

No. 2018-1959

---

---

IN THE UNITED STATES COURT OF APPEALS  
FOR THE FEDERAL CIRCUIT

---

GENENTECH, INC.,  
*Appellant,*

v.

HOSPIRA, INC.,  
*Appellee,*

UNITED STATES,  
*Intervenor*

---

On Appeal from the United States Patent and Trademark Office,  
Patent Trial and Appeal Board in IPR2016-01771

---

**BRIEF FOR THE UNITED STATES**

---

JOSEPH MATAL  
*Acting Solicitor*

THOMAS W. KRAUSE  
*Deputy Solicitor*

FARHEENA RASHEED  
*Senior Counsel for Patent Law  
and Litigation*

*United States Patent and Trademark  
Office*

JOSEPH H. HUNT  
*Assistant Attorney General*

SCOTT R. MCINTOSH  
KATHERINE TWOMEY ALLEN

*Attorneys, Appellate Staff  
Civil Division, Room 7325*

*U.S. Department of Justice  
950 Pennsylvania Avenue NW  
Washington, DC 20530  
(202) 514-5048*

---

---

**TABLE OF CONTENTS**

	<u>Page</u>
STATEMENT OF JURISDICTION .....	1
STATEMENT OF THE ISSUE.....	1
STATEMENT OF THE CASE.....	1
A. Post-Issuance Patent Review .....	1
B. Prior Constitutional Challenges To Post-Issuance Patent Review .....	5
C. Prior Proceedings.....	8
SUMMARY OF ARGUMENT.....	9
STANDARD OF REVIEW .....	13
ARGUMENT .....	13
I. GENENTECH FORFEITED ITS CONSTITUTIONAL ARGUMENTS.....	13
II. APPLYING INTER PARTES REVIEW TO PRE-AIA PATENTS COMPORTS WITH THE CONSTITUTION.....	16
A. Conducting Inter Partes Review Of Pre-AIA Patents Is Not A Retroactive Application Of The Law .....	17
B. The Retroactive Application Of Inter Partes Review Would Not Violate Due Process .....	25
C. The Retroactive Application Of Inter Partes Review Would Not Effect A Fifth Amendment Taking Of Property Without Just Compensation.....	32
CONCLUSION .....	39
CERTIFICATE OF SERVICE	
CERTIFICATE OF COMPLIANCE	

**TABLE OF AUTHORITIES**

<b>Cases:</b>	<b><u>Page(s)</u></b>
<i>Bank Markazi v. Peterson</i> , 136 S. Ct. 1310 (2016).....	26
<i>Blonder-Tongue Labs., Inc. v. University of Ill. Found.</i> , 402 U.S. 313 (1971).....	34
<i>Bonito Boats, Inc. v. Thunder Craft Boats, Inc.</i> , 489 U.S. 141 (1989).....	27
<i>Celtronix Telemetry, Inc. v. FCC</i> , 272 F.3d 585 (D.C. Cir. 2001) .....	24
<i>Cienega Gardens v. United States</i> , 331 F.3d 1319 (Fed. Cir. 2003).....	33
<i>Combs v. Commissioner of Soc. Sec.</i> , 459 F.3d 640 (6th Cir. 2006).....	24
<i>Commonwealth Edison Co. v. United States</i> , 271 F.3d 1327 (Fed. Cir. 2001).....	25, 26, 27
<i>CRV Enters., Inc. v. United States</i> , 626 F.3d 1241 (Fed. Cir. 2010).....	33
<i>Cuoꝑꝑo Speed Techs., LLC v. Lee</i> , 136 S. Ct. 2131 (2016).....	2, 3, 4, 19, 20, 33
<i>In re DBC</i> , 545 F.3d 1373 (Fed. Cir. 2008).....	13, 14, 15
<i>Denver &amp; Rio Grande W. R.R. Co. v. Brotherhood of R.R. Trainmen</i> , 387 U.S. 556 (1967).....	37
<i>Disabled Am. Veterans v. Secretary of Veterans Affairs</i> , 327 F.3d 1339 (Fed. Cir. 2003).....	17, 22
<i>Ex parte Collett</i> , 337 U.S. 55 (1949).....	37

*Fresenius USA, Inc. v. Baxter Int’l, Inc.*,  
721 F.3d 1330 (Fed. Cir. 2013) .....23

*Freytag v. Commissioner*,  
501 U.S. 868 (1991) .....14

*Golden Bridge Tech., Inc. v. Nokia, Inc.*,  
527 F.3d 1318 (Fed. Cir. 2008) ..... 14, 16

*GPX Int’l Tire Corp. v. United States*,  
780 F.3d 1136 (Fed. Cir. 2015) ..... 28, 29

*Graham v. Goodcell*,  
282 U.S. 409 (1931) ..... 28, 29

*Hallowell v. Commons*,  
239 U.S. 506 (1916) .....22

*Horne v. USDA*,  
135 S. Ct. 2419 (2015)..... 36

*Hughes Aircraft Co. v. United States ex rel. Schumer*,  
520 U.S. 939 (1997) ..... 21, 22

*Huntleigh USA Corp. v. United States*,  
525 F.3d 1370 (Fed. Cir. 2008)..... 33

*Joy Techs., Inc. v. Manbeck*,  
959 F.2d 226 (Fed. Cir. 1992) ..... 6, 13, 15, 37

*Karuk Tribe of Cal. v. Ammon*,  
209 F.3d 1366 (Fed. Cir. 2000)..... 33, 35

*Landgraf v. USI Film Prods.*,  
511 U.S. 244 (1994) .....17, 18, 21, 22, 23, 24, 25, 26, 27, 28

*Love Terminal Partners, L.P. v. United States*,  
889 F.3d 1331 (Fed. Cir. 2018)..... 33

*MCM Portfolio LLC v. Hewlett-Packard Co.*,  
812 F.3d 1284 (Fed. Cir. 2015) ..... 3, 6, 13, 20, 27, 28, 39

*Nemariam v. Federal Democratic Republic of Ethiopia*,  
 491 F.3d 470 (D.C. Cir. 2007) .....14

*Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*,  
 138 S. Ct. 1365 (2018)..... 1, 7, 8, 9, 12, 14  
 18, 20, 27, 33

*Patlex Corp. v. Mossinghoff*,  
 758 F.2d 594 (Fed. Cir.), *modified on other grounds on reb’g*,  
 771 F.2d 480 (Fed. Cir. 1985) ..... 1, 2, 5, 6, 12, 15  
 30, 31, 32, 36, 37

*Pension Benefit Guar. Corp. v. R.A. Gray & Co.*,  
 467 U.S. 717 (1984) .....11, 25, 26

*Republic of Austria v. Altmann*,  
 541 U.S. 677 (2004) ..... 21, 24

*Richmond Screw Anchor Co. v. United States*,  
 275 U.S. 331 (1928) ..... 37, 38

*Rogers v. United States*,  
 814 F.3d 1299 (Fed. Cir. 2015)..... 35

*United States v. American Bell Telephone Co.*,  
 128 U.S. 315 (1888) .....7

*United States v. Carlton*,  
 512 U.S. 26 (1994) ..... 11, 29

*Usery v. Turner Elkborn Mining Co.*,  
 428 U.S. 1 (1976) ..... 26, 29

*Wyatt v. United States*,  
 271 U.S. 1090 (Fed. Cir. 2001) ..... 12-13, 32-33, 34, 35

*Zoltek Corp. v. United States*,  
 672 F.3d 1309 (Fed. Cir. 2012)..... 37

**Statutes:**

Leahy-Smith America Invents Act,  
 Pub. L. 112-29, 125 Stat. 284 (2011) .....2, 4, 16, 25

