2014-1771

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

ETHICON ENDO-SURGERY, INC.,
Appellant,

v.

COVIDIEN LP,
Appellee.

Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board, No. IPR2013-00209

BRIEF OF *AMICI CURIAE* ELEVEN LAW PROFESSORS IN SUPPORT OF THE PETITION FOR REHEARING *EN BANC*

Adam Mossoff
Professor of Law
George Mason University
School of Law
3301 Fairfax Drive
Arlington, VA 22201
(703) 993-9577
amossoff@gmu.edu

Matthew J. Dowd
Andrews Kurth LLP
1350 I Street, NW
Washington, D.C. 20005
(202) 662-2700
MatthewDowd@andrewskurth.com

Counsel for Amici Curiae

CERTIFICATE OF INTEREST

Counsel for Amici Curiae certifies the following:

1. The full name of every party or amicus represented by me is:

Eleven law professors identified in attached Full List of Amici.

2. The name of the real party in interest (if the party named in the caption is not the real party in interest) represented by me is:

N/A

3. All parent corporations and any publicly held companies that own 10 percent or more of the stock of the party or amicus curiae represented by me are:

N/A

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court are:

Matthew J. Dowd, Andrews Kurth LLP, 1350 I Street NW, Suite 1100, Washington, D.C. 20005

Date: March 14, 2016

/s/ Matthew J. Dowd
Signature of counsel

Matthew J. Dowd
Printed name of counsel

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IDENTITY AND INTEREST OF *AMICI CURIAE*[1]

Amici curiae are eleven law professors who teach and write on patent law and policy, and are thus concerned with the integrity of the legal system that secures innovation to its creators and to the companies that commercialize it in the marketplace. Although *Amici* may differ amongst themselves on other aspects of modern patent law and policy, they are united in their professional opinion that this court should grant rehearing *en banc* because the panel decision's failure to respect the due process rights of patent owners in the operation of *inter partes* review at the United States Patent & Trademark Office undermines the function of the patent system in promoting innovation today. *Amici* have no stake in the parties or in the outcome of the case.

SUMMARY OF ARGUMENT

The panel decision contradicts the plain language of the statute that requires a separation between the decision-maker who institutes an *inter partes* review and the decision-makers in the Patent Trial and Appeal Board who then adjudicate the validity of a patent in an *inter*

[1] No party or party's counsel authored this brief in whole or in part, or contributed money intended to fund preparing or submitting the brief. All parties have consented to the filing of this *amicus* brief.

partes review. *See* 35 U.S.C. §§ 314(a), 316(c), 318(a). Given that longstanding Supreme Court decisions reaching back to the early nineteenth century recognize issued patents as vested private property rights, this statutory distinction reflects settled law and past practice in the Patent & Trademark Office (PTO) to respect rights of patent owners to the basic "due process guarantee of a 'fair and impartial decision-maker.'" *Ethicon Endo-Surgery, Inc. v. Covidien*, __ F.3d __, 2016 WL 145576, at *11 (Fed. Cir. 2016) (Newman, J., dissenting).

The petitioner fully addresses the wide-ranging legal and policy infirmities with the panel decision in both patent law and administrative law, and thus *Amici* here offer an additional, important insight that is necessary to understanding the full scope of the panel decision's error: since the early nineteenth century, patents have been defined and secured by the Supreme Court and numerous lower federal courts as private property rights that are fully accorded protection under the Due Process Clause and Takings Clause. For this simple reason, the panel decision's brief survey of administrative cases that seemingly support its decision is inapposite. *See id.* at *4–5. The Supreme Court has expressly recognized patents as constitutionally

protected private property rights, and as such it has accorded them the protections of the Due Process Clause and the Takings Clause. The panel decision thus creates a fundamental constitutional infirmity in the procedural functioning of *inter partes* review by the Patent Trial and Appeal Board.

To make this clear, amicus details the enduring and binding nineteenth-century case law establishing that patents are private property rights protected by the Constitution. *See, e.g.*, Adam Mossoff, *Patents as Constitutional Private Property: The Historical Protection of Patents under the Takings Clause*, 87 B.U. L. Rev. 689, 700–11 (2007) (discussing this case law). Congress explicitly endorsed this case law in codifying the legal definition of patents as "property" in 35 U.S.C. § 261. *See* Adam Mossoff, *Exclusion and Exclusive Use in Patent Law*, 22 Harv. J. L. & Tech. 321, 343–45 (2009) (discussing the text and legislative history of § 261 as "codify[ing] the case law reaching back to the early American Republic that patents are property rights").

Just last year, the Supreme Court confirmed the continuing vitality and relevance of the revered legal proposition that patents are private property rights. In *Horne v. Department of Agriculture*, 135 S.

