

No. 19-1074

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

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CELGENE CORPORATION, PETITIONER

*v.*

LAURA A. PETER, DEPUTY UNDER SECRETARY OF  
COMMERCE FOR INTELLECTUAL PROPERTY AND  
DEPUTY DIRECTOR, PATENT AND TRADEMARK OFFICE

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

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**BRIEF FOR THE RESPONDENT IN OPPOSITION**

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## QUESTION PRESENTED

For almost four decades, the United States Patent and Trademark Office has “possessed the authority 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 the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284, Congress replaced one of the existing mechanisms for administrative reconsideration of issued patents with a new administrative reconsideration proceeding known as inter partes review. Congress further provided that inter partes review “shall apply to any patent issued before, on, or after th[e] effective date” of the AIA. § 6(c)(2)(A), 125 Stat. 304. The question presented is as follows:

Whether the cancellation, following inter partes review, of petitioner’s pre-AIA patent violates the Just Compensation Clause.

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## BRIEF FOR THE RESPONDENT IN OPPOSITION

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### OPINIONS BELOW

The opinion of the court of appeals (Pet. App. 1a-39a) is reported at 931 F.3d 1342. The decisions of the United States Patent and Trademark Office (Pet. App. 40a-80a, 81a-118a, 119a-159a, 160a-200a) are not published in the United States Patents Quarterly, but the decision in No. IPR 2015-01092 (Pet. App. 40a-80a) is available at 2016 WL 11612609.

### JURISDICTION

The judgment of the court of appeals was entered on July 30, 2019. Petitions for rehearing were denied on December 9, 2019 (Pet. App. 201a-202a, 203a-204a). The petition for a writ of certiorari was filed on February 26, 2020. The jurisdiction of this Court is invoked under 28 U.S.C. 1254(1).

## STATEMENT

1. a. The Intellectual Property Clause of the Constitution authorizes Congress to “promote 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, Cl. 8. Pursuant to that authorization, Congress has enacted and periodically amended the Patent Act of 1952 (Patent Act), 35 U.S.C. 1 *et seq.*, which assigns to the United States Patent and Trademark Office (USPTO) responsibility “for the granting and issuing of patents.” 35 U.S.C. 2(a)(1). To determine whether patents should issue, USPTO personnel review applications to assess their compliance with the Act’s subject-matter requirements and conditions of patentability, such as utility, novelty, and non-obviousness in light of prior art. See 35 U.S.C. 101 (patent-eligible subject matter and utility), 102 (novelty), 103 (non-obviousness). If an application satisfies all of those criteria, the Director of the USPTO “shall issue a patent.” 35 U.S.C. 131.

The USPTO reviews more than 600,000 patent applications each year. See USPTO, *FY 2019 Performance and Accountability Report* 29 (2019) (table). Occasionally, the USPTO issues a patent for a putative invention that does not actually satisfy the statutory criteria. The Patent Act accordingly provides “several avenues by which [a patent’s] validity can be revisited.” *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853, 1859 (2019).

First, in an infringement action brought by the patent holder, the person accused of infringement may assert as a defense the “[i]nvalidity of the patent or any claim in suit” based on a failure to meet a “condition for



patentability.” 35 U.S.C. 282(b)(2). The court may declare the patent invalid if the defendant proves by clear and convincing evidence “that the patent never should have issued in the first place.” *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 96 (2011); see 35 U.S.C. 282(a) (providing that in infringement actions “[a] patent shall be presumed valid”). A final judicial determination of invalidity renders the patent unenforceable against all others. See *Blonder-Tongue Labs., Inc. v. University of Illinois Found.*, 402 U.S. 313 (1971).

Second, for almost four decades, the USPTO has “possessed the authority 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 first established an administrative reconsideration procedure known as *ex parte* reexamination, which permits “[a]ny person at any time” to “file a request for reexamination” of an issued patent in light of prior art “bearing on [its] patentability.” 35 U.S.C. 301(a)(1), 302; see Act of Dec. 12, 1980 (1980 Act), Pub. L. No. 96-517, 94 Stat. 3015 (35 U.S.C. 301 *et seq.*). The Director may institute reexamination proceedings based on that third-party request, or on his own initiative, if he finds “a substantial new question of patentability.” 35 U.S.C. 303(a). If the USPTO concludes that the challenged patent claims are unpatentable, the Director—following the opportunity for review by the Federal Circuit—cancels those claims. 35 U.S.C. 306, 307(a).

