IEEE-USA Opposes Patent Office Review of Issued Patents

The IEEE-USA has filed a brief in a case pending before the U.S. Supreme Court [Oil States v. Greene’s Energy (Supreme Court 2017)] arguing that Congress does not have the power to permit the invalidation of patents by the U.S. Patent and Trademark Office (USPTO).

Patents issued by the USPTO have traditionally been considered the property of the patent owner. When questions of patent infringement or validity came up, they were tried in federal courts with a few exceptions in re-examinations at the USPTO. In 2012, the U.S. Congress passed the America Invents Act that changed the rules at the USPTO; these rules have dramatically changed the way a patent’s validity is tested. With the goal of making the purging of bad patents easier and less expensive than federal court litigation, the AIA prescribed procedures and standards for the USPTO that are more streamlined than those of the courts.

Since the AIA’s passage, numerous patents have been brought before the USPTO Patent Trial and Appeal Board (PTAB) and found to be invalid. Because so many patents have been held invalid, there is a brewing political backlash against the procedure. This includes an appeal to the Supreme Court to rule the procedure unconstitutional as a deprivation of the patent owners’ property right without due process.

The IEEE-USA has filed a brief amicus curiae in the Oil States v. Greene’s Energy case. Amicus curiae translates from Latin as a friend of the court; amici are not interested in the case being heard, but instead on the issues being expressed. The Oil States v. Greene’s Energy case has attracted 31 amici so far. The IEEE-USA took the side of the patent owner, saying that the Constitution did not grant Congress the power to let USPTO review and invalidate patents in the manner provided by AIA.

The IEEE-USA made several points in its brief. One was that invalidating patents at the USPTO instead of in a court deprives the patent owner of the right to a jury trial. PTAB procedures also deny discovery (the parties’ learning about each other’s case before a trial), which is permitted in the federal courts. Further, AIA undercuts the jurisdiction of the courts because a person seeking the invalidation of the patent cannot later challenge the validity of the patent in court on grounds that it raised or could have raised at the USPTO.

In the AIA, Congress directed the USPTO to apply the “preponderance of the evidence” standard in determining the validity of an issued patent; however, patents are presumed valid in the courts, and the Supreme Court has previously held that invalidity must be proven in court by “clear and convincing” evidence. The clear and convincing evidence standard is harder to meet than a preponderance of evidence standard.

According to the IEEE-USA’s brief, by mandating the lesser standard, Congress deprived the patent owner of due process. The Constitution’s due process clause does not permit the deprivation of liberty or property when a standard is applied without sound proof that assures accurate fact-finding; there must be sufficient safeguards to protect litigants from erroneous judgments that have disproportionately high risks. In most civil lawsuits, when the litigants’ risks of consequences of error are equal, the preponderance of the evidence standard makes sense.

Patents trade the inventor’s right to keep his or her invention secret in exchange for the government’s promise to exclude others for a limited time from making, using, or selling the invention. The patent owner completes
his or her part of this trade when he or she lets the USPTO publish the invention in the issued patent.

When a court erroneously upholds an invalid patent, an infringing defendant suffers the unjust loss of a damage award, but only for his or her own infringement. When a valid patent is erroneously held invalid, the patentee risks the unjust loss of his or her rights to damage awards from all infringers who may have obtained information that would not have been publicly known if the patent had not issued. This results in the public having unjust access to the inventor’s technical information because the previous disclosure of the invention in the patent is irreversible. In PTAB’s review of an issued patent, there is not even the possibility of an erroneous damage award against an accused infringer, so the asymmetry of the risks is worse for the patent owner. The brief contends that by requiring PTAB to use the preponderance test, the AIA denies due process patentees and thus is unconstitutional.

Oral arguments on the case will take place in the next few months, and a decision is expected by the end of June 2018.

About the Author
Art MacCord (amaccord@maccordmason.com) has practiced patent, trademark, copyright, and trade-secret law for more than 35 years and is a graduate of the University of Virginia and George Washington University Law School. He currently practices with MacCord Mason PLLC in Greensboro, North Carolina.

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