

No. 2018-1167, -1168, -1169

**United States Court of Appeals
for the Federal Circuit**

CELGENE CORPORATION,
Appellant,

v.

LAURA A. PETER,
DEPUTY UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND
DEPUTY DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,
Intervenor.

ON APPEAL FROM THE UNITED STATES PATENT AND TRADEMARK OFFICE,
PATENT TRIAL AND APPEAL BOARD IN
IPR2015-01096, IPR2016-01102, IPR2015-01103

**BRIEF OF *AMICUS CURIAE* UNIFIED PATENTS INC. AND
CABLELABS IN SUPPORT OF INTERVENOR LAURA A. PETER'S
REHEARING EN BANC OPPOSITION**

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CERTIFICATE OF INTEREST

Counsel for *Amicus Curiae* Unified Patents Inc. and CableLabs (“*Amici*”) certify the following:

1. The full name of every party represented by the undersigned counsel in this case is: Unified Patents Inc. and CableLabs
2. The name of the real parties in interest represented by the undersigned counsel is: None
3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or *amicus curiae* represented by the undersigned counsel are: None
4. The names of all law firms and the partners and associates that have appeared for the party in the lower tribunal or are expected to appear for the party in this Court and who are not already listed on the docket for the current case are: None

December 3, 2019

/s/Richard Torczon
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INTEREST OF *AMICUS CURIAE*¹

Unified Patents Inc. and CableLabs appear as *amicus curiae* (“*Amici*”).

Unified is a member organization dedicated to deterring non-practicing entities from extracting nuisance settlements from operating companies based on patent claims that should not have issued—either from lack of invention or overbroad claim scope—before the Patent Office. Unified’s nearly 200 members are Fortune 500 companies, start-ups, automakers, industry groups, cable companies, banks, manufacturers, and others dedicated to reducing damage to the U.S. economy from litigation asserting infringement of patents of dubious validity. CableLabs is a non-profit innovation and R&D lab focused on inventing new ways to make broadband faster and better. CableLabs has been granted more than 175 patents and introduced more than 500 startups to the cable industry.

Amici have an interest in ensuring that patent rights remain enforceable subject to the patent law’s conditions for patentability. *Amici* also have an interest in respecting Congressional evolution of effective tools to enforce the substantive patent requirements. *Amici* are concerned with ensuring that inter partes review and other related Patent Office proceedings remain effective tools for any member of the public to protect itself from improperly issued patent claims.

¹ Neither the parties nor their counsel authored this brief in whole or in part, or contributed money for this brief.

INTRODUCTION

Arguments that patent claim cancellation in post-grant proceedings at the Patent Trial and Appeal Board (“PTAB”) differ from previous forms of review and represent unconstitutional takings rest on at least two flawed premises: first, that patents—once issued—are inherently personal property; and second, that post-grant proceedings represent a unique, unprecedented threat to Federally granted patents. Both misapprehend the law. Patents are creatures of statute that Congress granted the “attributes” of personal property in 1952, but only to the extent they comply with substantive patentability requirements. Post-grant proceedings are only the latest Congressional effort in a long line of patentability challenges dating back to 1836—and do not alter the substantive requirements of patentability. In sum, patents are Federally granted and revocable, and have been for nearly two centuries.

ARGUMENT

A. Patents are not Common Law Property Rights *per se*

Congress has the power—but not the obligation—to create a patent system. U.S. Const., art. I, § 1, cl. 8; *Oil States Energy Servs. v. Greene’s Energy Grp.*, 138 S. Ct. 1365, 1375 (2018) (“the patentee’s rights are ‘derived altogether’ from statutes, ‘are to be regulated and measured by these laws, and cannot go beyond them.’”). The Supreme Court has long confirmed that “retrospective operation” of

Congressional changes to patent law procedures are Constitutionally sound, at least because:

the powers of Congress to legislate upon the subject of patents is plenary by the terms of the Constitution, and as there are no restraints on its exercise, there can be no limitation of their right to modify them at their pleasure, so that they do not take away *the rights of property* in existing patents.

