

Nos. 2018-2008, 2018-2009, 2018-2010, 2018-2011

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**IN THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT**

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EVOLVED WIRELESS LLC,  
*Appellant,*

v.

ZTE (USA) INC., HTC CORPORATION, HTC AMERICA, INC., SAMSUNG  
ELECTRONICS CO., LTD., SAMSUNG ELECTRONICS AMERICA, INC.,  
APPLE INC., MICROSOFT CORPORATION, MICROSOFT MOBILE OY,  
MICROSOFT MOBILE INC.,  
*Appellees,*

UNITED STATES,  
*Intervenor.*

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On Appeal from the United States Patent and Trademark Office,  
Patent Trial and Appeal Board in IPR2016-00757, IPR2016-01228,  
IPR2016-01229, and IPR2016-01345

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**BRIEF FOR THE UNITED STATES**

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## STATEMENT OF RELATED CASES

Counsel for the United States is not aware of any prior appeal in this case. The following civil actions that allege infringement of the patent at issue in this case are currently pending: *Evolved Wireless, LLC v. Apple Inc.*, No. 15-542 (D. Del.); *Evolved Wireless, LLC v. HTC Corp.*, No. 15-543 (D. Del.); *Evolved Wireless, LLC v. Lenovo Grp. Ltd.*, No. 15-544 (D. Del.); *Evolved Wireless, LLC v. Samsung Elecs. Co.*, No. 15-545 (D. Del.); *Evolved Wireless, LLC v. ZTE Corp.*, No. 15-546 (D. Del.); *Evolved Wireless, LLC v. Microsoft Corp.*, No. 15-547 (D. Del.).



## STATEMENT OF JURISDICTION

This is a consolidated appeal from final written decisions of the Patent Trial and Appeal Board (Board) in inter partes review proceedings. The Board entered its decision in IPR2016-00757 and IPR2016-01345 (Appx1-41), in IPR2016-01228 (Appx50-91), and in IPR2016-01229 (Appx100-142) on November 30, 2017. The Board denied requests for rehearing on March 26, 2018. Appx42-49, Appx92-99, Appx143-150. The patent owner filed notices of appeal on May 24, 2018, within the timeframe specified by 35 U.S.C. § 142 and 37 C.F.R. § 90.3(a)(1) and (b)(1). Appx174, Appx176, Appx178, Appx180. This Court has jurisdiction under 28 U.S.C. § 1295(a)(4)(A) and 35 U.S.C. § 141(c).

## STATEMENT OF THE ISSUE

Whether the Constitution barred Congress from authorizing the United States Patent and Trademark Office (USPTO) to conduct inter partes review of a patent issued before Congress enacted the America Invents Act.

## STATEMENT OF THE CASE

### A. Post-Issuance Patent Review

“Over the last several decades, Congress has created administrative processes that authorize the PTO to reconsider and cancel patent claims that were wrongly issued.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). This Court is familiar with these processes.

**1. Ex Parte Reexamination.** In 1980, Congress first established ex parte reexamination in an effort to restore public “confidence in the validity of patents issued by the PTO.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir.), *reh’g granted in part*, 771 F.2d 480 (Fed. Cir. 1985); *see* Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (codified at 35 U.S.C. § 301 *et seq.*). Ex parte reexamination, which is still in effect, “enable[s] the PTO to recover administrative jurisdiction over an issued patent,” allowing it to reconsider the prior patent grant. *Patlex*, 758 F.2d at 601.

Ex parte reexamination is commenced in one of two ways. First, “[a]ny person at any time” may “request” that the Director of the USPTO review a previously issued patent in light of “prior art consisting of patents or printed publications,” and the Director will institute reexamination of the patent if he finds “a substantial new question of patentability.” 35 U.S.C. §§ 301(a), 302, 303(a), 304. Second, the Director may “[o]n his own initiative” institute reexamination at “any time” if “a substantial new question of patentability is . . . discovered by him.” *Id.* § 303(a). Once the Director institutes reexamination, and following the completion of that reexamination and any appeal, the Director will “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 any proposed amended or new claim determined to be patentable.” *Id.* § 307(a).<sup>1</sup>

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<sup>1</sup> The relevant U.S. Code provisions governing ex parte reexamination have remained the same in substance since 1980. Act of Dec. 12, 1980, 94 Stat. at 3015-17.

**2. Inter Partes Reexamination.** Beginning in 1999, Congress put in place “another, similar procedure” known as inter partes reexamination. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016); *see* Optional Inter Partes Reexamination Procedure Act of 1999, Pub. L. No. 106-113, app. I, tit. IV, subtit. F, §§ 4601-08, 113 Stat. 1501A-567, 1501A-567 to 1501A-572. Like ex parte reexamination, inter partes reexamination allowed third parties to request review of a patent and authorized the USPTO Director, after instituting and completing reexamination and after any appeal, to “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 any proposed amended or new claim determined to be patentable.” 35 U.S.C. § 316(a) (2000). The inter partes reexamination procedures, however, allowed “third parties greater opportunities to participate in the Patent Office’s reexamination proceedings.” *Cuozzo*, 136 S. Ct. at 2137. After 2002, those procedures also authorized third parties to participate in any appeal of the USPTO’s decision. *See* Patent and Trademark Office Authorization Act of 2002, Pub. L. No. 107-273, div. C, tit. III, subtit. A, §§ 13101-06, 116 Stat. 1899, 1899-1901.

**3. Inter Partes Review.** Finally, in September 2011, Congress enacted the Leahy–Smith America Invents Act (AIA), replacing inter partes reexamination with the present-day inter partes review. *See* Pub. L. No. 112-29, § 6(a), 125 Stat. 284, 299-313 (2011). “Reacting to ‘a growing sense that questionable patents are too easily obtained and are too difficult to challenge,’” Congress created inter partes review to

provide “a more efficient system for challenging patents that should not have issued.” *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1290 (Fed. Cir. 2015) (quoting H.R. Rep. No. 112-98, at 39-40 (2011)). Inter partes review resembles its predecessors in substance: it allows third parties to request review of a patent and authorizes the USPTO Director—following such review—to cancel, confirm, or amend claims. 35 U.S.C. § 318(b). But inter partes review also differs in some of its procedures, providing third parties with “broader participation rights” than were available under prior forms of post-issuance patent review. *Cuozz*, 136 S. Ct. at 2137.

Any person other than the patent owner may petition for review of an existing patent on the ground that the invention was not novel or was obvious in light of “prior art consisting of patents or printed publications.” 35 U.S.C. §§ 311(b), 312. If the Director finds a “reasonable likelihood” that the petitioner can establish the unpatentability of “at least 1 of the claims challenged in the petition,” he may institute inter partes review. *Id.* § 314(a).

Once the Director institutes inter partes review, the Patent Trial and Appeal Board conducts proceedings to determine the patentability of the challenged claims. *See* 35 U.S.C. § 316(c). The petitioner and patent owner may conduct limited discovery (*id.* § 316(a)(5)), submit briefs and evidence (*id.* § 316(a)(8)), and obtain an oral hearing (*id.* § 316(a)(10)). The petitioner must prove unpatentability by a preponderance of the evidence. *Id.* § 316(e). Meanwhile, the patent owner may seek to amend the patent—potentially avoiding cancellation of claims—by “propos[ing] a

reasonable number of substitute claims.” *Id.* § 316(d)(1)(B). The Board may continue its independent review of the patent claims “even after the original petitioner settles and drops out.” *Cuozzoku*, 136 S. Ct. at 2140 (citing 35 U.S.C. § 317(a)).