The statute that created the *ex parte* reexamination mechanism authorized the USPTO to reexamine all “patents in force as of th[e] [effective] date or issued thereafter.” 1980 Act § 8(b), 94 Stat. 3027 (effective date of July 1, 1981). The Federal Circuit subsequently held

that the Just Compensation Clause did not bar *ex parte* reexamination of patents that had been issued before the reexamination statute was enacted. See *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir.) (rejecting argument “that property rights in [appellant’s pre-1980 Act] patent were taken within the meaning of the Fifth Amendment of the United States Constitution by the reexamination and subsequent cancellation of certain of the claims of its patent”), cert. denied, 506 U.S. 829 (1992); see also *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 602-603 (Fed. Cir.), modified, aff’d in part and rev’d in part on other grounds, 771 F.2d 480 (Fed. Cir. 1985).

In 1999 and 2002, Congress established an additional reconsideration procedure known as *inter partes* reexamination. See Optional *Inter Partes* Reexamination Procedure Act of 1999, Pub. L. No. 106-113, Div. B, § 1000(a)(9) [Tit. IV, Subtit. F, §§ 4601 *et seq.*], 113 Stat. 1536, 1501A-567 (35 U.S.C. 311 *et seq.*); Patent and Trademark Office Authorization Act of 2002, Pub. L. No. 107-273, Div. C, Tit. III, Subtit. A, §§ 13105-13106, 116 Stat. 1900. *Inter partes* reexamination similarly permitted third parties to request that the Director institute USPTO reexamination proceedings based on prior art, and authorized him to cancel unpatentable claims following an opportunity for judicial review. See 35 U.S.C. 316(a) (2006). *Inter partes* reexamination, however, “granted third parties greater opportunities to participate in the [USPTO’s] reexamination proceedings as well as in any appeal.” *Cuozzo*, 136 S. Ct. at 2137.

b. In 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), Pub. L. No. 112-29, 125 Stat. 284. As relevant here, the AIA “modifies ‘*inter partes*

*reexamination,*” and “now calls [it] ‘inter partes review.’” *Cuozzo*, 136 S. Ct. at 2137; see AIA § 6(a), 125 Stat. 299. Congress authorized inter partes review to provide “a more efficient system for challenging patents that should not have issued.” H.R. Rep. No. 98, 112th Cong., 1st Sess. Pt. 1, at 39-40 (2011) (House Report).

Any person other than the patent owner may petition for inter partes review of an issued patent on the ground that the invention was not novel or was obvious under Section 102 or 103 of the Patent Act in light of “prior art consisting of patents or printed publications.” 35 U.S.C. 311(b); see 35 U.S.C. 102, 103, 312. If the Director finds a “reasonable likelihood” that the petitioner can establish the unpatentability of “at least 1 of the claims challenged in the petition,” he may institute review proceedings. 35 U.S.C. 314(a).

The Patent Trial and Appeal Board (Board) of the USPTO then conducts inter partes review proceedings to determine the patentability of the challenged claims. 35 U.S.C. 316(c). The petitioner and patent owner may conduct limited discovery, submit briefs and evidence, and obtain an oral hearing. See 35 U.S.C. 316(a)(5), (8) and (10). The petitioner must prove unpatentability by a preponderance of the evidence. 35 U.S.C. 316(e). The patent owner may seek to amend the patent by “propos[ing] a reasonable number of substitute claims,” and the Board may permit “[a]dditional motions to amend \* \* \* upon the joint request of the petitioner and the patent owner to materially advance the settlement of a proceeding \* \* \* or as permitted by regulations prescribed by the Director.” 35 U.S.C. 316(d)(1)(B) and (2). If the Board ultimately issues a final written decision determining the patentability of each challenged claim, a dissatisfied party may appeal to the United States

Court of Appeals for the Federal Circuit. 35 U.S.C. 318(a), 319. When judicial review is complete or the time for appeal has expired, the Director cancels any patent claims determined to be unpatentable. 35 U.S.C. 318(b).

