

No. 20-1003

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IN THE  
**Supreme Court of the United States**

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CHRISTY, INC.,  
*Petitioner,*

v.

UNITED STATES,  
*Respondent.*

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

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**BRIEF OF *AMICUS CURIAE* MASIMO  
CORPORATION IN SUPPORT OF PETITIONER**

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**STATEMENT OF INTEREST  
OF *AMICUS CURIAE*<sup>1</sup>**

Masimo Corporation (“Masimo”) is a global medical technology company that develops and manufactures innovative noninvasive patient monitoring technologies, medical devices, and a wide array of sensors. Masimo depends heavily on the United States patent system to protect its innovations. Masimo submits this brief because, as discussed below, the Federal Circuit has never analyzed *Inter Partes* Review Proceedings (“IPRs”) under the takings analysis required by this Court’s precedent. Instead, the Federal Circuit has relied on its own precedent applying an outdated analysis that this Court has rejected. The Federal Circuit has also failed to recognize the significant differences between IPRs and previous patent reexamination procedures, which undermine the reliability of the patent system on which Masimo and other innovators rely.

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

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<sup>1</sup> Pursuant to Supreme Court Rule 37.6, Masimo certifies that no party’s counsel authored this brief in whole or in part; no party or party’s counsel contributed money intended to fund preparing or submitting this brief; and no person, other than the *amicus curiae* or its counsel, contributed money that was intended to fund preparing or submitting this brief. In accordance with Supreme Court Rule 37.3(a), counsel for petitioner and counsel for respondent have consented to the filing of this brief. The parties received notice of this filing per Supreme Court Rule 37.2(a).

interest in the correct and consistent interpretation of the laws affecting intellectual property.

### SUMMARY OF ARGUMENT

Masimo submits this brief in support of Petitioner Christy, Inc., to address two issues relating to the first Question Presented to this Court that may not be apparent from the Petitioner's Brief.

First, no Federal Circuit case has applied the factors set forth in *Penn Central Transp. Co. v. City of New York*, 438 U.S. 104, 124 (1978), to a takings challenge directed to IPRs. Instead, the Federal Circuit has repeatedly cited its own precedent addressing a due-process challenge to *ex parte* reexaminations. That is error because a due-process analysis is fundamentally different from a takings analysis. Indeed, as discussed below, this Court has since made clear that the analysis employed by the Federal Circuit is invalid in a takings context.

Second, the Federal Circuit's repeated deference to its own case law addressing *ex parte* reexamination is erroneous because such pre-America Invents Act ("AIA") procedures are fundamentally different from IPRs. In *ex parte* reexaminations, the United States Patent and Trademark Office ("USPTO") reviews specific claims based on substantial new questions of patentability. Patent holders have an ability to effectively reenter prosecution and amend patent claims through continued negotiations between the applicant and the USPTO. In contrast, in IPRs, upon institution, the

USPTO examines every patent claim and subjects the patent holder to a far more rigorous challenge. Patent holders are limited to a single motion to amend, and such motions to amend are rarely granted. IPRs thus result in the government stripping away far more patent rights in a process that is far more intrusive. IPRs have thus upended investor backed expectations and injected uncertainty into the patent system.

The predictability and reliability of the patent system are critical to companies like Masimo that rely on patents to protect revolutionary and life-saving innovations. Masimo began as a “garage start-up” by founder Joe Kiani and his business partner Mohamed Diab, to solve previously unsolvable problems in the physiological monitoring of patients. Masimo relied heavily on the patent system to raise its initial capital and to grow today to a publicly traded company that employs over 6,000 people and sells products that monitor over 200 million people annually. Masimo’s products have helped save thousands of premature babies’ eyesight, detected critical congenital heart defect in newborns, and saved millions of dollars in the healthcare system. Today, Mr. Kiani, Mr. Diab and their teams have over 600 patents directed to products that substantially improve patient care.

