

No. 15-\_\_

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IN THE  
*Supreme Court of the United States*

MCM PORTFOLIO LLC,  
*Petitioner,*

v.

HEWLETT-PACKARD COMPANY, and  
MICHELLE K. LEE, DIRECTOR, U.S. PATENT  
& TRADEMARK OFFICE,  
*Respondents.*

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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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**PETITION FOR A WRIT OF CERTIORARI**

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## QUESTIONS PRESENTED

The Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), created a new proceeding that permits the Patent Trial and Appeal Board (PTAB) to institute inter partes review (IPR) proceedings to adjudicate the validity of granted patents. In these adversarial proceedings, intended as an alternative to litigation, the PTAB essentially plays the role of a court. In just a few short years, IPR proceedings have resulted in the invalidation of thousands of patent claims, including in this case.

This Court is considering procedural issues relating to IPR in *Cuozzo Speed Technologies, Inc. v. Lee*, No. 15-446 (argued Apr. 25, 2016).

The Questions Presented by this Petition are:

1. Does IPR violate Article III of the Constitution?
2. Does IPR violate the Seventh Amendment to the Constitution?

**RULE 29.6 DISCLOSURE STATEMENT**

Petitioner MCM Portfolio LLC is wholly owned by Fountainhead IP LP, a private limited partnership, and no publicly held corporation owns a 10% or greater interest in either MCM or Fountainhead.

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## **PETITION FOR A WRIT OF CERTIORARI**

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

### **OPINIONS BELOW**

The Federal Circuit's opinion (Pet. App. 1a-22a), is published at 812 F.3d 1284. The PTAB's Final Written Decision (Pet. App. 23a-36a) and its Institution Decision (Pet. App. 37a-55a) are available on the PTAB website under docket IPR2013-00217.

### **JURISDICTION**

The Federal Circuit issued its opinion on December 2, 2015. Pet. App. 1a. Justice Kennedy granted MCM's application to extend the time to file this petition, ultimately to April 29, 2016. App. No. 15A872. This Court has jurisdiction under 28 U.S.C. § 1254(1).

### **CONSTITUTIONAL AND STATUTORY PROVISIONS INVOLVED**

The pertinent constitutional and statutory provisions are reproduced in the appendix to this petition (Pet. App. 56a-68a).

### **STATEMENT OF THE CASE**

This petition addresses the constitutionality of inter partes review (IPR), a new adjudicatory proceeding created by the Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011)

(the AIA), that allows third parties to challenge the validity of granted patents before a panel of administrative judges rather than an Article III court.<sup>1</sup> The Federal Circuit rejected petitioner’s argument that IPR violates either Article III (because it vests judicial power outside the judicial branch) or the Seventh Amendment (because it permits the government to extinguish valuable and vested private property rights without a jury trial).

1. Since at least the 1700s, parties seeking to challenge the validity of granted patents—in England and the United States—have done so in court. Beginning in 1980, Congress attempted to create administrative regimes related to patent validity. The first such procedure was “*ex parte* reexamination.” There, an anonymous or named petitioner who identified a “substantial new question of patentability” could request that the United States Patent and Trademark Office (USPTO) reconsider a patent administratively. *See* 35 U.S.C. §§ 302, 303(a); *see also* Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015

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<sup>1</sup> Pursuant to this Court’s Rule 29.4(b), we note that that 28 U.S.C. § 2403(a) may apply. This notice may not be necessary, as the Director of the United States Patent & Trademark Office intervened in this case in the court of appeals pursuant to 35 U.S.C. § 143, and we have therefore named her as a respondent. But the court below never added the Director to the case caption, so we make this further disclosure protectively. To the best of our knowledge, the Federal Circuit did not certify to the Attorney General that the constitutionality of a federal statute was in question.

(1980) (codified as amended at 35 U.S.C. §§ 301-07). In 1999, Congress created another new procedure, “inter partes reexamination”—distinct from the later “inter partes *review*” challenged here—that allowed petitioners to play a more active role in the reexamination process by responding to the patent holder’s submissions. *See* American Inventors Protection Act of 1999, Pub. L. No. 106-113, §§ 4601-4608, 113 Stat. 1501 (1999).

These administrative reexamination proceedings were, in a practical sense, a continuation of the initial examination process. In both kinds of reexamination, patent examiners engaged in an iterative, open dialogue with the patentee to review challenged claims, and the patentee could amend the claims in order to address concerns, with guidance from the examiner. At the conclusion of the process, the USPTO would issue a certificate indicating the status of all claims following reexamination. A patent owner could then seek judicial review in the Federal Circuit or in some cases the district courts.<sup>2</sup>

These procedures were not widely used. During the first five years in which inter partes reexamination was available, the USPTO issued more than 900,000 patents, but received only 53 requests for inter partes

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<sup>2</sup> Prior to the enactment of the AIA, patent owners pursued de novo review of ex parte reexaminations in federal district court under 35 U.S.C. § 145; the AIA, however, unambiguously closed off that avenue for review. *See In re Teles AG Informationstechnologien*, 747 F.3d 1357, 1360 (Fed. Cir. 2014).

reexamination. See USPTO, Report to Congress on Inter Partes Reexamination 5 (2004). Instead, challengers to patents typically sought to litigate the patents' validity—either by bringing an action seeking a judicial declaration of invalidity, or by raising invalidity as a defense in an infringement action. In litigation, granted patents are presumed valid, and courts can declare them invalid only upon clear and convincing evidence. See *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011).

Congress perceived the ongoing preference for litigation as inefficient and undesirable. Thus, in the AIA, Congress “convert[ed] inter partes reexamination from an examinational to an adjudicative proceeding, and rename[d] the proceeding ‘inter partes review.’” H.R. Rep. No. 112-98, pt. 1, at 46-47 (2011).<sup>3</sup>

IPR is very different from the prior reexamination regime. To institute IPR, a petitioner must persuade a panel of PTAB judges that there is a reasonable likelihood that at least one challenged claim is invalid for either lack of novelty or obviousness. 35 U.S.C. §§ 314(a), 311(b). Once the proceedings are instituted, the PTAB conducts an adversarial trial before a panel of administrative judges—typically the same judges

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<sup>3</sup> Congress also created Post-Grant Review, a procedure that permits challenges to the validity of patents issued up to nine months after the challenge, see 35 U.S.C. § 321, as well as Covered Business Method (CBM) review as a temporary mechanism to facilitate evaluation of certain business methods. See AIA, Pub. L. No. 112-29, § 18.

who made the institution decision. *See* 37 C.F.R. § 42.100(a) (“An inter partes review is a trial . . .”); *Google Inc. v. Jongerius Panoramic Techs., LLC*, IPR2013-00191, Paper 50, at 4 (PTAB Feb. 13, 2014) (explaining that the proceedings are “a trial, adjudicatory in nature [that] constitutes litigation,” and are “neither a patent examination nor a patent reexamination”). Patent examiners are not involved in the process, and the open, constructive exchange of challenges, defenses, and ultimate compromises that characterized reexamination never occurs. Moreover, although patentees have a formal opportunity to file a single motion seeking permission to amend their claims, 35 U.S.C. § 316(a)(9); 37 C.F.R. § 42.121(a), such requests are almost never granted.<sup>4</sup>

Instead of this iterative process, the parties take discovery and then present their arguments and evidence to the PTAB panel, which determines the validity of the challenged claims. To succeed, the petitioner must only prove invalidity by a preponderance of the evidence. 35 U.S.C. § 316(e). The

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<sup>4</sup> *See, e.g.*, Raymond Mandra & Corinne Atton, *Statistics Show IPRs Favor Patent Challenges*, Today’s General Counsel, Aug./Sept. 2015, at 23-25, available at <http://tinyurl.com/MandraIPR> (explaining that out of more than seventy motions to amend, only three were granted); Br. of Am. Intellectual Property Law Ass’n in Support of Petitioner, *Cuozzo Speed Techs., LLC v. Lee*, No. 15-446, at 12 (Nov. 9, 2015) (reporting that in more than two years of post-grant trials, fewer than ten motions to amend were granted). *See also* *Cuozzo* Oral Arg. Tr. 5 (counsel for petitioner states that the PTAB “has denied 95 percent of the motions to amend”).

PTAB issues its final written decision within a year, unless the PTAB extends the time for good cause. *Id.* § 318(a); 37 C.F.R. § 42.100(c). Appeals from IPR decisions go directly to the Federal Circuit, where the PTAB's factual findings, including often dispositive findings such as whether a person of ordinary skill in the art would have regarded an invention as obvious, are reviewed according to the deferential "substantial evidence" standard. Pet. App. 6a.

Another similarity between IPR trials and litigation in court is that parties can settle IPR proceedings with each other. 35 U.S.C. § 317. Indeed, out of the 2872 petitions that had been adjudicated by March 31, 2016 (the most recent date for which data is available), 906 had been resolved by settlement. See USPTO, PTAB Statistics 10 (Mar. 31, 2016), <http://www.uspto.gov/sites/default/files/documents/2016-3-31%20PTAB.pdf>. Settlement is designed to terminate the proceedings unless the PTAB has already decided the merits. 35 U.S.C. § 317(a). Although the PTAB is nominally permitted to issue a final written decision anyway, it "has demonstrated a willingness to terminate reviews upon settlement between the parties if settlement occurs well in advance of the PTAB's preparation of a final written decision, which wasn't as likely under the previous reexamination proceedings." Wayne O. Stacy & Adam M. Pivovar, *The Patent Trial & Appeal Board After Two Years: Future Challenges*, Intellectual Property Magazine, Nov. 2014, at 50, available at <http://tinyurl.com/StacyIPR>. Thus, a petitioner may pursue IPR for the sole purpose of extracting a settlement from the patentee.



By conscious design, IPR both mimics the adversary nature of district court litigation and seeks to replace such litigation with a new forum. IPR is unavailable to parties that have already sued to invalidate a patent. 35 U.S.C. § 315(a)(1). If an infringer files an IPR petition, any civil action it subsequently files challenging the validity of the patent will be automatically stayed pending the outcome of the IPR. *Id.* § 315(a)(2). If an alleged infringer has been sued by the patentee and files an IPR petition challenging the patent-in-suit, the district court is not required to stay the civil action pending the outcome of IPR—but many district courts do, and they are especially willing to do so once a decision to institute IPR has been made. *See, e.g., DocketNavigator, Motions to Stay District Court Cases Pending Post-Grant Proceedings*, DocketReport (Aug. 23, 2015), <http://docketreport.blogspot.com/2015/08/motions-to-stay-district-court-cases.html> (“The likelihood of getting an entire case stayed is very high, as is the likelihood of having a case stayed until the IPR has concluded.”).<sup>5</sup> Accused infringers are also estopped from raising in future litigation any ground for invalidity that they raised or could have raised in a failed IPR. 35 U.S.C. § 315(e)(2). The reason for all of these interactions is that IPR actually performs the same function as litigation in Article III courts.

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<sup>5</sup> These stays are particularly damaging for patentees because, whatever the outcome of the IPR proceeding, the life of the patent continues to erode during the pendency of the stay.

Unlike the prior inter partes reexaminations, IPR trials have been incredibly popular with challengers, and devastating to patent holders.<sup>6</sup> As of March 31 of this year, 4288 IPR petitions had been filed. *See* PTAB Statistics, *supra*, at 2. Of the petitions that resulted in final written decisions, 86% found at least one claim invalid. *Id.* at 10.<sup>7</sup> Part of the reason that IPR is so popular is that it allows infringers to challenge a patent's validity while stymying the patentee's efforts to enforce the patent in court—in contrast with litigation, where invalidity and infringement typically are litigated together.

2. Petitioner MCM Portfolio LLC owns U.S. Patent No. 7,162,549 (the '549 patent), which relates to hardware controllers that enable computers to read a variety of flash memory cards, including the ones that commonly are used to store photographs in digital cameras. MCM sued respondent Hewlett-Packard Company (HP) for infringement. *See Tech. Props. Ltd.*

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<sup>6</sup> A brief article lays out many of the pro-petitioner features of IPR proceedings. *See* Meaghan Hemmings Kent et al., *United States: 10 Reasons Every Defendant in Patent Litigation Should Consider Inter Partes Review*, Mondaq.com (Apr. 26, 2014), <http://tinyurl.com/KentIPR>.

<sup>7</sup> IPRs also generate substantial fees for the USPTO. Parties must pay a \$9000 fee with a petition seeking review of up to 20 claims, and \$200 per additional claim. *See* USPTO, Fee Schedule, <http://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule> (last revised Apr. 9, 2016). If the PTAB institutes proceedings, the petitioner must pay an additional \$14,000 for up to 15 claims, plus \$400 per additional claim. *Id.*

*v. Hewlett-Packard Co.*, No. 6:12-cv-208 (E.D. Tex. Mar. 28, 2012). Seeking a substitute for the district court litigation, HP responded by filing an IPR petition alleging that four of the claims in the '549 patent are unpatentable over the combination of a prior U.S. patent and an international patent publication. Pet. App. 38a. Over MCM's objection,<sup>8</sup> the PTAB instituted IPR. *Id.* 54a.<sup>9</sup>

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<sup>8</sup> Before the PTAB, MCM argued that institution was improper because, in addition to the failings of the claimed prior art, HP's petition was not timely filed under 35 U.S.C. § 315(b), which provides that "[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent." MCM established that it had sued Pandigital, Inc.—which it argued is a "privy" of HP because HP resells Pandigital products that infringe the '549 patent—more than one year prior to the date of HP's petition, so that HP's IPR petition was time-barred. Pet. App. 44a. Even though HP presented no contrary evidence or rebuttal to counter MCM's position, the PTAB held that HP and Pandigital are not privies for purposes of § 315, Pet. App. 45a, and after denying a request for rehearing, *Hewlett-Packard Company v. Tech. Props. Ltd. LLC*, IPR2013-00217, Paper 19 (PTAB Oct. 10, 2013), instituted IPR.

<sup>9</sup> MCM petitioned the Federal Circuit for mandamus, seeking review of the PTAB's Institution Decision. In response, the Director asserted that mandamus was unavailable because MCM had as an available remedy seeking review of the Institution Decision as part of any appeal from the PTAB's final ruling on the merits. *See* Resp. of the Director, *In re MCM Portfolio, LLC*, Misc. No. 14-104, at 7 (Fed. Cir. 2013). The Federal Circuit denied the petition. *See infra* 11 n.10.

The IPR proceeding was an adversarial trial involving far more argument than evidence—at the conclusion of which the majority of the panel that had already ruled that HP’s claims were likely meritorious during the institution phase confirmed its prior determination in a Final Written Decision. Pet. App. 23a. The PTAB first rejected MCM’s constitutional challenges to the IPR process, holding simply that the Federal Circuit had rejected a similar argument as applied to ex parte reexaminations. *See id.* 26a-27a (citing *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603-05 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228-29 (Fed. Cir. 1992)). Determining that there was no “constitutionally-significant distinction between reexamination proceedings and *inter partes* review proceedings,” the PTAB held that IPR is constitutional. *Id.* 27a.

The PTAB then went on to review the claims of MCM’s patent “using the broadest reasonable construction.” *Id.* It then determined that “a preponderance of the evidence” supported HP’s arguments that the challenged claims were obvious in light of a combination of prior art—a U.S. patent and an international one. *Id.* 32a, 35a.