McClurg v. Kingsland, 42 U.S. 202, 206 (1843) (emphasis added). Notably, in *McClurg*, Congress expressly incorporated substantive precedent, which mooted any takings issues, as a patent issued under the previous law would have been unpatentable under the same substantive law. *Id.* at 206-08. Making the preexisting substantive law statutory did not change the substance even though, for example, it made it enforceable during administrative examination rather than simply in the courts. Congress has recognized this and does not make new substantive provisions retroactive. *E.g.*, *Leahy-Smith America Invents Act*, Pub. L. 112-29, 125 Stat. 284, 293, §3(n)(1) (new anticipation standards do not apply to pre-AIA claims).²

Any ongoing exercise of Federal patent claims has always depended on the validity of the claim. In 1953, Congress made the vitality of any patent expressly contingent on compliance with the substantive provisions of the patent law, and for transactional purposes made them assignable. 35 U.S.C. §261. To make patents

² A patentee may elect to have the new law apply expressly or constructively. AIA, §3(n)(1); *accord* *McClurg*, 42 U.S. at 208-11 (patentee benefitted from grace period in same provision providing intervening rights).

assignable, Congress gave patents “the attributes of personal property” precisely because they are not intrinsically property. And those attributes are all subject to the condition precedent—compliance with the substantive provisions of the patent code.

The contingency of patents rights on patentability pervades the patent code and related provisions. First, a patent should not issue unless it complies with the substantive patentability requirements, 35 U.S.C. §131—although mistakes happen, and courts can alter their interpretation of substantive law. Second, post-issuance, pre-AIA patents were and remain subject to patentability challenges that may moot the priority contest in, for instance, a patent interference. 35 U.S.C. §135(a) (2006); *accord Brenner v. Manson*, 383 U.S. 519, 528 n.12 (1966) (“[T]here is no basis for the proposition that even where an applicant for an interference presents a claim which on its face is unpatentable, a complicated and frequently lengthy factual inquiry into priority of invention must inexorably take place.”). For another, invalidity can moot patent infringement (35 U.S.C. §282(b)(2) & (3)), trade enforcement (19 U.S.C. §1337(a)(1)(B)), and recovery from the Federal government (28 U.S.C. §1498(a), Reviser’s Note (“In the absence of statutory restriction, any defense available to a private party is equally available to the United States.”)). Reexaminations, reissues, certificates of correction, and other forms of revocation have also long existed. *See e.g.*, 35 U.S.C. ch. 30

(reexamination provisions); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016) (“For several decades, the Patent Office has also possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed.”); 35 U.S.C. §§254-256 (providing for correction of errors that can have consequences for validity, ownership, and enforcement). Indeed, the Supreme Court has invoked Thomas Jefferson for conditioning the valuable monopoly power of a patent on its satisfaction of patentability requirements. *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 9-10 (1966).

Patents lack the indicia of property apart from the “attributes” that Congress has bestowed in legislation. *Oil States*, 138 S. Ct. at 1375 (“[Section 261] qualifies any property rights that a patent owner has in an issued patent, subjecting them to the express provisions of the Patent Act.”). By contrast when the government grants land patents the grant is for land that existed long before the grant; that underlying real property continues to exist in perpetuity, except as it might erode away.

Conversely, patents are created *ex nihilo*: they do not exist before the grant; they are wholly creatures of Federal statute, created to encourage disclosure, and they “expire” after a set term, 35 U.S.C. §154(a)(2), or sooner if a maintenance fee is not paid, 35 U.S.C. §41(b)(2), per Congress’ will and discretion. The limited nature of any such temporary claims as Congress deems appropriate is itself

enshrined in the Constitution. U.S. Const., art. I, §8, cl. 8 (“securing limited times to . . . inventors”). To be sure, common-law personal property may be transformed, diminished, licensed, sold, or consumed over time, but not patents—patents vanish upon a Congressionally adjustable expiration date. And because patents are granted to an individual inventor, Congressional action was needed to make patents transferable at all. 35 U.S.C. §261.

