NO. 16-712

IN THE

Supreme Court of the United States

OIL STATES SERVICES, LLC,
Petitioner,

v.

GREENE'S ENERGY GROUP, LLC ET AL.,
Respondent.

On Writ Of *Certiorari* to the United States Court Of Appeals For The Federal Circuit

BRIEF OF *AMICUS CURIAE* IEEE-USA IN SUPPORT OF PETITIONER

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INTEREST OF *AMICUS CURIAE* [1]

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As part of its mission, IEEE-USA seeks to ensure that U.S. intellectual property law "promote[s] the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. Art. I, § 8. IEEE-USA's members have a substantial stake in the United States patent system. Our membership includes inventors who create and use cutting-edge technology, researchers who are involved in scientific discovery, authors of journal articles in the broad fields of engineering and science, entrepreneurs, and employees of firms that acquire, license, and market

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[1] Pursuant to Supreme Court Rule 37.6, counsel for the *amicus curiae* certifies that no counsel for any party authored this brief in whole or in part and that no person or entity other than the *amicus*, its membership, or its counsel made a monetary contribution intended to fund the preparation or submission of the brief. Rule 37.2(a) notice was timely provided to all parties, who have consented to the filing of this *amicus* brief and their letters are filed with the clerk.

patented technology. IEEE-USA also fully supports robust procedures for correction of Patent Office examination errors, thus focusing quality control measures within the examination process in the first place, rather than over-focusing such efforts at the later most disruptive and costly stage—post-grant. While IEEE-USA supports Petitioner on the constitutional question presented, it takes no sides in the dispute between the parties regarding the validity or infringement of the patents at issue in this case.

SUMMARY OF ARGUMENT

Does the Constitution allow Congress to establish a non-Article III forum for extinguishing patent rights without a jury in which the burden of proof is lower than that applied in Article III adjudications and the decision of which has mandatory preclusive effect on Article III courts? Congress did that by enacting the America Invents Act, Pub. L. 112-29, 125 Stat. 284 (2011) ("AIA"), which created inter partes review ("IPR") proceeding in which the Patent Trial and Appeal Board ("PTAB"), a PTO administrative tribunal, adjudicates the validity of issued patents. The Court of Appeals for the Federal Circuit answered the question presented above with a "yes". This is a usurpation of Article III courts' exclusive jurisdiction. This Court should reverse the judgement of the Court of Appeals. All issued U.S. patents deserve the constitutional protections and legal standards in invalidation proceedings as those available in Article III courts. Those protections are secured by a right to a jury trial in an Article III

court in which the 35 U.S.C. § 282 presumption of validity and corresponding burden of clear and convincing evidence to show invalidity. *Microsoft v. i4i*, 131 S. Ct. 2238 (2011).

Over three decades, the Federal Circuit has countenanced continually expanding administrative review power on patent validity, which this Court has never reviewed. This Court should cabin the exceptions under which patent *validity* adjudications can be withdrawn from Article III courts or juries, and thereby restore the constitutional protections for such adjudications. IEEE-USA addresses here only the AIA-codified statute in Chapter 31 of Title 35 of the U.S. Code dealing with IPRs.

Before 1791, patent validity was traditionally tried in the English common law courts to juries. Br. for H. T. Gómez-Arostegui and S. Bottomley as *Amici Curiae*. This fact is determinative because "the thrust of the [Seventh] Amendment was to preserve the right to jury trial as it existed in 1791." *Curtis v. Loether*, 415 U.S. 189, 193 (1974). "[N]or can Congress conjure away the Seventh Amendment by mandating that *traditional legal claims* be … taken to an administrative tribunal." *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 52 (1989) (emphasis added).

The Federal Circuit's decision did not address the traditional legal claim nature of IPRs nor the remedies sought therein. Instead, the Federal Circuit held that patent rights are "public rights," and therefore "Congress has the power to delegate disputes over public rights to non-Article III courts."

MCM Portfolio LLC v. Hewlett-Packard Co., 812 F.3d 1284, 1289 (Fed. Cir. 2015). The Federal Circuit's decision failed to address the *issue* to be tried and the *remedy sought* in IPRs. Patent adjudications generally may involve various issues and remedies that are not present in IPRs. IPRs do not adjudicate "public rights," because they involve *traditional legal* claims and because the *actual* rights adjudicated in IPR are private property rights. IPRs that result in cancelling patent claims void the patent bargain of disclosure in exchange for an exclusive right, without restoring the inventor's common law private rights of secrecy to the invention.

The remedy sought in IPR is to cancel patent claims, thereby extinguishing the patent owner's *private right* to exclude others and conferring onto the IPR petitioner a *private* right to freely exploit the invention. Because as shown below the "public right" exception does not apply to patent invalidation proceedings, they must be conducted in Article III courts, with a right to jury trial, and not in an executive branch tribunal.