At the conclusion of the proceedings, the Board issues a final written decision determining the patentability of each challenged claim. *See* 35 U.S.C. § 318(a). Any dissatisfied party may appeal, *id.* § 319, and the USPTO Director may intervene to defend the Board’s decision in that appeal, *id.* § 143. After the completion of inter partes review and any appeal, the Director issues 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.” *Id.* § 318(b).

The AIA’s provisions authorizing inter partes review took effect on September 16, 2012. AIA § 6(c)(2)(A), 125 Stat. at 304. Congress also specified that inter partes review “shall apply to any patent issued before, on, or after that effective date.” *Id.*

## **B. Prior Constitutional Challenges To Post-Issuance Patent Review**

This Court and the Supreme Court have repeatedly considered—and rejected—constitutional challenges to the administrative, post-grant patent review procedures established by Congress.

**1. Challenges To Ex Parte Reexamination.** In 1985, this Court rejected several facial constitutional challenges to ex parte reexamination. *Patlex*, 758 F.2d at 598-601. In particular, *Patlex* first rejected claims that the reexamination statute’s

application to existing patents violated the Due Process Clause and that administrative reexamination violated Article III or the Seventh Amendment.

First, this Court held that Congress did not violate due process by authorizing USPTO's ex parte reexamination of patents that "were granted before passage of the reexamination statute." *Patlex*, 758 F.2d at 597. The Court explained that Congress created ex parte reexamination for the "important public purpose" of "restoring confidence in the validity of patents issued by the PTO." *Id.* at 601. Congress therefore authorized reexamination of existing patents "to achieve an immediate impact on the patent incentive for invention and innovation." *Id.* at 598. *Patlex* concluded that "the overriding public purposes Congress articulated in enacting the reexamination law with retroactive effect are entitled to great weight" and that Congress had lawfully authorized such reexamination. *Id.* at 603.

Second, this Court held that ex parte reexamination did not violate Article III or the Seventh Amendment. The Court explained that nothing in those authorities prohibits Congress from authorizing the USPTO to reconsider—and, if necessary, hold unpatentable—a patent on the ground that it did not satisfy the conditions of patentability when issued. *Patlex*, 758 F.2d at 604-05. The Court explained that "the grant of a valid patent is primarily a public concern," because a patent "is a right that can only be conferred by the government." *Id.* at 604. Reviewing a patent through ex parte reexamination therefore implicates public rights that may be adjudicated by the USPTO without a jury trial. *Id.* This Court explained, "[a] defectively examined and

therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.*

*Patlex* then held that Congress’s establishment of administrative procedures differing from those applied in district court for reviewing patents does not affect this analysis, because such procedures do not give rise to “a property right subject to the protection of the Constitution.” 758 F.2d at 605. Several years later, this Court reaffirmed *Patlex* and rejected arguments that the patent owner had “improperly been denied a jury trial in an Article III court, that its due process rights have been violated and that property rights in its patent were taken within the meaning of the Fifth Amendment.” *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir. 1992).

**2. Challenges To Inter Partes Review.** Then, following the AIA, this Court rejected an Article III and Seventh Amendment challenge to inter partes review. *MCM Portfolio*, 812 F.3d at 1287. Reasoning that the USPTO simply adjudicates patent rights that only the government may issue, *MCM Portfolio* explained that inter partes review (like ex parte reexamination) involved quintessential public rights under “[g]overning Supreme Court and Federal Circuit authority.” *Id.* at 1292.

These issues reached the Supreme Court in *Oil States*. Confirming this Court’s conclusion in *MCM Portfolio*, the Supreme Court held that inter partes review “falls squarely within the public-rights doctrine” and therefore violates neither Article III nor the Seventh Amendment. *Oil States*, 138 S. Ct. at 1373. *Oil States* observed that “the decision to *grant* a patent is a matter involving public rights” because “patents are

‘public franchises’ that the Government grants ‘to the inventors of new and useful improvements.’” *Id.* These “public franchises . . . did not exist at common law” and implicate important public purposes, because the USPTO in issuing a patent “take[s] from the public rights of immense value, and bestow[s] them upon the patentee.” *Id.* at 1373-74 (quoting *United States v. American Bell Tel. Co.*, 128 U.S. 315, 370 (1888)). *Oil States* concluded that, just as the USPTO rather than an Article III court may decide whether to grant a patent, the USPTO may also conduct inter partes review, because it “involves the same basic matter as the grant of a patent.” *Id.* at 1374. Inter partes review gives the USPTO “a second look at an earlier administrative grant of a patent,” requiring the Board to consider “the same statutory requirements that [were] considered when granting the patent,” in pursuit of the same public purposes. *Id.*

The Supreme Court addressed several other issues. The Court recognized that inter partes review necessarily occurs after the patent has issued, but explained that this “distinction does not make a difference here.” *Oil States*, 138 S. Ct. at 1374. The Court found significant that the patents at issue were “granted subject to the qualification that the PTO has the authority to reexamine—and perhaps cancel—a patent claim.” *Id.* (quotations omitted). The Court then rejected the argument that a patent’s status as property renders inter partes review impermissible. Patents “convey only a specific form of property right”—namely, “a public franchise”—and Congress thus may authorize an administrative agency to revoke such property upon a finding that it was improperly granted. *Id.* at 1375. Last, the Court rejected the argument that



inter partes review departs from historical practice, observing that “it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation” in an administrative proceeding. *Id.* at 1377.

The Supreme Court declined to address additional arguments that had not been pressed by the challenger. Relevant here, the Court stated that the challenger had not contested “the retroactive application of inter partes review,” *Oil States*, 138 S. Ct. at 1379, an issue raised by various amici curiae.

### **C. Prior Proceedings**

Patent owner Evolved Wireless LLC (Evolved Wireless) owns U.S. Patent No. 7,881,236 (’236 patent), Appx151-171, which relates to mobile communication technology. Appx151. The application for the ’236 patent was filed on August 10, 2009, and the USPTO issued the patent on February 1, 2011. Appx151. When the patent issued, Congress had authorized the USPTO to cancel patents through both ex parte reexamination and inter partes reexamination, but had not yet created inter partes review. *See* 35 U.S.C. § 307(a); 35 U.S.C. § 316(a) (2000).

Petitioners are several technology companies, which filed four petitions for inter partes review of the ’236 patent, asserting that certain patent claims were obvious in light of prior art and thus unpatentable. The Board separately instituted inter partes review of the challenged claims and then consolidated two of the proceedings. Appx411, Appx431, Appx771, Appx1103. Evolved Wireless defended the patentability of the claims but did not argue that instituting inter partes review or

invalidating its claims would be unconstitutional. Appx327-410, Appx439-493, Appx729-770, Appx793-842, Appx1063-1102, Appx1124-1173. On November 30, 2017, the Board issued final written decisions concluding that the challenged claims were unpatentable. Appx1, Appx50, Appx100. Evolved Wireless then requested rehearing before the Board but again did not argue that invalidating its claims would be unconstitutional. Appx619-637, Appx953-970, Appx1207-1224. On March 26, 2018, the Board denied the rehearing requests. Appx42, Appx92, Appx143.