Pub. L. 96-517, 94 Stat. 3015 (1980) .....1

28 U.S.C. § 1295(a)(4)(A) .....1

28 U.S.C. § 1498(a) ..... 37

35 U.S.C. § 101 *et seq.* .....10, 18, 33

35 U.S.C. § 141(c) .....1

35 U.S.C. § 143.....4

35 U.S.C. § 282(b)(2)-(3) ..... 34

35 U.S.C. § 301(a)(1) ..... 2, 19

35 U.S.C. § 302..... 2, 19

35 U.S.C. § 303(a) ..... 2, 20

35 U.S.C. § 305..... 19, 20

35 U.S.C. § 306.....19

35 U.S.C. § 307(a) ..... 2, 19

35 U.S.C. § 311(a) (2006).....19

35 U.S.C. § 311(a) .....19

35 U.S.C. § 311(b).....3, 19, 33

35 U.S.C. § 312.....3

35 U.S.C. § 314(a) (2006).....19

35 U.S.C. § 314(a) .....3, 19, 20

35 U.S.C. § 315.....19

35 U.S.C. § 316 (2006) ..... 19

35 U.S.C. § 316(a)(5) ..... 3

35 U.S.C. § 316(a)(8) ..... 3

35 U.S.C. § 316(a)(10) ..... 3

35 U.S.C. § 316(c) ..... 3

35 U.S.C. § 316(d) ..... 19

35 U.S.C. § 316(d)(1)(B) ..... 4

35 U.S.C. § 316(e) ..... 3

35 U.S.C. § 317(a) ..... 4

35 U.S.C. § 318(a) ..... 4

35 U.S.C. § 318(b) ..... 4, 19, 33, 36

35 U.S.C. § 319 ..... 4, 19

**Regulation:**

37 C.F.R. § 90.3(a)(1) ..... 1

**Legislative Material:**

157 Cong. Rec. S5374 (daily ed. Sept. 7, 2011) ..... 29, 30, 32, 34, 35

**Other Authority:**

*Changes to the Claim Construction Standard for Interpreting  
Claims in Trial Proceedings Before the Patent Trial and Appeal Board,*  
83 Fed. Reg. 51,340 (Oct. 11, 2018) ..... 20

## STATEMENT OF RELATED CASES

Counsel for the United States is not aware of any previous appeal in this case. The following civil actions alleging infringement of the patent at issue in this case are currently pending: *Genentech, Inc. and City of Hope v. Amgen, Inc.*, No. 17-1407 (D. Del.); *Genentech, Inc. and City of Hope v. Amgen, Inc.*, No. 17-1471 (D. Del.).

## STATEMENT OF JURISDICTION

This is an appeal from a final written decision of the Patent Trial and Appeal Board (PTAB or Board) in an inter partes review proceeding. The Board entered its final written decision in IPR2016-01771 on March 9, 2018. Appx1. Genentech, Inc. filed a notice of appeal on May 10, 2018, *see* Appx321, within the time limit specified by 37 C.F.R. § 90.3(a)(1). This Court has jurisdiction over this appeal pursuant to 28 U.S.C. § 1295(a)(4)(A) and 35 U.S.C. § 141(c).

## STATEMENT OF THE ISSUE

Whether the Constitution barred Congress from authorizing the United States Patent and Trademark Office (USPTO) to conduct inter partes review of a patent issued before Congress enacted the America Invents Act.

## STATEMENT OF THE CASE

### A. Post-Issuance Patent Review

“Over the last several decades, Congress has created administrative processes that authorize the PTO to reconsider and cancel patent claims that were wrongly issued.” *Oil States Energy Servs., LLC v. Greene’s Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018). This Court is well familiar with these processes.

First, in 1980, Congress created *ex parte* reexamination in an effort to restore public “confidence in the validity of patents issued by the PTO.” *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir.), *modified on other grounds on reh’g*, 771 F.2d 480 (Fed. Cir. 1985); *see* Pub. L. 96-517, 94 Stat. 3015 (1980). *Ex parte* reexamination, which

remains in effect today, “enable[s] the PTO to recover administrative jurisdiction over an issued patent in order to remedy any defects in the examination which that agency had initially conducted and which led to the grant of the patent.” *Patlex*, 758 F.2d at 601. The ex parte reexamination procedure authorizes the Director of the USPTO, “[o]n his own initiative” and at “any time,” to reexamine an issued patent if the Director finds that there exists “a substantial new question of patentability” in light of prior art “consisting of patents or printed publications.” 35 U.S.C. §§ 301(a)(1), 303(a), 304. In addition, “[a]ny person at any time” may “file a request” asking the Director to institute ex parte reexamination. *Id.* § 302. Upon reexamination, the USPTO may cancel any claim of the patent determined to be unpatentable. *See id.* § 307(a).

Then, in 1999, Congress created “another, similar procedure” called inter partes reexamination. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2137 (2016). Like ex parte reexamination, inter partes reexamination authorized third parties to ask the USPTO to cancel erroneously issued patents. *See id.* at 2137-38. The inter partes reexamination procedure, however, allowed “third parties greater opportunities to participate in the Patent Office’s reexamination proceedings,” and, after 2002, authorized third parties to participate in any appeal of the USPTO’s decision. *Id.*

Finally, in 2011, Congress enacted the Leahy-Smith America Invents Act (AIA), which replaced inter partes reexamination with inter partes review. *See Pub. L. 112-29*, § 6, 125 Stat. 284, 299-304 (2011). “Reacting to a growing sense that questionable patents are too easily obtained and are too difficult to challenge,” Congress created inter

partes review “to provide a more efficient system for challenging patents that should not have issued.” *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1290 (Fed. Cir. 2015) (quotation marks and alteration omitted). Inter partes review resembles its predecessors substantively: It allows third parties to ask the USPTO to take “a second look at an earlier administrative grant of a patent.” *Cuozzoku*, 136 S. Ct. at 2144. But inter partes review differs from its predecessors procedurally, providing third parties with “broader participation rights” than were available under prior forms of post-issuance patent review. *Id.* at 2137.

The AIA authorizes an individual other than the patent owner to file a petition for inter partes review of a patent on the ground that, at the time the patent issued, the invention was not novel or was obvious in light of “prior art consisting of patents or printed publications.” *See* 35 U.S.C. §§ 311(b), 312. If the Director finds a “reasonable likelihood” that the challenger can establish the unpatentability of “at least 1 of the claims challenged in the petition,” he may elect to institute inter partes review. *Id.* § 314(a). Upon the institution of review, the Board conducts a proceeding to determine the patentability of the challenged claims. *See* 35 U.S.C. § 316(c). The parties are entitled to certain discovery, *see id.* § 316(a)(5), to file written memoranda, *see id.* § 316(a)(8), and to an oral hearing, *see id.* § 316(a)(10). The petitioner in an inter partes review bears the burden of proving unpatentability by a preponderance of the evidence. *Id.* § 316(e). The patent owner may seek to amend its patent—and thereby avoid cancellation of patent claims that would otherwise be defective—by “propos[ing] a reasonable number

of substitute claims.” *Id.* § 316(d)(1)(B). And the Board may continue an inter partes review proceeding “even after the original petitioner settles and drops out.” *Cuozzok*, 136 S. Ct. at 2140 (citing 35 U.S.C. § 317(a)).

At the conclusion of the proceeding, the Board issues a final written decision addressing the patentability of the challenged claims. *See* 35 U.S.C. § 318(a). Either party may appeal to this Court from an adverse final written decision, *see id.* § 319, and the Director of the USPTO may intervene in an appeal to defend the Board’s decision even if no other party defends the decision, *see id.* § 143. After any appeals are exhausted, the USPTO issues a certificate “canceling any claim of the patent finally determined to be unpatentable, confirming any claim of the patent determined to be patentable, and incorporating in the patent by operation of the certificate any new or amended claim determined to be patentable.” *Id.* § 318(b).

Congress in the AIA provided that the provisions creating inter partes review “shall take effect upon the expiration of the 1-year period beginning on the date of the enactment of this Act.” Pub. L. 112-29, § 6(c)(2), 125 Stat. at 304 (enacted September 16, 2011). Congress further specified that the AIA’s inter partes review provisions “shall apply to any patent issued before, on, or after that effective date.” *Id.*

## **B. Prior Constitutional Challenges To Post-Issuance Patent Review**

This Court and the Supreme Court have repeatedly considered—and rejected—constitutional challenges to the administrative patent review procedures established by Congress.

First, in 1985, this Court rejected a facial constitutional challenge to ex parte reexamination. *See Patlex*, 758 F.2d at 598-601. As particularly relevant here, the Court in *Patlex* rejected the argument that Congress violated due process by authorizing the USPTO to conduct ex parte reexamination of patents that “were granted before passage of the reexamination statute.” *Id.* at 597. The Court explained that Congress created ex parte reexamination for the “important public purpose” of “restoring confidence in the validity of patents issued by the PTO.” *Id.* at 601. And Congress authorized ex parte reexamination of all existing patents “in order to achieve an immediate impact on the patent incentive for invention and innovation.” *Id.* at 598. The Court concluded that “the overriding public purposes Congress articulated in enacting the reexamination law with retroactive effect are entitled to great weight,” and that Congress acted permissibly in authorizing reexamination of patents issued before the reexamination law was enacted. *Id.* at 601.

