

Michael W. McConnell
559 Nathan Abbott Way
Stanford, CA 94305

June 23, 2011

Dear Chairman Smith and Ranking Member Conyers:

I am the Richard and Frances Mallery Professor and Director of the Constitutional Law Center at Stanford Law School, and a Senior Fellow of the Hoover Institution at Stanford University, where I teach and write in the field of constitutional law.¹ I previously served as a judge on the United States Court of Appeals for the Tenth Circuit. On June 16, I wrote to you regarding several constitutional issues that have arisen regarding proposed changes to patent reexamination procedures in sections 6 and 18 of the America Invents Act. Since then, two distinguished constitutional authorities, my old friends Richard Epstein and Charles Cooper have written responses to my letter. I thought it would be helpful for me to address those two responses directly and to explain why I remain convinced my original analysis was correct.

Both responses give far too broad a reading to *Plaut v. Spendthrift Farm, Inc.*, 514 U.S. 211 (1995), and give short shrift to binding precedent of the U.S. Court of Appeals for the Federal Circuit that directly addresses the very kinds of constitutional objections that are being made with respect to sections 6 and 18 of the America Invents Act. Indeed Professor Epstein and Mr. Cooper acknowledge, as they must, that their position is contradicted by *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008). This shows that their analysis, whatever its abstract merits, is a departure from actual judicial precedent governing these questions.²

Most fundamentally, the Epstein and Cooper critiques refuse to accept the importance of the fact that judicial review of invalidity in the context of a patent infringement suit applies a different standard than administrative reexamination. When the PTO (and subsequently the Federal Circuit) reviews invalidity in the context of a reexamination, a court is not “rehearing” the same issue, much less “reopening” a final judgment (as Professor Epstein erroneously posits), nor does it somehow render an earlier decision that an accused infringer had failed to

¹ I write in my individual capacity and do not represent the views of Stanford, the Stanford Constitutional Law Center, or the Hoover Institution. My comments are confined to the constitutionality of the sections 6 and 18, not to the policy of the bill nor other provisions contained in it.

² I would note, also, that at most, the Epstein and Cooper critiques, even if correct, would call into question only one small subcategory of cases to which section 18 applies, namely those in which the alleged infringer previously unsuccessfully challenged the validity of the patent in court *and* that case reached *final* judgment following termination of all appeals. However, section 18 applies more broadly to circumstances where litigation has only been threatened or commenced. Epstein and Cooper offer make no argument that those applications would be unconstitutional. Accordingly, section 18 is plainly facially valid. In any event, because the continued force of a prior final judgment is left to judicial determination in each case, those critiques (even assuming they posited a potential constitutional problem) do not lead to the conclusion that the legislation itself is unconstitutional, but only that courts would take any such constitutional implications into consideration in determining whether to modify the relief granted in the prior case.

carry its burden of proving invalidity by clear and convincing evidence an “advisory opinion” (as suggested by Mr. Cooper). Indeed, this fundamental point was critical to the holding in *Swanson*. See 540 F.3d at 1377 (“[A] prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity and is not binding on subsequent litigation or PTO reexaminations”). *Plaut* does not need to be “overcome”—it is simply inapplicable.

Professor Epstein attempts to distinguish the well-developed body of case law upholding the constitutionality of reexamination procedures, on which sections 6 and 18 of the proposed act are based, by highlighting factual differences in those cases that are, in my view, simply irrelevant to the constitutional analysis. For example, he contends *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985), is different because there was no final judgment at the time the reexamination had begun. However, the Federal Circuit ascribed no significance to that fact—and with good reason. The case rests on the necessarily provisional and correctable nature of patents, not on whether they had previously gone unchallenged in court. A prior judicial decision that a patent was not invalid would mean only that the initial PTO decision was not bereft of substantial support in the evidence—not that it was correct for all time, under a *de novo* standard. The court rejected the notion that there was a “right to judgment by an Article III court on those issues” of invalidity. *Id.* at 600. The court reasoned that “[t]he reexamination statute’s purpose is to correct errors made by the government, to remedy defective governmental (not private) action, and if need be to remove patents that should never have been granted.” *Id.* at 604. That holding and reasoning would apply equally whether or not the reexamination was commenced before entry of a final judgment.

