Intellectual Property

An Attack on Separation of Powers and Federal Judicial Power? An Analysis of the Constitutionality of Section 18 of the America Invents Act

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Note from the Editor:

This paper analyzes constitutional challenges to Section 18 of the recently passed America Invents Act. As always, The Federalist Society takes no position on particular legal or public policy initiatives. Any expressions of opinion are those of the authors. The Federalist Society seeks to foster further discussion and debate about the structure of the U.S. intellectual property system. To this end, we offer links below to various sides of this issue and invite responses from our audience. To join the debate, you can e-mail us at info@fed-soc.org.

Related Links:

- America Invents Act, Pub. L. No. 112-29: http://www.govtrack.us/congress/bills/112/hr1249/text
- Letter from Michael W. McConnell, Professor, Stanford Law School, to Lamar Smith, Chairman, House Judiciary Committee, and John Conyers, Jr., Ranking Member, House Judiciary Committee (June 16, 2011): http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/McConnell%20analysis.pdf
- Memorandum from Viet D. Dinh, Bancroft PLLC, to Financial Services Roundtable (June 20, 2011): http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/Constitutional%20Analysis%20Memorandum.pdf
- Letter from Michael W. McConnell, Professor, Stanford Law School, to Lamar Smith, Chairman, House Judiciary Committee, and John Conyers, Jr., Ranking Member, House Judiciary Committee (June 23, 2011): http://judiciary.house.gov/issues/Patent%20Reform%20PDFS/M%20McConnell.pdf
- Letter from Richard A. Epstein, Professor, New York University School of Law, and F. Scott Kieff, Professor, George Washington University School of Law, to the House Judiciary Committee (Mar. 30, 2011): http://www.scribd.com/doc/57945172/Letter-from-Richard-Epstein-and-F-Scott-Kieff

In a patent "reexamination" proceeding, the Patent and Trademark Office ("PTO") considers whether a patent it had previously issued is legally valid. The PTO's statutory authority to reexamine, and invalidate, a patent is indifferent to whether the validity of the patent at issue had previously been challenged in federal court and upheld in a final decision.[1] Appeals from PTO reexamination decisions are taken to the Court of Appeals for the Federal Circuit, the Article III court with essentially exclusive appellate jurisdiction over patent disputes. Last December, Circuit Judge Pauline Newman, a long-serving and highly respected Federal Circuit jurist, began an opinion in an otherwise run-of-the-mill patent reexamination appeal by posing the following queries: "This reexamination appeal raises a fundamental question—is a final adjudication [upholding a patent's validity], after trial and decision in the district court, and appeal and final judgment in the Federal Circuit, truly final? Or is it an inconsequential detour along the administrative path to a contrary result?"[2]

One would think that, given the established constitutional underpinnings of our tripartite system of government, the answers to Judge Newman's questions would be an obvious, and unremarkable, "of course" and "of course not", respectively. But Judge Newman's queries were posed in her *dissent* from a majority opinion that gave its blessing to the opposite result. Indeed, the panel majority found no separation of powers difficulty with the PTO invalidating a patent "on the strength of a reference that the requesting party [an accused infringer] had unsuccessfully asserted as prior art in litigation involving the same patent, even where this court had affirmed the district court's judgment of validity."[3] The majority dismissed the constitutional question raised by Judge Newman in a footnote, in which it relied heavily on *In re Swanson*, a 2008 decision reaching a similar conclusion.[4]

Thus, the panel majority in effect allowed an accused, and previously adjudged, infringer to initiate PTO reexamination proceedings that led to the invalidation of the same patent that a federal court had earlier upheld in a final judgment affirmed by the Federal Circuit itself. Judge Newman decried the panel majority's opinion as countenancing "the curious, as well as unconstitutional, situation whereby the court's final decision has devolved into an uncertain gesture, stripped of value in commerce as well as in law."[5]

