

No. __-____

IN THE
Supreme Court of the United States

SMARTFLASH LLC,
Petitioner,

v.

SAMSUNG ELECTRONICS AMERICA, INC.,
SAMSUNG ELECTRONICS CO., LTD., APPLE INC.,
GOOGLE LLC, AND ANDREI IANCU, UNDER SECRETARY
OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DIRECTOR OF THE UNITED STATES PATENT AND
TRADEMARK OFFICE,
Respondents.

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

PETITION FOR A WRIT OF CERTIORARI

MICHAEL R. CASEY
GREGORY A. KRAUSS
DAVIDSON BERQUIST
JACKSON + GOWDEY,
LLP
8300 Greensboro Drive
Suite 500
McLean, Virginia 22102
(571) 765-7700

August 9, 2018

AARON M. PANNER
Counsel of Record
NICHOLAS O. HUNTER
JACOB E. HARTMAN
KELLOGG, HANSEN, TODD,
FIGEL & FREDERICK,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900
(apanner@kellogghansen.com)

QUESTIONS PRESENTED

1. Whether Administrative Patent Judges of the Patent Trial and Appeal Board (“Board”) are principal Officers of the United States who must be appointed by the President with the advice and consent of the Senate under the Appointments Clause.

2. Whether retroactive application of Covered Business Method Review to patents on inventions disclosed before passage of the Leahy-Smith America Invents Act violates the Due Process Clause of the Fifth Amendment.

3. Whether undisputed evidence that a patented invention is not unduly preemptive, presented to technically proficient judges of the Board, is relevant to the question whether the invention is patent-eligible under 35 U.S.C. § 101.

PARTIES TO THE PROCEEDINGS

Petitioner Smartflash LLC was the plaintiff in the district court, the patent owner in proceedings before the Patent and Trademark Office and the Patent Trial and Appeal Board, and the appellant in proceedings before the Federal Circuit.

Respondents Apple Inc., Samsung Electronics America, Inc., Samsung Electronics Co., Ltd., and Google LLC were defendants in the district court, petitioners in proceedings before the Patent and Trademark Office and the Patent Trial and Appeal Board, and appellees in proceedings before the Federal Circuit.

Respondent Andrei Iancu, Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, was the intervenor in proceedings before the Federal Circuit.

RULE 29.6 STATEMENT

Pursuant to this Court's Rule 29.6, petitioner Smartflash LLC states the following:

Smartflash LLC is a wholly owned subsidiary of Smartflash Technologies Limited. The following entities own 10% or more of the shares of Smartflash Technologies Limited: Latitude Investments Limited, Celtic Trust Company Limited, and Eastbrook Business Inc.

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Smartflash LLC respectfully petitions for a writ of certiorari to review the judgment of the United States Court of Appeals for the Federal Circuit in this case.

OPINIONS BELOW

The per curiam order of the court of appeals (App. 1a-2a)¹ is unreported but is available at 718 F. App'x 985. The relevant opinions of the Patent Trial and Appeal Board (App. 3a-747a) are not reported.

JURISDICTION

The court of appeals entered its judgment on April 11, 2018. On July 5, 2018, Chief Justice Roberts extended the time for filing a petition for certiorari to and including August 9, 2018. App. 788a. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTORY AND REGULATORY PROVISIONS INVOLVED

Relevant provisions of the Patent Act, the Leahy-Smith America Invents Act, and Title 37 of the Code of Federal Regulations are reproduced at App. 748a-787a.

INTRODUCTION

In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), this Court held that *inter partes* review (“IPR”) – adjudication of the validity of an issued patent by Administrative Patent Judges (“APJs”) of the Patent Trial and Appeal Board (“Board”) – is consistent with Article III because it involves the “adjudication of public rights.” *Id.* at 1373. The Court took pains, however, to “emphasize

¹ References to “App. __a” are to the separately bound two-volume appendix to this petition; references to “A__” are to the appendix filed in the Federal Circuit.

the narrowness of [its] holding,” noting that it was resolving “only the precise constitutional challenges that [petitioner] raised.” *Id.* at 1379.

This case – which involves a closely related procedure, “covered business method” or “CBM” review – presents two constitutional issues left unresolved in *Oil States*. *First*, as a leading commentator has argued, the scheme for adjudication of patent validity by the Board is constitutionally deficient because the APJs who make up the Board and whose decisions are not subject to any executive branch review are principal – not inferior – Officers of the United States. Such Officers must be nominated by the President and confirmed with the advice and consent of the Senate; APJs are not. Accordingly, the adjudications at issue here are void. Although petitioner did not raise this issue below, this Court’s precedents make clear that this Court can address this issue in the first instance, and it should do so here.

Second, this case presents the question whether CBM review violates the Due Process Clause of the Fifth Amendment because it unfairly impairs the value of a patent granted in exchange for public disclosure of the invention. CBM review is particularly problematic because, unlike the *inter partes* review process at issue in *Oil States*, it allows petitioners to challenge the subject-matter eligibility of a patent under 35 U.S.C. § 101. Because petitioner challenged the constitutionality of the CBM procedure before the Federal Circuit, this Court can reach this argument, even though petitioner did not expressly rely on the Fifth Amendment in its challenge below.

This case also presents the question whether the Board – in evaluating patent eligibility under § 101 – is required to disregard undisputed evidence that

the patent is *not* unduly preemptive of alternative approaches to implementing the alleged abstract idea to which the patent is directed. The Board here was confronted with undisputed evidence, in the form of admissions by respondents’ experts, that there were a large – perhaps “infinite” – number of non-infringing alternatives to Smartflash’s patented approach to solving problems associated with the secure purchase, sale, and delivery of digital content. Even if such evidence is difficult for lay judges to evaluate, that is no excuse for ignoring it when such evidence is presented to the Board, which is made up of APJs who, pursuant to statute, are appointed for their technical competence. Shutting their eyes to such evidence was thus inconsistent with the rationale underlying this Court’s subject-matter-eligibility decisions.

