

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

—◆—
J. CARL COOPER,

Petitioner,

v.

SQUARE, INC.,

Respondent.

—◆—
**On Petition For A Writ Of Certiorari
To The United States Court Of Appeals
For The Federal Circuit**

—◆—
**BRIEF OF *AMICUS CURIAE*
RAYMOND A. MERCADO, PH.D.
IN SUPPORT OF PETITIONER**

—◆—
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**STATEMENT OF INTEREST
OF *AMICUS CURIAE***

Amicus Raymond A. Mercado, Ph.D., is a political scientist, patent law scholar, and Thomas Edison Innovation Fellow with the Center for the Protection of Intellectual Property at George Mason University.¹ He has written extensively on post-grant proceedings before the PTO,² and has an interest in the wholesome development of patent law and its institutions. He has no stake in the parties or in the outcome of the case.



¹ Pursuant to Supreme Court Rule 37.2(a), notice of *amicus curiae*'s intent to file this brief was received by counsel of record for all parties at least 10 days prior to the due date of this brief, and all parties consent to the filing of this *amicus curiae* brief. Pursuant to Supreme Court Rule 37.6, the undersigned further affirms that no counsel for a party authored this brief in whole or in part, and no person or entity other than *amicus curiae* or its counsel made a monetary contribution specifically for the preparation or submission of this brief.

² See Raymond A. Mercado, *Ensuring the Integrity of Administrative Challenges to Patents: Lessons from Reexamination*, 14 Colum. Sci. & Tech. L. Rev. 558 (2013); Raymond A. Mercado, *The Use and Abuse of Patent Reexamination: Sham Petitioning Before the USPTO*, 12 Colum. Sci. & Tech. L. Rev. 93 (2011); Raymond A. Mercado, *Inventors Deserve Equal Protection, Not Double Standards*, THE HILL (June 24, 2013), <http://64.147.104.36/blogs/congress-blog/campaign/307093-inventors-deserve-equal-protection-not-double-standards>; Raymond A. Mercado, *Stop Endless Second-Guessing*, MILWAUKEE J. SENTINEL (June 26, 2010), <http://archive.jsonline.com/news/opinion/97193169.html>.

SUMMARY OF ARGUMENT

Patents – and the adjudication of patent validity – have a unique history. In its separation of powers jurisprudence, this Court has deemed history a critical factor in determining whether a given right must be adjudicated by an Article III court rather than an Article I tribunal.³ See *Stern v. Marshall*, 564 U.S. 462, 493 (2011) (using an “historical” test as one factor to determine whether a right may be characterized as a “private” rather than “public” right, for purposes of the “public rights” exception to Article III); see also *id.* at 504-05 (Scalia, J., concurring) (“[I]n my view an Article III judge is required in *all* federal adjudications, unless there is a firmly established historical practice to the contrary.”) (emphasis in original); *Northern Pipeline Const. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50, 67-68 (1982) (plurality opinion) (public rights exception to Article III jurisdiction extends “only to matters that historically could have been determined exclusively by” the Executive and Legislative branches).

Heedless of the unique history relevant to patents, the Federal Circuit’s decision below – as in *Cooper v. Lee*, No. 15-955, and in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015) – purports to empower an executive agency, the PTO, to decide the validity of *issued* patents, a question that

³ Compare, e.g., U.S. CONST. art. I, § 8, cl. 9 (“Inferior tribunals”) with U.S. CONST. art. III, § 2, cl. 1 (“Subjects of jurisdiction”).

has traditionally been reserved for Article III courts. To the extent a rationale was articulated for this holding,⁴ it was premised on this Court’s “public rights” doctrine and especially on the supposed similarity to “the agency adjudications held permissible in *Thomas* and *Schor*.” *MCM Portfolio*, 812 F.3d at 1290.