The AIA's inter partes review provisions took effect on September 16, 2012. See AIA § 6(c)(2)(A), 125 Stat. 304. As the 1980 Act did with ex parte reexamination, the AIA specifies that inter partes review “shall apply to any patent issued before, on, or after that effective date.” *Ibid.*

2. a. Petitioner Celgene Corp. filed a patent application in 1998, and the USPTO issued U.S. Patent No. 6,045,501 ('501 patent) in 2000. Pet. App. 31a; 18-1171 C.A. App. 125. Petitioner filed another patent application in 2000, and the USPTO issued U.S. Patent No. 6,315,720 ('720 patent) in 2001. Pet. App. 31a; 18-1167 C.A. App. 215. At the time the '501 patent was issued, Congress had already authorized the Director to review and cancel that patent through ex parte reexamination, and had done so through legislation that applied to patents issued before or after the creation of the ex parte reexamination process. See pp. 3-4, *supra*. By the time the '720 patent was filed, Congress had also authorized the Director to review and cancel the patent through inter partes reexamination. See Pet. App. 32a.

In 2015, Coalition for Affordable Drugs VI LLC (CFAD) filed a petition for inter partes review of the '501 patent and three petitions for inter partes review of the '720 patent. See 18-1167 C.A. App. 143, 7374, 14546; 18-1171 C.A. App. 53. The Director instituted review in each case. 18-1167 C.A. App. 4276, 11602, 18779; 18-1171 C.A. App. 3648.

b. In October 2016, the Board issued separate decisions in which it determined by a preponderance of the evidence that all of the challenged patent claims were unpatentable as obvious under 35 U.S.C. 103. Pet. App. 78a, 116a, 157a, 198a. In assessing patentability, the Board gave those claims their “broadest reasonable construction.” See *Cuozzo*, 136 S. Ct. at 2146.<sup>1</sup> After construing the patent claims, see Pet. App. 49a-52a, 93a-97a, 132a-136a, 173a-177a, the Board analyzed the challenged claims and determined that they were unpatentable under Section 103(a) in light of prior art, see *id.* at 53a-74a, 97a-113a, 136a-155a, 177a-197a.

Petitioner appealed, and the Director intervened to defend the Board’s decisions. CFAD did not participate in the Federal Circuit proceedings. See Pet. ii.

3. The court of appeals affirmed. Pet. App. 1a. The court reviewed the Board’s obviousness determinations de novo and underlying factual findings for substantial evidence, see *id.* at 9a-10a, and concluded that each of the challenged claims in the two patents was unpatentable as obvious, see *id.* at 10a-24a.

The court of appeals also rejected petitioner’s argument, raised for the first time on appeal, that the application of inter partes review to its patents violates the Just Compensation Clause. Pet. App. 24a-39a; see 18-1167 Pet. C.A. Br. 44-52; 18-1171 Pet. C.A. Br. 41-49. The court observed that petitioner’s “pre-AIA patents

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<sup>1</sup> The USPTO has since amended the regulations governing inter partes review to provide that, when the Board conducts reviews in response to petitions filed on or after November 13, 2018, it will construe disputed patent claims using the same ordinary-meaning standard that applies in district-court litigation. See 83 Fed. Reg. 51,340 (Oct. 11, 2018) (37 C.F.R. 42.100(b)).

were \* \* \* granted subject to existing judicial and administrative avenues for reconsidering their validity.” Pet. App. 32a. It explained that, “[f]or several decades, the Patent Office has \* \* \* possessed the authority to reexamine—and perhaps cancel—a patent claim that it had previously allowed,” and that inter partes review is simply “the most recent legislative modification to the PTO’s longstanding reconsideration procedures.” *Ibid.* (quoting *Cuozzo*, 136 S. Ct. at 2137) (brackets in original). The court concluded that, although there are differences between inter partes review and the reconsideration procedures that existed before it, inter partes review proceedings “do not differ sufficiently from the PTO reconsideration avenues available when the patents here were issued to constitute a Fifth Amendment taking.” *Id.* at 33a; see *ibid.* (explaining that the “similarities between [inter partes review proceedings] and their reexamination predecessors” are “far more significant” than the differences).