Five months after the decision in *Construction Equipment*, the Federal Circuit decided *In re Baxter International*.[6] Once again, a panel of the court affirmed a PTO reexamination decision invalidating claims of a previously issued patent,

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even though a validity challenge to those same patent claims, initiated by the same party who then initiated the reexamination proceedings, had been rejected on the merits by a federal district court that had then been affirmed by the Federal Circuit itself.[7] Once again, the panel majority relied on the 2008 *Swanson* decision as having approved this result.[8] And once again, Judge Newman authored a strong dissent remarking that the panel majority, which "appear[ed] unperturbed by the [PTO's] nullification of this court's final decision," had reached a decision that "violate[d] the constitutional plan."[9] Noting that "[j]udicial rulings are not advisory [but are instead] obligatory," and that "[f]inality is fundamental to the Rule of Law," Judge Newman stressed that "[n]o concept of government authorizes an administrative agency to override or disregard the final judgment of a court."[10]

The separation of powers concerns voiced by Judge Newman in *Construction Equipment* and again in *Baxter* have recently been compounded by Congress. In the comprehensive patent reform legislation enacted last year—the America Invents Act ("AIA")[11] —Congress significantly expanded the PTO's power to reexamine and invalidate patents whose validity has been sustained in final judicial decisions.[12]

In particular, Section 18 of the AIA establishes a so-called "transitional program" that subjects a special class of business method patents in the financial services field to their own distinctive post-grant PTO reexamination process. Section 18 defines a "covered business method patent" as a patent that claims "a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions." Operating in conjunction with the provisions of Section 6 of the Act, Section 18 authorizes parties who have been sued for infringement of, or accused of infringing, covered business method patents to seek the invalidation of those patents by the PTO in special "post-grant review" reexamination proceedings. Patents that have been sustained in final judicial decisions can be reexamined by the PTO under Section 18.

We believe that, *Construction Equipment*, *Baxter*, and *Swanson* notwithstanding, by allowing an accused infringer who has unsuccessfully challenged the validity of a covered patent in a federal court to seek reexamination by the PTO of the validity of that same patent, Section 18 contravenes bedrock principles of separation of powers as well as the related principle that federal courts are not empowered to issue "advisory opinions."

While the pertinent constitutional principles are of ancient vintage, they were forcefully restated and enforced by the Supreme Court in its 1995 decision in *Plaut v. Spendthrift Farm*.[13] In *Plaut*, the plaintiffs brought a securities fraud action, but it was later dismissed as time-barred because of the Supreme Court's intervening decision in *Lampf, Pleva, Lipkind, Prupis & Petigrow v. Gilbertson*,[14] which established that such suits were governed by a specific federal statute of limitations. Congress then amended the Securities Exchange Act to include a new Section 27A(b), which purported to revive a narrow class of actions—those filed pre-*Lampf,* which were timely under applicable state law, but which were dismissed as time-barred post-*Lampf*. The *Plaut* plaintiffs sought to refile their complaint in federal court pursuant to the new statute, but the Supreme Court held that Section 27A(b) was unconstitutional.

The Court squarely held that Section 27A(b) offended the separation of powers:

> The record of history shows that the Framers crafted this charter of the judicial department [i.e., Article III] with an expressed understanding that it gives the Federal Judiciary the power, not merely to rule on cases, but to *decide* them, subject to review only by superior courts in the Article III hierarchy—with an understanding, in short, that "a judgment conclusively resolves the case" because "a 'judicial Power' is one to render dispositive judgments." . . . By retroactively commanding the federal courts to reopen final judgments, Congress has violated this fundamental principle.[15]

As the Court concluded, "[w]hen retroactive legislation requires its own application in a case already finally adjudicated, it does no more and no less than 'reverse a determination once made, in a particular case.'"[16] The Court noted that its decisions from the time of *Hayburn's Case*[17] had "uniformly provided fair warning that such an act exceeds the powers of Congress."[18]

