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Death and Taxes: The Only Guarantees a Patent Grant Provides?

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I. INTRODUCTION

In April 2018, the director of the United States Patent & Trademark Office, Andrei Iancu, stated, “the patent grant is less reliable today than it should be.”¹ For Nobel Biocare, owner of United States Patent 8,714,977 (‘977 patent), the United States patent system became the antithesis of reliability. In two separate appellate court decisions, only fourteen months apart, the ‘977 patent was found to be valid, then unpatentable. On July 19, 2017, the Court of Appeals for the Federal Circuit affirmed an International Trade Commission (ITC) ruling, upholding the *validity* of the ‘977 patent.² On September 13, 2018, the same Court of Appeals for the Federal Circuit affirmed the United States Patent & Trademark Office’s (USPTO) Patent Trial & Appeal Board (PTAB) ruling, regarding the same patent, relying on virtually the same evidence, upholding the *unpatentability* of the ‘977 patent.³ This Comment explores recent developments in the patent system that set the stage for this absurd result, analyzes sources of conflict in the law that doom the patent system to repeat this problem, and argues for changes to harmonize the patent system and increase the reliability of the patent grant.

The first section of this Comment provides a brief review of the history of the United States’ patent system and how recent changes to its statutory design created the perfect storm of conditions, which have led to inconsistent results such as those found in the *Nobel Biocare* cases. The Founding Fathers intended that the patent system promote innovation through the grant of exclusive rights to inventors.⁴ An inventor would submit an idea, striking a bargain whereby he shared it with the world, and in turn, received a patent—an exclusive right to the use of his invention.⁵ These patents had all of the same attributes as property, such as recordation, transferability,⁶ and the right to prevent another from trespassing by making or using patented technology without the patent holder’s

1. Andrei Iancu, Dir., U.S. Patent and Trademark Office, Keynote Address at the U.S. Chamber of Commerce Patent Policy Conference: Role of U.S. Patent Policy in Domestic Innovation and Potential Impacts on Investment (Apr. 11, 2018) (transcript available at <https://www.uspto.gov/about-us/news-updates/remarks-director-andrei-iancu-us-chamber-commerce-patent-policy-conference>).

2. *Instradent USA, Inc. v. ITC*, 693 F. App’x 908 (Fed. Cir. 2017) (Nobel Biocare was the patent-holder and second-named appellee in this case. This Comment focuses on patent-holders and refers to this case and the next as the *Nobel Biocare* cases).

3. *Nobel Biocare Servs. AG v. Instradent USA, Inc.*, 903 F.3d 1365 (Fed. Cir. 2018).

4. U.S. CONST. art. I, § 8, cl. 8.

5. *Id.*

6. 35 U.S.C. § 261.

permission.⁷ Fast forward to the year 2012 and the passage of the Leahy-Smith America Invents Act, which created the USPTO's PTAB and, with it, a new post-grant review process entitled *inter partes review*.⁸ The goal of *inter partes review* proceedings was twofold: (1) to help weed out weak patents that should not have been granted by the USPTO in the first place and (2) to lower costs and increase the efficiency of patent suits by avoiding district court proceedings.⁹ The constitutionality of *inter partes review* was initially challenged, but on April 24, 2018, the United States Supreme Court announced its decision in *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, which upheld the constitutionality of the *inter partes review* process, but only narrowly.¹⁰ Ultimately, this section of the Comment reveals that patents should be considered personal property and regarded with the same respect and rights afforded to other forms of property the government secures.

The second section of this Comment identifies and analyzes Congress' statutory drafting that led to the conflicting results in the *Nobel Biocare* cases,¹¹ and explains why the Supreme Court decided *Oil States* on such a narrow basis.¹² This tension originates from a fundamental difference in the way patent grants are conceptualized—patentability as opposed to validity—and from a loophole in the America Invents Act that allows defendants in infringement lawsuits to circumvent the protections guaranteed to patents. Congress conflated these two sides of the same coin by increasing uncertainty for all involved, creating a lop-sided patent prosecution process, and contributing to the United States patent system tumbling from number one in the world to a tie for twelfth place in six years.¹³

The final section of this Comment identifies potential solutions to the problems created by the America Invents Act's confusion between patentability and validity. The first solution addresses a constitutional challenge to *inter partes review* based on the Takings Clause as invited by *Oil States*.¹⁴ The second solution, also invited by the *Oil*

7. § 271(a).

8. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 311, 125 Stat. 284, 299, 313 (2011).

9. Sasha Moss, Charles Duan & Joe Kane, *Inter Partes Review as a Means to Improve Patent Quality*, R STREET (Sept. 25, 2017), <https://www.rstreet.org/2017/09/25/inter-partes-review-as-a-means-to-improve-patent-quality/>.

10. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1368–70 (2018).

11. *Instradent USA, Inc. v. ITC*, 693 Fed. Appx. 908 (Fed. Cir. 2017); *Nobel Biocare Servs. AG v. Instradent USA, Inc.*, 903 F.3d 1365 (Fed. Cir. 2018).

12. 138 S. Ct. at 1379.

13. MEIR PUGATCH ET AL., U.S. CHAMBER OF COM.: GLOB. INTELLECTUAL PROP. CTR., MEASURING MOMENTUM: GIPC INTERNATIONAL IP INDEX 26 (1st ed. Dec. 2012), https://www.theglobalipcenter.com/wp-content/uploads/2017/04/GIPC_Index_Report2012.pdf; MEIR PUGATCH ET AL., U.S. CHAMBER OF COM.: GLOB. INTELLECTUAL PROP. CTR., THE ROOTS OF INNOVATION: U.S. CHAMBER INTERNATIONAL IP INDEX 117 (5th ed. Feb. 2017), https://www.theglobalipcenter.com/wp-content/uploads/2017/02/GIPC_IP_Index_2017_Report.pdf; MEIR PUGATCH ET AL., U.S. CHAMBER OF COM.: GLOB. INTELLECTUAL PROP. CTR., CREATE: U.S. CHAMBER INTERNATIONAL IP INDEX 35 (6th ed. Feb. 2018), https://www.theglobalipcenter.com/wp-content/uploads/2018/02/GIPC_IP_Index_2018.pdf; MEIR PUGATCH ET AL., U.S. CHAMBER OF COM.: GLOB. INTELLECTUAL PROP. CTR., INSPIRING TOMORROW: U.S. CHAMBER INTERNATIONAL IP INDEX 44 (7th ed. Feb. 2019), https://www.theglobalipcenter.com/wp-content/uploads/2019/03/023593_GIPC_IP_Index_2019_Full_04.pdf.

14. 138 S. Ct. at 1379.

States decision,¹⁵ presents a due process challenge to the constitutionality of the same statutory language under factors established in *Mathews v. Eldridge*.¹⁶ The third potential solution identified is the ability of the Director of the USPTO to address the issues. Ultimately, this Comment argues that the time bar loophole should be eliminated to avoid an inherently thorny constitutional challenge and to delineate between unpatentability and invalidity challenges against patents.

II. THE 2012 AMERICA INVENTS ACT *INTER PARTES REVIEW* PROCESS EVISCERATES THE VALUE OF THE UNITED STATES PATENT GRANT

The history of the United States' patent system stretches back to the origins of the nation.¹⁷ For more than 200 years, United States' patent law protected the patent grant with the same rights as personal property. In the last six years, legislative design and judicial decisions have eroded the value of the patent grant by relegating the patent grant to little more than that of a public franchise.¹⁸ This reduction in rights, in combination with Congress' creation of the *inter partes review* process, generates significant uncertainty in the patent grant.

The founders of the United States memorialized the importance of patents, both to the United States and to the individuals who choose to share their inventions, in the supreme law of the land: "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"¹⁹ This quid pro quo is known as the bargain of the patent system.²⁰ The preamble of this clause plainly sets forth the goal of the patent system, and with it, the altruistic societal expectation of the bargain—to encourage scientific development through the sharing of ideas.²¹ The subsequent clause identifies the compensation offered to inventors for entering into this bargain—that they obtain a "foundational right to exclude others from practice of the patented invention."²² Looming in the background of the patent bargain lies the indelible impact that disclosure of an idea leaves on both society and the inventor. Once an inventor commits his idea to paper in the form of a patent application, and the United States government begins the process of granting a patent in return, the inventor no longer maintains exclusive control over his idea.²³ The invention is made public and laid bare for all the world to see.²⁴

Throughout United States history, the patent grant received the same status and esteem as any other piece of personal property. Over time, the legislative, executive, and

15. *Id.*

16. 424 U.S. 319 (1976).

17. U.S. CONST. art. I, § 8, cl. 8.

18. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011); *Oil States*, 138 S. Ct. at 1375.

19. U.S. CONST. art. I, § 8, cl. 8.

20. *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 150–51 (1989).

21. U.S. CONST. art. I, § 8, cl. 8.

22. *Id.*; *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985).

23. *Bonito Boats*, 489 U.S. at 150–51.

24. *Id.*

judicial branches of the United States government endeavored to re-shape the patent system in an effort to keep in step with changes in society and to combat “‘bad’ patents.”²⁵ While some of these alterations have increased the efficiency of the system, other changes have hampered its effectiveness and led to the gradual destruction of the rights guaranteed in the grant of a patent. One such change is the implementation of the America Invents Act and its creation of the *inter partes* review process.²⁶ Although it was one of the most prominent and crucial changes to patent law in recent history, it created a significant loophole that diminished the value of the patent grant.

A. For More Than Two Centuries, United States’ Patent Law Preserved Patent Grants as Full-Fledged Property Rights

The founding fathers foresaw the importance of individual innovation to the country’s advancement and thus, endeavored to protect those inventors who shared their knowledge with the world.²⁷ The patent system they established more than two hundred years ago continues to exist today as a means to promote technological advancement and to protect those who invest their time, money, and resources to research and develop those technological advancements.

Much like the United States Constitution that gave it life, the patent system is a living, breathing institution—full of lofty ideals and subject to enormous scrutiny—which evolves to address the issues in contemporary society. The United States Constitution guarantees inventors “the exclusive Right to their respective Writings and Discoveries.”²⁸ This right, “secur[ed] for limited [t]imes” by the United States government to the inventor, is at the core of the patent system.²⁹ Two hundred years of case law consistently held that patent grants equate to property rights.³⁰ Additionally, the statutes governing the United States patent system, including the recent revisions made by the America Invents Act,³¹ ordain the patent grant with the presumption of validity³² and the attributes of personal property.³³

The drafters chose to use the words “exclusive Right” when communicating the essence of the patent system.³⁴ This choice was no mistake nor mere happenstance³⁵—it

25. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 113 (2011).

