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Private or Public Right? Who Should Adjudicate Patentability Disputes and Is the Current Scheme Really Constitutional?

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COMMENTS

PRIVATE OR PUBLIC RIGHT?

Who Should Adjudicate Patentability Disputes and Is the Current Scheme Really Constitutional?

INTRODUCTION	58
I. <i>INTER PARTES</i> AND POST-GRANT PROCEEDINGS: NEW	
ADMINISTRATIVE INNOVATION IN PATENT LAW.....	59
A. Pre-AIA: Administrative Review under the Patent Act of 1952	60
B. Post-AIA Administrative Review – Inter Partes Review	62
and Post-Grant Review	62
II. CONSTITUTIONAL CHALLENGES FOR ADMINISTRATIVE REVIEW:	65
<i>COOPER V. LEE</i> AND <i>MCM PORTFOLIO LLC V. HEWLETT-PACKARD CO.</i>	65
A. Cooper v. Lee	65
B. HP Decision from Federal Circuit	67
III. THE CONSTITUTIONALITY OF <i>INTER PARTES</i> REVIEW	69
UNDER THE SEVENTH AMENDMENT	69
A. Claim 1: A patent is a private right.....	69
1. Judges, Juries and the Seventh Amendment Rights of Inventors.....	69
B. Claim 2: A patent right is a public right.	72
IV. PROPOSED SOLUTIONS	73
CONCLUSION.....	74

INTRODUCTION

“The patent bargain is the foundation upon which the patent system is built: in exchange for protections for an invention, the inventor agrees to make public their inventions so that others may build upon it.”¹ The patent bargain creates a presumption of protection for the inventors, yet categorizing the patent a public right or a private right has diminished expectations for inventors and confusion for the masses. On October 11, 2016, the Supreme Court denied two petitions for writ of certiorari that challenged the constitutionality of Patent Trial and Review Board proceedings on the basis of the patent owner’s Seventh Amendment right to a jury trial and Article III separation of powers.² The latter of those cases is the cornerstone for which this comment rests. In *Cooper v. Lee*,³ Petitioner J. Carl Cooper asked the United States Supreme Court to review a section of the Leahy-Smith America Invents Act that established “*inter partes* review,” (IPR) a procedure for administrative review of a patent.⁴ Making a number of constitutional challenges, Cooper asserts that *inter partes* review empowers an executive agency tribunal to assert judicial power cancelling a private property right.⁵ Moreover, *Cooper* stresses that patent disputes among private parties are disputes that have been known in the common law courts of 1789, afforded a trial, and cannot be adjudicated by an advisory opinion.⁶ After a tumultuous trip through the legal system in an attempt to finally determine the constitutionality of the IPR system, the high court has again left us pondering the issue of patent adjudication. With its denial of the petitioner’s writ for certiorari, the Court has again refused to declare whether patent rights are a private or public right. What does this mean for patent owners going forward? The waters are murky, but we will continue to see the adjudication of patent disputes by a non-Article III tribunal.

This Comment examines a key question for patent administrative law: whether the grant of a patent is a public right, (i.e. a right that is primarily a concern of the public and can only be conferred by the government) thus subject to revocation by an administrative agency? In analyzing this concern, this

1. Editorial. *The patent bargain*. NATURE (Dec. 11, 2013), <http://www.nature.com/news/the-patent-bargain-1.14333> [<https://perma.cc/UTQ3-4DVD>].

2. See Petition for Writ of Certiorari. MCM Portfolio LLC v. Hewlett-Packard Co., No. 15-1330, 2016 WL 1729988 (Apr. 29, 2016), *cert. denied*, 2016 WL 1724103 (Oct. 11, 2016) (arguing cancellation of patent claims violated Seventh Amendment right to jury trial); Petition for a Writ of Certiorari, Cooper v. Lee, No. 15-955, 2016 WL 355184 (Jan. 21, 2016), *cert. denied*, 2016 WL 361681 (Oct. 11, 2016) (arguing violation of Separation of Powers).

3. Petition for a Writ of Certiorari, Cooper v. Lee, *supra* note 2.

4. *Id.*

5. *Id.*

6. *Id.*

Comment will address three subjects. First, this Comment will explore how section 311 of the Patent Act⁷ established the process of inter-partes proceedings and section 321⁸ established the post-grant review of patents. Second, this Comment will outline the case law challenging the constitutionality of section 311 and section 321.⁹ Third, this Comment will examine the competing perspectives of whether a patent is a public or private right. This Comment has important implications for whether section 311 and section 321 are constitutional exercises of congressional power. Finally, this Comment will attempt to foreshadow how the outcome of current case law will affect the patent bargain and adjudication scheme.

I. *INTER PARTES* AND POST-GRANT PROCEEDINGS: NEW ADMINISTRATIVE INNOVATION IN PATENT LAW

Examination remains the crucial element of the quid pro quo patent bargain.¹⁰ The federal government's patent power stems from a specific constitutional provision, which authorizes Congress "[t]o promote the [p]rogress of [s]cience and useful [a]rts, by securing for limited [t]imes to authors and [i]nventors the exclusive [r]ight to their respective [w]ritings and [d]iscoveries."¹¹ This clause provides inventors who obtain patents a great deal of power, while simultaneously creating limitations to those who are denied patentability.¹² As a member of the patent board for several years, Thomas Jefferson recognized the difficulty in "drawing a line between the things which are worth to the public the embarrassment of an exclusive patent, and those of which are not."¹³ "Jefferson, like other Americans, had an instinctive aversion to monopolies" and his theory of patent ownerships was based on the economic concerns of promoting technological advances rather than protecting inventors' moral rights to their discoveries.¹⁴ The inherent problems of the patent bargain inspired the development of statutory provisions that would weed out inventions that were not worthy of the exclusive right of patentability, while outweighing the restrictive effect of the patent monopoly.¹⁵ As such, any inventor who wishes to obtain a patent on a particular invention or claimed form of art must first file an application with the United States Patent and Trademark

7. 35 U.S.C. § 311 (2012), amended by Pub. L. 112-274, §1(d)(2) (2013).