STATEMENT OF THE CASE

1. The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (“AIA”), created three new types of agency adjudications whereby persons other than the patent owner can petition the United States Patent and Trademark Office (“PTO”) to review the claims of issued patents: IPR (35 U.S.C. §§ 311-319); post-grant review (*id.* §§ 321-329); and CBM review (AIA § 18, 125 Stat. 329-31, *reprinted at* 35 U.S.C. § 321 note).² The details of each program differ with respect to who can petition for review and the allowable grounds for challenge to the patent’s validity, but each authorizes a trial-type administrative proceeding presided over by a panel of APJs who, along with the Director and Deputy Director, the Commissioner for Patents, and the Commissioner for

² CBM review is a transitional program that will sunset for new petitions on September 16, 2020. *See* AIA § 18(a)(3).

Trademarks, are members of the Board. *See* 35 U.S.C. § 6.

CBM review generally “employ[s] the standards and procedures of[] a post-grant review” as set out in 35 U.S.C. §§ 321-329. AIA § 18(a)(1). The decision whether to initiate CBM review is delegated by statute to the Director of the PTO, who may not authorize review unless he determines that “it is more likely than not” that at least one of the challenged claims is unpatentable. 35 U.S.C. § 324(a). Under the PTO’s regulations, the Board (not the Director) decides whether to institute CBM review. *See* 37 C.F.R. §§ 42.4, 42.208. If review is instituted, the Board – in particular, a panel of at least three members of the Board – “shall . . . conduct each post-grant review instituted” and “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” 35 U.S.C. §§ 6(c), 326(c), 328(a); *see also id.* § 318(a); *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1354-55 (2018). A party may seek rehearing pursuant to 37 C.F.R. § 42.71(c); “[o]nly the [Board] may grant rehearings,” 35 U.S.C. § 6(c). There is no provision for internal administrative review of Board determinations, but any “party dissatisfied with the final written decision of the [Board] . . . may appeal” to the Federal Circuit. *Id.* § 329.

2. In the late 1990s and early 2000s, inventor Patrick Racz began to seek a solution to problems he recognized with the secure distribution of digital content, especially music. “[D]igital distribution of copyrighted material threaten[ed] copyright holders as never before.” *Metro-Goldwyn-Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 928 (2005). Racz’s efforts in this field led to his conception of inventive

computer architectures and devices that enable the convenient and secure distribution of digital content.

Racz sought patent protection and filed his first U.S. patent application in 2002.³ After a lengthy period of prosecution, descendants of that application led to the issuance of the patents at issue in this case: U.S. Patent Nos. 7,334,720 (“the ’720 patent”) (A1380-1413), 7,942,317 (“the ’317 patent”) (A1488-1520), 8,033,458 (“the ’458 patent”) (A1280-1312), 8,061,598 (“the ’598 patent”) (A1313-1346), 8,118,221 (“the ’221 patent”) (A1347-1379), 8,336,772 (“the ’772 patent”) (A1414-1448), and 8,794,516 (“the ’516 patent”) (A1449-1487) (collectively, the “Smartflash patents”). The first of those patents – the ’720 patent – issued in 2008. The ’516 patent” issued last, in 2014. Each of those patents shares a common specification and is related to the common 2002 ancestor application.

3. Smartflash filed patent-infringement suits against respondents Apple Inc., Google Inc., Samsung Electronics America, Inc., and Samsung Electronics Co., Ltd. in district court.⁴ Respondents subsequently

³ Smartflash’s original U.S. patent application claims priority to a UK patent application filed on October 25, 1999. *E.g.*, A1332 (’598 patent, 1:6-16).

⁴ After the Board instituted CBM review, the district court stayed Smartflash’s infringement suits against Google, and the Federal Circuit reversed the district court’s decision denying a stay of the case against Samsung. *See Smartflash LLC v. Apple Inc.*, 621 F. App’x 995, 998-99, 1004-06 (Fed. Cir. 2015). The case against Apple, which had already resulted in a \$532.9 million jury verdict on favor of Smartflash, was not stayed. *See id.* at 1000-04. The Federal Circuit reversed the district court’s judgment for Smartflash against Apple and determined that four of Smartflash’s patent claims were ineligible under § 101: claim 13 of the ’720 patent, claim 32 of the ’221 patent, and claims 26 and 32 of the ’772 patent. *See Smartflash LLC v. Apple Inc.*, 680

filed more than 40 petitions for CBM review of Smartflash’s patents (30 of which are at issue in this petition) with the Board.

Sitting in panels of three, four, or five APJs, the Board granted the 30 petitions at issue in this case, thereby instituting CBM review. In each institution decision the Board analyzed a single claim of a challenged patent and determined each patent met the definition of a “covered business method patent”⁵ and was therefore eligible for CBM review. *E.g.*, A652-657. The Board also found that Smartflash’s patent claims did not meet the exclusion from the definition of a “covered business method patent” for “technological inventions.” *See* AIA § 18(d)(1); 37 C.F.R. § 42.301(a). The claims, according to the Board, did “not recite a technological feature that is novel and unobvious over the prior art.” *E.g.*, A653.

The Board rejected respondents’ petitions insofar as they sought to invalidate some of the disputed patent claims as anticipated or obvious in light of the prior art under 35 U.S.C. §§ 102 and 103, respectively. With regard to those challenges, the Board determined that respondents did not establish that it is more likely than not that Smartflash’s patents were invalid in view of the prior art. *See* A227-253, A35-53, A288-309, A97-116, A706-724, A162-181. The Board

F. App’x 977 (Fed. Cir. 2017) (“*Smartflash I*”). This Court denied Smartflash’s petition for certiorari. *See Smartflash LLC v. Apple Inc.*, 138 S. Ct. 687 (2018).

⁵ “[C]overed business method patent” is defined as “a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” AIA § 18(d)(1); 37 C.F.R. § 42.301(a).

concluded, however, that the challenged claims were “more likely than not directed to patent-ineligible subject matter” under 35 U.S.C. § 101 using the two-part test from *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014). *E.g.*, A657. The Board thus instituted CBM review to assess eligibility of the challenged claims under § 101. *E.g.*, A665.

The Board “decline[d] to consider Smartflash’s constitutional challenge” regarding CBM review “as, generally, ‘administrative agencies do not have jurisdiction to decide the constitutionality of congressional enactments.’” *E.g.*, A395 (quoting *Riggin v. Office of Senate Fair Emp’t Practices*, 61 F.3d 1563, 1569 (Fed. Cir. 1995)).