This Court in *Patlex* further rejected the argument that ex parte reexamination violates Article III and the Seventh Amendment. The Court held that nothing in Article III or the Seventh Amendment prohibits Congress from authorizing the USPTO to

correct its own errors by reconsidering—and, where necessary, holding unpatentable—claims in previously issued patents. *See Patlex*, 758 F.2d at 604-05. The Court explained that “the grant of a valid patent is primarily a public concern” because a patent “is a right that can only be conferred by the government.” *Id.* at 604. Reconsidering a patent through *ex parte* reexamination therefore implicates public rights that may be adjudicated by the USPTO without a jury. *See id.* As the Court explained, “[a] defectively examined and therefore erroneously granted patent must yield to the reasonable Congressional purpose of facilitating the correction of governmental mistakes.” *Id.*; *see Joy Techs., Inc. v. Manbeck*, 959 F.2d 226, 228 (Fed. Cir. 1992) (reaffirming that patent reexamination “may constitutionally be adjudicated by legislative courts and administrative agencies” without a jury).

After Congress enacted the AIA, this Court in 2015 rejected a similar Article III and Seventh Amendment challenge to *inter partes* review. *See MCM Portfolio*, 812 F.3d at 1287. Because the USPTO in an *inter partes* review adjudicates matters under federal law regarding patent rights that only the government may issue, the Court concluded that *inter partes* review, like *ex parte* reexamination, involves quintessential public rights. *Id.* at 1293. The Court therefore held that “[g]overning Supreme Court and Federal Circuit authority require rejection of [the] argument that *inter partes* review violates Article III” and the Seventh Amendment. *Id.* at 1292-94.

The constitutionality of *inter partes* review reached the Supreme Court in *Oil States*. Affirming this Court’s conclusion in *MCM Portfolio*, the Court in *Oil States* held

that inter partes review “falls squarely within the public-rights doctrine” and therefore violates neither Article III nor the Seventh Amendment. 138 S. Ct. at 1373. The Court initially observed that “the decision to *grant* a patent is a matter involving public rights” because “patents are ‘public franchises’ that the Government grants ‘to the inventors of new and useful improvements.’” *Id.* These “public franchises” “did not exist at common law,” and they implicate important public purposes because the USPTO in issuing a patent “take[s] from the public rights of immense value, and bestow[s] them upon the patentee.” *Id.* at 1373-74 (quoting *United States v. American Bell Telephone Co.*, 128 U.S. 315, 370 (1888)). Accordingly, the Court concluded that proceedings to decide whether to grant a patent may be conducted by the USPTO rather than an Article III court. The Court then explained that inter partes review similarly may be conducted by the USPTO because it “involves the same basic matter as the grant of a patent.” *Id.* at 1374. Inter partes review gives the USPTO “a second look at an earlier administrative grant of a patent” and requires the Board to consider “the same statutory requirements that the PTO considered when granting the patent” in pursuit of the same public purposes. *Id.*

The Court acknowledged that inter partes review, unlike the initial patent grant, occurs after the patent has issued, but explained that “that distinction does not make a difference here.” *Oil States*, 138 S. Ct. at 1374. The Court observed that patents “are granted subject to the qualification that the PTO has the authority to reexamine—and perhaps cancel—a patent claim,” and that patents “thus remain subject to the Board’s

authority to cancel outside of an Article III court.” *Id.* (quotation marks and alterations omitted). The Court further rejected the argument that a patent’s status as property renders inter partes review impermissible. Patents “convey only a specific form of property right—a public franchise”—and Congress therefore may reserve the authority to revoke that property right upon a finding that it was improperly granted. *Id.* at 1375. And the Court rejected the argument that inter partes review departs from historical practice, observing that “it was well understood at the founding that a patent system could include a practice of granting patents subject to potential cancellation” in an executive proceeding. *Id.* at 1377.

After rejecting the challenger’s arguments, the Court in *Oil States* noted that it did not address additional arguments that the challenger did not press. As relevant here, the court noted that it did not address a challenge to “the retroactive application of inter partes review,” 138 S. Ct. at 1379, a theory pressed by various *amici* but not by the challenger itself.

### **C. Prior Proceedings**

Appellant Genentech, Inc. owns U.S. Patent No. 7,622,115 B2 (the ’115 patent), which “claims methods for treating cancer in a patient comprising administering an effective amount of bevacizumab and assessing the patient for gastrointestinal (‘GI’) perforation during treatment with bevacizumab.” Appx3; *see* Appx23. The application for the ’115 patent was filed on June 14, 2007. Appx23. The USPTO issued the patent on November 24, 2009. *Id.* At the time the patent was issued, Congress had authorized

the USPTO to cancel patents through ex parte reexamination and inter partes reexamination, but it had not yet created inter partes review.

Hospira, Inc. filed a petition for inter partes review of certain claims of the '115 patent, asserting that the claims were unpatentable over various prior art references. Appx2. The Board instituted inter partes review of the challenged claims. *Id.* In the proceeding before the Board, Genentech defended the patentability of the challenged claims but did not argue that inter partes review was unconstitutional. *See* Appx158-209. On March 9, 2018, the Board issued a final written decision concluding that the challenged claims were unpatentable. *See* Appx2.

Genentech appealed to this Court from the Board's final written decision. Before Genentech filed its notice of appeal, the Supreme Court issued its decision in *Oil States* upholding inter partes review under Article III and the Seventh Amendment, and declining to address any challenge to inter partes review on retroactivity grounds. *See* 138 S. Ct. 1365 (2018). Genentech in its notice of appeal, Appx320-21, and then in its opening brief, argued for the first time that applying inter partes review retroactively is unconstitutional. The United States intervened to defend inter partes review against that constitutional challenge.

## **SUMMARY OF ARGUMENT**

**I.** Genentech forfeited its constitutional challenge by failing to present it to the Board. Parties generally may not raise claims on appeal that they failed to present during the administrative proceedings, and Genentech has offered no explanation for its failure

to press its constitutional challenge below. In light of the growing number of similar retroactivity challenges to the AIA's administrative review procedures, this Court may wish to exercise its discretion to address the challenge here in order to avert unwarranted uncertainty regarding the constitutionality of inter partes review. Absent such an exercise of this Court's discretion, however, the Court should deem Genentech's constitutional challenge forfeited and decline to address it.

**II.** If this Court addresses Genentech's constitutional challenge, the Court can easily reject it. Applying the AIA's inter partes review provisions to patents that issued before Congress enacted the AIA comports with the Constitution.

**A.** As an initial matter, conducting inter partes review of a pre-AIA patent is not a retroactive application of the law because it does not impose any new legal consequences on pre-AIA conduct. The AIA did not alter the substantive conditions of patentability, nor did it newly expose patents to the prospect of post-issuance patent review. To the contrary, every patent in existence when Congress created inter partes review in 2011 was granted subject to cancellation by USPTO through ex parte reexamination. Inter partes review altered the USPTO's procedures for reconsidering the validity of issued patents, but it did not alter the substantive provisions governing the conditions of patentability. *See* 35 U.S.C. § 101 *et seq.* Application of such changes in procedural rather than substantive rules does not constitute a retroactive application of the law. And statutes like the AIA that merely alter the forum in which a particular

claim may be adjudicated do not operate retroactively even where the conduct giving rise to the claim occurred before the statute was enacted.

**B.** Even if Congress's decision to authorize inter partes review of pre-AIA patents involved a retroactive application of the law, the retroactive application of inter partes review would easily comport with due process. Retroactive civil legislation is permissible if it advances legitimate legislative purposes by rational means, *see Pension Benefit Guar. Corp. v. R.A. Gray & Co.*, 467 U.S. 717, 729 (1984), and Congress plainly satisfied that requirement here. Inter partes review protects the public's interest in avoiding erroneously granted patents that allow private parties to monopolize ideas that properly belong to the public at large. Congress reasonably sought to advance that purpose by authorizing inter partes review of defective patents in existence when the AIA was enacted, which otherwise could operate against the public for more than a decade to come. Congress acts permissibly when it legislates retroactively to give comprehensive effect to important new legislation, particularly where, as here, the new legislation serves curative or remedial purposes.

