

No. 15-955

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**In the Supreme Court of the United States**

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J. CARL COOPER, ET AL., PETITIONERS

*v.*

MICHELLE K. LEE, DIRECTOR,  
UNITED STATES PATENT AND TRADEMARK OFFICE

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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 FOR THE RESPONDENT IN OPPOSITION**

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### QUESTION PRESENTED

In the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284, Congress created inter partes review, an adversarial administrative proceeding in which the U.S. Patent and Trademark Office (PTO) may reconsider the patentability of the claims in an issued patent. See 35 U.S.C. 311 *et seq.* The question presented is as follows:

Whether inter partes review violates Article III of the Constitution by authorizing an Executive Branch agency, rather than a court, to invalidate a previously issued patent.

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### **OPINIONS BELOW**

The order of the court of appeals (Pet. App. 1a-2a) is unreported. The opinion of the district court (Pet. App. 3a-24a) is reported at 86 F. Supp. 3d 480.

### **JURISDICTION**

The judgment of the court of appeals was entered on January 14, 2016. The petition for a writ of certiorari was filed on January 21, 2016. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

### **STATEMENT**

1. Congress has long provided administrative mechanisms for third parties to ask the U.S. Patent and Trademark Office (PTO) to reconsider the patentability of the claims in an issued patent. In 1980, Congress enacted the first statute authorizing *ex parte* reexamination. See Act of Dec. 12, 1980, Pub. L.

No. 96-517, 94 Stat. 3015 (35 U.S.C. Ch. 30). The statute specified that the PTO could grant a request for ex parte reexamination if the request raised “a substantial new question of patentability.” 35 U.S.C. 303(a), 304. Upon granting a petition for ex parte reexamination, the PTO would reconsider the patentability of the previously approved claims. See generally *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604-605 (Fed. Cir.), modified on other grounds on reh’g, 771 F.2d 480 (Fed. Cir. 1985).

In 1999, Congress expanded the PTO’s authority to review the patentability of claims in issued patents, by creating the inter partes reexamination process. 35 U.S.C. 311-318 (2000). In 2011, Congress overhauled and expanded the PTO’s processes for reconsidering the patentability of such claims. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 299-305 (AIA or Act). Enacted in response to “a growing sense that questionable patents are too easily obtained and are too difficult to challenge,” H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39 (2011) (2011 House Report), the AIA replaced inter partes reexamination with inter partes review, an adversarial proceeding before the new Patent Trial and Appeal Board (PTAB or Board). See 35 U.S.C. 311 *et seq.*; see also 35 U.S.C. 6. Congress created inter partes review to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” 2011 House Report at 40.

In general, any “person other than the owner of the patent may petition the PTO for [inter partes] review.” *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1374 (Fed. Cir. 2014) (citing

35 U.S.C. 311). A petition for inter partes review must identify “each claim challenged, the grounds on which the challenge to each claim is based, and the evidence that supports the grounds for the challenge to each claim.” 35 U.S.C. 312(a)(3). The patent owner may file a response to the petition, and the PTO must decide within three months after receiving that response whether to institute an inter partes review. 35 U.S.C. 314(b). The PTO may not institute an inter partes review unless “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). Congress specified that the PTO’s decision whether to institute an inter partes review shall be “final and nonappealable.” 35 U.S.C. 314(d).

After instituting inter partes review, the Board conducts the review on the merits. Unless the review is dismissed, the Board “shall issue a final written decision” addressing the patentability of the claims at issue in the proceeding. 35 U.S.C. 318(a). Unless certain exceptions apply, the Board must issue its final patentability decision within one year after the Director decides to institute inter partes review. 35 U.S.C. 316(a)(11). The Board’s final decision in an inter partes review proceeding is then subject to direct appeal to the Federal Circuit. 35 U.S.C. 141(c), 319.

2. a. Petitioner Cooper owns three United States patents that claim processes related to patterns of information that that can be carried on various media, including credit cards. Petitioner eCharge is the exclusive licensee for those patents. In September 2013, eCharge filed a civil action against Square, Inc., in the United States District Court for the Northern



District of Illinois, alleging that Square had infringed the three patents. See Pet. App. 4a. A month later, Square filed petitions with the PTO seeking to institute inter partes review proceedings for each of the three patents. *Ibid.*

The PTO found a “reasonable likelihood” that various claims in the challenged patents were unpatentable as anticipated by the prior art, see 35 U.S.C. 314(a), and accordingly instituted three inter partes reviews, one for each of petitioners’ patents, Pet. App. 5a. eCharge consented to a stay of the Illinois action pending the outcome of the administrative process. See *id.* at 4a-5a.

b. Rather than await resolution of the inter partes reviews and appeal to the Federal Circuit from any adverse final decision, petitioners filed this lawsuit under the Administrative Procedure Act (APA), 5 U.S.C. 551 *et seq.*, against the PTO in the United States District Court for the Eastern District of Virginia. Petitioners asserted that inter partes review violates Article III and the Seventh Amendment. Pet. App. 3a; see D. Ct. Doc. 1 (June 5, 2014) (Complaint).

