigation. But then only those with Article III standing and sufficient resources will be able to litigate patentability in the courts. This will “debilitate” the patent system, preventing Congress from achieving its stated goals in passing the AIA. The Court should accept congressional findings about why the AIA was necessary and why the mechanism chosen was an effective way to solve the identified problem. See *Brown*, 60 U.S. at 197 (“We think [patent] laws ought to be construed in the spirit in which they were made—that is, as founded in justice”); *Grant*, 31 U.S. (6 Pet.) at 241-42 (same).

In other circumstances where Congress has deemed administrative adjudication essential to the success of a federal regulatory scheme, this Court has upheld such adjudication as within Congress’s Article I powers. In *Thomas*, 473 U.S. at 571, this Court upheld the binding arbitration scheme created by the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”). The Court observed that the arbitration scheme was in response to the “near disaster” of earlier FIFRA provisions, focusing on the “obvious purpose of the legislation to furnish a prompt, continuous, expert and inexpensive method for dealing with a class of questions of fact which are peculiarly suited to examination and determination by an administrative agency specially assigned to that task.” *Id.* at 590 (citation omitted). The Court looked at both the “nature of the right at issue” and “the concerns motivating the Legislature.” *Id.* IPR likewise serves an important public purpose and represents Congress’s legislative response

to its growing concern over the quality of U.S. patents, for which then-existing administrative mechanisms had been inadequate. As in *Thomas*, Congress revisited earlier legislation that had proven insufficient.

Likewise in *Schor*, the CFTC, pursuant to its statutory authority, created a process allowing customers of brokers to seek reparations before that Agency for alleged violations of the Commodities Exchange Act. The Court emphasized that the CFTC, “like the agency in *Crowell*, deals only with a ‘particularized area of law’” and contrasted this with the 1978 Bankruptcy Act, which was found unconstitutional in *Northern Pipeline*, because it gave bankruptcy courts jurisdiction broadly over “‘all civil proceedings arising under title 11 or arising in or *related to* cases under title 11.’” 478 U.S. at 852-53 (quoting 28 U.S.C. § 1471(b)).

So here, the PTO regulates a “particularized area of law” and IPR addresses directly the core task of the PTO, namely, determining patentability. “It would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.” *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291 (Fed. Cir. 2015), cert. denied, 137 S. Ct. 292 (2016).

3. IPR Patentability Determinations Bear No Resemblance to the Claims in *Stern*, *Granfinanciera*, and *Northern Pipeline*.

An IPR adjudication bears no resemblance to the adjudications this Court evaluated in *Stern*, *Granfinanciera*, and *Northern Pipeline*. In each case, an Article I tribunal had adjudicated state law claims between private parties, one of which had not consented to the forum’s jurisdiction. In *Stern*, the state law claim was for tortious interference; in *Granfinanciera*,

for fraudulent transfer; and in *Northern Pipeline*, for breach of contract. Each such claim originated in the common law, not from a federal statutory scheme. The resolution of these claims was “not completely dependent upon adjudication of a claim created by federal law.” *Stern*, 564 U.S. at 493 (citation omitted). They did not “depend on the will of Congress.” *Id.* (citation omitted). In short, “Congress ha[d] nothing to do with” the claims involved in *Stern*, *Granfinanciera*, and *Northern Pipeline*. *Id.*

By contrast, Congress has *everything* to do with the adjudication of patentability in an IPR. The patent rights Congress grants do not supplant any common law rights.¹¹ Rather, the rights at issue are created solely by federal statutes Congress enacted pursuant to a specific plenary grant of constitutional authority. Congress has given the power to grant patent rights solely to the PTO, and the federal statutes and associated regulatory scheme provide the exclusive criteria for patentability. Even the relationship between the participants in an IPR derives exclusively from the congressional framework. Providing the agency empowered to grant the rights in question a “second look” at its own decision hardly qualifies as the adjudication of a “[w]holly private tort, contract, [or] property” dispute between private parties. *Granfinanciera*, 492 U.S. at 51 (quoting *Atlas Roofing*, 430 U.S. at 458). See also *In re Renewable Energy Dev. Corp.*, 792 F.3d 1274, 1280 (10th Cir. 2015) (contrasting “prototypical public rights disputes [which] arise from ‘federal statutory scheme[s]’ [and] ‘quintessential[]’ private rights disputes [which]

¹¹ Petitioner’s claim that Congress could bypass Article III through the “mere creation of a[ny] right by federal statute” is therefore a *non-sequitur*. Pet. Br. 35.

involve common law rights affecting personal life, liberty, or property”).

Additionally, IPR does not adjudicate “liability of one individual to another under the law.” *Crowell*, 285 U.S. at 51. IPR determines, based on very narrow grounds, whether a patentee remains entitled to the statutory right granted by the government. Put another way, IPR resolves only the question whether issuance of the patent was a mistake (*i.e.*, whether the initial patent grant should have occurred in the first place). This determination involves the rights as between the government, as issuer, and the patentee, as holder. While this determination may impact a private dispute, it does not constitute an adjudication of private rights solely between private parties, *i.e.*, liability for injury in tort, *Stern*, for fraudulent transfer, *Granfinanciera*, or for breach of contract, *Northern Pipeline*.

In an IPR, a third party stands to gain nothing more than what is provided to the public, that is, “free access to materials already available.” *Graham*, 383 U.S. at 6. So here, Petitioner was not found “liable” to Greene’s—or to anyone. Petitioner did not have to pay damages to Greene’s or to provide any personal relief to Greene’s. The PTO determined two claims of Petitioner’s ’053 patent were unpatentable, leaving 25 patent claims intact. Greene’s did not take ownership of these two claims. The PTO simply reexamined its earlier decision to grant certain patent claims. The third-party input (like Greene’s) assisted the PTO in making the decision, but did not transform the IPR process into a “wholly private” dispute.

Patent rights are thus not “emphatically” private. Pet. Br. 16. Moreover, since the very existence of the rights at issue in an IPR depends on the will of

Congress, Congress “may also provide that persons seeking to vindicate th[ose] right[s] must do so before particularized tribunals created to perform the specialized adjudicative tasks related to that right.” *N. Pipeline*, 458 U.S. at 83. Indeed, “[t]he distinction between ‘core’ private rights, on the one hand, and public rights and government-created privileges, on the other, has traditionally had significant implications for the way in which rights are adjudicated.” *Teva*, 135 S. Ct. at 848 n.2 (Thomas, J., dissenting) (“Thus, no matter how closely a franchise resembles some ‘core’ private right, it does not follow that it must be subject to the same rules of judicial interpretation as its counterpart.”).¹²

Petitioner characterizes IPR as adjudicating private rights by merging the distinct concepts of “patent-infringement and patent-validity disputes,” claiming that both were adjudicated by courts for centuries, and “resolved competing claims to private property rights.” Pet. Br. 2. But this tactic fails. IPR does not decide infringement, and such issues are not before the

¹² Even assuming the patent rights at issue in an IPR were “private” rights, this Court has upheld adjudication of such private rights before a non-Article III tribunal where Congress has deemed this necessary to protect federal interests. See *Schor*, 478 U.S. at 856 (CFTC adjudication of private state-law counterclaims); *Crowell*, 285 U.S. at 51, 53-54 (agency determination of “private right”—compensation for workers injured or killed performing maritime activities); *Atlas Roofing*, 430 U.S. 442 (damages owed by one private party to another adjudicated by administrative tribunal). See also Caleb Nelson, *Adjudication in the Political Branches*, 107 Colum. L. Rev. 559, 605 (2007) (“The innovation of *Atlas Roofing* was to drive a wedge between core private rights to life and liberty (which retain the full protections of the traditional framework) and traditional forms of property (which no longer require as much ‘judicial’ involvement when pitted against public rights).”).

Court. Moreover, IPR does not adjudicate any competing claim to property. Instead, IPR looks to determine if any patent right should have ever been granted. Here, the PTAB determined that prior art, previously undisclosed by the inventor to the PTO, rendered unpatentable the two challenged patent claims in Petitioner's '053 patent. Although the less-than-fully informed PTO issued claims 1 and 22 of the patent, such claims should have never issued. This determination impacts the private dispute between Petitioner and Greene's, but it does not adjudicate that dispute. Congress added through IPR the benefit of additional third-party input as to the issue of patentability, but the point of IPR is not to determine liability as between the private parties.

4. IPR Does Not Threaten the Institutional Integrity of the Judicial Branch.

Consideration of the *Schor* factors also supports the conclusion IPR comports with Article III. First, in IPR, the PTO does not “exercise the range of jurisdiction and powers normally vested only in Article III courts.” *Schor*, 478 U.S. at 851. Rather, the same patentability issues considered in an IPR were vested in the PTO during the initial examination process. IPR just allows the PTO to “reexamine” those same issues and its own initial patentability determination. *Cuozzo*, 136 S. Ct. at 2144. There is no “full dress exercise of judicial power” (Pet. Br. 49), or any departure “from the traditional agency model.” *Schor*, 478 U.S. at 852.

Next, while Petitioner claims it did not consent to the IPR process (Pet. Br. 17), it did knowingly seek a patent monopoly “subject to” the power of Congress to define the procedures and conditions accompanying

the rights granted. 35 U.S.C. § 261 (1994). Petitioner should not now dispute that “where Congress create[d] the] substantive right, pursuant to one of its broad powers to make laws, Congress may [also] have something to say about the proper manner of adjudicating that right.” *N. Pipeline*, 458 U.S. at 84 n.35. The “subject to” language in section 261, and post-issuance error-correction by the PTO, have been an integral part of the congressional framework since well before Petitioner sought a patent monopoly. That Congress modified somewhat the reexamination process does not alter its “basic purposes.” *Cuozzo*, 136 S. Ct. at 2144.¹³

Finally, IPR decisions are reviewable by an Article III court. Final decisions of the PTO may be appealed to the Federal Circuit. 35 U.S.C. § 319. The Federal Circuit applies a *de novo* standard of review for legal conclusions and the substantial evidence standard of review for findings of fact. *MCM*, 812 F.3d at 1287. This is the same appellate standard of review applied in appeals from PTO decisions for original application examination and for patent reexaminations. See, e.g., *In re Distefano*, 808 F.3d 845, 848 (Fed. Cir. 2015); *In re Baxter Int’l, Inc.*, 678 F.3d 1357, 1361 (Fed. Cir. 2012). Such review provides a higher level of scrutiny than the regulatory scheme upheld in *Thomas*. See 473 U.S. at 573-74 (judicial review available only for fraud, misrepresentation, or other misconduct).

¹³ IPR alters nothing about the substantive standards for patentability. The references by various amici to repealing patent laws in effect at the time a patent is issued as in *McClurg v. Kingsland*, 42 U.S. (1 How.) 202 (1843) and Takings Clause cases such as *Horne v. Dept. of Agric.*, 133 S. Ct. 2053 (2015), are therefore inapposite.

B. Nineteenth Century Precedent Does Not Limit Congressional Authority.

Petitioner misplaces reliance on Nineteenth Century precedent to argue the Court has already decided that post-issuance patentability determinations must occur in an Article III court. None of these cases addressed Article III or the Seventh Amendment, and all were decided based on then-existing congressional statutory regimes. Indeed, none even discuss, much less limit, Congress's power to grant such authority.

Petitioner asserts the Court's statement in *McCormick*, 169 U.S. at 609, that: "The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent" means only an Article III court may decide validity questions. Pet. Br. 32. But *McCormick* did not address Article III and was decided according to the then-existing patent statute. Congress had not yet authorized the Patent Office to fully cancel an original patent, without the patent holder surrendering the original patent in connection with an amended patent being issued. Absent any statutory mechanism, courts were the only option to render patents invalid.

McCormick did not hold that Congress could never adopt statutory post-issuance error-correction procedures. Instead, *McCormick* simply enforced Congress's then-existing statutory scheme for a post-issuance procedure at the Patent Office. The Court in *McCormick* relied entirely on the statute in finding that it did not permit the Patent Office to cancel an original patent when the patent owner abandoned its reissue patent application. *McCormick*, 169 U.S. at 609-11 (citing Patent Act of 1870, 16 Stat. 198). As a

result, the Court held that “until the amended patent shall have been issued the original stands precisely as if a reissue had never been applied for, and must be returned to the owner upon demand.” *Id.* at 610 (citation omitted). Reflecting then-existing statutory authority, the Court added that “the patent office has no greater authority to mutilate it by rejecting any of its claims than it has to cancel the entire patent.” *Id.*

The Court explained that the Patent Act of 1870 (16 Stat. 198) modified prior law pursuant to which surrendering the original patent could result in its cancellation. *McCormick*, 169 U.S. at 609; see also *Peck v. Collins*, 103 U.S. 660, 664-65 (1880) (finding that, under the 1866 patent statute, “[s]urrender of the patent was an abandonment of it, and the applicant for reissue took upon himself the risk of getting a reissue or of losing all”). *McCormick* simply held that, given the language in the Act of 1870, the Patent Office no longer had the statutory authority to cancel the original patent.

Significantly, the Court specifically distinguished land patents, which the Court stated are “absolutely free” from control by officers of the land department, from invention patents, which are directly limited by statutory reissue procedures. *McCormick*, 169 U.S. at 609. If invention patents provided the same rights as land patents, the Court would have rejected the notion of the Patent Office having any ability to review the claims presented in an issued patent. Instead, the Court observed that, in a reissue application, “the Patent Office was authorized to deal with all its claims, the originals as well as those inserted first in the [reissue] application, and might declare them to be invalid.” *Id.* at 612. The Court thus recognized the

statutory authority for post-issuance error-correction by the Patent Office.