The right of exclusion—another key attribute of property—is not really relevant for a patent because the critical right to exclude pertains to the *invention*, not the patent itself. To be sure, one could possess and exclude others from the physical letters patent, but one would only have possession, not ownership or the ability to enforce the patent. 35 U.S.C. §§100(d) (defining “patentee” to mean the original patentee and successors in title), §261 (providing conditions for title transfer), and 281 (authorizing the patentee to enforce the patent). Instead, the significance of a patent is the right it grants to exclude others from making, using or selling the patented *invention*. 35 U.S.C. §271(a). “[O]ne of the most essential sticks in the bundle of rights that are commonly characterized as property [is] the right to exclude others”. *Kaiser Aetna v. United States*, 444 U.S. 164, 176 (1979). Yet excluding others from the patent is not what makes a patent valuable. Instead, a patent’s value is as a Federal license to sue for infringement of the claimed invention. *Oil States*, 138 S. Ct. at 1374-75 (referring to patents as a “public

franchise[]” that “gives the patent owner the right to exclude others . . .”) (internal quotations omitted).

If patents are not private personal property, then what are they? After all, the USPTO has no authority to create property (other than the letters patent itself). 35 U.S.C. §154(a)(1). The Administrative Procedure Act (“APA”) provides a clue. 5 U.S.C. ch. 5. Patents are the product of Federal examination. 35 U.S.C. §§131 and 151(a). Under the APA, an agency final disposition (other than a rule making) produces an “order” (which may include a “license”). 5 U.S.C. §551(6). A license in turn is a “permit, certificate, approval, registration, . . . or other form of permission”. §551(8). Licenses are subject to “grant, renewal, denial, revocation, suspension, annulment, withdrawal, limitation, amendment, modification, or conditioning of a license”. §551(9). A patent is not intrinsically property—it took Congressional action to grant them only some property-associated attributes—but is rather a Federal license to sue in Federal court for infringement (or to seek enforcement at the International Trade Commission, or other Federal forum, such as the Court of Federal Claims). Like any other government license, it is subject to revocation or amendment.

If the validity of a patent is not contested (or is contested unsuccessfully), then it is treated as property. Thus, a taking would be possible if—and only if—patentability (or validity) is satisfied. As discussed above, any actual taking of the

letters patent is irrelevant, as possession of the letters patent does not convey ownership or the ability to sue for infringement. Infringement by a government, however, may work a constructive taking if it significantly impairs the right to exclude others from making, using or selling the invention. *Cf. Kaiser Aetna*, 444 U.S. at 179.

But Congress has already provided the remedy, at least for Federal infringement. Section 1498(a) does not authorize an injunction to prevent infringement (in effect permitting a compulsory license), but it does provide due process in the form of a trial in the Court of Federal Claims, and provides for just compensation if the patent is infringed. As previously noted, however, the validity of the patent may be ascertained as a condition precedent to providing relief. State infringement as a constructive taking is less developed as a doctrine, although a takings suit against the State is a recognized remedy. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 644 n.9 (1999). Private infringement does not implicate the constitutional bar against governmental taking.

B. Issued Patents Have Always Been Subject to Validity Challenges

The notion that—once a patent has issued—a patentee may achieve “quiet title” in its patent is wrong. Invalidity has always been a defense to infringement and may be raised many ways by many parties. *Blonder-Tongue Laboratories, Inc. v. University of Ill. Foundation*, 402 U.S. 313, 344-45 (1971) (discussing the

Court’s practice of fostering validity challenges by defendants). Differences between agency and judicial standards for the same statutory requirements do not preclude them from having the same substantive effect. For example, in *B&B Hardware, Inc. v. Hargis Industries, Inc.*, the Trademark Trial and Appeal Board and an Eighth Circuit district court enforced the same statutory requirement (likelihood of confusion), but used different procedures and different tests. 135 S. Ct. 1293, 1299 (2015). The Court explained these differences did not bar preclusion in the district court by an earlier TTAB decision. Similarly, the PTAB and district courts apply the same statutes (and this Court’s precedent), and can be expected to reach comparable results on substantive requirements. *Id.* at 1306-09.