In April 2018, the Supreme Court decided *Oil States*, 138 S. Ct. 1365, upholding inter partes review under Article III and the Seventh Amendment and declining to address challenges based on the retroactive application of inter partes review. Evolved Wireless then appealed, arguing in its opening brief for the first time that applying inter partes review retroactively is unconstitutional under the Due Process Clause and Takings Clause of the Constitution.

## **SUMMARY OF ARGUMENT**

I. Evolved Wireless has forfeited its constitutional challenge by failing to press it before the Board. Parties generally may not raise claims on appeal that they failed to present before the agency, and Evolved Wireless offers no explanation for its failure to do so here. In light of the growing number of retroactivity challenges to the AIA's review procedures, this Court may wish to exercise its discretion to address the challenge to avert unwarranted uncertainty regarding the constitutionality of inter

partes review. Absent an exercise of discretion, however, the Court should deem Evolved Wireless's constitutional challenge forfeited and decline to address it.

**II.** If this Court addresses Evolved Wireless's constitutional challenge, the Court can easily reject it. Applying the AIA's inter partes review provisions to patents that had issued before Congress enacted the AIA comports with the Constitution.

**A.** As an initial matter, conducting inter partes review of a pre-AIA patent is not a retroactive application of the law because it does not impose new legal consequences on pre-AIA conduct. The AIA neither altered the substantive conditions of patentability nor newly exposed patents to the prospect of post-issuance review and cancellation. To the contrary, when Congress created inter partes review in 2011, every patent in existence was granted subject to cancellation by the USPTO through ex parte reexamination. Inter partes review altered the USPTO's procedures for reconsidering issued patents, but did not alter the substantive conditions of patentability. *See* 35 U.S.C. § 101 *et seq.* Application of such changes to procedural rather than substantive rules does not constitute a retroactive application of the law. Similarly, statutes that merely alter the forum in which a particular claim is resolved are not retroactive even when the claim arose before the statute was enacted.

**B.** Even if Congress's decision to authorize inter partes review of pre-AIA patents involved a retroactive application of the law, inter partes review would easily comport with due process. Retroactive civil legislation is permitted if it advances legitimate legislative purposes by rational means. *See Pension Benefit Guar. Corp. v. R.A.*

*Gray & Co.*, 467 U.S. 717, 729 (1984). Congress satisfied that requirement here. Inter partes review protects the public from erroneously granted patents by preventing private parties from monopolizing ideas that properly belong to the public. Congress reasonably advanced that purpose by authorizing inter partes review of defective patents already in existence, which otherwise could operate against the public for more than a decade to come. Giving comprehensive effect to important new legislation that serves curative or remedial purposes is entirely legitimate.

Retroactive legislation complies with the Due Process Clause even when it upsets reliance interests, *see United States v. Carlton*, 512 U.S. 26, 33-34 (1994), and the purported reliance interests affected by inter partes review are weak. No one has a meaningful expectation that their erroneously issued patent will be shielded from review. That conclusion is apparent given that a patent's validity is never finally settled, but rather is always subject to invalidation in litigation. And all patents since 1981—*i.e.*, all patents now in effect—have been subject to cancellation in administrative proceedings that are substantively identical to inter partes review. As the Supreme Court made clear in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365, 1370 (2018), patents are not irrevocably vested rights, but rather are public rights that are quintessentially amenable to administrative reconsideration.

This Court in *Patlex Corp. v. Mossinghoff* accordingly rejected a retroactivity challenge to ex parte reexamination similar to the challenge that Evolved Wireless brings here. 758 F.2d 594 (Fed. Cir.), *reh'g granted in part*, 771 F.2d 480 (Fed. Cir. 1985).

*Patlex* concluded that Congress had permissibly authorized ex parte reexamination of existing patents by enacting the reexamination statute. The Court reasoned that Congress's important goal of correcting erroneous patents defeated the expectation interests affected by the creation of administrative patent review. That reasoning applies with greater force to inter partes review—which, unlike ex parte reexamination, was preceded by comparable forms of administrative patent review that had already put patent owners on notice that their patents could be cancelled administratively. *Patlex* squarely forecloses Evolved Wireless's due process argument.

C. Finally, applying inter partes review to patents issued before the AIA's enactment does not effect a Fifth Amendment taking without just compensation. A “valid property interest” is a necessary element of a takings claim. *Wyatt v. United States*, 271 F.3d 1090, 1097 (Fed. Cir. 2001). The USPTO's cancellation of a patent through inter partes review is premised on a determination that the patent owner never had a valid property right because the claims were unpatentable. Moreover, just as a district court does not effect a Fifth Amendment taking when it finds patent claims invalid, the USPTO does not effect a Fifth Amendment taking when it finds patent claims unpatentable through inter partes review. This Court has therefore rejected a similar Takings Clause challenge to ex parte reexamination. *See Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992).

## STANDARD OF REVIEW

This Court reviews constitutional challenges to the patent laws de novo. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1287 (Fed. Cir. 2015).

## ARGUMENT

### I. EVOLVED WIRELESS HAS FORFEITED ITS CONSTITUTIONAL ARGUMENTS

Evolved Wireless forfeited its constitutional challenge by failing to raise it before the Board. “It is well-established that a party generally may not challenge an agency decision on a basis that was not presented to the agency.” *In re DBC*, 545 F.3d 1373, 1378 (Fed. Cir. 2008) (Appointments Clause challenge). In a similar vein, this Court has deemed a retroactivity challenge forfeited on appeal when the opening brief included only “a single, generic paragraph” that “in no way provides any arguments specifically preserving the retroactivity issue.” *VirnetX Inc. v. Apple, Inc.*, 909 F.3d 1375, 1378-79 (Fed. Cir. 2018).

Permitting challengers to raise constitutional issues for the first time on appeal encourages “sandbagging, *i.e.*, ‘suggesting or permitting, for strategic reasons, that the [Board] pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error.’” *DBC*, 545 F.3d. at 1380 (quoting *Freytag v. Commissioner*, 501 U.S. 868, 895 (1991) (Scalia, J., concurring)). Furthermore, presenting the constitutional challenge is required so that the Board may consider “the possibility of some relief for the action complained of,” *Booth v. Churner*, 532 U.S. 731, 738 (2001), or may, at a minimum, “conduct evidentiary hearings and make findings

of fact relevant to [the] dispositive” constitutional issue, *Elgin v. Department of Treasury*, 567 U.S. 1, 19 (2012). Other patent owners have therefore pressed their retroactivity challenges before the Board, and the Board has in the past adjudicated those claims. *See TopGolf Int’l, Inc. v. Agarwal*, No. IPR2017-00928, 2018 WL 3005525, at \*34 (P.T.A.B. June 13, 2018), *appeal docketed*, No. 18-2270 (Fed. Cir.) (resolving retroactivity challenge); *but see Axis Commc’ns AB v. Avigilon Patent Holding 1 Corp.*, No. IPR2018-01268, 2019 WL 137163, at \*19 (P.T.A.B. Jan. 8, 2019) (observing that Supreme Court and Federal Circuit have “upheld the constitutionality of our proceedings” but declining to consider in full the patent owner’s challenge that “the retroactive application of an inter partes review [is] unconstitutional”).

