

No. 17-214

In the Supreme Court of the United States

SECURITY PEOPLE, INC., PETITIONER

v.

JOSEPH MATAL, INTERIM DIRECTOR, UNITED STATES
PATENT AND TRADEMARK OFFICE, ET AL.

*ON PETITION FOR A WRIT OF CERTIORARI
TO THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT*

BRIEF FOR THE FEDERAL RESPONDENT IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the district court lacked jurisdiction over petitioner's collateral challenge to the constitutionality of the inter partes review scheme.
2. Whether inter partes review under the Patent Act comports with Article III and the Seventh Amendment.

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OPINIONS BELOW

The order of the court of appeals (Pet. App. 1-4) is not published in the Federal Reporter but is available at 2017 WL 1963332. The order of the district court dismissing the complaint (Pet. App. 5-6) is not published in the Federal Supplement.

JURISDICTION

The judgment of the court of appeals was entered on February 23, 2017. A petition for rehearing was denied on May 11, 2017 (Pet. App. 22-23). The petition for a writ of certiorari was filed on August 2, 2017. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

STATEMENT

1. Congress has created several mechanisms that allow the United States Patent and Trademark Office

(USPTO) “to reexamine—and perhaps cancel—a patent claim that it had previously allowed.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). In 1980, Congress created ex parte reexamination, under which any person may request reexamination of a United States patent on the basis of certain types of prior art. 35 U.S.C. 301, 302; see Act of Dec. 12, 1980, Pub. L. No. 96-517, § 1, 94 Stat. 3015. If the Director of the USPTO finds that such a request raises a “substantial new question of patentability affecting any claim,” a patent examiner reexamines the patent “according to the procedures established for initial examination.” 35 U.S.C. 303(a), 305; see 35 U.S.C. 304.

Congress later created “another, similar procedure, known as ‘inter partes reexamination.’” *Cuozzo*, 136 S. Ct. at 2137 (emphasis omitted); see 35 U.S.C. 311-318 (2000). The USPTO could institute an inter partes reexamination based on a petition from a third party if the third party raised “a substantial new question of patentability” regarding an existing patent. 35 U.S.C. 312(a) (2000); see 35 U.S.C. 313 (2000). Inter partes reexamination differed from ex parte reexamination in that the third-party petitioner could participate in the inter partes proceeding and, after 2002, in any subsequent appeal. See *Cuozzo*, 136 S. Ct. at 2137; *Cooper Techs. Co. v. Dudas*, 536 F.3d 1330, 1332 (Fed. Cir. 2008).

In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, which replaced inter partes reexamination with inter partes review, see *Cuozzo*, 136 S. Ct. at 2137. The AIA permits third parties to seek inter partes review of any patent more than nine months after the patent’s issuance on the ground that the patent is invalid based on

lack of novelty or obviousness. 35 U.S.C. 311(b).¹ The Director of the USPTO may institute an inter partes review if he determines that “there is a reasonable likelihood that the petitioner would prevail” with respect to at least one of its challenges to patent validity, 35 U.S.C. 314(a), and if no other provision of the AIA bars institution under the circumstances. The challenger has “broader participation rights” in an inter partes review than the challenger would have had in an inter partes reexamination. *Cuozzo*, 136 S. Ct. at 2137. The final decision in an inter partes review may be appealed to the Federal Circuit. See 35 U.S.C. 141, 319.

2. Petitioner owns U.S. Patent No. 6,655,180 (filed July 31, 2001). In 2014, petitioner filed suit against respondent Ojmar US, LLC for infringement of that patent. Pet. App. 8. Ojmar then petitioned the USPTO for inter partes review of the disputed patent. *Id.* at 9.

Rather than awaiting the Board’s decisions whether to institute inter partes review and whether to invalidate any of petitioner’s patent claims, petitioner filed suit against the USPTO, its Director, and Ojmar in the United States District Court for the Northern District of California. Pet. App. 2. Petitioner sought a declaratory judgment that inter partes review violates Article III and the Seventh Amendment, and it asked the district court to enjoin the USPTO from conducting an inter partes review of petitioner’s patent. Compl. ¶ 9.

The government moved to dismiss the complaint on the ground that the district court lacked jurisdiction over petitioner’s challenge. Mot. to Dismiss 6-13. The government explained that Congress had “created an

¹ The AIA also created a separate mechanism, known as post-grant review, for challenges brought within nine months of patent issuance. 35 U.S.C. 321(c).

exclusive administrative scheme governing inter partes review,” *id.* at 13, by authorizing “aggrieved parties to appeal *only* from the Board’s final written decision and *only* to the Federal Circuit,” *id.* at 15. In the alternative, the government argued that the district court should stay proceedings until the Federal Circuit issued its decision in *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1091, which was pending before the court of appeals and which presented the question whether inter partes review violates Article III or the Seventh Amendment. Mot. to Dismiss 17-20.

The Federal Circuit subsequently decided in *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (2015), cert. denied, 137 S. Ct. 292 (2016), that inter partes review does not violate Article III or the Seventh Amendment. See *id.* at 1291. The district court in this case then dismissed petitioner’s suit without addressing the government’s jurisdictional argument. Pet. App. 5-6. The court concluded that, because the court of appeals in *MCM Portfolio* had “squarely rejected” petitioner’s constitutional challenge to inter partes review, petitioner had failed to state a cognizable claim to relief. *Id.* at 5.