The IPR statute in 35 U.S.C. § 315(e)(2) *mandates* that the PTAB final decisions have preclusive effect on Article III courts. This it does with only limited and truncated opportunity for discovery in the administrative IPR process, dispensing with rights otherwise available in Article III court adjudications. This violates separation of powers.

Due Process, which Article III courts adhere to, requires that sufficient safeguards from *erroneous* judgements be in place. *Santosky v. Kramer*, 455 U.S. 745, 745–46 (1982). The clear and convincing evidence standard of proof for invalidating patents applied in Article III courts properly accounts for *asymmetry in the countervailing risks to the litigants* due to factfinder errors in patent invalidity determinations. In an IPR, the countervailing risks of error are vastly higher for the patentee than for the IPR petitioner, just as the case in Article III fact-finding. When the factfinder erroneously upholds an invalid patent, the defendant risks the unjust loss of damage award only for his own infringement, whereas when the factfinder erroneously finds a valid patent invalid, the patentee risks the unjust loss of his rights to damage awards from hundreds or thousands of infringers or licensees. Therefore, the same clear-and-convincing-evidence standard that is applied by Article III courts should govern patent claim validity adjudications, no matter the tribunal. However, IPRs are statutorily governed by a lower preponderance of the evidence standard. 35 U.S.C. § 316(e).

"In any given proceeding, the minimum standard of proof tolerated by the due process requirement reflects … *how the risk of error should be distributed between the litigants*. The minimum standard is a question of federal law which this Court may resolve. Retrospective case-by-case review cannot preserve fundamental fairness when a class of proceedings is governed by *a constitutionally defective evidentiary standard*." *Santosky*, 455 U.S. at 745–46 (emphasis added). Article III courts are

bound by this Court's ruling on the application of the clear and convincing evidence standard in adjudicating patent invalidity. This protection from fact-finding errors, immutably related to the high asymmetry in the risk of adjudication errors for issued patents, does not exist for patent owners in IPRs due to lower IPR standard of proof and lack of Article III de novo reviewability. The IPR's "constitutionally defective evidentiary standard"—a loss of Article III protection—should be highly relevant for the Court's decision on removal of patent validity adjudications from Article III courts. To be clear, the point made here is not that the IPR standard of proof per se violates the Constitution — a Fifth Amendment question not before the Court— but rather that it is part of the bundle of rights that come with Article III adjudications, and thus loss of the heightened standard of proof due to removal from Article III courts compounds the constitutional infirmity of Congress' IPR design. IEEE-USA is unique in addressing this connection to this case.

For the foregoing reasons and those explained further below, this Court should reverse the judgment of the Court of Appeals.

ARGUMENT

I. PATENT-VALIDITY ADJUDICATIONS ARE ENTITLED TO THE SAME CONSTITUTIONAL PROTECTIONS AS OTHER PRIVATE-PROPERTY ADJUDICATIONS

The Court of Appeals for the Federal Circuit previously held below that patent rights are "public rights," and therefore "Congress has the power to delegate disputes over public rights to non-Article III courts." *MCM*, 812 F.3d at 1289. The Federal Circuit also reasoned that its own precedents invoking the "public right" argument in *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir. 1992) and in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985) upholding the prior procedure of *ex parte* reexamination bound it to uphold IPRs. *MCM*, 812 F.3d at 1293.

The Federal Circuit's decision failed to address the actual *nature* and the *remedies sought* in IPR proceedings. The non-specific "patent rights" that the Federal Circuit characterizes as "public rights" may be merely ancillary if not *adjudicated* in IPRs. Rather, IPRs adjudicate traditional legal claims and "private rights." IPRs adjudicate cancellation of patent claims, voiding a *private* right to exclude others, and conferring onto petitioner the *private* right to freely exploit the invention.

I.A IPR adjudications fall squarely within the scope of Article III courts' jurisdiction and the attendant Seventh Amendment right to jury trial

IPR adjudications involve intellectual property rights of the inventor. Property rights are historically adjudicated by the judiciary in Article III courts, often with a right to a jury for factual determinations. "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, or admiralty.'" *Stern v. Marshall*, 564 U.S. 462, 488 (2011) (citing *Murray's Lessee v. Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1856)). "When a suit is made of 'the stuff of the traditional actions at common law tried by the courts at Westminster in 1789,' and is brought within the bounds of federal jurisdiction, the responsibility for deciding that suit rests with Article III judges in Article III courts." *Stern*, 564 U.S. at 484 (citing *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.,* 458 U.S. 50, 90 (1982) (Rehnquist, J., concurring in judgment)). This Court explained that "the thrust of the [Seventh] Amendment was to preserve the right to jury trial as it existed in 1791." *Curtis*, 415 U.S. at 193. Thus, the Seventh Amendment requires a jury trial when historical practice in the English courts before 1791 gave such matters to the jury. *Markman v. Westview Instrums., Inc.*, 517 U.S. 370, 377 (1996). Since *Tull v. United States*, courts also look to whether the claim involves legal, or equitable remedies. 481 U.S. 412, 417 (1987) (stating that Seventh Amendment requires a jury trial on the

merits in actions that are analogous to "Suits at common law.")