Retroactive legislation is permissible under the Due Process Clause even when it upsets reliance interests, *see, e.g., United States v. Carlton*, 512 U.S. 26, 33-34 (1994), and the purported reliance interests affected by inter partes review are weak. No one has a meaningful expectation interest in shielding an erroneously issued patent from administrative reconsideration. That conclusion is particularly apparent given that a patent's validity is never finally settled, but rather has always been subject to invalidation

in litigation, and since 1981 has been subject to cancellation in administrative proceedings substantively identical to inter partes review. As the Court in *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 138 S. Ct. 1365, 1370 (2018), made clear, patents are not irrevocably vested rights, but rather are public rights that are quintessentially amenable to administrative reconsideration.

This Court in *Patlex Corp. v. Mossinghoff* accordingly rejected a retroactivity challenge to ex parte reexamination similar to the challenge that Genentech presses here. 758 F.3d 594 (Fed. Cir.), *modified on other grounds on reh'g*, 771 F.2d 480 (Fed. Cir. 1985). The Court in *Patlex* concluded that Congress acted permissibly when it authorized ex parte reexamination of all patents in existence when the reexamination statute was enacted. The Court explained that Congress's important goal of correcting erroneous patent grants outweighed the expectation interests affected by the creation of administrative patent review. That reasoning applies even more powerfully to inter partes review—which, unlike ex parte reexamination, was preceded by comparable forms of administrative patent review that put patentees on notice that their patents could be subject to cancellation in a USPTO proceeding. *Patlex* squarely forecloses Genentech's apparent argument that the retroactive application of post-issuance patent review violates due process.

**C.** Finally, application of inter partes review to patents issued before the AIA was enacted does not effect a Fifth Amendment taking without just compensation. A “valid property interest” is a necessary element of a takings claim. *Wyatt v. United States*,

271 F.3d 1090, 1097 (Fed. Cir. 2001). The USPTO's cancellation of an erroneously issued patent through inter partes review is premised on a determination that the patentee never had a valid property right. Just as a district court does not effect a Fifth Amendment taking when it finds patent claims invalid, the USPTO does not effect a Fifth Amendment taking when it finds patent claims unpatentable in an inter partes review. This Court previously rejected a similar challenge to the application of ex parte reexamination to patents issued before its enactment. *See Joy Techs., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992).

## **STANDARD OF REVIEW**

This Court reviews constitutional challenges to the patent laws de novo. *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1287 (Fed. Cir. 2015).

## **ARGUMENT**

### **I. GENENTECH FORFEITED ITS CONSTITUTIONAL ARGUMENTS**

Genentech forfeited its constitutional challenge by failing to raise it before the Board. “It is well-established that a party generally may not challenge an agency decision on a basis that was not presented to the agency.” *In re DBC*, 545 F.3d 1373, 1378 (Fed. Cir. 2008). This Court has held in comparable circumstances that an appellant waived its constitutional challenge by failing to present that challenge initially to the Board. *See id.* at 1377 (“We agree with the government that [appellant] waived the issue by failing to raise it before the Board.”). As the Court explained, permitting litigants to raise constitutional issues for the first time on appeal encourages

“sandbagging, i.e., ‘suggesting or permitting, for strategic reasons, that the trial court pursue a certain course, and later—if the outcome is unfavorable—claiming that the course followed was reversible error.’” *Id.* at 1380 (quoting *Freytag v. Commissioner*, 501 U.S. 868, 895 (1991) (Scalia, J., concurring in part)).

This Court in “exceptional cases” will consider issues that were forfeited below. *In re DBC*, 545 F.3d at 1379. The Court possesses “the discretion to decide when to deviate from [its] general rule of waiver”—although prudential considerations counsel against doing so “absent limited circumstances.” *Golden Bridge Tech., Inc. v. Nokia, Inc.*, 527 F.3d 1318, 1322-23 (Fed. Cir. 2008). One factor the court considers in determining whether to entertain a forfeited claim is whether there has been “a change in the jurisprudence of the reviewing court or the Supreme Court after consideration of the case by the lower court.” *Id.* at 1323. Also relevant is whether the forfeited argument presents a question of law or of fact, and whether the “interest[s] of justice” warrant a departure from the general forfeiture rule. *See id.*

Genentech has offered no explanation for its failure to present its constitutional arguments below, let alone pointed to exceptional circumstances justifying the forfeiture. *See Nemariam v. Federal Democratic Republic of Ethiopia*, 491 F.3d 470, 483 (D.C. Cir. 2007) (declining to address forfeited claims because “appellants have offered no explanation for their failure to pursue” those claims). And although the Supreme Court decided *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC*, 138 S. Ct. 1365 (2018), after the Board issued its final decision in this case, that fact does not weigh in

favor of reviewing Genentech’s forfeited arguments given that a retroactivity challenge to inter partes review was plainly available before *Oil States*. Indeed, comparable retroactivity challenges were pressed by the challengers in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 603 (Fed. Cir. 1985), and *Joy Technologies, Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992), and by *amici* in *Oil States* itself, see Brief of *Amicus Curiae* Intellectual Prop. Law Ass’n of Chicago in Supp. of Neither Party at 6-9; Brief of *Amici Curiae* Biotechnology Innovation Org. and Ass’n of Univ. Tech. Masters in Supp. of Pet’r at 30-32. The fact that Genentech “may not have appreciated” an argument that was otherwise available does not excuse its forfeiture of the argument. *In re DBC*, 545 F.3d at 1380.

Given the growing number of retroactivity challenges apparently prompted by the reference to retroactivity in *Oil States*,<sup>1</sup> however, this Court may nevertheless conclude that the interests of justice warrant addressing the retroactivity question quickly to avert further uncertainty regarding the constitutionality of inter partes review. And because Genentech’s retroactivity challenge presents a question of law, addressing

---

<sup>1</sup> See, e.g., *Collabo Innovations, Inc. v. Sony Corp.*, No. 18-1368 (Fed. Cir.); *Chestnut Hill Sound Inc. v. Apple Inc.*, No. 18-1163 (Fed. Cir.); *Arthrex, Inc. v. Smith & Nephew, Inc.*, *Arthrocare Corp.*, No. 18-1584 (Fed. Cir.); *Enzo Life Sciences, Inc. v. Hologic, Inc.*, Nos. 18-1232, 18-1233 (Fed. Cir.); *Arch Dev. Corp., Dana-Farber Cancer Inst., Inc. v. OSI Pharm., LLC, Genentech, Inc.*, No. 18-1485 (Fed. Cir.); cf. *IBG LLC v. Trading Techs Int’l, Inc.*, Nos. 17-1732, 17-1766, 17-1769, 17-2052, 17-2053 (Fed. Cir.); *Trading Techs. Int’l, Inc. v. IBG LLC*, Nos. 17-2054, 17-2257, 17-2323, 17-2565, 17-2621, 18-1063, 18-1105, 18-1302, 18-1438, 18-1443, 18-1489 (Fed. Cir.) (challenging post-grant review for covered business method patents).

the argument in this appeal would not require this Court “to make factual findings.”

*See Golden Bridge*, 527 F.3d at 1323.

## **II. APPLYING INTER PARTES REVIEW TO PRE-AIA PATENTS COMPORTS WITH THE CONSTITUTION**

If this Court reaches Genentech’s retroactivity challenge, the Court should reject it. Congress in the AIA authorized the USPTO to conduct inter partes review of patents that issued prior to the AIA’s enactment. *See* Pub. L. 112-29, § 6(c)(2), 125 Stat. at 304 (the provisions governing inter partes review “shall apply to any patent issued before, on, or after” the effective date of the AIA). Genentech contends that this express statutory authorization constitutes impermissible retroactive legislation. That contention is doubly mistaken. The application of inter partes review to pre-AIA patents does not impose new legal consequences on any pre-AIA conduct, and it thus does not involve a “retroactive” application of the law at all. And even if it did, the retroactive application of post-issuance patent review would be fully consistent with the Constitution.<sup>2</sup>

---

<sup>2</sup> Indeed, Genentech itself has accepted and relied on the constitutionality of these provisions in other litigation. In *Arch Development Corp. v. OSI Pharmaceuticals, LLC*, No. 18-1485 (Fed. Cir.), Genentech successfully challenged the validity of another party’s patent claims in an inter partes review and, on appeal, argued (Br. 1, n.1) for affirmance of the Board’s decision, “defer[ring] to the government’s response to [the appellant’s] constitutional challenges to *inter partes* review.”

