

2015-1091

IN THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

MCM PORTFOLIO LLC,

Appellant,

v.

HEWLETT-PACKARD COMPANY,

Appellee.

APPEAL FROM THE UNITED STATES PATENT AND TRADEMARK
OFFICE, PATENT TRIAL AND APPEAL BOARD IN IPR2013-00217.

CORRECTED BRIEF FOR THE INTERVENOR – DIRECTOR
OF THE UNITED STATES PATENT AND TRADEMARK OFFICE

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STATEMENT OF RELATED CASES

In re MCM Portfolio, LLC, 554 F. App'x 944, 945 (Fed. Cir. 2014) (Mem.), was a mandamus petition to this Court in which MCM sought to challenge the agency's decision to institute the inter partes review at issue in this appeal. The Court denied the petition.

Technology Properties Limited v. Hewlett-Packard Co., No. 4:14-cv-3643-CW (N.D. Cal. Aug. 12, 2014) involves a complaint asserting that Hewlett-Packard infringed the '549 patent, among other patents. The complaint was brought in the U.S. District Court for the Eastern District of Texas by Technology Properties Limited, LLC, which, at the time of filing, was an exclusive licensee of the '549 patent. It has been consolidated with various other infringement suits and transferred to the U.S. District Court for the Northern District of California.

A reissue of the '549 patent is pending before the Patent and Trademark Office (application number 12/351,691).

STATEMENT OF JURISDICTION

This appeal arises from a final written decision of the Patent Trial and Appeal Board (the Board) in an inter partes review proceeding. The Board entered its final written decision on August 6, 2014. *See* A1. MCM filed a notice of appeal on October 1, 2014, within the time limits specified by 37 C.F.R. § 90.3(a)(1). As explained below, this Court lacks jurisdiction to review the Director's decision to institute the inter partes review, which is "final and nonappealable." 35 U.S.C. § 314(d). This Court otherwise has appellate jurisdiction over MCM's appeal of the Board's final written decision under 28 U.S.C. § 1295(a)(4)(A) and 35 U.S.C. § 141(c).

STATEMENT OF THE ISSUES

The Director has intervened in this case to address the following two questions:

1. Whether, under *In re Cuozzoko Speed Techs., LLC*, No. 14-1301, -- F.3d --, 2015 WL 448667 (Fed. Cir. Feb. 4, 2015), this Court lacks jurisdiction over MCM's claim that the agency erred in instituting the inter partes review.
2. Whether Congress may, consistent with Article III and the Seventh Amendment, delegate to the Patent and Trademark Office the authority to reconsider the patentability of issued patents.

STATEMENT OF THE CASE

I. INTRODUCTION

MCM Portfolio LLC (MCM) owns United States Patent No. 7,162,549 (the '549 patent), which claims an adapter for transferring images from digital camera flash-memory cards onto personal computers. Hewlett-Packard Co. (HP) filed a petition with the U.S. Patent and Trademark Office (PTO) to institute an inter partes review to reconsider the patentability of the '549 patent. The PTO granted HP's petition and instituted the inter partes review. A29. Following a trial on the merits, the Board issued a final written decision holding unpatentable four claims of the '549 patent as obvious over the prior art. A12. MCM here challenges various aspects of the PTO proceedings. The Director exercised her statutory prerogative to intervene in the appeal. *See* 35 U.S.C. § 143.

II. STATUTORY BACKGROUND

A. Administrative Review Of Issued Patents

For 35 years, Congress has provided administrative mechanisms for third parties to ask the PTO to reconsider the patentability of an issued patent. In 1980, Congress enacted the first statute authorizing ex parte reexamination. *See* Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified at 35 U.S.C. ch. 30). Congress specified that the PTO could grant a request for reexamination if the request raised "a substantial new question of patentability." 35 U.S.C. §§ 303(a), 304. Upon granting a petition for ex

parte reexamination, the PTO would reconsider the patentability of the previously granted claims.

In 1985, this Court rejected a facial constitutional challenge to the ex parte reexamination scheme. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir.), *modified on other grounds on reh'g*, 771 F.2d 480 (Fed. Cir. 1985). As relevant here, the Court held that nothing in Article III or the Seventh Amendment prohibits Congress from authorizing the PTO to correct its own errors by reconsidering—and, where necessary, holding unpatentable—claims in previously issued patents. *See* 758 F.2d at 604-05. Seven years later, the Court reaffirmed that holding in *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir. 1992), reiterating its conclusion that the reexamination of patents “may constitutionally be adjudicated by legislative courts and administrative agencies.” *Id.*

B. Inter Partes Review Under The America Invents Act

In the wake of *Patlex* and *Joy Technologies*, Congress has expanded the PTO’s authority to review the patentability of claims in issued patents. In 1999, Congress created the inter partes reexamination scheme. 35 U.S.C. §§ 311-318 (2000). And in 2002, it amended the statute to permit third-party requesters to participate in any subsequent appeal. *See Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008).