This Court may consider forfeited issues in “exceptional cases.” *DBC*, 545 F.3d at 1379. The Court has “discretion to decide when to deviate from [its] general rule of waiver,” though prudential considerations guide that discretion. *Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1322-23 (Fed. Cir. 2008). The Court considers whether there has been “a change in the jurisprudence of the reviewing court or the Supreme Court after consideration of the case” by the Board, whether the forfeited argument presents a question of law or a question of fact, and whether the “interest of justice” warrants a departure from the general forfeiture rule. *Id.*

Evolved Wireless has not explained its failure to present its constitutional arguments below or to develop them in more than a single paragraph before this Court, *see* Br. 63-64, let alone pointed to any exceptional circumstances. *See Nemariam*

*v. Federal Democratic Republic of Ethiopia*, 491 F.3d 470, 483 (D.C. Cir. 2007) (where appellants “offered no explanation for their failure to pursue” the claims). Although the Supreme Court decided *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365 (2018), after the Board issued its final written decisions and denied rehearing here, that fact does not excuse forfeiture, given that a retroactivity challenge to inter partes review was plainly available before *Oil States*. Indeed, comparable retroactivity challenges were pressed in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985), and *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992), and by amici curiae in *Oil States* itself.<sup>2</sup> The fact that Evolved Wireless “may not have appreciated” an available argument is not enough. *DBC*, 545 F.3d at 1380.

Given the growing number of retroactivity challenges prompted by the reference to retroactivity in *Oil States*,<sup>3</sup> this Court may nevertheless conclude that the

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<sup>2</sup> *E.g.*, Br. of Amicus Curiae Intellectual Prop. Law Ass’n of Chi. in Supp. of Neither Party at 6-9, *Oil States*, *supra*, 2017 WL 4004534; Br. of Amici Curiae Biotech. Innovation Org. *et al.* in Supp. of Pet’r at 30-32, *Oil States*, *supra*, 2017 WL 3888208; Br. of Amici Curiae 3M Co. *et al.* in Supp. of Neither Party at 7-8, *Oil States*, *supra*, 2017 WL 3888218; Br. of Amicus Curiae Pharm. Research & Mfrs. of Am. in Supp. of Pet’r at 15-16, *Oil States*, *supra*, 2017 WL 3888202; Br. of Amici Curiae 27 Law Professors in Supp. of Pet’r at 10-11, *Oil States*, *supra*, 2017 WL 3913774.

<sup>3</sup> *E.g.*, *Chestnut Hill Sound Inc. v. Apple Inc.*, No. 18-1163 (Fed. Cir. filed Nov. 7, 2017); *Enzo Life Scis., Inc. v. Hologic, Inc.*, No. 18-1232 (Fed. Cir. filed Nov. 30, 2017); *Collabo Innovations, Inc. v. Sony Corp.*, No. 18-1311 (Fed. Cir. filed Dec. 20, 2017); *Collabo Innovations, Inc. v. Sony Corp.*, No. 18-1368 (Fed. Cir. filed Jan. 2, 2018); *ARCH Dev. Corp. v. OSI Pharm., LLC*, No. 18-1485 (Fed. Cir. filed Jan. 29, 2018); *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-1584 (Fed. Cir. filed Feb. 15, 2018); *Focal IP, LLC v. Cisco Sys., Inc.*, No. 18-1627 (Fed. Cir. filed Mar. 1, 2018); *OSI Pharm., LLC v. Apotex Inc.*, No. 18-1925 (Fed. Cir. filed May 4, 2018); *Genentech, Inc. v. Hospira, Inc.*, No. 18-1933



interests of justice warrant addressing the retroactivity question quickly to avert further uncertainty regarding the constitutionality of inter partes review. Evolved Wireless's retroactivity challenge presents a question of law that will not necessarily require further "factual findings." *Golden Bridge*, 527 F.3d at 1323.

## II. APPLYING INTER PARTES REVIEW TO PRE-AIA PATENTS COMPORTS WITH THE CONSTITUTION

If this Court reaches Evolved Wireless's retroactivity challenge, the Court should reject it. Congress in the AIA authorized the USPTO to conduct inter partes review of "any patent issued before, on, or after th[e] effective date" of the statute. AIA § 6(c)(2)(A), 125 Stat. at 304 (effective Sept. 16, 2012). Evolved Wireless contends (Br. 63-64) that this express statutory authorization constitutes impermissible retroactive legislation. That contention is doubly mistaken. The application of inter partes review to pre-AIA patents does not impose new legal consequences, as pre-AIA patents could already have been cancelled if found unpatentable, and inter partes review therefore does not involve a "retroactive" application of the law at all. Even if it did, the retroactive application of post-issuance patent review is consistent with the Constitution.

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(Fed. Cir. filed May 8, 2018); *Genentech, Inc. v. Hospira, Inc.*, No. 18-1959 (Fed. Cir. filed May 11, 2018). Several other cases challenge the post-grant review process for covered business method patents. *E.g.*, *IBG LLC v. Trading Techs. Int'l, Inc.*, No. 17-1732 (Fed. Cir. filed Mar. 3, 2017); *Trading Techs. Int'l, Inc. v. IBG LLC*, No. 17-2054 (Fed. Cir. filed May 18, 2017).

**A. Conducting Inter Partes Review Of Pre-AIA Patents Is Not A Retroactive Application Of The Law**

Evolved Wireless's challenge incorrectly assumes that Congress's decision to make inter partes review available to pre-AIA patents involves the retroactive application of the law. "A statute does not operate 'retrospectively' merely because it is applied in a case arising from conduct antedating the statute's enactment, or upsets expectations based in prior law." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 269-70 (1994) (citation omitted); see *Disabled Am. Veterans v. Secretary of Veterans Affairs*, 327 F.3d 1339, 1344-45 (Fed. Cir. 2003). Rather, to determine whether a statute operates retroactively, "the court must ask whether the new provision attaches *new legal consequences* to events completed before its enactment." *Landgraf*, 511 U.S. at 269-70 (emphasis added). The inter partes review provisions of the AIA do not impose any such new legal consequences.

1. Patents have been subject to reconsideration and cancellation by the USPTO in administrative proceedings for nearly four decades. The AIA simply presents the latest legislative refinement of the review processes that had been available to reach a previously available legal consequence. Put differently, every patent in existence has always been subject to cancellation by the USPTO if found unpatentable, and the AIA has not changed those conditions.