Companies like Masimo must decide what to patent and what to keep as trade secret. Unexpected changes to the patent system, such as IPRs, disrupt the expectations of patent holders like Masimo, discouraging inventors from disclosing their innovations in exchange for the limited right to exclude—the *quid pro quo* of the patent system. IPRs

allow the government to cancel duly issued patent claims in an intrusive proceeding unlike any prior method of review. The result is an adverse legal landscape that has not only chilled innovation, but decreased the value of patents. Indeed, Masimo now frequently maintains some innovations in secret, rather than disclose them to the world in patents, because of the dilution and uncertainty in patent rights.

Absent review by this Court, the Federal Circuit will continue to cite its own rulings, and no appellate court with jurisdiction to decide this issue will perform the analysis required by this Court's precedent. An issue as important and significant as the taking of the property of numerous patent holders should not be resolved on the Federal Circuit's circular and erroneous reasoning.

Given the importance of these issues to innovators and patent holders, this Court should analyze the takings issues presented by the Petition under the correct standard, with full consideration of the significant differences between IPR proceedings and pre-AIA procedures.

## **ARGUMENT**

### **I. The Federal Circuit Has Never Performed the Takings Analysis Required by this Court's Precedent**

Under this Court's precedent, an analysis of a regulatory taking should consider: (1) "[t]he economic

impact of the regulation on the claimant;” (2) the “interfere[nce] with distinct investment-backed expectations;” and (3) “the character of the governmental action.” *Penn Central Transp. Co. v. City of New York*, 438 U.S. 104, 124 (1978); *see also Lingle v. Chevron U.S.A. Inc.*, 544 U.S. 528, 538–39 (2005) (prioritizing these factors and declaring the first two to be “primary”). As discussed below, the Federal Circuit has never performed this analysis to resolve an argument that IPR proceedings are an unconstitutional taking. Instead, the Federal Circuit has repeatedly cited its prior cases performing no such analysis, and concluded that no reason exists to depart from such cases.

**A. *Patlex* Addressed a Due-Process Challenge and Did Not Perform a Valid Takings Analysis**

The Federal Circuit’s relevant takings case law begins with *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985). Though the Federal Circuit has repeatedly cited this case to reject takings challenges, as Petitioner points out, *Patlex* is a due-process case, not a takings case.

In *Patlex*, the patent owners argued, in relevant part, that *ex parte* patent reexamination violated the due process clause of the Fifth Amendment. *Id.* at 596. Specifically, they argued that the USPTO’s retroactive application of *ex parte* reexamination to patents issued before passage of the reexamination statute prejudiced their rights, including the right to

a jury trial on issues being reexamined, the right to an Article III court judgment, and more. *Id.* at 600.

The Federal Circuit quoted this Court's *Penn Central* factors, including "the character of the governmental action, its economic impact, and its interference with reasonable investment-backed expectations." *Id.* at 602. However, the Federal Circuit then engaged in a due-process analysis, not a takings analysis. Thus, at best, the Federal Circuit blended the takings and due-process analyses, an approach this Court has since criticized. *See Lingle*, 544 U.S. at 540–42 (criticizing earlier decisions commingling Due Process Clause and Takings Clause analyses).

Moreover, the Federal Circuit focused heavily on reasoning that the legislation served a "public interest" and "the legislature did not act in an arbitrary or irrational way." *Patlex*, 758 F.2d at 602 (citing *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 15 (1976)). This Court's Takings Clause precedent used to focus on whether regulating private property "substantially advance[s] legitimate public interests." *See City of Monterey v. Del Monte Dunes at Monterey, Ltd.*, 526 U.S. 687, 704 (1999). This Court, however, has since rejected this approach:

An inquiry of this nature has some logic in the context of a due process challenge, for a regulation that fails to serve any legitimate governmental objective may be so arbitrary or irrational that it runs afoul of the Due Process Clause. . . . But such a test is not a valid

method of discerning whether private property has been ‘taken’ for purposes of the Fifth Amendment.