26. *Leahy-Smith America Invents Act* § 311, Pub. L. No. 112-29, 125 Stat. 284 (2011).

27. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558, 621 (Fed. Cir. 2000).

28. U.S. CONST. art. I, § 8, cl. 8.

29. *Id.*

30. *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1857); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315 (1888); *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999); *Evans v. Jordan*, 8 F. Cas. 872 (Va. Cir. 1813).

31. *Leahy-Smith America Invents Act*, Pub. L. No. 112-29, 125 Stat. 284 (2011).

32. 35 U.S.C. § 282(a).

33. § 271(a).

34. U.S. CONST. art. I, § 8, cl. 8.

35. Andrei Iancu, Dir., U.S. Patent & Trademark Office, Remarks at the Eastern District of Texas Bar Association Inaugural Texas Dinner (Oct. 18, 2018) (“The only time the word ‘right’ appears was to secure intellectual property rights. It was that important to our founders. And they were right.”) (transcript available at <https://www.uspto.gov/about-us/news-updates/remarks-director-iancu-eastern-district-texas-bar-association-inaugural-texas>).

was by design. The word “Right” only appears once in the body of the Constitution, and it specifically relates to the guarantee of sole ownership of the works created by inventors and writers when they publish their ideas for all the world to see.³⁶ The founding fathers recognized the grave circumstances in which they were operating. The United States was a fledgling country, “essentially bankrupt” and “hurting economically.”³⁷ Thomas Jefferson understood this. In a letter to his sister, Martha Jefferson Carr, dated March 28, 1787, Thomas Jefferson wrote: “we are obliged to invent and execute; to find means within ourselves, and not to lean on others.”³⁸ He knew that for America to survive—let alone thrive—the government needed to stimulate innovation. America needed to spur the great minds of the time to develop new ideas and share those ideas with their fellow citizens. America needed to reward those great minds for their efforts to contribute to the greater good of society at large so that the American dream we take for granted today could become a reality.

Central to the design of the patent system is a “carefully crafted bargain.”³⁹ It is a quid pro quo wherein inventors are given explicit encouragement to share their knowledge, ideas, and inventions with the world, and in return the government secures for the inventor a patent monopoly.⁴⁰ Thus, the patent system creates a symbiotic relationship between society and the inventor. In the exchange, the inventor fully discloses his invention.⁴¹ Inventors reveal their discovery to the world to expand the knowledge of the community as a whole and propel humanity forward. In return, the government provides an exclusive right specific to that invention.⁴² The exclusive right creates a monopoly in which the holder of the patent can either manufacture the item covered by the patented technology, license the technology to others, or do nothing with it at all.⁴³ The right is the inventor’s and the inventor’s alone.⁴⁴ This exclusive right encourages “*ex ante* innovation—meaning, they induce people to invent because of the prospect of profiting from those inventions.”⁴⁵ Firms that obtain patents “earn on average a 50% premium over” firms that do not obtain patents.⁴⁶ As a result, other inventors are further emboldened to study the patents, learn from them, and improve upon them. As Isaac Newton said, “If I have seen further it is by

36. U.S. CONST. art. I, § 8, cl. 8. (The word “right” appears throughout the amendments to the constitution).

37. ROBERT E. WRIGHT, *ONE NATION UNDER DEBT: HAMILTON, JEFFERSON, AND THE HISTORY OF WHAT WE OWE* 11 (2008).

38. Letter from Thomas Jefferson to Martha Jefferson Carr (Mar. 28, 1787), in *THE WRITINGS OF THOMAS JEFFERSON* 371, 373 (Paul Leicester Ford, ed., 1894).

39. *Bonito Boats v. Thunder Craft Boats*, 489 U.S. 141, 150. (1989).

40. *Id.* at 149.

41. *Id.*

42. *Id.*

43. See *Bement v. Nat’l Harrow Co.*, 186 U.S. 70, 94 (1902) (indicating contract containing an exclusive license is in accordance with Congress’ statutes); *Woodbridge v United States*, 263 U.S. 50, 55–56 (1923); *Special Equip. Co. v. Coe*, 324 U.S. 370, 378–79 (1945) (indicating “failure of patentee to make use of patented invention does not affect validity of patent”); *Hartford-Empire Co. v. United States*, 323 U.S. 386, 432 (1945).

44. See cases cited *supra* note 43.

45. Marshall Phelps, *Do Patents Really Promote Innovation? A Response to The Economist*, FORBES (Sept. 16, 2015), <https://www.forbes.com/sites/marshallphelps/2015/09/16/do-patents-really-promote-innovation-a-response-to-the-economist/#4ec5bae81921>.

46. Ashish Arora et al., *R&D and the Patent Premium*, 26 INT’L J. INDUS. ORG. 1153, 1173 (2007).

standing on the shoulders of giants.”⁴⁷

Early jurisprudence recognized the grant of a patent as synonymous with a property right.⁴⁸ For instance, in an 1813 circuit court decision, Chief Justice John Marshall wrote that the inventor, “from the moment of the invention,” obtains an “inchoate property therein.”⁴⁹ A property that is “exclusive”; a property that is “secure[d] to the inventor”; a property that is “indefeasible,” which “commences with the discovery itself,” and only after it has been discovered and disclosed, is “perfected by the patent.”⁵⁰ In 1857, the Supreme Court wrote, “by the laws of the United States, the rights of a party under a patent are his private property.”⁵¹ In 1876, the Supreme Court stated, “[a] patent for an invention is as much property as a patent for land.”⁵² In 1888, the Supreme Court held that “[t]his is property, property of a value so large that nobody has been able to estimate it,” and this property in the form of a patent grant is the “exclusive right [of] the patentee.”⁵³ In 1985, the Federal Circuit Court of Appeals wrote, “It is beyond reasonable debate that patents are property.”⁵⁴ Both the *Brown v. Duchesne* and *Consolidated Fruit Jar v. Wright* cases were cited in a 1999 case in which the Supreme Court reaffirmed that “[p]atents . . . have long been considered a species of property.”⁵⁵ This bedrock principle has long been held by the judiciary. Patent grants and the rights associated with them are important, valuable, and appointed with the same entitlements as personal property.

Following the early common law developments surrounding patents as personal property, Congress agreed with the judiciary, enacting the Patent Act of 1952. In section 261 of that Act, Congress wrote, “patents shall have the attributes of personal property.”⁵⁶ The modern-day legislature confirmed the historical holdings of the judiciary. In 35 U.S.C. § 261—the same section—Congress again codified “patents shall have the attributes of personal property.”⁵⁷ For more than two centuries, United States’ patent law treated patent grants as full-fledged property rights. The legislature ratified the judiciary’s interpretation, codifying the importance of the patent grant, its value, and the level of protection afforded to each grant.

47. Letter from Isaac Newton to Robert Hooke (Feb. 5, 1675) (on file with Historical Society of Pennsylvania).

48. *Evans v. Jordan*, 8 F. Cas. 872, 873 (Va. Cir. 1813); *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 197 (1857); *Consol. Fruit-Jar Co. v. Wright*, 94 U.S. 92, 96 (1876); *United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888).

49. *Evans*, 8 F. Cas. at 873.

50. *Id.*

51. *Brown*, 60 U.S. at 197.

52. *Consol. Fruit-Jar Co.*, 94 U.S. at 96.

53. *Am. Bell Tel. Co.*, 128 U.S. at 370.

54. *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 599 (Fed. Cir. 1985).

55. *Fla. Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999) (citing *Brown*, 60 U.S. 183; *Consol. Fruit-Jar Co.*, 94 U.S. 96).

56. Patent Law Act of 1952, ch. 950, 66 Stat. 792 (codified as amended at 35 U.S.C. § 261).

57. 35 U.S.C. § 261.

B. The 2012 Leahy-Smith America Invents Act Created the Inter Partes Review Process Which Cancels Issued Patents at an Alarming Rate

In 2011, Congress passed into law the Leahy-Smith America Invents Act, bringing with it some of the most significant changes to United States' patent law since the Patent Act of 1952.⁵⁸ The America Invents Act formed the newly minted Patent Trial and Appeal Board while simultaneously revising and expanding a number of post-patent-grant opposition procedures.⁵⁹ These post-grant procedures preserved *ex parte* reexamination, created post-grant review, and converted *inter partes* reexamination to an adjudicative proceeding, renaming it *inter partes review*.⁶⁰ The *inter partes review* process allows third parties to challenge the USPTO's decision to grant a patent as an added layer of quality control and error correction.⁶¹ Although these third party challenges are intended to increase the efficiency of the patent system and the quality of the issued patents, these challenges frequently end in a finding of unpatentability at a distressing rate, resulting in the cancellation of patents. This ultimately undermines the finality of any patent grant.

Under the America Invents Act, a third party may challenge a patent by filing a "petition to institute an *inter partes review* of the patent."⁶² Once instituted, an *inter partes review* proceeds in a very similar fashion to that of traditional district court litigation. The third-party petitioner and patent holder engage in motion practice, discovery may be sought by the parties, depositions may be taken, witnesses may be cross-examined, and evidence may be introduced pursuant to the Federal Rules of Evidence.⁶³ Further, the language of the USPTO indicates similarities between *inter partes review* and typical litigation. For instance, the USPTO refers to the adversarial oral argument before the PTAB as a "trial," the members of the PTAB that decide the matter "judges," and the final written decision handed down as a "judgment."⁶⁴

The *inter partes review* process which the PTAB oversees is intended to allow members of the public a short period in which they can bring narrow challenges to the issuance of a patent based on prior art that the USPTO may have overlooked during its review and granting process. The statute of limitations confined the time frame for petitions to be brought to the nine months following the grant of a patent.⁶⁵ The challenges are limited to "request[s] to cancel 1 or more claim of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications."⁶⁶ The statute also includes strict estoppel language precluding a petitioner, real party in interest, or privy from challenging the same patent claims before

58. David Goldman, *Patent Reform Is Finally on Its Way*, CNN MONEY (June 24, 2011), https://money.cnn.com/2011/06/24/technology/patent_reform_bill/index.htm; Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

59. H.R. REP. NO. 112-98, pt. 1, at 20 (2011); 35 U.S.C. § 316(c) (2012).

60. H.R. REP. NO. 112-98, pt. 1, at 45-47.

61. *Id.* at 40.