The AIA instead merely revises the procedures for USPTO proceedings. But the fact that Congress has produced a more sophisticated administrative scheme going

forward does not equate to retroactive legislation. The Supreme Court has explained that “[c]hanges in procedural rules may often be applied in suits arising before their enactment without raising concerns about retroactivity.” *Landgraf*, 511 U.S. at 275. Rules of procedure regulate the adjudicator’s conduct of the proceeding, not the primary conduct giving rise to the proceeding. Accordingly, applying a statute that alters procedures to a claim brought after the statute’s enactment is a *prospective*—not retroactive—application of the law. The Supreme Court has explained that, because “rules of procedure regulate secondary rather than primary conduct, the fact that a new procedural rule was instituted after the conduct giving rise to the suit does not make application of the rule at trial retroactive.” *Id.*

So too here. The AIA’s inter partes review provisions change the procedures governing the USPTO’s administrative reconsideration of patents, but do not alter the substantive rights of any owner of any patent. Inter partes review does not alter the Patent Act’s provisions governing the conditions of patentability. *See* 35 U.S.C. § 101 *et seq.* On the contrary, the Board through inter partes review “considers the same statutory requirements that the PTO considered when granting the patent.” *Oil States*, 138 S. Ct. at 1374. Nor do the inter partes review provisions create an administrative review mechanism where none existed before. Beginning in 1980, Congress authorized the USPTO to conduct ex parte reexamination, and, beginning in 1999, the USPTO was authorized to conduct inter partes reexamination, with each of these mechanisms also potentially resulting in cancellation of a patent. *Compare* 35 U.S.C.

§ 318(b) (inter partes review), *with* 35 U.S.C. § 307(a) (ex parte reexamination), *and* Act of Dec. 12, 1980, 94 Stat. at 3016-17 (inter partes reexamination). Because ex parte reexamination preceded inter partes review by three decades, every patent in existence when Congress passed the AIA was “granted subject to the qualification that the PTO has ‘the authority to reexamine—and perhaps cancel—a patent claim’” through ex parte reexamination (and, for patents issued after 1999, through inter partes reexamination as well). *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016)). Inter partes review is simply a different procedure for patent reconsideration.

Inter partes review also resembles ex parte reexamination in relevant respects. In both proceedings, the USPTO is authorized to reconsider an issued patent at the request of a third party. 35 U.S.C. §§ 302, 311(a). In both proceedings, the USPTO considers “prior art consisting of patents or printed publications” to determine patentability. *Id.* §§ 301(a)(1), 311(b). In both proceedings, the patent owner has an opportunity to amend the patent to avoid the cancellation of otherwise invalid claims. *Id.* §§ 305, 316(d). In both proceedings, the agency determines by a preponderance of the evidence whether the challenged claims were unpatentable at the time they issued. *See Cuozzo*, 136 S. Ct. at 2144. In both proceedings, the final administrative decisions are subject to judicial review in this Court. 35 U.S.C. §§ 306, 319. And in both proceedings, the Director issues the “certificate canceling any claim of the patent finally determined to be unpatentable” only after any judicial review has been

exhausted. *Id.* §§ 307(a), 318(b). *See generally* 35 U.S.C. §§ 311(a), 314(a), 315, 316 (2000) (comparable provisions for inter partes reexaminations). These similarities underscore that the “basic purposes” of the two procedures are the same—“namely, to reexamine an earlier agency decision.” *Cuozzoku*, 136 S. Ct. at 2144. Far from being entirely new, inter partes review is merely “a descendant of an experiment began nearly 30 years” earlier with ex parte reexamination and a successor to the project started twenty years ago with inter partes reexamination. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1291-92 (Fed. Cir. 2015) (quotation omitted).

Of course, the procedures governing inter partes review are not identical to those governing ex parte reexamination. The two procedures differ principally in the degree to which third-party challengers can participate in the proceedings, even though the procedures do not change the substantive rights of the patent owner or the ultimate authority of the USPTO. Ex parte reexamination, once granted, follows the same procedures as the initial examination and provides no continuing role for the third-party requester. 35 U.S.C. § 305. Inter partes review, like inter partes reexamination before it, “includes some of the features of adversarial litigation,” and the third-party petitioner may participate in the proceedings. *Oil States*, 138 S. Ct. at 1378; *see Cuozzoku*, 136 S. Ct. at 2140. In addition, the initial thresholds for instituting inter partes review and ex parte reexamination are not identical: to institute an ex parte reexamination, the Director must find a “substantial new question of patentability,” 35 U.S.C. § 303(a); to institute inter partes review, the Director must

find “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged,” *id.* § 314(a). But regardless of how the USPTO proceeds, the agency will only cancel claims that it finds unpatentable and the substantive standards for assessing patentability have not changed. *See Cuozzolo*, 136 S. Ct. at 2144.<sup>4</sup> These procedural distinctions therefore impose no “new legal consequences” on any pre-AIA patents. *Landgraf*, 511 U.S. at 270.

In sum, the application of new procedures to facilitate the USPTO’s adjudication of preexisting substantive requirements is not a retroactive application of the law. A statute providing inter partes review for a petition filed after its effective date is not retroactive, just as a statute providing for jury trials “after its effective date” is “plainly a procedural change of the sort that would ordinarily govern . . . regardless of when the underlying conduct occurred.” *Landgraf*, 511 U.S. at 280-81.

**2.** Additional considerations underscore that inter partes review of pre-AIA patents does not involve a retroactive application of the law.

First, the Supreme Court has “regularly applied intervening statutes conferring or ousting jurisdiction, whether or not jurisdiction lay when the underlying conduct occurred or when the suit was filed.” *Landgraf*, 511 U.S. at 274; *see Republic of Austria v.*

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<sup>4</sup> In 2018, the USPTO published a final rule replacing the broadest-reasonable-interpretation standard, which was used for claim construction in inter partes review, in favor of the ordinary-meaning standard used in litigation. *See* 83 Fed. Reg. 51,340 (Oct. 11, 2018). The new rule makes the claim-construction standard employed in inter partes review more favorable to patent owners than the standard employed in ex parte reexamination. *See* 37 C.F.R. § 42.100(b) (effective Nov. 13, 2018).

*Altmann*, 541 U.S. 677, 693 (2004). As the Court explained, “[p]resent law normally governs in such situations because jurisdictional statutes speak to the power of the court rather than to the rights or obligations of the parties.” *Landgraf*, 511 U.S. at 274 (quotation omitted). When a statute addresses “*which* court shall have jurisdiction to entertain a particular cause of action,” it merely “regulate[s] the secondary conduct of litigation and not the underlying primary conduct of the parties.” *Hughes Aircraft Co. v. United States ex rel. Schumer*, 520 U.S. 939, 951 (1997). Indeed, the “[a]pplication of a new jurisdictional rule usually ‘takes away no substantive right, but simply changes the tribunal that is to hear the case.’” *Landgraf*, 511 U.S. at 274 (quoting *Hallowell v. Commons*, 239 U.S. 506, 508 (1916)); see *Hughes Aircraft*, 520 U.S. at 951.

Inter partes review “simply changes the tribunal that is to hear the case” by assigning a new tribunal within the USPTO (the Patent Trial and Appeal Board) to resolve patent validity issues. The Board’s adjudication of patentability in inter partes review is therefore not a retroactive operation of the law, even when the underlying patent predates the AIA. See *Disabled Am. Veterans*, 327 F.3d at 1344-45 (rejecting as “meritless” the argument that a Department of Veterans Affairs regulation operated retroactively because the regulation “merely changed which office within the VA” conducted adjudications that the VA had long been authorized to perform); see also *Hallowell*, 239 U.S. at 508 (concluding statute eliminating federal court jurisdiction over claims and referring claims to the Secretary of the Interior applied to pending cases).