The court of appeals also observed that, after Congress established ex parte reexamination procedures in 1980 and made them applicable to previously issued patents, the Federal Circuit had considered similar constitutional challenges to that statute. Pet. App. 30a n.13 (discussing *Patlex Corp.*, 758 F.2d at 603, 605, which presented challenges under the Fifth Amendment’s Due Process Clause, the Seventh Amendment’s jury-trial guarantee, and Article III; and *Joy Techs.*, 959 F.2d at 228, which presented a challenge under the Just Compensation Clause). The court explained that those challenges had failed even though “[t]he patent owners in” those cases “had a stronger argument than [petitioner] does here because, before the creation of *ex parte*

reexaminations, there were no PTO reexamination procedures.” *Ibid.*

Finally, the court of appeals noted that petitioner had “made no showing—nor could it—that claims canceled in [inter partes reviews], including its own claims, would have fared any better in the preexisting reexamination procedures.” Pet. App. 37a.

#### ARGUMENT

The court below correctly rejected petitioner’s constitutional challenge to the AIA, and its decision does not conflict with any decision of this Court or of any court of appeals. Further review is not warranted.<sup>2</sup>

1. Because “‘existing rules or understandings’ \* \* \* define the range of interests that qualify for protection as ‘property’ under the Fifth and Fourteenth Amendments,” takings claims cannot be predicated on “restrictions” that “inhere in the title itself.” *Lucas v. South Carolina Coastal Council*, 505 U.S. 1003, 1029-1030 (1992) (citation omitted). For example, the Court has held that it was not a taking of private property for the government to appropriate a landowner’s submerged lands where state law provided “a pre-existing limitation upon [his] title,” *id.* at 1028-1029 (citing *Scranton v. Wheeler*, 179 U.S. 141, 163 (1900)), that had already rendered it “a bare technical title,” *Scranton*, 179 U.S. at 163.

Substantially the same principle applies here. Inter partes review enables the USPTO to take a “second

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<sup>2</sup> Another petition raising similar challenges is pending in *Collabo Innovations, Inc. v. Sony Corp.*, petition for cert. pending, No. 19-601 (filed Nov. 4, 2019), and the government has opposed certiorari in that case for the same reasons.

look’’ at “the same basic matter as the grant of a patent.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1374 (2018) (citation omitted). The Board’s final written decisions in this case reflected the USPTO’s determination that the challenged patent claims did not satisfy the statutory prerequisites for patenting at the time the patent was issued. See 35 U.S.C. 318(b). The import of the Board’s decisions thus was not that a validly issued patent should be rescinded based on events that postdated its issuance, but that petitioner’s patents should never have been issued because they did not satisfy preexisting statutory requirements. The court of appeals upheld that determination, and petitioner does not seek this Court’s review on the merits of any patentability issue. And under the AIA provisions at issue here, cancellation of a patent does not occur until judicial review of the Board’s patentability determination is complete (or the time for appeal has expired). The Board’s and the court of appeals’ currently unchallenged determinations that petitioner never possessed a valid property interest did not effect a taking of property.

Petitioner contends (Pet. 34) that this represents “an astonishing view of property ownership.” But petitioner does not explain how it can hold a valid property interest in patents that the Board—in a decision that was affirmed by the Federal Circuit and that petitioner no longer challenges on the merits—has held do not satisfy the Patent Act’s non-obviousness requirement. See Pet. App. 3a. At most, petitioner held “a bare technical title” in its invalid patents, *Scranton*, 179 U.S. at 163, and the inter partes review proceedings did “no more than duplicate the result that could have been achieved



in the courts” or through ex parte reexamination, *Lucas*, 505 U.S. at 1029.

2. Petitioner appears to acknowledge (Pet. 22-23) that no taking of property would have occurred if the Director had cancelled its patent claims through ex parte reexamination, or if a district court had determined that the claims were invalid. Petitioner suggests (Pet. 33-34), however, that the Board effected a taking when it achieved the same result through more recently devised procedures that Congress viewed as an improvement on the prior review mechanisms. That argument lacks merit.

While a valid patent is private property, see *Horne v. Department of Agric.*, 135 S. Ct. 2419, 2427 (2015), “[n]o one has a vested right in any given mode of procedure,” Pet. App. 37a (quoting *Denver & Rio Grande W. R.R. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 563 (1967)) (brackets in original). The USPTO’s administrative procedures for reconsidering patents are not themselves the property of patent owners, and the Just Compensation Clause does not preclude legislative changes to those procedures. For example, the facts that inter partes review limits the number of motions a patent holder can file to amend its patent claims, and that Board regulations sometimes require patent holders to file such motions sooner than they might have sought amendment in an ex parte reexamination proceeding, see Pet. 25-26, 33, do not effect a taking of any constitutionally protected property interest.