8. *Id.*

9. *See supra* note 2.

10. *See generally* *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1 (1966).

11. U.S CONST. art. I, § 8, cl. 8.

12. *Graham*, 383 U.S. at 4–5.

13. *Id.* at 9.

14. *Id.* at 7–9.

15. *Id.* at 10–11.

Office (USPTO), that contains a specific oath by the applicant that they are the true creator of the invention at bar.¹⁶ A USPTO examiner will then review the application and determine whether the claims present in the application are patentable.¹⁷ If the applicant meets the statutory requirements, the USPTO will issue a patent to the inventor.¹⁸ However, controversy arises to the question of whether a patent can be reviewed after issuance of a decision by the USPTO.¹⁹ Administrative review of the issuance of patents can be separated by two significant time periods: The Patent Act of 1952, and the America Invents Act of 2011 (AIA).²⁰ The two periods are commonly known as Pre-AIA and Post-AIA.

A. Pre-AIA: Administrative Review under the Patent Act of 1952

Before 1980, a party could only challenge the validity of an issued patent through the courts in jury trials.²¹ In 1980, Congress enacted the first statute which allowed for an administrative alternative to federal court litigation for patent issuance disputes known as “*ex parte* reexamination.”²² Section 302 of the Patent Act authorized an *ex parte* reexamination in which a patent owner or third party could request that the USPTO reexamine that patentability of an issued patent.²³ Upon granting a petition for *ex parte* review, the USPTO would reexamine the question of patentability and issue a final office action that could lead to reexamination of an issued patent.²⁴ *Ex parte* reexamination was limited as only the patent owner could seek administrative appellate review of any rejection by the USPTO.²⁵ In a review of this procedure, Congress determined that *ex parte* reexamination was inadequate because it failed to allow third party requestors to participate in the review process.²⁶

Beyond its practical infirmities, Section 302 of the Patent Act of 1952 was

16. See 35 U.S.C. §§ 111(a), 115 (2012).

17. *Id.*

18. *Id.*

19. See generally Robert P. Greenspoon, *SCOTUS asked to consider constitutional challenges to post grant proceedings*, IPWATCHDOG (Jan. 21, 2016), <http://www.ipwatchdog.com/2016/01/21/scotus-asked-consider-constitutional-challenge-post-grant-patent-proceedings/id=65129/>.

20. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

21. See *Patlex v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985).

22. See Act of Dec. 12, 1980, Pub. L. No. 96-517, 94 Stat. 3015 (1980) (codified at 35 U.S.C. ch. 30).

23. See 35 U.S.C. § 302; see also *Syntex (USA), Inc. v. USPTO*, 882 F.2d 1570, 1573 (Fed. Cir. 1989) (outlining the basic contours of the *ex parte* reexamination statute that gave third-party requestors no right to participate in the reexamination process).

24. 35 U.S.C. § 305.

25. 15 U.S.C. § 306(b) (2012).

26. *Patlex*, 758 F.2d at 601.

also challenged on constitutional grounds. The United States Court of Appeals for the Federal Circuit (Federal Circuit) considered whether the *ex parte* reexamination procedure was constitutional in two key cases: *Patlex v. Mossinghoff and Joy Technologies, Inc. v. ManBeck*.²⁷ First, in *Patlex*, a 1985 case, the Federal Circuit examined how vested property or other interests are protected by the Fifth Amendment, the Seventh Amendment, or Article III, against the retrospective effect of patent reexamination. “If so, did the provisions of Public Law 96–517 or any of its implementing regulations effect a deprivation of protected interests?”²⁸ Under 35 U.S.C. § 261, which provides that “[s]ubject to the provisions of this title, patents shall have the attributes of personal property,”²⁹ appellants argued that the section must be interpreted to mean that the inventor’s bundle of rights following the issuance of a patent are protected with the same constitutional muster as tangible property rights.³⁰ “It is beyond reasonable debate that patents are property.”³¹ As such, the appellant asserted that he “has been deprived of the right to have validity determined by a jury and an Article III court, both of which rights are founded in the Constitution.”³² The Federal Circuit was not persuaded by the appellants’ arguments and upheld the constitutionality of *ex parte* reexamination by the USPTO.³³ Specifically, the Federal Circuit did not read *McCormick Harvesting* as forbidding Congress from authorizing reexamination to correct governmental mistakes, even against the will of the patent owner.³⁴ Even so, the court again failed to determine the extent of Congress’s reexamination authority and how that impacts the protections afforded to inventors. So, litigation continued.

In *Joy Technologies, Inc. v. ManBeck*, the Federal Circuit once again considered whether or not *ex parte* reexamination proceedings violate the Seventh Amendment or Article III of the Constitution.³⁵ The petitioner in *Joy* requested that the court of appeals “review the district court’s conclusion that

27. See generally *Patlex*, 758 F.2d 594; *Joy Techs., Inc. v. ManBeck*, 959 F.2d 226 (Fed. Cir. 1992).

28. *Patlex*, 758 F.2d at 598–599; see *In Consol. Fruit Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“A patent for an invention is as much property as a patent for land. The right rests on the same foundation and is surrounded and protected by the same sanctions.”).

29. 35 U.S.C. § 261.

30. *Patlex*, 758 F.2d at 600.

31. *Id.*

32. *Id.* at 603.

33. *Id.*

34. *Id.* at 604 (holding “[v]alidity often is 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.”).