As argued below, however, patents bear little resemblance to the “rights” held to be “public” in *Thomas v. Union Carbide Agr. Products Co.*, 473 U.S. 568 (1985) and *Commodity Futures Trading Comm’n v. Schor*, 478 U.S. 833 (1986). Patent rights may be creatures of statute under the law today, but the similarity ends there. Patents long predate the existing federal statutory scheme; it is not as if Congress, only yesterday, created the patent system anew and transformed a property right long understood to be “private” into one which may be canceled at the pleasure of the executive. At the time the Constitution was adopted, patent validity was a matter of common law adjudication of the sort this Court has held to be solely within the province of Article III courts to decide. *See Northern Pipeline*, 458 U.S. at 68-70 and n.23 (plurality opinion)

⁴ In order to expedite review by this Court in this case, and in *Cooper v. Lee*, Petitioner moved below for summary affirmance in light of the Federal Circuit’s decision in *MCM Portfolio*, which had foreclosed consideration of Petitioner’s constitutional arguments other than by an *en banc* court below. *See* Cert. Pet. at 3; *Cooper v. Lee*, No. 15-955, Cert. Pet. at 14-15. Thus, there was no written opinion below in this case or in *Cooper v. Lee*.

(collecting cases in which the Court had “looked to the law of England and the States *at the time the Constitution was adopted*, in order to determine whether the issue presented was customarily cognizable in the courts” and stating that “Congress cannot withdraw from [Art. III] judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity”) (emphasis added) (brackets in original) (quotation omitted); *see also id.* at 90-91 (Rehnquist & O’Connor, JJ., concurring) (concluding that Northern’s lawsuit was “the stuff of the traditional actions at common law tried by the courts at Westminster in 1789” and therefore that “so much of the Bankruptcy Act . . . as enables a Bankruptcy Court to entertain and decide Northern’s lawsuit . . . to be violative of Art. III of the United States Constitution”).

Once 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.



ARGUMENT

I. HISTORICAL EVIDENCE DEMONSTRATES THAT PATENTS ARE PRIVATE RIGHTS WHOSE VALIDITY WAS DECIDED AT COMMON LAW.

As two Justices of this Court recently emphasized, “historical evidence suggests that the adjudication of

core private rights is a function that can be performed only by Article III courts, at least absent the consent of the parties to adjudication in another forum.” *B & B Hardware, Inc. v. Hargis Industries, Inc.*, 135 S. Ct. 1293, 1316 (2015) (Thomas & Scalia, JJ., dissenting). Justices Thomas and Scalia defined “[p]ublic rights” as “those belonging to the public as a whole,” in contrast to “quasi-private rights, or statutory entitlements, [which] are those ‘privileges’ or ‘franchises’ that are bestowed by the government on individuals.” *Id.* (quoting Caleb Nelson, *Adjudication in the Political Branches*, 107 Colum. L. Rev. 559, 567 (2007)).

In *B & B Hardware*, Justices Thomas and Scalia raised a constitutional concern that sheds light on the issue in this case. There, the Trademark Trial and Appeal Board (“TTAB”)⁵ was charged with deciding a “core factual determination” relevant to trademark infringement suits. *Id.* at 1317-18.

The Justices pointed out that the “right to adopt and exclusively use a trademark appears to be a private property right that has long been recognized by the common law and the chancery courts of England and of this country.” *Id.* at 1317 (quotation omitted). And they emphasized the fact that “[t]he whole system of trademark property and the civil remedies for its protection existed long anterior to” the first trademark

⁵ The TTAB in *B & B Hardware* is an intra-agency adjudicatory body of the PTO, with roughly equivalent jurisdiction over trademarks as the PTAB in this case has over patents.

statute. On the basis of these historical facts, the Justices concluded that a “trademark suit . . . might be of a type that must be decided by ‘Article III judges in Article III courts.’” *Id.* (quoting *Stern*, 564 U.S. at 484).

A glance at the history relevant to patents and patent validity shows that the same concerns apply *a fortiori* here, and compel the conclusion that patents are “of a type that must be decided by Article III judges in Article III courts.” The history of patents resembles that of trademarks in precisely the respects deemed important in *B & B Hardware*.

