

No. 19-601

In the Supreme Court of the United States

COLLABO INNOVATIONS, INC., PETITIONER

v.

SONY CORPORATION, ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

NOEL J. FRANCISCO
*Solicitor General
Counsel of Record*

JOSEPH H. HUNT
Assistant Attorney General

SCOTT R. MCINTOSH

DENNIS FAN
Attorneys

*Department of Justice
Washington, D.C. 20530-0001
SupremeCtBriefs@usdoj.gov
(202) 514-2217*

QUESTIONS PRESENTED

For almost four decades, the United States Patent and Trademark Office (USPTO) has “possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). In the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, Congress replaced one of the existing mechanisms for administrative reconsideration of issued patents with a new administrative reconsideration proceeding known as inter partes review. Congress further provided that inter partes review “shall apply to any patent issued before, on, or after th[e] effective date” of the AIA. § 6(c)(2)(A), 125 Stat. 304. The questions presented are as follows:

1. Whether Congress’s decision to authorize the USPTO to conduct inter partes review of patents issued before the AIA’s effective date is irrational, and thus violates the Due Process Clause.
2. Whether the cancellation, following inter partes review, of petitioner’s pre-AIA patent violates the Just Compensation Clause.

ADDITIONAL RELATED PROCEEDINGS

Patent Trial and Appeal Board, United States Patent
and Trademark Office:

Sony Corp. v. Collabo Innovations, Inc., No.
IPR2016-941 (Oct. 3, 2017)

United States District Court (D. Del.):

Collabo Innovations, Inc. v. Sony Corp., No. 15-cv-1094
(Nov. 9, 2017)

United States Court of Appeals (Fed. Cir.):

Collabo Innovations, Inc. v. Sony Corp., No. 18-1311
(Aug. 5, 2019)

TABLE OF CONTENTS

	Page
Opinions below	1
Jurisdiction	1
Statement	1
Argument.....	8
Conclusion	21

TABLE OF AUTHORITIES

Cases:

<i>Blonder-Tongue Labs., Inc. v. University of Illinois Found.</i> , 402 U.S. 313 (1971).....	3
<i>Celgene Corp. v. Peter</i> , 931 F.3d 1342 (Fed. Cir. 2019), reh’g denied, No. 18-1167 (Fed. Cir. Dec. 9, 2019).....	<i>passim</i>
<i>Cuozzo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016).....	3, 4, 6, 19
<i>Denver & Rio Grande W. R.R. v. Brotherhood of R.R. Trainmen</i> , 387 U.S. 556 (1967).....	14
<i>FCC v. Beach Commc’ns, Inc.</i> , 508 U.S. 307 (1993).....	11
<i>Horne v. Department of Agric.</i> , 135 S. Ct. 2419 (2015)	14
<i>Joy Techs., Inc. v. Manbeck</i> , 959 F.2d 226 (Fed. Cir.), cert. denied, 506 U.S. 829 (1992)	3, 8
<i>Landgraf v. USI Film Prods.</i> , 511 U.S. 244 (1994).....	9, 11, 12
<i>Lucas v. South Carolina Coastal Council</i> , 505 U.S. 1003 (1992).....	13, 18
<i>McClurg v. Kingsland</i> , 42 U.S. (1 How.) 202 (1843)	15, 16
<i>Microsoft Corp. v. i4i Ltd. P’ship</i> , 564 U.S. 91 (2011)	2
<i>Murr v. Wisconsin</i> , 137 S. Ct. 1933 (2017)	17, 18
<i>OBB Personenverkehr AG v. Sachs</i> , 136 S. Ct. 390 (2015).....	12, 17

IV

Cases—Continued:	Page
<i>Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC</i> , 138 S. Ct. 1365 (2018).....	7, 10, 14, 15
<i>Patlex Corp. v. Mossinghoff</i> , 758 F.2d 594 (Fed. Cir.), reh’g granted in part on other grounds, 771 F.2d 480 (Fed. Cir. 1985).....	3, 8, 10
<i>Penn Cent. Transp. Co. v. New York City</i> , 438 U.S. 104 (1978).....	18
<i>Pension Benefit Guar. Corp. v. R. A. Gray & Co.</i> , 467 U.S. 717 (1984).....	9
<i>Phillips v. AWH Corp.</i> , 415 F.3d 1303 (Fed. Cir. 2005), cert. denied, 546 U.S. 1170 (2006)	6, 7
<i>Return Mail, Inc. v. United States Postal Serv.</i> , 139 S. Ct. 1853 (2019)	2, 20
<i>Richmond Screw Anchor Co. v. United States</i> , 275 U.S. 331 (1928).....	16, 17
<i>SAS Inst. Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018)	2
<i>Scranton v. Wheeler</i> , 179 U.S. 141 (1900).....	13
<i>Usery v. Turner Elkhorn Mining Co.</i> , 428 U.S. 1 (1976).....	10