Finally, in 2011, Congress overhauled and expanded the PTO’s processes for reconsidering the patentability of issued patents. *See Leahy-Smith America Invents*

Act (AIA), Pub. L. No. 112-29, § 6, 125 Stat. 284, 299-304 (2011). As particularly relevant here, the AIA replaced inter partes reexamination with inter partes review, an adversarial proceeding before the new Patent Trial and Appeal Board. 35 U.S.C. § 311; *see generally In re Cuozzco Speed Techs., LLC*, No. 14-1301, -- F.3d --, 2015 WL 448667 (Fed. Cir. Feb. 4, 2015). Congress explained that the object of the AIA's new procedures was 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, pt. 1, at 40 (2011).

Under the inter partes review scheme, "a person other than the owner of the patent may petition the PTO for [inter partes] review." *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374 (Fed. Cir. 2014) (citing 35 U.S.C. § 311). The Director may grant a petition for inter partes review if "there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged." 35 U.S.C. § 314(a). But the agency may not institute the review if, *inter alia*, "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." *Id.* § 315(b).

The "'conduct' of an inter partes review follows its 'institution,' and the Patent Trial and Appeal Board is the one to 'conduct each inter partes review instituted.'" *St. Jude Med.*, 749 F.3d at 1374 (quoting 35 U.S.C. § 316(c)). The parties are entitled to limited discovery, *id.* § 316(a)(5), to file affidavits and declarations, *id.* § 316(a)(8), to

have an oral hearing, *id.* § 316(a)(10), and to file written memoranda, *id.* §§ 316(a)(8), (11). “Unless the review is dismissed, the Board ‘shall issue a final written decision,’” addressing the patentability of the claims at issue in the proceeding. *St. Jude Medical*, 749 F.3d at 1374 (quoting 35 U.S.C. § 318(a)). This decision must be made within one year of the Director’s decision to institute inter partes review unless certain exceptions apply. *Id.* § 316(a)(11).

In creating this scheme, Congress provided that only the Board’s final written decision as to patentability is subject to appeal to this Court. 35 U.S.C. § 319. The AIA expressly provides that the “determination by the Director whether to institute an inter partes review” is “final and nonappealable.” *See id.* § 314(d). As this Court recently explained, that provision bars any appeal of the institution decision, including as part of an appeal from a final decision of the Board on the merits. *See In re Cuozz’o*, 2015 WL 448667, at *3-4.

III. PROCEDURAL BACKGROUND

A. The Institution Decision

In March 2012, MCM sued HP for infringement of the ’549 patent. *See Tech. Props. Ltd. v. Hewlett-Packard Co.*, No. 6:12-cv-208 (E.D. Tex. Mar. 28, 2012). In March 2013, just less than a year after MCM filed that complaint, HP petitioned for inter partes review of four claims of the ’549 patent. HP argued that the four challenged claims were unpatentable as obvious over, or anticipated by, various references in the prior art. *See* A15-16.

MCM opposed the petition on both procedural and substantive grounds. First, MCM contended that the PTO was foreclosed from instituting inter partes review because MCM had sued a company called Pandigital, Inc. for patent infringement more than a year earlier in the U.S. District Court for the Eastern District of Texas. *See* A104-08. According to MCM, HP and Pandigital were “priv[ies]” under the AIA because HP resold Pandigital’s digital picture frames under its own name. A108. MCM thus contended that HP was foreclosed from petitioning for inter partes review of the ’549 patent. *See* 35 U.S.C. § 315(b) (forbidding the institution of inter partes review if the petition is filed more than one year after the petitioner, or a “privy” of the petitioner, is served with a complaint alleging patent infringement). On the merits, MCM disputed the relevance of the prior art references cited in HP’s petition, urging that HP had failed to show that any claim in the ’549 patent was more likely than not unpatentable. A134.

Acting on behalf of the Director, the Board declined to institute inter partes review with respect to most of the references cited by HP. *See* A23. But the Board concluded that HP did satisfy its burden of showing that “there is a reasonable likelihood that it would prevail” on its obviousness argument with respect to two particular references. A15. Accordingly, the Board granted the petition for inter partes review. *See* A29. Both parties requested rehearing of the Board’s institution decision, but the Board denied their requests. *See* A34, A175.

B. MCM's Petition for Mandamus

MCM then petitioned this Court for a writ of mandamus, seeking to vacate the institution decision on the ground that HP and Pandigital had been acting in privity under 35 U.S.C. § 315(b). In urging that mandamus was warranted, MCM emphasized that “an erroneous IPR institution may never be reviewable by a normal appeal” given that “determinations to institute an IPR are both *final* and *unap[pealable]*.” See MCM Mandamus Pet. 17-18 (emphases in original).

This Court denied MCM's petition, holding that MCM had failed to establish that the stringent requirements for mandamus relief were satisfied. *In re MCM Portfolio, LLC*, 554 F. App'x 944, 945 (Fed. Cir. 2014) (Mem.). The Court noted that its order was “without prejudice to MCM attempting to raise its section 315(b) arguments on appeal after final decision by the Board.” *Id.*

C. The Final Decision With Respect To Patentability

During the conduct of the review, MCM asserted that the inter partes review procedure violates Article III and the Seventh Amendment of the Constitution. See A187. MCM contended that, because patent law “accords a patent owner a Seventh Amendment right to a trial by jury in actions at law,” Congress could not permissibly assign to a non-Article III administrative court the power to cancel claims in an issued patent. *Id.*

MCM also reiterated its contention that the Board had erred in instituting inter partes review. In particular, MCM contended that “HP did not make a *prima facie* case

of obviousness in its petition.” A208. For that reason, MCM urged, “the IPR should never have been instituted” in the first place. A200. MCM also addressed HP’s obviousness arguments on the merits.