4. The Board conducted a number of hearings, after which it issued final decisions invalidating the challenged patent claims under 35 U.S.C. § 101. Again applying the two-part *Alice* test, the Board first determined that the claims were drawn to the abstract idea of “conditioning and controlling access to content based upon payment,” which is “a fundamental economic practice long in existence in commerce.” *E.g.*, App. 53a. The Board then found that the claims’ additional elements did not add an inventive concept. *E.g.*, App. 54a-55a. And – despite its prior rejection of respondents’ claims that the patents were either anticipated under § 102 or obvious under § 103 – the Board further determined that the specific *combination* of claim elements failed to describe an inventive concept. *E.g.*, App. 62a-63a.

In each of its written decisions, the Board set aside the “alleged existence of a large number of non-infringing, and, thus, non-preemptive alternatives,” as irrelevant to the *Alice* inquiry. *E.g.*, App. 64a-67a, 457a-460a, App. 593a-596a. It accordingly disregarded

testimony by Apple’s expert, Dr. John Kelly, that “there are lots of . . . ways that you could implement . . . the [supposed] abstract idea of paying for and controlling access to data. You . . . would not have to do it this way.” A21873-21874. Another of Apple’s experts, Dr. Anthony Wechselberger, similarly testified that there “could be nearly an *infinite* number of different ways” one can “pay for and control access to content using a processor and a program store other than what’s claimed in any of the independent claims of the ’772 patent.” A11563 (emphasis added). And Samsung’s expert, Dr. Jeffrey Bloom, admitted that the abstract idea purportedly embodied by the claims – conditioning access to content based on payment – could be performed without key limitations found through many of the claims at issue in this appeal. He testified that “the claims of the ’458 patent” and the ’720 patent “relate to, *but do not preempt*, enabling limited use of paid for and/or licensed content using conventional computer systems and components.” A3394 (’458 patent) (emphasis added); *see also* A3401 (similar for ’720 patent).

The same panel of APJs that issued the final decisions – sitting in some cases with three panel members instead of the original four⁶ – denied Smartflash’s requests for rehearing. *E.g.*, App. 80a-83a.

5. Smartflash appealed the Board’s decisions to the Federal Circuit. On appeal, Smartflash argued that the Board’s power to invalidate patents violates constitutional separation-of-power principles; that the challenged patents did not meet the definition of a “covered business method patent”; and that the

⁶ Compare, *e.g.*, App. 124a (final decision by APJs Bisk, Elluru, Plenzler, and Clements) with App. 160a (denial of rehearing by APJs Bisk, Elluru, and Plenzler).

patents were drawn to eligible subject matter under 35 U.S.C. § 101. The Federal Circuit issued a summary affirmance without opinion under Rule 36 of that court on April 11, 2018. App. 1a-2a.

REASONS FOR GRANTING THE PETITION

This case presents two important constitutional questions regarding the new proceedings made available by the AIA: (1) whether APJs are principal Officers of the United States who must be appointed by the President with the advice and consent of the Senate under the Appointments Clause, and (2) whether retroactive application of the AIA's Covered Business Method Review violates the Due Process Clause of the Fifth Amendment. In addition, the case also presents an important question regarding the importance of evidence of lack of preemption in administrative proceedings before the Board that involve determinations of subject-matter eligibility under § 101.

I. THE COURT SHOULD GRANT REVIEW TO DETERMINE WHETHER THE AUTHORITY GRANTED TO ADMINISTRATIVE PATENT JUDGES UNDER THE AIA VIOLATES THE APPOINTMENTS CLAUSE

The AIA authorizes APJs sitting in panels of the Board to issue final written decisions invalidating already-issued patents, and the statute denies any other executive branch official authority to review those decisions. This Court's precedents support the conclusion that such authority – the power to deprive a patent owner of property without any effective check within the executive branch and only limited judicial review – renders APJs principal, not inferior, Officers of the United States. Accordingly, this Court should grant review to determine whether the statutory

scheme for appointment of APJs by the Secretary of Commerce as inferior Officers – not by the President with the advice and consent of the Senate – is unconstitutional.

A. At the outset, there should be no dispute that APJs are Officers of the United States within the meaning of the Appointments Clause.

The Appointments Clause states that

[the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint, Ambassadors, other public Ministers and Consuls, Judges of the supreme Court, and all other Officers of the United States, whose Appointments are not herein otherwise provided for, and which shall be established by Law: but the Congress may by Law vest the Appointment of such inferior Officers, as they think proper, in the President alone, in the Courts of Law, or in the Heads of Departments.

U.S. Const. art. II, § 2, cl. 2.

The requirements of the Appointments Clause apply to “Officers of the United States”; they do not apply to mere “employees of the Federal Government.” *Lucia v. SEC*, 138 S. Ct. 2044, 2051 (2018). “Two decisions set out this Court’s basic framework for distinguishing between officers and employees”: *United States v. Germaine*, 99 U.S. 508 (1879), and *Buckley v. Valeo*, 424 U.S. 1 (1976) (per curiam). *Lucia*, 138 S. Ct. at 2051.

In *Germaine*, the Court “made clear that an individual must occupy a ‘continuing’ position established by law to qualify as an officer.” *Lucia*, 138 S. Ct. at 2051 (quoting *Germaine*, 99 U.S. at 511). And, under *Buckley*, an officer must “exercis[e] significant authority

pursuant to the laws of the United States.” 424 U.S. at 126; *accord Lucia*, 138 S. Ct. at 2051; *Freytag v. Commissioner*, 501 U.S. 868, 881 (1991).

Like the Administrative Law Judges (“ALJs”) of the Securities and Exchange Commission (“SEC”) at issue in *Lucia* and the special trial judges at issue in *Freytag*, APJs are Officers of the United States, not mere employees. *See* 138 S. Ct. at 2054. APJs occupy career positions created by statutes that specify their duties, salary, and means of appointment. *See* 35 U.S.C. §§ 3(b)(6) (establishing salary), 6(a) (creating position and specifying means of appointment), 6(b) (specifying duties); *cf. Lucia*, 138 S. Ct. at 2053; *Freytag*, 501 U.S. at 881-82. APJs preside over adversarial, trial-type proceedings that involve discovery, motion practice, the introduction of evidence, and the cross-examination of fact and expert witnesses at depositions. *See* 35 U.S.C. §§ 316(a)(5), 326(a)(5); 37 C.F.R. § 42.53; Office Patent Trial Practice Guide, 77 Fed. Reg. 48,756, 48,757-68 (Aug. 14, 2012). Like SEC ALJs, the Board has the power to sanction a party for misconduct including for “[f]ail[ing] to comply with an applicable rule or order in the proceeding” and “[a]buse of discovery.” 37 C.F.R. § 42.12(a); *cf. Lucia* 138 S. Ct. at 2053; *Freytag*, 501 U.S. at 881-82. This Court’s decisions in *Lucia* and *Freytag* thus compel the conclusion that APJs, too, are Officers of the United States.