Constitution, statutes, and regulation:

U.S. Const.:

Art. I, § 8, Cl. 8 (Intellectual Property Clause).....	1, 2
Art. III.....	7
Amend. V:	
Due Process Clause.....	3, 7, 8, 9
Just Compensation Clause	3, 7, 8, 13, 14, 17
Amend. VII	7
Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (35 U.S.C. 301 <i>et seq.</i>)	3
§ 8(b), 94 Stat. 3027	3, 9
35 U.S.C. 301(a)(1).....	3, 19

Statutes and regulation—Continued:	Page
35 U.S.C. 302.....	3, 19
35 U.S.C. 303(a)	3
35 U.S.C. 305.....	19
35 U.S.C. 306.....	3, 19
35 U.S.C. 307(a)	3, 20
Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284	4
§ 6(a), 125 Stat. 299-304	4
§ 6(c)(2)(A), 125 Stat. 304.....	5, 11
Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, App. I, Subtit. F, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572	4
Patent Act of 1952, 35 U.S.C. 1 <i>et seq.</i>	2
35 U.S.C. 2(a)(1).....	2
35 U.S.C. 101.....	2
35 U.S.C. 102 (2012 & Supp. V 2017).....	2, 4, 5
35 U.S.C. 102(b).....	7
35 U.S.C. 103.....	2, 4, 5
35 U.S.C. 103(a)	7
35 U.S.C. 131.....	2
35 U.S.C. 261 (2012 & Supp. V 2017).....	15
35 U.S.C. 282(a)	2
35 U.S.C. 282(b)(2)	2
35 U.S.C. 311(a)	19
35 U.S.C. 311(b).....	4, 19
35 U.S.C. 312.....	5
35 U.S.C. 314(a)	5
35 U.S.C. 316(a)(5).....	5
35 U.S.C. 316(a)(8).....	5
35 U.S.C. 316(a)(10).....	5
35 U.S.C. 316(c)	5

VI

Statutes and regulation—Continued:	Page
35 U.S.C. 316(d).....	19
35 U.S.C. 316(d)(1)(B).....	5
35 U.S.C. 316(e).....	5
35 U.S.C. 318(a).....	5
35 U.S.C. 318(b).....	5, 14, 20
35 U.S.C. 319.....	5, 20
Patent and Trademark Office Authorization Act of 2002, Pub. L. No. 107-273, Div. C, Tit. III, Subtit. A, §§ 13101-13106, 116 Stat. 1899-1901 (35 U.S.C. 311 <i>et seq.</i> (2006)).....	4
35 U.S.C. 316(a) (2006).....	4
83 Fed. Reg. 51,340 (Oct. 11, 2018) (37 C.F.R. 42.100(b)).....	6
 Miscellaneous:	
H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1 (2011)....	4, 10
U.S. Patent & Trademark Office, <i>FY 2018 Performance and Accountability Report</i> (2018).....	2

In the Supreme Court of the United States

No. 19-601

COLLABO INNOVATIONS, INC., PETITIONER

v.

SONY CORPORATION, ET AL.

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

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 3a-17a) is not published in the Federal Reporter but is reprinted at 778 Fed. Appx. 954. The decision of the United States Patent and Trademark Office (Pet. App. 18a-96a) is not published in the United States Patents Quarterly but is available at 2017 WL 4418283.

JURISDICTION

The judgment of the court of appeals (Pet. App. 1a-2a) was entered on August 5, 2019. The petition for a writ of certiorari was filed on November 4, 2019 (a Monday). The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. a. The Intellectual Property Clause of the Constitution authorizes Congress to “promote the Progress of Science and useful Arts, by securing for limited

Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” U.S. Const. Art. I, § 8, Cl. 8. Pursuant to that authorization, Congress has enacted and periodically amended the Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, which assigns to the United States Patent and Trademark Office (USPTO) responsibility “for the granting and issuing of patents.” 35 U.S.C. 2(a)(1). To determine whether patents should issue, USPTO personnel review applications to assess their compliance with the Act’s subject-matter requirements and conditions of patentability, such as utility, novelty, and non-obviousness in light of prior art. See 35 U.S.C. 101 (patent-eligible subject matter and utility), 102 (2012 & Supp. V 2017) (novelty), 103 (non-obviousness). If an application satisfies all of those criteria, the Director of the USPTO “shall issue a patent.” 35 U.S.C. 131.

The USPTO reviews more than 500,000 patent applications each year. See USPTO, *FY 2018 Performance and Accountability Report* 32 (2018) (Tbl.). Occasionally, “bad patents slip through.” *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). The Patent Act accordingly provides “several avenues by which [a patent’s] validity can be revisited.” *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1859 (2019).