The Board rejected MCM’s arguments and concluded that the four claims at issue in the proceeding were unpatentable as obvious. A12. The Board first explained that this Court’s decisions in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), and *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992), squarely foreclose MCM’s constitutional challenge. *See* A4-5. As the Board explained, those cases held that that ex parte reexamination of issued patents was consistent with Article III and the Seventh Amendment because patents confer “public rights” that Congress may permissibly designate for adjudication in non-Article III courts. *See Patlex*, 758 F.2d at 604; *Joy Techs.*, 959 F.2d at 228-29. For these purposes, the Board reasoned, there is no relevant distinction between ex parte reexamination and inter partes review, because inter partes review proceedings under the AIA “continue the basic functions of the reexamination proceedings at issue in *Patlex*—authorizing the Office to reexamine the validity of an issued patent and to cancel any claims the Office concludes should not have been issued.” A4-5.

The Board also rejected MCM’s renewed contention that HP had failed to make a prima facie case of obviousness in its petition. A9-10. Then, addressing the merits of the obviousness issues, the Board concluded that HP had established the unpatentability of the claims at issue by a preponderance of the evidence. A9.

MCM then noticed this appeal.

SUMMARY OF THE ARGUMENT

MCM appeals from a final written decision of the Patent Trial and Appeal Board in an inter partes review proceeding. The Director has intervened in this appeal to address two issues of institutional importance to the PTO.

First, this Court lacks jurisdiction over MCM's challenges to the agency's decision to institute the inter partes review in this case. As this Court has explained, Congress specifically provided that the agency's decision whether to institute such a proceeding shall be "final and nonappealable." 35 U.S.C. § 314(d); *see In re Cuozzoc Speed Techs., LLC*, No. 14-1301, -- F.3d --, 2015 WL 448667, at *3 (Fed. Cir. Feb. 4, 2015). MCM's contention that the agency was barred under 35 U.S.C. § 315(b) from instituting this proceeding therefore does not state a basis for relief in this Court. Nor does MCM's argument that HP's petition for inter partes review failed to set forth a prima facie case of obviousness. The Court lacks jurisdiction to entertain these arguments, which target the agency's "final and nonappealable" decision to institute the inter partes review in the first instance rather than the Board's ultimate patentability decision on the merits.

Second, MCM's facial challenge to the constitutionality of the inter partes review scheme is both foreclosed by circuit precedent and entirely without merit. This Court has twice held that allowing the PTO to determine the patentability of claims in issued patents is consistent with Article III. *Patlex Corp. v. Mossinghoff*, 758

F.2d 594, 604 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir. 1992). As the Court has explained, Article III does not forbid Congress from authorizing the PTO to correct its own mistakes. Patents are quintessential “public rights” whose allowance and cancellation Congress may permissibly delegate to a non-Article III tribunal. Indeed, patents are both created by public law and are themselves an expression of the public interest, and they are issued by a specialized federal agency that Congress created in the exercise of its express constitutional power to promote the progress of the useful arts. *See* U.S. Const. art. I, § 8, cl. 8. Because Congress may authorize the PTO to issue patents in the first instance, Congress may equally authorize PTO to reconsider its patentability decisions and to correct its mistakes.

MCM identifies no persuasive basis for distinguishing *Patlex* and *Joy Technologies*, nor could it. Instead, MCM argues that various Supreme Court decisions effectively overrule these precedents. But *Stern v. Marshall*, 131 S. Ct. 2594 (2011), the case on which MCM principally relies, only underscores that *Patlex* and *Joy Technologies* were correctly decided. *Stern* addressed whether a non-Article III bankruptcy court could adjudicate a state-law counterclaim for tortious interference. In concluding that it could not, the Supreme Court explained why such a counterclaim is not a “public right” that Congress may assign to a non-Article III tribunal. The Court stressed that the counterclaim did not “flow from a federal statutory scheme” and that it did not involve “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.” *Id.* at 2614-15 (quotation marks omitted). But that is exactly what inter partes review *does* involve: an inexpensive method for resolving patentability questions that flow from a federal statutory scheme and are particularly suited to resolution by an expert administrative agency.

Because inter partes review involves “public rights” that Congress may delegate to an administrative agency for adjudication, moreover, the Seventh Amendment poses no separate obstacle. The Supreme Court has explained that “if 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, S.A. v. Nordberg*, 492 U.S. 33, 53-54 (1989). Because Congress may authorize the PTO to conduct inter partes reviews without violating Article III, therefore, nothing in the Seventh Amendment’s jury-trial right precludes it from doing so.

