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Intellectual Property

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Federal Circuit Unanimously Upholds the Constitutionality of *Inter Partes* Review in *MCM Portfolio LLC v. Hewlett-Packard Company*

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On December 2, 2015, the Federal Circuit issued its decision in MCM Portfolio LLC v. Hewlett-Packard Company (No. 2015-1091), finding *inter partes* reviews (IPRs) by the Patent Trial and Appeal Board (the Board) constitutional under Article III and the Seventh Amendment, and putting to rest an increasingly common attempt by patent owners to attack the Board's authority rather than the merits of the Board's rulings. The court also reiterated its holding in *In Re Cuozzo Speed Techs*. that IPR institution decisions are unreviewable. Judge Dyk authored the court's unanimous opinion, joined by Chief Judge Prost and Judge Hughes.

Patent Owner MCM had argued that only an Article III court may invalidate a patent, and that IPR proceedings are therefore unconstitutional. Judge Dyk rejected that argument, finding *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606 (1898) – a decision on which MCM relied that related to a reissue situation in which Congress had not granted the PTO authority to cancel a patent – inapposite. Instead, the court explained that Supreme Court precedent establishes Congress' authority to delegate public rights disputes to administrative agencies, and concluded that such precedent "compel[s] the conclusion that assigning review of patent validity on the PTO is consistent with Article III." After reciting the history of Congressionally enacted post-grant proceedings – from *ex parte* and *inter partes* reexamination through IPR, post-grant review and covered business method (CBM) review – the court further noted that "[t]he board's involvement is [] a quintessential situation in which the agency is adjudicating issues under federal law, 'Congress [having] devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.'" The court also recognized that "[t]here is notably no suggestion that Congress lacked authority to delegate to the PTO the power to issue patents in the first instance. It would be odd indeed if Congress could not authorize the PTO to reconsider its own decisions." After its relatively detailed discussion of relevant Supreme Court precedent, the Federal Circuit addressed relevant Federal Circuit authority. The court found further support for the constitutionality of IPRs in *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 598 (Fed. Cir. 1985) and *Joy Technologies v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992), in which the Federal Circuit found ex parte reexaminations constitutional under Article III. The court stated that it is "bound by Federal Circuit precedent" and that "there is no basis to distinguish the reexamination proceeding in *Patlex* from inter partes review....Supreme Court authority after *Patlex* and *Joy Technologies*...casts no doubt on those cases. Rather, it confirms their correctness."

Patent Owner further argued that IPRs violate the right to a trial by jury under the Seventh Amendment. The court rejected this argument, too, stating that "when Congress created the new statutory right to inter partes review, it did not violate the Seventh Amendment by assigning its adjudication to an administrative agency." The court noted that *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 377 (1996), in finding a Seventh Amendment jury right for patent infringement, does not suggest a jury trial right as to patent invalidity, and *Curtis v. Loether*, 415 U.S. 189, 194 (1974), which found that "the Seventh Amendment is generally inapplicable in administrative proceedings, where jury trials would be incompatible with the whole concept of administrative adjudication and would substantially interfere with [the agency's] role in the statutory scheme." The court also looked to *Patlex*, which had similarly rejected the argument that the Seventh Amendment right to a jury applies to *ex parte* reexaminations. The

court concluded that "[b]ecause patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury."

The Federal Circuit also briefly addressed MCM's argument that the Board's institution decision was improper. Applying the principles enunciated *In Re Cuozzo Speed Techs.*, LLC, 793 F.3d 1268, 1273-74 (Fed. Cir. 2015), the court stated that "[t]he law is clear that there is "no appeal" from the decision to institute inter partes review" and that 35 U.S.C. § 314(d) specifically prohibits the court from reviewing a Board's determination to initiate *inter partes* review proceedings, including challenges based on Section 315(b). Finally, after dealing with the jurisdictional arguments, the court affirmed the Board's finding that the challenged claims of the patent-at-issue were obvious.

Thus, in *MCM Portfolio*, the Federal Circuit has confirmed Congress' power to grant the PTO the ability to review and invalidate patents through the IPR system. IPR challenges continue to be a popular and powerful tool for defendants in appropriate circumstances, and should be promptly considered when patent infringement is asserted.

A copy of the decision is available here. For further information, please contact your usual Ropes & Gray attorney or one of the Ropes & Gray attorneys listed above.