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Subsequently, the Director without explanation took the exact opposite position in both the merits appeal in this case, where she asserted that the Institution Decision was unreviewable in any appeal, and also in *Cuozzo Speed Technologies, Inc. v. Lee*, No. 15-446 (argued Apr. 25, 2016), where she affirmatively advised this Court that the institution decision *was* reviewable on mandamus. *See Cuozzo Oral Arg. Tr.* 52-53.

3. On MCM's appeal, in which the USPTO intervened, the Federal Circuit affirmed. Pet. App. 2a, 6a.<sup>10</sup> The Federal Circuit rejected MCM's argument that "inter partes review is unconstitutional because any action revoking a patent must be tried in an Article III court with the protections of the Seventh Amendment." *Id.* 7a. It concluded that "Congress has the power to delegate disputes over public rights to non-Article III courts," *id.* 11a, and that patents are public rights subject to such delegation, *id.* 13a-14a.

The Federal Circuit thus held that this Court's decisions "compel the conclusion that assigning review of patent validity to the PTO is consistent with Article III." *Id.* 14a (citing *Thomas v. Union Carbide Agric. Prods. Co.*, 473 U.S. 568 (1985) (upholding mandatory arbitration under the Federal Insecticide, Fungicide, and Rodenticide Act to determine the amount of compensation available to pesticide manufacturers who submitted data to the Environmental Protection Agency); *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833 (1986) (upholding agency adjudication for customers seeking compensation from

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<sup>10</sup> On appeal, MCM challenged the PTAB's Institution Decision on the ground that HP's petition was untimely based on MCM's prior lawsuit against Pandigital. The Federal Circuit held, however, that "there is 'no appeal' from the decision to institute inter partes review," and so it had no jurisdiction to consider that argument. Pet. App. 6a-7a (citing 35 U.S.C. § 314(d)). MCM argued in the alternative that its appeal should be treated as a petition for mandamus. C.A. Reply Br. 19. The court of appeals did not address that request.

brokers for violating the Commodities Exchange Act or related regulations); *Stern v. Marshall*, 131 S. Ct. 2594 (2011) (holding that state-law counterclaims could not be adjudicated in Article I bankruptcy proceedings)). Like the agencies in *Thomas* and *Schor*, the court concluded, the PTAB’s “sole authority is to decide issues of federal law,” and to adjudicate rights that derive from a federal regulatory scheme. *Id.* 13a.

The Federal Circuit also believed that the USPTO’s authority to adjudicate the validity of issued patents follows from the agency’s “power to issue patents in the first instance. It would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.” *Id.* 14a.

The court of appeals also agreed with the PTAB that there was “no basis to distinguish the reexamination proceeding in *Patlex* from inter partes review,” and therefore held that this case was governed by circuit precedent holding that reexamination proceedings complied with Article III—which the court of appeals is bound to follow until this Court overrules it. *Id.* 15a-16a.

With respect to the Seventh Amendment, the Federal Circuit held that the right to a civil jury does not apply to administrative proceedings. *Id.* 16a-18a. Relying on its own decisions in *Patlex* and *Joy Technologies*, as well as general statements in this Court’s cases that Congress may assign the adjudication of public rights to administrative agencies, the Federal Circuit held that “[b]ecause patent rights are public rights, and their validity susceptible to review by an administrative agency, the

Seventh Amendment poses no barrier to agency adjudication without a jury.” *Id.* 19a.

Finally, the Federal Circuit reviewed the PTAB’s holding on the question of obviousness under the deferential “substantial evidence” standard and found that sufficient evidence supported the PTAB’s conclusion that, on a preponderance of the evidence standard, a person of ordinary skill in the art would have combined the two prior art references, so that MCM’s invention was obvious. Pet. App. 22a.

3. This petition followed.

### **REASONS FOR GRANTING THE WRIT<sup>11</sup>**

#### **I. The Constitutionality Of Inter Partes Review Is An Issue Of Surpassing Importance.**

According to the government, the AIA “represents the most significant reform of the Patent Act since 1952,” and IPR is its cornerstone.<sup>12</sup> Congress sought to

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<sup>11</sup> It may be appropriate to vacate and remand the Federal Circuit’s decision in this case, depending on the outcome of *Cuozzo Speed Technologies, LLC v. Lee*, No. 15-446 (argued Apr. 25, 2016). Here, as in *Cuozzo*, the Federal Circuit held that the PTAB’s decision to institute IPR was unreviewable, Pet. App. 6a-7a, and the PTAB applied the “broadest reasonable interpretation” standard to invalidate petitioner’s patent, *id.* 27a. After this Court decides *Cuozzo*, petitioner will advise the Court of petitioner’s view of the appropriate disposition of this case.

<sup>12</sup> See The White House, Press Release, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help

facilitate patent validity challenges by shifting them from a judicial forum into an administrative one, and by all accounts it has succeeded. Indeed, the PTAB is “the busiest patent court in the U.S.” Scott A. McKeown, *PTAB Quickly Becomes Busiest Patent Court in U.S.*, Patents Post-Grant (July 25, 2013), <http://tinyurl.com/PTABBusiest>. Thousands of petitions have been filed, and almost ten thousand patent claims have been invalidated by PTAB judges who do not have Article III tenure or salary protection. PTAB Statistics, *supra*, at 13.

The constitutionality of this system of adjudication is of paramount importance to inventors and small businesses, and indeed to the economy as a whole. Former Chief Judge Rader of the Federal Circuit likened the PTAB to a “death squad[], killing property rights.” Tony Dutra, *Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill*, Bloomberg BNA (Oct. 28, 2013), <http://www.bna.com/rader-regrets-cls-n17179879684/>. Reports indicate that the value of patent portfolios plummeted after the AIA was enacted, and commentators estimate that the loss from the threat of invalidation in IPR equals or exceeds a trillion dollars. See Richard Baker, *America Invents Act Cost the U.S. Economy Over \$1 Trillion*, Patently O (June 8, 2015), <http://patentlyo.com/patent/2015/06/america-invents-trillion.html>. Critically, this figure does not include

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Entrepreneurs Create Jobs (Sept. 16, 2011), <http://tinyurl.com/WhiteHouseAIA>.



only—or even principally—the value of patents that actually have been invalidated, or even that ought to be. Instead, it attempts to put a price on the uncertainty that the new IPR procedure has created over the value of patent rights generally—uncertainty that is reflected in the actual sale prices of patent portfolios over the last several years.

IPR also imposes significant additional costs and risks on inventors, and especially on individuals and small companies. To obtain a patent, an inventor must incur tremendous expenses to develop and perfect his invention. Then, he must incur the additional costs of patent prosecution, including not only the monetary cost, but also the real risk involved in disclosing his invention to the world. Before IPR, inventors who paid those costs and took that risk could reap tangible rewards immediately by either exercising the exclusive right to practice their inventions or by licensing them to others. But now, inventors face an additional hurdle: an administrative proceeding that will cost hundreds of thousands of dollars to defend, the only potential upside of which is a chance to keep their previously issued patent. Indeed, a victory by the inventor in IPR will also only estop the challenger who brought the petition, not anybody else.<sup>13</sup> And while the

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<sup>13</sup> We focus on the impact of IPR on inventors because although the AIA was enacted, in part, out of a concern that non-practicing entities (NPEs) were filing too many patent infringement lawsuits and thereby imposing costs on other businesses, the best evidence shows that these claims were overblown and that in fact the principal impact of the shift to IPR

IPR is pending, it will be impossible for the inventor to negotiate favorable licensing arrangements or litigate infringement, even though the life of the patent will continue to erode. These additional costs—as well as the uncertainty inherent in IPR proceedings—necessarily deter further investment in innovation.

The lack of Article III protections in PTAB proceedings has also created unintended consequences.

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has been to harm the very inventors that the AIA ostensibly seeks to protect. Thus, the Government Accountability Office, tasked with producing a report regarding NPE litigation, found that only one fifth of patent lawsuits were filed by NPEs; by contrast, “companies that make products brought most of the lawsuits.” *See* GAO, Intellectual Property, Assessing Factors That Affect Patent Infringement Litigation Could Help Improve Patent Quality, GAO-13-465, at Highlights (Aug. 2013), <http://www.gao.gov/assets/660/657103.pdf>. The study further noted that the term “NPEs” covers a broad range of actors—including individuals and companies that choose to focus on inventing new technologies rather than marketing products, and universities that patent the products of their research—and that this diversity “makes it difficult to fit them neatly” into a single category. *See id.* at 2-3. Ultimately, the GAO concluded that “the focus on the identity of the litigant . . . may be misplaced,” and that future reform efforts should instead seek ways to improve the initial examination process. *Id.* at 45-46. Other reputable sources likewise confirm that the focus on NPEs is misguided. *See, e.g.*, U.S. Int’l Trade Comm’n, USITC Section 337 Investigations – Facts and Trends Regarding Caseload and Parties 4 (June 10, 2014), <http://tinyurl.com/USITCNPEs> (explaining that since 2006, NPEs have only been responsible for 20% of investigations to exclude imports, and that only four NPE entities have obtained exclusion orders—each time, for technology that they developed).

For example, hedge funds that lack standing to challenge patents in court have initiated IPR proceedings against pharmaceutical companies in order to “drive down the patent owners’ stock prices” and facilitate gamesmanship in the markets. Peter J. Pitts, *‘Patent Death Squads’ vs. Innovation*, Wall St. J. (June 10, 2015), <http://www.wsj.com/articles/patent-death-squads-vs-innovation-1433978591>. There is a risk that “[i]f hedge funds and copycats continue to take advantage of the PTAB’s bias against patent holders, it will choke off funding for lifesaving medicines.” *Id.*; see also Michelle Carniaux & Dervis Magistre, *Hedge Funds Making Headway Before the PTAB: Investment-Motivated IPR Challenges Not an Abuse of Process*, IPR Blog (Oct. 16, 2015), <http://tinyurl.com/HedgeFundIPR> (noting the proliferation of hedge fund claims and describing IPR institution decisions that rejected the patent holders’ arguments that claims brought for the purpose of facilitating short sales constituted an abuse of process). And the problem is not limited to hedge funds: other third parties can file IPR petitions hoping to extract quick settlements from patentees—whether the challenger intends to practice the patented technology or not.

Finally, the importance of this case follows a fortiori from the decision to grant certiorari in *Cuozzo*. If that case—which addresses the standard that the PTAB applies in IPR proceedings—is important enough to warrant this Court’s review, then surely this case—which addresses whether such proceedings can occur at all—is at least as important. Even if the decision in *Cuozzo* addresses some of IPR’s

shortcomings, the importance of this case would remain undeniable because there is no doubt that IPR will remain the dominant means of adjudicating patent validity. It is therefore critically important that this Court address IPR's constitutionality.

## **II. Inter Partes Review Violates The Seventh Amendment And Article III.**

Certiorari is also warranted because IPR is unconstitutional. Patent rights have existed for centuries, and for centuries their validity has been adjudicated in courts. By permitting administrative judges to extinguish vested patent rights, IPR violates the Seventh Amendment right to a civil jury and Article III's separation of powers.

The two constitutional inquiries require similar historical analyses. The Seventh Amendment provides that “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved . . . .” As this Court has explained:

Although “the thrust of the Amendment was to preserve the right to jury trial as it existed in 1791,” the Seventh Amendment also applies to actions brought to enforce statutory rights that are analogous to common-law causes of action ordinarily decided in English law courts in the late 18th century, as opposed to those customarily heard by courts of equity or admiralty.

*Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 41-42 (1989) (quoting *Curtis v. Loether*, 415 U.S. 189, 193

(1974)). To perform the analysis, “[f]irst, we compare the statutory action to 18th-century actions brought in the courts of England prior to the merger of the courts of law and equity. Second, we examine the remedy sought and determine whether it is legal or equitable in nature.” *Id.* at 42 (quoting *Tull v. United States*, 481 U.S. 412, 417-418 (1987)).

If, on balance, these factors support the Seventh Amendment claim, then the question becomes whether Congress has validly assigned resolution of the relevant claim to a non-Article III adjudicative body. *Id.* Congress can only do so for claims involving “public rights,” as opposed to private ones. This Court has acknowledged that its “discussion of the public rights exception . . . has not been entirely consistent, and the exception has been the subject of some debate.” *Stern v. Marshall*, 131 S. Ct. 2594, 2611 (2011). However, the Court has been clear in stating that Article III prohibits Congress from withdrawing “from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.” *Id.* at 2609 (quoting *Murray’s Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 18 How. 272, 284 (1856)). Thus, at a minimum, “[w]hen a suit is made of ‘the stuff of the traditional actions at common law tried by the courts at Westminster in 1789,’ and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts.” *Id.* (quoting *N. Pipeline Const. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring in judgment)).

Under this test, IPR violates the Constitution. U.S. patents on inventions are descendants of a broader family of patents, whereby the English crown conferred various monopolies on favored subjects. Historically, such patents were enforced in courts of law, their validity was subject to adjudication in the courts, and factual determinations relating to validity have always been submitted to juries in courts of law. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 992-93 (Fed. Cir. 1995), *aff'd*, 517 U.S. 370 (1996) (“An action for patent infringement is one that would have been heard in the law courts of old England. . . . In such cases, the jury has been entrusted with ruling on the ultimate question of infringement, *as well as any factual disputes that arise subsidiary to the determination of the legal question of patent validity.*”) (emphasis added).

In addition to actions alleging infringement (and invalidity determinations during those actions), English law courts also heard claims regarding patent validity. As early as 1602, in *Darcy v. Allen* (also known as the *Case of Monopolies*), “none of the parties disputed that the common law court had jurisdiction to decide the validity of the patent.” Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property* 33 (2005), *available at* <https://law.utexas.edu/faculty/obracha/dissertation/pdf/chapter1.pdf>. That case dealt with a different sort of patent—a monopoly right to manufacture and import playing cards. But it embodied a trend toward adjudication of patent validity in the courts. Later, in 1753, “the Privy Council relinquished to the law courts jurisdiction over determining the validity of patents

for invention.” Adam Mossoff, *Rethinking the Development of Patents: An Intellectual History 1550-1800*, 52 *Hastings L.J.* 1255, 1286 (2001).