First, it must be recognized that “[p]atent validity” itself “was a common law action” in “Eighteenth Century England,” and “[a]n action to repeal and cancel a patent was pled as the common law writ of *scire facias*.” *In re Tech. Licensing Corp.*, 423 F.3d 1286, 1292-93 (Fed. Cir. 2005) (Newman, J., dissenting); see also *Ex parte Wood*, 22 U.S. 603, 609 (1824) (explaining that a *scire facias* issues at the common law to repeal patents which have been obtained surreptitiously, or upon false suggestions). Although “the remedy to repeal [a] patent is by a writ of *scire facias* in chancery . . . it was in this ordinary, or common law, part of chancery that the writ of *scire facias* to repeal a patent was originated.” *In re Lockwood*, 50 F.3d 966, 974 n.9 (Fed. Cir. 1995) (brackets in original) (citations omitted), *cert. granted sub nom., American Airlines, Inc. v. Lockwood*, 515 U.S. 1121, *judgment vacated and remanded on other grounds*, 515 U.S. 1182 (1995). See Michael Rothwell, *Patents and Public Rights: The Questionable Constitutionality of Patents Before Article I Tribunals After*

Stern v. Marshall, 13 N.C. J. L. & Tech. 287, 382 (2012) (recognizing that a patent is “a right with [a] common law antecedent” and concluding that it therefore “cannot be a public right”).

Second, the system of patent “property and civil remedies for its protection” long predates the first federal patent statute of 1790. According to the English practice, patents were originally a matter of “royal prerogative.”⁶ Eventually, as part of the “struggle against abusive monopolies,” there was a “turn to common law courts and the willingness of these courts to review royal patent grants.”⁷ And even in the American colonies, patents were granted and enforced, long before the revolution and the first patent act of 1790.⁸

Both the plurality opinion in *Northern Pipeline*, as well as the concurring opinion of Justices Rehnquist and O’Connor (six Justices in total) agreed that whatever was the subject of a suit at common law *at the time of the Constitution* could not be removed from the cognizance of Article III courts. *See Northern Pipeline*, 458 U.S. at 68-70 and n.23 (plurality opinion) (collecting cases in which the Court had “looked to the law of England and the States *at the time the Constitution was adopted*, in order to determine whether the issue presented was customarily cognizable in the courts”)

⁶ Oren Bracha, *Owning Ideas: A History of Anglo-American Intellectual Property*, at 8 (2005), <https://law.utexas.edu/faculty/obracha/dissertation/pdf/chapter1.pdf>.

⁷ *Id.* at 28-29.

⁸ *Id.* at 97-116.

(emphasis added); *see also id.* at 89-91 (Rehnquist & O'Connor, JJ., concurring) (“the adjudication of Northern’s lawsuit [by an Article I bankruptcy court] cannot be . . . sustained” – even under the “public rights” doctrine). The fact that patents are *now* creatures of statute does not mean that their historic status as “private rights” adjudicated at common law is somehow undermined, or that Congress is entitled to entrust their adjudication to the Executive Branch.

For purposes of the public rights analysis, the important question is whether “the legal rights on which the government is proposing to act *have vested* in a particular individual or instead belong to the public as a whole.”⁹ As one scholar has observed in the analogous area of land patents, “[o]nce private individuals could claim vested rights in the land, however, the executive branch’s authority to act conclusively ran out.”¹⁰ *See Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876) (“patent for an invention is as much property as a patent for land”). This Court has held, and never suggested to the contrary, that “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.” *McCormick Harvesting Mach. Co. v. Aultman-Miller Co.*, 169 U.S. 606, 609 (1898). Thus, “once the land office’s actions had caused property rights to ‘vest’ in a private individual, neither the land

⁹ Caleb Nelson, *Adjudication in the Political Branches*, 107 Colum. L. Rev. 559, 573 (2007) (emphasis added).

¹⁰ *Id.* at 578.

office nor other executive officers could unilaterally retract what it had done.”¹¹ The government may therefore “conclusively dispose of public rights” when it *grants* a patent – for prior to the grant, the subject matter for which a patent is sought belongs to the public as a whole – but it may not dispose of a patent owner’s “preexisting private rights,” once a patent has issued.¹²

The patent rights in this case are, of course, *vested* property rights, and cannot be canceled except by an Article III court.