Therefore, *McCormick* demonstrates that Congress defines the scope of the PTO power to review issued invention patents. Permitting such review based on post-issuance information provided by the holder (1870), through interference proceedings (1952), through *ex parte* reexamination (1980), through *inter partes* reexamination (1999), or through IPR (2011), does not alter the constitutional analysis. See *Patlex*, 758 F.2d at 604 (“purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted”).

Petitioner likewise misreads *United States v. American Bell Telephone Co.*, 128 U.S. 315, 364 (1888), arguing patent validity challenges were actions at common law that could only be decided by courts. Pet. Br. 58. *American Bell* addressed the question whether the government could seek to annul or vacate a patent in equity courts. In answering the question, the Court looked to what Congress had provided for determining the scope of patent rights. The Court found that giving the government the right “only expresses the necessary effect of the acts of Congress.” *Id.* at 363. The Court held that giving equity courts jurisdiction to adjudicate the government’s request was premised on the “very clea[r] sense of Congress that if such power is to be exercised anywhere it should be in the equity jurisdiction of those courts.” *Id.* at 364. *American Bell*, like *McCormick*, involved no statutory challenge, nor any Article III or Seventh Amendment question.

Petitioner selectively quotes *American Bell* in an attempt to conflate “private property” and “private

right” for Article III purposes. Pet Br. 16-17. A review of the full text demonstrates the Court viewed a patent as the grant of a federal privilege. The Court emphasized that when a patent is issued, “the government and its officers are acting as the *agents of the people*, and have, under the authority of law vested in them, *taken from the people* this valuable *privilege* and conferred it as an exclusive right upon the patentee.” 128 U.S. at 370 (emphasis added). This Court’s Nineteenth Century decisions recognize Congress’s broad, ongoing authority regarding federally granted privileges. See also Nelson, *supra*, at 571. *American Bell* does not hold that invention patents are purely private rights for Article III purposes.

To the contrary, *American Bell* reinforces the right of Congress to legislate to protect the public interest as to patents that should not have issued. The Court noted the government’s suit to cancel a patent differs from the remedy accorded a private defendant in an infringement action. At the time, if an alleged infringer raised a successful invalidity defense, the result applied only to that individual. By contrast, the government’s suit would “put[] an end to all suits which the patentee can bring against anybody. It opens to the entire world the use of the invention or discovery in regard to which the patentee had asserted a monopoly.” 128 U.S. at 372.

Petitioner’s cited cases construing land patents from the Nineteenth Century are even less persuasive. See *Moore v. Robbins*, 96 U.S. 530, 532-33 (1877) (no statute authorized the Land Department to revoke a land patent after issuance); *Michigan Land & Lumber Co. v. Rust*, 168 U.S. 589, 593 (1897) (same). As noted above, *McCormick* specifically differentiates land

patents from invention patents.¹⁴ *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286 (1890), makes clear the decision turns on congressional intent. “These expressions of the statute * * * show what the purpose of Congress was in passing the law.” *Id.* at 300-01. None of these cases hold that Congress may never give the PTO post-issuance error-correction authority.

C. English Tradition Confirms Patents Are Not Private Property Rights.

Petitioner misinterprets the English tradition. A closer look at English tradition reveals that any guidance it does provide favors the constitutionality of PTO review of issued patents.

In the Sixteenth-Eighteenth Centuries in England, patents were royal grants of privilege, not common law rights, and originally, the Crown could grant patents for invention as well as royal prerogatives for goods or businesses. *Teva*, 135 S. Ct. at 847 (Thomas, J., dissenting) (citing 4 W. Holdsworth, *A History of English Law* 350-51 (1924)); Mark A. Lemley, *Why Do Juries Decide if Patents are Valid?*, 99 *Va. L. Rev.* 1673, 1680-81 (2013).

Petitioner emphasizes the Statute of Monopolies (Pet. Br. 51, 53-54), enacted in 1623 in response “to abuses whereby the Crown would issue letters patent, granting monopolies to court favorites in goods or businesses which had long before been enjoyed by the public.” *Bilski v. Kappos*, 561 U.S. 593, 627 (2010)

¹⁴ In *Teva*, Justice Thomas noted that differences between land patents and invention patents made the deed analogy fit even more uneasily as to the latter, cautioning that “[w]e should not blithely extend the rules governing the construction of deeds to their even more distant cousins, invention patents.” 135 S. Ct. at 848 (Thomas, J., dissenting).

(Stevens, J., concurring) (citation omitted). By its terms, the Statute of Monopolies “generally prohibited the Crown from granting” monopoly rights, but “permitted grants of exclusive rights to the ‘working or making of any manner of new Manufacturers.’” *Id.* (quoting 21 Jam. 1, ch. 3, § 1 (1623), *reprinted in* 4 Statutes of the Realm 1213 (1963)).

Yet despite the Statute of Monopolies, the Crown retained the right to revisit its grant of patents. As Petitioner admits (Pet. Br. 25), the King acted to cancel patents through a body of the King’s advisors known as the Privy Council. See Lemley, *supra*, at 1681; E. Wyndham Hulme, *Privy Council Law and Practice of Letters Patent for Invention From the Restoration to 1794*, II 33 L. Q. Rev. 180, 195 (1917) (summarizing numerous Privy Council proceedings, with petitions through 1794). The Privy Council retained the power to revoke patents in the late 1790s and 1800s. See Lemley, *supra*, at 1683; Oren Bracha, *Owning Ideas: The Intellectual Origins of American Intellectual Property, 1790-1909*, at 22 n.39 (2016) (“Although the issue is somewhat obscured, it seems that Privy Council jurisdiction over patents, rather than being revoked in one dramatic moment, gradually declined and faded away toward the end of the eighteenth century.”); W.M. Hindmarch, *A Treatise on the Law Relating to Patent Privileges for the Sole Use of Inventions* 431-32 (1846) (“no doubt” Privy Council’s revocation power would be exercised in appropriate case). In short, the Crown retained the power to revoke patents.

Petitioner claims that the “ordinary” remedy for the Crown or the public for dealing with a bad patent was by *scire facias*. Pet. Br. 25. Petitioner then baldly asserts that the Privy Council was used on

“rare occasions,” and that such occasional use has no effect on the historical practice analysis, citing *Granfinanciera*. Pet. Br. 25-26. Petitioner is wrong. The Privy Council was the forum of choice for revoking patents into the mid-1700s, remained active into the late 1700s, and remained available well into the 1800s.¹⁵ See Lemley, *supra*, at 1683; D. Seaborne Davies, *Early History of the Patent Specification*, 50 L. Q. Rev. 86, 103 (1934); Greg Reilly, *The Constitutionality of Administrative Patent Cancellation*, 23 B. U. J. Sci. & Tech. L. 377, 407-08 (2017) (Privy Council had revocation power “even into the mid-1800s”). Moreover, while *scire facias* proceedings in equity courts may have also been available in the late 1700s, the availability of concurrent forums each having the power to revoke patents dooms Petitioner’s Article III argument.¹⁶ Petitioner tries to salvage its position by misinterpreting and selectively quoting *Granfinanciera*. Pet. Br. 25-26. Contrary to Petitioner’s argument, the Court in *Granfinanciera* flatly rejected the assertion that a court of equity would “typically or indeed ever” entertain a suit “to recover an allegedly fraudulent transfer of money.” *Granfinanciera*, 492 U.S. at 43-44 (emphasis added). The Court found no precedent showing otherwise. See *id.* at 44-47.

Likewise, Petitioner notes that infringement actions were long considered by courts of law and that

¹⁵ The existence of the Privy Council demonstrates that patent validity was not “the subject of a suit at the common law, or in equity, or admiralty.” *Murray’s Lessee*, 59 U.S. (18 How.) at 284.

¹⁶ The presence of alternative forums reflects the modern U.S. practice, where patent validity can be challenged in federal district courts as a defense to an infringement action or in the PTO in a post-issuance error-correction proceeding.

questions of validity often arose in the context of such suits. But simply because courts considered validity issues presented as a byproduct to an infringement action does not mean separate patentability issues were the exclusive domain of the law courts. Today also, a patent owner can file a patent infringement case in federal district court and the accused infringer can raise validity issues in that case. But an IPR is a separate proceeding that does not decide questions of infringement, and instead only decides limited questions of patentability. IPR thus has no correlation to an historic infringement action.

IV. IPR IS CONSISTENT WITH THE SEVENTH AMENDMENT.

The Seventh Amendment does not require IPR patentability questions to be submitted to a jury. Indeed, the Court need only reach the Seventh Amendment issue if it determines IPR violates Article III. “[I]f Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury factfinder.” *Granfinanciera*, 492 U.S. at 53-54. See *id.* at 53 (“if a statutory cause of action is legal in nature, the question whether the Seventh Amendment permits Congress to assign its adjudication to a tribunal that does not employ juries as factfinders requires the same answer as the question whether Article III allows Congress to assign adjudication of that cause of action to a non-Article III tribunal”). As demonstrated above, IPR does not violate Article III, so the Seventh Amendment “poses no independent bar” to the PTO adjudication of an IPR.

Even if the Court considers separately the Seventh Amendment analysis, no jury is required. First,

patentability is a public rights question properly assigned to an administrative agency, so no jury is required. Second, the jury right only extends to suits “at common law.” An IPR proceeding is not analogous to common law causes of action ordinarily decided in English law courts. An IPR neither adjudicates a “legal” claim, nor does it involve a “legal remedy”—there is no question of money damages. It simply does not involve “wholly private” tort, contract or property claims.

Petitioner claims the right to a jury trial “in actions enforcing ‘statutory rights’ is ‘a matter too obvious to be doubted.’ *Curtis v. Loether*, 415 U.S. 189, 193 (1974).” Pet. Br. 35. But central to this Court’s reasoning in *Curtis* was that the Seventh Amendment applies to statutory actions “if the statute creates legal rights and remedies, enforceable in an action for damages in the ordinary courts of law.” *Curtis*, 415 U.S. at 194. IPR does not involve a statutorily created action for damages in an ordinary court of law. Moreover, as made clear in *Atlas Roofing*, for public rights, “the Seventh Amendment does not prohibit Congress from assigning * * * initial adjudication to an administrative forum with which the jury would be incompatible.” 430 U.S. at 450.

A. There Is No Jury Right in Cases Involving Public Rights.

In *Granfinanciera*, this Court emphasized that Congress may decline to provide jury trials for actions involving public rights. *Granfinanciera*, 492 U.S. at 51 (“Congress may devise novel causes of action involving public rights free from the strictures of the Seventh Amendment if it assigns their adjudication to tribunals without statutory authority to employ juries as factfinders.”). Indeed, as to public rights, “Congress

may fashion causes of action that are closely *analogous* to common-law claims and place them beyond the ambit of the Seventh Amendment by assigning their resolution to a forum in which jury trials are unavailable.” *Id.* at 52. Since IPR involves public rights, the Seventh Amendment is not implicated.

This Court has held that there is no constitutional jury right in an administrative proceeding. See *Tull v. United States*, 481 U.S. 412, 418 n.4 (1987) (Seventh Amendment does not apply to administrative proceedings); *Atlas Roofing*, 430 U.S. at 455; *Cox v. United States*, 332 U.S. 442, 453 (1947). Thus, in *Atlas Roofing*, the Court found no Seventh Amendment violation where administrative tribunals assess penalties against private parties under the Occupational Health and Safety Act, because the Seventh Amendment does not require Congress “to choke the already crowded federal courts with new types of litigation or prevent[it] from committing some new types of litigation to administrative agencies with special competence in the relevant field.” 430 U.S. at 455. The PTO is an administrative agency with special competence in patent law, and Petitioner does not contend otherwise. Denying the PTO authority to conduct IPR and instead forcing all post-issuance patentability determinations to proceed in Article III courts would certainly further choke the court system. Parties without Article III standing would be entirely left without a forum to further the public interest in removing illegitimate patents from the system. Mandating that juries decide all questions of patentability for issued patents eviscerates Congress’s limited regulatory objective of having an expert agency review the initial grant, correct its own errors, and restore confidence in the U.S. patent system.

B. IPR Is Not a Suit “at Common Law.”

Contrary to Petitioner’s assertion, IPRs are not “suits at common law.” Pet. Br. 50 (quoting U.S. Const. Amend. VII). “Suits at common law” refers “to cases tried prior to the adoption of the Seventh Amendment in courts of law in which a jury trial was customary as distinguished from courts of equity or admiralty in which jury trial was not.” *Atlas Roofing*, 430 U.S. at 449. See also *Feltner v. Columbia Pictures*, 523 U.S. 340, 348 (1998) (same); *Granfinanciera*, 492 U.S. at 42 (same).

To make this determination, a court must consider both the nature of the action and the remedy sought: “First, we compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity. Second, we examine the remedy sought and determine whether it is legal or equitable in nature.” *Tull*, 481 U.S. at 417-18 (citations omitted). Here, both inquiries lead to the conclusion that no legal right is at issue. IPR patentability determinations have no counterpart in English law courts, and the remedy of patent claim cancellation is purely equitable in nature. Moreover, even if an action were tried at law as of 1791, the Court must consider whether the particular issue must fall to the jury in order to preserve the substance of the common law right as it existed in 1791. See *Tull*, 481 U.S. at 425-26.

1. English Tradition Supports That No Legal Right Is at Issue.

Petitioner and amici misapprehend both the nature of the patent right under English law—which is different from what a “U.S. patent” means today—and offer at best an incomplete picture of the use of juries under

English law. Moreover, Petitioner’s reliance on the limited precedent available is less than convincing. As this Court has noted, “the state of patent law in the common-law courts before 1800 led one historian to observe that the reported cases are destitute of any decision of importance.” *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 381 (1996) (citation omitted). Indeed, there is no sufficient historical record to support the contention that the patentability issues presented in an IPR “should be a guaranteed jury issue.” *Id.* at 380 (noting the “primitive state of jury patent practice at the end of the 18th century”). Nonetheless, based on this “muddled” history, Petitioner asks this Court to abandon congressionally established procedures integral to the patent regulatory framework. See Christopher Beauchamp, *Repealing Patents* at 8, 22 (Brooklyn Law School Legal Studies Research Paper No. 534, 2017) (describing the historical record relative to Eighteenth Century English and American patent jurisprudence as “wildly convoluted” and “opaque”).