35. See *Joy Techs.*, 959 F.2d at 226.

the reexamination statute does not unconstitutionally deprive a patentee of a jury trial and the court's imposition of costs against *Joy* pursuant to 35 U.S.C. § 145."³⁶ *Joy* further questioned the vitality of the *Patlex* ruling.³⁷ Rejecting the petitioner's arguments and relying heavily on the ruling in *Patlex*, the court of appeals held that the ex parte reexamination proceedings do not violate the Seventh Amendment or Article III of the Constitution.³⁸ "Together, *Patlex* and *Joy* settled the question of whether the PTO can adjudicate the validity of issued patents for a generation."³⁹ Yet, thirty years later, the Court has been asked again to consider whether administrative tribunals reviewing the validity of issued patents violates the patentee's Seventh Amendment right to a jury trial. And again, they have failed to provide insight.

*B. Post-AIA Administrative Review – Inter Partes Review
and Post-Grant Review*

In 2011, Congress passed the Leahy-Smith America Invents Act.⁴⁰ The Act asserted the USPTO's administrative authority which had been limited under the 1952 Act. These limitations were a result of the Federal Circuit assuming exclusive responsibility for making substantive interpretations of the Patent Act and "historically cho[osing] not to defer to agencies on the issues of patent law."⁴¹ However, the USPTO pushed back; this push for agency rulemaking authority played a fundamental role in the reforms of the AIA.⁴² One commenter refers to the historical shift in substantive rulemaking authority as the "power struggle" between the Federal Circuit and the USPTO.⁴³ Pre-AIA, the substantive restrictions on the USPTO's rulemaking authority stemmed from the courts' patriarchal mentality. Yet, ultimately the USPTO won the struggle for rule-making authority with the enactment of the AIA.⁴⁴ The AIA not only addressed the rulemaking authority of the agencies, but also addressed the fundamental deficiencies in the patent system, the delays in the review

36. *Id.* at 227.

37. "*Joy* contends that '[t]he Seventh Amendment analysis requirements established in *Granfinanciera v. Nordberg* and *Tull v. United States* raise serious doubt about the present vitality of *Patlex*.'" *Id.* at 228 (citations omitted).

38. *Id.* at 228–229.

39. Daniel C. Cooley, J. Derek McCorquindale & Jason L. Romrell, *The Constitutional Argument Against Agency Adjudication: Can the PTAB invalidate an issued Patent?* 89 Pat. Trademark & Copyright J. (BNA) No. 2203, at 1305 (March 13, 2015).

40. H.R. REP. No. 1249 (2011).

41. Sapna Kumar, *Expert Court, Expert Agency*, 44 U.C. DAVIS L. REV. 1547, 1550 (2011).

42. Sarah Tran, *Patent Powers*, 25 HARV. J.L. & TECH 609, 616–17 (2012).

43. *Id.*

44. *Id.*

process and the inconsistent quality of patents issued.⁴⁵ Prior to its enactment, the culmination of frustrations with the patent system under the 1954 act prompted two professors to assert in 2009 that “[t]he patent system is in crisis.”⁴⁶

In an attempt to correct the crisis, the AIA contained a slew of reforms, most significantly diverting patent validity into an administrative agency tribunal after the issuance of the patent.⁴⁷ After establishing the Patent Trial and Appeal Board (PTAB), Congress further expanded the tools for reviewing validity with the establishment of *inter partes* review (IPR) and post-grant proceedings.⁴⁸ Now, an individual or entity may only petition for *inter partes* review under section 311.⁴⁹ By giving the USPTO and the PTAB broad control over their new “trial like” proceedings, Congress shifted the substantive rule-making authority to the agency and away from the courts.⁵⁰ As can be expected, this shift and the subsequent regulations led to even more confusion over the scope of patent protection and extent of federal authority.

First, the creation of a post-grant review provides the USPTO the opportunity to set substantive patent law standards and make patent policy through its trial-like proceedings.⁵¹ Codified under 35 U.S.C. § 321, post-grant review proceedings are conducted by the newly established PTAB, and the USPTO proceedings are most likely to invalidate a patent.⁵² Still, post-grant review allows an inventor or third party to challenge the validity of a patent to an administrative board instead of a court.⁵³ In Sarah Tran’s *Patent Powers* article, Tran implies that the availability of post-grant proceedings may provide a benefit to those that cannot pay the high price of patent litigation, like small businesses and other parties with limited financial resources.⁵⁴ However, the PTAB’s broad discretion and the other policy factors that it considers in its decision creates a standard that directly impact whether parties can retain their fundamental patent rights.

45. *Id.* at 627.

46. DAN L. BURKE & MARK A. LEMLEY, *THE PATENT CRISIS AND HOW THE COURTS CAN SOLVE IT* 22–29 (2009).

47. James E. Daily and F. Scott Kieff, *Benefits of Patent Jury Trials for Commercializing Innovations*, 21 *GEO. MASON L. REV.* 865, 878–79 (2014) (“One reason for this is that larger firms generally are thought to be more effective at bringing political influence to bear in agency determination.”).

48. *See generally* 35 U.S.C. §§ 321–29 (2012).

49. *See id.* § 311(b).

50. Tran, *supra* note 42, at 631.

51. *Id.*

52. *Id.* at 631–32.

53. *Id.* at 632.

