

2017-1517, -1518

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

CASCADES PROJECTION LLC,

Appellant,

v.

EPSON AMERICA, INC., SONY CORPORATION,

Appellees.

Appeals from the United States Patent and Trademark Office, Patent Trial
and Appeal Board in Nos. IPR2015-01206 and IPR2015-01846.

**PETITION FOR INITIAL HEARING
EN BANC OF CONSTITUTIONAL QUESTION**

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FORM 9. Certificate of Interest

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Cascades Projection LLC v. Espon America, Inc., and Sony CorporationNo. 17-1517

CERTIFICATE OF INTEREST

Counsel for the (petitioner) (appellant) (respondent) (appellee) (amicus) (name of party)

Cascades Projection LLC certifies the following (use "None" if applicable; use extra sheets if necessary):

1. The full name of every party or amicus represented by me is:

Cascades Projection LLC


2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

n/a

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

Cascades Ventures, Inc.4. ☒ The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:**See Attached Supplemental Sheet**02/08/2017

Date


Signature of counselPhilip P. Mann

Printed name of counsel

Please Note: All questions must be answered

cc: Robert Greenspoon

United States Court Of Appeals For The Federal Circuit

CASCADES PROJECTION LLC,

Plaintiff/Appellant,

v.

EPSON AMERICA, INC., and

SONY CORPORATION

Defendants/Appellees.

Appeal No. 17-1517

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**STATEMENT UNDER FEDERAL RULE OF APPELLATE
PROCEDURE 35(b) AND FEDERAL CIRCUIT RULE 35(b)(1)**

Based on my professional judgment, I believe that this appeal requires an answer to the following precedent-setting question of exceptional importance:

Whether a patent right is a public right.

/s/ Robert P. Greenspoon
*Attorney of record for Petitioner-
Appellant Cascades Projection LLC*

Appellant Cascades Projection respectfully petitions that this Court initially hear part of this appeal *en banc* in order to resolve whether a patent right is a public right.

INTRODUCTION

In *MCM Portfolio v. Hewlett Packard Co.*, 812 F.3d 1284, 1293 (Fed. Cir. 2015), a panel of this Court held that “patent rights are public rights.” The Court accordingly rejected a constitutional challenge to *inter partes* review – a post-grant proceeding in which the USPTO evaluates whether to cancel (*i.e.*, invalidate) patent rights without plenary Article III trial court review over that outcome. Had the *MCM* panel determined that a patent is not a public right (in line with Supreme Court holdings and the fact that patent rights are private property), this Court would likely have found that IPR in its present form violates Article III of the United States Constitution (Separation of Powers), unless outcomes are deemed advisory in the trial courts. The patentee did not petition for rehearing or rehearing *en banc* of the panel’s ruling.

The patentee in *MCM* instead petitioned for a writ of certiorari. In that petition, the patentee pointed out the panel decision’s misunderstanding of Supreme Court precedent that should have led to a finding of unconstitutionality. Along with a petition in a related case (*Cooper v. Lee*),

an eight-member Supreme Court considered the petition at its September 2016 “long conference.” Between *MCM* and *Cooper*, ten amicus briefs (involving dozens of inventors, law professors, companies, bar groups and industry associations) urged in favor of the grant of certiorari. The Supreme Court relisted the case for its next conference, putting it in the category of petitions historically granted at about a 50% rate. At that next conference, the Supreme Court denied the *MCM* and *Cooper* petitions.

Since denials of certiorari are not themselves precedential, since this Court has not had a chance (as a full court) to consider the exceptionally important constitutional question, since intervening decisions after *MCM* have encroached upon the *MCM* constitutional holding, since patentees continue to bring the same constitutional challenge in hopes of overturning the *MCM* constitutional holding, and since overturning the *MCM* holding will potentially reduce this Court’s ballooning USPTO docket, Appellant seeks initial *en banc* review.