B. Because APJs exercise authority to invalidate issued patents without any review within the executive branch, they cannot be characterized as “inferior” Officers within the meaning of the Appointments Clause. Accordingly, their appointment by the Secretary of Commerce is unconstitutional.

1. When APJs under the AIA adjudicate the validity of issued patents, they are “exercising the

executive power.” See *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018). Unlike most ALJs, whose decisions are subject to review by the heads of their agencies,⁷ APJs exercise that power without any higher level review within the executive branch. The Board, sitting in panels of at least three APJs, issues “a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” 35 U.S.C. § 328(a); see *id.* § 6(c). The Director of the PTO has no discretion to review or reverse a panel’s decision. Only the Board itself “may grant rehearings.” *Id.* As demonstrated by the 18 rehearing requests at issue here, requests for rehearing are typically determined by the same panel of APJs (or a subset of the same panel) that issued the final written decision. See, e.g., App. 43a (final written decision by APJs Bisk, Elluru, Anderson, and Clements), 77a (denial of rehearing by the same APJs).

Once the Board has rendered its decision, the *only* mechanism for review is appeal to the Federal Circuit. See 35 U.S.C. §§ 141(c), 329. The Director has no authority to interfere with a determination with which he disagrees. After a patent holder has exhausted appeal rights from a final written decision of the Board, “the Director *shall* issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable.” *Id.* § 328(b) (emphasis added); see also *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018) (holding that the word “shall” in

⁷ See Christopher J. Walker & Melissa F. Wasserman, *The New World of Agency Adjudication*, 107 Cal. L. Rev. (forthcoming 2019) (manuscript at 2, 11) (“Walker & Wasserman, *New World*”), available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3129560.

§ 318(a), the corresponding IPR provision, “imposes a nondiscretionary duty” that “is both mandatory and comprehensive”). The APJs of the Board thus have the “power to render a final decision on behalf of the United States.” *Edmond v. United States*, 520 U.S. 651, 665 (1997).

Furthermore, unlike in cases involving PTO decisions canceling issued patents in derivation proceedings (what used to be called “interferences”), a patent owner seeking to overcome a determination of invalidity in CBM review has no recourse to the courts for a *de novo* proceeding. Compare 35 U.S.C. § 146 (providing that “[a]ny party to a derivation proceeding dissatisfied with the decision of the [Board] on the derivation proceeding[] may have remedy by civil action”) with *id.* § 329 (“A party dissatisfied with the final written decision of the [Board] . . . may appeal the decision pursuant to sections 141 through 144.”); see also *Hyatt v. Kappos*, 566 U.S. 431, 436 (2012) (making clear that a proceeding under § 145, the sister provision to § 146, is *de novo*). Furthermore, as this Court has observed, such appellate review is limited, with the Board’s “underlying factual determinations” reviewed pursuant to a deferential “substantial evidence” standard. *Oil States*, 138 S. Ct. at 1372.

2. As a leading scholar has argued, such “final decisional authority” renders APJs principal, not inferior, Officers of the United States.⁸ As this Court explained in *Edmond*, “[w]hether one is an ‘inferior’

⁸ Gary Lawson, *Appointments and Illegal Adjudication: The AIA Through a Constitutional Lens*, 26 Geo. Mason U. L. Rev. (forthcoming 2018) (manuscript at 45) (“Lawson, *Illegal Adjudication*”) (arguing that APJs are principal Officers because “[t]here is no higher level of review within the executive department”), available at <https://ssrn.com/abstract=3105511>.

officer depends on whether he has a superior,” and, in particular, whether the officer’s “work is *directed and supervised* at some level by others who were appointed by Presidential nomination with the advice and consent of the Senate.” 520 U.S. at 662-63 (emphasis added). With respect to invalidation of issued patents pursuant to CBM review (or post-grant review or IPR), the “work” of APJs is subject to no such direction or supervision. On the contrary, APJs’ determinations are final within the executive branch, and the Director has no statutory authority to intervene. “The bottom line is that the [Board] is the final authority within the executive department . . . on matters of substantive law. That is the very definition of a principal officer.” Lawson, *Illegal Adjudication* at 46.

By contrast, in finding that judges on the Coast Guard Court of Criminal Appeals at issue in *Edmond* were inferior, not principal, Officers, this Court emphasized the availability of review of their decisions within the executive branch. “*What is significant* is that the judges of the Court of Criminal Appeals have no power to render a final decision on behalf of the United States unless permitted to do so by other Executive officers.” *Edmond*, 520 U.S. at 665 (emphasis added). Instead, “another Executive Branch entity, the Court of Appeals for the Armed Forces,” has power to reverse decisions of the Court of Criminal Appeals. *Id.* at 664-65. The same is true of the special trial judges of the Tax Court at issue in *Freytag*. See 501 U.S. at 873-74; 26 U.S.C. § 7443A(c) (“The court may authorize a special trial judge to make the decision of the court . . . , subject to such conditions and review as

the court may provide.”)⁹ So too the ALJs at issue in *Lucia*. See 138 S. Ct. at 2051 n.3, 2053-54 (noting that an ALJ decision “becomes final” and is “deemed the action of the Commission” only if the SEC “declines review (and issues an order saying so)”). Not so with APJs, whose “decisions are appealable only to courts of the Third Branch.” *Edmond*, 520 U.S. at 665-66; see 35 U.S.C. §§ 141(c), 329.

3. The mechanisms for indirect influence that the Director can exercise over Board decision-making in the proceedings authorized by the AIA do not constitute the type of “direction” and “supervision” required under *Edmond*. Cf. *Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting) (explaining mechanisms Director may use to “secure the policy judgments he seeks”).

