

Presenter

Prof. Scott D. Smiley

Nova Southeastern University, Shepard Broad College of Law

2017 Nova Law Review Symposium

Entrepreneurship 2.0: Legal, Regulatory, and Economic Challenges to the Innovation Economy

Patents—The Government Giveth and Now the Government Taketh Away, but is the New Process Under the America Invents Act Constitutional?

The 2012 enactment of key parts of the America Invents Act created a new vehicle within the U.S. Patent and Trademark Office for killing patents—the *inter partes* review (IPR) procedure. This machine has been so effective at destroying previously issued patents, the Chief Judge of the Court of Appeals for the Federal Circuit referred to the process as “death squads killing property rights.” In fact, of the almost 4,000 patents the Patent Trial and Appeal Board has instituted review on so far, only 19% have escaped without having at least some claims cancelled. Currently, the constitutionality of the process is under heavy fire. Although the Supreme Court spoke on this issue almost 120 years ago—and decided a process such as *inter partes* review was not constitutional—Congress and the Federal Circuit (in two opinions that contradict each other) have decided to disagree with the Supreme Court’s directives, placing this issue in front of this country’s highest court once again.

Boiled down, the issue is not overly complex. The separation of powers orchestrated by the founders of our country prevents Congress from delegating judicial power over constitutional rights to non-Article III courts. Congress can, however, constitutionally vest traditionally judicial functions in a non-Article III officer when Congress itself creates a substantive federal right. Therefore, the simple question becomes: What is a United States patent? Is it a creation of federal statute, rendering it a “public right”? Or is it a “personal right” created by the Constitution, which can be extinguished only by an Article III court?

The uniqueness of the patent clause of the U.S. Constitution creates the confusion. It grants Congress *authority* to create the patent laws, but it does so in such particularized detail as to render the clause an imperative: to secure an exclusive right. And of the many clauses in Article 1, Section 8, this is the only one to specify not only the ends but the means for doing so. So while Congress created the laws, the requirement for them to do so is constitutionally mandated.

The Supreme Court stated that “[t]he only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.” *McCormick Harvesting Mach. Co. v. Aultman*, 169 U.S. 606, 609 (1898). This language, one would think, would make this a settled issue. However, in IPR proceedings, which Congress enabled in 2012, third parties can challenge the validity of issued patent rights before the Patent Trial and Appeal Board of the United States Patent and Trademark Office (“PTO”) without plenary Article III trial court review of the decision. And the Federal Circuit has twice now considered *McCormick* and twice

declined to follow it for two distinct but conflicting reasons, thereby endorsing the statutory scheme under which the IPR process is mechanized.

This talk will focus on why the Federal Circuit—a court that was created for the specific purpose of providing consistent guidance on patent law issues—declined to follow previous Supreme Court precedent and has now declined a recent request to provide *en banc* direction on such a core principle, leaving it up to the Supreme Court to clarify once again.