STATEMENT OF THE CASE

In the decisions below, two mostly-overlapping panels of administrative patent judges of the Patent Trial and Appeal Board granted IPR petitions filed, respectively, by Epson America Inc. and Sony Corporation. The PTAB found the patent claims under review invalid, but

only because of errors of law, fact and reasoning that no reasonable Article III court would have made. This appeal followed.

Gene Dolgoff invented the patent under review. Mr. Dolgoff was a good friend of Gene Roddenberry, and earned renown for (among other things) having originated the idea for what became the Star Trek Holodeck. The patent under review discloses and claims improvements in optics for LCD projectors. Since Cascades Projection is the exclusive licensee with all substantial rights, the IPRs proceeded under its name.

During proceedings below in the Sony IPR, Cascades raised its constitutional objection. Cascades stated its understanding that the objection was futile, since the PTAB had no discretion to overrule *MCM*, or to decide the constitutionality of its own existence. *See Sony Corp. v. Cascades Projection LLC*, IPR2015-01846, Paper No. 21, at 53-55 (June 8, 2016). In the Sony Final Written Decision, the PTAB agreed with Cascades on these points, and thus overruled the constitutional objection (as it was obligated to do). *Sony Corp. v. Cascades Projection LLC*, IPR2015-01846, Paper No. 32, at 34-35 (Jan. 11, 2017) (“Patent Owner further ‘acknowledges that the Board lacks authority to rule on the constitutional questions.’ PO Resp., 53-54. We agree.”).

ARGUMENT

The full Court’s earliest possible review of the constitutionality of America Invents Act post-grant proceedings at the USPTO is exceptionally important. No less important is review and possible correction of the *MCM* panel ruling, since it confusingly rests on the proposition that an important form of personal private property is a “public right.” To overturn this ruling would remove the “death sentence” effect of PTAB patent cancellation, and thus restore to Article III trial courts the ultimate say on patent validity questions. This outcome would decrease incentives for losing patent owners to appeal to this Court from the PTAB. The expected reduction of this Court’s ballooning USPTO docket will be a beneficial and immediate side effect of the requested relief, itself serving the interests of justice.

While this Court’s grant of initial hearing *en banc* (permitted by Federal Rule of Appellate Procedure 35) would be extraordinary, the Court has done it before. *See, e.g., Martinez v. United States*, 272 F.3d 1335, 1335 (Fed. Cir. 2001) (*sua sponte* order for *en banc* review of whether a precedent should be overruled). This Court nearly granted such an extraordinary initial *en banc* hearing in *Beer v. United States* (a 7-4 vote) – a case that, like here, raised constitutional Separation of Powers questions. *Beer v. United States*, 592 F.3d 1326 (Fed. Cir. 2010). Three judges who remain today as active

judges on this Court wrote or joined dissents from the initial *en banc* denial in *Beer*. Their dissents highlighted the extraordinary importance of Separation of Powers, and of a judiciary fully empowered to be a separate and independent co-equal branch of government. *Id.* at 1327-30. The final outcome vindicated the judges who would have heard the case initially *en banc*. *Beer v. United States*, 696 F.3d 1174 (Fed. Cir. 2012) (on remand from Supreme Court, hearing case *en banc* and overruling precedent), *cert denied*, 133 S. Ct. 1997 (2013).

***I.* MCM WAS WRONGLY DECIDED**

A patent right is not a public right. This means that an administrative agency may not lawfully revoke a patent right, since that amounts to the exercise of judicial power. The *MCM* panel decision that held otherwise directly conflicts with the Supreme Court's long-standing precedent relating to agency actions affecting patents for both invention and land. *See, e.g., McCormick Harvesting Mach. Co. v. Aultman-Miller Co.*, 169 U.S. 606 (1898).