Second, the Supreme Court in *Landgraf* further explained that, if a statute only “authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive.” 511 U.S. at 273; *see id.* at 293 (Scalia, J., concurring) (explaining, because “the purpose of prospective relief is to affect the future rather than remedy the past, the relevant time for judging its retroactivity is the very moment at which it is ordered”). Inter partes review operates only prospectively. Congress did not retrospectively alter the substantive patentability criteria in effect when the patent issued, and the result of an inter partes review—a certificate cancelling or confirming the disputed patent claims—also does not disturb judgments that became final before the certificate was issued. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1344 (Fed. Cir. 2013) (applying this rule in reexamination context).

Third, Justice Scalia’s influential concurrence in *Landgraf* confirms the conclusion that inter partes review of pre-AIA patents is not a retroactive application of the law. *See Altmann*, 541 U.S. at 697 n.17 (adopting Justice Scalia’s approach). He explained that whether a rule operates retroactively depends on “the relevant activity that the rule regulates.” *Landgraf*, 511 U.S. at 291 (Scalia, J., concurring). “Most statutes are meant to regulate primary conduct, and hence will not be applied in trials involving conduct that occurred before their effective date.” *Id.* But “[a] new rule of evidence governing expert testimony, for example, is aimed at regulating the conduct of trial, and the event relevant to retroactivity of the rule is introduction of the testimony.” *Id.* Likewise, “the purpose of provisions conferring or eliminating



jurisdiction is to permit or forbid the exercise of judicial power—so that the relevant event for retroactivity purposes is the moment at which that power is sought to be exercised,” and therefore “applying a jurisdiction-eliminating statute” to “prevent any judicial action after the statute takes effect is applying it prospectively.” *Id.* at 293.

That logic maps onto this situation. The AIA’s inter partes review provisions regulate in what forum the USPTO conducts post-issuance patent review and how the parties participate in that review, rather than regulate a patent owner’s primary conduct of obtaining a patent. Conducting inter partes review therefore does not implicate retroactivity principles, regardless when the patent at issue was granted. *See Combs v. Commissioner of Soc. Sec.*, 459 F.3d 640, 647-49 (6th Cir. 2006) (en banc) (concluding that rule removing agency’s claimant-favorable presumption for disability claims was not retroactive because the “relevant activity” was the future “process of adjudicating social security disability benefits claims,” rather than the claimant’s prior application for benefits); *Celtronix Telemetry, Inc. v. FCC*, 272 F.3d 585, 588-89 (D.C. Cir. 2001) (concluding that rule increasing certain agency’s fees for licensee’s late license payments was not retroactive because, although the new rule “may have altered the value of the rights [the challenger] acquired” when awarded the license, the rule regulated the conduct of late payments rather than the “initial *issuance* of the license”).

**B. Any Retroactive Application Of Inter Partes Review  
Would Not Violate Due Process**

Even if this Court were to conclude that applying inter partes review to pre-AIA patents is a retroactive application of the law, Congress's deliberate decision to apply inter partes review to such patents comports with due process. Congress may regulate retroactively if it has a rational basis for doing so. *See Pension Benefit Guar. Corp. v. R.A. Gray & Co.*, 467 U.S. 717, 729 (1984). In this case, the AIA makes pre-AIA patents eligible for inter partes review by directing that such review "shall apply to any patent issued before, on, or after" the effective date of the AIA. *See* AIA § 6(c)(2)(A), 125 Stat. at 304.<sup>5</sup> That legislative choice was rational. Indeed, this Court in *Patlex* rejected the argument that applying a new form of post-issuance patent review to existing patents is unconstitutional and has therefore squarely foreclosed Evolved Wireless's challenge.

1. "[T]he Supreme Court has held that Due Process is satisfied 'simply by showing that the retroactive application of the [challenged] legislation is itself justified by a rational legislative purpose.'" *Commonwealth Edison Co. v. United States*, 271 F.3d 1327, 1341 (Fed. Cir. 2001) (en banc) (quoting *Pension Benefit Guar. Corp.*, 467 U.S. at 730). Retroactive legislation that "adjust[s] the burdens and benefits of economic

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<sup>5</sup> There is no dispute that the plain text of the AIA applies inter partes review to patents issued before the effective date of the statute. There is therefore no need to determine whether Congress intended to cover pre-AIA patents through consideration of the presumption against retroactivity. *See Landgraf*, 511 U.S. at 280.

life” is permissible as long as “the retroactive application of a statute is supported by a legitimate legislative purpose furthered by rational means.” *Pension Benefit Guar. Corp.*, 467 U.S. at 729. The Supreme Court has made “clear that legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations.” *Usery v. Turner Elkborn Mining Co.*, 428 U.S. 1, 16 (1976); see *Bank Markazi v. Peterson*, 136 S. Ct. 1310, 1325 (2016).

The “burden is on one complaining of a due process violation to establish that the legislature has acted in an arbitrary and irrational way.” *Turner Elkborn Mining*, 428 U.S. at 15; see *Commonwealth Edison*, 271 F.3d at 1341. Courts conduct this rationality review with “strong deference” to Congress’s choice, *Pension Benefit Guar. Corp.*, 467 U.S. at 729, because retroactive statutes “often serve entirely benign and legitimate purposes”—including the purpose of “correct[ing] mistakes” and “giv[ing] comprehensive effect to a new law Congress considers salutary.” *Landgraf*, 511 U.S. at 267-68. And Congress has particularly broad latitude to enact retroactive legislation in the public rights domain, where the relevant public purposes are substantial and a private party’s expectation interests are comparably weak. *Cf. id.* at 270 (noting that presumption against retroactive application of statutes applies to “statutes burdening *private rights*” (emphasis added)). As this Court has recognized, “the Supreme Court has repeatedly advised” that due process challenges to retroactive economic legislation “will only succeed in the rarest of cases.” *Commonwealth Edison*, 271 F.3d at 1345.

2. Congress acted rationally when it authorized the USPTO to conduct inter partes review of pre-AIA patents. The patent system “reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989). The Supreme Court explained in *Oil States* that inter partes review preserves that balance by authorizing the USPTO to cancel patents that erroneously “take from the public rights of immense value, and bestow them upon the patentee.” 138 S. Ct. at 1373 (alterations omitted) (quoting *United States v. American Bell Tel. Co.*, 128 U.S. 315, 370 (1888)). Congress in creating inter partes review “saw powerful reasons to utilize the expertise of the PTO for an important public purpose,” *MCM Portfolio*, 812 F.3d at 1290—namely, to protect “the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope,” *Oil States*, 138 S. Ct. at 1374 (quoting *Cuozzo*, 136 S. Ct. at 2144).

Congress’s fundamental statutory purpose is no less implicated with respect to patents that were already in place. Congress also sought to authorize inter partes review of those existing patents for “entirely benign and legitimate purposes.” *Landgraf*, 511 U.S. at 267-68. Congress indeed sensibly opted not to limit these procedures to patents issued after the AIA’s effective date, which would have delayed the beneficial effects of the AIA on the patent system by permitting defective patents to operate against the public for years to come. Having created a beneficial method

for improving the patent system, Congress reasonably determined that USPTO should apply that procedure to all existing patents.