Petitioner and several *amici* have provided detailed accounts of the historical practice in England before 1791, where courts of law adjudicated patent validity and where related questions of fact were decided by juries. It therefore follows that the IPR statute contravenes Article III and the Seventh Amendment of the Constitution. The Federal Circuit, however, held that the IPR statute qualifies for the "public right" exception, permitting Congress to establish IPR trials in an administrative tribunal. *MCM*, 812 F.3d at 1291. The next section shows, however, that no exception can apply to the kind of rights adjudicated in IPRs.

I.B IPRs adjudicate private rights

Congress may validly assign resolution of certain claims and *novel* causes of action to a non-Article III tribunal when the claims involve a so-called "public right." *Granfinanciera,* 492 U.S. at 51. However, this is an exception, not the rule. This Court limited "the exception to cases in which the claim at issue derives from a federal regulatory scheme, or in which resolution of the claim by an expert government agency is deemed *essential* to a limited regulatory objective within the agency's authority." *Stern,* 564 U.S. at 490 (emphasis added). The PTAB ostensibly serves as mere impartial adjudicator that must render a decision on patent validity in much the same way that district courts routinely do, and thus the PTO's unique examination "expertise" is neither invoked nor "essential."

Respondent further argues that Congress "may delegate even a 'seemingly private right' to non-Article III courts if the right 'is so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution.'" Greene's BIO at 7 (citing *Granfinanciera*, 492 U.S. at 54).

Respondent's notion of a patent right as "seemingly private right" being a "public right" superficially appears in line with a taxonomy on public rights, wherein "privileges" or "franchises" awarded by the government are public rights. *See* Caleb E. Nelson, *Adjudication in the Political Branches*, 107 COLUM. L. REV. 559, 567-8, (2007). "Depending on how the legislature chose to structure particular 'privileges,' they could operate just like private rights; while the legislature permitted them to exist, they could form the basis for private claims against other individuals, and they could command recognition from both judicial and executive officials. But unlike the core private rights … these entitlements were but means to carry out public ends; 'they originated with the state rather than the individual,' and even in private hands they amounted to mere 'trusts of civil power to be exercised for the public benefit.' As such, they were not understood to vest in private individuals in the same way as core private rights." *Id.*

There is little doubt that it is this notion of a "privilege," or a "franchise" put in place by a "federal regulatory scheme" "to carry out public ends" that underlies the putative theory that patent rights are public rights. But this notion applied to patent rights is wrong because that taxonomy is patently

ill-suited for describing patent rights, let alone the actual rights adjudicated in IPRs.

First, exclusive patent rights are not "franchises" that exist only at the sufferance of public authorities or at the public's expense. "A time-limited exclusive right to subject matter which was neither known, nor obvious from what was known, takes nothing from the public which it had before." Giles S. Rich, *Laying the Ghost of the "Invention" Requirement*, 41 AIPLA Q.J., 1, 5-6 (2012). As a necessary corollary, the disclosure in a patent "gives to the public knowledge it did not possess, actually or potentially, and thereby makes for progress." *Id.* Second, the exclusive patent rights do not "originate with the state" but rather "with the individual"— rights that inventors already had, to be "secure[d] … for limited times" rather than be granted as new rights. U.S. Const. Art. I, § 8. Third, the exclusive patent rights are not bestowed "privileges" existing at the largesse of the government as "trusts of civil power to be exercised for the public benefit." Indeed, "the patent for an invention is not a conveyance of something which the government owns." *United States v. American Bell Telephone Co.*, 167 U.S. 224, 238-9 (1897). And "the patentee receives nothing from the law which he did not have before." *Motion Picture Patents Co. v. Universal Film Mfg. Co.*, 243 U.S. 502, 510 (1917). The effect of the patent is to restrain others for a limited time from exploiting that which they would not have had but for the disclosure of the patent. An issued patent is presumed valid, 35 U.S.C. § 282, and "shall have the attributes of personal property."

35 U.S.C. § 261. The right to exclude is therefore a private right of personal property.

I.B.1 Whether adjudicated rights are private or public depends on the nature of the action and the remedy sought.