The full Court should review to confirm that final adjudications of patent validity may only occur in Article III trial courts. The Supreme Court presciently predicted the ill effects of a proceeding in which the patent-granting office becomes the patent-revoking office:

[A patent], instead of being the safe and assured evidence of ownership which they are generally supposed to be, would always be subject to the fluctuating, and in many cases unreliable, action of the [granting] office. No man could buy of the grantee with safety, because he could only convey subject to the right of the officers of government to annul his title. . . . The existence of any such power in the [granting] Department is utterly inconsistent with the universal principle on which the right to private property is founded.

Moore v. Robbins, 96 U.S. 530, 534 (1878).

The *McCormick* Court held:

The 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. *Moore v. Robbins*, 96 U.S. 530, 533; *United States v. Am. Bell Telephone Co.*, 128 U.S. 315, 364; *Michigan Land & Lumber Co. v. Rust*, 168 U.S. 589, 593. And in this respect a patent for an invention stands in the same position and is subject to the same limitations as a patent for a grant of lands.

169 U.S. at 609 (emphasis added). The Supreme Court underscored this holding again, stating that

to attempt to cancel a patent upon an application for reissue when the first patent is considered invalid by the examiner would be to deprive the applicant of his property without due process of law, and would be in fact an invasion of the judicial branch of the government by the executive.

Id. at 612.

The *MCM* panel decision attempted to distinguish these statements from *McCormick*. But the *MCM* panel gave controlling weight to a factor not actually relevant to the *McCormick* holding – the patentee’s voluntary

exit from Patent Office proceedings years after failing to appeal the relevant claim rejection that invalidated the original patent claims. The *MCM* panel recharacterized *McCormick* as follows:

Because [the surrender] did not occur, “[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.”

812 F.3d at 1289 (emphasis added to the part supplied by the *MCM* panel).

As recharacterized, the quotation makes no sense; how can the Supreme Court’s language foreclosing agency exercise of power “for any reason whatever” reconcile with first questioning whether “surrender” has occurred?

The *MCM* panel likewise rewrote the holding condemning Patent Office cancellation actions that constitute “invasion of the judicial branch of the government by the executive.” In this case, it blue-lined that such “invasion” of the judicial function is only foreclosed when it is “[w]ithout statutory authorization.” *Id.* This adds yet further illogic. At the time of the *McCormick* decision, reissue examiners acted under color of statutory authority to invalidate original patent claims during reissuance proceedings (just like IPRs today). *See* Patent Act of 1870, Section 46, R.S. § 4909 (providing that “any claim” – whether original or added – may be rejected twice during reissue, and rejection is final for appeal purposes). *McCormick*

did not curtail executive action based on an *absence* of statutory authority. It held on constitutional grounds *in the face of it*.

Labeling *McCormick* a statutory authority decision, rather than a constitutional one, also conflicts with this Court’s own prior examination of the decision. Thirty years ago, this Court correctly identified *McCormick* as deciding against the Patent Office on constitutional grounds: “The Court in *McCormick* . . . , establishing *on constitutional grounds* that an applicant for a reissue patent need not acquiesce in any finding of invalidity or unpatentability by the reissue examiner, affirmed that an issued patent could not be set aside other than by an Article III court.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 (Fed. Cir. 1985) (emphasis added). The *MCM* panel relied heavily on *Patlex*, without apparent recognition that its analysis of *McCormick* foreclosed the outcome it reached.

After positing that it had accurately distinguished *McCormick* (which it had not), the *MCM* panel moved on to address current Article III jurisprudence. There, the panel’s discussion defending IPR did not acknowledge the controlling test for ascertaining whether a right is “public” versus “private,” as announced in *Stern v. Marshall*, 564 U.S. 462, 484 (2011): whether the underlying dispute is of a type familiar to the law, equity or admiralty courts of 1789. Instead, the *MCM* panel held as if

Congress may at any time usurp the judicial branch’s authority to decide any matter that is not wholly state law. 812 F.3d at 1290-91 (“Here, as in *Thomas* and *Schor*, the agency’s sole authority is to decide issues of federal law.”). The state versus federal law distinction is flawed. The “public right” question does not hinge on whether a claim arises under state versus federal law, since even federal rights may be “private” rights. *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 52 (1989).