Without reaching the merits of petitioners’ constitutional arguments, the district court granted summary judgment to the PTO. Pet. App. 3a-24a. Based on “the language of the statute, its statutory scheme and procedures for appellate review, and the designation of the Federal Circuit as the tribunal for judicial review,” the court concluded that the AIA requires patent litigants to pursue their claims through Board proceedings before obtaining judicial review. *Id.* at 16a. The court also explained that petitioners’ challenge was subject to this requirement even though it was a constitutional claim. *Id.* at 16a-18a.

The district court stated that “the general rule that individuals and entities must exhaust administrative remedies before seeking judicial relief” does not apply “when a statute is ‘patently unconstitutional’ or an agency has taken a *clearly* unconstitutional position.” Pet. App. 18a. The court concluded, however, that inter partes review was not patently unconstitutional. *Id.* at 19a-20a. The court explained that the Federal Circuit’s prior approval of ex parte reexamination, and the similarities between that mechanism and inter partes review, “suggest[ed] to the Court that [petitioners’] constitutional challenge will ultimately fail.” *Id.* at 20a. The court also held that petitioners could not invoke a likelihood of irreparable injury as a justification for bringing a separate lawsuit because “[t]he only cognizable ‘injury’ that [petitioners] are ‘suffering’ is the cost associated with the inter partes review proceeding.” *Id.* at 21a. Accordingly, the court granted summary judgment to the government because petitioners had failed to litigate their claims through the procedures established by the AIA. *Id.* at 23a.

c. The Federal Circuit affirmed in a brief unpublished order.<sup>1</sup> Pet. App. 1a-2a.

The Federal Circuit initially stayed proceedings pending its decision in *MCM Portfolio v. Hewlett Packard Co.*, 812 F.3d 1284 (2015). See C.A. Doc. 18 (Nov. 23, 2015). The petitioner in *MCM Portfolio* had also raised an Article III challenge to the inter partes review procedure, but that challenge raised no threshold justiciability issue because it was asserted

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<sup>1</sup> Petitioners initially appealed to the Fourth Circuit, but that court granted the government’s motion to transfer the appeal to the Federal Circuit. See 15-1205 (4th Cir.) Doc. 52 (Oct. 2, 2015) (Transfer Order).

on direct appeal from a completed inter partes review proceeding. Approximately ten days after staying proceedings in this case, the court of appeals issued its decision in *MCM Portfolio*, rejecting on its merits the Article III challenge brought in that case. 812 F.3d at 1292.

One day after the Federal Circuit decided *MCM Portfolio*, petitioners filed a motion stating that, because the court in *MCM Portfolio* had rejected claims “closely related to” the issues that petitioners sought to press on appeal, petitioners requested “summary affirmance of the district court’s judgment.” C.A. Doc. 19, at 4 (Dec. 3, 2015). The government agreed that summary affirmance was appropriate. The government noted, however, that although the court in *MCM Portfolio* had rejected the same merits argument that petitioners sought to press, the district court had dismissed petitioners’ claims not on the merits, but because petitioners had failed to litigate their claims through the procedures established by the AIA. C.A. Doc. 20, at 2 (Dec. 9, 2015). The government argued that “[i]f the Court simply granted [petitioners’] motion for summary affirmance,” it “would be affirming the district court’s ruling that [petitioners] could not properly proceed under the APA at all.” *Ibid.*

The court of appeals granted petitioners’ motion for summary affirmance. Pet. App. 1a-2a. It noted that all parties had requested summary affirmance, and that all parties had also agreed that *MCM Portfolio* had “rejected the constitutional arguments concerning *inter partes* review proceedings that [petitioners] wished to raise in their appeals.” *Ibid.* The court then ordered that “[t]he motion for summary

affirmance is granted,” without specifying the rationale for the affirmance. *Id.* at 2a. Petitioners filed their petition for a writ of certiorari one week later.