Moreover, the Supreme Court in *Plaut* made clear that this "categorical" rule applies whether Congress amends substantive standards or merely alters a procedural rule, such as the statute of limitations: "It is irrelevant as well that the final judgments reopened by § 27A(b) rested on the bar of a statute of limitations. The rules of finality, both statutory and judge-made, treat a dismissal on statute-of-limitations grounds the same way they treat a dismissal for failure to state a claim, for failure to prove substantive liability, or for failure to prosecute: as a judgment on the merits."[19] Accordingly, it mattered not at all "that the length and indeed even the very existence of a statute of limitations upon a federal cause of action is entirely subject to congressional control."[20] As the Court noted:

> [V]irtually *all* of the reasons why a final judgment on the merits is rendered on a federal claim are subject to congressional control. Congress can eliminate, for example, a particular element of a cause of action that plaintiffs have found it difficult to establish; or an evidentiary rule that has often excluded essential testimony; or a rule of offsetting wrong (such as contributory negligence) that has often prevented recovery. To distinguish statutes of limitations on the ground that they are mere creatures of Congress is to distinguish them not at all.[21]

Because Section 18 subjects a patent whose validity has been sustained in federal court to reexamination in the PTO at the behest of the same parties, it cannot be squared with the basic and longstanding principles of separation of powers reaffirmed in *Plaut.*

This straightforward application of separation of powers principles, however, has been rejected by the Federal Circuit. As noted, the panel majorities in both *Construction Equipment* and *Baxter* dismissed Judge Newman's constitutional concerns, relying on the court's 2008 decision in *Swanson* rejecting a similar separation of powers challenge to another provision

of the Patent Act allowing for reexamination. In *Swanson*, the Federal Circuit construed section 303(a) of the Act, and in particular the provision allowing the PTO to reexamine the validity of a patent if it determines that a "substantial new question of patentability" has been raised. In construing this provision, the court addressed whether the separation of powers bars legislation allowing the PTO to reexamine the validity of a patent on the same grounds rejected by a federal court in a final decision upholding the patent.[22] The court of appeals held that *Plaut* did not bar such reexamination by the PTO of the same validity challenges previously rejected by a federal court in litigation between the same parties.

The *Swanson* court relied primarily on the differing standards of proof governing patent validity challenges in the courts (where the Federal Circuit had long held that the party challenging a patent's validity must prove invalidity by clear and convincing evidence) and before the PTO in reexamination proceedings (where the examiner need only find invalidity by a preponderance of evidence).[23] Emphasizing that "the court's final judgment and the examiner's rejection are not duplicative [but are instead] differing proceedings with different evidentiary standards for validity," the court of appeals held that "no Article III issue [is] created when a reexamination considers the same issue of validity as a prior district court proceeding."[24]

Declaring itself bound by *Swanson*'s discussion of the differing standards of proof governing validity challenges before the courts and before the PTO, the panel majority in *Baxter* concluded that while the PTO "ideally" should not reach a different conclusion in cases in which "a party who has lost in a court proceeding challenging a patent, from which no additional appeal is possible, provokes a reexamination in the PTO, using the same presentations and arguments," such an "ideal" result was not constitutionally compelled.[25]

The Federal Circuit's decision in *Swanson* (and therefore its decisions in *Construction Equipment* and *Baxter*) cannot be squared with the separation of powers principles discussed and applied by the Supreme Court in *Plaut*. The constitutional infirmity identified in *Plaut* concerns the *power* of Congress to reopen final judgments of Article III courts or to authorize Executive Branch agencies to reconsider the issues that were, or could have been, resolved by those judgments. Congress has no power to reopen a final judicial decision (or to authorize a federal agency to reopen such a decision), and thus reduce it to the equivalent of an advisory opinion, and it matters not what standard of proof is to be used in the course of the administrative reconsideration of that decision.

