

**UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division**

J. CARL COOPER, <i>et al.</i> ,)	
)	
Plaintiffs,)	
)	
vs.)	Civil Action No. 1:14cv672
)	
MICHELLE LEE,)	
Deputy Under Secretary of)	
Commerce for Intellectual Property)	
and Deputy Director of the United)	
States Patent and Trademark Office,)	
<i>et al.</i> ,)	
)	
Defendants.)	
_____)	

**MEMORANDUM OF LAW IN SUPPORT OF DEFENDANTS' MOTION FOR
SUMMARY JUDGMENT & IN OPPOSITION TO PLAINTIFFS' MOTION FOR
SUMMARY JUDGMENT**

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INTRODUCTION

Nearly ninety years ago, Justice Oliver Wendell Holmes reminded the public – and his fellow jurists – that declaring an Act of Congress unconstitutional “is the gravest and most delicate duty that [a] Court is called on to perform.” Blodgett v. Holden, 275 U.S. 142, 148 (1927) (Holmes, J., concurring). In this action, plaintiffs J. Carl Cooper and eCharge Licensing LLC ask this Court to run roughshod over this now-axiomatic principle, and to hold unconstitutional the congressionally-revised system of patent reexamination at the United States Patent and Trademark Office (“USPTO”) now known as *inter partes* review. Plaintiffs ask this Court to invalidate this entire process – and, *sub silentio*, its two elder siblings – notwithstanding (a) that this Court’s efforts might prove unnecessary (in the event that plaintiffs prevail before the USPTO), and (b) the existence of at least *two* Federal Circuit decisions (to which this Court looks for binding precedent on the merits of plaintiffs’ challenge) that have upheld the constitutionality of administrative patent reexamination at the USPTO against the very same arguments that plaintiffs present here. In short, as opposed to the surgical precision required by Justice Holmes’s admonition, plaintiffs want this Court, with the stroke of a pen, to do away with thirty-five years of patent reexamination.

This Court should decline the invitation. First, it is now axiomatic that litigants are required to exhaust available administrative remedies before seeking judicial relief. This principle is no less applicable to constitutional claims; indeed, courts have held that exhaustion is a necessary corollary to the doctrine of constitutional restraint. And here, plaintiffs have yet to complete *inter partes* review before the USPTO – if they succeed in that process, this Court will not need to address plaintiff’s constitutional questions, and if they do not, they can attempt to

raise their constitutional challenge with the Federal Circuit in their statutorily-guaranteed direct appeal from the USPTO's "final written decision."

Second, as this Court has already addressed in some detail, see generally *Versata Dev. Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013) (Lee, J.), Congress has, for nearly thirty-five years, authorized the USPTO to engage in administrative proceedings related to the re-examination of patents that the agency previously issued. The Federal Circuit has now *twice* rejected the position that such an administrative system runs afoul of the Constitution – whether pursuant to Article III or the Seventh Amendment. See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985); *Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992). Plaintiffs identify neither a change in this system arising out of the America Invents Act ("AIA"), nor any intervening Supreme Court authority, that would render these two decisions inapposite to the constitutional issue they raise here. Instead, they ostensibly ask this Court to strike down the entire system of *inter partes* review based solely on their position that the Federal Circuit erred in construing the Supreme Court's nineteenth-century patent precedent. But it is well-settled that this Court is bound by, and is not entitled to second-guess the correctness of, Federal Circuit authority; in short, plaintiffs' arguments must await review by either the *en banc* Federal Circuit or the Supreme Court itself.

Finally, even if this Court could adjudicate this question on a blank slate, Congress is entitled to create a system through which the USPTO – in a quasi-litigative setting – reviews the validity of a patent that it previously issued, without running afoul of either Article III or the Seventh Amendment. Put simply, patent reexamination proceedings before the USPTO, in either their past or current form, fit easily within the Supreme Court's "public rights" jurisprudence: patent reexamination proceedings resolve patent claims that are derived from a federal regulatory

scheme, and the resolution of these patent claims is essential to the “limited regulatory objective within the [USPTO’s] authority.” Stern v. Marshall, 131 S. Ct. 2594, 2613 (2011).

This Court should thus reject plaintiffs’ claims, and enter judgment in USPTO’s favor.

STATUTORY & REGULATORY BACKGROUND

Plaintiffs’ instant constitutional claims generally concern the processes created by Congress through which the USPTO reviews the validity of a patent that – pursuant to the very same statutory and regulatory scheme Congress promulgated – the agency issued in the first instance. Courts have repeatedly recognized that the availability of these administrative options serve significant public needs, including, *inter alia*, to “restor[e] confidence in the validity of patents issued by the [US]PTO,” “to correct errors . . . and if need be to remove patents that never should have been granted,” and to ensure that – as with patent issuance in the first instance – questions over patentability are “refer[red] . . . to the expertise of the [USPTO].” Patlex Corp. v. Mossinghoff, 758 F.2d 594, 604 (Fed. Cir. 1985); *see also* Callaway Golf Co. v. Kappos, 802 F. Supp. 2d 678, 686 (E.D. Va. 2011).

It is thus important to provide a threshold discussion of the new processes that Congress appended, through the AIA, to the regulatory scheme governing patents as well as the administrative processes that were previously available (before the AIA) for the review of issued patents.

I. PRE-AIA ADMINISTRATIVE REVIEW – PATENT REEXAMINATION

A. PATENT EXAMINATION

At the outset, an individual who seeks a patent on a particular invention must file an application with the USPTO that contains a specification and an oath by the applicant to the effect that he or she believes that they are the original inventor of the invention at issue. See 35 U.S.C. §§ 111(a); 115. A USPTO patent examiner thereafter reviews the application and makes

a determination as to whether the application presents claims that are patentable. See id.

§ 131. If “it appears that the applicant is entitled to a patent under the law,” the USPTO “shall issue a patent.” Id.

B. PATENT REEXAMINATION

1. “Ex Parte” Reexamination

Until approximately 1980, individuals or entities seeking to challenge the validity of an issued patent were without any real administrative recourse. See Patlex, 758 F.2d at 601. Congress concluded that this gap forced many to file costly and time-consuming challenges to patent validity in the federal court system, when the same challenge “could be conducted with a fraction of the time and cost of formal legal proceedings,” in a USPTO proceeding. See H.R. RPT. 96-1307, at 3 (Sept. 9, 1980), reprinted in 1980 U.S.C.C.A.N. 6460, 6462. Congress therefore created an administrative alternative to federal court litigation known as “ex parte reexamination,” which authorized the patent owner or third parties to request that the USPTO reexamine “the substantive patentability” of an issued patent. 35 U.S.C. § 302 (2010).¹

The use of the modifier “ex parte” to describe this form of reexamination was significant, and reflected the nature of that type of administrative reexamination. In short, even if the USPTO accepted a third-party’s request (*i.e.*, concluded that there was a “substantial new question of patentability,” 35 U.S.C. § 303(a)), and instituted reexamination proceedings, the resulting proceedings would generally continue only between the USPTO and the patent owner. See Syntex (USA), Inc. v. USPTO, 882 F.2d 1570, 1573 (Fed. Cir. 1989). Other than in one rare situation, “[t]he statute [gave] third party requesters no further, specific right to participate in the

¹Given the amendments made to the Patent Act through the AIA – especially in the context of administrative and judicial review of issued patents – all statutory citations within this section (*i.e.*, concerning patent reexamination) are to the 2010 codification of the United States Code.

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