62. 35 U.S.C. § 311(a).

63. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1378 (2018).

64. *Id.*

65. § 311(c)(1).

66. § 311(b).

the PTAB on “any ground that the petitioner raised or reasonably could have raised.”⁶⁷

Even with the stringent standards in place, the *inter partes* review process has been extremely popular among individual petitioners and defendants in patent infringement suits. In October 2013, Federal Circuit Chief Judge Randall Rader called the Patent Trial and Appeal Board “death squads, kind of killing property rights.”⁶⁸ The USPTO’s own statistics indicate that as of September 30, 2015, just three years after the enactment of the Leahy-Smith America Invents Act, 575 final written decisions from *inter partes* review proceedings were handed down.⁶⁹ Eighty-seven percent of all patents challenged in an *inter partes* review trial between the enactment of the bill and September 30, 2015, were found to be unpatentable with regard to all or some of their claims.⁷⁰ The current statistics do not paint a different picture. As of September 30, 2018, fully eighty percent of all claims were found unpatentable in some regard.⁷¹ Of the 2,268 final written decisions handed down in *inter partes* review since its formation, as well as post-grant review proceedings and covered business method proceedings, 1,888 of them found some or all of the challenged claims unpatentable.⁷² At best, these staggering statistics indicate that the USPTO has quality control issues that need to be addressed. At worst, third parties abuse the system by challenging already issued patents in a forum that costs less, proceeds more quickly, and has lower standards than district court proceedings. Either way, the *inter partes* review process leads to the cancellation of already issued patents at an alarming rate.

C. The Supreme Court’s Oil States Decision Misconstrues the Patent Property Right to That of a Public Franchise

In April 2018, the United States Supreme Court handed down its decision in *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*. The Court held that Congress’ creation of the *inter partes* review process as part of the 2012 Leahy-Smith America Invents Act was indeed constitutional. In so doing, it also construed the patent grant as a public franchise.⁷³ The Supreme Court’s holding that patents are not personal property, but rather are consigned to that of a public franchise, severely misconstrues the historical record to the detriment of patent holders, ultimately devaluing the patent grant and hampering innovation.

The Court explains that “Congress has created administrative processes that authorize the [US]PTO to reconsider and cancel patent claims that were wrongly issued.”⁷⁴

67. § 315(e)(1).

68. Ryan Davis, *PTAB’s ‘Death Squad’ Label Not Totally Off-Base, Chief Says*, LAW360 (Aug. 14, 2014), <https://www.law360.com/articles/567550/ptab-s-death-squad-label-not-totally-off-base-chief-says>.

69. U.S. PATENT & TRADEMARK OFFICE, PATENT TRIAL AND APPEAL BOARD STATISTICS 9 (Sept. 30, 2015), <https://www.uspto.gov/sites/default/files/documents/2015-09-30%20PTAB.pdf>.

70. *Id.*

71. PATENT TRIAL & APPEAL BD., U.S. PATENT AND TRADEMARK OFFICE, TRIAL STATISTICS IPR, PGR, CGM 11 (July 2018), https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180731.pdf.

72. *Id.*

73. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1375 (2018).

74. *Id.* at 1370.

While technically correct as to the *inter partes* review process itself, this holding fails to take into account the entire course of challenges that unfold in practice. The Court established that if an agency grants a right to an individual, the agency has the power to take that right away.⁷⁵ In other words, the public-rights doctrine—under which Congress can prescribe adjudication of claims to an administrative agency—applies⁷⁶ and *inter partes* review fits neatly within that doctrine.⁷⁷ The Court stated that “the decision to grant a patent is a matter involving public rights—specifically, the grant of a public franchise.”⁷⁸ In so holding, the Court wrote that *inter partes* review is limited to a reassessment of the USPTO’s grant of the patent in the first place. In its reading of the statute, the Court held that Congress “reserved the PTO’s authority to conduct that reconsideration. Thus, the PTO can do so without violating Article III.”⁷⁹

This reconsideration may be permissible as it relates to the initial grant of a patent. It should not and cannot extend to the entire lifetime of the patent. Expanding this avenue of challenge beyond the initial grant of the patent and applying it to the entire lifetime of the patent effectively ensures that a patent right never truly vests. The title to the granted property is never fully quieted and it is subjected to a standard of review that flies in the face of two-hundred-plus years of judicial precedent and statutory protection. This result conflates the intent of the *inter partes* review process—to correct patents granted in error—with the adjudication and protection of rights proscribed to Article III courts.

Yet, the Court was careful to “emphasize the narrowness of [its] holding.”⁸⁰ The Court only addressed the “constitutionality of *inter partes* review,” and limited its review to “only the precise constitutional challenges that Oil States raised.”⁸¹ That specific challenge was described by the Court as “whether *inter partes* review violates Article III.”⁸² This issue could easily, yet incorrectly, be mistaken to read that *inter partes* review does not violate Article III in every instance. While it is true that the Court held that *inter partes* review does not violate Article III of the Constitution, it did so only as to the authority of the United States government to cancel patent claims that were wrongly issued—a process that results in a finding of unpatentability.⁸³ To that end, the Court was correct that the *inter partes* review process is valid and constitutional because the core of the process is indeed similar to other constitutional processes already in place within the USPTO. However, when extended beyond the initial grant of a patent, the rationale of the holding and the constitutionality of the process begin to unravel.

75. *Id.* at 1374.

76. *Murray v. Hoboken Land & Improv. Co.*, 59 U.S. (18 How.) 272, 284 (1856).

77. *Oil States*, 138 S. Ct. at 1373.

78. *Id.* (emphasis omitted).

79. *Id.*

80. *Id.* at 1379.

81. *Id.* (emphasis added).

82. *Oil States*, 138 S. Ct. at 1372 (emphasis added).

83. *Id.*

III. THE STATUTORY LANGUAGE GOVERNING THE *INTER PARTES REVIEW* PROCESS
CIRCUMVENTS THE AUTHORITY OF ARTICLE III COURTS AND PRODUCES ABSURD
RESULTS FOR PATENT HOLDERS

Congress intended the America Invents Act to incorporate new processes and procedures to “streamline[.]” the patent system by making it more efficient, while simultaneously “improv[ing] patent quality,” by allowing third parties to assist the USPTO with quality control through unpatentability challenges.⁸⁴ It is true that the *inter partes review* process ultimately concludes faster than a district court would under the same or similar circumstances. It is also true that the *inter partes review* process is less expensive for alleged infringers than traditional litigation.⁸⁵ However, patent holders bear the true cost—both tangible and intangible. The America Invents Act’s statutory design creates a loophole for defendants in patent infringement suits.

Federal courts maintain exclusive jurisdiction over cases “arising under any Act of Congress relating to patents.”⁸⁶ When patent holders believe that another entity utilizes their patented technology without permission, the patent holder may file a lawsuit alleging that the defendant is infringing on the patent holder’s rights.⁸⁷ In an infringement suit, a defendant may then plead the affirmative defense of invalidity, claiming that a patent should not have been granted by the USPTO in the first place.⁸⁸ Because a patent is “presumed valid” under the America Invents Act, the Supreme Court, in a unanimous decision, held that defendants must prove their invalidity defense by a clear and convincing standard.⁸⁹ The loophole created in 35 U.S.C. § 315(b) allows a defendant in a patent infringement suit to challenge the validity of a patent at virtually any time during a patent’s life, unshackled from the Article III judicial system, and subject to a far more favorable burden of proof—preponderance of the evidence.⁹⁰ This loophole conflates the concept of patentability—the process of issuing a patent and performing error correction, with validity—the process of challenging a patent as an affirmative defense in litigation.

Traditionally, a patent holder identifies a company allegedly using the patented technology without permission.⁹¹ The patent holder then files suit against that company for patent infringement,⁹² which is similar to the real property concept of trespass. A patent holder owns the technology that he claims to have invented in the form of an issued patent.⁹³ The claims of a patent are like the borders of a piece of real property. The patent holder has an exclusive right to his claimed invention, and unauthorized users of that

84. H.R. REP. NO. 112-98, pt. 1, at 40 (2011).

85. Jason E. Stach & Jeffrey A. Freeman, *District Court or the PTO: Choosing Where to Litigate Patent Invalidity*, FINNEGAN (Mar./Apr. 2014), <https://www.finnegan.com/en/insights/district-court-or-the-pt-choosing-where-to-litigate-patent.html>.

86. 28 U.S.C. § 1338(a).

87. 35 U.S.C. § 271(a).

88. § 282(b)(2).

89. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91 (2011).

90. § 316(e).

91. § 271(a).

92. *Id.*

93. § 261.

invention are infringers, just like unauthorized persons on land are trespassers.⁹⁴ Therefore, patent owners may sue for damages “to compensate for the infringement, but in no event less than a reasonable royalty.”⁹⁵

One possible argument against infringement is an affirmative defense in which the defendant may attempt to prove the invalidity of the patent—arguing that the patent cannot be infringed because it should not have been issued by the USPTO in the first place. Because the United States government granted the patent, because it is a property right, and because the affirmative defense purports to strip the plaintiff of a property right, the legislature and the judiciary afford a high level of protection to the patent grant. Thus, 35 U.S.C. § 282(a) commands that an issued patent “shall be presumed valid,”⁹⁶ and 35 U.S.C. § 273 states that “[a] person asserting a defense under this section shall have the burden of establishing the defense by clear and convincing evidence.”⁹⁷ The Supreme Court in *Microsoft Corp. v. i4i Ltd. Partnership* upheld this requirement of proving invalidity by a clear and convincing standard.⁹⁸ In a unanimous decision, the Court noted this “heightened standard of proof is an essential component of the patent ‘bargain.’”⁹⁹

However, the America Invents Act’s statutory design as it relates to the *inter partes review* process changes the dynamics of this challenge significantly. First and foremost, the *inter partes review* process is focused on correcting errors made by the USPTO during its review of a patent application leading up to the point in time that the patent ultimately issues.¹⁰⁰ The USPTO determines the patentability of an invention during its examinations under a preponderance of the evidence burden of proof.¹⁰¹ Congress’ statutory design in the Leahy-Smith America Invents Act compels the PTAB to utilize the same preponderance of the evidence standard in the *inter partes review* process.¹⁰² The Leahy-Smith America Invents Act’s language limits a third party challenge to the patentability of an invention to a nine month period following the grant of the patent.¹⁰³ This statute of limitations appears to comport with the statutory language which commands that an issued “patent shall be presumed valid.”¹⁰⁴ The statute provides third parties with a short period in which they may challenge the patentability of a patent under *inter partes review* to assist the USPTO with quality control, while ultimately vesting property rights and protecting the issued patent.