54. *Id.*

The second tool given to the PTAB in regulating patent validity is the *inter partes* review codified under 35 U.S.C. § 326(b). After the PTAB conducts its *inter partes* review, the PTAB decides whether to institute *inter partes* proceeding that is final and non-appealable.⁵⁵ During the *inter partes* proceeding, the patent owner and challenger is entitled to take depositions to assist the PTAB in conducting its review.⁵⁶ The *inter partes* review proceedings, including the PTAB's final written determination regarding the validity of the challenged patent claims, must be completed within one year of the commencement of proceedings.⁵⁷ After completing the *inter partes* review proceedings, as a final measure, Congress provides for appellate review in the Federal Circuit.⁵⁸

Although not the focus of this comment, the difference between the *inter partes* review scheme and post grant proceedings is an important distinction. Specifically, the standard necessary to institute an *inter partes* review rests on a showing that “there is a reasonable likelihood that the petitioner would prevail with respect to at least one of the claims challenged.”⁵⁹ Whereas, the prerequisite to institute a post-grant review requires “more likely than not that at least one of the claims challenged in the petition is unpatentable,”⁶⁰ or that “the petition raises a novel or unsettled legal question that is important to other patents or patent applications.”⁶¹ Although the parties participating in the *inter partes* review have less flexibility than if they acted fast enough to avail themselves of post grant review, both of these standards afford the USPTO extremely broad statutory authority over standards that immensely impact the patent rights of inventors, and alter historical patent policy.⁶² It seems that between the Patent Act of 1952, and the American Invents Act of 2011, patent rights have decreased for inventors and the barriers to agency adjudication have increased. Although the intention of the AIA was to make the patent process quicker and less costly for inventors, in reality, it has diminished the ability of small businesses to challenge invalidity and it has opened a Pandora's box of further litigation brought by inventors who demand patent rights under the same standard as private rights for land. Moreover, it has denounced the adjudication

55. 35 U.S.C. § 314(d) (2012); *Versata Dev. Corp. v. Rea*, 959 F. Supp. 2d 912, 920 (E.D. Va. 2013).

56. 35 U.S.C. § 316(a)(5).

57. *Id.* § 316(a)(11).

58. Parties who are dissatisfied with the final written decision of the PTAB may appeal the decisions. *Id.* § 319 (2012).

59. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 6, 125 Stat. 284 (2011) (codified at 35 U.S.C. § 314(a)).

60. 35 U.S.C. § 324(a)).

61. *Id.*

62. Tran, *supra* note 42, at 635.

under the same standards as public rights. Recently, these constitutional challenges have recently been highlighted in several recent petitions to the Supreme Court. The petitioners beg the Supreme Court to clarify the answer the age-old question on our minds: is a patent right a private right or a public right?

II. CONSTITUTIONAL CHALLENGES FOR ADMINISTRATIVE REVIEW:
COOPER V. LEE AND *MCM PORTFOLIO LLC V. HEWLETT-PACKARD CO.*

The arguments rejected in *Patlex* and *Joy* resurfaced in recent litigation involving constitutional challenges to administrative review in the form of post grant and *inter partes* under the AIA. Confusion over the Supreme Court's Article III "public right" jurisprudence has reached its apex in two cases pending on writ of certiorari to the Supreme Court. The first, *Cooper v. Lee*,⁶³ raises constitutional challenges to the new post-grant proceedings available to PTAB under the AIA.⁶⁴ The second, *MCM Portfolio LLC v. Hewlett-Packard Co.*,⁶⁵ similarly raises the constitutional challenge to the *inter partes* review under Article III and the Seventh Amendment.⁶⁶ The constitutional challenges to the new IPR and post-grant proceedings are not new to the Supreme Court. Although the AIA initiated these proceedings in 2011, the real threshold issue, which has plagued patent adjudication since the beginning of time, is whether patent rights are a private or a public right, and once determined, what agencies have the power to grant or deny a patent to an inventor. And, although the Supreme Court has declined to take on either of these cases, the two cases provide pivotal insight to the regulatory patent scheme. More importantly, these two cases illustrate the confusion in how the Supreme Court's long-standing precedent related to agency actions will affect patents for both invention and land.⁶⁷

A. *Cooper v. Lee*

Recently, the petition for writ of certiorari in *Cooper* was denied by the Supreme Court of the United States.⁶⁸ There, the petitioner, J. Carl Cooper, questioned whether 35 U.S.C. § 318(b) violates Article III of the United States Constitution. *Inter partes* review proceeding established under that section of the AIA grants broad authority to an executive agency tribunal to assert judicial

63. See *Cooper v. Lee*, 86 F. Supp. 3d 480 (E.D. Va. 2015), *appeal transferred* (Oct. 2, 2015), *aff'd* (Jan. 14, 2016).

64. See 35 U.S.C. § 318.

65. See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015).

66. *Id.* at 1285.

67. See, e.g., *McCormick Harvesting Mach. Co. v. Aultman-Miller Co.*, 169 U.S. 606 (1898).

68. See *Cooper*, 86 F. Supp. 3d at 480.

power to cancel private property rights amongst private parties.⁶⁹ J. Carl Cooper's argument rests on the sentiment that patent rights have always been considered private rights and have been embroiled in a private federal dispute of a type known in the common law courts of 1789, rather than merely issue an advisory opinion as an adjunct to a trial court.⁷⁰

The relevant procedural background in the case is as follows. J. Carl Cooper is an inventor and owner of numerous patents.⁷¹ Cooper granted eCharge Licensing, LLC an exclusive license to a number of his patents.⁷² eCharge sought a jury's determination of infringement, validity, and damages as to the three patents.⁷³ In response, the defendant in that action petitioned the PTAB to conduct an *inter partes* review of Mr. Cooper's patents Nos. 6,764,005; 7,828,207; and 8,490,875.⁷⁴ On May 15, 2014, the PTAB initiated *inter partes* reviews of Cooper's three patents.⁷⁵ Rather than awaiting the decision of the Board, Cooper filed a civil action in the United States District Court for the Eastern District of Virginia, arguing that the *inter partes* review proceedings are unconstitutional on several grounds.⁷⁶ Moving for summary judgment, Cooper relied on *United States v. American Bell Telephone Co.*,⁷⁷ quoting the proposition that "[t]he power . . . to issue a patent for an invention, and the authority to issue such an instrument for a grant of land, emanate from the same source, and although exercised by differed bureau or officers under the government, are of the same nature, character, and validity."⁷⁸ This sentiment framed the theory for which Cooper proceeded—that patent rights are private rights and thus, cannot be adjudicated by legislative courts and administrative bodies without violating constitutional protections.⁷⁹ Accordingly, Cooper makes the argument that "colloquially speaking, it has never been the case that the PTO can rightfully 'bring a patent into this world,'

69. *Id.*

70. *Id.* at 481.