First, in an infringement action brought by the patent holder, the person accused of infringement may assert as a defense the “[i]nvalidity of the patent or any claim in suit” based on a failure to meet a “condition for patentability.” 35 U.S.C. 282(b)(2). The court may declare the patent invalid if the defendant proves by clear and convincing evidence “that the patent never should have issued in the first place.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 96-97 (2011); see 35 U.S.C.

282(a) (providing that in infringement actions “[a] patent shall be presumed valid”). A final judicial determination of invalidity renders the patent unenforceable against others. See *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971).

Second, for almost four decades, the USPTO has “possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). In 1980, Congress first established an administrative reconsideration procedure known as *ex parte* reexamination, which permits “[a]ny person at any time” to “file a request for reexamination” of an issued patent in light of prior art “bearing on [its] patentability.” 35 U.S.C. 301(a)(1), 302; see Act of Dec. 12, 1980 (1980 Act), Pub. L. No. 96-517, 94 Stat. 3015 (35 U.S.C. 301 *et seq.*). The Director may institute reexamination proceedings based on that third-party request, or on his own initiative, if he finds “a substantial new question of patentability.” 35 U.S.C. 303(a). If the USPTO concludes that the challenged patent claims are unpatentable, the Director—following the opportunity for review by the Federal Circuit—cancels those claims. 35 U.S.C. 306, 307(a).

The statute that created the *ex parte* reexamination mechanism authorized the USPTO to reexamine all “patents in force as of th[e] [effective] date or issued thereafter.” 1980 Act § 8(b), 94 Stat. 3027 (effective date of July 1, 1981). The Federal Circuit subsequently held that neither the Due Process Clause nor the Just Compensation Clause barred *ex parte* reexamination of patents issued before the reexamination statute was enacted. See *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir.), cert. denied, 506 U.S. 829 (1992); *Patlex*

Corp. v. Mossinghoff, 758 F.2d 594, 602-603 (Fed. Cir.), reh'g granted in part on other grounds, 771 F.2d 480 (Fed. Cir. 1985).

In 1999 and 2000, Congress established an additional reconsideration procedure known as inter partes reexamination. See Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, App. I, Subtit. F, §§ 4601-4608, 113 Stat. 1501A-567 to 1501A-572; Patent and Trademark Office Authorization Act of 2002, Pub. L. No. 107-273, Div. C, Tit. III, Subtit. A, §§ 13101-13106, 116 Stat. 1899-1901 (35 U.S.C. 311 *et seq.* (2006)). Inter partes reexamination similarly permitted third parties to request that the Director institute USPTO reexamination proceedings based on prior art, and authorized him to cancel unpatentable claims following an opportunity for judicial review. See 35 U.S.C. 316(a) (2006). Inter partes reexamination, however, “granted third parties greater opportunities to participate in the [USPTO’s] reexamination proceedings as well as in any appeal.” *Cuozzo*, 136 S. Ct. at 2137.

b. In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. As relevant here, the AIA “modifies ‘inter partes *reexamination*,’” and “now calls [it] ‘inter partes *review*.’” *Cuozzo*, 136 S. Ct. at 2137; see § 6(a), 125 Stat. 299-304. Congress authorized inter partes review to provide “a more efficient system for challenging patents that should not have issued.” H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39-40 (2011) (House Report).

Any person other than the patent owner may petition for inter partes review of an issued patent on the ground that the invention was not novel or was obvious under Section 102 or 103 of the Patent Act in light of “prior art consisting of patents or printed publications.” 35 U.S.C.

311(b); see 35 U.S.C. 102 (2012 & Supp. V 2017), 103, 312. If the Director finds a “reasonable likelihood” that the petitioner can establish the unpatentability of “at least 1 of the claims challenged in the petition,” he may institute review proceedings. 35 U.S.C. 314(a).

The Patent Trial and Appeal Board (Board) of the USPTO then conducts inter partes review proceedings to determine the patentability of the challenged claims. 35 U.S.C. 316(c). The petitioner and patent owner may conduct limited discovery, submit briefs and evidence, and obtain an oral hearing. See 35 U.S.C. 316(a)(5), (8), and (10). The petitioner must prove unpatentability by a preponderance of the evidence. 35 U.S.C. 316(e). The patent owner may seek to amend the patent by “propos[ing] a reasonable number of substitute claims.” 35 U.S.C. 316(d)(1)(B). If the Board ultimately issues a final written decision determining the patentability of each challenged claim, a dissatisfied party may appeal to the United States Court of Appeals for the Federal Circuit. 35 U.S.C. 318(a), 319. When judicial review is complete or the time for appeal has expired, the Director cancels any patent claims determined to be unpatentable. 35 U.S.C. 318(b).