Nevertheless, a loophole exists in the language of the Leahy-Smith America Invents Act allowing a defendant in a lawsuit to petition to institute an *inter partes review* up to “[one] year after the date on which the petitioner, real party in interest, or privy of the

94. *Brown v. Duchesne*, 60 U.S. (19 How.) 183, 196 (1857).

95. § 284.

96. § 282(a).

97. § 273(b).

98. 564 U.S. 91, 113–14 (2011).

99. *Id.* at 112 (citing *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 150–51 (1989)).

100. H.R. REP. NO. 112-98, pt. 1, at 50 (2011).

101. MPEP § 2001(b)(3) (9th ed., Jan. 2018).

102. 35 U.S.C. § 316(e).

103. § 311(c).

104. § 282(a).

petitioner is served with a complaint alleging infringement of the patent.”¹⁰⁵ This effectively allows a defendant in a patent infringement suit—regardless of the point in time in which the suit is brought—a choice between venues in which to challenge the grant of a patent. The first option for a defendant is to proceed with the affirmative defense of invalidity in a district court under a clear and convincing standard, with the increasing likelihood that the case will be heard by a jury.¹⁰⁶ The second option allows a defendant to sidestep these requirements. Instead, the party may elect to challenge the patentability of a patent in *inter partes* review in front of an administrative panel, without a jury, under the lower and easier to meet preponderance of the evidence standard.¹⁰⁷ While the defendant in an infringement suit gets the option to choose the line of attack, the patent holder is subject to exposure on two fronts. This produces absurd results for a patent holder because it guarantees that the taxes paid to maintain the patent and the ultimate death of the patent grant are the only rights that the government truly secures for the patent holder.

A. Article III Proceedings Provide Considerable Protection to Patent Grants

United States patent law secures for inventors their exclusive rights to their property in the form of a patent grant.¹⁰⁸ Once property rights are secured, the United States Constitution declares that “[n]o person shall be . . . deprived of life, liberty, or property, without due process of law; nor shall private property be taken for public use, without just compensation.”¹⁰⁹ Article III district courts ensure the protection of those secured rights by adhering to the statutory language endowing patents with a presumption of validity,¹¹⁰ and by requiring defendants to prove the invalidity of a patent by a clear and convincing standard.¹¹¹

Judicial independence is a hallmark of the United States’ justice system that is “sometimes take[n] for granted.”¹¹² However, the independence of the judiciary is of critical importance to the preservation of constitutionally protected rights. The Article III court system “act[s] as ‘an intermediate body between the people and the legislature, in order, among other things, to keep the latter within the limits assigned to their authority.’”¹¹³ Congress understood the importance of judicial independence and committed patent rights and related controversies explicitly to the original jurisdiction of

105. § 315.

106. PRICE WATERHOUSE AND COOPERS & LYBRAND, 2017 PATENT LITIGATION STUDY 1, 6 (May 2017), <https://www.pwc.com/us/en/forensic-services/publications/assets/2017-patent-litigation-study.pdf>.

107. § 316(e); *see also* *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1326 (Fed. Cir. 2016) (Newman, J., dissenting).

108. U.S. CONST. art. I, § 8, cl. 8.

109. U.S. CONST. amend V.

110. § 282(a).

111. *Microsoft Corp. v. i4i Ltd. P ’ship*, 564 U.S. 91, 112–14 (2011); *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016).

112. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1380 (2018) (Gorsuch, J., dissenting).

113. *Perez v. Mortg. Bankers Ass’n*, 135 S. Ct. 1199, 1219 (2015) (citing *The Federalist* No. 78, 467 (Alexander Hamilton)).

The judicial branch provides considerable protection to the property rights associated with the grant of a patent. In *Cuozzo Speed*, the Supreme Court stated that a defendant in an infringement suit “must prove invalidity by ‘clear and convincing evidence.’”¹¹⁵ The Supreme Court in *Commil USA* added that this standard is a “high bar” to overcome.¹¹⁶ For almost thirty years, the Federal Circuit has held that the clear and convincing standard is appropriate.¹¹⁷ In *Microsoft Corp. v. i4i Ltd. Partnership*, the Supreme Court pointed out this burden is appropriate even in infringement suits in which the defendant’s invalidity contentions include evidence not previously considered by the USPTO.¹¹⁸ Furthermore, Congress itself “codif[ie]d the common-law presumption of patent validity and, implicitly, the heightened standard of proof attached to it.”¹¹⁹

1. The Common Law, Statutory Language, and Administrative Rules All Endow Patents with a Presumption of Validity

The Leahy-Smith America Invents Act, written and passed by Congress in 2012 states, “[a] patent shall be presumed valid.”¹²⁰ This categorical, unqualified, general statement appears in Title 35 of the United States Code under Part III entitled, “Patents and Protection of Patent Rights.”¹²¹ Congress’ statutory mandate takes into account the importance of patent rights to individuals, that struggle to create the patented technology, placing the burden of proving invalidity of a patent or a claim on the party asserting the defense of invalidity.

The presumption of validity originated in the common law, and Congress codified the presumption in section 282 of The Patent Act of 1952.¹²² As originally written, the entirety of section 282 reads as follows: “A patent shall be presumed valid. The burden of establishing invalidity of a patent shall rest on the party asserting it.”¹²³ The passage of the Leahy-Smith America Invents Act in 2012 did nothing to change the core presumption found in section 282 of The Patent Act of 1952. The Leahy-Smith America Invents Act retained the same section number and expounded on the presumption, extending it to not just the patent itself, but each claim within the patent; notwithstanding the fact that the claims may depend on another invalid claim.¹²⁴

Following its codification, various levels of the court system endorsed the presumption of patent validity. In its discussion of legal standards as applied to summary

114. 28 U.S.C. § 1338.

115. *Cuozzo Speed Techs.*, 136 S. Ct. at 2144.

116. *Commil USA, LLC v. Cisco Sys. Inc.*, 135 S. Ct. 1920, 1923 (2015).

117. *Microsoft Corp. v. i4i Ltd. P ’ship*, 564 U.S. 91, 113 (2011).

118. *Id.* at 108–12.

119. *Id.* at 108.

120. 35 U.S.C. § 282(a).

121. 35 U.S.C. (referencing Part III titled, “Patents and Protection of Patent Rights”).

122. *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1358–59 (Fed. Cir. 1984); 35 U.S.C. § 282(a) (originally enacted as The Patent Act of July 19, 1952, ch. 950, § 282, 66 Stat. 792, 812).

123. § 282(a).

124. *Id.*

judgment, the Northern District of California wrote “[p]atents are presumed valid,” referencing 35 U.S.C. § 282(a).¹²⁵ The Court of Appeals for the Federal Circuit stated, “[t]o summarize on this point, § 282 creates a presumption that a patent is valid and imposes the burden of proving invalidity on the attacker.”¹²⁶ In another case, the Federal Circuit wrote, “Section 282 plainly states that a patent’s claims are presumed valid independent of one another.”¹²⁷ Finally, the Supreme Court held that “[b]y its express terms, § 282 establishes a presumption of patent validity, and it provides that a challenger must overcome that presumption to prevail on an invalidity defense.”¹²⁸

In addition, the USPTO explains the importance of the presumption of validity within its Manual of Patent Examining Procedure (MPEP).¹²⁹ In section 1701, the MPEP is clear: “*Every* patent is presumed to be valid. See 35 U.S.C. 282, *first sentence*.”¹³⁰ It further states that “[i]t is important for an examiner to properly communicate the basis for a rejection Since issued patents are presumed valid¹³¹ and constitute a property right,¹³² the written record must be clear as to the basis for the grant.”¹³³

All three branches of government agree that patents are guaranteed the presumption of validity. The presumption of validity protects the guarantee of property rights in the form of a patent grant.¹³⁴ The judiciary created the presumption through judge-made law, Congress saw fit to enshrine the presumption in the laws of the United States, and the USPTO recognizes the presumption in its manual which governs the execution of its duties.

2. Proving Patent Invalidity Requires a Showing by a Clear and Convincing Standard

Once the USPTO issues a patent and the patent holder asserts it in a lawsuit against an alleged infringer, the infringer may raise an affirmative defense of invalidity of the patent.¹³⁵ As discussed above, once issued, patents are presumed valid.¹³⁶ The presumption of validity carries with it the burden that a defense of invalidity be proven by “establishing the defense by clear and convincing evidence.”¹³⁷ The clear and convincing standard is “high,”¹³⁸ falling in between “the usual civil law standard” of preponderance

125. *Sentius Int'l, LLC v. Microsoft Corp.*, No. 5:13-cv-00825-PSG, 2014 U.S. Dist. LEXIS 113917, at *13 (N.D. Cal. Aug. 15, 2014) (citing 35 U.S.C. § 282(a)).

126. *Am. Hoist, & Derrick Co.*, 725 F.2d at 1360.

127. *ArcelorMittal Fr. v. AK Steel Corp.*, 786 F.3d 885, 890 (Fed. Cir. 2015).

128. *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 100 (2011).

129. MPEP §§ 706.02(j), 1701, 2003 (9th ed., Jan. 2018).

130. MPEP § 1701 (emphasis added).

131. MPEP § 706.02(j) (citing 35 U.S.C. § 282(a)) (internal citation omitted).

132. *Id.* (citing 35 U.S.C. § 261) (internal citation omitted).

133. *Id.*

134. 35 U.S.C. § 261.

135. § 282(b)(2).

136. § 282(a).

137. § 273(b).