71. *Id.*

72. *Id.* Petitioner J. Carl Cooper is an individual and owner of the relevant United States patents, Petitioner eCharge LLC is an Illinois entity that helps inventors effectively license their intellectual property.

73. *Id.* at 481.

74. eCharge Licensing LLC v. Square, Inc., Case No. 1:13-cv-06445 (N.D. Ill. 2015).

75. *See id.*

76. Dennis Crouch, *Constitutional Challenges to IPR Continue*, PATENTLYO (July 3, 2015), <http://patentlyo.com/patent/2015/07/constitutional-challenges-continue.html> [<https://perma.cc/L778-UBSA>].

77. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315 (1888).

78. *See* Plaintiff's Memorandum in Support of Motion for Summary Judgment at 2, Cooper v. Lee, No. 1:14-cv-00672 (E.D. Va. June 5, 2014) (Dkt. No. 4) (quoting *Am. Bell*, 128 U.S. at 358–59).

79. *Id.*

and then later ‘take it out.’”⁸⁰ The district court denied Cooper’s motion finding that Cooper’s claims fail relying on the statutory scheme for administrative review established in *Patlex* and *Joy*.⁸¹ The district court also denied Cooper’s motion on the grounds that it lacked jurisdiction as Cooper had not exhausted the administrative process before raising an external constitutional challenge.⁸² Specifically, Congress intended the exhaustion doctrine to apply to *inter partes* review because

(1) the express language of the AIA; (2) the procedures for *inter partes* review proceedings defined by Congress and the statutory scheme for administrative and judicial review of said proceedings; and (3) the AIA expressly permitting judicial review of the PTAB’s decisions only once the PTAB’s ‘final written decision’ has issued.⁸³

Cooper appealed the lower court’s decision to the United States Court of Appeals for the Fourth Circuit.⁸⁴ After briefing, the Fourth Circuit transferred the case to the Federal Circuit. Subsequently, the Federal Circuit stayed the appeal pending the outcome of *MCM Portfolio LLC v. Hewlett-Packard Co.*

B. HP Decision from Federal Circuit

The companion case to *Cooper*, *MCM Portfolio LLC v. Hewlett-Packard Co.*, again raises important questions regarding the constitutionality of PTAB proceedings under Article III and the Seventh Amendment. In this case, MCM is the owner of U.S. patent No. 7,162,549 (549 patent), which claims methods and systems for coupling computer systems with a flash memory storage system.⁸⁵ Hewlett-Packard Co. (HP) filed a petition with the USPTO requesting *inter partes* review of the several claims of the 549 patent under Section 311 asserting that the claims were obvious.⁸⁶ In response, MCM argued that *inter partes* proceedings should have never been conducted because it was barred for privacy reasons under section 315(b).⁸⁷ The PTAB determined that HP’s petition demonstrated a “reasonable likelihood” that the challenged

80. *Id.*

81. *Cooper v. Lee*, 86 F. Supp. 3d 480, 483 (E.D. Va. 2015)

82. *Id.* See *Cooper v. Lee*, 2015 U.S. Dist. LEXIS 19419, Case No. 1:14-cv-00672-GBL-JFA, (E.D. Va. Feb. 18, 2015).

83. *Cooper*, 86 F. Supp. 3d at 480, 485; See 35 U.S.C. § 318(a) (2012).

84. *Id.* See Petition for Writ of Certiorari at 13, *Cooper*, No. 15-955.

85. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1285 (Fed. Cir. 2015).

86. *Id.* at 1287.

87. *Id.* See also 35 U.S.C. §315(b).

claims in the 549 patent were invalid as to obviousness.⁸⁸ After a trial, the PTAB issued a final written decision that the challenged claims would have been obvious because HP showed by a preponderance of the evidence that the claims were obvious, and in doing so, the PTAB rejected MCM's argument that IPR review violated Article III and MCM's Seventh Amendment rights.⁸⁹ On appeal, MCM challenged the institution of IPR on two constitutional grounds. First, MCM argued 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.⁹⁰ Second, 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."⁹¹ However, mirroring the decision in *Cooper*,⁹² the appellate court rejected MCM's claims "[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."⁹³ Unfortunately, the Federal Circuit's decision in MCM was contrary to Cooper's wishes and the court upheld the constitutionality of the IPR proceeding.⁹⁴

Still, believing that his case was an ideal and necessary vehicle for clarifying Article III jurisprudence, and fixing the damage to the patent system, Cooper petitioned the Supreme Court for certiorari to clarify the issue of the constitutionality of IPR.⁹⁵ However, the Court failed to accept and, in doing so, failed to resolve the issue of whether patent protections are private or publicly held rights.

Where do the Federal Circuit decisions leave inventors? As one commenter notes, "the Federal Circuit's conclusion that a patent is a public right rather than a private right is at a minimum questionable."⁹⁶ Although the Supreme Court denied certiorari to these two cases, the petitioners raise pertinent issues regarding the current state of the patent scheme. Accordingly, the next section

88. *MCM Portfolio LLC*, 812 F.3d at 1287.

89. *Id.*

90. *Id.* at 1288.