¹¹ *Id.* at 578-79.

¹² *Id.* at 578. In fact, it would be more accurate to say that, prior to the grant of a patent, the subject matter for which a patent is sought belongs to no one, since it is only with the *disclosure* of a new invention that there is a subject for patenting. Prior to the patent grant, an invention is likely either a trade secret (also the private property of the inventor), or simply does not exist yet. Whether patented, maintained as a trade secret, or simply never conceived, the invention is not committed to the public; it is only *after the expiration* of a patent that the invention becomes freely available to the entire public. See *U.S. v. Dubilier Condenser Corp.*, 289 U.S. 178, 186-87 (1933) (“An inventor . . . may keep his invention secret and reap its fruits indefinitely. In consideration of its disclosure and the consequent benefit to the community, the patent is granted. An exclusive enjoyment is guaranteed him . . . but upon expiration of that period, the knowledge of the invention inures to the people, who are thus enabled without restriction to practice it and profit by its use.”).

II. PATENTS ARE DISTINGUISHABLE FROM THE “PUBLIC RIGHTS” IN *THOMAS*, *SCHOR*, AND *CROWELL*.

The Federal Circuit’s decision in *MCM Portfolio* finds no support in *Thomas*, 473 U.S. at 594, in spite of language suggesting that Congress “may create a seemingly ‘private’ right that is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.” Of course, it is true that patents are *now* statutory and in that sense part of a certain regulatory framework devised by Congress. But unlike the right to compensation created by FIFRA in *Thomas*, patents did not originate with Congress’s most recent iteration of their statutory scheme, or even with the nation’s first patent act. *See* Bracha, *supra* note 6, at 97-116. And, of course, the validity of the right under FIFRA in *Thomas* was not adjudicated in common law courts, as patents were historically. *See Lockwood*, 50 F.3d at 974 n.9; *see also* Bracha, *supra* note 6, at 28-29.

Schor provides no support for the Federal Circuit’s decision either, for Schor had *consented* to the very proceeding to which he later objected. *Schor*, 478 U.S. at 849. Petitioner never consented to the IPR proceeding in this case.

The approval in *Crowell* of an “expert and inexpensive method for dealing with a class of questions of fact which are peculiarly suited to examination and determination by an administrative agency specially assigned to that task” provides perhaps the only support

for IPR proceedings in this Court’s precedent. *See Crowell v. Benson*, 285 U.S. 22, 46 (1932). But as this Court has observed, even in *Crowell* the agency’s fact-finding functioned as no more than an “adjunct” to the courts. *Stern*, 564 U.S. at 489 n.6. This Court must not look the other way when an agency proceeding “chip[s] away at the authority of the Judicial Branch”¹³ in the hope that some good will be done by the agency’s technical expertise – especially when, reportedly, the PTAB has staffed some cases with administrative law judges having *no* expertise whatsoever in the technology before them.¹⁴ That troubling practice completely undermines *Crowell*’s rationale of agency expertise. And at an average cost of \$300,000, IPR proceedings can hardly be said to be “inexpensive.”¹⁵

Further, IPR can be filed against unwitting (and unwilling) patent owners who have not even taken steps to enforce their patents, drastically expanding the availability of administrative litigation as compared to the traditional counterclaims of invalidity or declaratory judgment actions available in Article III district courts. 35 U.S.C. §§ 311-315. Unsurprisingly, IPR has generated significant rent-seeking behavior, in which challengers use the *threat* of IPR proceedings

¹³ *Stern*, 564 U.S. at 503.

¹⁴ *See* Charles W. Shifley, “Your PTAB Judges Will Be Experts” – Right? . . . Not So Fast, BANNER & WITCOFF, PTAB HIGHLIGHTS (July 26, 2016), <https://bannerwitcoff.com/wp-content/uploads/2016/08/ALERT-PTAB-Highlights.Shifley.07.26.2016.pdf>.