Petitioner invokes (Pet. 23) the Court’s statement in *McClurg v. Kingsland*, 42 U.S. (1 How.) 202 (1843), that subsequently enacted legislation “can have no effect to impair the right of property then existing in a pa-

tentee.” *Id.* at 206. Petitioner’s reliance on that decision is misplaced. Consistent with *Denver & Rio Grande, supra*, *McClurg* makes clear that the rule against impairment of existing property rights is not implicated when Congress alters the procedures by which rights under preexisting patents are adjudicated. The Court explained that patent disputes “must depend on the law as it stood at the emanation of the patent, *together with such changes as have been since made.*” 42 U.S. (1 How.) at 206 (emphasis added). The Court observed that it “is not a sound objection to [the] validity” of subsequent procedural statutes that those statutes “may be retrospective in their operation.” *Ibid.* The Court concluded that provisions of a new statute that “prescribe[d] the rules which must govern on the trial of actions for the violation of patented rights” should apply, regardless of whether the patents were “granted before or after [the statute’s] passage.” *Id.* at 207. Similarly here, Congress simply revised the procedures that the agency may use to reconsider patent claims based on the same substantive conditions of patentability that had previously governed. That is a far cry from petitioner’s hypothetical statute shortening a patent’s term “from 20 years to 13.” Pet. 22.<sup>3</sup>

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<sup>3</sup> Petitioner invokes (Pet. 23) a discussion of *McClurg* in *Eldred v. Ashcroft*, 537 U.S. 186 (2003), to argue that under *McClurg*, patent holders’ rights can be expanded retroactively but never reduced. *Eldred* does not support that reading. Indeed, the *Eldred* Court’s observation that *McClurg* did not involve changes that disadvantaged patent holders, *id.* at 203 n.9, confirms that *McClurg* cannot have resolved the question whether such changes may be applied retroactively. As noted in the text, moreover, this case involves a procedural change, rather than a substantive alteration to the term of protection afforded by a patent (as in petitioner’s hypothetical) or a copyright (as in *Eldred*).

Petitioner appears to assert (Pet. 23) that the decision below conflicts with *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331 (1928). The question in *Richmond Screw Anchor* was whether a general statute (the Anti-Assignment Act) barring the assignment of claims against the United States applied to a patent assignee's infringement claims under a 1918 statute, which replaced an infringement remedy against government contractors with an infringement remedy against the United States itself. See *id.* at 340-346. This Court first applied the 1918 statute to a patent issued before its enactment. *Id.* at 346. The Court then concluded that Congress did not intend for claims against the United States brought under the 1918 statute to be foreclosed by the Anti-Assignment Act. The Court reasoned that a contrary interpretation could call into question the constitutionality of the 1918 statute because "[t]he assignability of [patent] claims [is] an important element in their value." *Id.* at 345.

*Richmond Screw Anchor* has no bearing on the proper disposition of this case. That case involved a concededly valid patent that conferred property rights on its holder. Here, by contrast, the Board found petitioner's patent claims to be invalid; the court of appeals affirmed that determination; and petitioner does not seek this Court's review of any substantive patentability issue. Moreover, a patent owner's right to assign his patent-infringement claim was an adjunct to his underlying right to exclude, so that legislation negating that right would implicate the Just Compensation Clause. Here, in contrast, the administrative procedures used to reconsider whether a patent was validly issued are not the private property of any patent owner. See pp. 11-12, *supra*.

3. Petitioner also attempts (Pet. 30-36) to formulate its Just Compensation Clause claim as one involving a regulatory taking. Regulatory-taking claims arise “when a regulation impedes the *use* of property,” *Murr v. Wisconsin*, 137 S. Ct. 1933, 1943 (2017) (emphasis added), but the AIA does not restrict patent owners’ exercise of their patent rights. A regulatory-taking claim must fail, moreover, if “the logically antecedent inquiry into the nature of the owner’s estate shows that the proscribed use interests were not part of his title to begin with.” *Lucas*, 505 U.S. at 1027. That is true here, since petitioner could have no patent rights (and therefore no property rights) in a claimed invention that does not satisfy the Patent Act’s criteria. See pp. 9-10, *supra*.