The AIA’s inter partes review provisions took effect on September 16, 2012. See § 6(c)(2)(A), 125 Stat. 304. As it did with ex parte reexamination, Congress specified in the AIA that inter partes review “shall apply to any patent issued before, on, or after that effective date.” *Ibid.*

2. a. Petitioner Collabo Innovations, Inc., filed a patent application in 1996, and the USPTO issued U.S. Patent No. 5,952,714 (‘714 patent) in 1999. Pet. App. 19a; C.A. App. 133. When the patent issued, Congress had

authorized the Director to review and cancel invalid patents through ex parte reexamination. The '714 patent expired on July 30, 2016. Pet. App. 19a n.2, 28a.

In November 2015, petitioner brought an infringement suit against respondent Sony Corporation, alleging infringement of the '714 patent and several other patents. See 15-cv-1094 D. Ct. Doc. 1 (Nov. 25, 2015). Sony Corporation then sought inter partes review of the '714 patent. See C.A. App. 19a. The Director instituted review in October 2016, see Pet. App. 16a, and the infringement action has been stayed pending those inter partes review proceedings and the subsequent appeal, see 15-cv-1094 D. Ct. Doc. 96 (Nov. 9, 2017).

b. In October 2017, the Board determined that the challenged patent claims “have been shown by a preponderance of the evidence to be unpatentable.” Pet. App. 95a. For an unexpired patent in inter partes review, the Board ordinarily would have given the patent claims their “broadest reasonable construction” in assessing patentability. See *Cuozzo*, 136 S. Ct. at 2146. Because the '714 patent had expired, however, the Board construed the claims more narrowly “in accordance with their ordinary and customary meanings,” Pet. App. 29a, consistent with the standard used when a district court assesses the validity of a patent, see *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-1313 (Fed. Cir. 2005) (en banc), cert. denied, 546 U.S. 1170 (2006).¹ After construing the patent claims, see Pet. App. 28a-37a, the

¹ The USPTO has since amended the regulations governing inter partes review to provide that, when conducting reviews in response to petitions filed on or after November 13, 2018, the Board will construe disputed patent claims using the same ordinary-meaning standard that applies in district-court litigation. See 83 Fed. Reg. 51,340 (Oct. 11, 2018) (37 C.F.R. 42.100(b)).

Board analyzed the challenged claims and determined that those claims were unpatentable under Sections 102(b) and 103(a) in light of prior art, see *id.* at 39a-95a.

3. The court of appeals affirmed the Board's decision. Pet. App. 1a. The court agreed with the Board's construction of petitioner's patent claims under the ordinary-meaning standard. See *id.* at 8a (citing *Phillips, supra*). The court further held that "substantial evidence support[ed] the Board's conclusions" that the challenged claims were unpatentable. *Id.* at 12a-15a.

The court of appeals also rejected petitioner's contention, raised for the first time on appeal, that the application of inter partes review to its patent violated, *inter alia*, the Due Process and Just Compensation Clauses. Pet. App. 15a-16a; see Pet. C.A. Br. 63-67. The court noted that these issues had not been resolved in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), in which this Court had rejected Article III and Seventh Amendment challenges to the AIA's inter partes review provisions. Pet. App. 15a. But the court of appeals had recently addressed those issues in *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019), reh'g denied, No. 18-1167 (Fed. Cir. Dec. 9, 2019), and the court concluded that *Celgene* foreclosed petitioner's constitutional challenges in this case. Pet. App. 16a.

In *Celgene*, the Federal Circuit had "acknowledged that [inter partes review] differs from both district court proceedings and prior administrative validity proceedings," but had concluded "that the variations from the administrative validity review mechanisms in place upon patent issuance are not so significant as to render [inter partes review] unconstitutional or effectuate a

taking.” Pet. App. 16a. The *Celgene* court had also relied on prior Federal Circuit decisions rejecting Due Process and Just Compensation Clause challenges to the use of ex parte reexamination for patents issued before the reexamination statute’s enactment. *Ibid.*; see *Joy Techs.*, 959 F.2d at 228; *Patlex*, 758 F.2d at 602-603.

The court of appeals explained in this case that, “[l]ike the patent at issue in *Celgene*, when the ’714 patent issued, patent owners already expected that their patents could be challenged in district court and * * * that ‘the [Patent Office] could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.’” Pet. App. 16a (quoting *Celgene*, 931 F.3d at 1362-1363) (brackets in original). The court accordingly concluded that “application of [inter partes review] to [petitioner’s] patent, on grounds that were available for Patent Office reconsideration when the patent was issued and under the same burden of proof, does not create a constitutional issue.” *Ibid.*

ARGUMENT

In *Celgene Corp. v. Peter*, 931 F.3d 1342 (2019), reh’g denied, No. 18-1167 (Dec. 9, 2019), the Federal Circuit held that the use of inter partes review for patents issued before the AIA was enacted does not violate the Due Process Clause or the Just Compensation Clause. The unpublished decision in this case adheres to that ruling. The Federal Circuit’s rejection of those constitutional challenges is correct and does not conflict with any other decision of that court or of this Court. Further review is not warranted.