The mere fact that a patent is involved in a particular adjudication cannot be dispositive as to whether the specific *adjudicated* rights are "private" or "public." In deciding whether the adjudicated right is "private" or "public," "the Court must examine both the *nature* of the action and of the *remedy sought*." *Tull,* 481 U.S. at 417 (emphasis added); *Curtis*, 415 U.S. at 195 ("a jury trial must be available if the action involves *rights and remedies* of the sort typically enforced in an action at law"). Characterizing the *relief sought* is "[m]ore important" than finding a precisely analogous common-law cause of action in determining whether the Seventh Amendment guarantees a jury trial. *Id*. at 196; *Ross v. Bernhard*, 396 U.S. 531, 538 (1970) ("The Seventh Amendment question depends on the *nature* of the *issue* to be tried rather than the character of the overall action.") (Emphasis added).

By applying the abovementioned *Tull-Curtis* test, examples of patent adjudications that *do* involve only public rights and others that involve only private rights can be readily identified.

I.B.2 IPRs adjudicate private rights and traditional legal claims

The "*nature* of the action" in IPRs is not patent enforcement but rather "to correct the agency's own errors in issuing patents." *MCM*, 812 F.3d at 1290. And the "*remedy sought*" by a petitioner in an IPR proceeding is "to cancel as unpatentable 1 or more claims of a patent" 35 U.S.C. § 311(b). In fashioning this "remedy," "the [PTO] Director shall issue and publish a certificate canceling any claim of the patent finally determined to be unpatentable." 35 U.S.C. § 318(b).

This "remedy" and *this* "nature" of an IPR proceeding involve only private rights. Upon creating the invention, an inventor enjoys private property rights in the invention well before a patent thereto is issued. *American Bell*, 167 U.S. at 238-9. These include various rights of secrecy, including common law trade secret rights, the value and intangible nature of which are well-recognized by this Court. *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 475 (1974); *Ruckelshaus v. Monsanto Co.*, 467 U.S. 986, 1011 (1984) (holding that trade secrets are private property rights for Fifth Amendment purposes). Upon receiving a patent, the inventor irrevocably shares with the world information on the invention and *exchanges* common-law private secrecy rights for the patent right. The right that the inventor receives is the enforcement right to exclude all others (including the IPR petitioner) from the free use of the private rights that would otherwise remain secret, bargained for by public disclosure of

the invention as claimed. But IPRs do not adjudicate patent enforcement.

An IPR adjudication that cancels patent claims *voids* this exchange of rights under the patent bargain, but without restoring to the inventor the private secrecy rights, which became publicly available. The "*remedy sought"* by the IPR petitioner in an IPR adjudication is to cancel patent claims in order to obtain the *private* right[2] to freely practice the invention. The inventor incurs a loss of his/her *private* right to exclude others. It is this economic gain of a *private right* by the IPR petitioner and the loss of the inventor's *private right* to exclude that is at the heart of IPR adjudications.

If IPR adjudications were to result in a *full reversal* of the patent bargain in which all parties find themselves fully restored to the *status quo ante*, matters would be simpler because no *net change* in private rights would take place, and arguably no private rights would be implicated. However, such is not the case because the "genie is out of the bottle"—the public disclosure of the invention cannot be erased, the *immediate* attended benefits to the IPR petitioner cannot be denied, and the inventor's private rights to exclude cannot be restored.

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[2] A "right" is defined as a "[t]hat which one person ought to have or receive from another, it being withheld from him, or not in his possession," Black, Henry Campbell, Joseph R. Nolan, and Michael J. Connolly. BLACK'S LAW DICTIONARY: St. Paul: West Pub. Co. (5th ed.1979) at 1189. Petitioner obtains a private right because his free use of the invention is no longer "being withheld from him."

Moreover, the substantial investments that the patentee may have made in reliance on the exclusive patent right cannot be returned to the patentee. While not directly adjudicated in IPRs, these pecuniary losses are purely losses of private rights. That said, the inventor does take a calculated risk in entering the exchange of rights described above—later loss of the inventor's private right may well turn out to be justified in some circumstances of improvidently-issued patents. However, only a judgement of an Article III court can justly extinguish such private rights.

The Federal Circuit's *MCM* decision failed to address "the *issue* to be tried" and the "*remedy sought*" in IPRs—it skipped the essential *Tull-Curtis* test. The term "remedy" — a term central to the *Tull-Curtis* test — does not appear even once in the Federal Circuit's decision. As its basis, the *MCM* decision broadly proclaims that "[t]he patent right derives from an extensive federal regulatory scheme, and is created by federal law." *MCM*, 812 F.3d at 1290 (internal quotation and citation omitted). But this "patent right" created by federal law involves several statutory rights that are *not* adjudicated in IPRs, including patent enforcement rights. For example, the PTAB does not adjudicate claims under Title 35 of the U.S. Code, § 271 (infringement of patent), § 281 (remedy for infringement of patent); § 283 (injunction), §§ 284, and 286 (damage awards), and § 285 (award of attorney fees). Stated differently, none of *these* statutory "patent rights" constitute the "*nature* of the action and of the *remedy sought*" in IPRs. *Tull,* 481 U.S. at 417 (emphasis added).