**A. Conducting Inter Partes Review Of Pre-AIA Patents Is Not A Retroactive Application Of The Law**

Genentech's challenge incorrectly assumes that Congress's decision to make inter partes review available to pre-AIA patents involves the retroactive application of the law. "A statute does not operate 'retrospectively' merely because it is applied in a case arising from conduct antedating the statute's enactment, or upsets expectations based in prior law." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 269-70 (1994) (citation omitted); see also *Disabled Am. Veterans v. Secretary of Veterans Affairs*, 327 F.3d 1339, 1344 (Fed. Cir. 2003). Rather, to determine whether a statute operates retroactively, "the court must ask whether the new provision attaches new legal consequences to events completed before its enactment." *Landgraf*, 511 U.S. at 269-70. The inter partes review provisions of the AIA do not.

1. Patents have been subject to reconsideration and cancellation by the USPTO in administrative proceedings for nearly four decades. The inter partes review provisions of the AIA are the latest legislative refinement of this longstanding administrative review process. In creating inter partes review, the AIA did not alter patent holders' substantive rights, but merely revised the procedures by which USPTO conducts these administrative proceedings.

The Supreme Court has explained that "[c]hanges in procedural rules may often be applied in suits arising before their enactment without raising concerns about retroactivity." *Landgraf*, 511 U.S. at 275. Rules of procedure regulate the conduct of

the adjudicatory proceeding, not the primary conduct underlying the proceeding. Accordingly, when a statute that alters the procedures for adjudicating claims is applied to a claim brought after the statute's enactment, that is a prospective—not retroactive—application of the statute. As the Supreme Court has explained, “because rules of procedure regulate secondary rather than primary conduct, the fact that a new procedural rule was instituted after the conduct giving rise to the suit does not make application of the rule at trial retroactive.” *Id.*; *see also id.* at 292-93 (Scalia, J., concurring).

The AIA's inter partes review provisions are merely changes in the procedures governing the USPTO's administrative reconsideration of patents, and they do not alter the substantive rights of any owner of a pre-AIA patent. Inter partes review does not alter the Patent Act's provisions governing the conditions of patentability. *See* 35 U.S.C. § 101 *et seq.* On the contrary, the Board in an inter partes review “considers the same statutory requirements that the PTO considered when granting the patent.” *Oil States*, 138 S. Ct. at 1374. Nor do the inter partes review provisions create an administrative review mechanism where none existed before. Since 1980, the Patent Act has authorized the USPTO to conduct ex parte reexamination of issued patents, and, from 1999 to 2011, the USPTO was also authorized to conduct inter partes reexamination of issued patents whose applications were filed after November 29, 1999. Because ex parte reexamination preceded inter partes review by three decades, every patent in effect when Congress passed the AIA was granted subject to the authority of the USPTO to reconsider the patent through ex parte reexamination (and, for patents issued after

1999, inter partes reexamination as well). Inter partes review is merely a different procedure for administrative reconsideration of patents.

Inter partes review resembles ex parte reexamination in numerous respects. In both proceedings, the USPTO is authorized to reconsider an issued patent at the request of a third party. *See* 35 U.S.C. § 302; *id.* § 311(a). In both proceedings, the USPTO considers “prior art consisting of patents or printed publications” to determine the patent’s validity. *See id.* § 301(a)(1); *id.* § 311(b). In both proceedings, the patent owner has an opportunity to amend the patent to avoid the cancellation of otherwise invalid claims. *See id.* § 305; *id.* § 316(d). In both proceedings, the agency determines by a preponderance of the evidence whether the challenged claims were unpatentable at the time they issued. *See Cuozzxo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2144 (2016). In both proceedings, the Director’s patentability decisions are subject to judicial review in this Court. *See* 35 U.S.C. § 306; *id.* § 319. And in both proceedings, the Director issues “a certificate canceling any claim of the patent finally determined to be unpatentable” only after any judicial review has been exhausted. *Id.* § 307(a); *id.* § 318(b). *See also id.* §§ 311(a), 314(a), 315, 316 (2006) (comparable provisions for inter partes reexaminations). These similarities underscore that the “basic purposes” of the two procedures are the same—“namely, to reexamine an earlier agency decision.” *Cuozzxo*, 136 S. Ct. at 2144. Far from being wholly new, inter partes review is merely “a descendant of an experiment began nearly 30 years” earlier with ex parte reexamination

and elaborated nearly twenty years ago with inter partes reexamination. *MCM Portfolio*, 812 F.3d at 1291-92 (alteration and quotation marks omitted).

Of course, the procedures governing inter partes review are not identical to those governing ex parte reexamination. The two procedures differ principally in the degree to which those who contend that the patent claims were issued in error can participate in the proceedings. While an ex parte reexamination, once granted, follows the same procedures as the initial examination and provides no continuing role for the requester, *see* 35 U.S.C. § 305, inter partes review, like inter partes reexamination before it, “includes some of the features of adversarial litigation,” and the petitioner typically (though not necessarily) participates throughout the proceeding. *Oil States*, 138 S. Ct. at 1378; *see also* *Cuozzo*, 136 S. Ct. at 2140. In addition, the standards for instituting inter partes review and ex parte reexamination are not identical: to initiate an ex parte reexamination, the Director must find a “substantial new question of patentability,” 35 U.S.C. § 303(a), while inter partes review requires the Director to find “a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged,” *id.* § 314(a).<sup>3</sup> These procedural distinctions, however, impose no “new

---

<sup>3</sup> On October 11, 2018, the USPTO published a final rule replacing the broadest-reasonable-interpretation standard, which was used for claim construction in inter partes review, in favor of the ordinary-meaning standard used in litigation. *See Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 51,340 (effective November 13, 2018). The new rule makes the claim construction standard employed in inter partes review more favorable to patentees than the standard employed in ex parte reexamination.

legal consequences” on any pre-AIA conduct. *See Landgraf*, 511 U.S. at 270. The application of new procedures to facilitate the government’s enforcement of pre-existing substantive requirements is not a retroactive application of the law.

Applying these principles in *Landgraf*, the Supreme Court held that a statute providing for a jury trial is “plainly a procedural change of the sort that would ordinarily govern in trials conducted after its effective date . . . regardless of when the underlying conduct occurred.” 511 U.S. at 280-81. So too here. Applying the new inter partes review procedures to a petition filed after the effective date of the AIA is not retroactive, regardless of when the underlying patent was issued.

**2.** Various additional considerations underscore the conclusion that inter partes review of pre-AIA patents does not involve a retroactive application of the law.

The Supreme Court in *Landgraf* explained that it has “regularly applied intervening statutes conferring or ousting jurisdiction, whether or not jurisdiction lay when the underlying conduct occurred or when the suit was filed.” 511 U.S. at 274; *see also id.* at 292-93 (Scalia, J., concurring); *Republic of Austria v. Altmann*, 541 U.S. 677, 693 (2004). As the Court explained, “[p]resent law normally governs in such situations because jurisdictional statutes speak to the power of the court rather than to the rights or obligations of the parties.” *Landgraf*, 511 U.S. at 274 (quotation marks omitted). As with procedural rules, when a statute addresses “*which* court shall have jurisdiction to entertain a particular cause of action,” it merely “regulate[s] the secondary conduct of litigation and not the underlying primary conduct of the parties.” *Hughes Aircraft Co. v.*

*United States ex rel. Schumer*, 520 U.S. 939, 951 (1997). Indeed, the “[a]pplication of a new jurisdictional rule usually ‘takes away no substantive right but simply changes the tribunal that is to hear the case.’” *Landgraf*, 511 U.S. at 274 (quoting *Hallowell v. Commons*, 239 U.S. 506, 508 (1916)); *see also Hughes Aircraft*, 520 U.S. at 951 (statutes that “allocate jurisdiction among forums” do not alter the substantive rights of the parties).

Inter partes review “allocate[s] jurisdiction among forums” by assigning a new tribunal in the USPTO (the Patent Trial and Appeal Board) to adjudicate patent validity issues. Accordingly, the Board’s adjudication of patent validity in inter partes review proceedings is not a retroactive operation of the law, even when the underlying patent predates the AIA. *See Disabled Am. Veterans*, 327 F.3d at 1344-45 (rejecting as “meritless” the argument that a VA regulation operated retroactively because the regulation “merely changed which office within the VA” conducted adjudicatory functions that the VA had long been authorized to perform); *see also Hallowell*, 239 U.S. at 508 (statute eliminating federal court jurisdiction over class of claims and referring them to the Secretary of the Interior was applicable to pending cases because, *inter alia*, “the reference of the matter to the Secretary . . . takes away no substantive right, but simply changes the tribunal that is to hear the case”).