138. *Guardian Indus. Corp. v. AFG Indus.*, No. 03-73722, 2006 U.S. Dist. LEXIS 66978, at *36 (E.D. Mich. Sept. 19, 2006).

of the evidence, and “the criminal law standard of . . . guilt” beyond a reasonable doubt.¹³⁹

The Supreme Court established the standard as early as 1934 when it upheld a patent in a suit because the challenger had failed to establish his claims “by convincing evidence.”¹⁴⁰ More recently, in *Microsoft Corp. v. i4i Ltd. Partnership*, the Supreme Court noted that the Federal Circuit has read the clear and convincing standard into section 282 of The Patent Act of 1952 since 1984.¹⁴¹ Further, the *Microsoft Corp.* Court stated that since that 1984 decision in *American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, “the Federal Circuit has never wavered in this interpretation.”¹⁴² Similarly, following the passage of the Leahy-Smith America Invents Act which replaced The Patent Act of 1952, the *Cuozzo Speed* Court indicated, “in [a] district court, a challenger must prove invalidity by ‘clear and convincing evidence.’”¹⁴³ The same standard of proving invalidity by clear and convincing evidence existed prior to the passage of the Leahy-Smith America Invents Act in 2012 and it exists to this day.

B. The Article I Inter Partes Review Process Affords Challengers an Opportunity to Sidestep the Protections of Article III District Court Proceedings

The USPTO’s *inter partes review* process provides patent challengers with the opportunity to circumvent the safeguards of district court proceedings. Any person—whether involved in litigation over the patent or not—who wishes to challenge the patentability of a patent may do so by filing a petition for *inter partes review*. This petition must be filed within nine months following the issuance of that patent.¹⁴⁴ However, 35 U.S.C. § 315(b) provides a loophole whereby a defendant in a patent infringement suit may file a petition for *inter partes review* at any time within one year after a complaint of infringement is filed.¹⁴⁵

Patents are valid for twenty years from the date of filing.¹⁴⁶ Patent holders may sue for infringement and recover damages for infringing activities that occurred up to six years prior to the filing of the suit.¹⁴⁷ Thus, a patent may be asserted in an infringement action up to twenty-six years after its initial filing. Tack on the statute of limitations found in 35 U.S.C. § 315(b) and this effectively allows a defendant to challenge the patentability of a patent grant up to twenty-seven years after it is applied for under a far inferior standard—preponderance of the evidence—than that provided by an Article III court—clear and

139. *Tech. Licensing Corp. v. Videotek, Inc.*, 545 F.3d 1316, 1326–27 (Fed. Cir. 2008).

140. *Radio Corp. of Am. v. Radio Eng’g Labs.*, 293 U.S. 1, 7 (1934) (quoting *Austin Machinery Co. v. Buckeye Traction Ditcher Co.*, 13 F.2d 697, 700 (6th Cir. 1926)) (“[T]he presumption of the validity of the patent is such that the defense of invention by another must be established by the clearest proof—perhaps beyond reasonable doubt.”).

141. *Microsoft Corp. v. i4i Ltd. P’ship*, 564 U.S. 91, 97 (2011) (citing *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360 (Fed. Cir. 1984)).

142. *Id.* at 98.

143. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016) (citing *Microsoft Corp.*, 564 U.S. at 95).

144. 35 U.S.C. § 311(c)(1).

145. § 315(b).

146. § 154(a)(2).

147. *Id.* (establishing term of patent grant); § 271(a) (establishing right to claim of infringement of patent grant); § 286 (establishing time limitation on damages).

convincing.

1. The Leahy-Smith America Invents Act Crafted a Loophole Allowing Defendants in a Lawsuit to Challenge a Patent under the *Inter Partes Review* Process up to Twenty-Seven Years after a Patent Has Been Issued

Congress introduced and passed the Leahy-Smith America Invents Act under the guise of making the patent system more efficient at adjudicating patent challenges and more effective at eliminating bad patents.¹⁴⁸ Via the *inter partes review* process, Congress gave anyone the opportunity to challenge a patent within nine months of the grant of that patent.¹⁴⁹ Through 35 U.S.C. § 315(b), a defendant in a district court patent infringement suit is allowed to challenge a patent's validity in an administrative *inter partes review* proceeding up to one year after a defendant is served with a complaint.¹⁵⁰ As explained below, this post-suit loophole affords defendants the ability to challenge the patentability of a patent at virtually any time during a patent's life, potentially twenty-seven years after the patentee applies for the patent.

The USPTO grants patent monopolies for a specified twenty-year term.¹⁵¹ The clock begins to run from the date on which application is filed, even though a patent may be issued years after the initial application.¹⁵² A lawsuit may be brought at any time for a cause of action based on infringing activity occurring during the twenty-year term when the patent is in force.¹⁵³ Further, suits for patent infringement can recover damages for infringing activities that took place up to six years prior to the filing of the lawsuit.¹⁵⁴ Thus, the holder of a patent grant could theoretically file suit against an infringer for one day's worth of damages up to twenty-five years and 364 days after the initial application for the patent.¹⁵⁵ Once the complaint is served on a defendant, that defendant may then petition for *inter partes review* up to one year after the service of the complaint.¹⁵⁶ Therefore, a defendant in a patent infringement suit may challenge the grant of a patent approximately twenty-seven years from the time of the patentee's application for the patent.

Although it is admittedly unlikely that a patent holder would file suit for one day's worth of damages, it is entirely within the realm of possibility. The theoretical possibility that a patent holder may lose his patent nearly thirty years after making application is the real logical absurdity.

148. H.R. REP. NO. 112-98, pt. 1, at 40 (2011).

149. § 311(c)(1).

150. § 315(b).

151. § 154(a)(2).

152. *Id.*

153. § 271(a).

154. § 286.

155. §§ 271(a), 286.

156. § 315(b).

2. The Burden of Proof to Support a Finding of Unpatentability in *Inter Partes* Review Proceedings Merely Requires a Preponderance of the Evidence as Opposed to the Higher, Clear and Convincing, Standard Applied by Article III District Courts

Unlike the clear and convincing standard required to invalidate a patent in district courts, *inter partes review* challenges to the patentability of a patent apply a preponderance of the evidence standard to the burden of proof. In 35 U.S.C. § 316(e), entitled “Evidentiary Standards,” it is stated, “[i]n an inter partes review . . . the petitioner shall have the burden of proving a proposition of unpatentability by a preponderance of the evidence.”¹⁵⁷ This much lower standard is directly at odds with the standard in district courts, a dichotomy that many judges have noticed.

In 1986, the Court of Appeals for the Federal Circuit clearly explained, “when the prior art before the court is the same as that before the USPTO, the burden on the party asserting invalidity is more difficult to meet.”¹⁵⁸ In 2008, the Federal Circuit indicated the preponderance of the evidence burden of proof is “substantially lower” than that of a civil case brought in district courts.¹⁵⁹ In 2011, the Supreme Court in *Microsoft* showed that the common-law presumption of validity and the requirement of clear and convincing evidence “reflected the universal understanding that a preponderance standard of proof was too ‘dubious’ a basis to deem a patent invalid.”¹⁶⁰

In 2012, following the passage of the Leahy-Smith America Invents Act, the *Baxter* court in the Federal Circuit cited the *Swanson* and *Microsoft* decisions, “illustrat[ing] the distinction between a reexamination and a district court proceeding.”¹⁶¹ Specifically, the court noted that challengers that attack the validity of a patent in district court proceedings, requiring clear and convincing evidence, may fail to prove that a patent is invalid.¹⁶² However, the same challenge may indeed be successful in USPTO proceedings due to the lesser standard of preponderance of the evidence and the lack of the presumption of validity despite this requirement in the Leahy-Smith America Invents Act.¹⁶³ Thus, unpatentability challenges brought in front of the USPTO demand far less of the challenger because of the less stringent burdens.

C. The Nobel Biocare Cases Demonstrate the Bizarre Result of Conflating Invalidity with Unpatentability

As explained above, the USPTO concerns itself with the review of patent

157. § 316(e).

158. *Bausch & Lomb, Inc. v. Barnes-Hind/Hydrocurve, Inc.*, 796 F.2d 443, 447 (Fed. Cir. 1986).

159. *In re Swanson*, 540 F.3d 1368, 1377 (Fed. Cir. 2008).

160. *Microsoft Corp. v. i4i Ltd. P 'ship*, 564 U.S. 91, 102 (2011) (quoting *Radio Corp. of Am. v. Radio Eng 'g Labs.*, 293 U.S. 1, 8 (1934)).

161. *In re Baxter, Int'l, Inc.*, 678 F.3d 1357, 1364 (Fed. Cir. 2012).

162. *Id.*

163. *Id.*

applications and the issuance of patent grants. Patent grants are awarded when the subject matter is found to be patentable.¹⁶⁴ If a patent's subject matter falls into any number of exceptions—such as a lack of novelty,¹⁶⁵ the subject matter of the patent is obvious,¹⁶⁶ etc.—a patent may be found to be unpatentable by the USPTO before its issuance.¹⁶⁷

Following a patent's issuance by the USPTO, challengers who believe the USPTO made a mistake in granting the patent, because the patent's subject matter falls into one of the above exceptions, may petition to begin *inter partes review* proceedings based on a claim of unpatentability.¹⁶⁸ *Inter partes review* proceedings are limited to challenges “only on a ground that could be raised under section 102 or 103,” that is to say, only on the grounds of lack of novelty or the subject matter of the patent is obvious.¹⁶⁹

On the other hand, a federal district court concentrates on the infringement suit by the plaintiff and any affirmative defenses raised, such as the defense of invalidity.¹⁷⁰ A defense of invalidity claims that a patent grant should not have been issued in the first place by the USPTO.¹⁷¹ A finding of invalidity is based upon the grounds that a patent lacks novelty, the subject matter is obvious, or any other basis provided for in the Leahy-Smith America Invents Act.¹⁷²

Both challenges—unpatentability and invalidity—go to the same issue: whether a patent should have been granted by the USPTO in the first place. However, unpatentability only comprises a subset of two types of challenges considered by invalidity,¹⁷³ whereas invalidity incorporates the entire universe of possible challenges to the grant of a patent.¹⁷⁴ Additionally, unpatentability need only be proven by a preponderance of the evidence in an *inter partes review* proceeding,¹⁷⁵ whereas invalidity must be proven by clear and convincing evidence in a district court proceeding.¹⁷⁶

Based upon historical United States jurisprudence and the edicts of Congress, these two variations of the challenge, to whether a patent should have been granted by the USPTO in the first place, make perfect sense. If a patent's subject matter is evaluated by the USPTO on a preponderance of the evidence standard and ultimately granted based on that standard, the subject matter should be reviewable for error under the same preponderance of the evidence standard. However, Congress established that “[a] patent shall be presumed valid,”¹⁷⁷ and the Supreme Court held the applicable standard to be

164. 35 U.S.C. § 101.