Plaut makes this point explicitly. As discussed previously, the Supreme Court in *Plaut* rejected the argument that legislation altering procedural or evidentiary rules is outside the constitutional prohibition against retroactive statutes reopening federal court judgments. In the course of rejecting this argument, the Court explicitly noted that a law reopening final judgments for relitigation under new *standards of proof* would not pass constitutional muster:

> To mention only one other broad category of judgment-producing legal rule: *Rules of pleading and proof can similarly be altered after the cause of action arises*, *Landgraf v. USI Film Products, supra,* 511 U.S., at 275, and n. 29 . . . , and even, if the statute clearly so requires, after they have been applied in a case but before final judgment has been entered. *Petitioners' principle would therefore lead to the conclusion 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. This alone provides massive scope for undoing final judgments and would substantially subvert the doctrine of separation of powers*.[26]

Thus, the Supreme Court in *Plaut* specifically rejected the "standard of proof" distinction relied upon by the *Swanson* court in its effort to distinguish *Plaut.*[27]

The essential point is this: the bedrock constitutional principle that Article III courts render *final*, not *advisory*, judgments in cases or controversies properly before them cannot be evaded by Congress through the simple expedient of adjusting the standard of proof applicable to the issue in dispute. Indeed, were the rule otherwise, Congress could render virtually any judicial decision advisory, for the "standard of proof" distinction drawn in *Swanson* to avoid application of *Plaut* cannot be confined to patent examinations. To the contrary, the Federal Circuit's holdings in *Swanson*, *Construction Equipment*, and *Baxter* would allow Congress effectively to authorize federal agencies in countless other contexts to reopen final judicial judgments for relitigation or agency reconsideration. The clear and convincing standard of proof governing a court's decision whether to invalidate a patent is simply a manifestation of the general rule that agency decisions concerning matters within their particular field of jurisdiction and expertise are entitled to judicial deference. Thus, under modern administrative law, very few agency decisions are reviewed by courts under a de novo standard; most administrative decisions not involving pure issues of law are reviewed by courts under a deferential standard of some kind. This principle holds true across virtually the entire range of federal agencies, with respect to nearly every type of decision, under scores of federal statutes. Indeed, under the generally applicable Administrative Procedures Act, courts are empowered to set aside most agency decisions only if such decisions are found to be "arbitrary" or "capricious."[28] Under this "narrow" standard of review, courts are not to substitute their own judgment for that of the agency,[29] and should "uphold a decision of less than ideal clarity if the agency's path may reasonably be discerned."[30] Under the *Swanson* Court's reasoning, Congress is free to reopen virtually any administrative issue finally resolved by judicial decision and to subject it to reconsideration by the relevant agency, so long as Congress prescribes a lower (or at least different) standard of proof.

In short, if the *Swanson* "standard of proof" distinction is correct, then there is no constitutional impediment to Congress enacting a similar "reexamination" procedure for virtually every agency decision, despite the entry of final judicial judgments respecting those decisions. *Plaut* recognizes the "massive scope for undoing final judgments" that such a rule would create.[31]

Nor is Section 18's constitutionality supported by the fact that a criminal defendant can be acquitted under a beyond-a-reasonable-doubt standard, but found civilly liable under a

preponderance standard. When an individual is acquitted in a criminal proceeding but later held civilly liable in tort, the second judgment does not render the first one advisory not merely because the two cases involved different legal standards of proof, but because the first was a *criminal* proceeding (which could result in imprisonment or even death) and the second one was *civil* (which could result only in the transfer of money from one party to another in the form of damages). But here the legal issues of patent validity and the remedies for patent infringement that would be subject to the dueling Federal Circuit judgments are identical. That outcome violates the constitutional principle that the Article III branch has no jurisdiction to issue advisory opinions.[32]