The Supreme Court in *Landgraf* further explained that, if a “statute authorizes or affects the propriety of prospective relief, application of the new provision is not retroactive.” 511 U.S. at 273; *see also id.* at 293 (Scalia, J., concurring) (because “the purpose of prospective relief is to affect the future rather than remedy the past, the

relevant time for judging its retroactivity is the very moment at which it is ordered”). Inter partes review operates only prospectively. It does not retrospectively alter the substantive patentability criteria in effect at the time a patent issued, and the result of an inter partes review—a certificate cancelling or confirming the disputed patent claims—does not afford any party backward-looking relief. Critically, the cancellation of a patent in an inter partes review does not disturb judgments that became final before the certificate was issued. *See Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330, 1344 (Fed. Cir. 2013) (applying this rule in the reexamination context); *see also Landgraf*, 511 U.S. at 293 (Scalia, J., concurring) (applying a statute “to undo past judicial action would be applying it retroactively; but applying it to prevent any judicial action after the statute takes effect is applying it prospectively”).

Finally, Justice Scalia’s influential concurrence in *Landgraf* further supports the conclusion that inter partes review of pre-AIA patents is not a retroactive application of the law. He explained that whether a rule operates retroactively depends on “the relevant activity that the rule regulates.” *Landgraf*, 511 U.S. at 291 (Scalia, J., concurring). “Most statutes are meant to regulate primary conduct, and hence will not be applied in trials involving conduct that occurred before their effective date.” *Id.* But “[a] new rule of evidence governing expert testimony, for example, is aimed at regulating the conduct of trial, and the event relevant to retroactivity of the rule is introduction of the testimony.” *Id.* Likewise, “the purpose of provisions conferring or eliminating jurisdiction is to permit or forbid the exercise of judicial power—so that the relevant

event for retroactivity purposes is the moment at which that power is sought to be exercised,” and therefore “applying a jurisdiction-eliminating statute” to “prevent any judicial action after the statute takes effect is applying it prospectively.” *Id.* at 293. Justice Scalia’s approach is similar to the majority’s analysis of procedural and jurisdictional statutes. *See Landgraf*, 511 U.S. at 274-75. And the Court has since used Justice Scalia’s approach. *See Altmann*, 541 U.S. at 697 n.17.

Under this logic, the AIA’s inter partes review provisions regulate the agency’s future conduct of administrative patent review rather than a patentee’s prior conduct of obtaining a patent. Conducting inter partes review therefore does not implicate retroactivity principles, regardless of when the patent at issue was granted. *See also Combs v. Commissioner of Soc. Sec.*, 459 F.3d 640, 647-49 (6th Cir. 2006) (en banc) (rule eliminating a claimant-favorable presumption employed by SSA in adjudicating disability claims was not retroactive because the “relevant activity” the rule regulated was the future “process of adjudicating social security disability benefits claims” rather than the claimant’s prior application for benefits); *Celtronix Telemetry, Inc. v. FCC*, 272 F.3d 585, 588-89 (D.C. Cir. 2001) (rule increasing certain fees owed by FCC licensees for late license payments was not retroactive because, although the new rule “may have altered the value of the rights [the challenger] acquired” when it was awarded the license, the rule regulated the conduct of late license payments rather than the “initial *issuance* of the license”).

**B. The Retroactive Application Of Inter Partes Review Would Not Violate Due Process**

Even if applying inter partes review to pre-AIA patents were thought to involve a retroactive application of the law, Congress’s deliberate decision to apply inter partes review to such patents would easily comport with due process. This Court in *Patlex* rejected the argument that applying a new form of post-issuance patent review to existing patents is unconstitutional. *Patlex* squarely forecloses Genentech’s challenge.

1. Congress may regulate retroactively if it has a rational basis for doing so. *See Pension Benefit Guar. Corp. v. R.A. Gray & Co.*, 467 U.S. 717, 729 (1984). Here, Congress unquestionably intended that pre-AIA patents be eligible for inter partes review.<sup>4</sup> Congress expressly provided that inter partes review “shall apply to any patent issued before, on, or after” the effective date of the AIA. *See* Pub. L. 112-29, § 6(c)(2), 125 Stat. at 304. By contrast, Congress specified that post-grant review—a different post-issuance patent review procedure created in the AIA—“shall apply only to” patents with an effective filing date of eighteen months after the passage of the AIA. *See id.* §§ 6(f)(2)(A), 3(n)(1), 125 Stat. at 311, 293. Congress’s different treatment of these two procedures underscores its intentional choice to extend inter partes review to pre-AIA patents.

---

<sup>4</sup> Accordingly, even if application of the statute to pre-AIA patents is retroactive, the statutory presumption against retroactivity does not apply. *See Landgraf*, 511 U.S. at 280; *Commonwealth Edison Co. v. United States*, 271 F.3d 1327, 1341 (Fed. Cir. 2001).

That legislative choice all but resolves this case. In addressing challenges to the retroactive application of civil legislation, “the Supreme Court has held that Due Process is satisfied ‘simply by showing that the retroactive application of the legislation is itself justified by a rational legislative purpose.’” *Commonwealth Edison Co. v. United States*, 271 F.3d 1327, 1341 (Fed. Cir. 2001). Retroactive legislation that “adjust[s] the burdens and benefits of economic life” is permissible as long as “the retroactive application of a statute is supported by a legitimate legislative purpose furthered by rational means.” *Pension Benefit Guar.*, 467 U.S. at 729. The Supreme Court has made “clear that legislation readjusting rights and burdens is not unlawful solely because it upsets otherwise settled expectations.” *Usery v. Turner Elkhorn Mining Co.*, 428 U.S. 1, 16 (1976); *see Bank Markazi v. Peterson*, 136 S. Ct. 1310, 1325 (2016).

The “burden is on one complaining of a due process violation to establish that the legislature has acted in an arbitrary and irrational way.” *Turner Elkhorn Mining*, 428 U.S. at 15; *see Commonwealth Edison*, 271 F.3d at 1341. Courts conduct this rationality review with “strong deference” for Congress’s choice, *Pension Benefit Guar.*, 467 U.S. at 729, because retroactive statutes “often serve entirely benign and legitimate purposes”—including the purpose of “correct[ing] mistakes” and “giv[ing] comprehensive effect to a new law Congress considers salutary.” *Landgraf*, 511 U.S. at 267-68. And Congress has particularly broad latitude to enact retroactive legislation in the public-rights domain, where the relevant public purposes are substantial and a private party’s expectation interests are comparably weak. *See id.* at 270 (noting that the

presumption against retroactive application of statutes applies to “statutes burdening *private rights*”) (emphasis added). As this Court recognized, “the Supreme Court has repeatedly advised” that due process challenges to retroactive economic legislation “will only succeed in the rarest of cases.” *Commonwealth Edison*, 271 F.3d at 1345.

2. Congress acted rationally when it authorized the USPTO to conduct inter partes review of pre-AIA patents. The patent system “reflects a balance between the need to encourage innovation and the avoidance of monopolies which stifle competition without any concomitant advance in the ‘Progress of Science and useful Arts.’” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 146 (1989). As the Supreme Court explained in *Oil States*, inter partes review preserves that balance by authorizing the USPTO to cancel patents that erroneously “take from the public rights of immense value, and bestow them upon the patentee.” 138 S. Ct. at 1373 (alterations omitted). Congress in creating inter partes review “saw powerful reasons to utilize the expertise of the PTO for an important public purpose,” *MCM Portfolio*, 812 F.3d at 1290, namely, to “protect[] the public’s paramount interest in seeing that patent monopolies are kept within their legitimate scope,” *Oil States*, 138 S. Ct. at 1374 (quotation marks omitted).

That fundamental statutory purpose is no less implicated by patents that were in force when Congress enacted the AIA. Congress sensibly sought to authorize inter partes review of all existing patents in order to give “comprehensive effect to a new law Congress consider[ed] salutary.” *See Landgraf*, 511 U.S. at 268. Congress deliberately

opted not to limit this procedure to patents issued after the AIA was enacted, which would have delayed the beneficial effects of the AIA and would have prevented the USPTO from applying inter partes review to defective patents that could operate against the public for more than a decade to come. Having created a beneficial new procedure for improving the patent system, Congress reasonably chose to allow the USPTO to apply that procedure to all patents in existence when the law took effect.