In England, direct actions to revoke a patent were filed in Chancery—a court that exercised legal and equitable powers—pursuant to the writ *scire facias*,<sup>14</sup> but disputed facts were actually tried in the common law courts because only they had the power to empanel juries. Invalidity was one of three grounds for revocation, the others being double patenting and fraud. *Mowry v. Whitney*, 81 U.S. 434, 440 (1871); see also John Paxton Norman, *The Law and Practice Relating to Letters Patent for Inventions* 149 (1853). Patentees in such actions had a right to trial by jury. *Ex Parte Wood & Brundage*, 22 U.S. 603, 614-615 (1824) (“[I]t is ORDERED . . . that the said Judge do award a process, in the nature of a *scire facias*, to the patentees, to show cause why the said patent should not be repealed . . . and that if the issue be an issue of fact, the trial thereof be by a jury.”); see also *In re Lockwood*, 50 F.3d 966, 974 n.9 (Fed. Cir.), cert. granted sub nom. *Am. Airlines, Inc. v. Lockwood*, 515 U.S. 1121, and judgment vacated 515 U.S. 1182 (1995) (“A proceeding to repeal a patent by the writ of *scire facias* was, with respect to the factual issues raised

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<sup>14</sup> The writ, which literally means “make known,” was essentially a writ to show cause why a patent should not be annulled.

therein, a legal, rather than an equitable, affair, thereby entitling the parties to a jury as of right.”)<sup>15</sup>

It is therefore unsurprising that this Court’s early precedents held that “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.” *McCormick Harvesting Mach. Co. v. C. Aultman & Co.*, 169 U.S. 606, 609 (1898); *see also United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 364 (1888) (holding that the power to annul or correct a patent “is vested in the judicial department of the government, and this can only be effected by proper proceedings taken in the courts of the United States”). That is because once the patent is issued, “[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property.” *McCormick*, 169 U.S. at 609. While these cases did not specifically identify Article III or the Seventh Amendment, they reflect the settled understanding at the time of the Founding that patent

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<sup>15</sup> In *Lockwood*, the Federal Circuit held that a jury trial is required in patent validity cases. This Court granted certiorari, but the patentee withdrew his jury trial demand, resulting in a vacatur and remand to the district court. Commentators have noted that in light of the uncertainty flowing from that unusual disposition, “the time is ripe for Supreme Court review of the putative right to have a jury decide whether patents are valid.” Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 Va. L. Rev. 1673, 1676 (2013).



rights derived from common law rights, and their validity is properly adjudicated in a court of law.

The Federal Circuit reached the contrary conclusion that patents are “public rights” that can be adjudicated outside of Article III courts, and the Director of the USPTO has taken the same position in her brief in opposition in *Cooper v. Lee*, No. 15-955, a pending petition that advances the Article III question in this case. Both rely on this Court’s statement in *Stern* that “what makes a right ‘public’ rather than private is that the right is integrally related to particular federal government action,” 131 S. Ct. at 2613, and they argue that patent rights fall under this standard because they are issued by the USPTO as part of a detailed federal “regulatory scheme.” Pet. App. 12a-13a; *Cooper* BIO 11.

This reasoning ignores the fact that patents are property rights and not mere artifacts of a federal regulatory scheme. While patents are issued by the federal government pursuant to constitutional authority, they have clear common law antecedents, as described above.<sup>16</sup> Under this Court’s precedents, that

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<sup>16</sup> Indeed, this Court continues to cite English cases in its interpretation of, for example, 35 U.S.C. § 101. *See, e.g., Mayo Collaborative Servs. v. Prometheus Labs.*, 132 S. Ct. 1289, 1293 (2012) (citing *Neilson v. Harford*, Webster’s Patent Cases 295, 371 (1841), for its rule that patentable subject matter cannot extend to laws of nature, natural phenomena an abstract ideas); *cf. Pennock v. Dialogue*, 27 U.S. 1, 18 (1829) (“It is obvious to the careful inquirer, that many of the provisions of our patent act are derived from the principles and practice which have prevailed in

means that MCM's Seventh Amendment rights remain intact. For example, in *Curtis*, this Court, in deciding that the Seventh Amendment applies to causes of action under the federal Civil Rights Act, held that “[w]hatever doubt may have existed should now be dispelled. The Seventh Amendment does apply to actions enforcing statutory rights, and requires a jury trial upon demand, if the statute creates legal rights and remedies, enforceable in an action for damages in the ordinary courts of law.” 415 U.S. at 194. In *Granfinanciera*, the Court held that the Seventh Amendment requires a jury trial for a claim implicating a bankruptcy trustee’s right to recover a fraudulent conveyance under 11 U.S.C. § 548(a)(2). 492 U.S. at 55-56. And in *Feltner v. Columbia Pictures Television*, 523 U.S. 340, 348-49 (1998), this Court held that copyright owners are entitled to jury trials to determine statutory damages (notwithstanding a contrary statute specifying trial before a judge) because “the common law and statutes in England and this country granted copyright owners causes of action for infringement,” and these suits “were tried in courts of law, and thus before juries.” These decisions would

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the construction of that of England . . . . The language of that clause of the statute is not, as we shall presently see, identical with ours; but the construction of it adopted by the English courts, and the principles and practice which have long regulated the grants of their patents, as they must have been known and are tacitly referred to in some of the provisions of our own statute, afford materials to illustrate it.).

not have come out the way they did if all rights conferred by federal law are deemed “public.”

The Federal Circuit and the Director (in the *Cooper* BIO) also argue that patents constitute a “public regulatory scheme” like the compensation regime under the Federal Insecticide, Fungicide, and Rodenticide Act that this Court considered in *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568 (1985), or the rules regulating broker-customer relationships under the Commodities Exchange Act, see *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833 (1986). Those cases are inapposite for at least two reasons.

First, the Constitution empowers Congress “[t]o 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. But the power to “secur[e]” exclusive rights is not the same as the power to abrogate those very same rights. Thus, unlike *Thomas* and *Schor*, where Congress resorted to administrative adjudication to achieve clearly permissible regulatory objectives, IPR attempts to achieve an objective that is not squarely encompassed within Congress’s power.<sup>17</sup>

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<sup>17</sup> It is no answer to say that IPR falls within Congress’s powers because it merely corrects the USPTO’s prior errors. The dispute in this case is not over whether Congress has a right to facilitate error correction—but *how* it may do so. Neither the Federal Circuit nor the Director has cited any authority for the

Second, relegating the U.S. patent system—which not only is based solidly in common law foundations but also has cultivated the most innovative technological advancements the world has encountered since its inception—to a mere “public regulatory scheme” is a gross mischaracterization. Indeed, the issuance of a patent does not “regulate,” *i.e.*, control, behavior at all. Instead, it does only one thing: confer property rights that inventors can exploit, taking advantage of “the same legal protection as other property.” *McCormick*, 169 U.S. at 609. Although one ultimate goal of the system is to further the public good by disclosing inventions to the public, the sole means by which the system accomplishes that goal is to grant property rights to the inventor in exchange for the disclosure. That grant bears no resemblance to the detailed scheme for submitting information and collecting compensation that the Court considered in *Thomas*, or to the litany of regulations that govern commodities brokers that the Court considered in *Schor*—all of which actually regulate behavior.

Finally, it is worth emphasizing that while other administrative reexamination and review proceedings

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proposition that error correction is a trump card over constitutional rights. And there are constitutional ways for Congress to achieve its goal of improving patent quality, such as encouraging voluntary reexamination, implementing special rules of civil procedure for patent cases, and allowing the PTAB to issue advisory opinions. Congress could also address the perceived problem of low-quality patents by altering the standards for issuing a patent in the first instance.

may also be problematic, IPR stands alone in terms of the magnitude of the threat to property rights and the flagrancy with which Congress chose to bypass Article III courts and juries. Notably, IPR is *only* available for patents that were issued at least nine months ago, *i.e.*, the most settled patent rights of all. And by creating IPR, Congress avowedly sought to avoid civil litigation over patent validity using a procedure that looks like litigation and has preclusive effects on other litigation but does not abide by the safeguards of Article III (including standing for parties, and tenure and salary protection for judges) or the Seventh Amendment, nor afford any remedy to the inventor who prevails. Congress did so because it thought that it would be more efficient to try issues of validity before a panel of expert judges than a lay jury—but the effect has been to strip away the benefit of the bargain entered into by the inventor, which has been an essential feature of the patent system for centuries.

To be sure, there is an argument to be made that patent validity adjudications might benefit from the USPTO's expertise. But that argument is a slippery slope because *every* adjudication might benefit from the wisdom of a putative expert. That is why “[i]t goes without saying that the fact that a given law or procedure is efficient, convenient, and useful in facilitating functions of government, standing alone, will not save it if it is contrary to the Constitution.” *Stern*, 131 S. Ct. at 2619 (quotation marks omitted). “We cannot compromise the integrity of the system of separated powers and the role of the Judiciary in that system, even with respect to challenges that may seem innocuous at first blush.” *Id.* at 2620. Instead,

Congress must find a way to leverage the USPTO's subject-matter expertise without sidelining the decision makers—courts and juries—that the Constitution expressly designates to resolve litigation. *See supra* n.17.

### **III. This Case Is The Best Vehicle To Address The Constitutionality Of Inter Partes Review.**

This case presents the ideal vehicle to address the Article III and Seventh Amendment questions that haunt IPR. Both arguments were presented to the PTAB and the Federal Circuit, and addressed in written decisions—a Final Written Decision by the PTAB, and a precedential opinion by the court of appeals.

In light of the importance of the questions, the Court should endeavor to address these issues sooner rather than later. At the moment, there are only two potential vehicles to do so: this case and *Cooper v. Lee*, No. 15-955. This case is a superior vehicle to *Cooper* for three reasons. First, this case presents both the Article III and Seventh Amendment questions, while the petition in *Cooper* presents only an Article III argument.<sup>18</sup>

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<sup>18</sup> Mr. Cooper argued in his petition that his case presents a superior vehicle because he has asked for more limited relief, *i.e.*, a holding that PTAB decisions are non-binding. Petition for a Writ of Certiorari, *Cooper v. Lee*, No. 15-955, at 38. That argument is unpersuasive because by channeling his argument into a single request for narrow relief, Mr. Cooper has only

Second, this case includes both a private respondent (HP) and the government, which intervened below. Thus, it provides an opportunity for a more thorough consideration of the issues from all sides.

Finally, *Cooper* arose in an unfavorable procedural posture that threatens this Court's ability even to reach the question presented. In *Cooper*, the petitioner filed his own civil action suing the PTAB after it decided to institute IPR relating to three of his patents. The district court dismissed Mr. Cooper's civil action because he had failed to exhaust his administrative remedies. The Federal Circuit then affirmed the dismissal in an unpublished order after Mr. Cooper and the Director of the USPTO agreed that the outcome in this case controlled that one, and required summary affirmance. But the Director had also argued that a summary affirmance would merely affirm the district court's exhaustion holding—and not an ultimate decision on the merits. The Director thus acknowledged that this case is a superior vehicle in her brief in opposition in *Cooper*, which explains that, unlike *Cooper*, this case “raise[s] no threshold justiciability issue because [MCM's argument] was

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succeeded in tying this Court's hands. In this case, by contrast, if the Court deems IPR unconstitutional, it can—if it chooses—explain what changes might make the statute work, and allow Congress and the USPTO to react to its decision in due course. If Mr. Cooper's alternative is sufficient, then the Court is free to prescribe it in this case. But it is not limited here only to that alternative, or to any other.

asserted on direct appeal from a completed inter partes review proceeding.” *Cooper* BIO 5-6.

**CONCLUSION**

For the foregoing reasons, the petition for a writ of certiorari should be granted.

Respectfully submitted,

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April 29, 2016



## **APPENDIX**

1a

**APPENDIX A**

United States Court of Appeals,  
Federal Circuit.

MCM PORTFOLIO LLC,  
Appellant,

v.

HEWLETT-PACKARD COMPANY,  
Appellee.

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2015-1091.

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Appeal from the United States Patent and  
Trademark Office, Patent Trial and Appeal Board,  
in No. IPR2013-00217.

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Decided: December 2, 2015

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Before Prost, Chief Judge, Dyk, and Hughes, Circuit  
Judges.

Dyk, Circuit Judge.

MCM Portfolio LLC (“MCM”) owns U.S. Patent No. 7,162,549 (“the ’549 patent”), which claims methods and systems for coupling a computer system with a flash memory storage system. Hewlett-Packard Co. (“HP”) filed a petition with the Patent and Trademark Office (“PTO”) requesting inter partes review of claims 7, 11, 19, and 21 of the ’549 patent.

The Patent Trial and Appeal Board (“Board”) determined that HP’s petition demonstrated a reasonable likelihood that the challenged claims of the ’549 patent were invalid as obvious and instituted an inter partes review. Thereafter, the Board issued a final decision holding that the challenged claims would have been obvious. MCM appeals.

We hold that we lack jurisdiction to review the Board’s decision that the institution of inter partes review was not barred by 35 U.S.C. § 315(b), but we conclude that we can review the question of whether the final decision violates Article III and the Seventh Amendment. On the merits, we reject MCM’s argument that inter partes review violates Article III and the Seventh Amendment, and we affirm the Board’s decision that claims 7, 11, 19, and 21 of the ’549 patent would have been obvious over the prior art.

#### BACKGROUND

The ’549 patent, entitled “Multimode Controller for Intelligent and ‘Dumb’ Flash Cards,” issued on January 9, 2007, and claims a priority date of July 6, 2000. The patent claims methods and systems for coupling flash memory cards to a computer utilizing a “controller chip.” ’549 patent at Abstract. In general, a controller is a device that performs the physical transfer of data between a computer and a peripheral device, such as a monitor, keyboard, or, as here, a flash memory card. *See* Allan Freedman, *The Computer Glossary* 75-76 (9th ed. 2001).

The primary purpose of the controller here is to achieve error correction. *See* ’549 patent col. 28, ll. 37-54. Error correction tests for accurate data

transmission in order to “present a flawless medium to the system, in a specific format, so the computer [] sees an error-free storage medium [], rather than a flash [memory] that may have certain defects.” *Id.* at col. 28, ll. 37-41; *see also* Freedman, *supra*, at 135. As described in the patent, removable flash memory cards are commonly used in digital cameras to store image or video files and enable the convenient transfer of those files to a computer using a card reader. ’549 patent at col. 1, ll. 50-56. At the time the ’549 patent was filed, flash memory cards were made by various companies and came in many shapes and formats, such as CompactFlash, Secure Digital, and Memory Stick. *Id.* at col. 2, ll. 28-55. The specification describes a need for a flash memory card reader that can be used with flash memory cards of several different formats, and, relevant here, a controller on the card reader “that can work with multiple types of flash memory cards that have controllers, and also with flash memory cards that do not have controllers.” *Id.* at col. 3, l. 53 to col. 4, l. 22.

The patent claims improvements to flash memory card readers, including a controller chip that can determine whether the flash memory card has an onboard controller for error correction, and if it does not, using firmware to manage error correction for the flash memory card.

Claims 7 and 11 are illustrative:

7. A method comprising:

using a controller chip to interface a flash storage system with or without a controller to a computing device, the controller chip comprising

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a flash adapter, wherein the flash storage system comprises a flash section and at least a medium ID;

determining whether the flash storage system includes a controller for error correction; and

in an event where the flash storage system does not have a controller for error correction, using firmware in the flash adapter to perform operations to manage error correction of the flash section, including bad block mapping of the flash section in the flash storage system that is coupled to the flash adapter section.

11. A system comprising:

a computing device;

a flash storage system comprising a flash section and at least a portion of a medium ID; and

a controller chip coupled between the computing device and the flash storage system to interface the flash storage system to the computing device, the controller chip comprising an interface mechanism capable of receiving flash storage systems with controller and controller-less flash storage systems, a detector to determine whether the flash storage system includes a controller for error correction and a flash adapter which comprises firmware to perform, in an event where the flash storage system does not have a controller for error correction, operations to manage error correction of the flash section, including bad block mapping of the flash section in the flash

storage system that is coupled to the flash adapter section.