*Lingle*, 544 U.S. at 542 (internal citations omitted). Indeed, the Takings Clause “presupposes that the government has acted in pursuit of a valid public purpose.” *Id.* at 543. There could not be a Takings Clause challenge absent valid government purpose. *See Lingle*, 544 U.S. at 543. Thus, the Federal Circuit focused on a fact that this Court assumes is established in a takings context.<sup>2</sup>

**B. *Joy Technologies* Merely Cited *Patlex* To Reject A Seventh Amendment Challenge**

Seven years later, the Federal Circuit decided *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992). In *Joy Technologies*, the appellant argued that “[1] it ha[d] improperly been denied a jury trial in an Article III court, [2] that its due process rights ha[d] been violated, and [3] that property rights in its patent were taken [under the Fifth Amendment] by the reexamination and subsequent cancellation of

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<sup>2</sup> Notably, in performing its due-process analysis, the Federal Circuit never questioned that patents are property that may be subject to a takings analysis. Indeed, the Federal Circuit noted that “[i]t is beyond reasonable debate that patents are property.” *Patlex*, 758 F.2d at 599. The Federal Circuit was compelled to “belabor the point” that “patent property rights. . . fall squarely within both classical and judicial definitions of protectable property.” *Id.*

certain of the claims of its patent.” *Id.* at 228 (bracketed numbers added).

Despite acknowledging that the appellant was presenting a takings challenge, however, the Federal Circuit did not squarely address the takings challenge and instead focused on the denial of a jury trial and the alleged violation of due-process rights. *Id.* The Federal Circuit first explained that the appellant “concede[d] that its position [did] not differ from that of the patentee in *Patlex*.” *Id.* The Federal Circuit then summarized the appellant’s argument as contending this Court’s “Seventh Amendment analysis” in *Granfinanciera* and *Tull*, two more recent decisions, “rais[ed] serious doub[t] about the present vitality of *Patlex*.” *Id.* The Federal Circuit then discussed *Granfinanciera* and *Tull*, holding they did not create doubts concerning the Federal Circuit’s Seventh Amendment analysis in *Patlex*. *Id.* (discussing *Granfinanciera v. Nordberg*, 492 U.S. 33 (1989) and *Tull v. United States*, 481 U.S. 412 (1987)). The Federal Circuit concluded: “Because *Patlex* is controlling authority and has not been impaired by either of the subsequent Supreme Court cases cited by Joy, we reject Joy’s attack on that decision.” *Joy Technologies*, 959 F.2d at 229.

**C. *Celgene* Held that IPRs Are Not Different Enough From *Ex Parte* Proceedings to Justify A Taking**

The Federal Circuit first addressed a Takings Clause challenge to IPR proceedings in *Celgene Corp. v. Peter*, 931 F.3d 1342 (Fed. Cir. 2019). Specifically,

the Federal Circuit addressed an argument that “the retroactive application of IPRs to pre-AIA patents is an unconstitutional taking.” *Id.* at 1358.

The Federal Circuit noted that the “PTO does not dispute that a valid patent is private property for the purposes of the Takings Clause.” *Id.* The Federal Circuit also noted this Court’s caution in *Oil States* that its “decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.” *Id.* at 1356 (quoting *Oil States Energy Servs., LLC v. Greene’s Energy Grp.* 138 S. Ct. 1365, 1379 (2018)). The Federal Circuit then summarized the appellant’s argument as advancing a “regulatory takings theory [that] argues that subjecting its pre-AIA patents to IPR, a procedure that did not exist at the time its patents issued, unfairly interferes with its reasonable investment-backed expectations without just compensation.” *Celgene*, 931 F.3d at 1358.

Even though the appellant squarely presented a Takings Clause challenge to IPR proceedings—and despite this Court’s guidance that it had not yet addressed that issue—the Federal Circuit did not even mention *Penn Central*, much less apply the *Penn Central* factors. *Id.*

Instead, the Federal Circuit stated that its decisions in *Patlex*, 758 F.2d 594, and *Joy Technologies*, 959 F.2d 226, “control the outcome here.” *Celgene*, 931 F.3d at 1358. The Federal Circuit declined to “reconsider” these prior decisions. *Id.* Instead, the Federal Circuit focused merely on the

“differences” between pre-AIA procedures and IPR procedures. *Id.* at 1358–61.