Inter partes review, moreover, is a curative measure designed “to correct the agency’s own errors in issuing patents in the first place.” *MCM Portfolio*, 812 F.3d at 1290. This Court and the Supreme Court have repeatedly recognized that Congress may legislate retroactively “to correct mistakes” in the prior administration of the laws. *See Landgraf*, 511 U.S. at 268; *see also GPX Int’l Tire Corp. v. United States*, 780 F.3d 1136, 1144 (Fed. Cir. 2015) (“remedial” character of statute supports its retroactive application). In *Graham v. Goodcell*, 282 U.S. 409, 429 (1931), for example, the Supreme Court considered a challenge to “a curative statute aptly designed to remedy mistakes and defects in the administration” of a prior tax-collection program. The Supreme Court rejected the argument that “vested right[s]” in the prior tax scheme barred Congress from applying the statute retroactively. *Id.* As the Court explained, “[w]here the asserted vested right, not being linked to any substantial equity, arises from the mistake of officers purporting to administer the law in the name of the Government, the legislature is not prevented from curing the defect in administration” simply because

doing so would deprive the challenger of the benefit of the administrative error. *Id.* at 429-30. Inter partes review advances comparable error-correction purposes.

Retroactive legislation is permissible under the Due Process Clause even when it upsets reliance interests. *See United States v. Carlton*, 512 U.S. 26, 33-34 (1994); *Turner Elkhorn Mining*, 428 U.S. at 16; *GPX Int'l Tire*, 780 F.3d at 1142. And in any event, the purported expectation interests affected by inter partes review are distinctly weak. A patentee does not have a meaningful expectation that an erroneously granted patent can be shielded from reconsideration by the same agency that granted the patent. Expectation interests in invalid patents are particularly minimal given that the “validity of a patent is not a matter that is ever fully and finally settled,” but rather “remains ‘ever-present,’ because any defendant may assert an invalidity defense in patent litigation.” *See* 157 Cong. Rec. S5375 (daily ed. Sept. 7, 2011) (McConnell Letter) (citation omitted) (letter from former Judge Michael W. McConnell to Congress supporting the constitutionality of the AIA). Every patentee obtains its patent knowing that the patent can be held invalid in litigation. And every patentee since 1981 has obtained its patent knowing that the patent can be cancelled administratively (including cancellation through inter partes administrative proceedings since 1999). Congress did not meaningfully alter the relevant expectation interests when it created an improved procedure to accomplish a result that could always occur in court or, more recently, in a different type of administrative proceeding.

The Supreme Court in *Oil States* rejected the theory that, because patents convey a form of personal property, Congress may not authorize the USPTO to reconsider patents after they issue. The Court made clear that patents “convey only a specific form of property right—a public franchise”—that is quintessentially amenable to administrative reconsideration. *Oil States*, 138 S. Ct. at 1375; *see also* McConnell Letter at S5374 (“the theory that a patent is a vested right, which once granted may not be taken away . . . is a fundamental misconception”). Given the limited property interest conveyed by a public right, it was hardly unforeseeable for Congress to authorize the USPTO to cancel patent claims that should never have been granted.

3. This Court in *Patlex* rejected a due process challenge to the retroactive application of ex parte reexamination identical in relevant respects to the challenge Genentech apparently presses here. *Patlex* forecloses Genentech’s challenge.

As with inter partes review, the ex parte reexamination statute enacted in 1980 authorized the USPTO to conduct an administrative reexamination of all patents that “were granted before passage of the reexamination statute.” *Patlex*, 758 F.2d at 597. The parties in *Patlex* did not argue that applying ex parte reexamination to existing patents was not a retroactive application of the law, and so the Court did not address that threshold argument. But, assuming that ex parte reexamination applied retroactively, the Court held that “the overriding public purposes Congress articulated in enacting the reexamination law with retroactive effect are entitled to great weight,

and that Congress did not act in an arbitrary and irrational way to achieve its desired purposes.” *Id.* at 603.

The considerations that caused this Court to reject the retroactivity challenge in *Patlex* apply equally to inter partes review. The “important public purpose[s]” that motivated ex parte reexamination are the same purposes that motivated inter partes review—to “settle validity disputes more quickly and less expensively” than in litigation; to bring “the expertise of the Patent Office” to bear on technical patentability questions; and to advance “‘the certainty of patent rights’ by affording the PTO a broader opportunity to review ‘doubtful patents.’” *Patlex*, 758 F.2d at 602. Like the reexamination statute, the AIA belongs to “the class of ‘curative’ statutes, designed to cure defects in an administrative system,” entitled to “relatively favored treatment from the courts even when applied retroactively.” *Id.* at 603. And Congress opted to apply inter partes review to all existing patents for the same reason it did so with ex parte reexamination—“to achieve an immediate impact on the patent incentive for invention and innovation.” *Id.* at 598.

Furthermore, the purported expectation interests affected by inter partes review are weaker than the interests at issue in *Patlex*. As the *Patlex* Court recognized, prior to ex parte reexamination “there was no way the PTO or private persons could have forced these patents back into the examination phase against his will (except for their involvement in an interference).” 758 F.2d at 601. Even so, the Court concluded that the interests supporting ex parte reexamination outweighed the challenger’s

countervailing expectation interest in avoiding reconsideration of the patent, in part due to the “benefits that may accrue to [patentees] following successful reexamination of the patents.” *Id.* at 603. By contrast, inter partes review was “hardly novel but rather [was] based on longstanding procedures established by Congress and repeatedly recognized as constitutional by the Federal Circuit.” McConnell Letter at S5375. Thus, under this Court’s analysis in *Patlex*, Congress did not impermissibly undermine expectation interests when it authorized the USPTO to conduct inter partes review of pre-AIA patents.

Genentech argues that this Court’s decision in *Patlex* does not foreclose its constitutional challenge because the inter partes review procedures are different from ex parte reexaminations and inter partes reexamination. Br. 44-45. But in *Patlex* there was *no preexisting* administrative review scheme at all. Genentech also argues that *Patlex* does not foreclose the issue because the Supreme Court in *Oil States* “explicitly recognized and left open this issue.” Br. 45. The fact that the Supreme Court did not address the issue in no way undermines this Court’s existing precedent.

**C. The Retroactive Application Of Inter Partes Review Would Not Effect A Fifth Amendment Taking Of Property Without Just Compensation**

The USPTO’s cancellation of an erroneously issued patent through inter partes review does not effect a Fifth Amendment taking of property, even if the patent was issued before the AIA was enacted. It is a “bedrock requirement that the existence of a valid property interest is necessary in all takings claims.” *Wyatt v. United States*, 271

F.3d 1090, 1097 (Fed. Cir. 2001); *see also, e.g., Love Terminal Partners, L.P. v. United States*, 889 F.3d 1331, 1339 (Fed. Cir. 2018); *CRV Enters., Inc. v. United States*, 626 F.3d 1241, 1249 (Fed. Cir. 2010); *Cienega Gardens v. United States*, 331 F.3d 1319 (Fed. Cir. 2003). The first step in analyzing a takings claim is therefore to “determine[] whether the plaintiff possesses a valid interest in the property affected by the governmental action.” *Karuk Tribe of Cal. v. Ammon*, 209 F.3d 1366, 1374 (Fed. Cir. 2000); *see, e.g., Huntleigh USA Corp. v. United States*, 525 F.3d 1370, 1377 (Fed. Cir. 2008).

The USPTO’s cancellation of a defective patent through inter partes review rests on a determination that the patentee never had a valid property right because the patent was erroneously issued in the first instance. As the Supreme Court has explained, “inter partes review involves the same basic matter as the grant of a patent.” *Oil States*, 138 S. Ct. at 1374. It is “a second look at an earlier administrative grant of a patent.” *Id.* (quoting *Cuozzoku*, 136 S. Ct. at 2144). Inter partes review does not alter the Patent Act’s provisions governing the conditions of patentability, *see* 35 U.S.C. § 101 *et seq.* The Board in an inter partes review “considers the same statutory requirements that the PTO considered when granting the patent,” *Oil States*, 138 S. Ct. at 1374 (citing 35 U.S.C. § 311(b)), and determines whether the patent met those requirements at the time it was issued. The Board issues a certificate “canceling any claim of the patent finally determined to be unpatentable,” only after this Court affirms the Board’s determination that the patent claims were unpatentable (if an appeal is taken). *See* 35 U.S.C. § 318(b). Accordingly, when the Board cancels patent claims through inter partes review, the

cancellation rests on a determination that the patentee never had a “valid property interest,” *Wyatt*, 271 F.3d at 1097, and thus there was nothing for the government to take.