165. § 102.

166. § 103.

167. § 101.

168. § 311(b).

169. *Id.*; see also §§ 102, 103.

170. § 282(b)(2).

171. *Id.*; see also §§ 100, 102, 103.

172. § 282(b)(2).

173. §§ 311(b), 102, 103.

174. §§ 282(b)(2), 100, 102, 103.

175. § 316(e).

176. *Microsoft Corp. v. i4i Ltd. P 'ship*, 564 U.S. 91, 112 (2011).

177. § 282(a).

read into that statutory language was “clear and convincing.”¹⁷⁸ Congress adequately addressed this conflict in standards by establishing a statute of limitations for *inter partes review* under the lower standard to a term of nine months following the grant of the patent.¹⁷⁹ This time-limited review of a granted patent under the lower standard would seem to conform to the mandates of Congress as they relate to a patent grant, the historical jurisprudence surrounding a granted patent as property, and the Constitution’s guarantee of a patent as a right. Unpatentability goes to the correction of a patent issued mistakenly by the USPTO in the first place, whereas invalidity goes to whether a patentee’s granted patent should be taken from him because the USPTO made a mistake in granting the patent in the first place.

However, the time bar loophole identified in 35 U.S.C. § 315(b) conflates the concepts of unpatentability and invalidity. Unpatentability challenges are normally limited to only nine months after the issuance of a patent grant with the intent of correcting an error made by the USPTO under a preponderance of the evidence standard. The loophole allows a defendant in an infringement suit to circumvent the need to raise the affirmative defense of invalidity under the higher burden of clear and convincing standard and instead file a petition for *inter partes review* within one year after receiving notice of the infringement suit. This effectively allows a defendant to challenge the constitutionally protected patent at any time while avoiding the congressionally mandated presumption of validity and the judicially interpreted standard of clear and convincing evidence.

The *Nobel Biocare* cases demonstrate the bizarre result of conflating invalidity with unpatentability. Nobel Biocare (Nobel) owns United States Patent 8,714,977 applied for November 26, 2012 and granted May 6, 2014.¹⁸⁰ On September 25, 2014, Nobel filed a complaint with the ITC.¹⁸¹ On August 19, 2014, Nobel filed an infringement suit against Neodent.¹⁸² On August 20, 2015, Intradent filed a petition for *inter partes review*.¹⁸³ This petition was filed fifteen months and fourteen days after the patent was granted; six months and fourteen days beyond the statute of limitations for *inter partes review*,¹⁸⁴ but just in time for the USPTO to grant the petition for *inter partes review* as a result of the time bar loophole.¹⁸⁵ Had the time bar loophole not existed, Intradent would have been required to present its affirmative defense of invalidity in district court under the clear and convincing standard.

Fast forward to July 19, 2017. On that date the Court of Appeals for the Federal Circuit affirmed an International Trade Commission (ITC) ruling, upholding the validity

178. *Microsoft Corp.*, 564 U.S. at 102.

179. § 311(c)(1).

180. *Nobel Biocare Servs. AG v. Intradent USA, Inc.*, 903 F.3d 1365, 1369 (Fed. Cir. 2018); U.S. Patent No. 8,717,977 (filed Nov. 26, 2012).

181. *Nobel Biocare Servs. v. Neodent USA, Inc.*, No. SACV14-1322-DOC (DFMx), 2014 U.S. Dist. LEXIS 194460, at *1 (C.D. Cal. Dec. 5, 2014).

182. *Id.*; *To Further Drive Our Business, Intradent Integrates into the Straumann Group*, STRAUMANN GRP., <https://www.straumann.com/group/en/home/our-brands-and-partners/global-brands/intradent.html> (last visited Jan. 23, 2019) (Intradent serves as the global distributor of Neodent).

183. *Nobel Biocare Servs. AG v. Intradent USA, Inc.*, 903 F.3d 1365, 1372 (Fed. Cir. 2018).

184. 35 U.S.C. § 311(c)(1).

185. § 315(b).

of the ‘977 patent under a clear and convincing standard—the same standard required by an affirmative defense of invalidity.¹⁸⁶ However, because Intradent was allowed to petition for *inter partes review*, it was able to challenge the patentability of the ‘977 patent under the lower standard of preponderance of the evidence. On September 13, 2018, the Court of Appeals for the Federal Circuit affirmed the USPTO’s PTAB ruling. It did so regarding the same patent, relying on virtually the same evidence, upholding the *unpatentability* of the ‘977 patent under a preponderance of the evidence standard.¹⁸⁷ Two separate administrative agencies: one, applying an Article III district court’s burden of proof, found that the USPTO *did not* make a mistake in issuing the patent; the other, applying the lower burden of proof, found that the USPTO *did* make a mistake in issuing the patent. This is a bizarre and absurd result flowing from the conflation of unpatentability and invalidity—two different challenges based on two separate premises with disparate standards.

IV. ADDRESSING THE PROBLEMS “WITH NARROWLY TAILORED SOLUTIONS”

The director of the USPTO, Andrei Iancu, recently said that “when we do encounter abuses, we should address them promptly and with narrowly tailored solutions.”¹⁸⁸ The patent system has undergone enormous growing pains in recent history as a result of the boom of the information age.¹⁸⁹ The new *inter partes review* system has been in place for more than six years now, practitioners have embraced the changes,¹⁹⁰ and parties have settled into the strategic paths each avenue affords.¹⁹¹

However, not everyone is content with the new normal: In *Oil States*, a constitutional challenge was brought against *inter partes review*.¹⁹² *Inter partes review* withstood the particular challenges brought against it in that case, but the Supreme Court intimated that challenges to the proceeding under the Due Process Clause and the Takings Clause may

186. *Intradent USA, Inc. v. ITC*, 693 F. App’x 908 (Fed. Cir. 2017); *Motorola Mobility, LLC v. ITC*, 737 F.3d 1345, 1348 (Fed. Cir. 2013) (citing *Microsoft Corp. v. i4i Ltd. P’ship.*, 564 U.S. 91, 95).

187. *Nobel Biocare Servs. AG*, 903 F.3d at 1383.

188. Iancu, Remarks at the Eastern District of Texas Bar Association Inaugural Texas Dinner, *supra* note 35.

189. Arti K. Rai, *Growing Pains in the Administrative State: The Patent Office’s Trouble Quest for Managerial Control*, 157 U. PA. L. REV. 2051, 2052 (2009) (238,850 in 1998 to 460,000 in 2008); Patent Tech. Monitoring Team, *U.S. Patent Statistics Chart*, U.S. PATENT & TRADEMARK OFFICE, https://www.uspto.gov/web/offices/ac/ido/oeip/taf/us_stat.htm (last updated Mar. 14, 2019) (589,410 utility-patent applications in 2015).

190. Salumeh R. Loesch & Jeffrey S. Love, *New Patent Challenge Options Under AIA* (Aug. 20, 2012); Zachary Brennan, *Generic Drugmakers Embrace Inter Partes Review Process*, REG. AFF. PROF’LS (Sept. 4, 2018), <https://www.raps.org/news-and-articles/news-articles/2018/9/generic-drugmakers-embrace-inter-partes-review-pro>.

191. ACC America, *Offensive and Defensive Strategies for Post Grant Challenges in the Life Sciences* (Nov. 14, 2013); Robert M. Asher, *Inter Partes Review and Claim Amendment Strategies after Aqua Products*, AM. BAR ASS’N (Nov. 7, 2017), <https://www.americanbar.org/groups/litigation/committees/intellectual-property/practice/2017/inter-partes-review-and-claim-amendment-strategies-after-aqua-products/>; *Amending Claims During Inter Partes Review: Patent Practitioners Beware*, JONES DAY (Aug. 5, 2014), <https://www.jonesday.com/Amending-Claims-During-Inter-Partes-Review-Patent-Practitioners-Beware-08-05-2014/>.

192. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1372 (2018).

be warranted.¹⁹³ While these challenges may be warranted, if successful they “risk throwing the baby out with the bathwater,”¹⁹⁴ because the Leahy-Smith America Invents Act lacks a severability clause.¹⁹⁵

A. A Constitutional Takings Challenge Treats the Symptoms, Not the Source

Almost immediately following the Supreme Court’s *Oil States* invitation to challenge the *inter partes* review process under the Takings Clause, Christy, Inc. filed a class-action complaint against the United States of America on behalf of inventors and patent owners.¹⁹⁶ Christy, Inc. asserted it owned a patent found to be unpatentable by the USPTO’s PTAB through *inter partes* review.¹⁹⁷ Christy Inc. contended that the USPTO’s cancellation of a patent grant as unpatentable constituted a taking under the Fifth Amendment, and thus, the compensation due to the class members “includes, but is not limited to, expected royalties and other payments related to use of the patents.”¹⁹⁸ Shortly thereafter, Advanced Audio Devices filed a petition for writ of certiorari on the same issue, which was denied by the Supreme Court.¹⁹⁹ The United States Court of Federal Claims subsequently dismissed Christy Inc.’s suit for failure to state a claim.²⁰⁰ While both of these cases attempted to take on the Supreme Court’s invitation in *Oil States* to challenge *inter partes* review under the Takings Clause,²⁰¹ neither of these lawsuits address the source of the problem—the erosion of patentee’s rights. Rather, both Christy Inc.’s and Advanced Audio Devices’ suits attempt to treat the symptoms by going after the pocketbook of the government.

Christy Inc.’s class action suit addressed multiple symptoms resulting from the cancellation of a patent grant, which can be categorized in two separate buckets: (1) the investment necessary to create, apply for, and maintain a patent, and (2) the loss of income from the licensing and royalty fees. First, the investment itself can include time, money, and resources expended in developing the underlying inventions of a patent, the attorney’s fees incurred in prosecuting the patent application and subsequently defending it in a post-grant proceeding, as well as any and all fees paid to the USPTO for the examination and issuance of the patent.²⁰² Second, the loss of income from licensing and royalty fees is prospective in nature,²⁰³ and if not determined through a settlement between the parties,

193. *Id.* at 1379.