If anything, the AIA post-grant reviews are mild compared to other USPTO proceedings. In particular, an inter partes review (“IPR”)³ can only review patentability for issued claims on the limited basis of anticipation or obviousness over patents and printed publications.⁴ By contrast, at least one USPTO-based post-grant proceeding dates back nearly two centuries and now features far broader scope to cancel issued patent claims: patent interferences.

From their inception, Congress has authorized the USPTO to use interferences against “unexpired patents”. *Patent Act of 1836*, 5 Stat. 117, §8.

³ Post grant reviews are not retroactive. AIA, §6(f)(2)(A), 125 Stat. 311.

⁴ 35 U.S.C. §311(b). Claims amended during the review may be reviewed on any ground of unpatentability, but retroactivity would not be an issue for new claims.

Interferences have been used to adjudicate inequitable conduct for half a century. *Norton v. Curtiss*, 433 F.2d 779, 792 (CCPA 1970). Although the USPTO had long determined patentability questions “ancillary to priority” in interferences, general authority to determine patentability in interferences was added 35 years ago. *Patent Law Amendments Act of 1984*, Pub. L. 98-622, 98 Stat. 3383, 3386-87, §202. Indeed, interferences determine patentability questions rarely determined elsewhere, such as best mode and anticipation by prior conception in a foreign country. 35 U.S.C. §102(g)(1) (2006) (foreign conception). For all of these determinations, USPTO continues to use the broadest reasonable interpretation claim construction standard, even though it has been dropped for the AIA post-grant proceedings. Moreover, until 2000, applications were kept confidential, so a patentee would not have known they were being targeted for an interference. *American Inventor Protection Act*, Pub. L. 106-113, div. B, §1000(a)(9) [title IV, §4502(a)], 113 Stat. 1501A-561 (Nov. 29, 1999).

Nevertheless, because patent interferences represent such a potent tool for patent cancellation, patent attorneys regularly tried to use them for that purpose long before Congress created the AIA post-grant proceedings to the USPTO’s chagrin. *Winter v. Fujita*, 53 USPQ2d 1234, 1249 (BPAI 1999) (“[A]n interference is not a full-blown pre-grant opposition to the grant of a patent or a full-blown

patent cancellation proceeding.”). Historically, the most important inventions of the day (*e.g.*, Bell’s telephone, CRISPR) end up in interferences.

The USPTO administers other proceedings in which patents can be cancelled for reasons beyond the scope of IPRs. For example, the USPTO Director may order reexamination over patents and publications that are not prior art, which permits reexamination for obviousness-type double-patenting. *In re Lonardo*, 119 F.3d 960, 966 (Fed. Cir. 1997). The USPTO also administers the patent maintenance fee system, in which patents “expire” for failure to pay the fee, making it easily the dominant source of premature patent terminations. Yet these fees are not static: they rise over time and can vary as the patentee’s business grows. 35 U.S.C. §41(f) and (h). Expiration for failure to pay the fee occurs automatically without regards to the merits of the patent and without any route of review. In sum, the idea that pre-AIA patentees were secure in their patent rights misapprehends U.S. patent law and history.

CONCLUSION

Patents are only property to the extent that Congress permits them to be. Patentability is a key prerequisite to treating patents as property. Congress does not make substantive patent requirements retroactive and did not do so here. Congress permissibly continues to experiment with procedures to optimize balances within the system. AIA post-grant procedures are mild compared to

other post-grant risks that have long existed and certainly do not represents a unique existential threat to patents. IPRs do not work a substantive change in the law and are not relevant to a retroactivity analysis. The petition for rehearing en banc should be denied.

Date: December 3, 2019

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

I certify that the foregoing *amicus* brief complies with the type-volume limitation of Fed. R. App. P. 29 and Fed. Cir. R. 35(g) and contains less than 2600 words.

I certify that this brief complies with the typeface requirements of Fed. R. App. P. 29 and Fed. R. App. P. 32(a)(5) and the type-style requirements of Fed. R. App. P. 32(a)(6) because this brief has been composed in proportionally spaced typeface using Microsoft Word 2010 in 14-point Times New Roman font.

Date: December 3, 2019

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