The "patent rights" that the Federal Circuit characterizes as "public rights" are merely ancillary to the proceeding as they are not *adjudicated* in IPRs. To be sure, an IPR adjudication can result in the loss of the "patent right" to assert equitable claims in another tribunal. However, even if some equitable component is excluded from a private right category, the presence of that "equitable" component is irrelevant: where a "legal claim is joined with an equitable claim, the right to jury trial on the legal claim, including all issues common to both claims, remains intact. The right cannot be abridged by characterizing the legal claim as 'incidental' to the equitable [claim]." *Curtis,* 415 U.S., at 196, n. 11. Thus, the patentee has a constitutional right to an Article III court and jury trial to determine the factual issues of validity.

Furthermore, any uncertainty as to which rights in IPR dominate in the proceeding is to be resolved in favor of Article III review. "[E]ven with respect to matters that arguably fall within the scope of the 'public rights' doctrine, the presumption is in favor of Art. III courts." *Stern,* 564 U.S. at 499 (citing *Northern Pipeline,* 458 U.S., at 69, n. 23 (plurality opinion)). "Congress may not bypass Article III simply because a proceeding may have *some* bearing on a [different proceeding]." *Id.*

Congress "lacks the power to strip parties *contesting matters of private right* of their constitutional right to a trial by jury." *Granfinanciera,* 492 U.S. at 51-52 (emphasis added). "[N]or can Congress conjure away the Seventh Amendment by mandating that *traditional legal*

claims be … taken to an administrative tribunal." *Id.* at 52 (emphasis added). "The Constitution nowhere grants Congress such puissant authority." *Id.*

In conclusion, the "public right" exception does not apply and adjudication of patent validity cannot be withdrawn from Article III courts or juries. "If such an exercise of judicial power may nonetheless be taken from the Article III Judiciary simply by deeming it part of some amorphous 'public right,' then Article III would be transformed from the guardian of individual liberty and separation of powers the Court has long recognized into mere wishful thinking." *Stern,* 564 U.S. at 462.

I.B.3 Example of patent adjudication involving public rights

Not all adjudications involving patents implicate private rights. For example, patent adjudications involving only public rights are conducted by the U.S. International Trade Commission ("ITC") under Section 337 of the Tariff Act of 1930. 19 U.S.C. § 1337. The ITC adjudicates allegations of certain unfair practices in import trade. Section 337 specifically declares the importation of infringing items covered by "a valid and enforceable United States patent" to be unlawful import practices. § 1337(a)(1)(B). In the event that the Commission determines that Section 337 has been violated, the Commission may issue an exclusion order barring the products at issue from entry into the United States, § 1337(d), as well as a

"cease and desist" order directing the violating parties to cease certain actions. § 1337(f).

A patent owner prevailing in such ITC exclusion order adjudication cannot obtain monetary damages or equitable injunctive relief. Traditional presence of irreparable injury and the balance of the hardships between the parties, for example, are not factors before the ITC. *Spansion, Inc. v. Int'l Trade Comm'n,* 629 F.3d 1331, 1359 (Fed. Cir. 2010) (the ITC is not bound by the equitable test of *eBay*). Instead, the sole remedy is an exclusion order, a remedy not intended to protect the patentee *per se*— it is applied to protect *the public interest and a domestic industry* from the consequences of unfair competitive acts in the importation of goods into the U.S. Thus, the public interest harms that the ITC considers are: public health and welfare; competitive conditions across the whole US economy; the existence of competitive articles produced in the US; and the effect on U.S. consumers. § 1337(d); *Spansion, Inc.*, 629 F.3d at 1358.

The patent holder's sole *remedy* at the ITC clearly involves only "public rights"– a governmental action protecting the domestic industry, which is the "*nature* of the action and of the *remedy sought*." *Tull,* 481 U.S. at 417 (emphasis added). It does not involve "*rights and remedies* of the sort typically enforced in an action at law." *Curtis,* 415 U.S. at 195 (emphasis added).

Moreover, pursuant to § 1337(a)(1)(B), the ITC adjudication requires a determination upon a challenge to the patent validity. However, the

"nature of the action" does not directly involve the patentee's private rights because that determination is solely for the purpose of ascertaining that the conditions of § 1337(a)(1)(B) are met, a decision that does not extinguish the patent holder's patent rights. This is because ITC decisions in patent issues "have no preclusive effect in district courts," *Texas Instruments Inc. v. Cypress Semiconductor Corp*., 90 F.3d 1558, 1569 (Fed. Cir. 1996), even when an ITC determination of patent invalidity was affirmed on appeal by the Federal Circuit. *In re Convertible Rowing Exerciser Patent Litigation*, 814 F. Supp. 1197, 1207 (D. Del. 1993). Thus, ITC validity determinations are limited to whether the patent holder has a *valid claim* for an exclusion order under § 1337(a)(1)(B). So there are indeed patent adjudications that involve public rights, but IPR adjudications do not.