3. Meanwhile, the PTO conducted the inter partes reviews of petitioners’ patents. In May 2015, the Board issued final written decisions holding the challenged claims in those patents unpatentable under 35 U.S.C. 102 as anticipated by the prior art. See *Square, Inc. v. Cooper*, IPR2014-00156 (PTAB May 14, 2015); *Square, Inc. v. Cooper*, IPR2014-00157 (PTAB May 14, 2015); *Square, Inc. v. Cooper*, IPR2014-00158 (PTAB May 8, 2015). In July 2015, Cooper appealed those final decisions to the Federal Circuit. See *Cooper v. Square, Inc.*, No. 2015-1925 (Fed. Cir.). In his appeals from those final decisions, Cooper has reiterated his contention that inter partes review violates the Constitution, see Appellant’s Br. at 61-72, *Cooper v. Square, Inc.*, No. 2015-1925 (Fed. Cir. Nov. 2, 2015), and has further argued that the PTO erred in finding the challenged patent claims unpatentable, *id.* at 18-60. The Federal Circuit has consolidated those appeals, which remain pending. Oral argument in those appeals was held on April 8, 2016.

#### ARGUMENT

Petitioners urge the Court to grant certiorari to consider whether inter partes review proceedings are consistent with Article III. This case would be an unsuitable vehicle to address that question because petitioners’ challenge was appropriately rejected on procedural grounds, making it unnecessary to decide the merits of petitioners’ constitutional claim. In addition, petitioner Cooper’s direct appeals from the PTO’s decisions in the inter partes reviews are currently pending before the Federal Circuit, and peti-

tioners' constitutional arguments will be rendered moot if those appeals are resolved in Cooper's favor. Finally, even if petitioners' Article III challenge were properly presented, that challenge is meritless. Further review is not warranted.<sup>2</sup>

1. This case is an unsuitable vehicle for resolving the constitutional challenge that petitioners advance. The district court correctly rejected petitioners' constitutional claim because petitioners had failed to utilize the procedures prescribed by the AIA. As the court explained, the AIA "precludes judicial review of the constitutionality of *inter partes* review" through parallel litigation under the APA. Pet. App. 22a.

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<sup>2</sup> In dismissing petitioners' suit, the district court relied in part on 35 U.S.C. 314(d), which states that the PTO's decision whether to institute an *inter partes* review shall be "final and nonappealable." See Pet. App. 14a. In *Cuozzo Speed Technologies v. Lee*, No. 15-446 (to be argued April 25, 2016), the second question presented concerns the proper interpretation and effect of Section 314(d). For two reasons, there is no meaningful likelihood that the Court's decision in *Cuozzo* will affect the proper disposition of this case. First, although the district court dismissed petitioners' suit on non-merits grounds, petitioners seek review only of the merits question whether *inter partes* review violates Article III. Second, the petitioner in *Cuozzo* acknowledges that Section 314(d) forecloses any *immediate* judicial review of the Board's institution decision; *Cuozzo* argues only that the institution decision may be challenged in the Federal Circuit on review of the Board's final decision after the *inter partes* review has been completed. See Pet. Br. 48-49, *Cuozzo*. Even if the Court in *Cuozzo* adopted that interpretation of Section 314(d), its decision would not cast doubt on the dismissal of petitioners' suit, which was commenced in district court before the Board completed its *inter partes* reviews of petitioners' patents. There is consequently no sound reason to hold the petition in this case pending the Court's decision in *Cuozzo*.

That holding is correct, see *Block v. Community Nutrition Inst.*, 467 U.S. 340, 351 (1984) (APA review is unavailable where “congressional intent to preclude judicial review is fairly discernible in the statutory scheme”) (quotation marks omitted); 35 U.S.C. 141(c), 314(d) (evincing Congress’s intent that judicial review of inter partes review occur “only” in the Federal Circuit on appeal from the Board’s final written decision), and petitioners do not challenge it in this Court. Nor do petitioners dispute that they failed to bring their claim through the scheme of administrative and judicial review established in the AIA. See Pet. App. 22a-23a. Because that failure provides a fully sufficient basis for the rejection of petitioners’ Article III challenge, this case would be a poor vehicle for considering the merits of petitioners’ constitutional claim.

Although petitioners acknowledge (Pet. 36) that summary judgment was granted against them on “administrative exhaustion grounds,” they suggest that this case is nevertheless an appropriate vehicle for reviewing their constitutional challenge because the district court “necessarily reached (and rejected) the unconstitutionality argument” as part of its decision. Petitioners are mistaken. The district court rejected petitioners’ contention that the AIA’s inter partes review provisions are “patently unconstitutional,” Pet App. 18a, and it observed that the relevant authorities “suggest[ed] to the Court that [petitioners’] constitutional claim will ultimately fail,” *id.* at 20a. The district court did not issue a definitive ruling on the merits, however, and it noted that “[r]equiring exhaustion is particularly appropriate when the administrative remedy may eliminate the necessity of deciding constitutional questions.” *Id.* at 17a (quoting

*American Fed'n of Gov't Emps., AFL-CIO v. Nimmo*, 711 F.2d 28, 31 (4th Cir. 1983)). If this Court granted certiorari, it would likewise be unable to settle the constitutionality of inter partes review, since the AIA's judicial-review provisions foreclose petitioners' current suit.