1. a. The court of appeals correctly held that application of inter partes review to patents issued before the AIA was enacted does not violate the Due Process

Clause. This Court has held that due process requirements are satisfied if retrospective application of particular “legislation is itself justified by a rational legislative purpose.” *Pension Benefit Guar. Corp. v. R. A. Gray & Co.*, 467 U.S. 717, 730 (1984). Such provisions “often serve entirely benign and legitimate purposes,” including the purposes of “correct[ing] mistakes” and “giv[ing] comprehensive effect to a new law Congress considers salutary.” *Landgraf v. USI Film Prods.*, 511 U.S. 244, 267-268 (1994).

The Federal Circuit’s decisions in *Celgene* and in this case accord with those principles. See Pet. App. 15a-16a. In *Celgene*, the court of appeals correctly held that extending inter partes review to existing patents served a rational purpose. Congress gave comprehensive effect to inter partes review because “[s]ometimes * * * bad patents slip through,” and it makes sense to utilize an available, “more efficient system” for “correcting prior agency error of issuing patents that should not have issued in the first place.” *Celgene*, 931 F.3d at 1361 (citations omitted).

That decision was both rational and consistent with the course Congress had chosen in 1980, when it made the newly enacted ex parte reexamination process applicable to patents that had been issued at a time when no administrative reconsideration mechanism was in place. See 1980 Act § 8(b), 94 Stat. 3027. As the Federal Circuit explained in upholding that 1980 congressional choice against a Due Process Clause challenge similar to the one petitioner mounts here, the “curative” nature of the new provision—intended to alleviate the ill effect of patents the USPTO had previously issued in error—made judicial deference to Congress’s choice especially appropriate. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594,

603, reh'g granted in part on other grounds, 771 F.2d 480 (1985); see *Celgene*, 931 F.3d at 1358 n.13 (applying same principle to inter partes review).

b. Petitioner does not take issue with the due-process standards that the court of appeals applied. To the contrary, petitioner agrees that the overarching legal question is whether “the legislature has acted in an arbitrary and irrational way” in authorizing inter partes review of pre-AIA patents. Pet. 32 (quoting *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15 (1976)). Petitioner simply disagrees with the court’s answer to that question. But petitioner fails to demonstrate any error in the court’s reasoning.

Petitioner contends (Pet. 33-34) that Congress “identified no rationale” for applying inter partes review to pre-AIA patents, and that Congress failed to determine that prior reconsideration procedures were “ineffective or detrimentally inefficient.” That is incorrect. In revising the procedures for administrative reconsideration of issued patents, Congress was motivated by “a growing sense that questionable patents are too easily obtained and are too difficult to challenge,” and it therefore sought to create “a more efficient system for challenging patents that should not have issued.” House Report 39-40; see *Celgene*, 931 F.3d at 1361 (citing House Report). Having established what it viewed as an improved method for reviewing issued patents, Congress reasonably declined to place artificial temporal constraints on the range of patents that could be reviewed under the improved procedures. Cf. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1373 (2018) (recognizing that patents “take from the public rights of immense value, and bestow them upon the patentee”) (brackets and citation

omitted). Congress was not required to make additional findings to explain its rationale for authorizing inter partes review of both pre- and post-AIA patents. See, e.g., *FCC v. Beach Commc'ns, Inc.*, 508 U.S. 307, 315 (1993) (holding that “the absence of legislative facts explaining the [legislative choice] on the record * * * has no significance in rational-basis analysis”) (bracket, citation, and internal quotation marks omitted).

Petitioner also invokes this Court’s decision in *Landgraf, supra*, for the proposition that a “presumption against retroactive legislation” applies even to “explicitly retroactive statutes.” Pet. 17 (citation omitted). That is mistaken for two distinct reasons.

First, the *Landgraf* Court did not suggest that any statute having a retroactive effect is presumptively *unconstitutional*. Rather, the presumption against retroactivity discussed in *Landgraf* is a rule of *interpretation* that is used to resolve ambiguities about a particular law’s intended temporal scope. Application of that interpretive presumption “ensure[s] that Congress itself has determined that the benefits of retroactivity outweigh the potential for disruption or unfairness.” *Landgraf*, 511 U.S. at 268, 272. But “the court’s first task is to determine whether Congress has expressly prescribed the statute’s proper reach,” and “[i]f Congress has done so, of course, there is no need to resort to judicial default rules.” *Id.* at 280. The presumption therefore has no role to play here, since the AIA states that the inter partes review provisions “shall apply to any patent issued before, on, or after [the AIA’s] effective date.” See § 6(c)(2)(A), 125 Stat. 304. That language unambiguously confirms that Congress contemplated, and chose to authorize, any retroactive effect that inter partes review of pre-AIA patents might entail.

