GOLDSTEIN & RUSSELL, P.C.

7475 Wisconsin Ave.
Suite 850
Bethesda, MD 20814

MEMORANDUM

March 30, 2016

Re: Amicus Participation in *MCM Portfolio LLC v. Hewlett-Packard Company*

I represent MCM Portfolio LLC, which is seeking Supreme Court review of a recent decision of the United States Court of Appeals for the Federal Circuit upholding the constitutionality of the *inter partes* review (IPR) procedures created by the America Invents Act (AIA). We argue that IPR violates Article III of the Constitution, which vests the judicial power in the federal courts, and also the Seventh Amendment, which guarantees a right to a jury in civil litigation, because it allows a non-court, the Patent Trial and Appeals Board (PTAB), to adjudicate and eliminate valuable property rights without a jury's involvement. I am writing to ask you to consider supporting our petition as an amicus.

Background

The AIA created a post-grant adjudicatory procedure to review the validity of patents. *See* 35 U.S.C. § 311. Thus, a "person who is not the owner of a patent" can petition the U.S. Patent and Trademark Office (PTO) to institute a review before the newly created PTAB. The permissible grounds include those available under § 102 (novelty) and §103 (obviousness) of the Patent Act. If the PTO determines that the petitioner has a reasonable probability of prevailing on any of its arguments, it institutes proceedings. 35 U.S.C. § 314(a). The PTAB then conducts a trial before a three-judge panel and decides whether to cancel the claims.

IPR not only resembles civil litigation, it is designed as an alternative to it. For example, if a petitioner has already filed a civil action challenging the validity of a patent claim, it may not also institute IPR to challenge that same claim. 35 U.S.C. § 315(a)(1). If a party petitions and then files a civil action, the civil action will be automatically stayed unless the patentee moves to lift the stay or files a counterclaim alleging infringement. *Id.* § 315(a)(2). The decisions in IPR also estop petitioners from raising similar grounds in civil actions. *Id.* § 315(e)(2). Like civil actions, IPR proceedings may be settled by the private parties to them. *See id.* § 317. And adverse decisions in IPR are appealed to the United States Court of Appeals for the Federal Circuit, just like other patent cases—and review is deferential, for substantial evidence. *Id.* § 141(c).

(202) 362-0636
(866) 574-2033 fax
www.goldsteinrussell.com

IPR has been lethal to patent owners. To date, almost 4000 petitions have been filed, and in approximately 85% of cases where trial is complete, at least one patent claim has been held invalid by the PTAB. *See* PTO, PTAB Statistics (Dec. 31, 2015). It is no exaggeration to say that the shift from jury trials to IPR has been one of the most substantial blows to inventors to date.

In this case, Hewlett-Packard (HP) initiated and won an IPR against MCM, invalidating four claims in one of MCM's patents as obvious. MCM argued that HP's petition was time-barred, that IPR violates Article III and the Seventh Amendment, and that HP's prior art did not read on the challenged claims. The PTAB rejected these arguments, and the Federal Circuit affirmed.

The Federal Circuit decided first that it had no jurisdiction to review the argument that the petition was time-barred. That question is at issue in a pending Supreme Court case. *See Cuozzo Speed Techs., LLC v. Lee*, No. 15-446. While a favorable result in *Cuozzo* could stave off a substantial number of meritless petitions, it cannot challenge the fundamental infirmities of the IPR itself.

MCM's constitutional arguments, on the other hand, present such a challenge. With respect to those, the Federal Circuit held that because patent rights are "public rights," *i.e.*, rights that are created by the federal government, Congress can delegate their adjudication to administrative tribunals. The court of appeals also reasoned that its own precedent upholding the prior procedure of *inter partes* reexamination bound it to uphold IPR.

We now intend to seek review of that ruling. Another closely related petition for certiorari is pending, but it presents only the Article III question (not the jury trial issue) and does so in a less developed context, No. 15-955, *Cooper v. Lee*, so we expect the Justices will principally consider our case.

Please Consider Filing An Amicus Brief Supporting The Petition

The Federal Circuit misinterpreted the Constitution and imperiled the intellectual property rights of countless patentees. The court of appeals' "public rights" argument falters because although patents are the subject of federal law, patent rights closely resemble other private property rights that must be adjudicated by Article III courts, with the attendant jury trial requirements.

As the Supreme Court has explained, the Seventh Amendment requires a jury trial when historical practice gave an issue to the jury. *Markman v. Westview Instrums., Inc.*, 517 U.S. 370, 377 (1996). Patents, of course, trace their genesis to English common law. In early America, juries decided factual issues in direct actions to revoke patents because patents constitute "a property which is often of very great value," and in cases involving such property, "the constitution has secured to the citizens a trial by jury." *Ex parte Wood & Brundage*, 22 U.S. 603, 608-09, 615 (1824) (The 1836 Patent Act abolished the direct revocation action). The Federal Circuit has also held that disputed facts involving patent validity must be tried to a jury. *In re Lockwood*, 50 F.3d 966, 981 (Fed. Cir.), *vacated sub nom. Am.*

Airlines, Inc. v. Lockwood, 515 U.S. 1182 (1995). By denying the similarities between IPR and these two forms of civil litigation, the Federal Circuit seriously erred.

MCM's petition provides the best hope for correcting that error. It presents the Article III and the Seventh Amendment arguments clearly, and therefore two viable opportunities for challenging the validity of IPR as a whole.

Your support as an amicus could make all the difference. We know from the Court's order granting review in *Cuozzo* that the Justices are interested in the IPR process. In cases arising from the Federal Circuit, the Supreme Court uses amicus briefs as a critical proxy to measure the importance of the issues raised by a petition. Moreover, you have a strong track record and a credible perspective that the Justices respect.

Our petition is due on April 29, 2016. Amicus briefs will be due approximately thirty days after we file the petition. I hope you will consider supporting us. I would be very pleased to discuss the issues in the case further with you. If you need any assistance recruiting counsel to prepare a brief for you, I can also help with that.

Thomas C. Goldstein
tgoldstein@goldsteinrussell.com