Likewise, Professor Epstein attempts to distinguish *Joy Technologies v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992), by saying it arose in the context of a settlement. But regardless of the context in which it arose, the court there considered and rejected the same constitutional objections being raised by the objectors to sections 6 and 18 in the context of reexamination. The attempt to distinguish *Ethicon, Inc. v. Quigg*, 849 F.2d 1422 (Fed. Cir. 1988), is also unavailing. That case cogently explains the distinction between a court considering a challenge to validity under the clear and convincing standard, and reexamination by the PTO under the preponderance standard.

In addressing *Swanson*, Professor Epstein suggests that it is “strange” to “think that the PTO will help purge the legal system of weak patents when it allows itself to use a weaker standard than those involved in litigation.” But under the clear-and-convincing evidence standard used for reviewing the PTO’s work in court, an improperly issued patent will often survive *even in the face of significant evidence that the patent should not have issued*. Thus, there are many mistakes that can be corrected only by the PTO—the agency that erroneously issued the patent in the first place. Professor Epstein further suggests that *Swanson* is of “dubious validity.” However, I am not aware of any subsequent court decision calling *Swanson*’s holding into question. That Professor Epstein *disagrees* with *Swanson* shows only that his analysis is contrary to precedent, not that the precedent is “dubious.” He also contends that the reexamination procedures in *Swanson* are distinguishable because they were limited to new prior art. However, he ignores the higher-threshold gatekeeping function required under sections 6 and 18 of the proposed Act to obtain reexamination in the first place. In any event, the distinction is one without constitutional significance: there is no constitutional basis for

confining reexamination to only one of possible correctable defects in the original issuance of a patent.

Professor Epstein asserts that I am incorrect in stating that under current law, at the instance of a party, the PTO may reexamine a patent that has issued, and the validity of which has been unsuccessfully challenged in litigation. Yet, that is essentially what happened in *Translogic Technology, Inc. v. Hitachi, Ltd.*, 250 F. App'x 988 (Fed. Cir. 2007), and *In re Translogic Technology, Inc.*, 504 F.3d 1249 (Fed. Cir. 2007)—cases that he simply does not address.

Mr. Cooper barely addresses the above-mentioned precedent at all, except to assert that the unanimous decision of the U.S. Court of Appeals for the Federal Circuit in *In re Swanson* is inconsistent with his reading of *Plaut*. In so doing, Mr. Cooper suggests that there is something unseemly about the fact that a patent could be found “not invalid” in a proceeding against an infringer, but then subsequently found invalid by the PTO through reexamination at the behest of the infringer. *Yet that is the law today.* Sections 6 and 18 do nothing more than expand the types of invalidity challenges that may be considered by the PTO. Mr. Cooper’s analysis is not really a critique of sections 6 and 18; it is a critique of patent law as it has existed for thirty years. By analogy, the fact that a party may be acquitted by one court under a reasonable doubt standard, but found civilly liable by another court under a preponderance standard does not render either decision “advisory.” So too here. Finally, the passage Mr. Cooper cites from *Plaut* is simply inapplicable. The standard of patentability is not being changed, and the use of a clear-and-convincing standard of review in court is merely an acknowledgement of the presumption of administrative correctness, which is inapplicable when the PTO reviews its own work.

At bottom, nothing in sections 6 and 18 of the proposed Act purports to change the substantive law regarding when a patent is validly issued. They merely broaden the availability of one of the preexisting procedural vehicles (reexamination) for assessing validity. Matters of a technical nature, such as this, are especially appropriate to administrative as opposed to judicial redetermination. Courts have consistently rejected the notion that there is a property right in having patent validity reviewed only in an Article III court. And courts have rejected the argument that the PTO cannot reconsider its own decision to issue a patent merely because a court has found in a particular proceeding that an accused infringer failed to carry its burden of proving the patent invalid by clear and convincing evidence. Against this backdrop, we may be confident that the amendments to the reexamination procedure provided by sections 6 and 18 will be judged to pass constitutional muster.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael W. McConnell". The signature is written in a cursive, slightly slanted style.

Michael W. McConnell

cc: Congressman Goodlatte
Congressman Watt