The *MCM* panel decision thus erred, and should be corrected *en banc*. It directly conflicts with many Supreme Court holdings. A patent, upon issuance, is not supposed to be subject to revocation or cancellation by any executive agent (*i.e.*, the Patent Office or any part of it, such as the PTAB). *McCormick*, 169 U.S. at 609. To take away a patent after issuance invokes “private” rights – namely, fully vested property rights. *See United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888) (“[The invention] has been taken from the people, from the public, and made the private property of the patentee. . . .”). Likewise, since patent validity adjudications occurred in the courts in 1789, the controlling *Stern* standard (which *MCM* never cites) forecloses patents from receiving the “public right” label.¹

¹ One circuit judge from a different circuit has criticized trends that seem to have lent executive agencies too much authority over Article III matters, in violation of the balance of power among three co-equal branches envisioned

Equally confusing was the *MCM* panel’s reliance on the fact that the patentee in *McCormick* declined to “surrender” the original patent, signaling it did not consent to cancellation of its original patent claims. If anything, this aligns the facts of *McCormick* more closely with IPR. It underscores the nonconsensual, involuntary nature of IPR-based patent cancellation. The unconsented nature of Patent Office actions in *McCormick* brings the facts at bar closer to, not farther from, those in *McCormick*.

The *MCM* panel believed it was justified under current Article III case law because of the principle that “public rights” might include those between private parties, where the claim derives from a federal regulatory scheme or

by the founders. *See Gutierrez-Brizuela v. Lynch*, 834 F.3d 1142, 1149 (10th Cir. 2016) (Gorsuch, J., concurring). That circuit judge’s concurrence raises concerns equally applicable to AIA post-grant proceedings.

Even more importantly, the founders considered the separation of powers a vital guard against governmental encroachment on the people's liberties, including all those later enumerated in the Bill of Rights. What would happen, for example, if the political majorities who run the legislative and executive branches could decide cases and controversies over past facts? They might be tempted to bend existing laws, to reinterpret and apply them retroactively in novel ways and without advance notice. Effectively leaving parties who cannot alter their past conduct to the mercy of majoritarian politics and risking the possibility that unpopular groups might be singled out for this sort of mistreatment — and raising along the way, too, grave due process (fair notice) and equal protection problems.

Id.

where resolution of the claim by an expert governmental agency is deemed essential to a limited regulatory objective within the agency's authority. *See MCM*, 812 F.3d at 1290, *citing Stern*, 131 S. Ct. at 2613. Invocations of “federal regulatory schemes” and “essentiality” of agency involvement incorrectly overlook the actual holding of *Stern*. Under that holding, “public rights” exclude those of a type known in the common law, equity or admiralty courts of 1789 – a category that embraces patent validity disputes. *Stern*, 564 U.S. at 484. And the plain fact that Article III courts have 230 years of experience with patent validity adjudication precludes finding it “essential” for the USPTO to do that job. Rather, an unbroken chain of authority holds that patents are *property* rights, the antithesis of mere byproducts of a federal regulatory scheme.

Unlike the public rights that this Supreme Court discussed in cases like *Thomas v. Union Carbide Agr. Prods. Co.*, 473 U.S. 568 (1985), and in *Commodity Futures Trading Commission v. Schor*, 478 U.S. 833 (1986), patents are not instruments of a federal regulatory scheme. Instead, patents provide legal remedies and they are the legal property of their owners. *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 363 (1888). The Supreme Court reaffirmed this in 2015, noting that a patent “confers upon the patentee an exclusive property in the patented invention.” *Horne v. Dep’t of*

Agric., 135 S. Ct. 2419, 2427 (2015) (quoting *James v. Campbell*, 104 U.S. 356, 358 (1882)); *see also Nautilus, Inc. v. Biosig Instrum., Inc.*, 134 S. Ct. 2120, 2124 (2014) (stating that the patent ““monopoly is a property right””) (quoting *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 730 (2002)); *Bd. of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Sys., Inc.*, 563 U.S. 776, 786 (2011) (“The presumptive owner of the property right in a patentable invention is the single human inventor.”) (quoting Chisum on Patents); *Ford Motor Co. v. United States*, 405 U.S. 562, 576 n.11 (1972) (patents labeled “constitutionally protected property rights”).