To start with, “[i]t is not enough that other officers may be identified who formally maintain a higher rank, or possess responsibilities of a greater magnitude. If that were the intention, the Constitution might have used the phrase ‘lesser officer.’” *Edmond*, 520 U.S. at 662-63. Similarly, the fact that the Director maintains control over which decisions of the Board are deemed “precedential” within the PTO, see Patent Trial and Appeal Board, Standard Operating Procedure 2 (Revision 9), Publication of Opinions and Designation of Opinions as Precedential, Informative, Representative, and Routine § III.D,¹⁰ does not alter the fact that, with respect to invalidation of patents that are challenged under the AIA’s procedures, the

⁹ Notably, Tax Court judges, whose decisions are not reviewable within the executive branch, are appointed as principal Officers. See 26 U.S.C. § 7443(a).

¹⁰ Available at <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/procedures/standard-operating-procedures-0>.

Director has no power to alter a decision of the Board. *Cf. Freytag*, 501 U.S. at 882 (“The fact that an inferior officer on occasion performs duties that may be performed by an employee not subject to the Appointments Clause does not transform his status under the Constitution.”).

Commentators have suggested that the Director can exercise control over Board decisions by “stacking” the panel, *i.e.*, using his authority to designate like-minded APJs or other Board members to hear, or rehear, a particular case. *See* 35 U.S.C. § 6(c) (panel members “shall be designated by the Director”); Walker & Wasserman, *New World* at 38-39; *see also Oil States*, 138 S. Ct. at 1381 (Gorsuch, J., dissenting). The Director has used the ability to stack panels in the past, and the Federal Circuit has upheld the Director’s authority to do so. *See In re Alappat*, 33 F.3d 1526, 1533-34 (Fed. Cir. 1994) (*en banc*); *see also Nidec Motor Corp. v. Zhongshan Bd. Ocean Motor Co.*, 868 F.3d 1013, 1015 (Fed. Cir. 2017) (*per curiam*); *Target Corp. v. Destination Maternity Corp.*, IPR2014-00508, Paper Nos. 18, 20 (PTAB Sept. 25, 2014), *rev’d on reh’g by id.*, Paper Nos. 28, 31, 32 (PTAB Feb. 12, 2015) (further expanded, seven-member panel) (4-3).

Such panel stacking – ignoring for the moment the serious due process questions it raises – does not satisfy the requirement for direction and supervision of Board decision-making. Authority to designate the members of particular panels is not a substitute for the direct-review authority that the Court found “significant” in *Edmond*. 520 U.S. at 665; *see also Lawson, Illegal Adjudication* at 47 (“The power to pick the panels is not the power to decide.”). “[T]he fact remains that the [Director] may not unilaterally overturn a decision of a Board panel or instruct other

Board members how to vote.” *Alappat*, 33 F.3d at 1535. Moreover, the Director has delegated his panel-stacking rights to lower-level officials who were not appointed by the President with the advice and consent of the Senate. *See* Patent Trial and Appeal Board, Standard Operating Procedure 1 (Revision 14), Assignment of Judges to Merits Panels, Interlocutory Panels, and Expanded Panels at 2 (“The Director’s authority under 35 U.S.C. § 6 to designate panels has been delegated to the Chief Judge.”).¹¹

Furthermore, deliberately altering the composition of a panel of the Board to produce a preferred outcome in an individual case would raise serious constitutional concerns. *See Nidec*, 868 F.3d at 1020 (Dyk, J., concurring). “The Due Process Clause entitles a person to an impartial and disinterested tribunal.” *Marshall v. Jerrico, Inc.*, 446 U.S. 238, 242 (1980). “This applies to administrative agencies which adjudicate as well as to courts.” *Withrow v. Larkin*, 421 U.S. 35, 46 (1975). And it certainly applies to tribunals with the power to cancel important intellectual property rights granted in a patent. *See Marshall*, 446 U.S. at 242 (“The neutrality requirement helps to guarantee that life, liberty, or property will not be taken on the basis of an erroneous or distorted conception of the facts or the law.”); *see also Florida Prepaid Postsecondary Educ. Expense Bd. v. College Sav. Bank*, 527 U.S. 627, 642 (1999) (“[p]atents . . . have long been considered a species of property” in considering due process issues).

Nor does the Director’s apparent ability to remove APJs provide the Director with sufficient direction

¹¹ Available at <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/procedures/standard-operating-procedures-0>.

and supervision. Because the Director “may not . . . instruct other Board members how to vote,” *Alappat*, 33 F.3d at 1535, he likewise could not threaten an APJ with removal if she refused to vote his way. See *Utica Packing Co. v. Block*, 781 F.2d 71, 78 (6th Cir. 1986) (“There is no guarantee of fairness when the one who appoints a judge has the power to remove the judge before the end of proceedings for rendering a decision which displeases the appointer.”).

C. Although petitioner did not raise the Appointments Clause issue before the Board or the Federal Circuit, this Court can and should reach the issue.

This Court has treated defects in the composition of a tribunal as akin to jurisdictional issues that can be raised at any time and are not waivable. See *Glidden Co. v. Zdanok*, 370 U.S. 530, 535-36 (1962) (plurality); *Nguyen v. United States*, 539 U.S. 69, 80-81 (2003). “[T]he disruption to sound appellate process entailed by entertaining objections not raised below does not always overcome . . . ‘the strong interest of the federal judiciary in maintaining the constitutional plan of separation of powers.’” *Freytag*, 501 U.S. at 879 (quoting *Glidden*, 370 U.S. at 536).

The Court in *Glidden* “expressly included Appointments Clause objections” among the constitutional issues that it could consider “whether or not they were ruled upon below.” *Id.* at 878-79. To support that conclusion, *Glidden* cited *Lamar v. United States*, 241 U.S. 103 (1916), where the Court considered the merits of an Appointments Clause challenge “despite the fact that it had not been raised in the District Court or in the Court of Appeals or even in this Court until the filing of a supplemental brief upon a second request for review.” *Glidden*, 370 U.S. at 536; see also *Freytag*, 501 U.S. at 879 (court exercised discretion to

consider the appointment of Tax Court special trial judges that was not raised in the Tax Court).

Furthermore, although petitioner did not rely on the Appointments Clause, it has consistently challenged the constitutionality of the CBM procedure, first before the Board and then in the Federal Circuit. Like the Article III challenge that petitioner expressly argued, petitioner's Appointments Clause challenge raises "important questions . . . about the Constitution's structural separation of powers." *Id.* at 873. Accordingly, this is not a case (unlike *Freytag*) where petitioner ever acknowledged the Board's authority to resolve the legal issues before it.