Significantly, too, inter partes review is a curative measure designed “to correct the agency’s own errors in issuing patents in the first place.” *MCM Portfolio*, 812 F.3d at 1290. This Court and the Supreme Court have repeatedly recognized that Congress may legislate retroactively “to correct mistakes” in the prior administration of the laws. *Landgraf*, 511 U.S. at 268; see *GPX Int’l Tire Corp. v. United States*, 780 F.3d 1136, 1144 (Fed. Cir. 2015) (concluding that “remedial” nature of statute supports its retroactive application). In *Graham v. Goodcell*, 282 U.S. 409, 429 (1931), for example, the Supreme Court considered a challenge to “a curative statute aptly designed to remedy mistakes and defects in the administration” of a prior tax-collection program. The Supreme Court rejected the argument that “vested right[s]” in the prior tax scheme barred Congress from applying the statute retroactively. *Id.* As the Court explained, “[w]here the asserted vested right, not being linked to any substantial equity, arises from the mistake of officers purporting to administer the law in the name of the Government, the legislature is not prevented from curing the defect in administration” simply because doing so would deprive the challenger the benefit of the prior error. *Id.* at 429-30. Inter partes review advances comparable purposes by authorizing the reconsideration of the validity of potentially defective patents.

Retroactive legislation is thus permissible under due process even when it upsets reliance interests. See *United States v. Carlton*, 512 U.S. 26, 33-34 (1994); *Turner*

*Elkborn Mining*, 428 U.S. at 16; *GPX Int'l Tire*, 780 F.3d at 1142. And in any event, the purported expectation interests affected by inter partes review are distinctly weak. A patent owner does not have a meaningful expectation that an erroneously granted patent can be shielded from reconsideration by the same agency that granted the patent. Expectation interests in invalid patents are particularly minimal given that the “validity of a patent is not a matter that is ever fully and finally settled,” but rather “remains ‘ever-present,’ because any defendant may assert an invalidity defense in patent litigation.” 157 Cong. Rec. 13,042 (2011) (letter from former Judge Michael W. McConnell) (McConnell Letter) (quotation omitted). Every patent owner obtains her patent knowing that claims may later be invalidated in litigation. And every patent owner since 1980—*i.e.*, every current owner—has obtained her patent knowing that claims can be cancelled administratively (including through inter partes administrative proceedings since 1999). Congress did not negatively alter the relevant expectation interests when it improved the procedures to accomplish a result that could already occur in court or in other administrative proceedings. And there are no meaningful expectation interests in the particular *procedures* used in a given patent proceeding.

*Oil States* also rejected the theory that, because patents convey a form of property, Congress may not authorize the USPTO to reconsider patents after they issue. An issued patent reflects certain “attributes of personal property,” subject to statutory limitations, 35 U.S.C. § 261, and the Supreme Court has made clear that patents “convey only a specific form of property right”—“a public franchise”—that

is quintessentially amenable to administrative reconsideration. *Oil States*, 138 S. Ct. at 1375; see McConnell Letter, 157 Cong. Rec. at 13,042 (“[T]he theory that a patent is a vested right, which once granted may not be taken away . . . is a fundamental misconception.”). Given the limited property interest conveyed by a public right, it is hardly extraordinary for Congress to have authorized the USPTO to cancel patent claims that should never have been granted.

3. This Court in *Patlex* rejected a due process challenge to the retroactive application of *ex parte* reexamination identical in relevant respects to the challenge Evolved Wireless raises here. *Patlex* also forecloses Evolved Wireless’s challenge.

As with *inter partes* review, the *ex parte* reexamination statute enacted in 1980 authorized the USPTO to administratively reconsider all patents that “were granted before passage of the reexamination statute.” *Patlex*, 758 F.2d at 597. The parties in *Patlex* did not argue that applying *ex parte* reexamination to existing patents was not a retroactive application of the law, and so the Court did not address that threshold argument. But the Court nonetheless held that “the overriding public purposes Congress articulated in enacting the reexamination law with retroactive effect are entitled to great weight, and that Congress did not act in an arbitrary and irrational way to achieve its desired purposes.” *Id.* at 603.

The considerations that caused this Court to reject the retroactivity challenge in *Patlex* apply equally to *inter partes* review. The “important public purpose[s]” that motivated *ex parte* reexamination are the same purposes that motivated *inter partes*

review: to “settle validity disputes more quickly and less expensively” than in litigation; to bring “the expertise of the Patent Office” to bear on technical patentability questions; and to advance “‘the certainty of patent rights’ by affording the PTO a broader opportunity to review ‘doubtful patents.’” *Patlex*, 758 F.2d at 601-02. Like the reexamination statute, the AIA belongs to “the class of ‘curative’ statutes, designed to cure defects in an administrative system,” entitled to “relatively favored treatment from the courts even when applied retroactively.” *Id.* at 603. And Congress opted to apply inter partes review to existing patents for the same reason that it did with respect to ex parte reexamination—“to achieve an immediate impact on the patent incentive for invention and innovation.” *Id.* at 598.

Furthermore, the purported expectation interests affected by inter partes review are weaker than the interests at issue in *Patlex*. As *Patlex* recognized, prior to ex parte reexamination “there was no way the PTO or private persons could have forced these patents back into the examination phase against his will (except for their involvement in an interference).” 758 F.2d at 601. Even so, the Court concluded that the interests supporting ex parte reexamination defeated the challenger’s expectation interests in avoiding reconsideration of the patent, in part due to the “benefits that may accrue to [patent owners] following successful reexamination of the patents.” *Id.* at 603. By contrast, inter partes review was “hardly novel but rather [was] based on longstanding procedures established by Congress and repeatedly recognized as constitutional by the Federal Circuit.” McConnell Letter, 157 Cong. Rec. at 13,043.



Thus, under this Court's analysis in *Patlex*, Congress did not impermissibly undermine expectation interests when it authorized the USPTO to conduct inter partes review of pre-AIA patents.

4. Without acknowledging this Court's precedents, Evolved Wireless asserts (Br. 64) that applying inter partes review, "after a patentee was induced to disclose its invention to the public, violates due process." Evolved Wireless first cites *Eastern Enterprises v. Apfel*, 524 U.S. 498, 532-33 (1998) (plurality op.), for the proposition that the AIA "presents problems of unfairness . . . because it can deprive citizens of legitimate expectations." But the plurality opinion in *Eastern Enterprises* expressly did "not address [a] due process claim," *id.* at 538, and only Justice Kennedy would have held that the statute at issue violated due process on that basis, *see id.* at 539-50 (Kennedy, J., concurring in the judgment and dissenting in part). In any event, unlike the statute in *Eastern Enterprises*, the AIA does not "impose liability against [Evolved Wireless] based on the [prior] activities," *id.* at 532 (plurality op.), because Evolved Wireless has thus far enjoyed the benefit of its patent grant and because the USPTO's invalidation of its patent claims operates prospectively.

Evolved Wireless further likens (Br. 64) this case to situations where the Supreme Court had invalidated "the taxation of gifts made and completely vested before the enactment of the taxing statute." *Welch v. Henry*, 305 U.S. 134, 147 (1938). But the Supreme Court made clear that those "decision[s] . . . rested on the ground that the nature or amount of the tax could not reasonably have been anticipated by

the taxpayer at the time” of the prior conduct, *id.*, which is distinct from the situation here, where all existing patents have been granted subject to the possibility of *ex parte* reexamination and where patent owners must anticipate that erroneous patents may be invalidated through administrative or judicial proceedings.