194. Iancu, Remarks at the Eastern District of Texas Bar Association Inaugural Texas Dinner, *supra* note 35.

195. 112 CONG. REC. 4,491 (2011) (severability clause offered, without objection, for inclusion within the Leahy-Smith America Invents Act and subsequently removed without objection).

196. *Oil States*, 138 S. Ct. 1365; Complaint, Christy, Inc. v. United States, 2019 U.S. Claims LEXIS 29 (Fed. Cl. 2018) (No. 18-657 C) (first amended complaint filed July 30, 2018).

197. Complaint, *supra* note 196, at 27.

198. *Id.* at 1, 32.

199. Advanced Audio Devices, LLC v. HTC Corp., 139 S. Ct. 334 (2018) (denying Advanced Auto’s writ of certiorari).

200. *Christy, Inc.*, No. 18-657C, 2019 U.S. Claims LEXIS 29, at *1 (I expect Christy, Inc. will appeal this dismissal).

201. *Oil States*, 138 S. Ct. at 1379.

202. Complaint, *supra* note 196, at 1.

203. Wang Lab. v. Oki Elec. Indus. Co., 15 F. Supp. 2d 166, 172 (D. Mass. 1998).

the damages are often “difficult and expensive” to determine through trial.²⁰⁴ The combination of these challenges in the form of a Takings Clause class action suit poses significantly different levels of challenge for courts to answer as a result of the *Oil States* decision.

The investment necessary to create a new technology and then obtain and defend a patent on that technology is wide ranging and difficult to accurately quantify. Justice Gorsuch in the opening lines of his dissent in *Oil States* attempts to summarize the significant investment demanded of patentees in their excursion to obtain a patent grant. First, there is “much hard work and no little investment” devoted to the creation of something the inventor believes to be “truly novel.”²⁰⁵ Justice Gorsuch’s non-specific statement demonstrates the difficulty of quantifying the amount invested in the creation of an invention. Some companies share research and development cost data, which reveals it “costs at least \$4 billion, and it can be as much as \$11 billion” for a pharmaceutical company to develop a new drug.²⁰⁶ Second, inventors must then “endure the further cost and effort of applying for a patent.”²⁰⁷ Justice Gorsuch estimates the cost to be \$30,000 and the process might take two years,²⁰⁸ which seems to be in line with other industry estimates, though the amount may vary.²⁰⁹

One component of this process, the fees imposed by the USPTO upon the prospective patentee, are well-defined in the USPTO’s Fee Schedule.²¹⁰ These fees are considered an excise tax because they are “levied upon the acquisition and ownership of . . . a ‘particular kind’ of personal property” like those the government levies against community property, gifts, estate assets, etc.²¹¹ Thus, at least these taxes will be easy to evaluate as damages because they are guaranteed to be required of the patentee in the application and maintenance of his patent.

Once a patent is issued, patentees must then defend their patents against challenges in post-grant proceedings such as the *inter partes* review process.²¹² These expenses may never be realized because a post-grant challenge may never materialize, but in the event that they do, the expenses could rise beyond \$17,000,000.²¹³ In contrast to this enormous

204. *Swofford v. B & W, Inc.*, 34 F.R.D. 15, 20 (S.D. Tex. 1963).

205. *Oil States*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting).

206. Matthew Herper, *The Truly Staggering Cost of Inventing New Drugs*, FORBES (Feb 10, 2012), <https://www.forbes.com/sites/matthewherper/2012/02/10/the-truly-staggering-cost-of-inventing-new-drugs/#7b2dbbbc4a94>.

207. *Oil States*, 138 S. Ct. at 1380 (Gorsuch, J., dissenting).

208. *Id.*

209. See Gene Quinn, *The Cost of Obtaining a Patent in the US*, IPWATCHDOG (Apr. 4, 2015), <http://www.ipwatchdog.com/2015/04/04/the-cost-of-obtaining-a-patent-in-the-us/id=56485/>; John Powers, *The Short and Long Answers on Patent Applications*, BEST LAWYERS (Aug. 8, 2018), <https://www.bestlawyers.com/article/how-long-does-it-take-to-obtain-a-patent/2065>.

210. USPTO Fee Schedule, U.S. PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule> (last visited Jan. 18, 2019).

211. *Figueroa v. United States*, 466 F.3d 1023, 1035 (Fed. Cir. 2006) (quoting 35 U.S.C. § 261).

212. Josh Malone, *\$17 Million: The Real and Staggering Cost to Patent in the US in the PTAB Age*, IPWATCHDOG (July 16, 2017), <http://www.ipwatchdog.com/2017/07/16/real-staggering-cost-getting-patent-ptab/id=85639/>.

213. *Id.*

expense and investment, some inventors choose to approach the process solo in an effort to save money.²¹⁴ Consequently, the first bucket of the Christy, Inc. class action suit will be arduous for a court to quantify, except for the taxes in the form of application and maintenance fees.

As to the second bucket, it will be difficult, if not impossible, to determine the amount of lost income as a result of being precluded from seeking licensing and royalty fees from infringers of a patent that effectively never existed in the first place. Patent damage trials remain “difficult and expensive,”²¹⁵ but the court deciding the Christy, Inc. class action will be faced with determining the amount of money that a patent owner *might* have been able to garner through prospective patent licensing.²¹⁶

Both of these categories of damages under the Takings Clause will be difficult to determine, but each also introduce a whole host of other questions that must be answered. For example, if a patent is held to be unpatentable by the PTAB through *inter partes review*, it is as if the patent never issued in the first place.²¹⁷ This would produce odd results as to both of the categories of damages in the class action suit’s Takings Clause challenge. As to the first bucket, assume a patentee has invested \$100,000 in the patenting process prior to issuance; following the patent’s issuance, assume the inventor incurred expenses of \$500,000 as a result of maintenance fees, efforts to license the technology, and defense of the patent against challengers. If a patent is found unpatentable *ab initio*, is the patentee entitled to \$100,000 for the pre-issuance expenses incurred, \$600,000 for all expenses incurred, or some number in between? If some number in between, then which expenses should be considered under the Takings Clause? Should the number comprise only those expenses paid to the USPTO and the expenses paid in defending the patent against challenges to patentability in front of the USPTO’s PTAB, or should it also include the expenses incurred by the patentee for seeking to license the patented technology in reliance on the USPTO’s grant of a valid patent in the first place?

Similar timing issues exist as to the second bucket. For example, assume that the patent issues and the patentee successfully obtains patent infringement damages in United States district court in the amount of \$1,000,000. Assume further that ten years following the issuance of the patent, it is found to be unpatentable by the USPTO. In *Apple, Inc. v. Samsung*, the court held that because “the patent was void *ab initio*, . . . damages would also be precluded.”²¹⁸ Does that holding apply only as to the litigants in a pre-existing suit? Does it apply only to litigants in other open or potential future cases involving the subject patent? Or does that holding apply to preclude all damages obtained subsequent to the issuance of the subject patent? If the latter version of the holding does not apply, the defendants in the pre-unpatentability decisions have effectively paid damages in a case

214. *My Patent Experience*, FRUGALPATENTS, http://frugalpatents.com/?page_id=92 (last visited Jan. 18, 2019).

215. *Swofford v. B & W, Inc.*, 34 F.R.D. 15 (S.D. Tex. 1963).

216. *Wang Lab. v. Oki Elec. Indus. Co.*, 15 F. Supp. 2d 166, 172 (D. Mass. 1998).

217. *Apple, Inc. v. Samsung Elecs. Co.*, 2013 U.S. Dist. LEXIS 168683 at *46 (N.D. Cal. Nov. 25, 2013) (quoting *Standard Havens Prods. v. Gencor Indus.*, 996 F.2d 1236 (Fed. Cir. 1993)).

218. *Id.* (quoting *Standard Havens Prods. v. Gencor Indus.*, 996 F.2d 1236 (Fed. Cir. 1993)) (emphasis omitted).

that had no legal basis originally. If the latter version of the holding does apply, then it seems the \$1,000,000 earned by the patentee must be returned to the defendants because there was no patent viable for the original suit and subsequent judgment to stand on.

The cause of this confusion stems from the fact that the takings challenge in the Christy, Inc. class action suit attempts to treat the symptoms, not the source of the problem. It does however help to reveal the myriad issues that result from the *Oil States* ruling.²¹⁹ Beyond the issues previously described, the other most significant issue includes the due process implication.

B. A Constitutional Due Process Challenge May Be Viable but Might Also Result in the Elimination of the America Invents Act in Its Entirety

The Supreme Court's *Oil States* decision specifically invited another form of constitutional challenge—due process.²²⁰ Due process may indeed provide a viable challenge to the constitutionality of the *inter partes* review process under the *Mathews v. Eldridge* factors.²²¹ However, this challenge carries along with it a risk of constitutionally nullifying the entirety of the America Invents Act because the Act does not include a severability clause.²²² This line of attack may prove fruitful, but would risk throwing out the baby with the bathwater.

1. The *Mathews v. Eldridge* Factors Indicate the *Inter Partes* Review Process May Violate Procedural Due Process Protections

Mathews v. Eldridge sets out a three-part balancing test for the determination of whether an administrative procedure provides constitutionally sufficient protection to a private interest.²²³ The factors include (1) the private interest affected by official action (2) the risk of erroneous deprivation of such interest through the procedures used, and probable value, if any, of additional procedural safeguards, and (3) the government's interest, including the fiscal and administrative burdens that the additional or substitute procedures would entail.²²⁴

As to the first *Mathews* factor, the private interest affected is a personal property right in the form of a patent grant. As discussed above, the United States Constitution provides that a patent is a right,²²⁵ various court decisions throughout United States history have held that a patent grant is a personal property right,²²⁶ furthermore, Congress codified

219. *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018).

220. *Id.* at 1379; see James Carmichael & Brad Close, *Despite Oil States, Inter Partes Review May Still Be Held Unconstitutional*, IPWatchdog, <https://www.ipwatchdog.com/2018/04/25/despite-oil-states-inter-partes-review-may-still-be-held-unconstitutional/id=96406/> (last visited Jan. 18, 2019).