English law courts had no analogous action to reexamine the initial patentability determination as to certain claims in a patent. Eighteenth-Century English patents were markedly distinct from modern era U.S. patents in ways directly impacting patentability. IPR determinations consider the patentability of specific patent claims based on specific statutory criteria. Yet, “[p]rior to 1790 nothing in the nature of a claim had appeared either in British patent practice or in that of the American states.” *Markman*, 517 U.S. at 378 (citation omitted). In the mid-Eighteenth Century, English patents did not have multiple claims, were not challenged under obviousness, and were not substantively examined for patentability before being issued. Juries most certainly did not construe “claims” or

decide “patentability” questions in the modern sense. Lemley, *supra*, at 1682, 1686-89, 1698.

These differences strain Petitioner’s attempt to analogize modern U.S. patentability determinations to English common law suits. The comparison strains further considering that the 1790 Act, creating U.S. patent rights, pre-dated the ratification of the Seventh Amendment, and the first U.S. patent issued on July 31, 1790. See *Bd. of Trs. of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 563 U.S. 776, 785 (2011) (discussing first U.S. patent). Thus, the distinct constitutional grant of authority to Congress, the timing of the origin of the patent right in the United States, and the establishment of congressional primacy as to patents, diminish the relevance of then-existing English practice, rendering the historical comparison inapt. See *Brown*, 60 U.S. at 198 (while noting that decisions applying English law were worthy of respect, finding that the Court “must interpret our patent laws with reference to our own Constitution and laws and judicial decisions”).

Beyond the differences in the nature of the right, Petitioner and amici fail to recognize that, in English tradition in 1791, patent validity was not exclusively decided in common law courts. As outlined above (p. 44-47, *supra*), the English system that Congress “found” in 1791 involved the Crown having concurrent jurisdiction over patent law, with the Privy Council having patent revocation power, and sometimes courts of equity conducting *scire facias* proceedings. Petitioner’s argument that the Statute of Monopolies of 1623 required that patent validity be judged in courts of law before juries (Pet. Br. 53) fails to acknowledge that the actual state of the law in 1791 involved concurrent paths for assessing validity of patents. In

short, juries were not mandatory. This aspect of the English system mirrors the allocation of authority today—the PTO has the power to conduct limited review of its patentability determinations pursuant to statute and Article III courts are also able to adjudicate an entire range of patent validity issues.

Petitioner also argues that juries were sometimes used in connection with *scire facias* proceedings, but fails to acknowledge that chancery courts would only refer disputed subsidiary issues of fact. Pet. Br. 51-53. See Lemley, *supra*, at 1688 n.60 (listing cases affirming *scire facias* revocations by chancery court without a jury). The ultimate decision of invalidity remained with the King’s Bench. See *id.* at 1687. Moreover, although the historical record on these issues is, as noted, “opaque,” what is clear is that the 1790 Act and the Patent Act of 1793 did not authorize actions for *scire facias* in the United States, and those Acts “did not simply import English practice.” Beauchamp, *supra*, at 32.

Consideration of the relief yields the same conclusion. IPR affords only the equitable relief of cancellation of one or up to all claims in a patent. Claims for annulment or cancellation of a patent—entirely different from the question of patent infringement—were traditionally brought before courts of equity, not resolved by juries. See *Mowry v. Whitney*, 81 U.S. (14 Wall.) 434, 440 (1872) (explaining, prior to the existence of administrative avenues for patent reconsideration, “the appropriate tribunal for the annulling of a grant or patent from the government” was chancery “and its mode of proceeding”).

Petitioner’s reliance on English patent infringement actions that could involve patent validity issues (Pet. Br. 51-53) is misplaced. IPRs are standalone

proceedings that only determine patentability, not infringement. How infringement proceedings might have been conducted has no meaningful impact on the remedy in IPR. Infringement actions sought a determination of liability and money damages against the alleged infringer. IPR only determines patentability, not any award of money damages. Further, unlike IPR, validity challenges in English infringement cases presented only a personal defense to the party, not invalidation of the patent against the entire public.

2. An IPR Proceeding Does Not Involve a Legal Remedy.

IPR provides only equitable relief to the public in general. A salient factor of a suit at law was a claim for monetary damages. See *Pernell v. Southall Realty*, 416 U.S. 363, 370 (1974) (“where an action is simply * * * for the recovery of a money judgment, the action is one at law”) (citation omitted); *Dairy Queen, Inc. v. Wood*, 369 U.S. 469, 476 (1962) (agreeing “that insofar as the complaint requests a money judgment it presents a claim which is unquestionably legal”).

IPR involves no claim for monetary damages. Instead, the PTO determines patentability. As noted (pp. 34-38, *supra*), IPR does not adjudicate liability wholly between two private parties and does not award damages. Here, Greene’s received no individualized relief. The PTO corrected its initial error, finding unpatentable the two challenged claims in the ’053 patent. The benefits of the adjudication flow to the public, not merely the third-party participant.

CONCLUSION

The judgment of the court of appeals should be affirmed.

Respectfully submitted,

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In The
Supreme Court of the United States

—◆—
OIL STATES ENERGY SERVICES, LLC,

Petitioner,

v.

GREENE'S ENERGY GROUP, LLC, et al.,

Respondents.

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

—◆—
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QUESTION PRESENTED

Whether *inter partes* review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

**PARTIES TO THE PROCEEDINGS
AND RULE 29.6 STATEMENT**

The parties to the proceedings include those listed on the cover.

Oil States Energy Services, LLC, formerly known as Stinger Wellhead Protection, Inc., is a wholly owned subsidiary of Oil States Energy Services Holding, Inc., which is a wholly owned subsidiary of Oil States International, Inc., a publicly traded company.

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OPINIONS AND ORDERS BELOW

The order denying panel rehearing and rehearing *en banc* (Pet. App. 37-38) is unreported. The panel order disposing of the case without opinion (Pet. App. 1-2) is unreported and available at 639 F. App'x 639 (Fed. Cir. 2016). The opinion and order of the Patent Trial and Appeal Board (Pet. App. 3-36) is unreported and available at 2015 WL 2089371 (PTAB May 1, 2015).



STATEMENT OF JURISDICTION

The court of appeals entered its order denying *en banc* rehearing on July 26, 2016. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).



CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED

Article III of the United States Constitution provides:

The judicial Power of the United States, shall be vested in one supreme Court, and in such inferior Courts as the Congress may from time to time ordain and establish. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behavior, and shall, at stated Times, receive for their Services a Compensation which shall not be diminished during their Continuance in Office.

The Seventh Amendment to the United States Constitution provides:

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.



STATEMENT

From centuries before the Founding until centuries after, courts adjudicated patent-infringement and patent-validity disputes. These cases resolved competing claims to private property rights, with juries deciding disputed questions of fact, such as whether a patent’s claims described a novel invention. Article III promises a court to these litigants, and the Seventh Amendment promises a jury.

Six years ago, with the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (AIA), Congress established *inter partes* review, which allows private third parties to remove these cases from Article III courts and transfer them to an administrative agency within the Executive Branch. That agency—the PTO’s Patent Trial and Appeal Board (Board)—conducts “trial proceedings,” as the Board correctly calls them, presided over by Board “judges,” who serve for no particular term, depend on superior

Executive officers for raises and promotions, and ultimately answer to a political appointee of the President, the Director of the PTO, who can and has intervened in Board proceedings specifically (and admittedly) to alter the outcomes of cases.

Neither Article III nor the Seventh Amendment tolerates this arrangement. By reserving “the judicial Power of the United States” to the Judicial Branch, Article III permits only courts to adjudicate these cases involving common-law, private-property rights. Especially “as the administrative state expands and non-Article III tribunals adjudicate more disputes * * * there must be vigilance in protecting Article III jurisdiction.” *Cascades Projection LLC v. Epson Am., Inc.*, Nos. 2017-1517, 2017-1518, 2017 WL 1946963, at *14 (Fed. Cir. May 11, 2017) (Reyna, J., dissenting from denial of initial hearing *en banc*). And the Seventh Amendment, which “preserve[s]” the right to a jury for “Suits at common law,” entitles litigants to the common-law decider of facts in these suits: a jury. By permitting an administrative agency to extinguish private property rights, *inter partes* review violates both Article III’s separation of powers and the Seventh Amendment’s right to a jury.

1. Patent rights in the United States existed long before the framing of the Constitution, which provides in Article I, § 8, cl. 8 that “Congress shall have the power * * * [t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” B. Zorina Khan,

Looking Backward: Founding Choices in Innovation and Intellectual Property Protection, in FOUNDING CHOICES: AMERICAN ECONOMIC POLICY IN THE 1790S 322-23 (Douglas A. Irwin & Richard Sylla eds., 2010). These patent rights trace their lineage to similar rights that existed for centuries in England, where disputes about these rights were resolved in courts—either at law or before the Court of Chancery. Sean Bottomley, *Patent Cases in the Court of Chancery, 1714-58*, 35 J. LEGAL HIST. 27, 36-37, 41-43 (2014); see also H. Tomás Gómez-Arostegui, *Equitable Infringement Remedies Before 1800*, RESEARCH HANDBOOK ON THE HISTORY OF COPYRIGHT LAW 195, 210-12 (2016). Disputed fact questions in these matters were resolved by juries—even in Chancery. *Liardet v. Johnson*, 62 Eng. Rep. 1000, 1002 (Ch. 1780).

For the first several hundred years, the U.S. patent system was based on a “first to invent” doctrine—which meant that the inventor who first conceived of the invention and then reduced it to practice was entitled to patent protection. *Seymour v. Osborne*, 11 Wall. 516, 552 (1870). Under the first-to-invent rule, when a subsequent application claimed the right to patent an already applied-for or already patented innovation, the PTO could declare that the later application “interfered” with the earlier. Patent Act of 1836, Pub. L. No. 24-357, § 8, 5 Stat. 117, 120-21 (1836); 35 U.S.C. § 135(a) (2006). These “interference” proceedings applied only to applications relatively close in time, e.g., 35 U.S.C. § 135(b)(1) (one year following issuance of patent on same material), and determined only the true inventor of the patented subject matter. 35 U.S.C.

§ 135(a). Interference proceedings could be appealed as of right to either a federal district court (for a full trial, including plenary trying of facts) or a federal appellate court, at the appellant's option, with all questions of law reviewed *de novo*. *Kappos v. Hyatt*, 132 S. Ct. 1690, 1697-98 (2012) (describing 1836 Patent Act and judicial review available); *Streck, Inc. v. Research & Diagnostic Sys., Inc.*, 659 F.3d 1186, 1191-92 (Fed. Cir. 2011). Aside from these limited proceedings to determine the true inventor, federal courts alone adjudicated the validity of issued patents. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985) (citing *Iowa State Univ. Research Found., Inc. v. Sperry Rand Corp.*, 444 F.2d 406, 409 (4th Cir. 1971)).

2. In 1981, Congress instituted an administrative proceeding called *ex parte* reexamination, whereby Congress provided a means for the PTO to address substantial questions about issued patents in collaboration with patent owners. See *Patlex*, 758 F.2d at 601-02. An *ex parte* reexamination begins when either a patent owner or a third party requests it. The request must be based on prior art—patents or printed publications indicating that the invention claimed in the patent was already known. 35 U.S.C. §§ 301, 302. If the PTO determines that the requester has raised a substantial new question of patentability, then the PTO orders the patent to be reviewed via an *ex parte* reexamination proceeding. 35 U.S.C. § 303. This proceeding involves only the patent owner and the PTO; third-party requesters are precluded from further involvement unless the patent owner files a statement seeking to rebut the requester's assertions of a

substantial new question of patentability, in which case the requester may respond. 35 U.S.C. § 304.

Ex parte reexamination is fundamentally an interactive process—similar to a patent’s initial prosecution—in which a patent owner submits claims, the patent examiner provides written responses explaining the examiner’s conclusions regarding whether the claims are patentable in the light of the identified prior art, and the patent owner can respond either by challenging the examiner’s assertions, amending the claims, or cancelling the claims. See 37 C.F.R. §§ 1.530-1.570. In an *ex parte* reexamination, there is no opportunity for discovery, and third parties do not participate in any other way. 35 U.S.C. § 305.

This “focus on previous examinations rather than prior litigation” or trappings of litigation “follows from the fact that ‘reexamination[s are] conducted according to the procedures established for [an] initial examination,’ 35 U.S.C. § 305, and PTO examination procedures have distinctly different standards, parties, purposes, and outcomes compared to civil litigation.” *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008). Once an *ex parte* reexamination begins, it can neither be withdrawn nor settled, and it ends only when the PTO confirms or cancels the patentable claims following any amendments the patent owner makes in an attempt to preserve the patent. 35 U.S.C. § 307.

3. Congress expanded the reexamination regime in 1999 when it created *inter partes* reexamination, which was designed to “make reexamination a viable,

less-costly alternative to patent litigation by giving third-party requesters the option of inter-partes reexamination procedures,” in which third-party requesters were “afforded an expanded, although still limited, role in the reexamination process.” 145 CONG. REC. S13,259 (daily ed. Oct. 27, 1999) (statement of Sen. Hatch); see also *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008).

Both *ex parte* and *inter partes* reexaminations were overseen by administrative patent judges who, along with the Director, the Deputy Director, the Commissioner for Patents, and the Commissioner for Trademarks, formed the Board of Patent Appeals and Interferences (BPAI). 35 U.S.C. § 6 (1999). The BPAI also reviewed adverse decisions of examiners upon applications for patents. 35 U.S.C. § 134(a).