Second, inter partes review of a pre-AIA patent does not actually constitute a retroactive application of the AIA under the standards set forth in *Landgraf*. “A statute does not operate ‘retrospectively’ merely because it is applied in a case arising from conduct antedating the statute’s enactment, * * * or upsets expectations based in prior law.” *Landgraf*, 511 U.S. at 269. The relevant question is instead “whether the new provision attaches new legal consequences to events completed before its enactment.” *Id.* at 269-270. No new legal consequences attached here, since the Board in conducting inter partes review applies the same substantive standards of patentability that were applied when the patents were originally issued. While the *procedures* used to conduct inter partes review differ significantly from the procedures previously used to reassess issued patents, “[c]hanges in procedural rules may often be applied in suits arising before their enactment without raising concerns about retroactivity.” *Id.* at 275. And here, “patent owners already expected that their patents could be challenged in district court and ‘[f]or forty years’ had expected that ‘the [Patent Office] could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.’” Pet. App. 16a (quoting *Celgene*, 931 F.3d at 1362-1363) (brackets in original).

Petitioner also argues (Pet. 34-36) that, in enacting the AIA, Congress targeted an unpopular group—namely, so-called “patent trolls.” Petitioner forfeited this argument by failing to raise it before the Board or the court of appeals. See Pet. C.A. Br. 63-67; see also *OBB Personenverkehr AG v. Sachs*, 136 S. Ct. 390, 398 (2015). In any event, the argument lacks merit.

None of the AIA's inter partes review provisions distinguishes in any way between different categories of patent owners. They provide a neutral administrative mechanism for identifying and cancelling invalid patents, without regard to the identity or business model of the entity that holds the patent. Some Members of Congress may have viewed "patent trolls" as disproportionately responsible for the practical problems that invalid patents were believed to cause. But that background concern provides no basis for questioning the constitutionality of the response that Congress devised.

2. The court of appeals was also correct that the use of inter partes review to determine the validity of pre-AIA patents does not violate the Just Compensation Clause. Petitioner asserts (Pet. 22-23) that inter partes review worked a "complete removal" of the property rights in its patent and, alternatively (Pet. 23-31), that those procedural changes effect a regulatory taking. Those arguments lack merit.

a. "[E]xisting rules or understandings' * * * define the range of interests that qualify for protection as 'property under the Fifth and Fourteenth Amendments,' and takings claims cannot be predicated on "restrictions" that "inhere in the title itself." *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003, 1029-1030 (1992) (citation omitted). It therefore is not a taking of private property for the government to appropriate a landowner's submerged lands where state law provided "a pre-existing limitation upon [his] title," *id.* at 1028-1029 (citing *Scranton v. Wheeler*, 179 U.S. 141, 163 (1900)), that had already rendered it "a bare technical title," *Scranton*, 179 U.S. at 163.

Substantially the same principle applies here. Inter partes review enables the USPTO to take a "second

look” at “the same basic matter as the grant of a patent.” *Oil States*, 138 S. Ct. at 1374 (citation omitted). The Board’s final written decision in this case reflected the USPTO’s determination that the challenged patent claims did not satisfy the statutory prerequisites for patenting at the time the patent was issued. See 35 U.S.C. 318(b). The import of the Board’s decision thus was not that a validly issued patent should be rescinded based on events that postdated its issuance, but that petitioner’s patent should never have been issued because it did not satisfy preexisting statutory requirements. The court of appeals upheld that determination, and petitioner does not seek this Court’s review on the merits of the patentability issue. And under the AIA provisions at issue here, cancellation of a patent does not occur until judicial review of the Board’s patentability determination is complete (or the time for appeal has expired). The Board’s currently unchallenged determination that petitioner never possessed a valid property interest did not effect a taking of property.

This obstacle cannot be overcome by framing a takings claim in terms of the procedures that the agency uses to reassess its initial patentability determination. While a valid patent is private property, see *Horne v. Department of Agric.*, 135 S. Ct. 2419, 2427 (2015), “[n]o one has a vested right in any given mode of procedure,” *Celgene*, 931 F.3d at 1361 (quoting *Denver & Rio Grande W. R.R. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 563 (1967)) (brackets in original). The USPTO’s administrative procedures for reconsidering patents are not themselves the property of patent owners, and the Just Compensation Clause does not preclude legislative changes to those procedures. Far from being property, those procedures are statutory constraints that patents

are “[s]ubject to,” 35 U.S.C. 261 (2012 & Supp. V 2017), and that “qualif[y] any property rights that a patent owner has in an issued patent,” *Oil States*, 138 S. Ct. at 1375.²

b. Petitioner appears to acknowledge (Pet. 22) that no taking of property would have occurred if the Director had cancelled its patent claims through ex parte reexamination, or if a district court had determined that the claims were invalid. Petitioner does not explain how the Board’s achievement of the same result through more recently devised procedures that Congress viewed as an improvement on the prior review mechanisms could constitute a taking. Instead, Petitioner invokes (Pet. 21-22) the Court’s statement in *McClurg v. Kingsland*, 42 U.S. (1 How.) 202, 206 (1843), that subsequently enacted legislation “can have no effect to impair the