STANDARD OF REVIEW

This Court reviews its own jurisdiction de novo. *See Litecubes, LLC v. N. Light Prods., Inc.*, 523 F.3d 1353, 1360 (Fed. Cir. 2008). This Court also reviews de novo a constitutional challenge to an Act of Congress. *See Demko v. United States*, 216 F.3d 1049, 1052 (Fed. Cir. 2000).

ARGUMENT

I. THIS COURT LACKS JURISDICTION TO REVIEW THE PTO'S DECISION TO INSTITUTE INTER PARTES REVIEW.

This Court lacks jurisdiction over MCM's challenge to the PTO's decision to institute the inter partes review. Under the plain language of the Patent Act, that decision is "final and nonappealable." 35 U.S.C. § 314(d). This Court has accordingly recognized that it lacks jurisdiction over any attempt to appeal the PTO's decision to institute an inter partes review. *See In re Cuozzxo Speed Techs., LLC*, No. 14-1301, -- F.3d --, 2015 WL 448667, at *3-4 (Fed. Cir. Feb. 4, 2015). The Court therefore lacks jurisdiction to entertain MCM's challenge to the institution decision here, including not only MCM's privity arguments under § 315(b) but also its repeated contention that HP's petition for inter partes review failed to set forth a prima facie case of obviousness.

1. As this Court has explained, inter partes review "proceed[s] in two phases." *In re Cuozzxo*, 2015 WL 448667, at *2; accord *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374 (Fed. Cir. 2014). The first phase involves the decision to institute inter partes review; the second phase involves the subsequent conduct of the review, culminating in the Board's "final written decision." *In re Cuozzxo*, 2015 WL 448667, at *2. Although Congress allowed for judicial review of the final written decision at the second phase, *see* 35 U.S.C. § 319, Congress expressly barred appeals of the Board's institution decision at the first phase, specifying that the "determination

by the Director whether to institute an inter partes review under this section shall be final and nonappealable,” *id.* § 314(d).

This Court recently confirmed that this provision forecloses “all review” of the Board’s decision to institute inter partes review. *See In re Cuozzok*, 2015 WL 448667, at *2. The Court explained that § 314(d) prevents a patent owner not only from taking an interlocutory appeal of the Board’s institution decision, but also from challenging the institution decision on appeal from the Board’s final written decision. *See id.* (explaining that “§ 314(d) prohibits review of the decision to institute IPR even after a final decision”). The Court reasoned that Congress’s “declaration that the decision to institute is ‘final’ cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability.” *Id.*

MCM itself acknowledged the unappealable nature of the PTO’s institution decision when it filed a petition for a writ of mandamus to set that decision aside. In its petition, MCM argued that it was entitled to mandamus relief because “an erroneous IPR institution may never be reviewable by a normal appeal” given that the AIA “actually provides that determinations to institute an IPR are both *final* and *unap[p]ealable*.” MCM Mandamus Pet. 17-18 (emphases in original). MCM thus correctly anticipated what this Court made clear in *In re Cuozzok*: the PTO’s decision to institute an inter partes review is not subject to review in an appeal under 35 U.S.C. § 319 from the Board’s final written decision on the merits.

2. This Court therefore lacks jurisdiction over MCM's two principal contentions in this appeal.

First, MCM cannot appeal the PTO's determination that 35 U.S.C. § 315(b) did not bar institution of the inter partes review. MCM seeks to renew in this appeal the argument that it advanced in its unsuccessful petition for a writ of mandamus—*i.e.*, that HP and Pandigital were in privity and that the infringement complaint brought against Pandigital more than one year prior to HP's petition barred institution of inter partes review under § 315(b). As MCM appears to acknowledge, *see* MCM Br. 39-40, however, the agency's conclusion that HP and Pandigital were not in privity bears only on the PTO's decision to institute inter partes review, and has no relevance to the merits of the Board's patentability determination. Appeal of that issue is therefore precluded under 35 U.S.C. § 314(d).

Second, this Court lacks jurisdiction to entertain what appears to be MCM's principal argument concerning obviousness—*i.e.*, that HP's petition for inter partes review did not establish a sufficient likelihood of unpatentability to warrant institution of the proceeding. Although the exact nature of its challenge is difficult to ascertain, MCM frames its obviousness arguments, *see* MCM Br. 23-39, exclusively in terms of the asserted deficiencies in HP's petition for inter partes review, as opposed to any alleged error in the Board's final written decision. *See, e.g.*, MCM Br. 2 (framing the issue on appeal as “[w]hether the Petition requesting *inter partes* review” sufficed to

show unpatentability).¹ MCM thus appears to dispute only the Board’s conclusion that the petition raised a sufficient likelihood of unpatentability to warrant institution of the proceeding in the first place. Under § 314(d) and *In re Cuozz’o*, this Court lacks jurisdiction to entertain that contention.²

II. CONGRESS ACTED WELL WITHIN ITS CONSTITUTIONAL AUTHORITY IN AUTHORIZING THE PTO TO CONDUCT INTER PARTES REVIEWS.

As the Board explained, nothing in Article III or the Seventh Amendment barred Congress from enacting the inter partes review scheme. This Court has twice rejected comparable constitutional challenges, holding that Congress may permissibly assign to the PTO the task of reconsidering the patentability of claims in issued patents. *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir.), *modified on other grounds on reh’g*, 771 F.2d 480 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226,