*Id.* at col. 30, ll. 23-37, 48-65. Claims 19 and 21, which depend from claims 7 and 11, respectively, further require that the flash adapter comprise a plurality of interfaces capable of receiving a plurality of flash storage systems. *Id.* at col. 32, ll. 1-3, 7-9.

On March 27, 2013, HP petitioned for inter partes review of claims 7, 11, 19, and 21 of the '549 patent under 35 U.S.C. § 311, asserting that those claims were anticipated by, or obvious over, five prior art references. MCM filed a preliminary response on June 27, 2013. MCM argued, *inter alia*, that institution of inter partes review was barred under 35 U.S.C. § 315(b). MCM argued that HP was a privy of Pandigital, Inc. ("Pandigital"), because HP was reselling allegedly infringing digital picture frames manufactured by Pandigital. Because MCM had filed suit for infringement of the '549 patent against Pandigital more than one year before HP filed the petition for inter partes review, MCM argued that § 315(b) barred inter partes review.

On September 10, 2013, the Board instituted inter partes review with respect to claims 7, 11, 19, and 21 of the '549 patent. The Board found that there was a reasonable likelihood that HP would prevail with respect to at least one of the challenged claims based on obviousness over two prior art references: U.S. Patent No. 6,199,122 ("Kobayashi") and WO 98/03915 ("Kikuchi"). The Board rejected MCM's argument that it could not institute inter partes review under 35 U.S.C. § 315(b), holding that the fact that Pandigital

and HP were successive owners of the same allegedly infringing property was not sufficient to confer privity for the purposes of § 315(b).

MCM filed a patent owner response on December 9, 2013, and HP filed the petitioner's reply to the patent owner response on March 10, 2014. After conducting a trial hearing, the Board issued its final written decision on August 6, 2014. The Board rejected MCM's argument that inter partes review proceedings violate Article III and the Seventh Amendment. On the merits, the Board concluded that HP had shown by a preponderance of evidence that claims 7, 11, 19, and 21 would have been obvious over a combination of the Kobayashi and Kikuchi prior art references. MCM appealed. The PTO intervened.

We have jurisdiction to review the Board's final decision under 28 U.S.C. § 1295(a)(4)(A). We review constitutional, statutory, and legal issues de novo, and the Board's factual findings for substantial evidence. *Giorgio Foods, Inc. v. United States*, 785 F.3d 595, 600 (Fed. Cir. 2015); *In re Morsa*, 713 F.3d 104, 109 (Fed. Cir. 2013).

## DISCUSSION

### I

We first address MCM's contention that the Board improperly instituted inter partes review. 35 U.S.C. § 315(b) provides that "[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner . . . or privy of the petitioner is served with a complaint alleging infringement of the

patent.” MCM asserts that it filed a complaint alleging infringement of the ’549 patent on Pandigital more than one year prior to HP’s petition, and that, contrary to the Board’s determination, Pandigital is a privy of HP. MCM argues on appeal that the Board therefore erred in instituting inter partes review.

The law is clear that there is “no appeal” from the decision to institute inter partes review. 35 U.S.C. § 314(d). Section 314(d) provides that “[t]he determination . . . whether to institute an inter partes review under this section shall be final and nonappealable.” *Id.* We have held that a patent owner cannot appeal the Board’s decision to institute inter partes review, even after a final decision is issued. *In re Cuozzo Speed Techs.*, 793 F.3d 1268, 1273-74 (Fed. Cir. 2015). Specifically, in *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015), we held that “§ 314(d) prohibits this court from reviewing the Board’s determination to initiate inter partes review proceedings based on its assessment of the time-bar of § 315(b).” *Achates* controls here. Review of whether the PTO properly instituted inter partes review is forbidden by § 314(d).

## II

MCM next argues that inter partes review is unconstitutional because any action revoking a patent must be tried in an Article III court with the protections of the Seventh Amendment. Here there is no bar to review, under § 314(d), of MCM’s claim that the Board lacked authority to issue a final decision. Jurisdiction exists because MCM challenges only the



final decision of the Board, not its decision to institute proceedings.

In support of its constitutional argument, MCM urges that the Supreme Court's decision in *McCormick Harvesting Machine Co. v. Aultman* ("*McCormick II*"), 169 U.S. 606 (1898), bars the PTO from invalidating patents in inter partes review proceedings and that only an Article III court can exercise that authority.

In *McCormick II*, the owner of U.S. Patent No. 159,506, a patent on automatic twine binders for harvesting machines, brought suit for infringement of claims 3, 10, 11, 25, and 26 against two accused infringers. See *McCormick Harvesting Mach. Co. v. Aultman* ("*McCormick I*"), 69 F. 371, 388 (6th Cir. 1895). The defendants pointed out that the patentee had submitted to the Patent Office an application for reissue including both claims in the original patent and newly added claims. *McCormick II*, 169 U.S. at 607. The examiner rejected five of the original claims (the same as those asserted in the infringement suit) as invalid, but allowed other claims, both old and new. *Id.* at 607-08. The patent owner subsequently withdrew the application for reissue, and the original patent was returned by the Patent Office. *Id.* The trial court held that there was no infringement liability because the amended claims had been found invalid by the Patent Office. *Id.* at 607. On appeal the Sixth

Circuit certified the question as to the effect of the Patent Office action. *McCormick I*, 69 F. at 401.<sup>1</sup>

The Supreme Court held that the original patent claims were not invalid because the reissue statute provided that the “surrender [of the original patent] shall take effect upon the issue of the amended patent,” Rev. Stat. § 4916 (1878), and that “until the amended patent shall have been issued the original stand[s] precisely as if a reissue had never been applied for . . . and must be returned to the owner upon demand. . . . If the patentee abandoned his application for reissue, he is entitled to a return of his original patent precisely as it stood when such application was made.” *McCormick II*, 169 U.S. at 610 (citation omitted). Because the patentee had never surrendered the original patent, the Patent Office’s rejection of the original claims was a nullity. Only the patentee’s decision to surrender the original patent and to accept the reissued patent without the rejected claims would have eliminated the claims found to be invalid. Because that did not occur, “[t]he only authority competent to set a patent aside, or to annul

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<sup>1</sup> The certified question asked: “If a patentee applies for a reissue of his patent, and includes among the claims under the new application the same claims as those which were included in the old patent, and the examiner of the patent office rejects some of such claims, and allows others, both old and new, does the patentee, by abandoning his application for a reissue, and by procuring a return of his original patent, hold his patent invalidated as to those claims which the examiner rejected?” *McCormick I*, 69 F. at 401.

it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.” *Id.* at 609. Without statutory authorization, an “attempt [by the Commissioner of Patents] to cancel a patent upon an application for reissue when the first patent is considered invalid by the examiner . . . would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.” *Id.* at 612; *see also United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 364-65 (1888) (noting lack of statutory authority for the Patent Office to cancel patents).

*McCormick II* did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent. Congress has since done so by creating the ex parte reexamination proceeding in 1980; the inter partes reexamination procedure in 1999; and inter partes review, post-grant review, and Covered Business Method patent review in 2011. *See* Bayh-Dole Act, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified as amended at 35 U.S.C. §§ 302-07); Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, 113 Stat. 1501 (codified as amended at 35 U.S.C. § 311 et seq. (1999)); Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, § 6(a), 125 Stat. 284, 299-304 (2011) (codified at 35 U.S.C. §§ 311 et seq. (2013)). Supreme Court precedent demonstrates that these statutes, and particularly the inter partes review provisions, do not violate Article III.

As early as in *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1855), the Court recognized that “there are matters, involving public rights, which may be presented in such form that the judicial power is capable of acting on them . . . but which congress may or may not bring within the cognizance of the courts of the United States, as it may deem proper.” *Id.* at 281; *see also Crowell v. Benson*, 285 U.S. 22, 50 (1932). That is, Congress has the power to delegate disputes over public rights to non-Article III courts. The public rights exception was first applied to disputes between the government and private parties, as in *Murray's Lessee*. More recently, the Court has extended the doctrine to disputes between private parties concerning public rights. In *Block v. Hirsh*, 256 U.S. 135, 158 (1921), the Court upheld the constitutionality of a District of Columbia statute authorizing an administrative agency to determine fair rents for holdover tenants as provided by the statute. In *Ex parte Bakelite Corp.*, 279 U.S. 438, 460-61 (1929), the Court held that an adversarial proceeding by a company against a competitor for unfair importation practices under federal law did not need to be heard in an Article III court.

In *Thomas v. Union Carbide Agricultural Products Co.*, 473 U.S. 568, 571 (1985), the Court upheld the binding arbitration scheme of the Federal Insecticide, Fungicide, and Rodenticide Act (“FIFRA”). Under FIFRA, pesticide manufacturers seeking to register a pesticide were required to submit health, safety, and environmental data to the EPA. *Id.* at 571-72. That data could be utilized by the EPA in approving registrations by other manufacturers, but

compensation for its use was owed to the earlier registrant. *Id.* The amount could be determined by agency arbitration instead of in an Article III court. *Id.* at 573-74. *Thomas* held that this statutory scheme does not violate Article III, noting that “[m]any matters that involve the application of legal standards to facts and affect private interests are routinely decided by agency action with limited or no review by Article III courts.” *Id.* at 583. It followed that “Congress, acting for a valid legislative purpose to its constitutional powers under Article I, may create a seemingly ‘private’ right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution with limited involvement by the Article III judiciary.” *Id.* at 593-94. So too the Court later upheld the constitutionality of adversary proceedings in the Commodity Futures Trading Commission (“CFTC”), for customers of commodity brokers to seek reparations from their brokers for violation of the Commodity Exchange Act (“CEA”) or agency regulations. *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833, 854 (1986).

More recently, the Court expounded on the public rights doctrine in *Stern v. Marshall*, 131 S. Ct. 2594 (2011). *Stern* explained that the Court continued to apply the public rights doctrine to disputes between private parties in “cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed essential to a limited regulatory objective within the agency’s authority. . . . [W]hat makes a right ‘public’ rather than private is that the

right is integrally related to particular federal government action.” *Id.* at 2613.

In *Stern*, however, the Court held that, under Article III, a bankruptcy court could not enter judgment on a state law counterclaim sounding in tort, because state law counterclaims “[do] not flow from a federal statutory scheme,” *id.* at 2614, “[are] not completely dependent upon adjudication of a claim created by federal law,” *id.* (quotation marks omitted), and do not involve “a situation in which Congress devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task,” *id.* at 2615 (quotation marks omitted).

Patent reexamination and inter partes review are indistinguishable from the agency adjudications held permissible in *Thomas* and *Schor*, and wholly distinguishable from the review of state law claims at issue in *Stern*. Here, as in *Thomas* and *Schor*, the agency’s sole authority is to decide issues of federal law. The patent right “derives from an extensive federal regulatory scheme,” *Stern*, 131 S. Ct. at 2613, and is created by federal law. Congress created the PTO, “an executive agency with specific authority and expertise” in the patent law, *Kappos v. Hyatt*, 132 S. Ct. 1690, 1696 (2012), and 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. Reacting to “a growing sense that questionable patents are too easily obtained and are too difficult to challenge,” Congress

sought to “provid[e] a more efficient system for challenging patents that should not have issued” and to “establish a more efficient and streamlined patent system that will improve patent quality and limit unnecessary and counterproductive litigation costs.” H.R. Rep. No. 112-98, at 39-40. There is notably no suggestion that Congress lacked authority to delegate to the PTO the power to issue patents in the first instance. It would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.

The Board’s involvement is thus a quintessential situation in which the agency is adjudicating issues under federal law, “Congress [having] devised an ‘expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.’” *Stern*, 131 S. Ct. at 2615 (quoting *Crowell*, 285 U.S. at 46). The teachings of the Supreme Court in *Thomas*, *Schor*, and *Stern* compel the conclusion that assigning review of patent validity to the PTO is consistent with Article III.

Our conclusion that the inter partes review provisions do not violate Article III also finds support in our own precedent. We had occasion to consider the constitutionality, under Article III, of the ex parte reexamination statute in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), *modified on other grounds on reh’g*, 771 F.2d 480 (Fed. Cir. 1985), and upheld the statute. We followed Supreme Court precedent that affirmed “the constitutionality of legislative courts and administrative agencies created

by Congress to adjudicate cases involving ‘public rights.’” *Id.* at 604 (quotation marks omitted). We found that “the grant of a patent is primarily a public concern. Validity is often brought into question in disputes between private parties, but the threshold question usually is whether the PTO, under the authority assigned to it by Congress, properly granted the patent. At issue is a right that can only be conferred by the government.” *Patlex*, 758 F.3d at 604 (citing *Crowell*, 285 U.S. at 50). *Patlex* also distinguished *McCormick II*. We held that *McCormick II* did not “forbid[] Congress [from] authoriz[ing] reexamination to correct governmental mistakes, even against the will of the patent owner. A defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.* at 604.

We again considered an Article III challenge to ex parte reexamination in *Joy Technologies v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992). We concluded that “*Patlex* is controlling authority and has not been impaired by . . . subsequent Supreme Court cases,” *id.* at 229, and again held that “the issuance of a valid patent is primarily a public concern and involves a ‘right that can only be conferred by the government’ even though validity often is brought into question in disputes between private parties,” *id.* at 228 (quoting and citing *Patlex*, 758 F.3d at 604).

We are bound by prior Federal Circuit precedent “unless relieved of that obligation by an en banc order of the court or a decision of the Supreme Court.”



*Deckers Corp. v. United States*, 752 F.3d 949, 959 (Fed. Cir. 2014). We see no basis to distinguish the reexamination proceeding in *Patlex* from inter partes review. Indeed, Congress viewed inter partes review as “amend[ing] ex parte and inter partes reexamination,” and as a descendant of an experiment began “[n]early 30 years ago, [when] Congress created the administrative ‘reexamination’ process, through which the USPTO could review the validity of already-issued patents on the request of either the patent holder or a third party, in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.” H.R. Rep. No. 112-98, at 45. Supreme Court authority after *Patlex* and *Joy Technologies* (discussed above) casts no doubt on those cases. Rather, it confirms their correctness. Governing Supreme Court and Federal Circuit authority require rejection of MCM’s argument that inter partes review violates Article III.