Inter partes reexamination afforded third-party requesters “an expanded, although still limited role” by permitting them to (1) file comments on substantive submissions by patent owners; (2) introduce evidence to rebut the patent owner’s evidence or the examiner’s findings; (3) submit additional prior art; (4) file petitions to extend page limits or obtain other exceptions to the procedural rules; or (5) appeal the examiner’s determination regarding patentability. But as the PTO warned, “[p]atent owners and third party requesters are cautioned that the reexamination statute, regulations, and published examining procedures do not countenance so-called ‘litigation tactics’ in reexamination proceedings.” MANUAL OF PATENT EXAMINING PROCEDURE § 2609 (9th ed., 2015). *Inter partes*

reexaminations were thus designed to resemble traditional claim amendment-and-response patent prosecution and were not adversarial. *Ibid.*

4. In 2011, Congress passed the AIA to “update our patent laws.” H.R. REP. NO. 112-98, at 39 (2011). The AIA made several significant changes to the U.S. patent system, including replacing the “first to invent” regime with a “first to file” regime, and abolishing *inter partes* reexamination and replacing it with *inter partes* review. 125 Stat. at 299, 305. The AIA also renamed the BPAI, which is now the Patent Trial and Appeal Board. *Id.* at 290.

Like its predecessor, the Board reviews examiners’ adverse decisions on applications for patents and appeals of *ex parte* (and residual *inter partes*) reexaminations. 35 U.S.C. § 6. The Board likewise oversees residual interference proceedings. *Ibid.* But now the Board also reviews existing patents through *inter partes* review, which allows the Board for the first time to extinguish patent rights after adjudicating a litigation-like adversarial proceeding between the patent owner and a third party. See 35 U.S.C. §§ 311(a) & 318(a); *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR 2013-00191, Paper 50, at 4 (PTAB Feb. 13, 2014).

Like litigation, *inter partes* review begins with the filing of a petition—almost always by an alleged patent infringer—that asks the Board to invalidate a patent on the ground that it was anticipated by or rendered obvious in view of identified prior art. 35 U.S.C.

§ 311(b). The petitioner and patent owner then participate in an adversarial proceeding before the Board, which refers to that proceeding as a “trial.” Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,758 (Aug. 14, 2012) (codified at 37 C.F.R. § 42). The parties take discovery, engage in motion practice regarding evidence, and cross-examine fact and expert witnesses via depositions. See *id.* at 48,757-48,768.

Many of the procedural rules that govern the proceedings are often based expressly on the Federal Rules of Civil Procedure. E.g., *id.* at 48,760 (*inter partes* review procedures on sealing confidential information designed “in a manner consistent with Federal Rule of Civil Procedure 26(c)(1)(G)”); 48,761 (“The types of discovery available under the Federal Rules of Civil Procedure can be sought by the parties.”); 48,762 (modeling option for required disclosures “after Rule 26(a)(1)(A) of the Federal Rules”); 48,772 (prohibiting “speaking” objections “[c]onsistent with the policy expressed in Rule 1 of the Federal Rules of Civil Procedure”). The Board holds a hearing, 37 C.F.R. § 42.70, and—in view of all the record evidence—issues a “final written decision” on whether the patent should be invalidated. 35 U.S.C. § 318(a). The Board’s regulations refer to this decision as a “judgment.” Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,766-48,767. The judgment may be appealed as of right only to the Federal Circuit. 35 U.S.C. §§ 141(c), 319.¹

¹ By contrast, a party dissatisfied with an interference proceeding had recourse to the federal district courts for plenary review of all questions of law raised in the interference. See 35 U.S.C. §§ 141, 146 (1999).

The Director of the PTO, who is a political appointee, selects how many and which of the Board’s officers—called “judges”—will preside over any given case, subject only to the statutory requirement that each case “shall be heard by at least 3 members of the Patent Trial and Appeal Board, who shall be designated by the Director.” 35 U.S.C. § 6(c). The Director can designate himself as a member to decide an *inter partes* review. See 35 U.S.C. § 6(a) (“The Director, the Deputy Director, * * * and the administrative patent judges shall constitute the Patent Trial and Appeal Board.”).

In what one Federal Circuit judge described as “case-specific readjudication,” a Solicitor for the PTO has acknowledged that the Director has added additional judges to a Board panel to reverse the panel’s judgment. Oral Argument at 48:00-06, *Yissum Research Dev. Co. of the Hebrew Univ. of Jerusalem v. Sony Corp.*, 626 F. App’x 1006 (Fed. Cir. 2015) (Nos. 2015-1342, 2015-1343).² As a Solicitor for the PTO explained, the Director has to “be able to make sure that her policy judgments are enforced by the Board” in any given case. *Id.* at 43:17-42.

Over the last several years, the Board has more than tripled in size “in large part due to the establishment of the AIA trials under the America Invents

² Available at <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=2015-1342.mp3>.

Act.”³ The first written opinion in one of these trials issued in late 2013; the Board has received thousands of petitions since. See *Garmin v. Cuozzo Speed Tech.*, IPR 2012-00001, Paper 59 (PTAB Nov. 13, 2013); *AIA Progress Statistics*, USPTO, PATENT TRIAL & APPEAL BOARD (Sept. 25, 2014), https://www.uspto.gov/sites/default/files/ip/boards/bpai/stats/aia_statistics_09_25_2014.pdf.

Currently, over 200 judges serve on the Board. Erin Coe, *4 Favorites for PTAB’s Top Post*, LAW360 (Jan. 7, 2016), <https://www.law360.com/articles/742735/4-favorites-for-ptab-s-top-post>. The vast majority—over 80 percent—are former patent attorneys with extensive experience in patent litigation. Jennifer R. Bush, *Administrative Patent Judges: Not Your Typical Federal Judge*, FENWICK & WEST LLP (July 10, 2014), <https://www.fenwick.com/publications/pages/administrative-patent-judges-not-your-typical-federal-judge.aspx>.

5. Petitioner Oil States Energy Services, LLC is an industry leader in providing support and service equipment to the global oil and gas industry. Oil States owns a patent that covers apparatuses and methods of protecting wellhead equipment from the pressures and abrasion involved in the hydraulic fracturing of oil wells—U.S. Pat. No. 6,179,053 (the ’053 Patent)—invented by Murray Dallas, an employee of a

³ *Organizational Structure and Administration of Patent Trial and Appeal Board*, USPTO (May 12, 2015), <https://www.uspto.gov/sites/default/files/documents/Organizational%20Structure%20of%20the%20Board%20May%2012%202015.pdf>.

predecessor company of Oil States. Pet. App. 4, 5, 20-21.

In 2012, Oil States filed an infringement suit against Greene's Energy Group, LLC; Greene's filed an answer, asserting the affirmative defense and counterclaim of invalidity. Answer at 11, 14, *Oil States Energy Servs., LLC v. Trojan Wellhead Prot., Inc.*, No. 6:12-cv-611, 2014 WL 12360946 (E.D. Tex. 2014), ECF No. 12.

Almost a year into the litigation, as the case neared the close of discovery, Greene's petitioned the Board to institute *inter partes* review. *Greene's Energy Grp., LLC v. Oil States Energy Servs., LLC*, IPR 2014-00216, Paper 1 (PTAB Dec. 3, 2013). Greene's argued that the '053 Patent was anticipated by prior art—i.e., a previous patent application, also filed by Dallas, concerning an earlier invention, features of which the '053 Patent explicitly criticized. *Ibid.*; see also *Trojan Wellhead Prot., Inc.*, 2014 WL 12360946, at *8-9. Over Oil States' opposition, the Board instituted *inter partes* review of the '053 Patent. *Greene's Energy Grp., LLC v. Oil States Energy Servs., LLC*, IPR 2014-00216, Paper 12 (PTAB June 10, 2014).

The district court then issued its claim construction order in the underlying civil litigation, construing the terms of the '053 Patent in a way that, as Greene's conceded, conclusively resolved against Greene's the claim that Dallas's application anticipated the '053 Patent. *Greene's Energy Grp., LLC v. Oil States Energy Servs., LLC*, IPR 2014-00216, Paper 52 at 14-15 (PTAB Feb. 11, 2015). This same claim formed the basis of

Greene's *inter partes* review petition. *Trojan Wellhead Prot., Inc.*, 2014 WL 12360946, at *8-9.

The *inter partes* review proceeding continued in parallel. Oil States argued that the Board should adopt the same claim constructions as the district court—but the Board disagreed in its final written decision. Pet. App. 14-18. Acknowledging that the district court came to a different conclusion, the Board nevertheless held that Oil States' patent had been anticipated by the previous patent application. *Id.* at 14, 29. As a result, the Board concluded that the claims were "unpatentable." *Id.* at 5. The Board denied Oil States' application to amend its claims, instead invalidating them. *Id.* at 36.

Oil States appealed the Board's final judgment to the Federal Circuit, challenging both the merits of the Board's decision and the constitutionality of *inter partes* review under Article III and the Seventh Amendment. Notice of Docketing, *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC* (No. 2015-1855), 639 F. App'x 639 (Fed. Cir. 2016) (mem.), ECF No. 1; Brief of Patent Owner-Appellant Oil States Energy Services, LLC, *Oil States Energy Servs.*, 639 F. App'x 639 (No. 2015-1855), ECF No. 16. The government intervened on appeal to defend *inter partes* review and its application in this case. Notice of Intervention by the United States Patent and Trademark Office, *Oil States Energy Servs.*, 639 F. App'x 639 (No. 2015-1855), ECF No. 19. Before briefing closed, however, the Federal Circuit issued its decision in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015), which rejected the same challenges to

the constitutionality of *inter partes* review, and thereby foreclosed Oil States’ Article III and Seventh Amendment arguments.

After oral argument, the panel summarily affirmed the Board without issuing an opinion. Pet. App. 1-2. The court of appeals denied panel rehearing and rehearing *en banc*. *Id.* at 37, 38. This Court granted Oil States’ petition for a writ of certiorari.



SUMMARY OF ARGUMENT

Congress may not remove cases from the federal courts because it does not like their judgments. As this Court has long held, “Congress may not ‘withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.’” *Stern v. Marshall*, 564 U.S. 462, 484 (2011) (quoting *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 18 How. 272, 284 (1855)). That is just what Congress has done with *inter partes* review, which wrests patent-validity cases from federal courts and entrusts them to administrative-agency employees, who decide questions of law that Article III reserves to judges and questions of fact that the Seventh Amendment reserves to juries. Neither Article III nor the Seventh Amendment tolerates this circumvention.

I. Article III, Section 1—which vests “[t]he judicial Power of the United States” in “one supreme Court, and in such inferior Courts as the Congress may from

time to time ordain and establish”—protects both the separation of powers and the rights of litigants. *Wellness Int’l Network v. Sharif*, 135 S. Ct. 1932, 1938 (2015) (quoting U.S. CONST. art. III, § 1). Article III serves these dual aims “by specifying the defining characteristics of Article III judges.” *Stern*, 564 U.S. at 483. These characteristics—life tenure and salary protection—“ensure that each judicial decision [is] rendered, not with an eye toward currying favor with * * * the Executive,” but instead with the “[c]lear heads * * * and honest hearts” that are “essential to good judges.” *Id.* at 484 (quoting 1 WORKS OF JAMES WILSON 363 (J. Andrews ed. 1896)).

But “Article III could neither serve its purpose in the system of checks and balances nor preserve the integrity of judicial decisionmaking if the other branches of the Federal Government could confer the Government’s ‘judicial Power’ on entities outside Article III.” *Ibid.* That is why “[w]hen a suit is made of ‘the stuff of the traditional actions at common law tried by the courts at Westminster in 1789,’ * * * the responsibility for deciding that suit rests with Article III judges in Article III courts.” *Ibid.* (quoting *N. Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring in the judgment)).

Inter partes review impermissibly transfers the responsibility for deciding common-law suits from Article III judges to administrative agency employees who are beholden to Executive Branch officials—precisely the evil the Framers sought to avoid. See *id.* at 483 (“In establishing the system of divided power in the

Constitution, the Framers considered it essential that “the judiciary remain[] truly distinct from both the legislature and the executive.” (quoting THE FEDERALIST No. 78, p. 466 (Alexander Hamilton) (C. Rossiter ed., 1961))).

First, patent-validity cases were traditionally tried in English courts, as all parties agree. Fed. BIO at 15; Greene’s BIO at 6. Patent-validity questions usually arose in response to an infringement action, which was brought in the courts of law or the Court of Chancery. Either way, the matter was “the subject of a suit at the common law, or in equity, or admiralty,” and thus its adjudication cannot be transferred from Article III courts to the Board. *Stern*, 564 U.S. at 484 (quoting *Murray’s Lessee*, 18 How. at 284).

Second, the Board unquestionably exercises “the judicial power of the United States” in conducting *inter partes* review. The proceeding, which the Board calls a “case,” e.g., Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,756, 48,759, 48,762, begins when a patent challenger seeks a judgment of invalidity from the Board. The parties resolve preliminary issues through motions practice, take discovery, examine witnesses, and proceed to a “trial,” resolved by “judges,” culminating in a final, self-executing “judgment.” This is the exercise of the “judicial Power of the United States.”

The Board exercises the judicial power to adjudicate disputes between private parties over private-property rights. A patent is emphatically a private property right, “taken from the people, from the public,

and made the private property of the patentee,” *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888), and no “public right” exception excuses this failure to comply with Article III. Patent-validity claims subject to *inter partes* review are not asserted by or against the government; *inter partes* reviews occur between private parties. They have not been exclusively resolved by another branch; courts have adjudicated these cases for centuries. Nor are they new statutory obligations integrally related to a particular governmental enforcement action: patent rights predate the Constitution by centuries, and the federal government enforces no other governmental action through *inter partes* review. If a patent-validity case—a dispute over a private property right—may be swept out of the federal courts under the cloak of “public rights,” then anything can be, and Article III’s guarantee is mere “wishful thinking.” *Stern*, 564 U.S. at 495.