Swanson, in short, is inconsistent with *Plaut*, and any argument seeking to justify the constitutionality of PTO reexamination proceedings on the basis of the different standard of proof applicable in court challenges to patent validity would violate the *Plaut* rule that Congress cannot retroactively apply a new "liberal rule of proof" (preponderance) to a dispute that has been finally decided by the federal courts, albeit under a more "stringent" rule, and require that the dispute be reopened and re-decided under the new rule.[33]

It must be noted that some highly respected constitutional scholars disagree with our analysis of Section 18's constitutional defects.[34] They argue that a finding of invalidity by the PTO in a Section 18 reexamination would *not* be binding on a court that had rendered a prior final judgment sustaining the same patent against the same infringer. In other words, the PTO's determination in a Section 18 reexamination that a patent claim is invalid would itself be, in effect, advisory only.

Under this understanding of the intended effect of Section 18, an accused patent infringer who had been sued for infringement, had asserted that the patent was invalid, had failed to prove the patent invalid, had been found to have infringed the patent, and had unsuccessfully appealed the judgment to the Federal Circuit, could then go to the PTO and assert the same arguments against the validity of the same patent in a post-grant review under Section 18. But, according to this view, if the PTO then invalidated the patent and that ruling was affirmed by the Federal Circuit, the previously adjudicated patent infringer would nevertheless still be bound by the original final judicial judgment sustaining the patent's validity and finding infringement. This second trip through the PTO under Section 18 would not control over the court's prior judgment sustaining the validity of the patent; the earlier, flatly inconsistent district court judgment would remain in full force against the infringer. The infringer's only recourse would be to return to the original district court and move, under Federal Rule of Civil Procedure 60(b), to be relieved of the prior adverse judgment in light of the PTO's subsequent ruling of invalidity.

It is difficult to imagine that Congress actually intended for Section 18 to create a purely advisory reexamination regime whenever reexamination resulted in two diametrically opposed judgments involving precisely the same disputes over the validity of precisely the same patent between precisely the same parties, both affirmed by the Federal Circuit. But even accepting this understanding of Section 18 at face value, the provision would nonetheless violate the separation of powers principles enforced by the Supreme Court in *Plaut*. For regardless which of the conflicting Federal Circuit decisions prevails, one of the decisions of the Federal Circuit would be rendered advisory. If the PTO's reexamination decision prevails, then the Federal Circuit's decision affirming the original district court judgment sustaining the patent's validity would be effectively overruled and rendered advisory. If instead the original district court decision prevails, then the Federal Circuit's affirmance of the later PTO judgment of patent invalidity would be rendered purely advisory as to the party who had petitioned the PTO under Section 18 for reexamination and who had, supposedly, prevailed there. One of the inconsistent final judicial judgments must give way to the other. Thus, even under this implausible reading of Section 18, that provision will operate to render a final judicial decision advisory, a result that cannot be squared with separation of powers principles.

One final argument raised in support of Section 18's constitutionality warrants discussion. Some of the legislation's supporters have suggested that the separation of powers analysis discussed above is undermined by the Supreme Court's 2005 decision in *National Cable & Telecommunications Association v. Brand X Internet Services*.[35] *Brand X* involved a court challenge to a Federal Communications Commission ("FCC") rulemaking addressing whether cable companies providing broadband internet access provided "telecommunications servic[es]" within the meaning of the Communications Act of 1934, as amended. The Court of Appeals for the Ninth Circuit concluded that cable modem service did not constitute such telecommunications services under the statute. The Ninth Circuit held that the FCC's interpretation of the statutory term was not entitled to deference under the "*Chevron* doctrine," in part because the Ninth Circuit had given a contrary construction to that term in a prior case to which the FCC was not a party.[36]

The Supreme Court reversed, holding that *Chevron* deference applies to an agency's statutory interpretation that is different from a previous judicial interpretation of the statute unless the court had also held that the statute was unambiguous. Because the previous decision by the Ninth Circuit only provided what it believed to be the "best" interpretation of the statute and had not held that the statute was unambiguous, *Chevron* deference applied to the agency's subsequent, and contrary, construction.[37]