### III

MCM argues as well that it has a right to a trial by jury under the Seventh Amendment, which is not satisfied by the system of inter partes review. The Seventh Amendment provides that, “[i]n Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved . . . .” U.S. Const. amend. VII. The Supreme Court has stated that “the Seventh Amendment is generally inapplicable in administrative proceedings, where jury trials would be incompatible with the whole concept of administrative adjudication and would substantially interfere with [the agency’s] role

in the statutory scheme.” *Curtis v. Loether*, 415 U.S. 189, 194 (1974). *Curtis* upheld “congressional power to entrust enforcement of statutory rights to an administrative process or specialized court of equity free from the structures of the Seventh Amendment.” *Id.* at 195. Similarly, the Court held in *Atlas Roofing Co., Inc. v. Occupational Safety & Health Review Commission*, 430 U.S. 442, 455 (1977), that “when Congress creates new statutory ‘public rights,’ it may assign their adjudication to an administrative agency with which a jury trial would be incompatible, without violating the Seventh Amendment’s injunction that jury trial is to be ‘preserved’ in ‘suits at common law.’ Congress is not required by the Seventh Amendment to choke the already crowded federal courts with new types of litigation or prevented from committing some new types of litigation to administrative agencies with special competence in the relevant field.” *See also Tull v. United States*, 481 U.S. 412, 418 n.4 (1987) (“[T]he Seventh Amendment is not applicable to administrative proceedings.”). Here, when Congress created the new statutory right to inter partes review, it did not violate the Seventh Amendment by assigning its adjudication to an administrative agency.<sup>2</sup>

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<sup>2</sup> *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996), in stating that patent infringement actions in district court are subject to the Seventh Amendment, does not suggest that there is a jury trial right in an administrative adjudication of patent validity. *See also Ex parte Wood & Brundage*, 22 U.S. 603 (1824). Nor does *In re Lockwood*, 50 F.3d 966 (Fed. Cir.), *vacated*

Under Supreme Court decisions such as *Curtis* and *Atlas Roofing*, there is no basis for MCM's contention that it has a right to a jury trial. Indeed, we have previously addressed the jury trial argument in the context of a challenge to ex parte reexamination proceedings in *Patlex* and *Joy Technologies*. In *Patlex*, in addition to rejecting the argument that ex parte reexamination violated Article III, we also held that ex parte reexamination does not violate the Seventh Amendment because "the Constitution does not require that we strike down statutes . . . that invest administrative agencies with regulatory functions previously filled by judge and jury." 758 F.2d at 604-05.

Seven years later, the patent owner in *Joy Technologies* argued that the intervening Supreme Court decision in *Granfinanciera v. Nordberg*, 492 U.S. 33 (1989), cast doubt on the validity of *Patlex*. *Joy Techs.*, 959 F.2d at 228. In *Granfinanciera*, the Court held that a bankruptcy trustee was constitutionally entitled to a jury trial in bankruptcy court on an action to recover a fraudulent conveyance, as such suits are matters of private rights. 492 U.S. at 55-56. The Court noted, however, that Congress "may assign [the] adjudication [of statutory public rights] to an administrative agency . . . without violating the Seventh Amendment[]." *Id.* at 51 (quotation marks omitted) (quoting and citing *Atlas Roofing*, 430 U.S. at

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*sub nom. Am. Airlines, Inc. v. Lockwood*, 515 U.S. 1182 (1995), imply that there is a right to a jury trial in an agency proceeding.

455). We determined that *Granfinanciera* “affirms the basic underpinning of *Patlex*, viz., that cases involving ‘public rights’ may constitutionally be adjudicated by legislative courts and administrative agencies without implicating the Seventh Amendment right to a jury trial.” *Joy Techs.*, 959 F.2d at 228.

Because patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury.

#### IV

We turn finally to the Board’s holding on the question of obviousness. We review the Board’s legal conclusions de novo and its factual findings for substantial evidence. *Randall Mfg. v. Rea*, 733 F.3d 1355, 1362 (Fed. Cir. 2013).

HP contends that a combination of two prior art references renders the challenged claims of the ’549 patent obvious. Those two references are Kobayashi and Kikuchi. The Board found that Kobayashi discloses “a memory device for a computer with a converter that converts serial commands of the computer to parallel commands that are then used to control a storage medium (which can be a flash-memory card).” J.A. 5. One embodiment of Kobayashi depicts a flash memory card reader that can be used to read flash memory cards both with and without controllers. A sensor determines whether the flash memory card inserted includes a controller. If a controller is detected, a selector routes the data from the flash memory card to the computer; but if no controller is detected, the selector connects the flash

memory card with an ATA controller, a controller based on the ATA interface standard that can read and write data on the memory card. Kobayashi does not disclose a controller that performs error correction.

Kikuchi describes a flash memory card with a one-chip ATA controller. *See* J.A. 7-9; Kikuchi, fig. 1. The Kikuchi ATA controller includes an error controller that “performs error control for read and write operations.” *See* J.A. 8; Kikuchi, fig. 2. Dr. Banerjee, HP’s expert, testified that the Kikuchi ATA controller could be placed in an external adapter, similar to the Kobayashi flash memory card reader. Dr. Banerjee also testified that “it would have been obvious to one of ordinary skill in the art . . . to incorporate Kikuchi’s error correction and bad block mapping in ATA controller techniques into the ATA controller 124 of Kobayashi . . . [and] would be motivated [to do so] in order to ‘reliably retain stored data.’” J.A. 442.

MCM argues that Kobayashi does not disclose combining different functionalities into a single chip as required by the ’549 patent claims. MCM asserts that it would not have been obvious, when combining the teachings of Kobayashi and Kikuchi, to integrate their functionality into a single chip. The Board found that the “evidence supports a determination that one of ordinary skill in the art would have had both the knowledge and the inclination to place the functionality taught by Kobayashi and Kikuchi on a single chip.” J.A. 10. Notably, MCM conceded at the oral hearing before the Board that it was “common practice” to put multiple functions into a single chip. J.A. 10.

MCM now reframes its argument on appeal and argues that combining the two references cannot yield a single controller chip because Kobayashi requires that its controller be able to be placed on either the reader or the card.<sup>3</sup> However, we have consistently held, as the Board recognized, that “[t]he test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference; nor is it that the claimed invention must be expressly suggested in any one or all of the references. Rather, the test is what the combined teachings of the references would have suggested to those of ordinary skill in the art.” *In re Keller*, 642 F.2d 413, 425 (CCPA 1981); *see also In re Mouttet*, 686 F.3d 1322, 1333 (Fed. Cir. 2012).

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<sup>3</sup> MCM also argues on appeal that Kobayashi relies on a physical/optical detector to determine whether there is a controller on the flash card and that this form of detection cannot be incorporated into a single chip. However, MCM candidly admits that it only raised this argument in a few scattered sentences at the oral hearing below. We have found that “if a party fails to raise an argument before the trial court, or presents only a skeletal or undeveloped argument to the trial court, we may deem that argument waived on appeal.” *Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 582 F.3d 1288, 1296 (Fed. Cir. 2009). We deem MCM’s argument waived.

MCM additionally argues that the ATA controllers in Kobayashi and Kikuchi only work with flash cards without their own ATA controllers, and not with flash cards that have ATA controllers. MCM provides no citation to this proposition. This argument was not made below and was waived.

Even if physical incorporation of the Kikuchi ATA controller into the Kobayashi ATA controller would have conflicted with Kobayashi's instruction that its ATA controller could be arranged on the memory card or on the reader, the Board did not err in determining that the claimed subject matter—a single controller chip with error correction functionality on a flash card reader— would have been obvious to a person of ordinary skill. MCM did not argue that there were any secondary considerations of nonobviousness that weighed against a finding of obviousness.

The Board determined that HP had shown “by a preponderance of the evidence[] that the challenged claims would have been obvious over the combination of Kobayashi and Kikuchi” and “a preponderance of the evidence demonstrates that a person of ordinary skill in the art would have combined the Kobayashi and Kikuchi references.” J.A. 9, 12.

We find that the Board's factual findings are supported by substantial evidence. We affirm the Board's conclusions that it would have been obvious to combine Kobayashi and Kikuchi, and that the challenged claims of the '549 patent would have been obvious over a combination of the prior art references.

**AFFIRMED**

**COSTS**

Costs to appellee.

23a

**APPENDIX B**

UNITED STATES PATENT  
AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND  
APPEAL BOARD

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HEWLETT-PACKARD COMPANY,

Petitioner,

v.

MCM PORTFOLIO, LLC,

Patent Owner.

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Case IPR2013-00217

Patent 7,162,549

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Before JONI Y. CHANG, GLENN J. PERRY, and  
JENNIFER S. BISK, *Administrative Patent Judges*.

BISK, *Administrative Patent Judge*.

FINAL WRITTEN DECISION

*35 U.S.C. § 318(a) and 37 C.F.R. § 42.73*



## I. INTRODUCTION

### A. *Background*

Petitioner Hewlett-Packard Company (“HP”) filed a Petition (Paper 2, “Pet.”) to institute an *inter partes* review of claims 7, 11, 19, and 21 (the “challenged claims”) of U.S. Patent No. 7,162,549 (Exhibit 1001, “the ’549 patent”) under 35 U.S.C. §§ 311-319. Patent Owner MCM Portfolio, LLC (“MCM”) filed a Preliminary Response. Paper 9. On September 10, 2013, we instituted trial (Paper 10; “Decision”), concluding that Petitioner had demonstrated a reasonable likelihood of showing that the challenged claims are unpatentable under 35 U.S.C. § 103 over U.S. Patent No. 6,199,122 (Ex. 1005) (“Kobayashi”) combined with WO 98/03915 (Ex. 1007) (“Kikuchi”). Decision 3, 16.

We have jurisdiction under 35 U.S.C. § 6(c). This final written decision is issued pursuant to 35 U.S.C. § 318(a) and 37 C.F.R. § 42.73.

Petitioner has shown by a preponderance of evidence that claims 7, 11, 19, and 21 are *unpatentable*.

### B. *Related Proceedings*

The parties list several cases pending in the Eastern District of Texas that would affect or be affected by the decision in this proceeding, including *Technology Properties Limited, LLC v. Hewlett-Packard Co.*, No. 6:12-cv-208 (E.D. Tex. Mar. 28, 2012), in which the ’549 patent is asserted against Petitioner. *See* Pet. 1; Paper 6, 1. On February 11, 2014, after a finding of No Violation of Section 337 in a

concurrent proceeding at the International Trade Commission (No. 337-TA-841), a stay of the 6:12-cv-208 case was lifted and it was consolidated with *Technology Properties Limited, LLC v. Cannon, Inc. et al.*, No. 6:12-cv-202 (E.D. Tex. Mar. 28, 2012). A Markman Hearing is currently scheduled in that case for October 8, 2014. *Technology Properties Limited, LLC v. Cannon, Inc. et al.*, No. 6:12-cv-202 (E.D. Tex. Mar. 14, 2014).

In addition, the '549 patent is the subject of a pending reissue proceeding, US Application 12/351,691. We ordered a stay of that examination pending the termination or completion of this proceeding. Paper 8.

### *C. The '549 Patent*

The '549 patent relates to controllers for flash-memory cards. Ex. 1001, 1:21-22. As described in the "Background of the Invention," at the time of the invention, removable flash-memory cards were commonly used with digital cameras to allow for convenient transfer of images from a camera to a personal computer. *Id.* at 1:26-56. These prior art flash-memory cards were available in several formats, including CompactFlash, SmartMedia, MultiMediaCard (MMC), Secure Digital Card (SD), and Memory Stick card. *Id.* at 2:28-55. Each of the card formats required a different interface adapter to work with a personal computer. *Id.* at 3:9-25.

The Specification describes a need for a flash-memory card reader that accepts flash-memory cards of several different formats using a universal adapter. *Id.* at 3:52-63. In response to this need, the '549 patent

describes various improvements to flash-memory card readers, including by determining whether a particular flash-memory card includes a controller and, if not, performing operations to manage error correction for the flash-memory card. *Id.* at 3:24-65.

*D. Illustrative Claim*

Claim 7, reproduced below, is illustrative of the claimed subject matter:

7. A method comprising:

using a controller chip to interface a flash storage system with or without a controller to a computing device, the controller chip comprising a flash adapter, wherein the flash storage system comprises a flash section and at least a medium ID;

determining whether the flash storage system includes a controller for error correction; and

in an event where the flash storage system does not have a controller for error correction, using firmware in the flash adapter to perform operations to manage error correction of the flash section, including bad block mapping of the flash section in the flash storage system that is coupled to the flash adapter section.

## **II. ANALYSIS**

*A. Seventh Amendment*

As a preliminary matter, MCM argues that *inter partes* review proceedings violate the Seventh Amendment. PO Resp. 2-13. The U.S. Court of Appeals for the Federal Circuit, however, has previously

rejected this argument in the context of reexaminations. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603-05 (Fed. Cir. 1985) (holding that even when applied retroactively, the reexamination statute does not violate the jury trial guarantee of the Seventh Amendment); *see also Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228-29 (Fed. Cir. 1992) (affirming the holding in *Patlex*), *other grounds superseded by statute*, 35 U.S.C. § 145, *as recognized in In re Teles AG Informationstechnologien*, 747 F.3d 1357 (Fed. Cir. 2014). *Inter partes* review proceedings continue the basic functions of the reexamination proceedings at issue in *Patlex*—authorizing the Office to reexamine the validity of an issued patent and to cancel any claims the Office concludes should not have been issued. Patent Owner does not identify any constitutionally-significant distinction between reexamination proceedings and *inter partes* review proceedings. Thus, for the reasons articulated in *Patlex*, we conclude that *inter partes* reviews, like reexaminations, comply with the Seventh Amendment.

#### *B. Claim Construction*

We construe all terms, whether or not expressly discussed here, using the broadest reasonable construction in light of the '549 patent specification. 37 C.F.R. § 42.100(b). For the purposes of the decision to institute we expressly construed the following terms: (1) “flash adapter” and “flash adapter section” as “a section of the controller chip that enables communication with the flash storage system” and (2) “bad block mapping” as a type of error correction. Decision 5-6. In the post-institution briefs, the parties

do not dispute these constructions. *See* Paper 23 (“PO Resp.”); Paper 24 (“Reply”). For purposes of this decision, we continue to apply these constructions.

*C. Overview of Kobayashi*

Kobayashi describes a memory device for a computer with a converter that converts serial commands of the computer to parallel commands that are then used to control a storage medium (which can be a flash-memory card). Ex. 1005, 2:55-64, 3:63-65.

This

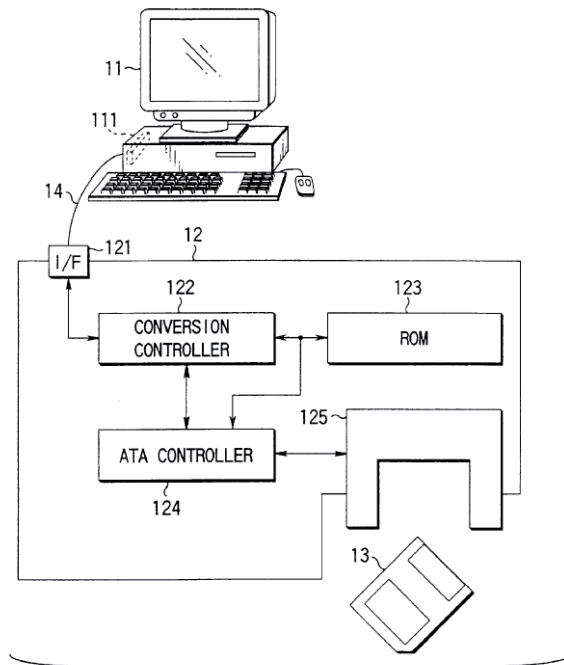


FIG. 1

configuration is shown in Figure 1, which is reproduced below.

Figure 1 is a block diagram of computer 11 with reader/writer 12 and flash-memory card 13. *Id.* at 5:54-58. The reader/writer includes conversion controller 122, ATA controller 124, and a connector 125 for reading a flash-memory card 13. *Id.* at 6:5-9.