Nor can the Board be justified as a mere “adjunct” of Article III courts, see *id.* at 487-88, as it operates without meaningful Article III supervision and without the litigants’ consent. The Board is not supervised by Article III courts in any way. Its decisions are final “judgments” appealable as of right directly to the Federal Circuit. Likewise Oil States, like most patent owners, emphatically did *not* consent to its property rights being adjudicated in a proceeding that bears all of the hallmarks of litigation but enjoys none of the protections of Article III. Article III does not permit Congress to bestow upon the Board the judicial power to adjudicate cases historically heard by courts at

common law. That power remains for the federal courts and their life-tenured, salary-protected judges alone.

II. *Inter partes* review impermissibly supplants juries as well as judges. The Seventh Amendment guarantees a jury trial “[i]n suits at common law,” including those to vindicate “statutory rights that are analogous to common-law causes of action ordinarily decided in English law courts in the late 18th century.” *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 40-41, 42 (1989) (citation omitted). English history is clear that patent-validity questions were. In 1791, “[a]n action for patent infringement [was] one that would have been heard in the law courts of old England.” *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 992 (Fed. Cir. 1995). It had been that way for 200 years before that. See, e.g., *Darcy v. Allen*, 77 Eng. Rep. 1260 (K.B. 1603).

Even when a patent owner initiated an infringement action in the Court of Chancery, if the alleged infringer at issue, the Court of Chancery was required to send the matter to a court of law for a jury trial. Bottomley, *supra*, at 36-37, 41-43; see also Gómez-Arostegui, *supra*, at 210-12. Juries inevitably decided disputed questions of fact regarding patent validity. *Ibid.* So too today. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (patent “infringement cases today *must* be tried to a jury” (emphasis added)).

Inter partes review, however, conditions patent owners’ jury-trial rights on their opponents’ choice of forum. The Seventh Amendment does not tolerate such a veto. As they have for centuries, patent owners have the right to try patent-infringement and patent-validity questions to juries—not to the Board.



ARGUMENT

I. *Inter Partes* Review Violates Article III.

Only an “Article III judge[] in [an] Article III court[]” may exercise the judicial power to decide a case that is the “subject of a suit at the common law, or in equity, or admiralty,” *Stern*, 564 U.S. at 484 (quoting *Murray’s Lessee*, 18 How. at 284), unless (1) the case resolves a claim on public rights, *id.* at 485, or (2) the litigants consent to a non-Article III forum under meaningful supervision by an Article III court. *Wellness Int’l*, 135 S. Ct. at 1944. In conducting *inter partes* review, the Board unabashedly wields the judicial power without any semblance of Article III’s protections—and without any justification this Court has recognized for doing so.

The Board’s adjudications resolve disputes over private rights heard for centuries in courts at common law. Administrative agents beholden to politically appointed Executive officers issue final judgments without the patent owner’s consent, much less meaningful Article III supervision. Article III does not permit the Board to exercise this judicial power.

A. *Inter Partes* Review Impermissibly Adjudicates Matters That Were The Subject Of Suits At Common Law.

Through *inter partes* review, the Board (i) adjudicates patent-validity challenges, which (ii) were the subject of suits at common law. *Inter partes* review therefore violates Article III.

1. *Inter Partes* Review Is An Exercise Of The Judicial Power.

The judicial power is the power to “hear and determine a cause,” *United States v. O’Grady*, 22 Wall. 641, 647 (1874), “subject to review only by superior courts in the Article III hierarchy.” *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211, 219 (1995). Private litigants and coordinate branches of government alike understand that the hallmark of the judicial power is the authority to “conclusively resolve[a] case,” because the “judicial Power is one to render dispositive judgments.” *Ibid.* (internal quotation marks omitted) (quoting Frank H. Easterbrook, *Presidential Review*, 40 CASE W. RES. L. REV. 905, 926 (1989)). The Board unquestionably resolves cases, exercising through *inter partes* review an Article III tribunal’s powers in both form and substance.

Inter partes review bears every salient characteristic associated with the exercise of the judicial power. *Inter partes* review begins when a patent challenger files a petition with the Board seeking a declaration

that a given patent's claims are invalid. 35 U.S.C. § 311(a). The challenger and patent owner:

- Conduct motion practice before the Board, Office Patent Trial Practice Guide, 77 Fed. Reg. at 48,758;
- Take discovery for a subsequent trial, *id.* at 48,761-48,762;
- Depose and cross-examine witnesses, introduce evidence, and object to evidence based on the Federal Rules of Evidence, *ibid.*;
- Participate in an adversarial trial (called a "trial") during which they brief issues and argue before the Board's judges (called "judges"), *id.* at 48,758;
- May settle their case any time before judgment, 35 U.S.C. § 317(a), as amended, and 35 U.S.C. § 327;
- Receive a final, binding judgment (referred to as a "judgment" in the Board's regulations, e.g., Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,761, 48,766-48,767), as to the patent's validity, 35 U.S.C. § 318(a); and
- Can appeal that judgment as of right only directly to the U.S. Court of Appeals for the Federal Circuit. 35 U.S.C. §§ 141, 319.

Even the PTO describes *inter partes* review proceedings as adjudications, advertising that the Board "adjudicates * * * case[s]." Erin Coe, *USPTO Director Wants To Oversee A PTAB Case*, LAW360 (May 3,

2016), <https://www.law360.com/articles/791561/exclusive-uspto-director-wants-to-oversee-a-ptab-case>. Judges in these proceedings “develop[] patent case law through their decisions,” and thereby “shape and grow the patent case law.” USPTO, *Benefits of being an Administrative Patent Judge at the Patent Trial and Appeal Board (PTAB)*, YOUTUBE (Feb. 13, 2015), https://www.youtube.com/watch?v=y_vTvPuUUBY&feature=youtu.be. This accurate description of the Board’s role maps onto the Founders’ understanding of the judicial power: “The judicial authority consists in applying, according to the principles of right and justice, the constitution and laws to facts and transactions in cases, in which the manner or principles of this application are disputed by the parties interested in them.” James Wilson, *Government, Lectures on Law*, 1:296-297 (1791), reprinted in THE FOUNDERS CONSTITUTION, Article 3, Section 1, U. CHI. (2000), http://press-pubs.uchicago.edu/founders/documents/a3_1s15.html.

Inter partes review, then, involves the exercise of the “judicial Power of the United States” by an administrative tribunal that is unquestionably not an Article III court. And, as demonstrated next, the tribunal exercises the judicial power to adjudicate matters that were the subject of suits at common law, and thus must remain in Article III courts.

2. Patent Validity Was The Subject Of Suits At Common Law.

Again, “Congress may not ‘withdraw from judicial cognizance any matter which, from its nature, *is the*

subject of a suit at the common law, or in equity, or admiralty.’” *Stern*, 564 U.S. at 484 (emphasis added) (quoting *Murray’s Lessee*, 18 How. at 284). Thus *inter partes* review cannot survive constitutional scrutiny if patent-validity claims were the subject of suits at common law or in equity. The parties in this case all agree that patent-validity claims were the subject of suits at common law or in equity—the only meaningful dispute is whether they were the subject of suits at common law or in equity for Seventh Amendment purposes. Where Article III is concerned, however, the dispute is entirely academic because, as both Greene’s and the government acknowledge, *courts* (whether at law or in equity) have adjudicated patent-validity challenges for centuries. Greene’s BIO at 6 (“Claims for annulment or cancellation of a patent * * * were traditionally brought before courts of equity[.]”); Fed. BIO at 15 (same).

English courts heard patent-infringement cases throughout the 18th century. See *Markman*, 52 F.3d at 992 (“An action for patent infringement is one that would have been heard in the law courts of old England.”); see also, e.g., *Boulton v. Bull*, 126 Eng. Rep. 651, 656, 660 (C.P. 1795); *Morris v. Bramsom*, 1 Carp. P.C. 30, 31 (K.B. 1776); *Turner v. Winter*, 99 Eng. Rep. 1274, 1275 (K.B. 1787); 2 JOSEPH STORY, COMMENTARIES ON EQUITY JURISPRUDENCE 236-39, §§ 930-34 (Melville M. Bigelow ed., Little, Brown, & Co., 13th ed. 1886).

A patent-invalidity case began in one of several ways. First, it could have been filed as an infringement action in the Courts of King’s Bench, Common Pleas, or the Exchequer of Pleas, where a defendant might

assert the relevant patent's invalidity as a defense. Bottomley, *supra*, at 36-37, 41-43; see also Gómez-Arostegui, *supra*, at 210-12; Br. for H. T. Gómez-Arostegui and S. Bottomley as *Amici Curiae* ("Legal Historians") at 5-6. Second, it could have begun as an infringement suit in the Court of Chancery—although if the defendant placed the patent's validity at issue, the matter was sent to a court of law for a jury trial. *Morris*, 1 Carp. P.C. at 31; *Turner*, 99 Eng. Rep. at 1275; *Horton v. Harvey* (K.B. 1781), reprinted in 1 James Oldham, *The Mansfield Manuscripts* 762 (1992); Br. of Legal Historians at 6.

Judicial adjudication of patent validity as a defense to infringement has a long pedigree. *Darcy*, 77 Eng. Rep. at 1262; see also Jacob Corré, *The Argument, Decision, and Reports of Darcy v. Allen*, 45 EMORY L.J. 1261, 1297 (1996). These validity defenses included assertions that a patent's claims were not novel, *Newsham v. Grey*, C33/376, f. 336^{r-v} (Ch. 1740), 2 Atk. 286, 286 (Ch. 1742); *Morris*, 1 Carp. P.C. at 32; *Martin v. Calfson* (K.B. 1781), reprinted in 1 James Oldham, *The Mansfield Manuscripts* 760-61—the same matter that the Board now adjudicates in *inter partes* review. 35 U.S.C. § 311(b).

Infringement suits aside, the Court of Chancery also reviewed the validity of a patent in actions commenced by a writ of *scire facias*—essentially a show-cause order to explain why the patent should not be revoked. *Am. Bell Tel. Co.*, 128 U.S. at 360; see also 3 WILLIAM BLACKSTONE, COMMENTARIES ON THE LAWS OF

ENGLAND 260-61 (1768) (“Where the crown hath unadvi[s]edly granted any thing by letters patent, which ought not to be granted, * * * the remedy to repeal the patent is by writ of *scire facias* in chancery.”).

To be sure, the King occasionally also acted to cancel patents. On rare occasions, the Privy Council would withdraw patents on behalf of the King—a practice that appears to have arisen out of the initial concept of patents as a royal prerogative, to be granted or withdrawn at the sovereign’s discretion, and which has no analogue in American patent law. See Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property* 9 (June 2005) (unpublished Ph.D. thesis, Harvard Law School), <https://law.utexas.edu/faculty/obracha/dissertation/pdf/chapter1.pdf> (“The essence of sixteenth and seventeenth century English patents was being an instrument for the exercise of royal prerogative power.”). But these patent withdrawals were rare indeed, having ceased entirely by 1779. Br. of Legal Historians at 34-37. Even a treatise writer in 1846, who urged others to revive use of the Privy Council for patent revocation, admitted that the “ordinary” remedy for the Crown or the public for dealing with a bad patent was “only available by pleading and proving the cause of invalidity in a Court of justice,” by which he meant *scire facias*. W.M. HINDMARCH, A TREATISE ON THE LAW RELATING TO PATENT PRIVILEGES 431 (1846). These proceedings bear little on the scope of judicial authority in England at common law.

In any event, as this Court has noted before, tracing the roots of a historical practice does not depend on

how a matter was *occasionally* resolved, but on how it was *typically* resolved. See, e.g., *Granfinanciera*, 492 U.S. at 43 (“Respondent does not * * * contend that actions to recover fraudulent conveyances or preferential transfers were more than occasionally tried in courts of equity * * * While respondent’s assertion that courts of equity sometimes provided relief * * * is true, however, it hardly suffices to undermine petitioners’ submission that the present action * * * would not have sounded in equity 200 years ago in England.”).

Modern practice overwhelmingly reflects historical practice. The federal district courts routinely decide patent validity, which accused infringers assert as a defense or counterclaim. The “defenses in any action involving * * * infringement of a patent” include “[i]nvalidity of the patent.” 35 U.S.C. § 282; see also, e.g., *Sandoz Inc. v. Amgen Inc.*, 137 S. Ct. 1664, 1673 (2017) (“Sandoz counterclaimed for declaratory judgments that the asserted patent was invalid[.]”); *J.E.M. Ag Supply, Inc. v. Pioneer Hi-Bred Int’l Inc.*, 534 U.S. 124, 129 (2001) (“Farm Advantage answered with a general denial of patent infringement and entered a counterclaim of patent invalidity[.]”).

In sum, for centuries before the Founding—and, until very recently, for centuries after—courts determined whether a patent was valid. Because a patent’s validity “is the subject of a suit at the common law, or in equity, or admiralty,” Congress may not “withdraw from judicial cognizance” cases adjudicating that matter. *Stern*, 564 U.S. at 484 (quoting *Murray’s Lessee*, 18 How. at 284). *Inter partes* review does just that—and,

as demonstrated next, it does so without any justification that this Court has recognized.