¹ *See also, e.g.*, MCM Br. 20 (“HP’s Petition Did Not Allege Facts Sufficient To Support The Board’s Decision”); *id.* at 21 (“HP’s Petition therefore did not establish” that the four challenged claims were unpatentable); *id.* at 23 (“HP’s Petition” did not disclose the necessary references); *id.* at 28 (“In its Petition, HP did not argue” the single-controller-chip limitation); *id.* at 33 (“HP’s Petition simply ignored the requirement that the detector be part of the claimed controller chip.”); *id.* at 34 (the Board required “MCM to rebut an obviousness argument that the Petition neither made nor was supported with facts”); *id.* at 38-39 (“In its Petition, HP does not produce any evidence that establishes that all the limitations of the challenged claims are disclosed in the prior art.”).

² Of course, the Patent Act does entitle MCM to challenge the Board’s final written decision with respect to patentability. *See* 35 U.S.C. § 319. If this Court concludes that MCM has articulated and preserved such a challenge here, this Court has jurisdiction to decide it. In part because the Director does not understand MCM to challenge the obviousness determination in the Board’s final written decision, however, the Director does not address that issue in this brief.

228 (Fed. Cir. 1992). MCM’s facial challenge to the inter partes review scheme is squarely foreclosed by circuit precedent and, in any event, meritless.

A. Inter Partes Review Is Consistent With Article III.

This Court has already decided that Congress may task PTO with reevaluating the patentability of patent claims without offending Article III. *See Patlex*, 758 F.2d at 604; *Joy Techs.*, 959 F.2d at 228. As those decisions explain, the principles that govern this appeal are firmly settled.

1. 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. Article III ensures an independent judiciary by mandating that judges in these courts “shall hold their Offices during good Behaviour” and “receive for their Services, a Compensation, which shall not be diminished” during their tenure. *Id.* The Constitution thus prohibits Congress from vesting the “judicial Power of the United States” outside of courts whose judges enjoy the protections of Article III. “[I]n general,” this prohibition prevents Congress from withdrawing from Article III courts any matter which, by its nature, involves the exercise of judicial power. *Stern v. Marshall*, 131 S. Ct. 2594, 2609 (2011).

The Supreme Court, however, has recognized important qualifications to that “general” rule. One such qualification authorizes Congress to designate “public

rights” for adjudication in non-Article III tribunals. Nearly 150 years ago, the Court recognized that

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.

Murray’s Lessee v. Hoboken Land & Improvement Co., 59 U.S. (18 How.) 272, 284 (1856).

Whereas private rights are rights involving “the liability of one individual to another under the law as defined,” *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 51 n.8 (1989) (quotation marks omitted), public rights are rights arising “between the Government and persons subject to its authority in connection with the performance of the constitutional functions of the executive or legislative departments,” *Stern*, 131 S. Ct. at 2612 (quoting *Crowell v. Benson*, 285 U.S. 22, 50 (1932)). Because the Constitution authorizes Congress to create public rights, it equally authorizes Congress to commit these rights to adjudication in non-Article III courts. *See Stern*, 131 S. Ct. at 2612-13.

The Supreme Court’s expression of the public-rights exception has been subject to “various formulations,” *Stern*, 131 S. Ct. at 2611, but the relevant features of public rights are well settled. Most critically, “what makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action.” *Id.* Indeed, where Congress has acted “for a valid legislative purpose pursuant to its constitutional powers under Article I,” it may delegate even a “seemingly private right” to non-Article III courts if the right “is so closely integrated into a public

regulatory scheme as to be a matter appropriate for agency resolution.” *Granfinanciera*, 492 U.S. at 54 (quotation marks omitted). Nor must the federal government itself be a party to the litigation. A dispute between private parties may implicate public rights if “the claim at issue derives from a federal regulatory scheme,” or if “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.

2. As this Court explained in *Patlex*, 758 F.2d at 604, and *Joy Technologies*, 959 F.2d at 228, patents are quintessential public rights. Accordingly, Congress may entrust the adjudication of those rights to a non-Article III tribunal.

Congress created the inter partes review procedure as a feature of the patent system, a complex regulatory regime involving expert judgments by a specialized government agency. Article I of the Constitution authorizes Congress to create and regulate a patent system. *See* U.S. Const. art. I, § 8, cl. 8 (granting Congress the power 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”). Pursuant to this constitutional authority, Congress created the PTO—an agency with “special expertise in evaluating patent applications,” *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012)—and tasked it with examining each “alleged new invention” and, “if on such examination it appears that the applicant is entitled to a patent under the law,” granting “a patent therefor.” 35 U.S.C. § 131.