One of the several embodiments described by Kobayashi is shown in Figure 11, reproduced below.

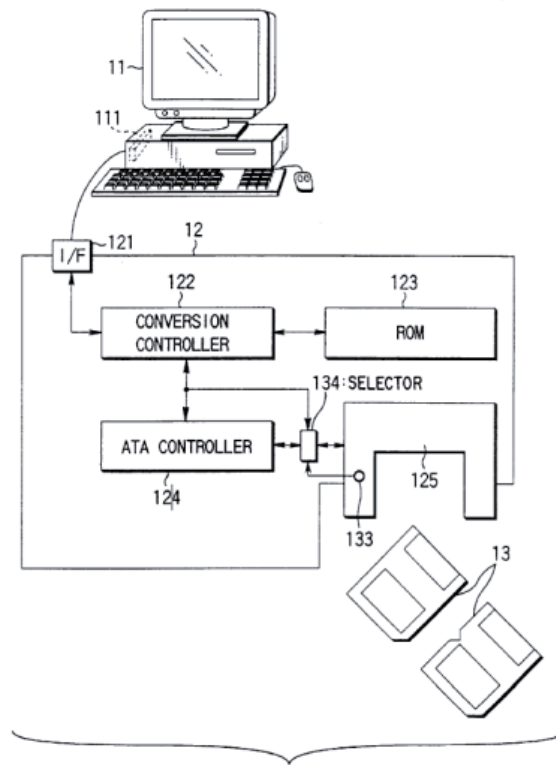


FIG. 11

Figure 11 depicts an embodiment described by Kobayashi. In the embodiment depicted in Figure 11,

flash-memory cards 13 both with and without controllers may be used. *Id.* at 12:59-65. Sensor 133 determines the type of flash-memory card 13 mounted on connector 125. *Id.* at 12:59-13: 2. When a flash-memory card with no controller is detected, selector 134 connects ATA controller 124 and connector 125. *Id.* at 13:2-5. When a flash-memory card with a controller is detected, selector 134 connects conversion controller 122 and connector 125.

#### D. Overview of Kikuchi

Kikuchi describes a flash-memory card and controller 10 having an interface connected to host computer 14. Ex. 1007, Abstract. Figure 1 of Kikuchi is reproduced below.

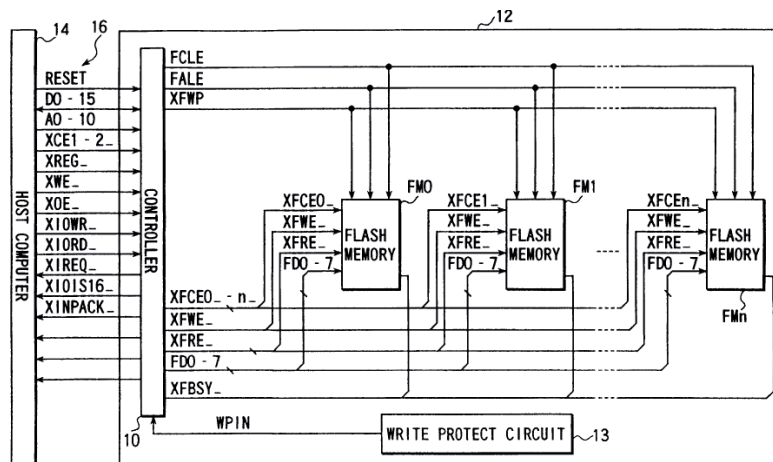


FIG. 1

Figure 1 shows the flash memory card with “one-chip controller” 10 on the flash-memory card. *Id.* at 9:10-15<sup>1</sup>. Figure 2 of Kikuchi is reproduced below.

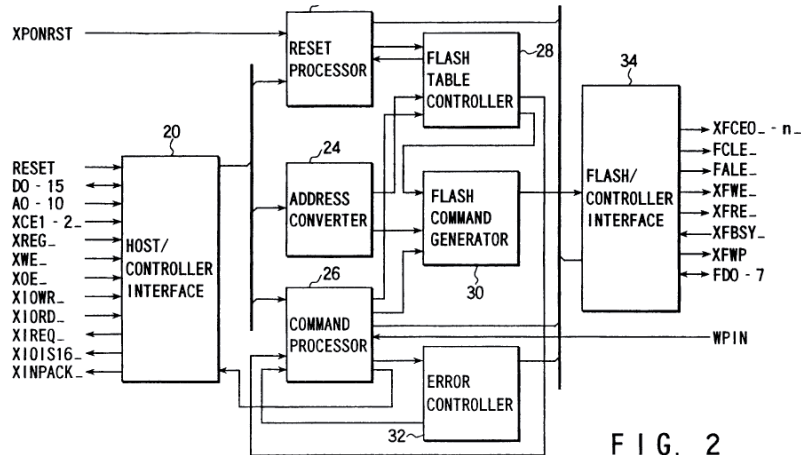


Figure 2 is a block diagram showing the functional arrangement of controller 10, including error controller 32, that performs error control for read and write operations. *Id.* at 11:14-20; 13:17-19. Error controller 32 also “performs a block substituting process or the like in the event of a failure or error.” *Id.* at 13:17-21. In a separate embodiment, controller 10 “refers to the block quality flag contained in the block status information of the redundant portion of the readout information . . . to check whether the head block BL0 is non-defective or not” and “detects a non-

<sup>1</sup> In this opinion, page numbers for this exhibit refer to the number at the right hand bottom of the page, not the number in the top middle of the page.



defective block BLj having the highest address rank.”  
*Id.* at 20:20-21:5.

*E. Obviousness over Kobayashi and Kikuchi*

HP asserts that a person of ordinary skill in the art would have found the challenged claims obvious over the combination of Kobayashi and Kikuchi. Pet. 42-57 (citing Ex. 1008 (Declaration of Dr. Sanjay Banerjee) ¶¶ 102-122). In particular, HP asserts that Kobayashi discloses every limitation of the challenged claims except the details of error correction. *Id.* at 47-48. HP relies on Kikuchi as describing the recited error correction. *Id.* at 48-49. In addition, HP asserts that it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the two references, which both describe ATA controllers that work with flash-memory cards with, or without, on-card controllers, in order to “reliably retain stored data.” Pet. 50 (citing Ex. 1008 ¶ 121 (quoting Ex. 1007 (Kikuchi), 4:1-3)).

We are persuaded that a preponderance of the evidence demonstrates that the combination of Kobayashi and Kikuchi discloses each of the limitations of the challenged claims, as presented in HP’s Petition. *See* Pet. 42-57; Ex. 1008 ¶¶ 102-122. We are also persuaded that a preponderance of the evidence demonstrates that a person of ordinary skill in the art would have combined the Kobayashi and Kikuchi references. *See* Pet. 50; Ex. 1008 ¶ 121.

MCM explicitly addresses only the requirement of “a controller chip,” arguing that Kobayashi does not disclose using a single chip with the claimed functionality, but instead has “multiple chips that

perform distinct functions.” PO Resp. 14. Specifically, MCM argues that Kobayashi discloses two controllers as separate chips: 122 that exclusively interfaces with cards having controllers, and 124 that exclusively interfaces with cards that do not have controllers. PO Resp. 22. Based on this assertion, MCM argues (1) that the Petition should be dismissed because HP did not point out the single chip requirement explicitly in the Petition (*id.* at 14-21), and (2) that the combination of Kobayashi and Kikuchi would not yield the claimed invention, which requires a single chip (*id.* at 21-24). We do not find either argument persuasive.

First, we are persuaded that HP sufficiently discussed the single-chip limitation in its Petition. The Petition explicitly points to Kikuchi’s disclosure of “controller 10 as a single chip controller.” Pet. 49 (citing Ex. 1007, 7:10-22, 9:11-19); *see also* Pet. 48, 53, 55; Ex. 1008 ¶¶ 114-117. Moreover, Petitioner also asserts that “Kobayashi’s controller 122 is a ‘one-chip microprocessor.’” Pet. 44 (quoting Ex. 1006, 5:66-6:4, 6:12-22); *see also* Pet. 53, 55. These statements, combined with HP’s assertion that combining the teachings of the two references is merely “a combination of prior art elements according to known methods to yield predictable results” (Pet. 50-51), were sufficient for us to determine that Petitioner had a reasonable likelihood of showing unpatentability of the challenged claims. Decision 14-16. We are not persuaded otherwise by Patent Owner’s post-institution arguments.

Second, this evidence supports a determination that one of ordinary skill in the art would have had

both the knowledge and the inclination to place the functionality taught by Kobayashi and Kikuchi on a single chip. *See* Ex. 1007, 7:12-15 (“This flash memory card has a one-chip controller. . . .”); Ex. 1008 ¶¶ 122-23. In fact, MCM conceded at the oral hearing that it was not beyond the skill of one of ordinary skill at the time of the invention to put multiple functions into a single chip and that, in fact, it is common practice to do so.

JUDGE PERRY: Counsel, are you saying that it is beyond the skill of one of ordinary skill at the time of this invention to put multiple functions integrated into a single chip?

MR. HELLER: Not at all.

JUDGE PERRY: You are not saying that?

MR. HELLER: Not at all when you have a motivation to do so.

JUDGE PERRY: Isn't it kind of a common practice for those who design integrated circuits to put multiple functions into those circuits?

MR. HELLER: It probably is common practice, but they have to have a motivation to do so.

JUDGE BISK: Is there some reason not to put them on a single chip? It seems like it is just a design choice, whether it is one chip, two chips, 10 chips. Is there a particular reason why the number of chips matters?

MR. HELLER: It is not that. It is, why would you do that? Why would you put all that functionality into a single chip?

Paper 30 (“Tr.”), 30:17-31:4.

MCM’s assertion—that even if Kikuchi’s error correction is incorporated into Kobayashi’s ATA controller 124 the result would not yield the claimed invention—misses the point. PO Resp. 20. The relevant inquiry is whether the claimed subject matter would have been obvious to those of ordinary skill in the art in light of the combined teachings of the references. *See In re Keller*, 642 F.2d 413, 425 (CCPA 1981). “Combining the *teachings* of references does not involve an ability to combine their specific structures.” *In re Nievelt*, 482 F.2d 965, 968 (CCPA 1973). Patent Owner does not argue that applying the teachings of Kikuchi and Kobayashi so that the claimed functionality is on a single chip would have been “uniquely challenging or difficult for one of ordinary skill in the art” at the time of the invention. *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1162 (Fed. Cir. 2007) (citing *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 418 (2007)).

We conclude that a preponderance of the evidence demonstrates that claims 7, 11, 19, and 21 are unpatentable based on the combination of Kobayashi and Kikuchi.

### III. CONCLUSION

Petitioner has shown, by a preponderance of the evidence, that the challenged claims would have been obvious over the combination of Kobayashi and Kikuchi.

Accordingly, it is

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**ORDERED** that claims 7, 11, 19, and 21 of the '549 patent are determined to be *unpatentable*;

**FURTHER ORDERED** that because this is a final written decision, parties to the proceeding seeking judicial review of the decision must comply with the notice and service requirements of 37 C.F.R. § 90.2.

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**APPENDIX C**

UNITED STATES PATENT  
AND TRADEMARK OFFICE

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BEFORE THE PATENT TRIAL AND  
APPEAL BOARD

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HEWLETT-PACKARD COMPANY,

Petitioner,

v.

MCM PORTFOLIO, LLC,

Patent Owner.

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Case IPR2013-00217

Patent 7,162,549

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Before SCOTT R. BOALICK, JONI Y. CHANG, and  
JENNIFER S. BISK, Administrative Patent Judges.  
BISK, Administrative Patent Judge.

DECISION

Institution of *Inter Partes Review*

37 C.F.R. § 42.108

## I. INTRODUCTION

### A. Background

Hewlett-Packard Company (“HP”) filed a petition (Paper 2) (“Pet.”) to institute an inter partes review of claims 7, 11, 19, and 21 of Patent 7,162,549 (the “549 patent”). 35 U.S.C. § 311. MCM Portfolio, LLC (“MCM”) timely filed a Preliminary Response (Paper 9) (“Prelim. Resp.”). We conclude that HP has satisfied its burden to show that, under 35 U.S.C. § 314(a), there is a reasonable likelihood that it would prevail with respect to at least one of the challenged claims. HP contends that the challenged claims are unpatentable under 35 U.S.C. §§102 and/or 103 based on the following specific grounds (Pet. 7):

<b>Reference[s]<sup>1</sup></b>	<b>Basis</b>	<b>Claims challenged</b>
AwYong	§ 102	7, 11, 19, and 21
Battaglia	§ 103	7, 11, 19, and 21
Battaglia and the Samsung Datasheet	§ 103	7, 11, 19, and 21

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<sup>1</sup> U.S. Patent 6,987,927 (Ex. 1004) (“Battaglia”); U.S. Patent 6,199,122 (Ex. 1005) (“Kobayashi”); WO 98/03915 (Ex. 1007) (“Kikuchi”); Chee-Kong AwYong, An Integrated Control System Design of Portable Computer Storage Peripherals, Master’s Thesis, National Chiao-Tung University, published Dec. 22, 2000 (Ex. 1003) English Translation (Ex. 1002) (“AwYong”); Samsung SmartMedia Card Model No. K9D1208V0M-SSB0 Datasheet (Nov. 20, 2000) (Ex. 1006) (“Samsung Datasheet”).

Kobayashi and Kikuchi	§ 103	7, 11, 19, and 21
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For the reasons described below, we institute an inter partes review of claims 7, 11, 19, and 21 based on obviousness over Kobayashi combined with Kikuchi.

We decline to institute inter partes review based on the following grounds: (1) anticipation by AwYong; (2) obviousness over Battaglia; and (3) obviousness over Battaglia combined with the Samsung Datasheet.

### **B. Related Proceedings**

The parties list several cases pending in the Eastern District of Texas that would affect or be affected by the decision in this proceeding, including *Technology Properties Limited, LLC v. Hewlett-Packard Co.*, Docket No. 6:12-cv-208 (E.D. Tex. Mar. 28, 2012), in which the '549 patent is asserted against Petitioner. *See* Pet. 1; Paper 6 at 1. That case currently is stayed pending resolution of a related proceeding before the United States International Trade Commission (“ITC”) that also involves the '549 patent, ITC Inv. No. 337-TA-841. *Id.* In addition, the '549 patent is the subject of a pending reissue proceeding, U.S. Application No. 12/351,691. The Board ordered a stay of that proceeding pending the termination or completion of this proceeding. Paper 8.

### **C. The Invention**

The '549 patent relates to controllers for flash-memory cards. Ex. 1001, col. 1, ll. 21-22. As described in the “Background of the Invention,” at the time of the invention, removable flash-memory cards



commonly were used with digital cameras to allow for convenient transfer of images from the camera to a personal computer. *Id.* at col. 1, ll. 26-56. These prior art flash-memory cards were available in several formats, including CompactFlash, SmartMedia, MultiMediaCard (MMC), Secure Digital Card (SD), and Memory Stick card. *Id.* at col. 2, ll. 28-55. Each of the card formats required a different interface adapter to work with a personal computer. *Id.* at col. 3, ll. 9-25. The Specification describes a need for a flash-memory card reader that accepts flash-memory cards of several different formats using a universal adapter. *Id.* at ll. 52-63. In response to this need, the '549 patent describes various improvements to flash-memory card readers, including by determining whether a particular flash-memory card includes a controller, and if not, performing operations to manage error correction for the flash-memory card. *Id.* at col. 3, l. 53-col. 4, l. 26; col. 28, ll. 42-60.