² Petitioner suggests (Pet. 31) that it might have received a more favorable ruling if its patent claims had been subjected to ex parte reexamination instead of inter partes review. That suggestion is speculative. Cf. *Celgene*, 931 F.3d at 1362 (noting that the patent owner in that case “ha[d] made no showing—nor could it—that claims canceled in [inter partes reviews], including its own claims, would have fared any better in the preexisting reexamination procedures”). But even if the Court assumed that ex parte reexamination would not have revealed the defects that the Board identified during inter partes review, that would not mean that petitioner’s claims were patentable. To the contrary, the AIA reflects Congress’s determination that the new inter partes review mechanism would more accurately resolve newly arising questions about the validity of issued patents. Inter partes review enables private challengers to assist the agency by identifying the strongest evidence and arguments against the validity of an issued patent. Petitioner and other owners of pre-AIA patents have no constitutionally protected interest in avoiding the more thorough scrutiny that inter partes review entails.

right of property then existing in a patentee.” Petitioner’s reliance on that decision is misplaced.

McClurg makes clear that the rule against impairment of existing property rights is not implicated when Congress alters the procedures by which rights under preexisting patents are adjudicated. The Court explained that patent disputes “must depend on the law as it stood at the emanation of the patent, *together with such changes as have been since made.*” 42 U.S. (1 How.) at 206 (emphasis added). The Court observed that it “is not a sound objection to [the] validity” of subsequent procedural statutes that those statutes “may be retrospective in their operation.” *Ibid.* The Court concluded that provisions of a new statute that “prescribe[d] the rules which must govern on the trial of actions for the violation of patented rights” should apply, regardless of whether the patents were “granted before or after [the statute’s] passage.” *Id.* at 207. Similarly here, Congress simply revised the procedures that the agency may use to reconsider patent claims based on the same substantive conditions of patentability that had previously governed. *McClurg* affirmatively supports the constitutionality of that procedural change.

Petitioner further asserts (Pet. 22-23) that the decision below conflicts with *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331 (1928). The question in *Richmond Screw Anchor* was whether a general statute (the Anti-Assignment Act) barring the assignment of claims against the United States applied to a patent assignee’s infringement claims under a 1918 statute, which replaced an infringement remedy against government contractors with an infringement remedy against the United States itself. See *id.* at 340-346. This Court first applied the 1918 statute to a patent issued before

its enactment. *Id.* at 346. The Court then concluded that Congress did not intend for claims against the United States brought under the 1918 statute to be foreclosed by the Anti-Assignment Act. The Court reasoned that a contrary interpretation could call into question the constitutionality of the 1918 statute because “[t]he assignability of [patent] claims [is] an important element in their value.” *Id.* at 345.

Richmond Screw Anchor has no bearing on this case. That case involved a concededly valid patent that conferred property rights on its holder. Here, by contrast, the Board found petitioner’s patent to be invalid; the court of appeals affirmed that determination; and petitioner does not seek this Court’s review of any substantive patentability issue. Moreover, a patent owner’s right to assign his patent-infringement claim was an adjunct to his underlying right to exclude, so that legislation negating that right would implicate the Just Compensation Clause. Here, in contrast, the administrative procedures used to reconsider whether a patent was validly issued are not the private property of any patent owner.

c. Petitioner also attempts (Pet. 23-31) to recast its Just Compensation Clause claim as one involving a regulatory taking. Petitioner never advanced a regulatory-taking claim in the court of appeals, see Pet. C.A. Br. 63-67, and it has therefore forfeited that claim. *OBB Personenverkehr*, 136 S. Ct. at 398 (“Absent unusual circumstances—none of which is present here—we will not entertain arguments not made below.”).

In any event, petitioner’s regulatory-taking claim lacks merit. Regulatory-taking claims arise “when a regulation impedes the *use* of property,” *Murr v. Wisconsin*, 137 S. Ct. 1933, 1943 (2017) (emphasis added),

but the AIA does not restrict patent owners' exercise of their patent rights. Moreover, such a takings claim must fail if "the logically antecedent inquiry into the nature of the owner's estate shows that the proscribed use interests were not part of his title to begin with." *Lucas*, 505 U.S. at 1027. That is true here, since petitioner could have no patent rights (and therefore no property rights) in a claimed invention that does not satisfy the Patent Act's criteria.