91. *Id.* at 1292; U.S. CONST. amend. VII.

92. *Cooper v. Lee*, 86 F. Supp. 3d 480, 483 (E.D. Va. 2015).

93. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015).

94. Petition for Writ of Certiorari at 14, *Cooper*, No. 15-955.

95. *Id.* at 36.

96. Charles R. Macedo, David Goldberg & Robert J. Rando, *NYIPLA Urges SCOTUS to Clarify Constitutionality of PTAB Proceedings in MCM Portfolio LLC v. Hewlett-Packard Co.*, IPWATCHDOG (June 1, 2016), <http://www.ipwatchdog.com/2016/06/01/nyipla-urges-scotus-constitutionality-ptab/id=69641/>.

of this comment will discuss the petitioner's arguments in *Cooper* and *MCM*. This Comment will focus on Cooper's argument that IPR violates the Seventh Amendment because it contradicts the long-standing precedent holding that patents are property rights and thus, afforded adjudication by a jury.

III. THE CONSTITUTIONALITY OF *INTER PARTES* REVIEW UNDER THE SEVENTH AMENDMENT

This section directly addresses the key question raised in both *Cooper* and *MCM*. Because a patent is private right rather than a public right, do *inter partes* and post grant proceedings violate the Seventh Amendment right to a jury trial? This section first examines a patent as a private right is a property claim that cannot be revoked without a jury trial under the Seventh Amendment. This next section examines the second claim, that a patent is a public right, and therefore, can be revoked based upon an administrative adjudication.

A. Claim 1: A patent is a private right

The district court's decision in *Cooper* and the Federal Circuit's decision in *MCM*, holding that patent rights are public rights, was unprecedented and completely contradicted the long recognition of the Court's constitutional protections of patents as private rights, which reaches back to the early American Republic.⁹⁷ This claim is crucial in the analysis. First, Cooper claimed that patents rights are private property rights, and therefore can only be remedied by actions in a jury trial.⁹⁸ Thus, allowing *inter partes* review as a form of patent adjudication is in direct conflict with this right to a jury trial. This was echoed in the *MCM Portfolio* case, where the petitioner argued 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."⁹⁹

1. Judges, Juries and the Seventh Amendment Rights of Inventors

The U.S. patent system has long depended on the decisions of lay judges and juries in the adjudications of patent disputes.¹⁰⁰ The AIA's creation of *inter partes* review consequently abolished the patent jury trials, and put the adjudication process in the hands of an administrative agency. Cooper makes

97. See Brief of Professor Adam Mossoff as Amicus Curiae in Support of Petitioners, *Cooper v. Lee*, No. 15-955, 2016 WL 825985 (Feb. 29, 2016).

98. See Petition for a Writ of Certiorari, at 12, *Cooper v. Lee*, No. 15-955, 2016 WL 355184 (Jan. 21, 2016).

99. *MCM Portfolio LLC*, 812 F.3d at 1292 (quoting U.S. CONST. amend. VII).

100. Daily & Kieff, *supra* note 47, at 865 (discussing the criticisms and benefits of adjudicating patent disputes by patent juries).

the argument that the patentee is deprived of the right of a jury trial because *inter partes* review involves the adjudication of patent validity without affording them a jury trial.¹⁰¹ However, critics of the patent jury trials allege that trials are extraordinarily expensive and result in inaccurate determinations because lay judges and juries lack expertise in the area.¹⁰² In deciding whether a right to a jury trial exists in a particular patent case, courts look to whether it more closely resembles an action at law, or action of equity.¹⁰³ Patent infringement suits have a long history in the common law, and thus, that of a jury trial.¹⁰⁴ The Court has adjudicated Patent Rights, and explained that

[a]lthough 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.¹⁰⁵

Thus, as the petitioners in *MCM Portfolio* urged, the determination of whether a right is a private right afforded adjudication by a jury trial requires that courts, “[f]irst 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.”¹⁰⁶ MCM argues that under this test, IPR indeed violate the Seventh Amendment, because patents on inventions are descendants of a body of law that requires factual determinations in order to determine validity.¹⁰⁷

As the MCM petition states, the post grant proceedings conducted by the PTAB are in reality a trial.¹⁰⁸ Once the proceedings are initiated, the PTAB

101. *Cooper v. Lee*, 86 F. Supp. 3d 480, 481 (E.D. Va. 2015).

102. Kimberly A. Moore, *Judges, Juries and Patent Cases – An Empirical Peek inside the Black Box*, 11 FED. CIR. B.J. 209, 256–57 (2001) (arguing that the technical nature of patent cases make lay juries unsuitable fact finders).

103. *In re Lockwood*, 50 F.3d 966, 974 (Fed. Cir. 1995).

104. *See, e.g., Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996) (“Equally familiar is the descent of today’s patent infringement action from the infringement actions tried at law in the 18th century, and there is no dispute that infringement cases today must be tried to a jury, as their predecessors were more than two centuries ago.”).

105. *Granfinanciera v. Nordberg*, 492 U.S. 33, 41–42 (1989) (quoting *Curtis v. Loether*, 415 U.S. 189, 193 (1974)).

106. *Tull*, 481 U.S. 412, 417–18 (1987) (citations omitted).

107. *See Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 992–93 (Fed. Cir. 1995), *aff’d*, 517 U.S. 370 (1996).