As relevant here, the majority rejected the suggestion made by Justice Scalia in dissent that the majority's application of *Chevron* would result in an unconstitutional scenario in which an agency would be free to "reverse" a decision by an Article III court.[38] The majority reasoned:

> Since *Chevron* teaches that a court's opinion as to the best reading of an ambiguous statute an agency is charged with administering is not authoritative, the agency's decision to construe that statute differently from a court does not say that the court's holding was legally wrong. Instead, the agency may, consistent with the court's holding, choose a different construction, since the agency remains the authoritative interpreter (within the limits of reason) of such statutes. In all other respects, the court's prior ruling remains binding law (for example, as to agency

interpretations to which *Chevron* is inapplicable). The precedent has not been "reversed" by the agency, any more than a federal court's interpretation of a State's law can be said to have been "reversed" by a state court that adopts a conflicting (yet authoritative) interpretation of state law.[39]

Brand X thus did not present the scenario presented in *Plaut* (and presented by Section 18) in which an executive-branch agency is authorized to review and essentially overrule a federal court judgment entered in an action between private parties. The case, rather, was analogous to the common situation where a federal court is required to decide an issue of state law without the benefit of a controlling state judicial interpretation, and then the issue arises again in a later federal lawsuit between different parties, only this second time the federal court has the benefit of an intervening (and authoritative) ruling on the meaning of the state law by that state's highest court. The second federal court would, of course, be bound by that state supreme court ruling, and the decision to follow that rule rather than the prior federal court effort to interpret the state law would by no means render the prior federal decision "advisory"—that earlier decision had finally decided, and resolved, the controversy between those two earlier, different parties. The concept of "advisory" opinions simply did not enter into the *Brand X* analysis.[40]

In sum, Section 18 of the America Invents Act is a recipe for "undoing final judgments and would substantially subvert the doctrine of separation of powers."[41] There can be little doubt that at some point, a patent holder whose property right is threatened by the operation of Section 18 will challenge the provision's constitutionality. The Supreme Court will thus inevitably be presented with the question whether a final adjudication by a federal district court, affirmed in a final judgment of a federal appellate court, is, indeed, "truly final."

Endnotes

1 *See generally* 35 U.S.C. ch. 30 (provisions governing *ex parte* reexamination); 35 U.S.C. ch. 31 (provisions governing *inter partes* reexamination).

2 *In re* Construction Equipment Company, 665 F.3d 1254, 1257 (2011) (Newman, J.).

3 *Id*. at 1256 n.3.

4 *Id.* (citing *In re* Swanson, 540 F.3d 1368 (Fed. Cir. 2008)).

5 *Id.* at 1257 (Newman, J., dissenting).

6 2012 WL 1758093 (Fed. Cir. May 17, 2012).

7 *Id.* at *7.

8 *Id.* at *6-7.

9 *Id.* at *8 (Newman, J., dissenting).

10 *Id.* at *9 (Newman, J. dissenting).

11 Pub. L. No. 112-29.

12 Although issued after the enactment of the AIA, the decisions in *Construction Equipment* and *Baxter* applied reexamination provisions of the Patent Act (35 U.S.C. §§ 301 *et seq*.) which existed prior to enactment of the legislation.

13 514 U.S. 211 (1995).

14 501 U.S. 350, 364 (1991).

15 *Plaut,* 514 U.S. at 218-19 (citation omitted) (emphasis in original).

16 *Id.* at 225 (citing The Federalist No. 81 (Alexander Hamilton)).

17 2 Dall. 409 (1792).