Patent rights thus “exist only by virtue of statute.” *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964). Because patents are statutory grants conferring rights against the public at large, a patent “by its very nature is affected with a public interest.” *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.*, 324 U.S. 806, 816 (1945). As the Supreme Court has noted, quoting Thomas Jefferson, patent law has always “been about the difficult business ‘of drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those which are not.’” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 148 (1989) (quoting 13 *Writings of Thomas Jefferson* 335 (Memorial ed. 1904)). In short, patents “dispose of public rights held by the government on behalf of the people.” *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 848 n.2 (2015) (Thomas, J., dissenting).

In addition to tasking the PTO with issuing patents, Congress has, for thirty-five years, also authorized PTO to review the patentability of patents the agency has previously issued—first through ex parte reexamination, 35 U.S.C. § 303, then through inter partes reexamination, 35 U.S.C. §§ 311, 312 (2000), and now through inter partes review and post-grant review, 35 U.S.C. §§ 311, 321. Congress enacted these post-issuance review schemes for the purpose of “establish[ing] a more efficient and streamlined patent system.” H.R. Rep. No. 112-98, pt. 1, at 40 (2011). Just as the public has an interest in the initial issuance of patents, the public also has an interest in ensuring that patents were properly issued. As the Supreme Court has stressed, the “far-reaching social and economic consequences of a patent . . . give the public a

paramount interest in seeing that patent monopolies . . . are kept within their legitimate scope.” *Precision Instrument*, 324 U.S. at 816.

Administrative review of a claimed invention’s patentability therefore exemplifies the sort of public right that Congress may delegate to an expert agency for decision. Congress has established the inter partes review scheme “for a valid legislative purpose pursuant to its constitutional powers under Article I.” *Granfinanciera*, 492 U.S. at 54 (quotation marks omitted). The right to obtain a United States patent “is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.” *Id.* (quotation marks omitted). And resolution of inter partes review by an expert administrative tribunal is “essential to a limited regulatory objective within the agency’s authority”—specifically, correcting the agency’s own mistakes. *Stern*, 131 S. Ct. at 2613. Because Congress may empower PTO to issue patents in the first instance, it may equally empower PTO to revisit its decisions to ensure that the patents were properly issued.

3. Applying these principles, this Court correctly held in *Patlex* that ex parte reexamination did not violate Article III because “the grant of a valid patent is primarily a public concern.” 758 F.2d at 604. The Court reasoned that, although patentability “is often brought into question in disputes between private parties,” the “threshold question usually is whether the PTO, under the authority assigned to it by Congress, properly granted the patent.” *Id.* Because the right at issue “can only be conferred by the government,” and because Congress sought to “refer patent validity

questions to the expertise” of the PTO, the Court found “no constitutional infirmity” in the patent reexamination process. *Id.* at 602, 604.

The *Patlex* Court expressly distinguished *McCormick Harvesting Machine Co. v. Aultman & Co.*, 169 U.S. 606 (1898), on which MCM relies. In *McCormick Harvesting*, the Supreme Court held that a patent owner that filed an unsuccessful patent reissue application was nevertheless entitled to have the validity of its original patent adjudicated in court. *Id.* at 612. But this Court explained in *Patlex* that the patent *reissue* process, which was intended “to enable correction of errors made by the inventor, at the initiative of the inventor,” differs from the patent *reexamination* process, which was intended “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.” 758 F.2d at 604. This Court accordingly concluded that nothing about *McCormick Harvesting* prevented Congress from authorizing the PTO “to correct government mistakes, even against the will of the patent owner.” *Id.* “A defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.*

Seven years later, this Court reaffirmed *Patlex* in *Joy Technologies*. The Court reiterated “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.” 959 F.2d at 228

(quoting *Patlex*, 758 F.2d at 604). The Court rejected the suggestion that two Supreme Court cases decided in the interim—*Granfinanciera*, 492 U.S. at 33, and *Tull v. United States*, 481 U.S. 412 (1987)—had somehow called *Patlex* into question. See *Joy Techs.*, 959 F.2d at 228. And the Court easily reaffirmed its conclusion that the reexamination of issued patents “may constitutionally be adjudicated by legislative courts and administrative agencies.” *Id.*

As MCM appears to acknowledge, *see* MCM Br. 48-50, nothing about the advent of inter partes review renders the reasoning of *Patlex* and *Joy Technologies* inapplicable. Like ex parte reexamination, the inter partes review procedure enables the PTO to correct an erroneous decision to issue a patent. Like ex parte reexamination, an inter partes review does not adjudicate the private rights and liabilities of parties with respect to one another, *see Granfinanciera*, 492 U.S. at 51 n.8 (defining a private right as “the liability of one individual to another under the law as defined”), but merely reconsiders the PTO’s initial decision with respect to patentability—that is, the rights of the patentee against the public at large. And, like ex parte reexamination, inter partes review is conducted by the PTO, the expert agency responsible for issuing the patent in the first instance.