Accordingly, rather than thoroughly analyze the Takings Clause issue presented by IPR proceedings, the Federal Circuit (1) deferred to its prior cases addressing challenges to *ex parte* reexaminations and (2) focused on the similarities and differences between IPR proceedings and *ex parte* reexaminations. The Federal Circuit’s analysis of the similarities and differences of such proceedings, however, was flawed. For example, the Federal Circuit did not discuss that, unlike in *ex parte* reexamination, a patent found invalid in an IPR proceeding does not reenter prosecution. As discussed below, as a result of that difference, IPR proceedings have a far greater regulatory impact on patent holders.<sup>3</sup>

#### **D. Golden Merely Cited *Celgene* To Reject A Takings Challenge to IPRs**

In *Golden v. United States*, 955 F.3d 981, 989 (Fed. Cir. 2020), the Federal Circuit rejected an IPR-based takings claim, but did so entirely because of *Celgene*, 931 F.3d 1342. The Federal Circuit

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<sup>3</sup> The Federal Circuit also reasoned that IPR proceedings did not upset a patent owner’s investment-backed expectations because patents could always be invalidated in court. *Celgene*, 931 F.3d at 1362. As Petitioner points out, however, the expectation that a private party might invalidate a patent in front of an Article III judge differs from the government revoking a patent at its own insistence under new rules. Petition for Writ of Certiorari at 18 n.5, *Christy, Inc. v. United States*, (2021) (No. 20-1003).

summarized *Celgene* as holding that “retroactive application of *inter partes* review proceedings to pre-AIA patents is not an unconstitutional taking under the Fifth Amendment.” *Golden*, 955 F.3d at 989. The Federal Circuit noted that “*Celgene controls* the outcome here . . . . Under *Celgene*, subjecting patents to *inter partes* review proceedings is not an unconstitutional taking under the Fifth Amendment.” *Golden*, 955 F.3d at 989 (emphasis added).<sup>4</sup>

**E. The Federal Circuit in the Present Case Cited *Golden***

The Federal Circuit in the present case relied solely on *Golden* to reject the Petitioner’s takings challenge. Indeed, the Federal Circuit allocated all of three sentences to Petitioner’s claim that the cancellation of Christy’s patent during IPR resulted in an unconstitutional taking:

*Golden* also confirms that Christy failed to state a plausible claim for a taking based on the cancellation of the ’640 patent. *Golden* held that “cancellation of patent claims in [an] *inter partes* review cannot be a taking under the Fifth Amendment.” *Golden*, 955 F.3d at 989 n.7. The Court of Federal Claims

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<sup>4</sup> The Federal Circuit has also cited *Celgene* to reject IPR-based takings claims in other cases. See, e.g., *Enzo Life Scis., Inc. v. Becton, Dickinson & Co.*, 780 F. App’x 903, 911 (Fed. Cir. 2019), *cert. denied*, 141 S. Ct. 150 (2020); *Collabo Innovations, Inc. v. Sony Corp.*, 778 F. App’x 954, 961 (Fed. Cir. 2019), *cert. denied*, 141 S. Ct. 129 (2020).

therefore correctly held that the cancellation of Christy’s patent claims in an inter partes review was not a Fifth Amendment taking.

*Christy, Inc. v. United States*, 971 F.3d 1332, 1335–36 (Fed. Cir. 2020). The Federal Circuit held that *Golden* “**indisputably** and **indistinguishably** binds our conclusion.” *Id.* at 1336 n.2 (emphases added).

The Federal Circuit’s repeated citation of its own precedent demonstrates the need for this Court’s review. As discussed above, the Federal Circuit has never analyzed a takings challenge to IPR proceedings under the proper analysis. Absent review by this Court, the Federal Circuit will merely continue to cite its own rulings, and **no** appellate court with jurisdiction to decide this issue will perform the analysis required by this Court’s precedent. An issue as important and significant as the taking of the property of numerous patent owners should not be resolved on such circular and erroneous reasoning.