D. The Court should grant review because the question presented is of exceptional importance. The Appointments Clause is "designed to preserve political accountability relative to important Government assignments." *Edmond*, 520 U.S. at 663. "This provision ensures that those who exercise the power of the United States are accountable to the President, who himself is accountable to the people." *Department of Transp. v. Association of Am. Railroads*, 135 S. Ct. 1225, 1238 (2015) (Alito, J., concurring).

The significance of the power exercised by the Board makes it especially urgent to ensure that its members are appointed in a manner consistent with the Constitution. Since the effective date of the AIA, the Board has invalidated at least one patent claim in 80% of the AIA proceedings that have reached a final written decision, and 80% of those decisions have invalidated *all* claims of an issued patent. *See* PTO, *Trial Statistics IPR, PGR, CBM* at 11 (June 2018), *available at* https://uspto.gov/sites/default/files/documents/trial_statistics_20180630.pdf.

The need for political accountability in patent post-grant review proceedings is brought into stark relief by the Court's recent decision in *Oil States*. The Court there held that patents involve public rights susceptible to the determination of the political branches. *See Oil States*, 138 S. Ct. at 1374. "When the PTO adjudicates the patentability of inventions, it is exercising the executive power." *Id.* (alteration omitted). The exercise of that power must be made by officials sufficiently accountable to the President, within whom the power is vested. *See* U.S. Const. art. II, § 1, cl. 1; *see also Free Enter. Fund v. Public Co. Accounting Oversight Bd.*, 561 U.S. 477, 496-97 (2010); *Edmond*, 520 U.S. at 660 ("By requiring the joint participation of the President and the Senate, the Appointments Clause was designed to ensure public accountability for both the making of a bad appointment and the rejection of a good one."); *Freytag*, 501 U.S. at 884 ("The Framers understood . . . that by limiting the appointment power, they could ensure that those who wielded it were accountable to the political force and the will of the people.").

II. THE COURT SHOULD GRANT REVIEW TO DETERMINE WHETHER RETROACTIVE APPLICATION OF COVERED BUSINESS METHOD REVIEW TO PRE-AIA PATENTS VIOLATES THE FIFTH AMENDMENT

In *Oil States*, this Court expressly left open the question whether the AIA's scheme for the invalidation of issued patents by the PTO may violate the Due Process Clause of the Fifth Amendment. *See* 138 S. Ct. at 1379. As this case illustrates, because CBM review significantly impairs the value of issued patents, its retroactive application to patents based

on disclosures made before the adoption of the AIA violates the Fifth Amendment.

A patent is the result of a bargain between the government and an inventor. In exchange for publicly disclosing a novel and non-obvious invention, the inventor receives exclusive rights to it for a limited time. When the inventors of Smartflash's patents decided to pursue patent protection, the AIA's review mechanisms, including CBM review, did not exist. These new proceedings have dramatically altered the landscape of administrative patent review and cancelation in a way that the inventors could not have foreseen.

Subjecting Smartflash's patents to a new form of agency review impairs the value of Smartflash's property in a way that is fundamentally unfair. The retroactive application of CBM review thus violates due process.

A. The AIA Effected a Dramatic Change to Patent Rights by Creating New Procedures for Administrative Invalidation with the Purpose and Effect of Impairing the Value of Issued Patents

The evident legislative purpose of the AIA – and CBM review in particular – was to impair the value of issued patents by giving the PTO the “expedient” power “to clean up [the] problem[]” of supposedly “low quality patents.” *Oil States*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting). But, in so doing, the statute undermines the property interests of patent holders in a way that violates the Due Process Clause.

1. Authorizing the PTO to invalidate issued patents pursuant to trial-type proceedings initiated and prosecuted by politically influential private parties represents an unprecedented impairment of

patent rights. At the time the inventors of Smartflash’s patents applied for a patent, there were only two ways for the PTO to reconsider the grant of a patent: *ex parte* reexamination, established in 1980, and *inter partes* reexamination, established in 1999. See *Oil States*, 138 S. Ct. at 1370-71. Congress did not create CBM review until 2011, long after the inventors decided to disclose their inventions. AIA § 18; see also 35 U.S.C. § 6 (establishing *inter partes* review and post-grant review).¹²

CBM review is not a mere continuation of, or trivial modification to, the pre-existing reexamination procedures. In a reexamination proceeding, the Director instituted review only when there was a “substantial new question of patentability,” and the PTO could consider only questions of novelty (§ 102) and non-obviousness (§ 103) in light of prior art. 35 U.S.C. §§ 302, 303. CBM review, on the other hand, allows the PTO also to consider, for the first time, invalidity of an issued patent under 35 U.S.C. § 112 (written description, enablement) and § 101 (patentable subject matter), the latter of which the Board relied on to invalidate Smartflash’s patents. *Id.* § 321(b); AIA § 18(a)(1); see *Smartflash C.A. Br. 27* (July 24, 2017) (Dkt. #70) (“In contrast to an IPR challenge raising grounds of anticipation or obviousness, a § 101 CBM challenge presents an issue of law that cannot justify the PTO reasserting its authority over the issued patent for the purpose of revisiting its previous § 101 subject-matter-eligibility determination.”). CBM review

¹² Although some of the patents at issue are based on applications filed after the AIA was enacted, they were continuation applications based on the same disclosure as the original application. See *supra* p. 5. Accordingly, the invalidation of all the patents at issue suffers from the same constitutional defect.

is particularly problematic because it allows the PTO to invalidate issued patents as subject-matter ineligible under § 101 without any new evidence and despite already finding subject-matter eligibility when initially allowing the patent.

Other differences between reexamination and CBM review magnify the impact of that change. Once instituted, both *ex parte* and *inter partes* reexaminations “followed a more or less inquisitorial course led by the Patent Office.” *SAS*, 138 S. Ct. at 1353. The proceedings provided for by the AIA – including CBM review – on the other hand, “allow[] private parties to challenge previously issued patent claims in an adversarial process . . . that mimics civil litigation.” *Id.* at 1352 (describing *inter partes* review under the AIA). The parties to a CBM review conduct discovery and receive an oral hearing before the Board, which then issues a final written decision on the patentability of the challenged patent claims. *See* 35 U.S.C. §§ 326(a), 328(a). Unlike the old reexamination hearings, Congress in the AIA “opted for a party-directed, adversarial process” in which “it’s the petitioner, not the Director, who gets to define the contours of the proceeding.” *SAS*, 138 S. Ct. at 1355.