II. IPRs UNDERCUT ARTICLE III CONSTITUTIONAL PROTECTIONS DUE TO LIMITED DISCOVERY AND PRECLUSIVE EFFECT ON ARTICLE III COURTS

The limits on discovery from opposing party in IPRs undermine substantive litigants' rights that can only be available in an Article III court. The latter's relatively liberal discovery standard provides that "[p]arties may obtain discovery regarding any nonprivileged matter that is relevant to any party's claim or defense and proportional to the needs of the case…" Fed. R. Civ. P. 26(b)(1). In contrast, the one-year statutory deadline for *completion* of IPRs in 35 U.S.C. § 316(a)(11), and the substantial hurdle of

meeting the PTAB's permissible discovery "in the interest of justice" standard under 35 U.S.C. § 316(a)(5) results in PTAB denial of discovery that would otherwise be available in Article III courts. *See Garmin Int'l, Inc. v. Cuozzo Speed Techs. LLC*, IPR2012-00001, Paper No. 26, at *5–6 (PTAB. Mar. 5, 2013) (In IPR, "discovery is limited as compared to that available in district court litigation. Limited discovery lowers the cost, minimizes the complexity, and shortens the period required for dispute resolution.") The effects of these denials and other procedural hurdles have had adverse effects on IPR litigants. *See* A. Abbott, et al., *Crippling the Innovation Economy: Regulatory Overreach at the Patent Office*," released by the Regulatory Transparency Project of the Federalist Society, (August 14, 2017) (https://regproject.org/wp-content/uploads/RTP-Intellectual-Property-Working-Group-Paper.pdf).

Congress also enacted the IPR statute in 35 U.S.C. § 315(e)(2) which provides that the petitioner in an IPR may not assert in an Article III court civil action that the patent claim is invalid on any ground that the IPR petitioner raised or reasonably could have raised during that IPR. This means that the IPR statute strips the judiciary of its discretion. It *mandates* that PTAB decisions have preclusive effect on Article III courts, raising substantial separation of powers concerns. *Northern Pipeline*, 458 U.S. at 58 (the judicial power established in Article III, § 1, is "an inseparable element of the constitutional system of checks and balances.")

The separation of powers concerns here are particularly heightened as the IPR statute mandates a preclusive effect of a decision by a non-Article III tribunal which denies full redress for a litigant. It prevents a patent challenger who was afforded only the limited and truncated opportunity for discovery in the administrative IPR process from making his case by utilizing the full scope of discovering and adducing evidence otherwise available in Article III court adjudications. This Court sidestepped this preclusion concern in the context of trademark law and "has never addressed whether such preclusion offends Article III." *B & B Hardware, Inc. v. Hargis Indus., Inc.*, 135 S. Ct. 1293, 1305, (2015) (n. 2: "[W]e do not decide whether such preclusion is unconstitutional because the issue is not before us.") Where, as here, the constitutionality of a statute that removes from Article III courts the adjudication of private property rights is manifestly before this Court, consideration of Congress' design in 35 U.S.C. § 315(e)(2) that such removal further have a preclusive effect on Article III courts should be highly relevant to this Court's decision. The Court should apply the Founders' intent — the Constitution "vests the 'judicial Power' not in administrative agencies, but in federal courts, whose independence is safeguarded by certain constitutional requirements. Art. III, § 1." *B & B Hardware,* 135 S. Ct. at 1313 (Thomas J., dissenting). Thus, IPRs may be constitutionally infirm because they strip away rights to Article III court adjudications not only from the patent holder but also from the patent challenger.

III. IPR'S CONSTITUTIONAL INFIRMITY IS COMPOUNDED BY IMPROPERLY PRESCRIBING THE PREPONDERANCE OF EVIDENCE STANDARD FOR INVALIDATING PATENT CLAIMS

The AIA codified 35 U.S.C. § 316(e) which directs the PTO to apply the "preponderance of the evidence" standard in adjudicating the validity of the claims in post grant proceedings even though patents are presumed valid, 35 U.S.C. § 282, and invalidity must be proven by clear and convincing evidence, *Microsoft v. i4i*, 131 S. Ct. 2238 (2011); *Radio Corp. of Am.* v. *Radio Eng'g Labs., Inc.*, 293 U.S. 1, 7-8 (1934) ("one otherwise an infringer who assails the validity of a patent fair upon its face bears a heavy burden of persuasion, and fails unless his evidence has more than a dubious preponderance"); *Coffin v. Ogden*, 85 U.S. 120, 124 (1874) ("The burden of proof rests upon [the patent challenger], and every reasonable doubt should be resolved against him.")