**C. The Application Of Inter Partes Review To Pre-AIA Patents Does Not Constitute A Fifth Amendment Taking Of Property Without Just Compensation**

The USPTO’s cancellation of an erroneously issued patent through *inter partes* review does not effect a Fifth Amendment taking of property, even if the patent was issued before the AIA was enacted. It is a “bedrock requirement that the existence of a valid property interest is necessary in all takings claims.” *Wyatt v. United States*, 271 F.3d 1090, 1097 (Fed. Cir. 2001); *see Love Terminal Partners, LP v. United States*, 889 F.3d 1331, 1339 (Fed. Cir. 2018); *CRV Enters., Inc. v. United States*, 626 F.3d 1241, 1249 (Fed. Cir. 2010); *Cienega Gardens v. United States*, 331 F.3d 1319, 1328-29 (Fed. Cir. 2003). The first step in analyzing a takings claim is therefore to determine “whether the plaintiff possesses a valid interest in the property affected by the governmental action.” *Karuk Tribe v. Ammon*, 209 F.3d 1366, 1374 (Fed. Cir. 2000); *see Huntleigh USA Corp. v. United States*, 525 F.3d 1370, 1377 (Fed. Cir. 2008).

The USPTO’s cancellation of a defective patent through *inter partes* review rests on an underlying determination that the patent owner never had a valid property right because the patent was erroneously issued in the first instance. As the Supreme Court has explained, “[i]nter partes review involves the same basic matter as the grant

of a patent.” *Oil States*, 138 S. Ct. at 1374. Inter partes review is “a second look at an earlier administrative grant of a patent,” *id.* (quoting *Cuozzok*, 136 S. Ct. at 2144), as it also rests on the Patent Act’s provisions governing the conditions of patentability, *see* 35 U.S.C. § 101 *et seq.* The Board in an inter partes review thus “considers the same statutory requirements that the PTO considered when granting the patent,” *Oil States*, 138 S. Ct. at 1374 (citing 35 U.S.C. § 311(b)), and determines whether the patent met those requirements at the time it was issued. Moreover, the Director issues a certificate “canceling any claim of the patent finally determined to be unpatentable” only after this Court affirms the Board’s determination that the patent claims were unpatentable (or after the time to appeal has run). 35 U.S.C. § 318(b). Accordingly, when the Director cancels patent claims through inter partes review, the cancellation rests on a determination that the patent owner never had a “valid property interest,” *Wyatt*, 271 F.3d at 1097, and thus there was nothing for the government to take.

Indeed, just as a district court does not effect a Fifth Amendment taking when it finds patent claims invalid in litigation, the USPTO does not effect a Fifth Amendment taking when it finds patent claims unpatentable in an inter partes review. When a patent is determined to be invalid by a district court, that determination precludes the enforcement of the patent. *See Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313 (1971). Yet no one would suggest that judicial invalidation of the patent constitutes an uncompensated taking of property, for the court’s judgment simply determines that there is no “valid property interest” in the first place. *Wyatt*,

271 F.3d at 1097. The same principle applies here. As former Judge McConnell explained, “[i]f a party is issued a patent that does not comply with the patent laws—and the patent is therefore invalid—it is not a ‘taking’ for either a court or the PTO to determine that the patent is invalid.” McConnell Letter, 157 Cong. Rec. at 13,042. Indeed, “[j]ust as it is not a taking to determine that a person occupying land has a defective title to it, it is not a taking to determine that a patent holder never had a right to a patent in the first place.” *Id.*

In *Rogers v. United States*, for example, this Court rejected the plaintiffs’ takings claim against the United States as to a particular parcel of land, because the plaintiffs did not have valid title to the disputed land that the United States took into its possession. 814 F.3d 1299, 1303 (Fed. Cir. 2015). The plaintiffs argued that they held title and that a railroad company’s competing claim of title, based on possession of the deed, amounted only to an easement on the disputed land; however, this Court determined that, as the railroad company held the land in fee simple, the plaintiffs had no valid title and could not assert a takings claim in the first place. *Id.* Likewise, in *Karuk Tribe*, this Court held that, where plaintiffs “never had a compensable property interest” in the disputed land, a statute “did not take any private property of the plaintiffs.” 209 F.3d at 1370.

So too here. If this Court affirms the Board’s decisions that the claimed invention would have been unpatentable over the prior art under 35 U.S.C. §§ 102 and 103, then Evolved Wireless was never entitled to a patent on its invention, and inter

partes review did not take Evolved Wireless's property, because the company never had a valid property interest in the patent in the first instance. Evolved Wireless makes no attempt to address the "bedrock requirement" that a party have a "valid property interest" to show that the government has taken its property without just compensation under the Fifth Amendment. *See Wyatt*, 271 F.3d at 1097.

Nor does the AIA's establishment of inter partes review procedures, on its own, effect a taking of property. This Court made clear in *Patlex* that Congress's mere authorization of administrative procedures differing from those applied in district court cannot support a takings claim, because the procedures for assessing patent validity do not give rise to "a property right subject to the protection of the Constitution." 758 F.2d at 605. This Court has also rejected a patent holder's argument that "when its patent issued no mechanism existed by which the PTO could reexamine claims and find them to be unpatentable," and thus "property rights in its patent were taken within the meaning of the Fifth Amendment of the United States Constitution by the reexamination and subsequent cancellation of certain of the claims of its patent." *Joy Techs.*, 959 F.2d at 228. *A fortiori*, the AIA's mere legislative modification of the available administrative procedures for reviewing the patentability of issued patents does not constitute a taking of property.

In any case, the cancellation of Evolved Wireless's patent claims will occur until and unless this Court affirms the Board's determination of unpatentability, *see* 35 U.S.C. § 318(b), at which point the remaining market value of invalid claims will be

zero, meaning that no compensation would be constitutionally due. *See Horne v. USDA*, 135 S. Ct. 2419, 2432 (2015) (holding that just compensation “normally is to be measured by the market value of the property at the time of the taking” (quotation omitted)). Put differently, even assuming that the Director “takes” a patent by cancelling it after the claims are found invalid, there simply would be no future economic value those invalid patent claims for the Director to compensate.

Evolved Wireless contends (Br. 63-64) that because “the AIA lacks any ‘just compensation’ provision, the [USPTO] and [Board’s] action should be void *ab initio*.” But such a contention assumes that determining that patent claims are unpatentable is a taking of property, and Evolved Wireless in any event fails to articulate what non-zero compensation would be required when the Director cancels an invalid patent, as invalid patents lack any legitimate market value.

## CONCLUSION

For the foregoing reasons, the decisions of the Board should be affirmed.

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MARCH 2019

### **CERTIFICATE OF SERVICE**

I hereby certify that on March 12, 2019, I electronically filed the foregoing brief with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. Participants in the case are registered CM/ECF users, and service will be accomplished by the appellate CM/ECF system.

*s/ Dennis Fan*  
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**CERTIFICATE OF COMPLIANCE**

I hereby certify that this brief complies with the requirements of Federal Rule of Appellate Procedure 32(a). This brief contains 9,933 words.

*s/ Dennis Fan*  
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