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Supreme Court Report

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Supreme Court Holds that the Government Is Not a “Person” with Standing to Bring AIA Post-Grant Patent Challenges

The America Invents Act of 2011 (AIA) created three new post-grant patent review proceedings, generally making them available to any “person” who is not the patent owner (subject to certain exceptions). But does that mean that if the U.S. government is sued in a patent dispute, it can bring one of these AIA challenges? On June 10, 2019, the Supreme Court issued a 6-3 decision in *Return Mail Inc. v. United States Postal Service*, No. 17-1594, holding that the answer is no—the U.S. Government is not a “person” with standing to bring petitions for AIA post-grant review proceedings.

Background

This case arose from a dispute over a patent on a method of processing undeliverable mail, U.S. Patent No. 6,826,548 (“the ‘548 patent”). In 2011, Return Mail sued the U.S. Postal Service (the “USPS”) in the Court of Federal Claims under 28 U.S.C. § 1498(a), seeking compensation for USPS’s unauthorized use of the patent. The USPS subsequently filed a petition for covered business method (CBM) review of claims 39–44 of the ‘548 patent, seeking a finding of unpatentability. The Patent Trial and Appeal Board

(Board) found the claims unpatentable as directed to patent-ineligible subject matter under 35 U.S.C. § 101.

Return Mail appealed to the Federal Circuit, arguing that the Board erred and that the USPS lacked standing to petition for CBM review because it had not been sued or charged with infringement. During oral argument, Judge Newman raised the additional question of whether the USPS, as a federal government agency, was a “person” with standing to file a petition for CBM review—an issue not substantively addressed by the parties before the Board.

Chief Judge Prost, writing for the majority, agreed with the Board and found that the USPS had standing to petition for CBM review, and also affirmed the Board’s finding of unpatentability. Judge Newman dissented, focusing on the view that the USPS did not qualify as a “person” under the normal view of statutory construction that when “person” is used, it excludes sovereign entities such as the U.S. government.

After a failed petition for *en banc* review, Return Mail sought *certiorari* before the Supreme Court, which granted cert on one question: whether the government is a “person” who may petition to institute review proceedings under the AIA.

The Supreme Court Decision

Justice Sotomayor, writing for a six-member majority, concluded that the post-grant review

proceedings created by the AIA—*inter partes* review, post-grant review, and covered-business-method review—could not be utilized by the U.S. government and U.S. agencies, including the USPS.

The majority began with the “longstanding interpretive presumption that ‘person’ does not include the sovereign,” including federal agencies like the USPS, and found that the USPS was unable to overcome the presumption that “person[s]” did not include the Government or its agencies. Although the USPS pointed to a variety of uses of “person[s]” in the AIA and the Patent Act, the Court found that this did not delineate a clear trend intended by Congress or provide insight into the meaning of the term intended by Congress. The Court found that, for example, the Patent Act’s authorization of the Government to “apply for, obtain, and maintain patents or other forms of protection” did not provide any information “about what a federal agency may or may not do following the issuance of someone else’s patent.”

Also, while the USPS pointed to the government’s prior requests leading to *ex parte* reexaminations and decades-old Patent Office guidelines interpreted the authorizing statute’s usage of “any person” in the context of *ex parte* reexaminations to include government entities, Justice Sotomayor dismissed this “executive interpretation.” She explained that *ex parte* reexaminations are fundamentally different than the proceedings created by the AIA, which are instead “adversarial, adjudicatory proceedings between the ‘person’ who petitioned for review and the patent owner” that include briefing, a hearing, discovery, the presentation of evidence, and right of appeal to the losing party. The Court found these differences in *ex parte* reexamination and

post-grant proceedings sufficient to justify its belief that Congress could have authorized the availability of *ex parte* reexamination to the government and at the same time precluded the availability of AIA proceedings.

Finally, the Court rejected the USPS's argument that by denying the ability of the government to invoke AIA proceedings, the government would be placed at a disadvantage as compared to other alleged infringers. For example, the USPS argued it would be unable to utilize AIA proceedings as a means of *de novo* challenge to patent validity and would instead be limited to an infringement defense that required clear and convincing evidence—an argument echoed by Justice Breyer's dissent, where he contended that precluding the Government from AIA proceedings would frustrate the AIA's goal of providing a cost-effective and efficient alternative to litigation. Justice Sotomayor, however, was not swayed, identifying certain advantages the government enjoyed in actions under 28 U.S.C. § 1498(a), including no injunctive relief, a jury trial, or punitive damages.

Implications

At first blush, this case seems to have very limited impact—after all, the government has brought just a

handful of AIA post-grant proceedings over the last seven years. The Court's opinion, however, could have impacts on other areas.

For example, while the Court sidestepped the issue of whether the government is a "person" with standing to request *ex parte* reexamination under 35 U.S.C. § 302 and noted that the Patent Office has allowed the government to do so for decades, a future patent owner faced with a government-driven *ex parte* reexamination request may challenge this longstanding practice, citing the reasoning of *Return Mail*. There is precedent for such an about-face in Patent Office procedure—the Supreme Court's January 2019 decision in *Helsinn v. Teva* caused the Patent Office to change its examination practice concerning the prior art status of so-called "secret sales."

Furthermore, the Supreme Court's decision may affect another series of cases relating to the intersection of government entities and AIA post-grant proceedings—those presenting the question of whether sovereign immunity can insulate certain patent owners from having their patents challenged in these AIA proceedings. These cases involve entities associated with public universities (as well as Native American tribes) that have asserted sovereign immunity to *avoid* AIA proceedings, including *inter partes* review. Under the Supreme Court's

ruling in *Federal Maritime Comm'n v. South Carolina Ports Authority*, sovereign immunity may apply in agency proceedings that resemble civil litigation proceedings. The Supreme Court's characterization in *Return Mail* of AIA proceedings as "adjudicatory" and "adversarial," along with its recitation of other similarities to civil litigation (discovery, presentation of evidence, appeal rights, etc.), may provide a preview of eventual sovereign immunity-related arguments should they make their way to the Court. The Federal Circuit already found that sovereign immunity did not bar review of patents owned by the Saint Regis Mohawk Tribe, and the Tribe's petition for certiorari failed at the Supreme Court. Similarly, the Federal Circuit recently held in several appeals involving patents owned by the University of Minnesota that state-based sovereign immunity does not apply to PTAB proceedings – so the issue of sovereign immunity and the PTAB may again be Supreme Court-bound in the coming months.

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