¹⁵ Gregory Dolin, *Dubious Patent Reform*, 56 B.C. L. Rev. 881, 933 n.369 (2015).

to extract payments from patent owners, and in which challengers use *actual* IPR proceedings to delay or avoid district court litigation and to impose additional litigation costs for patent owners.¹⁶ These realities make *Crowell*'s willingness to sacrifice Article III guarantees for the sake of expediency a rather pollyanish proposition.

In any event, given that patent validity was historically decided at common law, *see supra* Sec. I, IPR is not even consistent with *Crowell* itself. *Crowell* involved an action “arising between the government and others,” whereas it defined a “private right” as one involving “the liability of one individual to another under the law defined.” *Id.* at 50-51 (quotation omitted). Under that definition, patent validity is a matter of private right; it certainly does not “arise” as a matter of controversy between the government and the patent owner after issuance, but has traditionally arisen in the context of patent infringement litigation between private parties. Moreover, *Crowell* acknowledged that Congress cannot “withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity.” *Id.* at 49 (quotation omitted). The mere fact that aspects of patent validity are now decided as *statutory* defenses to patent infringement under 35 U.S.C. § 282 does not mean that its common law history may be ignored for purposes of this Court’s separation of powers analysis. As both the plurality and concurring opinions in *Northern Pipeline*

¹⁶ *Id.* at 932-34.

made clear, what matters is whether patent validity was decided at common law “*at the time the Constitution was adopted.*” 458 U.S. at 68 (emphasis added). And in *Thomas*, this Court expressly distinguished *Crowell* on that basis, noting:

“[T]he statute considered in *Crowell* is different from FIFRA in significant respects. Most importantly, the statute in *Crowell* displaced a traditional cause of action and affected a pre-existing relationship based on a common-law contract for hire. Thus it clearly fell within the range of matters reserved to Article III courts.”

473 U.S. at 587.

Other language in the *Northern Pipeline* opinion – suggesting that “when Congress creates a substantive federal right, it possess substantial discretion to prescribe the manner in which that right may be adjudicated,” 458 U.S. at 80 – is inapposite to patents, whose history predates the current statutory scheme and whose validity was decided in common law courts at the time of the Constitution. Ignoring this history and deeming patents “part of some amorphous notion of ‘public right’” would be to transform Article III “from the guardian of individual liberty and separation of powers the Court has long recognized into mere wishful thinking.” *Stern*, 564 U.S. at 495. As one commentator has noted, “where a dispute takes place between private parties, as is oft the case in patent litigation, and where a dispute entails a right with common law

antecedent, as is always the case in patent litigation, that right cannot be a public right.”¹⁷

As can be seen in Table 1 below, this case meets all the other criteria of a “private right” articulated in this Court’s case law: patents and the adjudication of patent validity, like the counterclaims in *Stern*, are not “pursued only by grace of the other branches.” *See id.* at 493. This Court has explicitly stated that a “grant of letters patent is not . . . a matter of grace or favor,” and does not depend on “the pleasure of the executive.” *U.S. v. Dubilier Condenser Corporation*, 289 U.S. 178, 189 (1933). Historically, patent validity could not “have been determined exclusively” by the other branches – just the opposite, in fact. *Stern*, 564 U.S. at 493. And while patents today are granted pursuant to a “federal statutory scheme,” *id.*, patents have a history long pre-dating enactment of the current patent statutes and, crucially, adjudication of their validity in English practice was at common law. Patent validity, like the claims at issue in *Northern Pipeline* and the counterclaims in *Stern*, must therefore be decided by Article III courts.

¹⁷ Michael Rothwell, *Patents and Public Rights: The Questionable Constitutionality of Patents Before Article I Tribunals After Stern v. Marshall*, 13 N.C. J. L. & Tech. 287, 382 (2012).