B. *Inter Partes* Review Cannot Be Justified By The Public-Rights Doctrine.

This Court has, to be sure, permitted tribunals other than Article III courts to exercise the judicial power over public rights—but that doctrine cannot justify *inter partes* review. Public rights encompass only claims (i) by or against the government, (ii) which have been historically resolved outside the Judicial Branch, or (iii) the resolution of which is “essential to a limited regulatory objective * * * integrally related to particular federal government action.” *Stern*, 564 U.S. at 490-91. Patent-validity claims are none of these. Patents “have * * * the attributes of personal property,” 35 U.S.C. § 261, and thus patent-validity claims involve disputes over quintessential private property rights that must be adjudicated by courts. Adam Mossoff, *Patents As Constitutional Private Property: The Historical Protections Of Patents Under The Takings Clause*, 87 B.U. L. REV. 689, 701 (2007) (discussing the American judicial tradition of patents’ protection under Takings Clause as property rights).

If a question about a patent’s validity may instead be shunted from the federal courts to an administrative agency “simply by deeming it part of some amorphous ‘public right,’” then Article III’s protections have devolved into mere “wishful thinking.” *Stern*, 564 U.S. at 495. After all, public-rights cases are the exception.

Most disputes involve only private rights—including “private tort, contract, and property cases, as well as a vast range of other cases.” *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 458 (1977). “Private rights * * * traditionally include[] * * * property rights,” *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1551 (2016) (Thomas, J., concurring) (quoting 3 WILLIAM BLACKSTONE, COMMENTARIES 130-39), and these cases adjudicate “the liability of one individual to another under the law as defined.” *Stern*, 564 U.S. at 489 (quoting *Crowell v. Benson*, 285 U.S. 22, 51 (1932)). These private rights—the broad swath of matters fit for judicial resolution—may only be adjudicated by Article III courts.

1. Patent-Validity Cases Are Private-Right Disputes Historically Resolved By Courts.

This Court has always regarded patents as property rights that may only be adjudicated as private rights—i.e., by Article III courts. Patents and the rights they confer have been referred to as “property” as early as the 1793 Patent Act. 1 Stat. 318, 320 (1793) (entitling inventors to “present a petition to the Secretary of State, signifying a desire of obtaining an exclusive property” in that invention); see also 35 U.S.C. § 261. Hence this Court’s observation over a century ago that a patent takes its subject “from the people, from the public, and ma[kes it] the private property of the patentee.” *Am. Bell Tel. Co.*, 128 U.S. at 370. The resulting patent rights are unquestionably the patent

owner’s “private property.” *Brown v. Duchesne*, 60 U.S. 183, 197 (1856). Only one “authority [is] competent to set” a private property right such as “a patent aside, or to annul it, or to correct it for any reason whatever.” *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 609 (1898). It is the same authority that can do so for all private rights: “the courts of the United States.” *Ibid.*

Patents remain private property, and thus private rights, to the present day. Like a parcel of land, a patent entitles its owner to exclude others. See *General Information Concerning Patents*, USPTO (Oct. 2015), <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents> (“A patent for an invention is the grant of a property right to the inventor * * * the right to exclude others[.]”). The owner not only may, but *must*, enforce the boundaries of his property; the government asserts no ownership rights in the patent and does not assist the owner in protecting his rights. *Ibid.* (“Once a patent is issued, the patentee must enforce the patent without aid of the USPTO.”). He must therefore seek judicial recourse against trespassers—infringers, in the patent context—to vindicate the boundaries of his property. *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 786 F.3d 899, 924-25 (Fed. Cir. 2015). In this, a patent owner is like any other private party pressing a “private tort, contract,” or—especially—“property case[.]” *Atlas Roofing*, 430 U.S. at 458. This “vast range of * * * cases” is “not at all implicated” by the public-rights doctrine. *Ibid.* Neither is this case.

2. Patent-Validity Cases Are Not Brought By Or Against The Government.

The first, most straightforward line demarcating public-rights cases is whether the case is brought against the government. If so, the government could condition its consent to hear the claim at all on its being heard in its choice of forum. *Stern*, 564 U.S. at 489. This Court first recognized the notion of public rights in exactly that context in *Murray's Lessee*. There, the Treasury Department determined that a customs collector failed to transfer payments to the federal government and, as a consequence, sold a parcel of land belonging to the collector. 18 How. at 274-75. Multiple claimants asserted title to the land, with one challenging the Treasury Department's original determination and sale as an adjudication outside Article III courts. *Ibid.* After cautioning that Congress could not withdraw Article III matters from the federal courts, this Court coined the term "public right" to describe actions such as the sale. *Id.* at 284.

As this Court has since explained, because a case regarding the sale could commence only through a waiver of sovereign immunity, "[t]he point of *Murray's Lessee* [is] simply that Congress may set the terms of adjudicating a suit when the suit could not otherwise proceed at all" because of sovereign immunity. *Stern*, 564 U.S. at 489. Little explanation is required to understand that this category of public-rights cases cannot save *inter partes* review, which is initiated by

private parties and implicates no waivers of sovereign immunity.⁴

3. Patent Cases Have Not Historically Been Resolved Wholly Outside The Judicial Branch.

Murray's Lessee discussed another category of public rights cases—those involving rights that traditionally have been resolved wholly within another branch. 18 How. at 284. Congress could leave the adjudication of a justiciable case about those rights to that branch, this Court observed, or otherwise reassign its adjudication as it pleased. *Ibid.* Sometimes describing these matters as those “that historically could have been determined exclusively by” the Executive or Legislative Branches, *N. Pipeline*, 458 U.S. at 68 (plurality op.), *Murray's Lessee* provided as an example equitable claims of land ownership to territory that had been formally ceded to the United States. *Murray's Lessee*, 18 How. at 284. The Executive could unilaterally resolve competing rights disputes over these lands, just as the Recorder of Land Titles had in *Burgess v. Gray*, 16 How. 48, 61 (1853). *Murray's Lessee*, 18 How. at 284 (citing *Gray*). These cases, therefore, could also be adjudicated outside of Article III courts.

⁴ Of course, patent claims against the federal government may be heard in the Article I Court of Federal Claims. 28 U.S.C. § 1498(a).

Aside from adjudicating land claims in territory ceded to the United States, *Gray*, 16 How. at 61, and in the District of Columbia, where Congress has plenary power, *Am. Ins. Co. v. Canter*, 1 Pet. 511, 518 (1828); see also U.S. CONST. art. I, § 8, cl. 17, these public-rights cases included adjudications regarding membership in Indian tribes; the appraisal, classification, and collection of customs duties, *Ex Parte Bakelite Corp.*, 279 U.S. 438, 458-59 (1929); and other similar “functions, although mostly quasi judicial, [which] were all susceptible of performance by executive officers, and had been performed by such officers in earlier times.” *Id.* at 458-59.

Disputes about a patent’s validity, however, were not only *not* adjudicated by Executive “officers in earlier times,” but this Court had also declared “the courts of the United States * * * [t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever,” *McCormick*, 169 U.S. at 609, and *not* “the department which issued the patent,” the Executive. *Ibid.* Both historical practice and *McCormick*, then, foreclose calling a patent a “public right” on this basis.

4. Patent Cases Do Not Involve “New Statutory Obligations,” Nor Is Their Adjudication “Essential To A Limited Regulatory Objective.”

That leaves only the most recent strain of public-rights cases—those involving claims that “derive[] from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.” *Stern*, 564 U.S. at 490. But these cases cannot justify the Board’s adjudication of private patent rights either. This category includes only claims that meet two criteria. First, the claim must arise from a “new statutory obligation[]” created by Congress without a historical analogue to actions adjudicated by courts. *Atlas Roofing*, 430 U.S. at 450 (citation omitted). Second, the claim must be “integrally related to” a regulatory scheme governing parties’ private conduct beyond merely the adjudication of those kinds of claims. *Stern*, 564 U.S. at 490-91. Patent-validity claims satisfy neither criterion.

First, this Court has reaffirmed time and again that this category of public rights arises only from *new* statutory obligations without historical analogues. Thus in *Atlas Roofing*, this Court emphasized that OSHA had expanded well beyond common-law negligence and wrongful-death liability by “creat[ing] new statutory obligations” that were previously unheard of. 430 U.S. at 450.

Similarly, there was no common-law analogue to the statutory compensation scheme in *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568 (1985), which entitled federal pesticide registrants to compensation for the costs of trade-secret information disclosed to the federal government. As this Court noted, trade-secret property interests were conventionally extinguished by their disclosure to a party not obligated to keep them secret—so a statute entitling the disclosure of a secret to compensation provided a claim without a common-law counterpart. *Id.* at 584-85.

Likewise, the obligations vindicated by the broker-reparation scheme in *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833 (1986), significantly expanded the common law. This Court later described the Commodity Exchange Act as prohibiting both “fraudulent” and “manipulative conduct” related to commodity futures transactions, *id.* at 836—a novel statutory expansion on traditional fraud (just as the OSHA obligations in *Atlas Roofing* expanded negligence and wrongful-death actions).⁵

Compared to these novel administrative regimes, patents are hardly “new statutory obligations.” Far

⁵ In *Schor*, this Court permitted the Commission to adjudicate a state-law, private-right counterclaim along with the public-rights claims because it was “necessary to make the reparations procedure workable” and amounted to an “intrusion * * * [that] can only be termed *de minimis*.” 478 U.S. at 856. Moreover, the parties in *Schor* consented to the adjudication, see *Wellness Int’l*, 135 S. Ct. at 1944, and that is not the case here.

from being a stranger to the common law, patents have been adjudicated by American and English courts for centuries. The most one could say is that they arise by statute. But this is not enough: the applicability of the constitutional right to jury trial—and thus the right to an Article III court, *Granfinanciera*, 492 U.S. at 53-54—in actions enforcing “statutory rights” is “a matter too obvious to be doubted.” *Curtis v. Loether*, 415 U.S. 189, 193 (1974).

If the mere creation of a right by federal statute sufficed to enable Congress to vest the judicial power to adjudicate disputes regarding that right in a non-Article III tribunal, then Congress could just as easily create an Article I court to adjudicate Sherman Act cases, as American antitrust law significantly expanded on common-law jurisprudence regarding restraints of trade. *United States v. Socony-Vacuum Oil Co.*, 310 U.S. 150, 224 n.59 (1940). Of course, it cannot. *Fleitmann v. Welsbach Street Lighting Co. of Am.*, 240 U.S. 27, 29 (1916). Indeed, the notion that Congress could divest federal courts of the judicial power over rights merely because they arise under the laws of the United States would surely have confused the conventions ratifying Article III, who affirmed that the “judicial power” of the federal courts “shall extend to all cases, in law and equity, arising under * * * the laws of the United States,” U.S. CONST. art. III, § 2, even when those laws granted rights.

Second, even if patent rights were somehow “new statutory obligations,” they still would not qualify as

public rights because they fail the second requirement—they are not “integrally related” to a particular federal government action with a limited regulatory objective. *Stern*, 564 U.S. at 490-91. In other words, these integrally related adjudications are closely related in subject matter to an attempt to enforce a governmental obligation on regulated parties. The adjudication itself cannot be the “limited regulatory objective”—otherwise it would be no limit at all.

Atlas Roofing is the paradigm of this sort of case. There, the federal government cited two companies for violating OSHA after several employees died in workplace incidents. 430 U.S. at 447. The adjudication of these citations in a non-Article III tribunal was permissible, this Court held, because they were integrally related to the government’s enforcement action against the cited business. *Id.* at 460-61. Likewise, in *Thomas*, this Court approved a non-Article III tribunal where the dispute was “integral[ly] related” to a “complex regulatory scheme” involving particular governmental regulatory actions over particular pesticides. 473 U.S. at 589. And the claims adjudicated in *Schor* arose from a private attempt to enforce government regulatory obligations under the Commodities Exchange Act, along with a state-law counterclaim that arose out of the same transaction, adjudicated because it was “necessary to make the reparations procedure workable.” 478 U.S. at 856-57. These, too, were integrally related to the Act’s reparations procedure and to the Act’s enforceable public obligations.

In each of these cases, the rights in question derived from a federal regulatory scheme where adjudicating those rights was critical to a specific regulatory obligation enforceable through an action *aside* from the adjudication itself. But *inter partes* review does not follow from a governmental enforcement effort, does not regulate private conduct, does not follow from any public obligations borne by patent owners, and therefore is not integrally related to any particular federal governmental action.

It is not, for example, conducted to resolve a citation or sanction by the federal government for noncompliance with a federal regulatory regime, as in *Atlas Roofing*. Nor, as in *Thomas*, is *inter partes* review pursuant to some common governmental obligation on regulated entities. Nor, as in *Schor*, is it the adjudication of competing claims of right under a federal regulatory regime. Indeed, the PTO disclaims the responsibility to regulate private parties and the infringement of their rights that administrative agencies enforcing public rights take up: the Board does not seek to enforce obligations against private parties on behalf of the government. Instead, it adjudicates “[w]holly private * * * property cases,” the very opposite of “public rights.” See *Atlas Roofing*, 430 U.S. at 458.

Thus to justify its conclusion that *inter partes* review involves a public right, the Federal Circuit was forced to expand this Court’s narrow public-rights doctrine far beyond what this Court has ever recognized. See *MCM Portfolio*, 812 F.3d at 1290-91. Rather than

“limit[ing] the exception to cases * * * in which resolution of the claim by an expert government agency is deemed *essential* to a *limited regulatory objective*,” *Stern*, 564 U.S. at 490 (emphasis added), the Federal Circuit vastly expanded it by regarding agency “expertise” as sufficient. And contrary to the Federal Circuit, see *MCM Portfolio*, 812 F.3d at 1290-91, agency expertise alone is no limit at all. Any agency (one hopes) may gain expertise in a given regulatory scheme and accompanying area of law by having the Executive Branch’s authority to enforce that law delegated to it. Indeed, to justify conferring the judicial power under Article III merely on the PTO’s expertise amounts to a buy-one-get-one-free sale for the Constitution’s Vesting Clauses: exercise the executive power, get the judicial power thrown in, too.