To be sure, it is within the domain of Congress to establish presumptions and rules respecting burden of proof. Nonetheless, the Due Process Clause of the Constitution does not permit the deprivation of liberty or property upon application of a standard of proof too lax to make reasonable assurance of accurate fact-finding. Due Process, which Article III courts adhere to, requires that there be sufficient safeguards from *erroneous* judgements that have disproportionately high risk to a litigant.

Thus, "[t]he function of a standard of proof, as that concept is embodied in the Due Process Clause and in the realm of fact-finding, is to 'instruct the factfinder concerning the degree of confidence our society thinks he should have in the correctness of factual conclusions for a particular type of adjudication.'" *Addington v. Texas* 441 U.S. 418, 423 (1979) (quoting *In re Winship*, 397 U.S. 358, 370 (1970) (Harlan J. concurring)). "In any given proceeding, the minimum standard of proof tolerated by the due process requirement reflects not only the weight of the public and private interests affected, but also a societal judgment about *how the risk of error should be distributed between the litigants*. The minimum standard is a question of federal law which this Court may resolve. Retrospective case-by-case review cannot preserve fundamental fairness when a class of proceedings is governed by *a constitutionally defective evidentiary standard*." *Santosky*, 455 U.S. at 745–46 (emphasis added).

When the litigants' risks are equal, that is, in a symmetric case where the consequences of an error in favor of one litigant are just as serious as the consequences of an error in favor of the other, the certainty level must not favor one litigant over the other and it need only be greater than ½ to allow a verdict for the plaintiff. This is reflected in legal determinations made under the preponderance-of-the-evidence standard in many civil cases.

In certain civil cases, however, a party is required to demonstrate certain facts to a higher degree of probability *because the litigants' risks in the event of an adjudication error against them are*

substantially asymmetric. For example, where the defendant is accused of civil fraud, a finding against him may do more than merely cost him restitution money. Since he loses reputation as well, the risk of an erroneous judgment against him is greater than that of an erroneous judgment against the plaintiff; as a result, the plaintiff must prove his case to a higher probability—clear-and-convincing-evidence. *See* John W. Strong, 2 *MCCORMICK ON EVIDENCE* §§ 340, 443-444 (4th ed.1992) (collecting civil cases where the clear-and-convincing evidence standard applies including civil fraud, undue influence, special danger of deception, revocation of citizenship, or policy grounds). In criminal law, the loss of liberty or life to the defendant due to a judgement error makes the countervailing risks extremely asymmetric, and thus prosecutors must prove their case "beyond reasonable doubt" to convict.

The presumption of validity under the clear-and-convincing-evidence standard in patent law is *not* necessarily based on any deference to the PTO examination prior to the patent grant. The heightened standard was used even before the Office started examining applications in 1836. *See* Ron D. Katznelson, *Brief of Amicus Curiae in Support of Affirmance*, *Microsoft Corp. v. i4i et al.*, at 30-32, U.S. Supreme Court (March 18, 2011) (quoting passages from Sen. Rep. Accompanying Senate Bill No. 239, 24th Cong., 1st Sess. (April 28, 1836), as endorsing the heightened standard of proof and the presumption of patent validity), available at http://j.mp/MS-v-i4i-Brief. Rather, the presumption of validity under the clear-and-convincing-evidence standard is an immutable adjudicatory standard

matched to the large *asymmetry in the countervailing risks to the litigants* due to factfinder errors in validity determinations.

In a patent *infringement* action, the litigants' risks of fact-finding errors in determining infringement are symmetric, because each party has the same dollars at risk—the damages judgment amount in the event of a finding for their adversary. Therefore, this essential symmetry of risks has long been recognized as requiring that infringement be proven by preponderance-of-the-evidence. *Bene v. Jeantet,* 129 U.S. 683, 688 (1889). That is not the case for patent *invalidity* determinations. When the factfinder erroneously upholds an invalid patent, the defendant risks the unjust loss of damage award only for his own infringement, whereas when the factfinder erroneously finds a valid patent invalid, the patentee risks the unjust loss of his rights to damage awards from hundreds or thousands of infringers or licensees, and the unjust enrichment of the public with a disclosure of the invention that was published upon consummation of the patent bargain. The asymmetry arises immediately upon the grant of the exclusive patent right and *is irreversible* thereafter because the patentee's loss and the dedication of his invention to the public is irreversible.

Thus, contrary to some widely-held notions with respect to standard of proof at the PTO, the evidentiary standards do not, and cannot, depend on *the venue or tribunal* adjudicating a case; they depend solely on the relative disparity of the parties' countervailing risks of adverse adjudication errors.