Ct. 2419, 2427 (2015) (Roberts, C.J.), the Supreme Court approvingly quoted nineteenth-century case law that "[a patent] confers upon the patentee an exclusive property in the patented invention which cannot be appropriated or used by the government itself, without just compensation, any more than it can appropriate or use without compensation land which has been patented to a private purchaser" (quoting *James v. Campbell*, 104 U.S. 356, 358 (1882)). Directly relevant to this case, the Supreme Court held sixteen years ago that patents are property rights secured under the Due Process Clause of the Fourteenth Amendment. *See Florida Prepaid Postsecondary Educ. Expense Bd. v. Coll. Sav. Bank*, 527 U.S. 627, 642 (1999).

The panel decision directly conflicts with both modern and long-established decisions on the constitutional protection of patents as private property rights deserving of the basic due process protections secured in the clear language of § 314(a). The result of this contradiction with the Supreme Court's jurisprudence on patents has a far-reaching, negative impact for the protection under the Constitution of all "exclusive property," *James*, 104 U.S. at 358, creating a precedent that can be cited for denying basic due process protections in other

cases involving vested property interests under the Constitution. Thus, it is necessary for this Court to reaffirm *en banc* the precise constitutional and legal status of patents as private property rights by granting the petition and reversing the panel decision.

ARGUMENT

The Supreme Court unequivocally defined patents as property rights in the early American Republic. In one case in 1824, for instance, Justice Joseph Story wrote for a unanimous Supreme Court that the patent secures to an "inventor . . . a property in his inventions; a property which is often of very great value, and of which the law intended to give him the absolute enjoyment and possession." *Ex parte Wood*, 22 U.S. (9 Wheat.) 603, 608 (1824).[2] In hearing patent cases while riding circuit, Justice Story explicitly relied on real property case law as binding precedent in his opinions.[3] Justice Story was not an

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[2] *See also Hayden v. Suffolk Mfg. Co.*, 11 F. Cas. 900, 901 (C.C.D. Mass. 1862) (No. 6,261) (instructing jury that a "patent right, gentlemen, is a right given to a man by law where he has a valid patent, and, as a legal right, is just as sacred as any right of property").

[3] *See, e.g.*, *Brooks v. Byam*, 4 F. Cas. 261, 268–70 (C.C.D. Mass. 1843) (No. 1,948) (Story, Circuit Justice) (analogizing a patent license to "a right of way granted to a man for him and his domestic servants to pass over the grantor's land," citing a litany of real property cases from classic common law authorities, such as *Coke's Institutes*, *Coke's*

outlier, as many other Justices and judges repeatedly used common-law property concepts in their opinions in patent cases, such as "title,"[4] "trespass,"[5] and "piracy."[6] Legally and rhetorically, federal courts

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Littleton, *Viner's Abridgment*, and *Bacon's Abridgement*); *Dobson v. Campbell*, 7 F. Cas. 783, 785 (C.C.D. Me. 1833) (No. 3,945) (Story, Circuit Justice) (relying on real property equity cases in which "feoffment is stated without any averment of livery of seisin" in assessing validity of patent license).

[4] *See, e.g.*, *Carr v. Rice*, 5 F. Cas. 140, 146 (C.C.S.D.N.Y. 1856) (No. 2,440) (noting that "assignees [of a patent] become the owners of the discovery, with perfect title," and thus "[p]atent interests are not distinguishable, in this respect, from other kinds of property"); *Hovey v. Henry*, 12 F. Cas. 603, 604 (C.C.D. Mass. 1846) (No. 6,742) (Woodberry, Circuit Justice) (instructing jury that "[a]n inventor holds a property in his invention by as good a title as the farmer holds his farm and flock").

[5] *See, e.g.*, *Goodyear Dental Vulcanite Co. v. Van Antwerp*, 10 F. Cas. 749, 750 (C.C.D.N.J. 1876) (No. 5,600) (analogizing patent infringement to a "trespass" of horse stables); *Burliegh Rock-Drilling Co. v. Lobdell*, 4 F. Cas. 750, 751 (C.C.D. Mass. 1875) (No. 2,166) (noting that the defendants "honestly believ[ed] that they were not trespassing upon any rights of the complainant"); *Eastman v. Bodfish*, 8 F. Cas. 269, 270 (C.C.D. Me. 1841) (No. 4,255) (comparing evidentiary rules in a patent infringement case to relevant evidentiary rules in a trespass action).

[6] *See, e.g.*, *Pennock v. Dialogue*, 27 U.S. (2 Pet.) 1, 12 (1829) (Story, J.) (recognizing that "if the invention should be pirated, [this] use or knowledge, obtained by piracy" would not prevent the inventor from obtaining a patent); *Batten v. Silliman*, 2 F. Cas. 1028, 1029 (C.C.E.D. Pa. 1855) (No. 1,106) (decrying defendant's "pirating an invention"); *Buck v. Cobb*, 4 F. Cas. 546, 547 (C.C.N.D.N.Y. 1847) (No. 2,079) (recognizing goal of patent laws in "secur[ing] to inventors the rewards of their genius against the incursions of pirates"); *Dobson v. Campbell*, 7 F. Cas. 783, 785 (C.C.D. Me. 1833) (No. 3,945) (concluding that patent-assignee has been injured by "the piracy of the defendant");

throughout the nineteenth century consistently affirmed that infringement is "an unlawful invasion of property." *Gray v. James*, 10 F. Cas. 1019, 1021 (C.C.D. Pa. 1817) (No. 5,719). As Circuit Justice Levi Woodbury explained in 1845: "we protect intellectual property, the labors of the mind, . . . as much a man's own, and as much the fruit of his honest industry, as the wheat he cultivates, or the flocks he rears." *Davoll v. Brown*, 7 F. Cas. 197, 199 (C.C.D. Mass. 1845) (No. 3,662).[7]