Even taken on its own terms, petitioner’s regulatory-taking claim must fail. Under *Penn Central Transportation Co. v. New York City*, 438 U.S. 104 (1978), and its progeny, courts evaluate regulatory restrictions on a claimant’s use of his property by assessing “(1) the economic impact of the regulation on the claimant; (2) the extent to which the regulation has interfered with distinct investment-backed expectations; and (3) the character of the governmental action.” *Murr*, 137 S. Ct. at 1943. Analysis of those criteria here shows that Congress’s modification of the procedures by which patents can be reexamined did not amount to a regulatory taking.

Petitioner places primary emphasis on the second of the three *Penn Central* criteria—the purported impact of the AIA’s inter partes review provisions on petitioner’s investment-backed expectations. Petitioner argues at length (Pet. 23-39) that the inter partes review provisions “pulled the rug from innovators who thought they held patent rights that could be defeated only” in

district court or through reexamination. Pet. 31. Nothing about the procedural changes embodied in the inter partes review provisions, however, defeats the reasonable investment-backed expectations of owners of pre-AIA patents.

When the patents here issued, petitioner “had the expectation that the validity of patents could be challenged in district court” and “also had the expectation that the PTO could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.” Pet. App. 39a. Mere “legislative modification[s]” to “existing judicial and administrative avenues for reconsidering [patent] validity” are “not sufficiently substantive or significant to constitute a taking.” *Id.* at 32a-33a. That is especially true given that the 1980 Act had previously established a new mechanism for reconsideration of patent validity (ex parte reexamination) and had made that mechanism applicable to previously issued patents, and the Federal Circuit had upheld that approach against a Just Compensation Clause challenge. See pp. 3-4, *supra*; *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir.), cert. denied, 506 U.S. 829 (1992). At the time its patents issued, petitioner therefore was on notice that Congress might alter the administrative procedures used to reconsider issued patents, and might make the new reconsideration procedures available for preexisting patents.

Petitioner asserts (Pet. 24-26, 33) that ex parte reexamination provided greater opportunities to amend defective claims than does inter partes review. But petitioner provides no support for the proposition that Congress’s decision to limit the number of times a patent holder can seek to amend patent claims during a pro-

cess of administrative reconsideration is a choice of constitutional magnitude under the Just Compensation Clause. Nor does petitioner identify any instance where it attempted to amend its own patent claims. Petitioner thus has “made no showing—nor could it—that claims canceled in [inter partes reviews], including its own claims, would have fared any better in the preexisting reexamination procedures.” Pet. App. 37a. The differences between inter partes review and its reexamination predecessors did “not disrupt the expectation that patent owners have had for nearly four decades” that the USPTO may cancel patent claims that the agency reconsiders and finds unpatentable. *Ibid.*

Despite the differences on which petitioner focuses, there are “significant similarities” between inter partes review and ex parte reexamination (not to mention inter partes reexamination, which was available for one of the patents here). Pet. App. 33a. In both inter partes review and ex parte reexamination, the USPTO is authorized to reconsider an issued patent at the request of a third party. 35 U.S.C. 302, 311(a). In both, the USPTO determines patentability by considering “prior art consisting of patents or printed publications.” 35 U.S.C. 301(a)(1), 311(b). In both, the patent owner has an opportunity to amend the patent to avoid the cancellation of otherwise invalid claims. 35 U.S.C. 305, 316(d). In both, the agency determines by a preponderance of the evidence whether the challenged claims were unpatentable at the time the patent issued. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). In both, the final agency decisions are subject to judicial review. 35 U.S.C. 306, 319. And in both, the Director cancels claims finally determined to be unpatentable only after judicial review is exhausted. 35 U.S.C. 307(a), 318(b).

These fundamental similarities make it particularly clear that the procedural changes reflected in the AIA do not defeat the investment-backed expectations associated with pre-AIA patents.<sup>4</sup>

Petitioner contends that inter partes review is “much more akin to a physical invasion,” Pet. 35, than to a “public program adjusting the benefits and burdens of economic life to promote the common good,” *Penn Cent.*, 438 U.S. at 124. That analogy is unsound, both because patent rights are a form of intangible property, and because the AIA provisions at issue here simply changed the procedures by which the USPTO reassesses existing patents. Petitioner cites no precedent treating a change to the procedures by which the existence or extent of a claimed property right is determined as a physical invasion of property.