Indeed, just as a district court does not effect a Fifth Amendment taking when it finds patent claims invalid in litigation, the USPTO does not effect a Fifth Amendment taking when it finds patent claims unpatentable in an inter partes review. When a district court determines that a patent is invalid in a suit for infringement, not only does that determination provide a defense to liability in the suit itself, *see* 35 U.S.C. § 282(b)(2)-(3), but it also precludes the enforcement of the patent in any other case, *see Blonder-Tongue Labs., Inc. v. University of Ill. Found.*, 402 U.S. 313 (1971). A final judicial determination of patent invalidity thus has the same effect on the patent holder’s rights as an administrative determination of unpatentability by the USPTO in an inter partes review and consequent cancellation of the patent. Yet no one would suggest that judicial invalidation of the patent constitutes an uncompensated taking of property, for the court’s judgment does not involve the taking of a “valid property interest,” *Wyatt*, 271 F.3d at 1097. The same thing is equally true here.

As former Judge McConnell explained, “[i]f a party is issued a patent that does not comply with the patent laws—and the patent is therefore invalid—it is not a ‘taking’ for either a court or the PTO to determine that the patent is invalid.” McConnell Letter, 157 Cong. Rec. at S5374. Indeed, “[j]ust as it is not a taking to determine that a person

occupying land has a defective title to it, it is not a taking to determine that a patent holder never had a right to a patent in the first place.” *Id.*

In *Rogers v. United States*, for example, this Court affirmed the grant of summary judgment to the United States, rejecting the plaintiffs’ takings claim, because the plaintiffs did not have valid title to the land in question. 814 F.3d 1299, 1303 (Fed. Cir. 2015). The plaintiffs argued that the deeds transferred by their predecessors-in-title to a railroad company granted only use easements, but this Court determined that they had transferred a fee simple interest in the disputed land, and thus the plaintiffs did not hold title to the disputed land. *Id.* Likewise, in *Karuk Tribe*, this Court affirmed the determination that the plaintiffs “never had a compensable property interest” in the disputed land, and thus the federal statute at issue “did not take any private property of the plaintiffs.” 209 F.3d at 1370.

So too here. If this Court affirms the Board’s decisions that the claimed invention would have been unpatentable over the prior art under 35 U.S.C. §§ 102 and 103, then Genentech was never entitled to a patent on its invention, and inter partes review did not take Genentech’s Fifth Amendment property because it never had a valid property interest in the ’115 patent in the first instance. Genentech makes no attempt to address the “bedrock requirement” that a party have a “valid property interest” in order to show that the government has taken its property without just compensation under the Fifth Amendment. *See Wyatt*, 271 F.3d at 1097. And in any case, cancellation of Genentech’s patent claims will not occur until and unless this Court

has affirmed the Board's determination of unpatentability, *see* 35 U.S.C. § 318(b), at which point the market value of the claims will be nil, meaning that no compensation would be constitutionally due. *See Horne v. USDA*, 135 S. Ct. 2419, 2432 (2015) (just compensation "normally is to be measured by the market value of the property at the time of the taking.").

Genentech contends that inter partes review differs procedurally from ex parte and inter partes reexamination and from district court litigation. Br. 44-45 & n.14. As explained, patents have been subject to reconsideration and cancellation by the USPTO in administrative proceedings for nearly four decades, including through inter partes reexamination since 1999. Genentech recognizes that the '115 patent was issued subject to this administrative revocation authority, Br. 45 n.14, which belies its contention that "[n]othing similar" to a "standard revocation clause" that permitted the Privy Council to declare the patent void" exists to "justify retroactive inter partes review." Br. 44 n.13. The inter partes review provisions of the AIA are the latest legislative refinement of this longstanding administrative review process. There are differences between the statutory procedures governing inter partes review and ex parte reexamination. *See supra* at 19-20. But while a patent holder has a property interest in a valid patent, that does not give it a property interest in the *procedures* used to adjudicate the patent's validity. In *Patlex*, this Court rejected the argument that the retroactive application of ex parte reexamination deprived the patent owner of the right to the statutory presumption of validity that applied in district court litigation. 758 F.2d at 605. The Court explained

that “a procedure created by statute to govern litigation” is not considered “to be a property right subject to the protection of the Constitution.” *Id.*; cf. *Denver & Rio Grande W. R.R. Co. v. Brotherhood of R.R. Trainmen*, 387 U.S. 556, 563 (1967) (“No one has a vested right in any given mode of procedure.”) (quoting *Ex parte Collett*, 337 U.S. 55, 71 (1949)).

This Court has previously rejected a patent holder’s argument that “when its patent issued no mechanism existed by which the PTO could reexamine claims and find them to be unpatentable,” and thus “property rights in its patent were taken within the meaning of the Fifth Amendment of the United States Constitution by the reexamination and subsequent cancellation of certain of the claims of its patent.” *Joy Techs.*, 959 F.2d at 228. A fortiori, the mere legislative modification of preexisting administrative procedures for reviewing the patentability of issued patents does not constitute a taking of property.

Genentech relies (at 43) on *Richmond Screw Anchor Co. v. United States*, 275 U.S. 331 (1928), but that case does not save Genentech’s takings claim. It involved a patent that was issued before the predecessor to current 28 U.S.C. § 1498(a) was amended in 1918. As amended, § 1498(a)’s predecessor immunized from liability any government contractor involved when a patented invention is “used or manufactured by or for the United States,” while permitting patent owners to seek compensation from the United States. See *Richmond Screw Anchor*, 275 U.S. at 337, 343; see generally *Zoltek Corp. v. United States*, 672 F.3d 1309, 1315-17 (Fed. Cir. 2012) (summarizing history of § 1498(a)). An

assignee of the patent sought to recover from the United States for infringement by a government contractor. The government argued that another statute, which limited the assignment of claims against the United States, precluded the assignee from pursuing relief for infringement against the government—an argument that, if accepted, would have left the assignee with no remedy for the alleged infringement against anyone.

The Supreme Court held in *Richmond Screw Anchor* that the assignment statute did not apply to the assignment of claims for infringement of a patent issued before the 1918 amendment to § 1498(a)'s predecessor. The Court explained that a contrary reading would leave the assignee with no remedy for infringement and would take away the patent owner's right—which it enjoyed prior to the amendment—to freely assign its claims of infringement against a government contractor. 275 U.S. at 345. This result, the Court reasoned, went against Congress's intent and would raise a question as to the constitutionality of the statute under the Fifth Amendment. *Id.* That reasoning has no bearing here. Inter partes review does not eliminate an assignee's right to recover on claims for infringement of a valid patent or a patent owner's right to assign such claims. Instead, it involves the USPTO's determination that the patentee *never* had a valid property right.

Genentech also contends that the retroactive application of inter partes review interferes with investment-backed expectations and the quid pro quo of the Patent Act. Br. 43. Rather than changing the bargain between the public and the patentee, inter partes review enforces that bargain by helping to ensure that the USPTO provides

patent protection only for inventions that satisfy the conditions of patentability. Given that Congress possesses the “authority to delegate to the PTO the power to issue patents in the first instance,” “[i]t would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions.” *MCM Portfolio*, 812 F.3d at 1291.

### CONCLUSION

For the foregoing reasons, the decision of the Board should be affirmed.

Respectfully submitted,

JOSEPH MATAL  
*Acting Solicitor*  
THOMAS W. KRAUSE  
*Deputy Solicitor*  
FARHEENA RASHEED  
*Senior Counsel for Patent Law  
and Litigation*  
*United States Patent and  
Trademark Office*

JOSEPH H. HUNT  
*Assistant Attorney General*  
  
SCOTT R. MCINTOSH  
*s/ Katherine Twomey Allen*  

---

KATHERINE TWOMEY ALLEN  
*Attorneys, Appellate Staff*  
*Civil Division, Room 7325*  
*U.S. Department of Justice*  
*950 Pennsylvania Avenue NW*  
*Washington, DC 20530*  
*(202) 514-5048*

November 2018

**CERTIFICATE OF SERVICE**

I hereby certify that on November 19, 2018, I electronically filed the foregoing brief with the Clerk of the Court for the United States Court of Appeals for the Federal Circuit by using the appellate CM/ECF system. Participants in the case are registered CM/ECF users, and service will be accomplished by the appellate CM/ECF system.

*s/ Katherine Twomey Allen*  
\_\_\_\_\_  
Katherine Twomey Allen

**CERTIFICATE OF COMPLIANCE**

I hereby certify that this brief complies with the requirements of Federal Rule of Appellate Procedure 32(a). This brief contains 10,074 words.

*s/ Katherine Twomey Allen*  
\_\_\_\_\_  
Katherine Twomey Allen