Bancroft PLLC

June 23, 2011

The Honorable Lamar Smith
Chairman
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

The Honorable John Conyers, Jr.
Ranking Member
Committee on the Judiciary
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman and Ranking Member:

We recently submitted a constitutional analysis of Sections 6 and 18 of the America Invents Act. Professor Richard A. Epstein and Mr. Charles J. Cooper have since submitted additional statements responding to the substance of our analysis. Although those responses raise a variety of issues, we need only reply to the most substantial constitutional point they address: the separate-of-powers implications of the Act's post-grant review procedures.

The post-grant review proceedings established by Section 6 and applicable to Section 18 do not compel courts to reopen or set aside final judgments that resulted from judicial proceedings in which patent validity challenges were rejected. Nor do they allow the Patent Trial and Appeal Board to reopen or set aside such final judicial judgments. They instead permit initiation of a new proceeding in which the Board may reconsider whether the PTO granted a patent in error, and will do so under a less stringent standard of proof (preponderance of the evidence) than the clear and convincing standard applied in any prior judicial proceeding that rejected an invalidity claim. What (if any) effect the result of such an administrative proceeding might have on a final judgment is a question that remains in the hands of the Article III court that issued it, to be determined under the well-settled standards governing relief from final judgments. *See* Fed. R. Civ. P. 60(b). For that reason, the Federal Circuit has correctly held that such administrative proceedings — even when they result in an invalidity determination — do not "disturb [a] court's earlier holding" that a challenger failed to carry its burden of proving a patent invalid by clear and convincing evidence. *See In re Swanson*, 540 F.3d 1368, 1379 (Fed. Cir. 2008) (holding that "there is no Article III issue created when a reexamination considers the same issue of [patent] validity as a prior [judicial] proceeding" because "they are different proceedings with different evidentiary standards for validity").

Professor Epstein argues that *In re Swanson* is nonetheless inapposite because its holding "was explicitly limited to those cases in which the challenger [seeking reexamination] raised a challenge that was substantially different from those raised in the original examination or earlier trial," which is not a requirement for post-grant review under Section 18. June 20, 2011 Epstein Letter at 5. Professor Epstein is mistaken. *In re Swanson* expressly rejected the argument that separation-of-powers concerns preclude the PTO from reexamining a patent based on an invalidity argument that was raised in and rejected by a court. *See In re Swanson*, 540 F.3d at 1379. The court instead held that, consistent with the Constitution, "a substantial new question [triggering reexamination] can exist *even if a federal court previously considered the question*." *Id.* (emphasis added). Accordingly, *In re Swanson* provides no support for Professor Epstein's

argument that post-grant review must be limited to arguments that were not raised in a prior judicial proceeding.

Mr. Cooper, by contrast, notes that although neither Section 6 nor Section 18 expressly permits reopening of judicial proceedings, those provisions are nonetheless unconstitutional because that must be the practical effect that Congress intended. *See* June 20, 2011 Cooper Response at 2–3. The plain language of those provisions is answer enough to that concern; at no point does either provision require or even suggest that a court is bound to reopen prior judicial proceedings relating to a patent that the Board subsequently determines invalid. Mr. Cooper alternatively argues that, even assuming the Act does not compel courts to reopen final judgments, *In re Swanson* does not foreclose his separation-of-powers arguments because that decision is inconsistent with *Plaut v. Spendthrift Farm*, 514 U.S. 211 (1995). *See* Cooper Response at 4–5. That argument is unavailing as well.

Mr. Cooper focuses on a passage from *Plaut* that rejects the argument "that final judgments rendered on the basis of a stringent (or, alternatively, liberal) rule of pleading or proof may be set aside for retrial under a new liberal (or, alternatively, stringent) rule of pleading or proof." 514 U.S. at 229. According to Mr. Cooper, that language prevents Congress from allowing an administrative agency to reconsider under a different standard of proof issues already adjudicated in a judicial proceeding. *Plaut* says no such thing. *Plaut* concerned a statute that expressly directed courts to reopen and reconsider final judicial proceedings under a new, retroactive procedural rule. *Id.* at 214–15. The Court held that statute unconstitutional on the ground that Congress lacks authority to "retroactively command[] the federal courts to reopen final judgments." *Id.* at 219. As is clear from its reference to "set[ting] aside" "final judgments" "for retrial," the passage Mr. Cooper cites is not addressing whether Congress may prescribe different procedural rules for *separate and subsequent* proceedings involving issues presented in a prior judicial proceeding, but instead relates only the central holding of *Plaut*, namely, that Congress may not compel a court to retroactively apply new procedural rules to a *final* judicial proceeding. Because neither Section 6 nor Section 18 compels courts to do so, both are consistent with *Plaut*.

Sincerely,

Viet D. Dinh

cc: The Honorable Mel Watt
The Honorable Bob Goodlatte