3. Petitioner appealed to the Ninth Circuit, which transferred the appeal to the Federal Circuit. Pet. App. 2.

The Federal Circuit summarily affirmed the district court’s judgment dismissing petitioner’s suit. Pet. App. 1-4. The court concluded that affirmance was “clearly appropriate in this case because *MCM Portfolio* expressly rejected the argument ‘that inter partes review violates Article III and the Seventh Amendment.’” *Id.* at 2-3 (citation omitted). The court did not address the

government's argument that the AIA barred petitioner's collateral district-court challenge to an ongoing inter partes review. See *id.* at 1-4.

4. While petitioner's appeal concerning its collateral challenge was pending, the Patent Trial and Appeal Board (PTAB) instituted an inter partes review of petitioner's patent and then issued a final decision canceling the challenged claims as obvious. *Ojmar US, LLC v. Security People, Inc.*, IPR2015-01130, 2015 WL 6510359 (Oct. 27, 2015). Petitioner has appealed the PTAB's decision to the Federal Circuit. See *Security People, Inc. v. Ojmar US, LLC*, No. 17-1385 (filed Dec. 21, 2016). On appeal, petitioner challenges only the PTAB's unpatentability determination, and not the constitutionality of inter partes review. That appeal remains pending before the Federal Circuit.

ARGUMENT

Petitioner contends (Pet. 1, 21) that the petition for a writ of certiorari should be held pending the resolution of *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, cert. granted, No. 16-712 (June 12, 2017), in which this Court will consider whether inter partes review violates Article III or the Seventh Amendment. Regardless of the disposition of *Oil States*, however, petitioner's collateral challenge would fail because the district court lacked jurisdiction over petitioner's suit. The petition should therefore be denied.

1. Congress may—and often does—displace general federal-question jurisdiction by providing a detailed scheme for administrative and judicial review of a particular type of agency action. “In cases involving delayed judicial review of final agency actions, [the Court] shall find that Congress has allocated initial review to

an administrative body where such intent is ‘fairly discernible in the statutory scheme.’” *Thunder Basin Coal Co. v. Reich*, 510 U.S. 200, 207 (1994) (quoting *Block v. Community Nutrition Inst.*, 467 U.S. 340, 351 (1984) (citation and footnote omitted)); see *id.* at 216 (concluding that the structure and history of the statute at issue in that case “establishe[d] a ‘fairly discernible’ intent to preclude district court review”). Congress may channel claims through such a scheme of administrative and judicial review “even in cases in which the [plaintiffs] raise constitutional challenges to federal statutes.” *Elgin v. Department of the Treasury*, 567 U.S. 1, 10 (2012).

The AIA’s detailed scheme for challenging determinations made in inter partes review precludes litigants from challenging those proceedings through collateral actions filed in federal district court. The AIA states that “[t]he determination by the Director whether to institute an inter partes review * * * shall be final and nonappealable,” 35 U.S.C. 314(d), and that aggrieved parties in inter partes reviews may appeal only from final written decisions of the Board, 35 U.S.C. 319. Congress has further provided that such appeals may be brought “*only* to the United States Court of Appeals for the Federal Circuit,” 35 U.S.C. 141(c) (emphasis added).

A challenge to the conduct or resolution of an inter partes review therefore must be raised by appealing a final decision of the Board, not by bringing a collateral challenge in federal district court. And, like the statutes at issue in *Thunder Basin* and *Elgin*, the AIA “does not foreclose all judicial review of petitioner[’s] constitutional claims, but merely directs that judicial review shall occur in the Federal Circuit.” *Elgin*, 567 U.S.

at 10. Since petitioner did not bring its challenge to inter partes review through the framework established by the AIA, the district court lacked jurisdiction over petitioner's complaint, and petitioner would not be entitled to relief regardless of the disposition of *Oil States*.²

2. In the alternative, the Court should hold the petition pending the resolution of *Oil States*. Like petitioner here, the petitioner in *Oil States* argues that inter partes review violates Article III and the Seventh Amendment. Accordingly, if the Court does not deny the petition on jurisdictional grounds, it should hold the petition pending the decision in *Oil States* and then dispose of the petition as appropriate in light of that decision.

² Petitioner's collateral challenge is a particularly inappropriate vehicle for reviewing his constitutional claim because the USPTO's final decision in petitioner's inter partes review remains under review before the Federal Circuit. If the Federal Circuit concludes that the Board erred in cancelling petitioner's patent, petitioner will suffer no ongoing injury that this Court could redress through a favorable resolution of petitioner's constitutional challenge. See *Public Utils. Comm'n v. United States*, 355 U.S. 534, 539-540 (1958) (noting that, if "an administrative proceeding might leave no remnant of the constitutional question, the administrative remedy plainly should be pursued"). Petitioner also could have raised its constitutional claims in its appeal of the Board's decision, but it chose not to do so.

CONCLUSION

The petition for a writ of certiorari should be denied. In the alternative, the petition should be held pending the decision in *Oil States Energy Services v. Greene's Energy Group, LLC*, No. 16-712, and then disposed of as appropriate in light of that decision.

Respectfully submitted.

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NOVEMBER 2017