## **II. The Federal Circuit’s Precedent Fails to Account for the Significant Differences Between IPR and pre-AIA Proceedings**

The Federal Circuit’s holding in *Celgene*, 931 F.3d at 1357–58, that IPRs are not sufficiently different from previous proceedings to justify a taking fails to adequately account for significant differences between IPR and pre-AIA proceedings.

The AIA “was the most far-reaching patent reform since the 1952 Patent Act.” Gregory Dolin, M.D., *Dubious Patent Reform*, 56 B.C. L. Rev. 881,

909–10 (2015). It effectively “overhauled the patent system” and introduced new post-issuance review proceedings including IPR. *Return Mail, Inc. v. United States Postal Service*, 139 S. Ct. 1853, 1860 (2019); see AIA, Pub. L. No. 112-29, § 6, 125 Stat. 284, 229–313. As this Court has recognized, IPRs are “fundamentally” different from pre-AIA reexaminations. *Return Mail*, 139 S. Ct. at 1865.

For example, in *ex parte* reexamination, the USPTO’s examination is directed to the “resolution” of a “substantial new question of patentability.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (citing 35 U.S.C. § 304). As a result, reexamination “allows the Director to institute proceedings on a claim-by-claim and ground-by-ground basis.” *Id.*

In contrast, IPRs are initiated if there is “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.” 35 U.S.C. § 314(a). On its face, the statute does not require a “new” question of patentability and, in an IPR, the “reasonable prospect of success on a single claim justifies review of *all*.” *SAS*, 138 S. Ct. at 1356. This substantially broadens the scope of review in IPRs and the prospect of the United States revoking patent rights.<sup>5</sup>

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<sup>5</sup> The Federal Circuit dismissed certain differences between IPR proceedings and pre-AIA proceedings as merely procedural, reasoning that “[n]o one has a vested right in any given mode of procedure.” *Celgene*, 931 F.3d at 1361 (citing *Denver & Rio Grande W. R. Co. v. Bhd. of R.R. Trainmen*, 387 U.S. 556, 563 (1967) (quoting *Ex parte Collett*, 337 U.S. 55, 71 (1949))). But the

More importantly, during *ex parte* reexamination, patent holders have an ability to effectively reenter prosecution and amend patent claims through “continued negotiations between the applicant and the Patent Office.”<sup>6</sup> Gregory Dolin & Irina D. Manta, *Taking Patents*, 73 WASH. & LEE. L. REV. 719, 784 (2016); see *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1287 (Fed. Cir. 2015) (Newman, J., dissenting) (discussing “back-and-forth process” available in reexamination), *aff’d sub nom. Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016) (hereinafter *Cuozzo I*).

Such ongoing prosecution is “conducted according to the procedures established for initial examination.” 35 U.S.C. § 305; see *In re Etter*, 756 F.2d 852, 857 (Fed. Cir. 1985) (discussing how the focus of reexamination proceedings “returns essentially to that present in an initial examination.”); Michael J. Mauriel, *Patent Reexamination’s Problem: The Power*

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issue is whether a change in the rules under which the government will revoke patent rights upsets settled investment-backed expectations—not whether the rules themselves constitute property rights. The Federal Circuit also failed to recognize that legislative changes may “go[] beyond mere procedure to affect substantive entitlement to relief.” *Lindh v. Murphy*, 521 U.S. 320, 327 (1997).

<sup>6</sup> The ability to effectively reenter prosecution was also available during *inter partes* reexamination. See MPEP § 2654 (9th ed. Rev. 10, June 2020). *Inter partes* reexamination followed a similar process to *ex parte* reexamination, except the initial requester could file responses. See 35 U.S.C. §§ 311–318 (1999) (repealed 2012).

*to Amend*, 46 DUKE L. J. 135, 140 (1996) (regarding reexamination as an “extension of the patent prosecution process”). During such patent prosecution, “the patent examiner and the applicant, in the give and take of rejection and response, work toward defining the metes and bounds of the invention to be patented.” *In re Buszard*, 504 F.3d 1364, 1366–67 (Fed. Cir. 2007). During this back and forth, the applicant “may present amendments and new claims.” *Cuozzo I*, 793 F.3d at 1284 (Newman, J., dissenting).