And to justify the PTO’s exercise of the judicial power based on its potential *errors* in applying the patent law (by wrongly issuing certain patents in the first place), see *ibid.*, is risible. There is already a branch with the specific competence and the constitutional mandate to examine whether Executive Branch actors have complied with the laws of the United States: the Judicial Branch. This argument for exercising the judicial power amounts to the belief that combining the various powers in our government into one body improves the chances that each will be exercised well. It suffices to say that this belief is reflected neither in the Founders’ conception of the separation of powers nor in this Court’s.

If these threadbare reasons suffice to combine separated powers, then the Constitution's powers are separated in name only. Congress may bypass Article III by setting up a specialist Executive body to perform any lawful function and then bootstrap the illegitimate power to adjudicate cases arising from those actions under the guise of expertise and error correction. A public-rights doctrine so capacious cannot be reconciled with Article III or this Court's cases enforcing its limits. Patent-infringement and patent-validity cases are private property disputes, and no conception of public rights that this Court has recognized or should recognize converts such a private dispute into a public one.

C. No Other Basis Recognized By This Court Can Excuse *Inter Partes* Review.

This Court has also considered whether, as a practical matter, decision-making by a non-Article III tribunal would “usurp the constitutional prerogatives of Article III courts.” *Wellness Int'l*, 135 S. Ct. at 1944-45. This analysis further confirms that *inter partes* review violates Article III because it intrudes upon the separation of powers and usurps the constitutional prerogatives of the Judicial Branch.

1. *Inter Partes* Review Subjects Litigants To A Non-Article III Tribunal Without Their Consent.

First and foremost, this Court has considered whether the parties have consented to adjudication by a non-Article III tribunal. See *Wellness Int'l*, 135 S. Ct. at 1943. Although “notions of consent and waiver cannot be dispositive because the limitations [of Article III] serve institutional interests that the parties cannot be expected to protect,” *Schor*, 478 U.S. at 851, where “the decision to invoke th[e] forum is left entirely to the parties,” *id.* at 855, consent diminishes separation-of-powers concerns “for it seems self-evident that * * * Congress may make available a quasi-judicial mechanism through which willing parties may, at their option, elect to resolve their differences.” *Ibid.*; see also *Peretz v. United States*, 501 U.S. 923, 936 (1991) (holding that Article III permits a litigant to consent to a magistrate judge supervising jury selection); *Wellness Int'l*, 135 S. Ct. at 1944 (explaining that the “entitlement to an Article III adjudicator is a personal right and thus ordinarily subject to waiver” (internal quotation marks omitted)).

Inter partes review, however, can and does—as it did in this case—adjudicate patent validity over the objections of the patent owner. Like the litigants in *Stern* and *Northern Pipeline*, Oil States “‘did not * * * consent to’ resolution of the claim against it in a non-Article III forum.” 135 S. Ct. at 1946 (quoting *Stern*, 564 U.S. at 493). To the contrary, Oil States vigorously opposed *inter partes* review. “[T]he cases in which this

Court has found a violation of a litigant’s right to an Article III decisionmaker have involved an objecting defendant forced to litigate involuntarily before a non-Article III court.” *Wellness Int’l*, 135 S. Ct. at 1947. This is precisely such a case.

2. *Inter Partes* Review Is Conducted Without Meaningful Article III Supervision.

This Court has, at times, approved the exercise of the judicial power by non-Article III tribunals when they are subject to substantial supervision by Article III courts. See *Schor*, 478 U.S. at 853 (agency orders were “enforceable only by order of the district court”); *Northern Pipeline*, 458 U.S. at 85-86 (explaining that “the agency in *Crowell* was required by law to seek enforcement of its compensation orders in the district court”). *Inter partes* review, however, is conducted without any Article III supervision whatsoever: proceedings begin and run their course to judgment without an Article III court’s involvement at any point.

The Board’s orders—or “judgments”—are wholly self-executing and appealable as of right only directly to the Federal Circuit. Nor can the district court—as in *Wellness International*—withdraw a reference to the Board. See 135 S. Ct. at 1945. Once *inter partes* proceedings are instituted, litigants have no option other than to try their case before a non-Article III tribunal without having that tribunal subject to any Article III supervision or control.

An Article III court becomes involved with an *inter partes* review proceeding only if a party appeals to the Federal Circuit. But appellate review is not what this Court has deemed “supervision” or “control.” For example, an Article III court controlled the non-Article III tribunal in *Crowell* in part because the tribunal could not issue a self-executing judgment—only a district court could. 285 U.S. at 44-45, 48. Likewise, only a district court could enforce the Commission’s orders in *Schor*, 478 U.S. at 853. And references to bankruptcy judges can be withdrawn by district courts. *Northern Pipeline*, 458 U.S. at 80 n.31.

This Court has also underscored Article III courts’ control over magistrates, including their selection as an initial matter. *Wellness Int’l*, 135 S. Ct. at 1945. But *inter partes* review shares none of these characteristics. Board judgments are self-executing; no Article III court may withdraw *inter partes* proceedings; and the Executive controls the composition of the Board. All that is left to an *inter partes* litigant is a right to appeal, which this Court has never held or even suggested could be sufficient as “control” or “supervision.”

Moreover, even when an *inter partes* litigant appeals to the Federal Circuit, the Board receives extraordinary deference. The Federal Circuit reviews *inter partes* review proceedings to determine whether the Board’s findings are supported by “substantial evidence,” *Homeland Housewares, LLC v. Whirlpool Corp.*, No. 2016-1511, ___ F.3d ___, 2017 WL 3318764, at *2 (Fed. Cir. Aug. 4, 2017), a standard of review that this Court has equated to the standard for overturning

a jury's verdict. *N.L.R.B. v. Columbian Enameling & Stamping Co.*, 306 U.S. 292, 300 (1939). Indeed, this standard is far more deferential than the "clearly erroneous" review held insufficient in *Northern Pipeline*, 458 U.S. at 85, and vastly more deferential than the schemes upheld in *Crowell* and *Schor*. See *Schor*, 478 U.S. at 853 ("CFTC orders are also reviewed under the same 'weight of the evidence' standard sustained in *Crowell*, rather than the more deferential [clearly erroneous] standard found lacking in *Northern Pipeline*."); *Dickenson v. Zurko*, 527 U.S. 150, 152-53 (1999).

Thus when conducting *inter partes* review, the Board does not function merely as a fact-finding "adjunct" of the district court, reserving judicial power for the Judicial Branch. To the contrary, the Board adjudicates cases entirely bereft of the Article III court supervision that this Court has deemed essential. For example, in permitting parties to waive their right to an Article III forum and permit adjudications of particular matters in bankruptcy courts, the Court noted that "[b]ankruptcy judges, like magistrate judges, 'are appointed and subject to removal by Article III judges.'" *Wellness Int'l*, 135 S. Ct. at 1945 (quoting *Peretz*, 501 U.S. at 937). The entire process of adjudication by bankruptcy judges and magistrates thus "takes place under the district court's total control and jurisdiction." *Ibid.*

Not so with *inter partes* review. Board judges are appointed through a process seated entirely in the Executive Branch. The Director of the PTO recommends potential judges to the Commerce Secretary, who in

turn makes the final selection. *Patent Trial and Appeal Board: Are you interested in becoming an administrative patent judge?*, USPTO (Apr. 10, 2014).⁶ The Secretary is not required to seek the President’s approval, nor is Congress involved in the selection process. *Ibid.*; see also Letter from Richard A. Epstein, Professor, New York University School of Law, and F. Scott Kieff, Professor, George Washington University School of Law, to the House Judiciary Committee 12-13 (Mar. 30, 2011) (noting the sweeping powers of the PTO Director regarding the Board and concluding that the agency has “the power that is denied to the President and the Congress in setting up both Article I and Article III courts”).

Once selected, the judges have no tenure-in-office protections beyond those that ordinary civil servants enjoy. Unlike, for example, judges on the Article I Court of Claims, they do not serve for a fixed term of years. 28 U.S.C. § 172. And they may be discharged like any other federal employee covered by the civil service laws. See Civil Service Reform Act of 1978, Pub. L. No. 95-454, 92 Stat. 1111 (1978).

Board judges depend wholly on their superiors for performance evaluations, promotions, and raises. See, e.g., *Organizational Structure and Administration of Patent Trial and Appeal Board*, *supra* (describing promotion system). The salary and promotion potential of

⁶ Available at https://www.uspto.gov/ip/boards/bpai/ptab_brochure_v2_4_10_14.pdf.

every judge thus depends on the approval of a politically appointed Executive Branch officer (or the officer's subordinates).

Not only are the judges of the Board wholly dependent on politically appointed Executive Branch officers for salary, promotion, and tenure, but the Executive Branch can also directly influence the Board's decision-making. The Director of the PTO, a political appointee, selects how many judges (above the three required by the statute) and which ones will adjudicate cases. See 35 U.S.C. § 6(c). The Director can even designate himself to adjudicate an *inter partes* review. See 35 U.S.C. § 6(a).

The risk that these powers will be used to influence specific decisions is not hypothetical. It has already happened. Two Federal Circuit judges recently expressed “concern[] about the PTO’s practice of expanding panels to decide requests for rehearing.” *Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co.*, No. 16-2321, ___ F.3d ___, 2017 WL 3597455, at *6 (Fed. Cir. Aug. 22, 2017) (Dyk, J., concurring). “Here, after a three-member panel of administrative judges denied” a petitioner’s request to join its second, time-barred, petition with its earlier, timely filed and instituted *inter partes* review, the petitioner requested rehearing. *Id.* at *1-2. “The Acting Chief Judge, acting on behalf of the Director” then “expanded the panel from three to five members” in order, in the Director’s words, to achieve “uniformity” of the Board’s decisions. *Id.* at *6. That expanded panel reversed the prior panel’s decision, leading several Federal Circuit judges

to “question whether the practice of expanding panels where the PTO is dissatisfied with a panel’s earlier decision is” an “appropriate mechanism” for “achieving the” Director’s “desired uniformity.” *Ibid.*

This is not the first time the Director of the PTO has appointed judges to panels to alter decisions in pending cases. After a three-member panel of the Board’s predecessor BPAI reversed a patent examiner’s rejection of claims in a patent application, the head of the BPAI appointed an expanded panel for rehearing. *In re Alappat*, 33 F.3d 1526, 1531 (Fed. Cir. 1994) (*en banc*), abrogated on other grounds by *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008). The five new members all voted against the decision of the original three-member panel. *Ibid.* A plurality of the Federal Circuit concluded that the “statutory scheme” permitted the head of the Board “to determine the composition of Board panels, and thus he may convene a Board panel which he knows or hopes will render the decision he desires, even upon rehearing, as he appears to have done in this case.” *Id.* at 1535 (plurality op.).

The PTO’s Solicitor recently acknowledged that the practice of appointing additional judges to reverse a panel’s judgment continues under the current Board. See *Yissum Research Dev. Co.*, *supra*, Oral Argument at 48:00-06. As the Solicitor put it, the Director has to “be able to make sure that her policy judgments [were] enforced by the Board” in any given case. *Id.* at 43:17-42. Such a system of adjudication—in which a political appointee can hand-pick a panel to render the decision

she desires—could not be further removed from the guarantees of judicial independence secured by Article III.

These are the dangers against which Article III supervision is designed to guard: the possibility that Congress could “transfer jurisdiction [to non-Article III tribunals],” thus “aggrandiz[ing] * * * one branch at the expense of the other.” *Wellness Int’l*, 135 S. Ct. at 1944 (quoting *Schor*, 378 U.S. at 850). Congress has done just that, wresting the judicial power from a politically independent judicial tribunal and vesting it in a politically beholden Executive one—aggrandizing to the Executive that which belongs to the Judiciary. Article III’s “structural purpose[s],” *ibid.*, forbid Congress from doing so.

D. The Concerns That Led Congress To Establish *Inter Partes* Review Confirm The Article III Violation.

The “concerns that drove Congress to depart from the requirements of Article III” in establishing *inter partes* review only confirm that it violates Article III. See *Schor*, 478 U.S. at 851.

Congress created *inter partes* review primarily out of a concern that the federal district courts provided insufficient protection against the assertion of meritless patents. See H.R. REP. NO. 112-98, at 39 (noting “a growing sense that questionable patents are too easily obtained and are too difficult to challenge”); *id.* at 48 (explaining that the statute seeks to “improve

patent quality and restore confidence in the presumption of validity that comes with issued patents”). To the extent the AIA was motivated by concerns about abusive or inefficient consolidation of patent litigation in the Eastern District of Texas, in particular, preliminary studies suggest that this Court’s recent decision in *TC Heartland LLC v. Kraft Food Brands, LLC*, 134 S. Ct. 1514 (2017), is expected to reduce filings there by 70 percent. See, e.g., *How TC Heartland May Affect District Court Filings: A Quantitative Assessment*, Unified Patents (June 1, 2017), <https://www.unifiedpatents.com/news/2017/5/31/a-quantitative-assessment-of-how-tc-heartland-may-affect-district-court-filings>.

Not surprisingly, *inter partes* review has done just what it was designed to do—invalidating nearly 80 percent of the patents in the cases it adjudicates as of March 2016. *PTAB Statistics*, USPTO (Mar. 31, 2016), <https://www.uspto.gov/sites/default/files/documents/2016-3-31%20PTAB.pdf>. As the then-chief administrative judge of the Board put it in 2014, “[i]f we weren’t, in part, doing some ‘death squadding,’ we would not be doing what the statute calls on us to do.” Ryan Davis, *PTAB’s ‘Death Squad’ Label Not Totally Off-Base*, LAW360 (Aug. 14, 2014), <http://bit.ly/2p2JPDo>.