18 *Id.* The Court here cited to a string of decisions, dating back to the time of the founding, making this same point:

> *See*, *e.g., Chicago & Southern Air Lines, Inc.* [*v. Waterman S.S. Corp.*], 333 U.S. [103], at 113 [(1948)]. . . ("Judgments within the powers vested in courts by the Judiciary Article of the Constitution may not lawfully be revised, overturned or refused faith and credit by another Department of Government"); *United States v. O'Grady,* 22 Wall. 641, 647-648, 22 L.Ed. 772 (1875) ("Judicial jurisdiction implies the power to hear and determine a cause, and . . . Congress cannot subject the judgments of the Supreme Court to the re-examination and revision of any other tribunal"); *Gordon v. United States,* 117 U.S.Appx. 697, 700-704 (1864) (opinion of Taney, C.J.) (judgments of Article III courts are "final and conclusive upon the rights of the parties"); *Hayburn's Case,* 2 Dall., at 411 (opinion of Wilson and Blair, JJ., and Peters, D.J.) ("[R]evision and control" of Article III judgments is "radically inconsistent with the independence of that judicial power which is vested in the courts"); *id.,* at 413 (opinion of Iredell, J., and Sitgreaves, D.J.) ("[N]o decision of any court of the United States can, under any circumstances, . . . be liable to a revision, or even suspension, by the [l]egislature itself, in whom no judicial power of any kind appears to be vested"). See also *Pennsylvania v. Wheeling & Belmont Bridge Co.,* 18 How. 421, 431, 15 L.Ed. 435 (1856) ("[I]t is urged, that the act of congress cannot have the effect and operation to annul the judgment of the court already rendered, or the rights determined thereby. . . . This, as a general proposition, is certainly not to be denied, especially as it respects adjudication upon the private rights of parties. When they have passed into judgment the right becomes absolute, and it is the duty of the court to enforce it").

Plaut, 514 U.S. at 225-26; *see also In re* Construction Equipment Company, 665 F.3d 1254, 1258 (2011) (Newman, J., dissenting) ("The plan of the Constitution places the judicial power in the courts, whose judgments are not thereafter subject to revision or rejection. Neither the legislative nor the executive branch has the authority to revise judicial determinations."); *In re Baxter Int'l*, 2012 WL 1758093, at *11 (Newman, J., dissenting) ("From the inception of the judicial process in the nation, it was established that decisions of Article III courts are not subject to negation by proceedings in the other branches.").

19 *Plaut*, 514 U.S. at 228.

20 *Id.*

21 *Id.* at 228-29.

22 *In re* Swanson, 540 F.3d 1368, 1378 (Fed. Cir. 2008).

23 *Id*. at 1378-79.

24 *Id.* at 1379.

25 *Baxter*, 2012 WL 1758093, at *7.

26 514 U.S. at 229 (emphases added).

27 *See also Baxter*, 2012 WL 1758093, at *12 (Newman, J., dissenting) ("The nature of the burden of proof does not overcome the strictures of judicial finality.").

28 5 U.S.C. § 706(2)(A).

29 Motor Vehicle Mfrs. Ass'n of the U.S., Inc. v. State Farm Mut. Auto. Ins. Co., 463 U.S. 29, 43 (1983).

30 Bowman Transp., Inc. v. Arkansas-Best Freight Sys., Inc., 419 U.S. 281, 286 (1974); *see also* F.C.C. v. Fox Television Stations, Inc., 129 S. Ct. 1800 (2009).

31 514 U.S. at 229.

32 Section 18 has a second, independent constitutional vice, recognized but not actually present in *Plaut* itself. The Supreme Court in *Plaut* emphasized the venerable constitutional "principle that Congress cannot vest review of the decisions of Article III courts in officials of the Executive Branch. *See,*

e.g., Chicago & Southern Air Lines, Inc. v. Waterman S.S. Corp., 333 U.S. 103 . . . (1948)." *Plaut,* 514 U.S. at 218. Section 18 violates this rule, and is thus unconstitutional twice over.