Moreover, opportunities for amending patent claims are far more limited in CBM review. Patent holders in reexaminations had “unfettered opportunity to amend” their claims to overcome problems. Gregory Dolin & Irina D. Manta, *Taking Patents*, 73 Wash. & Lee L. Rev. 719, 759 (2016) (quoting *In re Cuozzo Speed Techs., LLC*, 778 F.3d 1271, 1287 (Fed. Cir. 2015) (Newman, J., dissenting), *opinion withdrawn and superseded on reh’g*, 793 F.3d 1268 (Fed. Cir. 2015), *aff’d*, *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016)). By contrast, “the opportunity to

amend in [proceedings under the AIA] is ephemeral at best.” *Id.* at 760; *see also In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1301 (Fed. Cir. 2015) (Prost, J., dissenting from the denial of rehearing en banc) (“there is no robust right to amend” in IPR proceedings). Patentees are entitled to “1 motion to amend the patent” by canceling any challenged claim or “propos[ing] a reasonable number of substitute claims.” 35 U.S.C. §§ 316(d), 326(d). And in the first 30 months of AIA procedures, the Board had granted only two out of more than 50 such motions, one of which was unopposed. *See Dolin & Manta*, 73 Wash. & Lee L. Rev. at 759.¹³

As a result, while only 12% and 31% of patents failed to emerge with any valid claims from *ex parte* and *inter partes* reexamination, respectively, *see id.* at 758-59, patent claims subject to CBM review have been invalidated at rates over 90%, *see id.* at 756. As commentators have noted, this high rate of invalidation cannot be explained by reasoning that patents subject to the AIA’s procedures are low quality. *See id.* at 756-57 (noting that patents that have successfully emerged from reexamination have an 83% claim invalidation rate in *inter partes* review under the AIA).

The increased risk that issued patents will be invalidated reduces the value of patents substantially.

The economic value of a patent must take into account the chance that the patent itself will be declared invalid during litigation. That chance

¹³ The Federal Circuit has recently ordered the Board to apply a more lenient standard to amendments, but it is not yet clear whether this will significantly ameliorate the Board’s practice. *See Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc).

is almost never zero, even with respect to the “strongest,” most innovative and thoroughly examined patents. The higher the chance that the patent is invalid, the lower the value of the patent to the patentee, and the lower the price he will obtain in any licensing or sale of that patent. Consequently, making a patent easier to invalidate necessarily reduces the value of that patent.

Id. at 724-25 (footnotes omitted).

2. This case illustrates the extraordinary impact of CBM review on the value of issued patents.

Petitioner’s suit against Apple for patent infringement resulted in a \$532 million verdict. In the course of that civil suit, Apple repeatedly argued that the patent claims at issue were ineligible for protection under 35 U.S.C. § 101, an argument that the district court rejected. Before CBM review went into effect, the *only* mechanism for review that Apple would have had for that determination was direct appeal to the Federal Circuit. And, in that appeal, Apple would have had to overcome the presumption of validity that attaches to a patent issued by the PTO after examination. See *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 100 (2011); *Berkheimer v. HP Inc.*, 881 F.3d 1360, 1368 (Fed. Cir. 2018).

Before the Federal Circuit ruled on Apple’s appeal, however, Apple was able to secure decisions in CBM review proceedings invalidating claims of various Smartflash patents – including all of the claims asserted at trial – on subject-matter-ineligibility grounds. Apple, of course, brought those decisions to the attention of the Federal Circuit, arguing that they “confirm[ed] the correctness” of Apple’s arguments on appeal. See FRAP 28(j) Letter from Mark A. Perry, Counsel for Apple Inc., to Hon. Peter R. Marksteiner,

Circuit Executive and Clerk of Court, No. 16-1059 (Oct. 25, 2016) (Dkt. #85). The PTO's determination that the asserted patents should not have issued thus effectively deprived Smartflash of the presumption of validity that the statute previously guaranteed.

B. It Is Fundamentally Unfair To Subject Patents Based on Pre-AIA Disclosures to CBM Review

The retroactive application of a scheme as dramatically different from what came before as CBM review – and the resulting impairment of patent owners' property – is fundamentally unfair and, therefore, violates due process.

The Court has long applied a “presumption against retroactive legislation” because “[e]lementary considerations of fairness dictate that individuals should have an opportunity to know what the law is and to conform their conduct accordingly; settled expectations should not be lightly disrupted.” *Landgraf v. USI Film Prods.*, 511 U.S. 244, 265 (1994). The Due Process Clause thus “protects the interests in fair notice and repose that may be compromised by retroactive legislation.” *Id.* at 266. Retroactive legislation must further “a legitimate legislative purpose furthered by rational means.” *General Motors Corp. v. Romein*, 503 U.S. 181, 191 (1992). But “a justification sufficient to validate a statute's prospective application under the Clause ‘may not suffice’ to warrant its retroactive application.” *Landgraf*, 511 U.S. at 266. The concerns about retroactive legislation are heightened when the legislation impacts property rights, “matters in which predictability and stability are of prime importance.” *Id.* at 271 (citing cases).

The scope and rigor of patent review and enforcement mechanisms are a key part of a patent's value

and are subject to the protections of the Fifth Amendment. In *McClurg v. Kingsland*, 42 U.S. (1 How.) 202 (1843), the Court thus held that changes to the patent statutes “can have no effect to impair the right of property then existing in a patentee.” *Id.* at 206; *see also Richmond Screw Anchor Co. v. United States*, 275 U.S. 331, 345-46 (1928) (finding that it would raise a serious Fifth Amendment concern to interpret a statute as eliminating a patent holder’s right to recover damages for infringing conduct).

In deciding whether to invest in pursuing patent rights, an inventor must decide whether the investment is worthwhile in light of the risks associated with prosecution and enforcement and the possibility of maintaining an invention as a trade secret. And, once the PTO grants a patent, the patent holder can be expected to order its affairs – including commercial development of the invention, licensing, and litigation – based on settled expectations of how the validity of the patent could be challenged, and the likelihood that such a challenge would be successful.