All of these authorities preclude proper characterization of patents as spinoffs from a “federal regulatory scheme.” They compel a conclusion that patent rights are not public rights, for the simple reason that property rights are private rights. *See Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1551 (2016); *see also Granfinanciera*, 492 U.S. at 51 (“Wholly private tort, contract, and *property* cases, as well as a vast range of other cases, are not at all implicated” in “public rights” analyses) (emphasis added); *Wellness Int’l Network, Ltd. v. Sharif*, 135 S. Ct. 1932, 1964 (2015) (Thomas, J., dissenting) (“Disposition of private rights to life, liberty, and *property* falls

within the core of the judicial power, whereas disposition of public rights does not.”) (emphasis added).

The *MCM* decision also relied on the fact that this Court held in *Patlex* in 1985 that *ex parte* reexamination did not violate Article III. *See Patlex*, 758 F.2d at 604. But that decision rested on classification of the *grant* of a patent right in the reexamination context as a “public” right. *Id.*; *see also Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992) (confirming that it is the “grant” or “issuance” of a patent that is a public right), *cert. denied*, 506 U.S. 829. Neither *Patlex* nor the 1992 *Joy* decision held or stated (as does the *MCM* panel decision) that “patent rights are public rights.” Those two decisions instead rested on the treatment of *ex parte* reexamination as simply a return to the *ex parte* granting process (a characterization inapplicable to IPR).

Thus prior to *MCM*, no panel of this Court had held that either a patent itself, or the rights of an issued patent, or the revocation or invalidation of a previously issued patent in an adversarial proceeding, embodies a “public right.” The *MCM* decision is a breathtaking expansion of the public rights doctrine. It stands as an outlier among all the circuits as being the first to hold that a private property right, after vesting and issuance, is really something “public.”

II. AN INITIAL *EN BANC* HEARING IS WARRANTED

The Court should recognize the exceptional importance of announcing constitutional law correctly, as early as possible. AIA post-grant reviews are among the most destabilizing changes ever made in United States patent law. So long as the public relies only on the *MCM* panel decision, uncertainty will prevail, even among supporters of AIA post-grant reviews. Other essential benefits of *en banc* review will also naturally ensue.

First, overruling *MCM* might immediately reduce this Court's ballooning USPTO docket. Once patentees perceive that a negative final written decision does not mean the end of Article III patent enforceability, they will no longer be maximally incentivized to appeal to this Court. Patentees will realize that Article III trial courts (and possibly juries) will retain the power and authority to accept or reject PTAB final written decision reasoning, based on its intrinsic merit.

Recent scholarship has brought concerns over this Court's USPTO docket into sharper focus. Professor Dennis Crouch recently observed that the patent laws likely forbid this Court from using Rule 36 affirmances in appeals from USPTO proceedings. Dennis Crouch, *Wrongly Affirmed Without Opinion*, 52 Wake Forest L. Rev. __ (2017) (forthcoming) (available at papers.ssrn.com/sol3/papers.cfm?abstract_id=2909007###). This

new legal analysis immediately spurred at least one litigant to seek rehearing to bring this scholarship (and its underlying conclusion) to the Court's attention. *Leak Surveys, Inc. v. FLIR Systems, Inc.*, No. 2016-1299 (Request for Rehearing, Feb. 9, 2017). If Professor Crouch is right, it could be serendipitous if the Court overrules *MCM*, thus reducing docket load through reduction of incentives of patent owners to appeal.