As the Board explained below, therefore, there is no “constitutionally-significant distinction” between the two patent schemes; rather, inter partes review proceedings merely “continue the basic functions of the reexamination proceedings at issue in *Patlex*.” *See* A4-5. Indeed, MCM itself describes the holding in *Patlex* in terms

that equally encompass inter partes reviews. *See* MCM Br. 48 (characterizing *Patlex* as “uph[o]ld[ing] the constitutionality of the [PTO’s] statutory power to administratively revoke or cancel a patent”). MCM’s constitutional arguments are therefore squarely foreclosed by circuit precedent.³

4. The Supreme Court precedent on which MCM relies only undoes the constitutionality of inter partes review. MCM first alleges that *Patlex* (and presumably also *Joy Technologies*) were wrongly decided in light of *Marbury v. Madison*, 5 U.S. (1 Cranch) 137 (1803), and *McCormick Harvesting*, 169 U.S. at 606. *See* MCM Br. 46-50. As an initial matter, those Supreme Court decisions predate *Patlex* and *Joy Technologies* by a century or more, and provide no basis for disregarding controlling circuit precedent here. In any event, neither *Marbury* nor *McCormick Harvesting* undermines

³ Amicus contends that inter partes review can be distinguished from ex parte reexamination because inter partes review provides for a more adversarial, “court-like trial” proceeding. *See* Cooper Amicus Br. 11. But the fact that Congress opted to endow inter partes review with various adversarial features does not alter the Article III analysis. As the Supreme Court has recognized, administrative agencies may conduct “quasi-adjudicative” proceedings—even “involving claims between individuals”—as long as the proceedings implicate public rights. *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568, 587 (1985). If Congress may permissibly designate a matter for agency adjudication, nothing prevents Congress from granting the parties to that administrative adjudication the sorts of procedural safeguards that normally attend judicial proceedings. It would be a peculiar doctrine of constitutional law that discouraged Congress from doing so. Notably, amicus raised the same argument as a plaintiff in a constitutional challenge to the inter partes review scheme in federal district court in Virginia. The district court granted summary judgment against him for failure to exhaust his administrative remedies. But the court took care to note that, because “there is no constitutionally-significant distinction between the system of *ex parte* reexamination at issue in *Patlex* and *Joy* and the *inter partes* review system at issue here,” the challenge would likely “ultimately fail.” *Cooper v. Lee*, -- F. Supp. 3d --, 2015 WL 686041, at *8 (E.D. Va. Feb. 18, 2015).

the constitutionality of inter partes review. Although MCM cites *Marbury* for the proposition that only federal courts may revoke property rights, *see* MCM Br. 47, *Marbury* did not address Congress's authority to delegate judicial power to federal agencies, nor did it address the public-rights doctrine. *Marbury* therefore offers MCM little help.

And *McCormick Harvesting* did not hold, as MCM alleges, *see* MCM Br. 49, that Article III prevents Congress from revoking an issued patent on the basis of a subsequent reissue proceeding. Rather, *McCormick Harvesting* merely held that the reissue statute itself provided no basis for cancelling an original patent based on the rejection of a later reissue application. *See* 169 U.S. at 610 (explaining that the “object of a patentee applying for a reissue is not to reopen the question of the validity of the original patent”). Moreover, even if *McCormick Harvesting* somehow implicated Article III, its reasoning has no bearing on this case. As this Court has emphasized, inter partes reviews, unlike reissue proceedings, are intended to correct errors by the government itself, rather than errors by the patent owner. Nothing in *McCormick Harvesting* suggests that Congress cannot empower an agency to correct its own mistakes. *See Patlex*, 758 F.2d at 604 (distinguishing the patent reissue process discussed in *McCormick Harvesting* on these grounds).

MCM next alleges that *Stern*, 131 S. Ct. at 2611-15, “effectively overruled” the view of the public-rights doctrine espoused in *Patlex* and *Joy Technologies*. *See* MCM Br. 50, 56. But *Stern* did no such thing, as even a cursory review of that decision makes

clear. *Stern* presented the question whether Congress could permissibly delegate to a bankruptcy court—a non-Article III tribunal—the authority to adjudicate a state-law counterclaim for tortious interference. The Supreme Court concluded that Congress could not do so consistent with the Constitution. The Court explained that “the Bankruptcy Court in this case exercised the ‘judicial Power of the United States’ in purporting to resolve and enter final judgment on a state common law claim.” *Stern*, 131 S. Ct. at 2611. That power, the Court concluded, must be reserved to the Article III judiciary.

In so holding, the Court took care to explain why the common-law counterclaim at issue did not involve a “public right.” The Court explained that the state-law counterclaim did not “flow from a federal statutory scheme.” *Stern*, 131 S. Ct. at 2614. Nor was the counterclaim a “matter that can be pursued only by grace of the [legislative and executive] branches” of government. *Id.* The case was “not completely dependent upon adjudication of a claim created by federal law.” *Id.* (quotation marks omitted). And it did not present 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 2615 (quoting *Crowell*, 285 U.S. at 46).

The Court’s reasons for rejecting the existence of a public right in *Stern* only underscore the existence of a public right here. Unlike the pure state-law tort claim at

issue in *Stern*, the inter partes review procedure does indeed “flow from a federal statutory scheme” in which Congress has 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*, 131 S. Ct. at 2615 (quotation marks omitted). And unlike in *Stern*, inter partes review does depend upon “adjudication of a claim created by federal law,” *id.* at 2614—specifically, the right of an inventor to a United States patent when, but only when, the conditions of patentability are satisfied. See 35 U.S.C. §§ 101, 131.