108. *Petition for a Writ of Certiorari at 5, MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330, 2016 WL 1729988 (Apr. 29, 2016).

conducts an adversarial trial before a panel of the same administrative judges who made the decision to initiate the proceedings.¹⁰⁹ Further, the parties in a PTAB proceeding take discovery and then present their arguments and relevant evidence, but instead of doing so to a judge or jury, they present to the PTAB.¹¹⁰ To succeed, the petitioner must only prove invalidity by a preponderance of evidence, as the PTAB is the sole decision-making authority,¹¹¹ and the final determination is non-appealable.¹¹² However, even though the PTAB proceedings hold the exact same effect and pose the same procedure to patentees, it provides none of the traditional rights to litigants.¹¹³ According to a study in the University of Chicago Law Review, the PTAB has invalidated at least one “claim”—or part—in almost 80% of the patents.¹¹⁴ As such, private patent rights are denied at a much higher rate, leading some commenters to use the term “patent death squad” when referring to the PTAB.¹¹⁵

The *MCM* petition stated the issue most clearly, citing to Supreme Court precedent that “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatsoever, is vested in the courts of the United States, and not the department which issued the patent.”¹¹⁶ Further, Adam Mosshoff argued in his amicus brief that “[t]his Court unequivocally defined patents as property rights in the early American Republic.”¹¹⁷ As evidence of this assertion, Mosshoff quoted a unanimous Supreme Court opinion written by Justice Joseph Story stating, “that the patent secures to an inventor . . . a property in his inventions; a property which is of very great value, and of which the law intended to give him absolute enjoyment and possession.”¹¹⁸ It seems

109. *Id.* at 4.

110. *Id.* at 5.

111. *Id.*

112. See 35 U.S.C. § 314(d) (2012). Section 314(d) provides that “[t]he determination . . . whether to institute an *inter partes* review under this section shall be final and non-appealable.”

113. See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996).

114. Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93 (2014).

115. Ryan Davis, *PTAB's 'Death Squad' Label Not Totally Off-Base, Chief Says*, LAW 360 (Aug. 14, 2014), <http://www.law360.com/articles/567550/ptab-s-death-squad-label-not-totally-off-base-chief-says> [https://perma.cc/7W7B-92AQ].

116. *McCormick Harvesting Mach. Co. v. Aultman-Miller Co.*, 169 U.S. 606, 609 (1898); see also *Am. Bell Tel. Co.*, 128 U.S. at 364. (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.”)

117. *McCormick*, 169 U.S. at 609 (1898).

118. Brief of Professor Adam Mossoff as Amicus Curiae in Support of Petitioners, *supra* note 97, at 4 (quoting *Ex Parte Wood*, 22 (9. Wheat) 603, 608 (1824); See also *Hayden v. Suffolk Mfg. Co.*, 11 F. Cas. 900, 901 (C.C.D. Mass. 1862) (No. 6,261) (instructing jury that a patent right, gentlemen, is a right given to a man by a law where he has a valid patent, and, as a legal right, is just as scared as any right of property.).

that the Supreme Court and legal scholars have agreed that patent rights are property rights afforded to private citizens, so where does the conflict arise?

B. Claim 2: A patent right is a public right.

It is also easy to see the other side of the argument, which stresses that allowing patent jury trials pre-AIA clogged the court with litigation, and put information in front of a lay jury that may have a hard time digesting it.¹¹⁹ As the Court in *Patlex* and *Joy* concluded, patent rights are public rights and subject to regulation by the government. Further, just as the district court in *Cooper* and the appellate court in *MCM* decided, Congress has long provided administrative mechanisms for regulation of the patent scheme.¹²⁰ The patent bargain also plays a big role in the respondent's argument. The respondent rests its case on the fundamental purpose of patent law. The basic aim of patent law is to balance the interest of investors on one hand and the interest of the public on the other.¹²¹ Thus, to incentivize inventors, the patent system must reward them for novel works of original art, and not create an unduly burdensome process of examining and reexamining claims.

This Court previously addressed the idea of patents as a public right.¹²² In doing so, it determined that “what makes a right public rather than private rests on whether that right is related to a ‘particular federal action.’”¹²³ Moreover, the respondent suggests that the petitioners, specifically Adam Mossoff's amici curiae, ignores the Supreme Court's modern holdings and rely on dated case law, many of which comes from the nineteenth century.¹²⁴ Also, the respondent claims that the petitioner's argument lacks merit because the cases they rely on involve patents for land and were all decided on statutory rather than constitutional grounds.¹²⁵ This is the respondent's strongest argument against the unconstitutionality of the IPR proceedings. As such, it could be inferred that the history of patent law transformed to fit the needs of society. The Patent Act of 1952 provides support for that idea. Under the Patent Act of 1952, Congress provided for administrative mechanisms for third parties seeking

119. William Rose, *Calming Unsettled Waters: A Proposal for Navigating the Tenuous Power Divide Between the Federal Courts and the USPTO Under the American Invents Act*, 22 WM. & MARY BILL OF RTS. J. 613, 632–37 (2013).

120. Brief for the Respondent in Opposition of Writ of Certiorari, *Cooper v. Lee*, *Cooper v. Lee*, No.15-955, 2016 WL 1426908.

121. *Purpose of Patent Law*, RENTSCH PARTNER, <http://www.rentschpartner.ch/en/patent-law/overview-on-patent-law-in-switzerland/purpose-of-patent-law> [<https://perma.cc/7YQZ-ZHCQ>] (last visited Jan. 20 2017).