The litigants in an IPR proceeding are the patent holder on one side and the IPR petitioner or the real party in interest or privy of the petitioner on the other. *E.g.* 35 U.S.C. § 317(a) (discussing the parties involved in IPR settlement). The PTO is not a party and unlike its role in pre-grant examination, the PTO does not represent the public in the proceeding — it merely assumes the role of an *impartial* adjudicator, which can also authorize a settlement narrowly tailored solely to the interests of the litigants. 35 U.S.C. § 317. As in patent cases tried in district courts, the countervailing risks of error in IPR are vastly different for the patentee and the petitioner. Therefore, the clear and convincing evidence standard must apply in adjudicating the validity of patent claims, as it does in Article III courts. Arguing that the standard of proof for IPR at the PTO should be as it is in other PTO proceedings—the preponderance of evidence—is tantamount to arguing that a district court should keep the preponderance of evidence standard it used in a civil case when it proceeds to adjudicate a criminal case.

Where, as here, the countervailing risks of error in adjudication are highly asymmetric, this Court made clear that setting the proper standard of proof in civil cases is *a constitutional protection matter*: "To meet *due process demands* … the standard of proof *has to inform* the factfinder that the proof *must be greater* than the 'preponderance of the evidence' standard applicable to other categories of civil cases." *Addington*, 441 US at 419. (Emphasis added).

Accepting, as this Court should, the patent bargain and the highly asymmetric risks that invalidity adjudication imparts on the parties in IPRs, this asymmetry must guide this Court's analysis of the Question Presented regarding the removal of patent validity adjudications from such immutable legal regime. Article III courts are bound by, *Santosky, Addington* and *Winship* in civil proceedings and therefore are to apply the clear-and-convincing-evidence standard in patent validity cases, as *i4i* confirms. This constitutional protection from fact-finding errors must be available in any tribunal and are denied of patent holders under IPR. The presumption of validity with the clear-and-convincing-evidence standard is an *indivisible* "bundle" of rights that come with an issued patent. Those rights have been bargained for prior to the AIA (at least with respect to patents applied for before the effective date of the AIA) and thus cannot be undermined *ex post*. Yet, the IPR statute in 35 U.S.C. § 316(e) does just that.

Acquiescing to Congress' overreach in enacting the IPR statute and permitting a federal administrative tribunal to repeal a valuable private right through revocation of a government grant under the mere preponderance of the evidence standard would be a dangerous precedent. For example, it could sanction Congress' remittance of denaturalization proceedings revoking a grant of U.S. citizenship under the Immigration and Nationality Act (INA) 8 U.S.C. § 1451(a) to a government agency adjudication upon a showing by mere preponderance of the evidence with no Article

III court findings of fact. Although immigration law has other complexities and bases for remitting certain adjudications to executive branch tribunals, the point addressed here is limited to the standard of proof protections.

Under the INA, the government must "institute proceedings in any district court of the United States … for the purpose of revoking and … canceling the certificate of naturalization." 8 U.S.C. § 1451(a). Proof must be by clear and convincing evidence:

> "[A] certificate of citizenship is an instrument granting [rights] and open like other public grants to be revoked if and when it shall be found to have been [improperly] procured. ... To set aside such a grant the evidence must be clear, unequivocal, and convincing—it cannot be done upon a bare preponderance of evidence which leaves the issue in doubt."

Kungys v. United States, 485 U.S. 759, 795 n.7 (1988) (citation omitted, emphasis added). "This is so because rights once conferred should not be lightly revoked. And more especially is this true when the rights are precious and when they are conferred by solemn adjudication, as is the situation when citizenship is granted." *Id.*

To be sure, such INA naturalization revocation is an equitable remedy because the certificate involved may have been "procured by concealment of a material fact or by willful misrepresentation." 8 U.S.C. § 1451(a). However, the proceedings *are* currently entrusted to an Article III court with the

heightened standard of proof in keeping with the high asymmetry of the countervailing risks of adjudication errors. But there is no assurance that they will remain so. These and other similar proceedings entailing valuable private or individual rights which enjoy Article III protections, will be at risk of losing such constitutional protections by a mere act of Congress relegating them to administrative tribunals with lower standards of proof, should this Court uphold the precedent of the constitutionality of IPRs.

More generally to the Question Presented, were this Court to uphold the judgement of the Court of Appeals permitting removal from Article III courts adjudication of patent validity, it would threaten all private property rights secured or conferred by statutes. As to patent rights, there *would be nothing* to prevent Congress from removing *all* patent invalidity adjudications from Article III courts, requiring courts adjudicating patent infringement cases to refer patent invalidity matters through an expedited procedure to the "expert" agency tribunal, ostensibly to "improve efficiency" and "reduce litigation costs." This would gut the very incentives and protections that inventors and patent holders' require for making *irreversible* disclosures and investments in developing and commercializing inventions. Even the prospect of such future legislation would have a substantial chilling effect on patenting activities and investments reliant on patent rights. Rights adjudicated in IPR are private rights. Adjudication of patent validity is the exclusive province of Article III courts.

CONCLUSION

For the foregoing reasons, the judgment of the Court of Appeals should be reversed to restore the constitutional protections to which patent owners are entitled.

Respectfully submitted,

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