In contrast, in IPRs, patent holders are limited to “1 motion to amend.”<sup>7</sup> 35 U.S.C. § 316(d). This single motion to amend is allowed “only after conferring with the Board” and is presumptively limited to “one substitute claim. . . to replace each challenged claim[.]” 37 C.F.R. § 42.221(a). In practice, “motions to amend are rarely granted.”<sup>8, 9</sup>

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<sup>7</sup> Additional motions to amend are only “permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding.” 35 U.S.C. § 316(d)(2).

<sup>8</sup> The IPR timeline also obstructs the ability to amend because the Board must issue its “final determination” within a “1 year” time limit. 35 U.S.C. § 316(a)(11). This expedited procedure prevents the back-and-forth between patentee and examiner that may be necessary to resolve claim scope ambiguity. *See In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1301 (Fed. Cir. 2015) (Prost, C.J., Newman, Moore, O’Malley, Reyna, JJ., dissenting from denial of rehearing *en banc*).

<sup>9</sup> The Federal Circuit improved the amendment process, holding the burden of patentability with regard to amendments during IPRs may not be placed on the patentee. *See Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1300 (Fed. Cir. 2017). While this change is laudable, it does not alter the fact that patent holders “largely

*Cuozzo I*, 793 F.3d at 1287–88 (Newman, J., dissenting) (emphases added).

Through March of 2020, only 14% of the 335 motions to amend decided by the PTAB were granted or granted in part. Patent Trial and Appeal Board Motion to Amend Study, Installment 6, USPTO 7 (last updated Mar. 31, 2020) [https://www.uspto.gov/sites/default/files/documents/20201028\\_ptab\\_mta\\_study\\_installment\\_6\\_tf\\_iq\\_813950\\_final\\_revised.pdf](https://www.uspto.gov/sites/default/files/documents/20201028_ptab_mta_study_installment_6_tf_iq_813950_final_revised.pdf) (hereinafter Motion to Amend Study). The remaining 86% of decided motions to amend were *denied*. *Id.* And, even in cases where a motion to amend is granted, there remains no “give and take” as is the case in a reexamination that has reentered the typical patent prosecution process.

These stringent standards led five Judges of the Federal Circuit to discuss, in a joint dissent, how the right to amend in IPR is limited:

During IPRs, there is no back-and-forth between the patentee and examiner seeking to resolve claim scope ambiguity; there is no robust right to amend. . . . During this process, the patentee is not given the right to amend its claims, but must instead seek the permission of the Board. Even then, the patentee is limited to “one motion to amend,” with additional motions allowed only “to materially advance the settlement of a

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have been prevented from amending claims in the context of IPRs.” *Id.* at 1299–1300.

proceeding” or “as permitted by regulations prescribed by the Director.”

*In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297, 1301 (Fed. Cir. 2015) (Prost, C.J., Newman, Moore, O’Malley, Reyna, JJ., dissenting from denial of rehearing *en banc*) (internal citations omitted) (hereinafter *Cuozzo II*).

The Federal Circuit has repeatedly recognized the importance of the right to amend. *See Aqua Prod.*, 872 F.3d at 1299–1300 (“Despite repeated recognition of the importance of the patent owner’s right to amend during IPR proceedings. . . patent owners largely have been prevented from amending claims in the context of IPRs.”); *Cuozzo I*, 793 F.3d at 1287 (Newman, J., dissenting) (recognizing IPRs are “materially different with respect to the opportunity to amend.”).

Despite the Federal Circuit’s repeated acknowledgment of the importance of this difference, the *Celgene* court failed to substantively address this difference in its analysis. *See Celgene*, 931 F.3d at 1359. This difference is significant because, after the AIA, many patent holders have been unable to amend their claims and retain some ability to protect their inventions under Federal patent laws. This loss of substantive patent rights materially disrupts the investment-backed expectations of the patent holders who made the decision to disclose their inventions under pre-AIA laws that made it far less likely patent rights would be revoked in their entirety. *Compare Dolin, Dubious Patent Reform, supra*, at 923–24 (stating only 12.7% of patents fail in reexamination,

likely due to the robust ability to amend),<sup>10</sup> *with* Clark A. Jablon, *Is the Sky Falling in the US Patent Industry*, 36 INFORMATION DISPLAY 3: 37–40 (May 22, 2020), <https://doi.org/10.1002/msid.1116> (63% of patents fail in instituted IPRs). The majority of patent holders leave IPRs with no right to exclude at all<sup>11</sup>—a fundamental difference when compared to *ex parte* reexamination.