122. See *Stern v. Marshall*, 564 U.S. 462, 483–85 (2011).

123. See *Crowell v. Benson*, 285 U.S. 22 (1932).

124. Brief for Respondent in Opposition of Writ of Certiorari, *supra* note 120, at 14.

125. *Id.*

reconsideration, and in doing so created *ex parte* reexamination.¹²⁶ This statute broadened the USPTO's power over the ability to cancel or at least halt patentability.¹²⁷ Again, in 1999, Congress expanded the powers of the USPTO to review and determine the patentability of claims in issued patents by creating the *inter partes* review process.¹²⁸ Finally, in 2011, under the AIA, Congress expanded the powers of the USPTO to establish their own board of adjudicating authority. This is said to be a response to "a growing sense that questionable patents are too easily obtained and are too difficult to challenge."¹²⁹

The petitioners in *Cooper* and *MCM* maintained to the Supreme Court that their cases were an ideal vehicle for clarifying Article III jurisprudence and fixing constitutional damage to the patent system. However, in opposition to the sentiment that the PTAB violated Seventh Amendment protections, it is a commonly held and economically practical idea that patent trials are costly and produced inaccurate decisions. This idea is reflected in the statement during a judicial panel discussion on the topic of science and the law, "[h]onest to God, I don't see how you could try patent matter to a jury. Goodness, I've gotten involved in a few of these things. It's like somebody hit you between your eyes with a four-by-four. It's factually so complicated."¹³⁰ Ultimately, the Court was unpersuaded. The Supreme Court declined the petitions, and, in doing so, failed to clarify whether patent rights are property rights or public rights, and further clarify the PTAB's *carte blanche* authority over inventors. Failure to take up the issues has created a contradiction in nexus between patent law and constitutional law. Where do inventors go from here? And, will the Supreme Court's failure to clarify the issues stop subsequent litigation? The latter is unlikely.

IV. PROPOSED SOLUTIONS

There are several avenues the patent scheme may proceed. First, the Court could and will likely experience more litigation regarding the adjudication of patent rights. Accordingly, the Court could determine that patent rights are private rights and thus afforded adjudication by trial with a jury. However, this may not fix the problems of the patent regulatory scheme. Second, the Court could decide that patent rights are public rights, and that Congress's grant of broad authority to the PTAB is not a constitutional violation. However, this

126. *Cooper v. Lee*, 86 F. Supp. 3d 480, 483 (E.D. Va. 2015).

127. *Id.*

128. Brief for the Respondent in Opposition of Writ of Certiorari, *supra* note 120, at 2.

129. H.R. REP. NO. 112-98, pt. 1, at 39 (2011).

130. Symposium, *Judicial Panel Discussion on Science and the Law*, 25 CONN. L. REV. 1127, 1144 (1993).

will stop the challenges from petitioners like Cooper or MCM Portfolio, nor does it clear up historical precedent and statutory transitions.

Patent academic Ray Mercado filed an amicus brief, in a final effort to persuade the Court that patents should be seen as “private rights,” not a public utility that can merely be administratively cancelled. He writes, “[o]nce the historical uniqueness of patent law is taken into account, it is clear that patents are ‘private rights’ for purposes of this Court’s separation of powers jurisprudence, and their validity must be decided by Article III courts.”¹³¹

The best practice would be for the Court to clarify whether a patent right is a public or private right and to make sure all lower courts are on the same page. This would include possibly holding a judicial council on the issue at bar, and potentially reworking the patent system to allow for more adjudicating options for those inventors who wish to make their case to a jury. Moreover, it seems from the previous amendments that the legislature is unsure how to respond to issue arising under the patent scheme. It seems that some patents should be able to go forward with the PTAB proceedings and some should be afforded Seventh Amendment protections. But these proceedings require factual determination, and a patent jury, in some instances, could be pooled by screening individuals with a background in patent law and/or inventors in the field. Congress should also provide an avenue for appeal from the PTAB’s final written decision without facing dismissal under the administrative exhaustion doctrine.

CONCLUSION

According to a White House press release, the AIA “represents the most significant reform of the Patent Act since 1952,” and *inter partes* review and post-grant proceedings are key sections of the Act.¹³² However, there are clear issues with the proceedings, and ignoring these issues by denying certiorari will not make them go away. The Supreme Court must clarify the issues plaguing the patent system and causing discomfort for inventors who want their piece of the patent bargain. “The very fact that the lower court believed itself to be faithfully applying this Court’s latest ‘public rights’ pronouncements indicates how deeply this area of law is in disrepair and how desperately necessary

131. Dennis Crouch, *One Last Try: Is the Inter Partes Review System Unconstitutional*, PATENTLYO (Oct. 19, 2016), <http://patentlyo.com/patent/2016/10/review-system-unconstitutional.html> [https://perma.cc/FP6G-7GSU].

132. 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 Entrepreneurs Create Jobs (Sept. 16, 2011), <https://www.whitehouse.gov/the-press-office/2011/09/16/president-obama-signs-america-invents-act-overhauling-patent-system-stim>.

Supreme Court elucidation is on this important issue.”¹³³ The broad lesson to be drawn from this comment is that no legislation is cost-free. Although the benefits of *inter partes* review may seem high because the proceedings are conducted by the PTAB, a body that is skilled in the patent and invention process, it is also important to weigh those benefits against their true cost.¹³⁴ As the use of *inter partes* review in post-grant proceedings is becoming a common process for establishing validity of patent claims, patentees are employing a large range of legal arguments against the PTAB’s authority to invalidate their patents. However, these arguments are made without solid solutions to the problem. Even if the PTAB’s authority to invalidate patents is ultimately affirmed, future appeals are likely to raise new constitutional arguments, such as Fifth Amendment due process concerns.¹³⁵ The dissatisfaction with the PTAB’s most decisions most invalidating patents has placed the issue of constitutionality directly in the cross hairs of the Federal Circuit. Absent clarification on this issue, almost nothing remains of the high walls this courts has occasionally had to invoke to prevent Congressional encroachment on the judicial branch.

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133. Greenspoon, *supra* note 19.

134. Greg Dolin, *The Costs of Patent “Reform”: The Abuse of the PTO’s Administrative Review Programs*, GEO. MASON UNIV. CTR. FOR PROT. OF INTELL. PROP. (Dec. 2014).

135. Cooley et al., *supra* note 39, at 4.

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