TABLE 1

Rationale invoked or proposed to survive constitutional scrutiny, and to justify full or partial resolution of a private dispute by an Article I tribunal or agency:	Applies to <i>inter partes</i> review?
Proceedings limited to factual findings. <i>See Northern Pipeline</i> , 458 U.S. at 83-86 (plurality opinion).	No.
Final decision was subject to <i>de novo</i> review by an Article III district court. <i>See Crowell</i> , 285 U.S. at 49-50.	No.
Government was a party. <i>See Crowell</i> , 285 U.S. at 50.	No.
Proceeding involved a right that had never been litigated at common law but rather was established by the same regulatory scheme that created the Article I tribunal. <i>See Thomas</i> , 473 U.S. at 593-94.	No.
Proceeding involved voluntary or consensual participation by both private parties. <i>See Schor</i> , 478 U.S. at 847-50.	No.
Tribunal was simply acting as an adjunct to the district court. <i>See Stern</i> , 564 U.S. at 489 n.6.	No.
Matter can be pursued only by grace of the other branches. <i>See Murray's Lessee</i> , 59 U.S. 272, 284 (1855).	No.

Historically, issue could have been determined exclusively by other branches. See <i>Ex Parte Bakelite Corp.</i> , 279 U.S. 438, 451-52 (1929).	No.
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III. THIS CASE PRESENTS AN EXCELLENT VEHICLE FOR RESOLVING IMPORTANT AND RECURRING CONSTITUTIONAL ISSUES, AND FOR CLARIFYING THE COURT’S “PUBLIC RIGHTS” DOCTRINE.

This Court recently addressed an issue relating to IPR proceedings in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016). Of course, nothing in *Cuozzo* implies the constitutionality of those proceedings, which was not before this Court in that case. But it was a sign of the importance of IPR proceedings that this Court has already had occasion to consider them. More than 4,800 petitions for IPR have been filed since the proceedings became available in 2012.¹⁸ Most of these, it may be assumed, have been filed against the nation’s most valuable patents, since “[t]he only patents that are reexamined, like the only patents that are litigated, are patents on inventions that are of value.” *In re Baxter Intern., Inc.*, 678 F.3d 1357, 1369 (Fed. Cir. 2012) (Newman, J., dissenting). Violations of Article III are thus occurring daily and *en masse*, and will continue, absent this Court’s intervention.

¹⁸ Patent Trial and Appeal Board Statistics, at 1 (July 31, 2016) (PTO Statistics), <http://www.uspto.gov/sites/default/files/documents/2016-07-31%20PTAB.pdf>.

This Court itself has noted that IPR proceedings have “adjudicatory characteristics, which make these agency proceedings similar to court proceedings.” *Cuozzo*, 136 S. Ct. at 2143. This case, therefore, presents an excellent vehicle for deciding whether the PTO has arrogated the “judicial power” of Article III. The separation of powers issue was presented to the PTAB below, as well as on appeal to the Federal Circuit. The issue is therefore ripe for resolution by this Court. *See* Reply Brief of Appellant J. Carl Cooper, *Cooper v. Square, Inc.*, 2016 WL 106387, at *36-41 (Fed. Cir. Jan. 7, 2016) (noting that Petitioner made the constitutional argument in its “preliminary response” prior to institution of the IPR proceeding by the PTAB and “re-raise[ed] the constitutional issue at the next permissible time – the oral hearing.”).

Finally, this case presents a vehicle for clarifying the dividing line between public and private rights, and for unifying the “varied formulations” referenced in *Stern*, 564 U.S. at 493. “Scholars agree” that this Court’s separation of powers doctrine, as it relates to “the matters that administrative agencies can adjudicate and the matters that only true courts can resolve” is, “[d]espite its importance, . . . as troubled, arcane, confused and confusing as could be imagined.”¹⁹

Given that the adjudication of patent validity had an historical antecedent at the time of the Constitution, the historical test serves as a proper “limiting

¹⁹ *See* Nelson, *supra* note 9, at 563 (quotation omitted).

principle” to this Court’s public rights doctrine. *Northern Pipeline*, 458 U.S. at 73. This Court may still allow Congress substantial discretion in assigning the adjudication of *new* federal statutory rights – but the unique history of patents precludes their final adjudication by bodies other than Article III courts.

* * *



CONCLUSION

For the foregoing reasons, the petition should be granted.

Respectfully submitted,

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