Petitioner's reliance (Pet. 23) on *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978), is misplaced. Under *Penn Central* and its progeny, courts evaluate regulatory restrictions on a claimant's use of his property by assessing "(1) the economic impact of the regulation on the claimant; (2) the extent to which the regulation has interfered with distinct investment-backed expectations; and (3) the character of the governmental action." *Murr*, 137 S. Ct. at 1943.

Petitioner places primary emphasis on the second of the three *Penn Central* criteria—the purported impact of the AIA's inter partes review provisions on petitioner's investment-backed expectations. Petitioner argues at length (Pet. 24-30) that the inter partes review provisions eliminated "the safeguards of *ex parte* reexamination and district court litigation," Pet. 31, and thereby "increase[d] the likelihood that the '714 patent would be invalidated," Pet. 26.

Contrary to petitioner's argument, nothing about the procedural changes embodied in the inter partes review provisions defeats the reasonable investment-backed expectations of owners of pre-AIA patents. "[W]hen the '714 patent issued, patent owners already expected that their patents could be challenged in district court and * * * that 'the [Patent Office] could reconsider the

validity of issued patents on particular grounds, applying a preponderance of the evidence standard.’” Pet. App. 16a (quoting *Celgene*, 931 F.3d at 1362-1363). Mere “variations from the administrative validity review mechanisms in place upon patent issuance are not so significant as to * * * effectuate a taking.” *Ibid.*

Petitioner asserts (Pet. 24-30) that ex parte reexamination provided greater opportunities to amend defective claims; that inter partes review provides for briefing, a hearing, discovery, and the presentation of evidence; and that the standards for instituting review of ex parte reexamination and inter partes review are different. But those differences did “not disrupt the expectation that patent owners have had for nearly four decades” that the USPTO could cancel patent claims that the agency reassessed and found unpatentable. *Celgene*, 931 F.3d at 1361.

Despite the differences on which petitioner focuses, there are “significant similarities” between inter partes review and ex parte reexamination. *Celgene*, 931 F.3d at 1359-1360. In both, the USPTO is authorized to reconsider an issued patent at the request of a third party. 35 U.S.C. 302, 311(a). In both, the USPTO considers “prior art consisting of patents or printed publications” to determine patentability. 35 U.S.C. 301(a)(1), 311(b). In both, the patent owner has an opportunity to amend the patent to avoid the cancellation of otherwise invalid claims. 35 U.S.C. 305, 316(d). In both, the agency determines by a preponderance of the evidence whether the challenged claims were unpatentable at the time the patent issued. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). In both, the final agency decisions are subject to judicial review. 35 U.S.C. 306,

319. And in both, the Director cancels claims finally determined to be unpatentable only after judicial review is exhausted. 35 U.S.C. 307(a), 318(b). These fundamental similarities make it particularly clear that the procedural changes reflected in the AIA do not defeat the investment-backed expectations associated with pre-AIA patents.

In arguing that “*inter partes* review is ‘fundamentally different’ from *ex parte* reexamination,” Pet. 26 (citation omitted), petitioner relies on this Court’s decision in *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1865 (2019). But the *Return Mail* Court focused on which entities are authorized to *initiate* challenges to patents before the USPTO, and the “differen[ces]” the Court identified were significant only from that party’s perspective. See *id.* at 1865-1866. For a challenger, for example, an *inter partes* review in which it can present evidence is “meaningfully different” from an *ex parte* reexamination in which “the challenger is not permitted to participate.” *Id.* at 1866. But that does not make the two processes of agency reevaluation fundamentally different from the perspective of a patent holder—the perspective that matters here. To the contrary, the patent holder’s role in both types of proceedings is ultimately the same: attempting to persuade the agency (or, barring that, the Federal Circuit) that the patent is valid.

Petitioner further asserts (Pet. 25, 27) that patents are treated more favorably in infringement litigation in district courts because the courts apply a presumption of validity and give patent claims their ordinary meaning. But to the extent that administrative reconsideration of patents diverges from those features of infringement litigation, the divergence is not the product of the

AIA. Instead, it originated nearly forty years ago, with the creation of ex parte reexamination in 1980. See *Celgene*, 931 F.3d. at 1362 (explaining that, in these respects, inter partes review and ex parte reexamination operate in the same way). Petitioner does not contest the constitutionality of ex parte reexamination, and petitioner's investment-backed expectations can hardly have been disrupted by features of inter partes review that were already part of the administrative reconsideration process when its patent was issued.

CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

NOEL J. FRANCISCO
Solicitor General
JOSEPH H. HUNT
Assistant Attorney General
SCOTT R. MCINTOSH
DENNIS FAN
Attorneys

FEBRUARY 2020