Claims 7 and 11, reproduced below, are illustrative of the claimed subject matter:

7. A method comprising:

using a controller chip to interface a flash storage system with or without a controller to a computing device, the controller chip comprising a flash adapter, wherein the flash storage system comprises a flash section and at least a medium ID;

determining whether the flash storage system includes a controller for error correction; and

in an event where the flash storage system does not have a controller for error correction, using firmware in the flash adapter to perform operations to manage error correction of the flash section, including bad block mapping of the flash section in the flash storage system that is coupled to the flash adapter section.

11. A system comprising:

a computing device;

a flash storage system comprising a flash section and at least a portion of a medium ID; and

a controller chip coupled between the computing device and the flash storage system to interface the flash storage system to the computing device, the controller chip comprising an interface mechanism capable of receiving flash storage systems with controller and controllerless flash storage systems, a detector to determine whether the flash storage system includes a controller for error correction and a flash adapter which comprises firmware to perform, in an event where the flash storage system does not have a controller for error correction, operations to manage error correction of the flash section, including bad block mapping of the flash section in the flash storage system that is coupled to the flash adapter section.

#### **D. Claim Construction**

As a step in our analysis for determining whether to institute a trial, we determine the meaning of the

claims. Consistent with the statute and the legislative history of the AIA, the Board will interpret claims using the broadest reasonable construction. See 37 C.F.R. § 42.100(b); Office Patent Trial Practice Guide, 77 Fed. Reg. 48756, 48766 (Aug. 14, 2012).

1. *“Flash Adapter” and “Flash Adapter Section”*

HP proposes that the broadest reasonable construction of “flash adapter” and “flash adapter section” is that adopted in the related ITC Investigation—“a section of the controller chip that enables communication with the flash storage system.” Pet. 8 (citing Ex. 1030, pp. 73-77). MCM agrees with that construction. Prelim. Resp. 11. We find that this definition is reasonable and supported by the claim language, and thus adopt this definition for purposes of this decision.

2. *“Error Correction” and “Bad Block Mapping”*

HP does not set forth an explicit construction for the terms “error correction” or “bad block mapping.” MCM, however, argues that HP incorrectly construes the term “bad block mapping” as distinct from “error correction.” Prelim. Resp. 11. (citing Ex. 1008 (“Banjeree Decl.”) ¶ 28). MCM instead proposes a construction of the term used by the examiner during original prosecution—“bad block mapping is a form of error correction.” Prelim. Resp. 11-12 (citing Ex. 1015 at 415).

“Bad block mapping” is not defined explicitly in the written description of the ’549 patent. The plain and ordinary meaning of “bad block” is “a faulty memory location.” MICROSOFT COMPUTER DICTIONARY

41 (4th ed. 1999). The plain and ordinary meaning of “a memory map” is “a description of the layout of objects in an area of memory.” *Id.* at 281. Thus, the plain and ordinary meaning of “bad block mapping” is a description of the layout of those faulty memory locations, kept so that they are not accessed. Under a broadest reasonable construction, bad block mapping is thus a type of error correction.

This construction also is consistent with the Specification, which states that “the primary reason for including a controller section in a flash medium is for error correction. This task is now shifted either to firmware 4012*b* of the host computer, which now on top of its normal access section software, also manages error correction and bad block mapping of chip(s) 4022 and stores those parameters in flash medium 4020*b* itself.” Ex. 1001, col. 28, ll. 53-58. This is the only place, outside the claims, that the term “bad block mapping” is used in the ’549 patent. However, the claim language also supports this construction. Claim 7 recites “using firmware in the flash adapter to perform operations to manage error correction of the flash section, including bad block mapping of the flash section,” and claim 11 recites “operations to manage error correction of the flash section, including bad block mapping of the flash section.”

For these reasons, for purposes of this decision, we construe the term “bad block mapping” to be a type of “error correction.”

## **II. ANALYSIS**

### *A. 35 U.S.C. § 315(b)*

MCM argues that institution of an inter partes review is barred under 35 U.S.C. § 315(b).<sup>2</sup> Section 315(b) states as follows:

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.

MCM asserts that Pandigital, Inc. is a privy of HP and, therefore, a complaint served on Pandigital by MCM in 2011, more than one year prior to the filing of the Petition in this case, filed by HP on March 27, 2012, should trigger § 315(b). Prelim. Resp. 5 (citing Ex. 2001 (*Technology Properties Limited LLC v. Pandigital, Inc.*, No. 2:11-cv-00372-TJW (E.D. Tex. 2011) (the “Texas Action”))). MCM bases this allegation on the fact that HP resells Pandigital products accused of infringing the ’549 patent in the Texas Action. *Id.* at 5-6 (citing Ex. 2003 at 20 (HP User Guide)). According to MCM, the Petition in this case is filed more than one year after service of the complaint on Pandigital, a privy of HP. Prelim. Resp. 5-9.

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<sup>2</sup> MCM asserts that HP “lacks standing” to bring this IPR. Standing technically is not a requirement in an IPR. *See, e.g., Office Patent Trial Practice Guide*, Fed. Reg. at 48759 (“[The notion of ‘real party-in-interest’] reflects standing concepts, but no such requirement exists in the IPR or PGR context.”).

MCM does not provide persuasive evidence that HP and Pandigital are privies for purposes of § 315(b). “Whether a party who is not a named participant in a given proceeding nonetheless constitutes a ‘real party-in-interest’ or ‘privy’ to that proceeding is a highly fact-dependent question.” *Office Patent Trial Practice Guide*, 77 Fed. Reg. 48759 (citing *Taylor*, 553 U.S. 880). “The Office intends to evaluate what parties constitute ‘privies’ in a manner consistent with the flexible and equitable considerations established under federal caselaw.” *Id.* Petitioner provides no persuasive evidence that HP could have exercised control over Pandigital’s participation in the Texas Action. Thus, § 315(b) does not bar institution of inter partes review based on HP’s Petition.

MCM bases its privity argument solely on its assertion that HP and Pandigital are successive owners of the same allegedly infringing property. Prelim. Resp. 7 (citing *Taylor v. Sturgell*, 553 U.S. 880, 894 (2008)). We are not persuaded that this allegation alone is enough to confer privity for purposes of § 315(b). See *Synopsys v. Mentor Graphics Corp.*, IPR2012-00042, Decision to Institute, Paper 16 (Feb. 22, 2013) (“Synopsis”). Under Synopsis “any potentially infringing products are irrelevant to the issues raised in the Petition, all of which involve patentability.” Synopsis at 17.

#### *B. Priority Date for the ’549 Patent Claims*

The ’549 patent claims the benefit of one provisional application and is a continuation-in-part of four non-provisional applications. Ex. 1001, col. 1, ll. 6-17; Certificate of Correction (Jan. 9, 2007). MCM

asserts that the effective filing date of the challenged claims is the earliest filing date of these applications—application No. 09/610,904, filed July 6, 2000 (now U.S. Patent 6,438,638) (the “904 application”). Prelim. Resp. 17-18. HP, on the other hand, asserts that the challenged claims are entitled to an effective filing date no earlier than June 4, 2002. Pet. 3.

In this case, the effective filing date of the ’549 patent (*i.e.*, whether it is entitled to the benefit of the ’904 application’s filing date) is relevant because several of the asserted references post-date the filing date of the ’904 application. In particular, although AwYong is stamped with a date of June 2000, HP states that it was “published and publicly available as of December 22, 2000,” several months after the filing of the ’904 application. In addition, Battaglia has a filing date of July 13, 2000, and HP states that the Samsung Datasheet was available by November 20, 2000—both of which are after the ’904 application’s filing date.

HP provides little explanation regarding its proposed effective date, basing its entire argument on the statement that “[i]n the related ITC Investigation, the Patent Owner’s exclusive licensee – Technology Properties Limited, LLC (‘TPL’) – agreed that June 4, 2002 is the effective filing date of the ’549 Patent.” Pet. 3 (citing Ex. 1008 (“Banerjee Decl.”) ¶ 33). HP does not explain why the actions of MCM’s licensee in another proceeding would be applicable here; nor does HP provide any evidence, aside from one conclusory statement by an expert, Dr. Banerjee, to support this assertion. *Id.*

Other than the conclusory statement regarding the related ITC Investigation, we find no other evidence in the record<sup>3</sup> to support the proposed 2002 effective date except the testimony of Dr. Banerjee, who states that “Claims 7, 11, 19, and 21 of the ’549 Patent are entitled to a priority date of no earlier than June 4, 2002” because the concepts of interfacing with “intelligent” and “dumb” flash cards do not appear until a provisional application on June 4, 2002. Ex. 1008 ¶¶ 33-34. HP, however, does not provide any of the underlying evidence upon which these conclusions are based. We, therefore, give them minimal weight. 37 C.F.R. § 42.65. None of the applications to which the ’549 patent claims benefit have been entered into the record in this case. Moreover, Dr. Banerjee’s statement does not refer to all those applications. Specifically, Dr. Banerjee does not mention the ’904 application, included in the certificate of correction, which has the earliest filing date—July 6, 2000; instead, he specifically discusses only the applications listed in the first column of the ’549 patent. *Id.* at ¶ 34. Thus, it is unclear from the testimony whether Dr. Banerjee studied or was aware of the earliest claimed application.

Because we are not persuaded by HP’s contention that the challenged claims are not entitled under 35 U.S.C. § 120 to the benefit of the filing date of the ’904

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<sup>3</sup> HP did not cite to any other testimony in its Petition, but MCM does refer to other testimony by disputing that testimony in its response. Prelim. Resp. 17-18.



application, HP has not shown sufficiently that AwYong, Battaglia, or the Samsung Datasheet are eligible as prior art for purposes of this decision. Thus, we decline to institute inter partes review based on any of those references.

*C. Obviousness over Kobayashi and Kikuchi*

HP argues that claims 7, 11, 19, and 21 of the '549 patent are obvious over Kobayashi combined with Kikuchi. Both Kobayashi and Kikuchi pre-date the filing date of the '904 application. Kobayashi is a U.S. patent that was filed July 22, 1998 and Kikuchi is a PCT application published January 29, 1998.

*1. Kobayashi*

Kobayashi describes a memory device for a computer with a converter that converts serial commands of the computer to parallel commands that then are used to control a storage medium (which can be a flash-memory card). Ex. 1005, col. 2, ll. 55-64; col. 3, ll. 63-65. This configuration is shown in Figure 1.

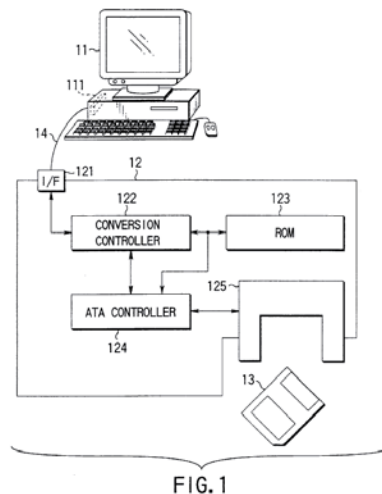


Figure 1 of Kobayashi, reproduced above, is a block diagram of a computer 11 with a reader/writer 12 and flash-memory card 13. Ex. 1005, col. 5, ll. 54-58. The reader/writer includes a conversion controller 122, an ATA (AT Attachment) controller 124, and a connector 125 for reading a flash-memory card 13. *Id.* at col. 6, ll. 5-9. In the first of several embodiments described by Kobayashi, the flash-memory card 13 does not have a controller on the card. *Id.* at col. 6, ll. 1-4 (“The memory card 13 functions as what is called a silicon disk or a PC card according to the ATA standard, and stores data and reads, outputs and erases the stored data under an *external control*.”) (emphasis added). A second embodiment described by Kobayashi includes a flash-memory card 13 with a controller arranged in the memory card. *Id.* at col. 12, ll. 44-46, 59-63. A third embodiment is shown in Figure 11.

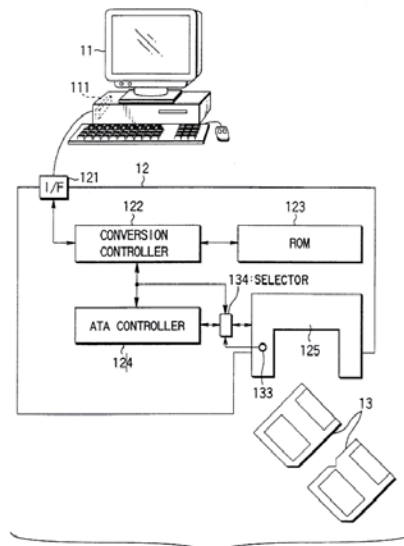


FIG. 11

In this third embodiment, flash-memory cards 13 both with and without controllers may be used. *Id.* at col. 12, ll. 59-65. A sensor 133 determines the type of flash-memory card 13 mounted on the connector 125. *Id.* at col. 12, l. 59 – col. 13, l. 2. When a flash-memory card with no controller is detected, a selector 134 connects the ATA controller 124 and the connector 125. *Id.* at col. 13, ll. 2-5. When a flash-memory card with a controller is detected, a selector 134 connects the conversion controller 122 and the connector 125.

## 2. Kikuchi

Kikuchi describes a flash-memory card and a controller 10 having an interface connected to a host computer 14. Ex. 1007, Abstract. Figure 1 of Kikuchi, reproduced below, shows the flash memory card with a controller on the flash-memory card. *Id.* at p. 9, ll. 10-15.

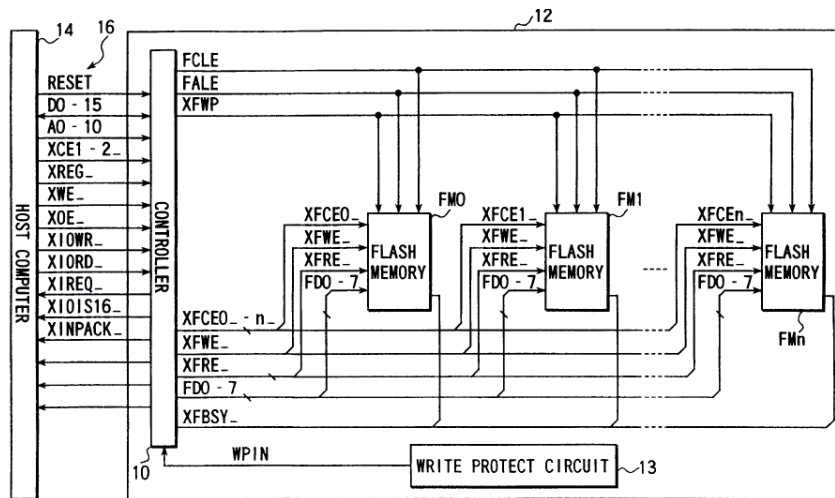


FIG. 1

51a

Figure 15A of Kikuchi, reproduced below, shows a flash-memory card with no controller. Ex. 1007, p. 33, ll. 22-25.