Indeed, this case would be a particularly poor vehicle for reviewing petitioners' constitutional claim because the PTO's final written decisions in petitioner Cooper's inter partes review proceedings remain under review in the Federal Circuit. See *Cooper v. Square, Inc.*, No. 2015-1925 (Fed. Cir.). In that consolidated proceeding, Cooper urges that the PTO erred in finding that his claims were anticipated by the prior art, Appellant's Br. at 75, *Cooper v. Square, Inc.*, No. 2015-1925 (Fed. Cir.), and again challenges inter partes review on Article III grounds, *id.* at 61-72. If Cooper prevails on the anticipation issue, petitioners' patent rights will be restored and petitioners will suffer no ongoing injury that this Court could redress through a favorable resolution of their constitutional claim. And if Cooper does not prevail before the Federal Circuit, he will have the opportunity to raise any properly preserved statutory or constitutional claims in a petition for a writ of certiorari in *Square*.

2. In any event, petitioners' Article III challenge lacks merit. As the Federal Circuit recognized in *MCM Portfolio v. Hewlett Packard Co.*, 812 F.3d 1284 (2015), patents are quintessential "public rights" whose issuance and cancellation Congress may permissibly entrust to a non-Article III tribunal.

a. Article III provides that the "judicial Power of the United States, shall be vested in one supreme

Court, and in such inferior Courts as the Congress may from time to time ordain and establish.” U.S. Const. Art. III, § 1. “[I]n general,” this provision prevents Congress from withdrawing from Article III courts any matter that, by its nature, involves the exercise of judicial power. *Stern v. Marshall*, 131 S. Ct. 2594, 2609 (2011). This Court, however, has recognized certain qualifications to that “general” rule. One such qualification authorizes Congress to designate “public rights” for adjudication in non-Article III tribunals. See, e.g., *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. (18 How.) 272, 284 (1856).

Most critically, “what makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action.” *Stern*, 131 S. Ct. at 2613. Where Congress has acted “for a valid legislative purpose pursuant to its constitutional powers under Article I,” it may delegate even a “seemingly private right” to non-Article III courts if the right “is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.” *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989) (quotation marks omitted). The federal government need not be a party to the agency adjudication. A dispute between private parties may implicate public rights if “the claim at issue derives from a federal regulatory scheme,” or if “resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.” *Stern*, 131 S. Ct. at 2613.

Patents are quintessential public rights. Pursuant to its constitutional authority to “promote the Progress of Science and useful Arts” by establishing a



patent system, U.S. Const. Art. I, § 8, Cl. 8, Congress created the PTO—an agency with “special expertise in evaluating patent applications.” *Kappos v. Hyatt*, 132 S. Ct. 1690, 1700 (2012). It directed that agency to issue a patent if “it appears that the applicant is entitled to a patent” under standards set by federal law, 35 U.S.C. 131. Patents are accordingly rights that “exist only by virtue of statute.” *Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225, 229 n.5 (1964). They “dispose of public rights held by the government on behalf of the people.” *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 849 n.2 (2015) (Thomas, J., dissenting).

The inter partes review procedure is the sort of mechanism that Congress may permissibly create to administer a public-right scheme. The right to obtain a United States patent “is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.” *Granfinanciera*, 492 U.S. at 54 (citation omitted). The use of an expert administrative tribunal to perform inter partes review is “essential to a limited regulatory objective within the agency’s authority”—specifically, correcting the agency’s own mistakes. *Stern*, 131 S. Ct. at 2613. Because Congress may empower the PTO to issue patents in the first instance, it may equally empower the PTO to revisit its decisions to ensure that the patents were properly issued.

The Federal Circuit correctly recognized these principles in *MCM Portfolio*. The court explained that a patent right “derives from an extensive federal regulatory scheme,” and that Congress “saw powerful reasons to utilize the expertise of the PTO for an important public purpose—to correct the agency’s

own errors in issuing patents in the first place.” 812 F.3d at 1290 (citation omitted). The court reasoned that “patent rights are public rights” whose validity is “susceptible to review by an administrative agency.” *Id.* at 1293. And the court concluded that the “teachings of the Supreme Court \* \* \* compel the conclusion that assigning review of patent validity to the PTO is consistent with Article III.” *Id.* at 1291.

b. Petitioners all but ignore this Court’s modern decisions holding that public rights may be adjudicated in non-Article III tribunals. They assert that *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606 (1898), and other 19th century patent decisions cast doubt on the PTO’s authority to reconsider the validity of issued patents. None of those decisions, however, calls into question the constitutionality of inter partes review.