In rejecting a takings challenge to IPRs, *Celgene* appeared to rely, in part, on the lack of takings challenges to pre-AIA procedures. *See Celgene*, 931 F.3d at 1359 (noting that for the last forty years, patents have been subject to reconsideration and possible cancellation by the PTO). But the ability to reenter prosecution during *ex parte* reexamination undoubtedly contributed to the lack of challenges. Indeed, the Federal Circuit has relied on the patentee’s voluntary amendment of patent claims during *ex parte* reexamination as undermining the patentee’s taking challenge: “The claims at issue were

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<sup>10</sup> *See also* *Ex parte* reexamination filing data, USPTO (Sept. 30, 2019), [https://www.uspto.gov/sites/default/files/documents/ex\\_parte\\_historical\\_stats\\_roll\\_up.pdf](https://www.uspto.gov/sites/default/files/documents/ex_parte_historical_stats_roll_up.pdf) (stating in 2019, only 12.7% of patents in *ex parte* reexamination had all claims cancelled, 20.7% had all claims confirmed, and the remaining 66.6% resulted in issued patents with some claim changes).

<sup>11</sup> Since the inception of the AIA in 2012, “63 percent of [instituted] IPRs resulted in all claims of the patent being invalidated, 18% resulted in some claims being invalidated, and only 20% of IPRs results in no claims being invalidated.” Jablon, *supra*, at 37–40.

therefore cancelled as [a] result of Golden’s own voluntary actions [amending claims]. In these circumstances, cancellation of the [amended] claims in the government-initiated inter partes review cannot be chargeable to the government under any legal theory.” *Golden*, 955 F.3d at 990. Such voluntary claim amendment further complicates a takings challenge because claims that have been voluntarily amended during reexamination may be narrower but arguably more valuable than the original claims. See Greg Reilly, *Amending Patent Claims*, 32 HARV. J. LAW & TECH. 1, 43 (2018) (discussing how amendments during post-issuance review allow patent holders to narrow their claims “in a way that still allows a viable infringement claim.”).

In short, IPRs are a fundamentally different mechanism of post-issuance review, one that alters investment-backed expectations and may result in an unconstitutional taking. The Federal Circuit has never performed the analysis required by this Court’s precedent and instead has cited its previous case law addressing challenges to pre-AIA proceedings, despite substantial differences in IPRs.

Unexpected fundamental changes to the patent system, such as IPRs, disrupt the expectations of patent holders and discourage inventors from disclosing their innovations in exchange for the limited right to exclude—the *quid pro quo* of the patent system. IPR proceedings have unquestionably

decreased patent value<sup>12</sup> and raised questions about the stability of the United States patent system.<sup>13</sup> Given the importance of these issues to innovators and patent holders, this Court should analyze the takings issues presented by the Petition under the correct standard, with full consideration of the significant differences between IPR proceedings and past reexamination procedures.

### CONCLUSION

For the reasons above, Masimo respectfully submits that this Court should grant Petitioner's petition.

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<sup>12</sup> One scholar reported the value of patents dropped by 61% between 2012 and 2014. See Richard Baker, *American Invents Act Cost the US Economy Over \$1 Trillion*, SSRN 2 (June 8, 2015), <https://dx.doi.org/10.2139/ssrn.2616023> (last visited Feb. 10, 2021).

<sup>13</sup> See Gregory Dolin, M.D., *Dubious Patent Reform*, 56 B.C. L. REV. 881, 883 (2015) (one "particular problem for the stability of patent rights is the presence of post-issuance procedures that can be used to invalidate already issued patents.").

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