Second, the Supreme Court will likely review the correctness of the *MCM* constitutional holding anyway, if this Court does not do so first. Patentees remain active in bringing cert petitions (*e.g.*, *Oil States Energy Svcs., LLC v. Greene's Energy Group, LLC*, No. 16-712, cert petition filed Nov. 29, 2016), and in raising the ostensibly-settled constitutional question in Federal Circuit proceedings (*e.g.*, *Security People, Inc. v. Lee*, No. 2016-2378). A decision as important and divisive as *MCM* should not stand without either endorsement or rejection by the full Court. In the eventuality that ***both*** *en banc* and Supreme Court review might one day have occurred, the higher court will have benefitted from the deliberation of all active judges of this Court.

Third, intervening decisions of this Court, and statements of its judges, have called into question (albeit indirectly) the *MCM* constitutional holding. For example, in *Trading Technologies Int'l, Inc. v. CQG, Inc.*, No.

2016-1616, 2017 U.S. App. LEXIS 834 (Fed. Cir. Jan. 18, 2017) (nonprecedential), a panel of this Court affirmed an Article III determination of subject matter eligibility, even though the PTAB had just ruled it more likely than not that the same claims were ineligible. (CBM2015-00161, -00172, -00179, -00181 and -00182). At oral argument in that matter (around 19:20), a judge of this Court recognized the Article III / agency conflict, stating that the Court “will get to that.” With the present *en banc* petition, the Court may now “get to that.”

Similarly, in *Tinnus v. Telebrands*, ___ F.3d ___, No. 2016-1410, 2017 U.S. App. LEXIS 1198 (Fed. Cir. Jan. 24, 2017), the Court affirmed an Article III grant of a preliminary injunction. The Court rejected a merits attack on the patent based on Section 112 indefiniteness, notwithstanding that the PTAB had just ruled the exact same claims indefinite under the exact same theory in a final written decision. 2017 U.S. App. 1198, at *13-14 n.7. In both *Trading Technologies* and *Tinnus*, judges of this Court favored the Article III outcome over the PTAB outcome, without citing *MCM*.

Finally, letting the *MCM* panel decision stand has consequences that even the panel likely did not foresee. If a patent right is a public right, it necessarily follows that Congress may remove the right entirely from Article

III trial courts. If this Court intends to weaken the judicial branch in favor of the executive branch, enabling delivery to the executive of total authority over an entire area of law historically residing in the courts since the founding, it should be the *en banc* court deliberating these weighty issues, not a three judge panel.

CONCLUSION

The Court should grant initial hearing *en banc*. The constitutional question of whether the executive may continue to cancel private property rights without plenary trial court review is too important for the full Court not to consider. The full Court should resolve unsettled questions over whether the *MCM* panel decision erred, and potentially mitigate its needlessly ballooning USPTO docket.

Dated: February 15, 2017

Respectfully submitted,

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CERTIFICATE OF COMPLIANCE

This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 35(b)(2)(A). The brief contains 3,802 words, excluding the parts of the brief exempted by Federal Circuit Rule 35(c)(2).

The brief complies with the typeface requirements of Federal Rule of Appellate Procedure 32(a)(5) and the type style requirements of Federal Rule of Appellate Procedure 32(a)(6) because this brief has been prepared in a proportionally-spaced typeface using Microsoft Word 2010 in 14-point Times New Roman type.

Dated: February 15, 2017

/s/ Robert P. Greenspoon

Robert P. Greenspoon

*Attorney of Record for Petitioner-
Appellant Cascades Projection LLC*

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on February 15, 2017, two copies of the foregoing were served by Federal Express overnight delivery upon counsel for all Respondents-Appellees. The undersigned has also optionally served the Solicitor of the USPTO (Nathan Kelley) via email, though the USPTO is not a party to this appeal.

The undersigned hereby further certifies that on February 15, 2017, the undersigned has caused to be served the original and eighteen copies of the foregoing via Federal Express to the Clerk of the Court, U.S. Court of Appeals for the Federal Circuit.

Dated: February 15, 2017

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