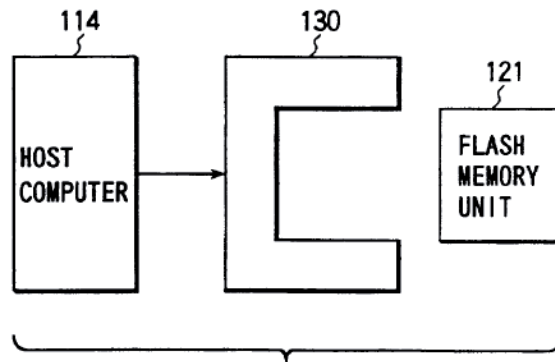


FIG. 15B

Figure 2, reproduced below, is a block diagram showing the functional arrangement of the controller 10.

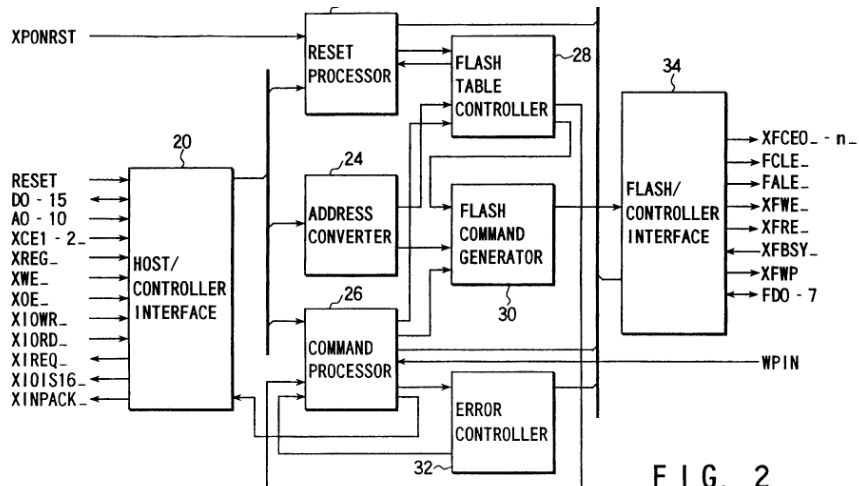


FIG. 2

In Figure 2, above, the error controller 32 performs error control in read and write operations and performs bad block mapping, for example, “a block substitute process or the like in the event of a failure or error.” Ex. 1007, p. 13, ll. 17-21. Further, in another embodiment, controller 10 “refers to the block quality flag contained in the block status information of the redundant portion of the readout information . . . to check whether the head block BL0 is non-defective or not” and “detects a non-defective block BLj having the highest address rank.” *Id.* at p. 22, l. 20 – p. 23, l. 5.

### *3. The Combination of Kobayashi and Kikuchi*

HP asserts that Kobayashi discloses every limitation recited by all the challenged claims, except that HP concedes that Kobayashi is silent on the details of how error correction is performed and, in particular, does not mention bad block mapping. Pet. 47-48. HP relies on Kikuchi for teaching the details of error correction, including bad block mapping, done in firmware. Pet. 48-50. HP contends that it would have been obvious to one of ordinary skill in the art at the time of the invention to combine the teachings of the two references, which both describe ATA controllers that work with flash-memory cards with or without on-card controllers, in order to “reliably retain stored data.” Pet. 50 (citing Banerjee Decl. ¶ 121 (quoting Ex. 1007 (Kikuchi), p. 6, ll. 1-3)). We have reviewed HP’s evidence in relation to each of the challenged claims and find that the evidence supports HP’s contentions.

MCM argues that Kobayashi does not disclose using firmware to perform the error correction in the event that the flash-memory card is without a

controller, as required by all the challenged claims. Prelim. Resp. 29. This argument is not persuasive because MCM concedes that Kikuchi discloses a controller using firmware to perform error correction. *Id.* at 29-31 (stating that Kikuchi discloses “a controller in a card reader that has a microprocessor that conducts bad block mapping in firmware”).

MCM argues that Kikuchi’s controller chip could not be incorporated into Kobayashi’s controller. Prelim. Resp. 31-32. Moreover, MCM adds that even if Kikuchi’s controller chip could be incorporated into Kobayashi’s controller, it would not yield the claimed invention because Kobayashi discloses two controllers—a conversion controller 122 and an ATA controller 124—not one controller chip with all the required functionality. Prelim. Resp. 33-34.

Neither argument is persuasive. “It is well-established that a determination of obviousness based on teachings from multiple references does not require an actual, physical substitution of elements.” *In re Mouttet*, 686 F.3d 1322, 1332 (Fed. Cir. 2012) (citing *In re Etter*, 756 F.2d 852, 859 (Fed. Cir. 1985) (en banc) (noting that the criterion for obviousness is not whether the references can be combined physically, but whether the claimed invention is rendered obvious by the teachings of the prior art as a whole)). On this record, we determine that the petition and supporting evidence demonstrate sufficiently that combining the teachings of Kobayashi and Kikuchi merely is a predictable use of prior art elements according to their established functions—an obvious improvement. See *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 417 (2007).

Finally, MCM argues that Kobayashi was considered by the Examiner during prosecution (Prelim. Resp. 25) and Kikuchi is cumulative of art that was before the Examiner during prosecution (Prelim. Resp. 29-30). While we are mindful of the burden on MCM and the Office in analyzing previously considered prior art, substantially the same prior art and arguments were not before the Office previously. *See* 35 U.S.C. § 325(d). Moreover, for the reasons explained above, we conclude that HP's arguments based on the combination of Kobayashi and Kikuchi have merit.

### III. CONCLUSION

We institute an *inter partes* review of claims 7, 11, 19, and 21 based on obviousness over Kobayashi combined with Kikuchi.

### IV. ORDER

For the reasons given, it is

**ORDERED** that the Petition is granted as to claims 7, 11, 19, and 21 of the '549 patent on the alleged ground of obviousness over Kobayashi combined with Kikuchi under 35 U.S.C. § 103.

**FURTHER ORDERED** that pursuant to 35 U.S.C. § 314(a), *inter partes* review of the '549 patent hereby is instituted commencing on the entry date of this Order, and pursuant to 35 U.S.C. § 314(c) and 37 C.F.R. § 42.4, notice hereby is given of the institution of a trial.

**FURTHER ORDERED** that an initial conference call with the Board is scheduled for 2 PM Eastern Time on October 9, 2013. The parties are directed to

the *Office Trial Practice Guide*, 77 Fed. Reg. at 48765-66 for guidance in preparing for the initial conference call, and should come prepared to discuss any proposed changes to the Scheduling Order entered herewith and any motions the parties anticipate filing during the trial.



**APPENDIX D**

**Article III, § 1 of the Constitution 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. The Judges, both of the supreme and inferior Courts, shall hold their Offices during good Behaviour, and shall, at stated Times, receive for their Services, a Compensation, which shall not be diminished during their Continuance in Office.

**The Seventh Amendment to the Constitution provides that:**

In Suits at common law, where the value in controversy shall exceed twenty dollars, the right of trial by jury shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.

**The provisions of the United States Code authorizing inter partes review, 35 U.S.C. §§ 311-319, provide:**

**35 U.S.C. § 311 – Inter Partes Review**

(a) In General.—

Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) Scope.—

A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.

(c) Filing Deadline.—A petition for inter partes review shall be filed after the later of either—

- (1) the date that is 9 months after the grant of a patent; or
- (2) if a post-grant review is instituted under chapter 32, the date of the termination of such post-grant review.

**35 U.S.C. § 312 – Petitions**

(a) Requirements of Petition.—A petition filed under section 311 may be considered only if—

(1) the petition is accompanied by payment of the fee established by the Director under section 311;

(2) the petition identifies all real parties in interest;

(3) the petition identifies, in writing and with particularity, 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, including—

(A) copies of patents and printed publications that the petitioner relies upon in support of the petition; and

(B) affidavits or declarations of supporting evidence and opinions, if the petitioner relies on expert opinions;

(4) the petition provides such other information as the Director may require by regulation; and

(5) the petitioner provides copies of any of the documents required under paragraphs (2), (3), and

(4) to the patent owner or, if applicable, the designated representative of the patent owner.

(b) Public Availability.—

As soon as practicable after the receipt of a petition under section 311, the Director shall make the petition available to the public.

**35 U.S.C. § 313 – Preliminary response to petition**

If an inter partes review petition is filed under section 311, the patent owner shall have the right to file a preliminary response to the petition, within a time period set by the Director, that sets forth reasons why no inter partes review should be instituted based upon the failure of the petition to meet any requirement of this chapter.

**35 U.S.C. § 314 – Institution of inter partes review**

(a) Threshold.—

The Director may not authorize an inter partes review to be instituted unless the Director determines that the information presented in the petition filed under section 311 and any response filed under section 313 shows that there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.

(b) Timing.—The Director shall determine whether to institute an inter partes review under this chapter pursuant to a petition filed under section 311 within 3 months after—

- (1) receiving a preliminary response to the petition under section 313; or
- (2) if no such preliminary response is filed, the last date on which such response may be filed.

(c) Notice.—

The Director shall notify the petitioner and patent owner, in writing, of the Director's determination

under subsection (a), and shall make such notice available to the public as soon as is practicable. Such notice shall include the date on which the review shall commence.

(d) No Appeal.—

The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.

**35 U.S.C. § 315 – Relation to other proceedings or actions**

(a) Infringer’s Civil Action.—

(1) Inter partes review barred by civil action.—

An inter partes review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent.

(2) Stay of civil action.—If the petitioner or real party in interest files a civil action challenging the validity of a claim of the patent on or after the date on which the petitioner files a petition for inter partes review of the patent, that civil action shall be automatically stayed until either—

(A) the patent owner moves the court to lift the stay;

(B) the patent owner files a civil action or counterclaim alleging that the petitioner or real party in interest has infringed the patent; or

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(C) the petitioner or real party in interest moves the court to dismiss the civil action.

(3) Treatment of counterclaim.—

A counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging the validity of a claim of a patent for purposes of this subsection.

(b) Patent Owner's Action.—

An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

(c) Joinder.—

If the Director institutes an inter partes review, the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an inter partes review under section 314.

(d) Multiple Proceedings.—

Notwithstanding sections 135(a), 251, and 252, and chapter 30, during the pendency of an inter partes review, if another proceeding or matter involving the patent is before the Office, the Director may determine the manner in which the inter partes review or other

proceeding or matter may proceed, including providing for stay, transfer, consolidation, or termination of any such matter or proceeding.

(e) Estoppel.—

(1) Proceedings before the office.—

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not request or maintain a proceeding before the Office with respect to that claim on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

(2) Civil actions and other proceedings.—

The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a), or the real party in interest or privy of the petitioner, may not assert either in a civil action arising in whole or in part under section 1338 of title 28 or in a proceeding before the International Trade Commission under section 337 of the Tariff Act of 1930 that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.

**35 U.S.C. § 316 – Conduct of inter partes review**

(a) Regulations.—The Director shall prescribe regulations—

(1) providing that the file of any proceeding under this chapter shall be made available to the public, except that any petition or document filed with the intent that it be sealed shall, if accompanied by a motion to seal, be treated as sealed pending the outcome of the ruling on the motion;

(2) setting forth the standards for the showing of sufficient grounds to institute a review under section 314(a);

(3) establishing procedures for the submission of supplemental information after the petition is filed;

(4) establishing and governing inter partes review under this chapter and the relationship of such review to other proceedings under this title;

(5) setting forth standards and procedures for discovery of relevant evidence, including that such discovery shall be limited to—

(A) the deposition of witnesses submitting affidavits or declarations; and

(B) what is otherwise necessary in the interest of justice;

(6) prescribing sanctions for abuse of discovery, abuse of process, or any other improper use of the proceeding, such as to harass or to cause unnecessary delay or an unnecessary increase in the cost of the proceeding;



(7) providing for protective orders governing the exchange and submission of confidential information;

(8) providing for the filing by the patent owner of a response to the petition under section 313 after an inter partes review has been instituted, and requiring that the patent owner file with such response, through affidavits or declarations, any additional factual evidence and expert opinions on which the patent owner relies in support of the response;

(9) setting forth standards and procedures for allowing the patent owner to move to amend the patent under subsection (d) to cancel a challenged claim or propose a reasonable number of substitute claims, and ensuring that any information submitted by the patent owner in support of any amendment entered under subsection (d) is made available to the public as part of the prosecution history of the patent;

(10) providing either party with the right to an oral hearing as part of the proceeding;

(11) requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months, and may adjust the time periods in this paragraph in the case of joinder under section 315(c);

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(12) setting a time period for requesting joinder under section 315(c); and

(13) providing the petitioner with at least 1 opportunity to file written comments within a time period established by the Director.

(b) Considerations.—

In prescribing regulations under this section, the Director shall consider the effect of any such regulation on the economy, the integrity of the patent system, the efficient administration of the Office, and the ability of the Office to timely complete proceedings instituted under this chapter.

(c) Patent Trial and Appeal Board.—

The Patent Trial and Appeal Board shall, in accordance with section 6, conduct each inter partes review instituted under this chapter.

(d) Amendment of the Patent.—

(1) In general.—During an inter partes review instituted under this chapter, the patent owner may file 1 motion to amend the patent in 1 or more of the following ways:

(A) Cancel any challenged patent claim.

(B) For each challenged claim, propose a reasonable number of substitute claims.

(2) Additional motions.—

Additional motions to amend may be permitted upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding under section 317, or as permitted by regulations prescribed by the Director.

(3) Scope of claims.—

An amendment under this subsection may not enlarge the scope of the claims of the patent or introduce new matter.

(e) Evidentiary Standards.—

In an inter partes review instituted under this chapter, the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.

**35 U.S.C. § 317 – Settlement**

(a) In General.—

An inter partes review instituted under this chapter shall be terminated with respect to any petitioner upon the joint request of the petitioner and the patent owner, unless the Office has decided the merits of the proceeding before the request for termination is filed. If the inter partes review is terminated with respect to a petitioner under this section, no estoppel under section 315(e) shall attach to the petitioner, or to the real party in interest or privy of the petitioner, on the basis of that petitioner's institution of that inter partes review. If no petitioner remains in the inter partes review, the Office may terminate the review or proceed to a final written decision under section 318(a).

(b) Agreements in Writing.—

Any agreement or understanding between the patent owner and a petitioner, including any collateral agreements referred to in such agreement or understanding, made in connection with, or in

contemplation of, the termination of an inter partes review under this section shall be in writing and a true copy of such agreement or understanding shall be filed in the Office before the termination of the inter partes review as between the parties. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents, and shall be made available only to Federal Government agencies on written request, or to any person on a showing of good cause.

### **35 U.S.C. § 318 – Decision of the Board**

#### **(a) Final Written Decision.—**

If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).

#### **(b) Certificate.—**

If the Patent Trial and Appeal Board issues a final written decision under subsection (a) and the time for appeal has expired or any appeal has terminated, the Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.

(c) Intervening Rights.—

Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).

(d) Data on Length of Review.—

The Office shall make available to the public data describing the length of time between the institution of, and the issuance of a final written decision under subsection (a) for, each inter partes review.

**35 U.S.C. § 319 – Appeal**

A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.