The Court in *McCormick Harvesting* held only that the Patent Act itself provided no basis for cancelling an original patent based on the rejection of a later reissue application. See 169 U.S. at 610 (explaining that, under the statute, “until the amended patent shall have been issued the original stands precisely as if a reissue had never been applied for \* \* \* and must be returned to the owner upon demand”). The Court in *McCormick Harvesting* therefore “did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent.” *MCM Portfolio*, 812 F.3d at 1289. The same is true of *United States v. American Bell Tel. Co.*, 128 U.S. 315, 364 (1888), which held that the Patent Act in its then-current form did not authorize the Executive Branch to cancel a previously issued patent. Both *McCormick Harvesting* and *American*

*Bell* reflect the fact that, in the 19th century, Congress had not authorized the Patent Office or any other administrative body to reconsider the validity of previously issued patents. Congress has since provided the statutory authority that was previously lacking, however, and neither decision casts doubt on the constitutionality of that authorization.

The other 19th century decisions that petitioners cite—all of which involved patents for land—likewise do not suggest that Article III prevents Congress from authorizing the PTO to cancel erroneously issued patents. Like *McCormick Harvesting* and *American Bell*, those cases were decided on statutory rather than constitutional grounds. See *Iron Silver Mining Co. v. Campbell*, 135 U.S. 286, 301 (1890) (reaching its decision in light of “the purpose of congress” in passing the land-patent statute); *Moore v. Robbins*, 96 U.S. 530, 532-533 (1878) (no statute authorized the land department to revoke a patent after issuing it); *United States v. Stone*, 69 U.S. (2 Wall.) 525, 535-536 (1865) (same). Those cases are further distinguishable because patents for land involve transfers of real property that is owned, but not created, by the federal government, whereas patents for inventions “exist only by virtue of statute,” *Stiffel*, 376 U.S. at 229 n.5. Because “what makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action,” *Stern*, 131 S. Ct. at 2611, that distinction between land patents and invention patents would bear on any Article III analysis.

In *Stern*, the Court held that Congress had violated Article III by authorizing a bankruptcy court to adjudicate a state-law counterclaim for tortious interference. 131 S. Ct. at 2620. The Court’s reasoning in

*Stern* underscores the existence of a public right here. Rather than announcing a so-called “historical antecedents test” for identifying public rights, as petitioners suggest (Pet. 28), the Court explained that a claim implicates public rights if “resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority.” 131 S. Ct. at 2613. In rejecting the characterization of the state-law tort claims before it as sounding in public rights, the Court emphasized that such claims were “not ‘completely dependent upon’ adjudication of a claim created by federal law” and did “not flow from a federal statutory scheme” in which Congress has devised an “expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.” *Id.* at 2614-2615 (citation and internal quotation marks omitted). The patentability issues adjudicated in inter partes review, in contrast, satisfy those criteria. Inter partes review therefore is “wholly distinguishable from the review of state law claims at issue in *Stern*.” *MCM Portfolio*, 812 F.3d at 1290.

3. Finally, contrary to petitioner’s suggestion (Pet. 34-36), the question presented does not implicate any disagreement among the courts of appeals. Petitioners identify no decision holding that inter partes review is unconstitutional. Petitioners rely in part (Pet. 35) on two decisions rejecting the use of non-Article III adjudicators under other statutory schemes. Those decisions are inapposite, however, because they did not involve the adjudication of public rights. See *Bahlul v. United States*, 792 F.3d 1, 22 (D.C. Cir.

2015) (inchoate conspiracy to commit war crimes was not an “offense[] against the law of war” that could be tried to a military commission), judgment vacated and reh’g en banc granted, No. 11-1324 (D.C. Cir. Sept. 25, 2015); *Tennessee Valley Auth. v. Whitman*, 336 F.3d 1236, 1258 (11th Cir. 2003) (EPA procedure violated due process because it “deprive[d] the regulated party of a reasonable opportunity to be heard and present evidence”) (internal quotation marks omitted), cert. denied, 541 U.S. 1030 (2004). Further review is not warranted.

#### CONCLUSION

The petition for a writ of certiorari should be denied.

Respectfully submitted.

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