Relying on this Court’s decision in *Landgraf v. USI Film Prods.*, 511 U.S. 244 (1994), petitioner contends (Pet. 35) that “the AIA’s retroactivity is an additional factor showing that *inter partes* review amounts to a

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<sup>4</sup> In arguing that inter partes review is “‘fundamentally’ different” from its reexamination predecessors, Pet. 24 (citation omitted), petitioner relies on this Court’s decision in *Return Mail, Inc. v. United States Postal Serv.*, 139 S. Ct. 1853 (2019). But the *Return Mail* Court focused on which entities are authorized to *initiate* challenges to patents before the USPTO, and the “differen[ces]” the Court identified were significant only from that party’s perspective. See *id.* at 1865-1866. For a challenger, for example, an inter partes review in which it can present evidence is “meaningfully different” from an ex parte reexamination in which “the challenger is not permitted to participate.” *Id.* at 1866. But that does not make the two processes of agency reevaluation fundamentally different from the perspective of a patent holder—the perspective that matters here. To the contrary, the patent holder’s role in both types of proceedings is ultimately the same: attempting to persuade the agency (or, barring that, the Federal Circuit) that the patent is valid.

taking.” Under the standards set forth in *Landgraf*, however, inter partes review of a pre-AIA patent does not constitute a retroactive application of the AIA. “A statute does not operate ‘retrospectively’ merely because it is applied in a case arising from conduct antedating the statute’s enactment, \* \* \* or upsets expectations based in prior law.” *Landgraf*, 511 U.S. at 269. The relevant question is instead “whether the new provision attaches new legal consequences to events completed before its enactment.” *Id.* at 270.

No new legal consequences attached here, since the Board in conducting inter partes review applies the same substantive standards of patentability that were applied when the patents were originally issued. While the *procedures* used to conduct inter partes review differ from the procedures previously used to reconsider issued patents, “[c]hanges in procedural rules may often be applied in suits arising before their enactment without raising concerns about retroactivity.” *Landgraf*, 511 U.S. at 275. And here, “[p]atent owners have always had the expectation that the validity of patents could be challenged in district court,” and “[f]or forty years \* \* \* have also had the expectation that the PTO could reconsider the validity of issued patents on particular grounds, applying a preponderance of the evidence standard.” Pet. App. 39a.

Petitioner argues (Pet. 13-14, 23-24, 26-29, 35-36) that the economic impact of inter partes review supports its takings claim. In particular, petitioner discusses (Pet. 13-14, 26-27) the increase in the number of successful challenges to patents, and suggests (Pet. 27) that “the value of all patents dropped by two-thirds after creation of *inter partes* review.” Pet. 27 (citing Richard Baker, *Guest Post: America Invents Act Cost the US*



*Economy over \$1 Trillion* (June 8, 2015), <https://patent-lyo.com/patent/2015/06/america-invents-trillion.html>).

These contentions do not support petitioner’s constitutional challenge. The 2015 blog post on which petitioner relies for its assertions about the AIA’s effects on patent values is speculative and unsound even taken on its own terms.<sup>5</sup> And as for the increased number of successful patent challenges, Congress chose to adopt “post grant review procedures that were intentionally more robust and would provide a ‘more efficient system for challenging patents that should not have issued.’” Pet. App. 36a (quoting House Report 39-40). But inter partes reviews “serve essentially the same purpose as their reexamination predecessors.” *Id.* at 34a. The fact that they achieve their objectives more efficiently than their administrative precursors does not suggest that the new procedures violate the Just Compensation Clause.

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<sup>5</sup> The blog post reported that, as of 2015, “[t]he lore of the US patent brokers \* \* \* is that the price of an average US patent has dropped about 66% since the institution of the AIA IPR procedure.” Baker, *supra*. But the blog post did not actually compare data about post-AIA patent sales to data about pre-AIA patent sales. See *ibid.* (examining data only from 2012-2014). Nor did it control for other economic and legal factors that might have affected the type, value, and quantity of patents sold during the post-AIA period it examined.

**CONCLUSION**

The petition for a writ of certiorari should be denied.  
Respectfully submitted.

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