Congress quite intentionally withdrew a significant number of patent disputes—those involving invalidity defenses and counterclaims—from federal district courts because Congress was dissatisfied with the speed and results of district court decision-making. Congress is free to change the rules of decisions

applied by federal courts (within the constraints imposed by other constitutional provisions, of course). But Congress cannot withdraw matters traditionally adjudicated in courts of law from Article III courts so that an administrative agency can adjudicate those matters in “trials” that lack Article III’s most fundamental guarantees. Such a purpose is flatly inconsistent with the separation-of-powers principles inherent in Article III.

Indeed, because *inter partes* review stands virtually alone among non-Article III tribunals in combining both a full-dress exercise of judicial power with a private-right subject matter, invalidating *inter partes* review would have no spill-over effect into other administrative proceedings.

Unlike the Court of Federal Claims—which adjudicates only claims against the government, and thus necessarily public rights—the Board resolves cases between private parties. See 28 U.S.C. § 1491. Unlike the International Trade Commission, whose “decisions * * * involving patent issues have no preclusive effect in other forums,” see *Texas Instruments v. Cypress Semiconductor Corp.*, 90 F.3d 1558, 1569 (Fed. Cir. 1996), the Board issues final “judgments” that can be overturned only by the Federal Circuit. As observed by one Federal Circuit judge, “a decision of the PTO, an administrative agency under a coordinate branch of government, can displace a judgment of an Article III court.” *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1370 (Fed. Cir. 2015) (O’Malley, J., dissenting). Unlike interference proceedings, *inter partes* review

provides no recourse to a federal district court for a full Article III trial. And unlike traditional *ex parte* reexamination—which is an interactive proceeding between the agency and the patent owner—*inter partes* review is an adversarial proceeding with all the trappings of litigation.

Each of these other tribunals or proceedings stops short of exercising Article III judicial power over private rights. *Inter partes* review does not. This Court would therefore call no other tribunal or proceeding into question by prohibiting this clear intrusion into Article III.

II. *Inter Partes* Review Violates The Seventh Amendment.

No less than wrongfully usurping the role guaranteed to federal courts by Article III, *inter partes* review also usurps the role guaranteed to juries under the Seventh Amendment. Historically, challenges to a patent’s validity were decided in actions at law, with disputed questions of fact resolved by juries. The Seventh Amendment preserves the same jury right for patent owners today.

The Seventh Amendment guarantees federal litigants a jury “[i]n suits at common law,” U.S. CONST. amend. VII, “preserv[ing] the right to jury trial as it existed in 1791.” *Curtis*, 415 U.S. at 193. Thus federal litigants may try to juries questions of fact in actions customarily tried to juries in the late 18th century as

well as their modern-day statutory analogues. *Granfinanciera*, 492 U.S. at 42. Patent-validity actions were tried to juries in England, but the Board adjudicates those same actions (or their modern-day analogues) today. The Seventh Amendment does not permit that arrangement.

As discussed above, *supra* Part I.A.2., patent-validity cases began in several ways in England in 1791: during a patent infringement action at law or suit in equity, or otherwise through an action commenced by a writ of *scire facias*. A dispute concerning a patent's validity was treated as an action at law in any event. The Statute of Monopolies, which regulated the granting of patents in England, "declared * * * [t]hat all * * * lettres patentes * * * and the force and validitie of them and every of them ought to be, and shall be for ever hereafter examyned heard tryed and determined by and accordinge to the Cōmon Lawes of this Realme & not otherwise." 21 Jac. 1, c. 3, § 2.

Infringement actions were the typical way that patent-validity questions arose. For the most part in 1791, "[a]n action for patent infringement is one that would have been heard in the law courts of old England." *Markman*, 52 F.3d at 992. This was the usual occurrence, and this Court bases its historical analysis on what typically occurred, occasional outliers notwithstanding. See, e.g., *Granfinanciera*, 492 U.S. at 43.

An infringement action brought in the law courts would begin with the patent owner filing an action for

trespass on the case, Gómez-Arostegui, *supra*, at 212-13; Br. of Legal Historians at 9—the archetypical common-law tort action for damages. See *City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 715-16 (1999). “Actions on the case, like other actions at law, were tried before juries,” *Feltner v. Columbia Pictures Television, Inc.*, 523 U.S. 340, 349 (1998) (Thomas, J.), and a patent-infringement action was no different.⁷ In response, when the alleged infringer generally denied infringement through a “not guilty” plea, the case was tried to a jury if the alleged infringer requested it. Gómez-Arostegui, *supra*, at 212-13; Br. of Legal Historians at 9.

Juries resolved numerous disputed-fact questions in these actions, including those that would preclude a conclusion of infringement if found in the negative. These questions included whether a patent’s invention was novel and whether the patent owner had actually invented the patented invention. E.g., *Liardet v. Johnson* (K.B. 1778), reprinted in 1 James Oldham, *The Mansfield Manuscripts* 753, 756. Jury instructions in these cases would charge jurors with determining, for

⁷ In this, a patent-infringement action operated like its close cousin, the copyright-infringement action, which, as this Court has held, is plainly an action at law to which the Seventh Amendment right attaches. *Feltner*, 523 U.S. at 351, 354-55; see also H. Tomás Gómez-Arostegui, *The Untold Story of the First Copyright Suit under the Statute of Anne in 1710*, 25 BERK. TECH. L.J. 1247, 1326-38 (2010) (explaining that “courts of record,” such as those called on under Statute of Anne, cited in *Feltner*, were necessarily courts at law, and thus actions instituted in such courts were at law, not in equity). Just so here.

example, whether a claimed invention was “known and in use before” an alleged infringement as “a matter of fact, the proof of which lies on Defendant.” *Ibid.* Likewise, another instruction informed the jury that they must decide if the “Patentee * * * [was] really the inventor [and] the Invention * * * is new.” Br. of Legal Historians at 17-18; *Strutt v. James* (C.P. 1783). In other words, not only was the question of patent infringement tried to a jury, but the necessary preconditions for the patent’s validity were tried to a jury as well.

A patent owner could initiate an infringement action in the Court of Chancery as well; after all, the owner had his choice of venue between the courts of law or the courts of equity. Bottomley, *supra*, at 36-37. But the Statute of Monopolies prevented the courts of equity from determining a patent’s validity. Indeed, Edward Coke explained that the Statute of Monopolies’ restriction on patent-validity questions to courts of law—that all challenges to patents or their validity must “be examined, heard, tried, and determined in the courts of the common law according to the common law”—was designed *deliberately* to exclude courts of equity and other bodies from resolving patent-validity questions. EDWARD COKE, *THIRD PART OF THE INSTITUTES OF THE LAWS OF ENGLAND* 182-83 (London, W. Clarke, & Sons, 1809) (1644).

Validity questions could be determined *only* in courts of law—and thus before juries—and “not at the councell table, star-chamber, chancery, exchequer

chamber, or any other court of like nature, but only according to the common laws of this realm.” *Ibid.* Coke explained why the Statute of Monopolies required these actions to be heard in the courts of law, and thus before juries: “such boldness the monopolists took” in these other, jury-less venues in “not obeying the commandments and clauses of the said grants of monopolies” that “the preventing of which mischief” through exclusive trial at law was necessary. *Ibid.* Thus only juries could be entrusted to decide whether a patent was valid.

As a result, when a patent owner began an infringement action in the courts of equity, if the alleged infringer challenged the patent’s validity as a defense, the court of equity was required to send the case to a court of law for jury trial. As one jurist sitting in equity summarized, “[i]f [a] Question arises whether there is Infringement or Novelty of Invention, they”—the courts of equity—“refer those Questions to Law.” *Liardet v. Johnson*, GT Eldon MS, Notes of Cases 1779, at 34, 46 (Ch. 1780); Br. of Legal Historians at 12. As Blackstone explained, once a court of equity “direct[ed] the matter to be tried by jury,” 3 WILLIAM BLACKSTONE, COMMENTARIES 452, “the verdict of the jurors determine[d] the fact” issues so tried “in the court in equity.” *Ibid.* Far from “advisory,” jury verdicts in these cases were binding. Even when filed in courts of equity, infringement actions and validity questions were tested as actions at law, tried to juries.

A patent’s validity could also be challenged through an action commenced by a writ of *scire facias*, which would be initiated in the Court of Chancery.

But the Court of Chancery still treated these proceedings as actions at law, and sat as a court of law, as Blackstone noted that Chancery always did for actions instituted by writs of *scire facias*. 3 WILLIAM BLACKSTONE, COMMENTARIES 47. In this dual court—“the one ordinary, being a court of common law; the other extraordinary being a court of equity,” *ibid.*, *scire facias* writs were heard by the former. *Ibid.* “The ordinary legal court [of Chancery] is much more ancient than the court of equity. It’s [*sic*] jurisdiction is to hold plea[s] upon a *scire facias* to repeal and cancel the king’s letters patent, when made against law, or upon untrue suggestions.” *Ibid.*

Here, too, disputed fact questions on the *scire facias* writ were tried to juries, although the Court of Chancery had to send the case again to the Court of King’s Bench, as the Court of Chancery could not summon a jury. As Blackstone again summarizes: “if any fact be disputed between the parties” on the writ’s issuance, “the chancellor cannot try it, having no power to summon a jury.” *Id.* at 48. Instead, he “must deliver the record * * * into the court of king’s bench, where it shall be tried by the country”—tried *by jury*—“and judgment shall be there given thereon.” *Ibid.* American courts, including this Court, took this practice with them with the writ. See *Ex Parte Wood & Brundage*, 22 U.S. 603, 614-15 (1824) (“[I]t is ORDERED * * * that the said Judge do award a process, in the nature of a *scire facias*, to the patentees, to show cause why the said patent should not be repealed * * * and that if the issue be an issue of fact, the trial thereof be by a jury.”).

No matter whether presented in an infringement action in the courts of law, as one in the courts of equity, or in an action commenced by a writ of *scire facias* in the Court of Chancery, the result was the same: questions as to a patent's validity were tried to juries. Bottomley, *supra*, at 36-37, 41-43; see also Gómez-Arostegui, *supra*, at 210-12; Br. of Legal Historians at 14-19. The resolution of disputed facts in these cases is therefore part of the jury-trial right preserved by the Seventh Amendment—and must remain in courts, before juries.

Transferring the adjudication of these fact questions from juries to the Board is not merely incidental to *inter partes* review—it is the point. A petition for *inter partes* review may seek *only* the cancellation of “[one] or more claims of a patent,” and only on specific grounds: that a patent's subject-matter is not novel, that it was anticipated by the prior art, or that the patent's invention was obvious. 35 U.S.C. §§ 102(a), 103, 311(b). As demonstrated above, these are the same types of issues that *juries* traditionally decided in suits at common law.

Juries likewise resolved numerous disputed questions of fact about patents, such as whether the patentee actually invented the subject matter, whether the invention was useful, whether the patent had explained its method of production enough to enable others to replicate the invention, and so on. E.g., *Hill v. Thompson*, 3 Meriv. 622, 630 (Ch. 1817); *Boulton*, 126 Eng. Rep. at 659; *Liardet v. Johnson* (K.B. 1778), reprinted in 1 James Oldham, *The Mansfield Manuscripts* 753, 756; Br. of Legal Historians at 16-18. For

that matter, juries decided these questions as ultimate issues. *Ibid.* Whether modern questions regarding novelty or obviousness are precisely the same questions that English jurors resolved, they are unquestionably close statutory analogues, so the result is the same: they fall within the Seventh Amendment's scope. See generally *Granfinanciera*, 492 U.S. at 42.

Patent owners therefore have a right to try disputed-fact questions in these matters to juries. As English historical practice reveals, patent-validity and patent-infringement actions are two sides of the same coin: validity challenges arose in response to infringement actions, and were adjudicated in the same case—the same “Suit[] at common law.” Before *inter partes* review, these questions arose in the same Article III cases as well. Indeed, the first Patent Act, passed a year *before* the Seventh Amendment was ratified, expressly entitled patent owners to jury trials over infringement actions, guaranteeing “damages as shall be assessed by a jury” for this “action on the case”—meaning an action at law. 1 Stat. 109, 111. Sensibly, “there is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.” *Markman*, 517 U.S. at 377 (citing *Bramah v. Hardcastle*, 1 Carp. P.C. 168 (K.B. 1789)). This guarantee is meaningless if an alleged infringer may nullify it by filing a preemptive or parallel petition for *inter partes* review.

The distinction is no mere matter of procedure. The jury-trial right was one of the most venerated by both the English and the Founders: as “the glory of the

English law,” 3 WILLIAM BLACKSTONE, COMMENTARIES 79, “the Constitution would have been justly obnoxious * * * if it had not recognized” the right “in the most solemn terms.” 2 JOSEPH STORY, COMMENTARIES ON THE CONSTITUTION § 1773 (Boston, Hilliard, Gray, & Co. 1833). For disputed-fact questions concerning the validity of a patent, juries are the ones entitled to decide—and patent owners are entitled to have them do so.

* * *

Patent-validity challenges were “traditional actions at common law” and therefore “the responsibility for deciding that [type of] suit rests,” at a minimum, “with Article III judges in Article III courts.” *Stern*, 564 U.S. at 484; see also *Am. Bell Tel. Co.*, 128 U.S. at 365 (“Patents are sometimes issued unadvisedly or by mistake * * * * In such cases courts of law will pronounce them void * * * * That is a judicial act, and requires the judgment of a court.”). Thus the “exercise of judicial power” in these cases “may [not] be taken from the Article III Judiciary.” *Stern*, 564 U.S. at 494, 495. Nor may disputed fact issues in these cases—which were traditionally suits at common law—be taken away from juries. But that is just what Congress has done with *inter partes* review. For all these reasons, *inter partes* review violates the Constitution.



CONCLUSION

The judgment of the court of appeals should be reversed.

Respectfully submitted,

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