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Patents/Post-Grant Opposition

Fed. Cir. Rejects Constitutional Challenge To PTAB Inter Partes Review of Patents

Inter partes review at the Patent Trial and Appeal Board, the popular means for alleged infringers to challenge the validity of a patent, survived a constitutionality test in a Dec. 2 opinion by the U.S. Court of Appeals for the Federal Circuit (*MCM Portfolio LLC v. Hewlett-Packard Co.*, 2015 BL 394923, Fed. Cir., No. 2015-1091, 12/2/15).

Patent owner MCM Portfolio LLC suggested that the 2011 America Invents Act-enabled proceeding violated its right to have its patent reviewed in court, not in an administrative body.

The court held that ''Congress has the power to delegate disputes over public rights to non-Article III courts.'' It considered it ''odd'' to suggest that Congress could create the Patent and Trademark Office to grant patent rights but not the authority ''to reconsider its own decisions.''

Alleged infringer Hewlett-Packard Co. won on the merits as well. The appeals court affirmed the PTAB's decision that MCM's patent claims were invalid as obvious follow-on to prior technology.

Decision Not Surprising. ''The decision is not surprising and appears to be solidly rooted in constitutional law,'' Jon Wright of Sterne, Kessler, Goldstein & Fox, Washington, told Bloomberg BNA in an e-mail.

He noted the court's detailed review of U.S. Supreme Court opinions—going back to 1855—that have allowed administrative handling of disputes over public rights.

The court also looked at its own precedents, given similar challenges after Congress set up ex parte reexamination of a patent—which can be instigated by a third party—in 1980 and inter partes reexamination in 1999. The AIA replaced the latter with inter partes review, and the court saw no reason to treat IPR any differently.

''What is more interesting is the way the panel determined that it could review the decision in the first place,'' Wright said.

The panel determined it was bound by prior decisions, over the course of the last year, that the Federal Circuit does not have the authority, under 35 U.S.C. § 314(d), to review PTAB trial institution decisions such as in this case, where MCM contended that HP waited too long to file the patent challenge.

However, the constitutionality challenge was another matter, because of what MCM specifically appealed. ''Jurisdiction exists because MCM challenges only the final decision of the Board, not its decision to institute proceedings,'' the court said.

''So a key concept for appellate practitioners to consider is linking the review to the final written decision, not the decision to institute,'' Wright said.

Patent Invalid for Obviousness. The court closed by affirming the PTAB's decision that MCM's U.S. Patent No. 7,162,549, which claims methods and systems for coupling a computer system with a flash memory storage system, was invalid.

Two prior references disclosed the components of MCM's system. The patentee argued primarily that nothing in the references suggested putting all the functionality on a single chip.

The court said that the test for an obvious, unpatentable invention is not whether the later reference can be ''bodily incorporated'' into the structure of the first, but only ''what the combined teachings of the references would have suggested to those of ordinary skill in the art.''

Judge Timothy B. Dyk wrote the court's opinion, which was joined by Chief Judge Sharon Prost and Judge Todd M. Hughes.

Edward P. Heller III of Alliacense Limited LLC, San Jose, Calif., represented MCM. Marcia H. Sundeen of Goodwin Procter LLP, Washington, represented HP. William E. Havemann of the U.S. Department of Justice, Washington, represented the PTO as intervenor.

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