33 Indeed, the *Swanson* court acknowledged in a cryptic footnote that "an attempt to reopen a final federal court judgment of *infringement* on the basis of a reexamination finding of invalidity might raise constitutional problems." *In re* Swanson, 540 F.3d 1368, 1379 n.5 (Fed. Cir. 2008) (emphasis added). The constitutional basis for the distinction the *Swanson* court drew between final court judgments on validity and final court judgments that also find infringement is unclear. But accepting that distinction at face value, what is clear is that under *Swanson*, Section 18 presents serious separation of powers concerns.

Along similar lines, the Supreme Court's recent decision in *Microsoft Corporation v. i4i Limited Partnership*, 113 S.Ct. 2238 (2011), confirms that the clear and convincing standard of proof applies as a general matter to patent validity challenges in federal court. But Justice Breyer's concurrence (joined by Justices Scalia and Alito) emphasized that while the clear and convincing standard applies to questions of fact pertaining to validity issues, it does not apply to questions of law, including questions regarding how to apply the law to a given set of facts. "Where the ultimate question of patent validity turns on the correct answer to legal questions—what these subsidiary legal standards mean or *how they apply to the facts as given*—today's strict standard of proof has no application." *Id.* at 2253 (Breyer, J., concurring) (emphasis added) (citing, *inter alia,* Graham v. John Deere Co. of Kansas City, 383 U.S. 1, 17 (1966)). At a minimum, the fact that certain aspects of the validity inquiry—which aspects in many cases and for many patents may be the only relevant considerations driving that inquiry—are *not* analyzed under a clear and convincing standard of proof underscores that even under *Swanson*, there will be numerous cases in which the validity analysis conducted by the PTO in a reexamination proceeding will be based on the same standard previously used by the court in its own validity analysis. *Cf. Baxter*, 2012 WL 1758093, at *13 (Newman, J., dissenting) (rejecting standard of proof justification for "PTO's authority to overrule judicial decisions" as "flawed" in cases involving obviousness, "which is a question of law, and the PTO, like the court, is required to reach the correct conclusion on correct law."). On a more basic level, then, the fact (not addressed by the Federal Circuit in *Swanson*) that not all aspects of the judicial validity analysis are governed by the clear and convincing standard of proof serves to underscore the error of the court in *Swanson* in placing such dispositive significance in the separation of powers analysis on the standard of proof question.

34 In particular, during the legislative debates over the AIA, supporters of the legislation cited analyses by Professor Michael W. McConnell and Professor Viet Dinh, each of whom concluded that Section 18's reexamination regime does not run afoul of separation of powers principles. *See* Letter from Michael McConnell to House Judiciary Chairman Lamar Smith and Ranking Member John Conyers, Jr. of June 16, 2011; Letter from Michael McConnell to Chairman Smith and Ranking Member Conyers of June 23, 2011; Letter from Viet Dinh to Chairman Smith and Ranking Member Conyers of June 23, 2011.

35 545 U.S. 967 (2005).

36 *Id.* at 979-80.

37 *Id.* at 982-85.

38 *See id.* at 1017 (Scalia, J., dissenting).

39 *Id.* at 983-84.

40 Indeed, in *Brand X*, the Court was dealing with a federal agency's *interpretive* authority: its power, in cases in which its organic enabling statute is ambiguous, to decide upon one of a range of reasonable interpretations of that statute. It thus makes sense that the agency would not be bound by a particular prior judicial construction of that ambiguous statute and would be free, going forward, to adopt a different interpretation. That is to be contrasted with the power to *adjudicate*: to decide the rights of particular parties in a specific dispute and to make the essentially binary choice of which party is to prevail. This type of adjudicative power was at issue in *Plaut* and is implicated by Section 18 of the AIA, which authorizes the PTO to reopen final judgments in cases between private parties that deal with quintessentially *adjudicative* issues—i.e., the scope and validity of a property right.

41 Plaut v. Spendthrift Farm, 514 U.S. 211, 229 (1995).