CBM review interferes with the investment-backed expectations of inventors who sought patent protection before the AIA. “Patentees invest not just their time, efforts, and money into inventing, but also into more mundane activities like convincing the PTO that their invention is worth exclusive rights that come with the grant of a patent. Patentees pay attorneys’ fees, filing fees, maintenance fees, etc., all in the hope of reaping some economic reward from their inventive activity.” Dolin & Manta, 73 Wash. & Lee L. Rev. at 793 (footnotes omitted); *see also Oil States*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting). When the inventors of Smartflash’s patents decided to seek patents in the late 1990s and early 2000s, CBM review – and

the AIA's other forms of adversarial administrative "second look" review – did not exist. The inventors thus could not have known that an issued patent might be subject to an adversarial administrative proceeding, providing almost no chance to amend claims, at which the subject-matter eligibility of the patent could be placed at issue despite the PTO's already finding eligibility when first allowing the patent. The changes brought about by the AIA's new procedures have thus led commentators to conclude that, "unlike the previous 'second look' regimes, [AIA reviews] have both drastically changed the scope of the right that the patentees thought they bargained for *and* failed to provide them with a meaningful substitute for the vested rights lost." Dolin & Manta, 73 Wash. & Lee L. Rev. at 761.

The congressional bait-and-switch effected by the AIA is thus comparable to other congressional enactments that this Court has held violated the Due Process Clause. *See Welch v. Henry*, 305 U.S. 134, 147 (1938) (citing cases holding invalid under the Due Process Clause "the taxation of gifts made and completely vested before the enactment of the taxing statute"). Just as the inventors of Smartflash's patents could not have anticipated the enactment of the AIA, those decisions "rested on the ground that the nature or amount of the tax could not reasonably have been anticipated by the taxpayer at the time of the particular voluntary act which the statute later made the taxable event." *Id.*

C. The Fifth Amendment Issues Presented Are of Exceptional Importance

This Court has recognized the importance of avoiding changes "that disrupt the settled expectations of the inventing community." *Festo Corp. v. Shoketsu*

Kinzoku Kogyo Kabushiki Co., 535 U.S. 722, 739 (2002). CBM review effects just such a change. And, as described, the impact on the value of patent rights of that choice has been dramatic – as this case illustrates.

This case provides an appropriate vehicle to resolve the Fifth Amendment issue. The inventions in Smartflash’s patents were all disclosed in a common ancestor application that was submitted well before the AIA, when reexamination was the only mode of administrative patent cancelation. The Board invalidated Smartflash’s patents as drawn to ineligible subject matter under 35 U.S.C. § 101, a ground that could not have been raised in a reexamination. Furthermore, the Board rejected respondents’ invalidity arguments based on novelty and obviousness in view of the prior art, the only grounds that would have been available to invalidate the patents in a reexamination. *See* A227-253, A35-53, A288-309, A97-116, A706-724, A162-181. There is no argument, therefore, that Smartflash’s patents would have been invalidated under the prior reexamination scheme.

Although petitioner did not expressly rely on the Fifth Amendment in challenging the constitutionality of the AIA below, petitioner relied on the nature of an issued patent as personal property and cited this Court’s decision in *Horne v. Department of Agriculture*, 135 S. Ct. 2419 (2015), which held that a reserve requirement imposed by the government on raisin growers violated the Fifth Amendment. Accordingly, the question whether the AIA unconstitutionally impaired Smartflash’s property interests has been at issue from the start. In light of the further guidance provided by this Court in *Oil States*, it is appropriate for the Court to consider petitioner’s challenge now.

III. THIS CASE PRESENTS AN IMPORTANT QUESTION REGARDING THE RELEVANCE OF EVIDENCE OF “NO PREEMPTION” IN THE PTO’S EVALUATION OF PATENT ELIGIBILITY

This Court’s *Alice* inquiry is aimed at ensuring that a patent will not “inhibit further discovery by improperly tying up the future use of’ the[] building blocks of human ingenuity.” *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S. Ct. 2347, 2354 (2014) (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 85 (2012)). Yet the Board in these cases refused to consider undisputed evidence that Smartflash’s patents did *not* “tie up” any “building blocks” of future innovation. On the contrary, respondents’ experts repeatedly admitted that there are a variety of ways to implement the alleged abstract idea of conditioning and controlling access to content based on payment. *See supra* pp. 7-8.

The Board’s approach here reflected the Federal Circuit’s own erroneous approach to implementation of the *Mayo/Alice* framework, one that rejects the need to show undue preemption to find ineligibility under § 101. *See, e.g., Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1379 (Fed. Cir. 2015), *cert. denied*, 136 S. Ct. 2511 (2016); *Smart Sys. Innovations, LLC v. Chicago Transit Auth.*, 873 F.3d 1364, 1375 (Fed. Cir. 2017). That approach may be an (improper) extension of this Court’s observation, in *Mayo*, that “[c]ourts and judges are not institutionally well suited to making the kinds of judgments needed” to determine whether a claimed invention is unduly preemptive. 566 U.S. at 89. But, if that is the rationale, it has no application in a case like this one, where the evidence of preemption was presented to a panel

of APJs who are chosen for their technical competence. *See* 35 U.S.C. § 6(a) (“administrative patent judges shall be persons of competent legal knowledge *and scientific ability*”) (emphasis added). To invalidate a patent under § 101 in these circumstances without considering evidence of lack of undue preemption finds no support in this Court’s decisions.

This case offers an appropriate vehicle to take up the question whether evidence of preemption is relevant to the PTO’s evaluation of patent eligibility. To be sure, the Federal Circuit did not write any opinion, and respondents did provide an alternative basis for affirmance of the challenged administrative determination – namely, that Smartflash was collaterally estopped from defending the patent eligibility of its inventions based on the Federal Circuit’s decision in *Smartflash I*. *See supra* note 4. But if petitioner is correct about the significance of evidence of lack of preemption in a CBM proceeding, that would undermine any collateral estoppel ruling as well.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

MICHAEL R. CASEY
GREGORY A. KRAUSS
DAVIDSON BERQUIST
JACKSON + GOWDEY,
LLP
8300 Greensboro Drive
Suite 500
McLean, Virginia 22102
(571) 765-7700

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AARON M. PANNER
Counsel of Record
NICHOLAS O. HUNTER
JACOB E. HARTMAN
KELLOGG, HANSEN, TODD,
FIGEL & FREDERICK,
P.L.L.C.
1615 M Street, N.W.
Suite 400
Washington, D.C. 20036
(202) 326-7900
(apanner@kellogghansen.com)