221. 424 U.S. 319 (1976).

222. H.R. REP. NO. 112-98, pt. 1 (2011). 112 CONG. REC. 4,491 (2011) (severability clause offered, without objection, for inclusion within the Leahy-Smith America Invents Act and subsequently removed without objection).

223. *Mathews*, 424 U.S. at 335.

224. *Id.* at 332.

225. U.S. CONST. art. I, § 8, cl. 8.

226. See *supra* notes 38–43 and accompanying text.

the importance of the property rights afforded to the patent grant in the Patent Act of 1952²²⁷ and affirmed those rights in the 2012 passage of the America Invents Act.²²⁸

As to the second *Mathews* factor, Congress in its creation of the America Invents Act attempted to safeguard against erroneous deprivation of the private interest at stake through their implementation of explicit estoppel rules,²²⁹ statute of limitations in which petitions for *inter partes review* may be made,²³⁰ and the right to appeal from a final written decision by the USPTO's PTAB—an Article I administrative agency—to the Court of Appeals for the Federal Circuit—an Article III appellate court.²³¹ However, each of these safeguards fails to adequately protect the private interest at stake because their probable value is limited by the standard of proof applicable to the underlying proceeding.

Congress commanded that an issued patent “shall be presumed valid,”²³² and the United States Supreme Court held this statutory language requires a showing of invalidity of a patent by clear and convincing evidence.²³³ Thus, the proper standard of proof to be applied to the evaluation of an issued patent should be the clear and convincing standard. However, *inter partes review* only requires a showing of unpatentability according to a preponderance of the evidence standard.²³⁴ Thus, any estoppel provisions, statute of limitations, and right to appeal are hamstrung by the required application of this lower standard.

Furthermore, the failure of these safeguards is intensified by the time bar loophole inherent in Congress' design of the America Invents Act. As discussed above, this loophole presents defendants with the ability to challenge the granting of a patent in *inter partes review* proceedings up to twenty-seven years after the patent's issuance.²³⁵ Thus, a defendant in an infringement lawsuit may challenge the patentability of a patent under a preponderance of the evidence standard even after the patent has expired. Even more, the Federal Circuit holds that “[it] lack[s] jurisdiction to review ‘the Board’s determination to initiate IPR proceedings based on its assessment of the time-bar of § 315(b), even if such assessment is reconsidered during the merits phase of proceedings and restated as part of the Board’s final written decision.’”²³⁶ Consequently, even if a defendant fails to file a petition within the time limit specified in § 315(b), the USPTO may nonetheless institute IPR without fear of review. This further exacerbates the failure of these safeguards by leaving the patent holder with limited recourse. If this is true, can a patent every truly vest as a personal property right in the inventor carrying with it the greater protections afforded to it by Congress and the United States Supreme Court in the form of adjudication in front of an Article III court, applying the clear and convincing standard, or trial by jury?

227. See *supra* note 56 and accompanying text.

228. See *supra* note 45 and accompanying text.

229. 35 U.S.C. § 315(e)(2).

230. § 311(c).

231. §§ 141(a), 314(d), 315(b), 318, 319; *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1374–75 (2018) (holding that time-bar determination of 35 U.S.C. § 315(b) is appealable despite 35 U.S.C. § 314(d)).

232. § 282(a).

233. *Microsoft Corp. v. i4i Ltd. P 'ship*, 564 U.S. 91 (2011).

234. § 316(e).

235. See *supra* notes 151–56 and accompanying text.

236. *Shaw Indus. Grp. v. Automated Creel Sys.*, 817 F.3d 1293, 1301 (Fed. Cir. 2016). *But cf.* *Achates Reference Publ., Inc. v. Apple Inc.*, 803 F.3d 652, 655 (Fed. Cir. 2015).

This *Mathews* factor is severely deficient in its protections of the private interest at stake. Even if the procedural safeguards currently in place would normally safeguard the private interest at stake, the inferior burden of proof employed by these so-called safeguards certainly leads to an erroneous deprivation of the private interest at stake when compared with the standards decreed by Congress and enforced by the United States Supreme Court. Moreover, the time bar loophole exacerbates the harm done by allowing a challenger to take advantage of the lower burden of proof at virtually any time, in clear contravention of the nine-month statute of limitations, and without the benefit of review by an Article III court.

The third factor, the government's interest, seems to be of no consequence in this instance because there are additional or substitute procedures in place which would not require undue fiscal and administrative burdens. The government's interest is in "securing" the "exclusive Rights" to patent holders and then protecting those rights in accordance with the Constitution, Congress' legislative intent, the USPTO's mission, and judicial precedent.²³⁷ As a result, the government already has procedures in place in the form of the United States District Court system which is capable of handling such disputes without undue fiscal and administrative burdens just as it has throughout its history.

2. The America Invents Act May Be Subjected to Strict Scrutiny and Susceptible to Complete Nullification If Constitutional Challenges Are Effective

If pursued, this constitutional due process challenge may result in a scenario in which the entire America Invents Act could be nullified. The United States Supreme Court previously explained that "[i]f a statute invades a 'fundamental' right . . . it is subject to strict scrutiny."²³⁸ In a separate case, the Supreme Court held that "property is a natural, fundamental right."²³⁹ Thus, the America Invents Acts may be subject to strict scrutiny if a constitutional due process challenge is brought under the *Mathews v. Eldridge* framework.

If a statute fails to include a severability clause, the Supreme Court may hold the entirety of the law unconstitutional even if only one part is unconstitutional.²⁴⁰ The Supreme Court has held that if Congress merely fails to include a severability clause, the Court will consider one to be implied.²⁴¹ However, when Congress intentionally removes a particular provision prior to enactment, "it may be presumed that the limitation was not intended."²⁴² In the Congressional Record leading up to the passage of the America Invents Act, Congress did not merely make an oversight by forgetting to include a severability clause. Instead, a severability clause was offered without objection and

237. See *supra* Part II.A and notes 38–43 and accompanying text; U.S. CONST. art. I, § 8, cl. 8.; *About Us*, U.S. PATENT & TRADEMARK OFFICE, <https://www.uspto.gov/about-us> (last visited Jan. 18, 2019).

238. *Mass. Bd. of Ret. v. Murgia*, 427 U.S. 307, 319 (1976).

239. *Kelo v. City of New London*, 545 U.S. 469, 510 (2005).

240. *Carter v. Carter Coal Co.*, 298 U.S. 238, 312 (1936) (holding in the absence of a severability clause, "the presumption is that the legislature intends an act to be effective as an entirety").

241. *United States v. Nat'l Treasury Emps. Union*, 513 U.S. 454, 488 (1995).

242. *Russello v. United States*, 464 U.S. 16, 23–24 (1983).

subsequently removed without objection.²⁴³ Therefore, the America Invents Act may be susceptible to complete nullification if a constitutional challenge as to one part of it is effective.

C. The Director's Rulemaking Authority Provides a Limited Avenue to Address the Issue

The USPTO is governed by the Administrative Procedure Act because it is an administrative agency within the executive branch of government.²⁴⁴ The Administrative Procedure Act affords administrative agencies the ability to propose and prescribe rules.²⁴⁵ Congress imbued the Director of the USPTO with the authority to “prescrib[e] regulations under this section,” taking into account the “integrity of the patent system,” and “the efficient administration of the Office.”²⁴⁶

However, the USPTO Director's hands are tied. When “Congress has directly spoken to the precise question at issue,” and its “intent . . . is clear, that is the end of the matter.”²⁴⁷ Congress has spoken directly about the precise issues of: (1) the time bar loophole,²⁴⁸ and (2) the lower burden of proof.²⁴⁹ Thus, the court and the agency “must give effect to the unambiguously expressed intent of Congress.”²⁵⁰ While the Director of the USPTO may be able to address other issues that lead to uncertainty in the patent system, on this issue he is powerless.

V. CONCLUSION

Congress' 2012 change to the patent system doomed patent litigation to produce absurd results that ensure patent rights are never truly vested in the owner. The only guarantees afforded to the owner of a patent include the payment of excise taxes in the form of application and maintenance fees, and that his patent property rights will be stripped from him in front of an administrative agency, applying a low burden of proof, without the right to a trial by jury. As identified by this Comment, a loophole exists in the statutory design of the America Invents Act. This loophole allows defendants in patent infringement suits to avoid Article III courts and the protections afforded to patents by the higher burden of proof. Instead, defendants may choose to file a petition with an administrative agency, availing themselves of a much more lax burden of proof, at any time during a patent's life and beyond. In effect, this loop hole forces the Article III judiciary to bow to the power of an Article I administrative agency.

I propose that Congress eliminate the time bar loophole found in 35 U.S.C. § 315(b).²⁵¹ This narrowly tailored solution would harmonize the holding in *Oil States*—that *inter partes review* and thus, the lower burden of proof utilized in those proceedings

243. 112 CONG. REC. 4, 491 (2011).

244. 5 U.S.C. § 551.

245. *Id.*; 35 U.S.C. § 2(b)(2)(B).

246. § 316(b).

247. *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837, 842 (1984).

248. § 315(b).

249. § 316(e).

250. *Chevron*, 467 U.S. at 843.

251. § 315(b).

is constitutional²⁵²—with the currently conflicting provisions of the America Invents Act which mandate issued patents be presumed valid.²⁵³ Additionally, this solution will mitigate one source of potential constitutional challenge to the America Invents Act as invited by the Supreme Court’s decision in *Oil States*.²⁵⁴ Finally, this solution increases the reliability of the United States’ patent system by providing patent owners and the public with a clearer guarantee of their constitutionally protected rights.

- Jason Wietholter*†

252. *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1379 (2018).

253. § 282(a).

254. *Oil States*, 138 S. Ct. at 1379.

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† Following the editing of this note, but prior to its publication, the United States Supreme Court decided *Thryv, Inc. v. Click-To-Call Techs., LP*, 2020 U.S. LEXIS 2406 (Apr. 20, 2020). The Court held 35 U.S.C. § 314(d) prevents Article III review of the USPTO’s decision to institute *inter partes* review, even when the petitioner exceeds the one-year statute of limitations found in 35 U.S.C. § 315(b). This holding further exacerbates the impacts of the time bar loophole by denying patent owners recourse even when a fundamental, procedural legal protection is violated.