MCM attempts to characterize inter partes review of issued patents by the PTO as the kind of “[w]holly private tort, contract, [or] property case[]” that *Stern* suggested would implicate no public right. See MCM Br. 51 (quoting *Stern*, 131 S. Ct. at 2613 (first alteration in original)). But the inter partes review process is plainly not “[w]holly private” in nature. Rather, it involves reconsideration by a government agency of a previous administrative decision to grant a statutory right that is effective against the public at large. Unlike in *Stern*, where the Court explained that the state-law counterclaim would “exist[] without regard to any bankruptcy proceeding,” 131 S. Ct. at 2618, the Board’s patentability determination here depends entirely on the existence and operation of the patent system devised by Congress. Because Congress dictated the grounds upon which the PTO may issue a patent in the first instance, Congress may entrust the PTO with the authority to correct its mistakes.

B. Inter Partes Review Is Consistent With The Seventh Amendment.

Inter partes review also comports with the Seventh Amendment. The Seventh Amendment states 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” U.S. Const. amend. VII. The Amendment thus ensures a jury-trial right with respect to certain suits “at common law.” The “thrust of the Amendment was to preserve the right to jury trial as it existed in 1791.” *Curtis v. Loether*, 415 U.S. 189, 193 (1974).

MCM contends that it is entitled to have a jury determine the patentability of its claims. But the Seventh Amendment jury-trial right applies only to legal claims involving rights that must be adjudicated in Article III courts. The Supreme Court has explained that, “if the action must be tried under the auspices of an Article III court, then the Seventh Amendment affords the parties a right to a jury trial whenever the cause of action is legal in nature.” *Granfinanciera*, 492 U.S. at 53. On the other hand, “if 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.” *Id.* at 53-54 (emphasis added); *see also Tull*, 481 U.S. at 418 n.4 (noting that “the Seventh Amendment is not applicable to administrative proceedings”); *Atlas Roofing Co. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442, 455 (1977) (“when Congress creates new statutory ‘public rights,’ it may assign their adjudication to an administrative agency with which a jury trial would be incompatible, without violating the Seventh Amendment’s injunction

that jury trial is to be ‘preserved’ in ‘suits at common law”); *id.* (the Seventh Amendment does not prevent Congress “from committing some new types of litigation to administrative agencies with special competence in the relevant field . . . even if the Seventh Amendment would have required a jury where the adjudication of those rights is assigned instead to a federal court of law instead of an administrative agency”); *Pernell v. Southall Realty*, 416 U.S. 363, 383 (1974) (“the Seventh Amendment is generally inapplicable in administrative proceedings, where jury trials would be incompatible with the whole concept of administrative adjudication”).

Accordingly, this Court has correctly held that “cases involving ‘public rights’ may constitutionally be adjudicated by legislative courts and administrative agencies without implicating the Seventh Amendment right to jury trial.” *Joy Techs.*, 959 F.2d at 228. That reasoning is dispositive here.

MCM simply mischaracterizes *Granfinanciera* when it describes that case as holding that any right adjudicated in a court of law, equity, or admiralty in England prior to 1791 “was not a public right.” *See* MCM Br. 53. In fact, *Granfinanciera* explained that the “Seventh Amendment protects a litigant’s right to a jury trial only if a cause of action is legal in nature *and* it involves a matter of ‘private right.’” 492 U.S. at 42 n.4 (emphasis added). If a legal cause of action involves a *public* right, by contrast, “the Seventh Amendment does not entitle the parties to a jury trial if Congress assigns its adjudication to an administrative agency or specialized court of equity.” *Id.* Contrary to MCM’s argument, therefore, *Granfinanciera* recognized that a

claim may involve a public right—and therefore be suitable for adjudication in non-Article III courts—even if the claim is “legal in nature.”

In any event, inter partes review would not trigger the Seventh Amendment’s jury-trial guarantee even absent a public right. Inter partes review provides no right to monetary damages, but affords only the equitable relief of cancellation of a patent. Its closest analog therefore is a declaratory judgment action for patent invalidity. This Court has squarely held that no jury-trial right attaches in such an action. *See In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290-91 (Fed. Cir. 2005) (per curiam) (holding that if “the patentee seeks only equitable relief, the accused infringer has no right to a jury trial,” regardless of whether the accused infringer raises invalidity as an affirmative defense or as a claim in a declaratory judgment action). And this Court also has already addressed and rejected MCM’s cursory contention, *see* MCM Br. 54-55, that an invalidity challenge is akin to a proceeding under the writ of *scire facias*, which was historically triable to a jury. *See id.* at 1290 (noting that a “proceeding on a writ of *scire facias* [i]s not analogous to a suit for a declaration of invalidity, but [i]s more akin to an action for inequitable conduct”). MCM’s Seventh Amendment arguments therefore fail even on their own terms.

CONCLUSION

For the foregoing reasons, the decision of the Board should be affirmed.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on March 23, 2015, I electronically filed this corrected brief with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. I further certify that I will cause 6 paper copies to be filed with the Court within five days of the Court's acceptance of the brief.

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