

## Fed. Circ. Fortifies PTAB Against Constitutional Attacks

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The Federal Circuit's rejection of an appeal contesting the constitutionality of the Patent Trial and Appeal Board's inter partes review process on Wednesday bolsters the administrative framework for challenging the validity of patents that was created by the America Invents Act and makes it tougher to derail the system going forward, attorneys say.

HP was sued for infringement by MCM Portfolio, which had argued that all America Invents Act reviews are unconstitutional because they deprive patent owners of the right to a jury trial on the validity of their patent, an argument the Federal Circuit rejected on Wednesday.

MCM Portfolio LLC, the owner of a now-invalid flash memory patent that sued Hewlett-Packard Co. for infringement, had argued that all America Invents Act reviews are unconstitutional because they deprive patent owners of the right to a jury trial on the validity of their patent. But the three-judge panel on Wednesday held that Congress has the right to delegate disputes over public rights to administrative agencies.

It determined that assigning review of patent validity to the U.S. Patent and Trademark Office is consistent with Article III of the Constitution, and that because patent rights are public rights whose validity is susceptible to review by an administrative agency, agency adjudication without a jury doesn't run afoul of the Seventh Amendment. The appeals court also upheld the PTAB's invalidation of MCM's challenged patent claims as obvious.

The ruling is a strong endorsement of the PTAB's system of reviewing patent validity, according to Lee Carl Bromberg, a partner at McCarter & English LLP.

"It's full steam ahead on this process [at the PTAB]," he said. "The Federal Circuit's upholding of the AIA scheme means that we will continue to see vigorous challenges of asserted patents by means of IPR petitions. Parties on both sides of the equation and their counsel will need to consider such petitions in connection with any strategy for patent enforcement."

A finding that inter partes reviews violated Article III would have created chaos not only for inter partes reviews, but for reexaminations, according to A. Justin Poplin, department chairman of prosecution and transactions in Lathrop & Gage LLP's intellectual property division.

“This decision keeps the current processes for weeding out bad patents intact,” he said.

An MCM attorney told Law360 on Wednesday that it may file subsequent motions or petitions with the Supreme Court. While the appeal that the Federal Circuit rejected Wednesday was seen as a long shot by many attorneys, a petition for a writ of certiorari may have even longer odds.

“I don’t see [MCM] having much prospect of getting this decision looked at, let alone turned around,” Bromberg said.

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Inter partes reviews have shown to be a powerful tool for accused infringers to use against patent owners. Out of the 36,186 patent claims that have been challenged in petitions for inter partes reviews between 2012 and the end of September of this year, 44 percent of the reviews were instituted, and of those instituted, nearly half of the claims were found to be unpatentable and 10 percent of the claims were voluntarily canceled by the patent owner after institution, according to a review of PTAB statistics by Bromberg.

“Over half of the claims are not surviving that process,” he said. “This is the world we are operating in now. If you have a patent that you want to enforce, you’ve got to be prepared not only to fight it out in court, but also in a PTAB proceeding. You have to anticipate that anyone worth his or her salt will challenge the patent in the PTAB.”