This case law is directly relevant to this case, because it underscores the Supreme Court's decision in *McClurg v. Kingsland*, 42 U.S. (1 How.) 202 (1843), which held that Congress cannot

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Grant & Townsend v. Raymond, 10 F. Cas. 985, 985 (C.C.S.D.N.Y. 1829) (No. 5,701) (noting that the patented machine had "been pirated" often); *Earle v. Sawyer*, 8 F. Cas. 254, 258 (C.C.D. Mass. 1825) (No. 4,247) (instructing jury that an injunction is justified by defendant's "piracy by making and using the machine").

[7] *See also Ball v. Withington*, 2 F. Cas. 556, 557 (C.C.S.D. Ohio 1874) (No. 815) (noting that patents are a "species of property"); *Carew v. Boston Elastic Fabric Co.*, 5 F. Cas. 56, 57 (C.C.D. Mass. 1871) (No. 2,398) (explaining that "the rights conferred by the patent law, being property, have the incidents of property"); *Lightner v. Kimball*, 15 F. Cas. 518, 519 (C.C.D. Mass. 1868) (No. 8,345) (noting that "every person who intermeddles with a patentee's property . . . is liable to an action at law for damages"); *Ayling v. Hull*, 2 F. Cas. 271, 273 (C.C.D. Mass. 1865) (No. 686) (discussing the "right to enjoy the property of the invention"); *Gay v. Cornell*, 10 F. Cas. 110, 112 (C.C.S.D.N.Y. 1849) (No. 5,280) (recognizing that "an invention is, within the contemplation of the patent laws, a species of property").

retroactively limit the property rights in patents that had been once been secured by subsequently repealed patent statutes. *Id.* at 206. Justice Henry Baldwin's opinion for the unanimous Court states bluntly that "a repeal [of a patent statute] can have no effect to impair the right of property then existing in a patentee, or his assignee, according to the well-established principles of this court." *Id.* In sum, a patent issued to an inventor created vested property rights, and "the patent must therefore stand" regardless of Congress's subsequent repeal of the statutes under which the patent originally issued. *Id.*

In reaching this decision, Justice Baldwin relied on the "well-established principles of this court," *id.*, in affirming the basic due process guarantees provided under the Constitution to the vested property rights in patents. Further confirming the private property status of patent rights, Justice Baldwin continued the practice of invoking real property cases as determinative precedent for defining and securing property rights in patents. *See id.* (citing *Society for the Propagation of the Gospel in Foreign Parts v. New Haven*, 21 U.S. (8 Wheat.) 464, 493 (1823) (addressing the status of real property rights under the treaty that concluded the Revolutionary War)). In relying on

such "well-established principles" set forth in *Society*, the *McClurg* Court explicitly established in 1843 that patents are on par with private property rights in land as a matter of constitutional doctrine, a point that the panel decision in this case directly contradicts.

Consistent with these basic due process protections afforded to patents by the Supreme Court in the early nineteenth century, the Supreme Court and lower federal courts also consistently held that patents are private property rights secured under the Takings Clause. *See, e.g.*, *United States v. Burns*, 79 U.S. 246, 252 (1870) (stating that "the government cannot, after the patent is issued, make use of the improvement any more than a private individual, without license of the inventor or making compensation to him"); *Cammeyer v. Newton*, 94 U.S. 225, 234 (1876) (holding that a patent-owner can seek compensation for the unauthorized use of his patented invention by federal officials because "[p]rivate property, the Constitution provides, shall not be taken for public use without just compensation"); *McKeever v. United States*, 14 Ct. Cl. 396, 420–22 (1878) (rejecting the argument that a patent is a "grant" of special privilege, because the text and structure of the Constitution, as well as court decisions, clearly

establish that patents are private property rights).

The Supreme Court has repeatedly confirmed in its modern cases the principle that patents are private property rights that are secured under the Constitution. *See, e.g.*, *Horne*, 135 S. Ct. at 2427; *Fla. Prepaid*, 527 U.S. at 642. The Supreme Court warned the Federal Circuit in *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co., Ltd.*, 535 U.S. 722, 739 (2002), that lower courts must respect "the legitimate expectations of inventors in their property" and not radically unseat such expectations that have long existed since the nineteenth century. Moreover, Chief Justice John Roberts specifically stated, in *eBay Inc. v. MercExchange, L.L.C.*, 126 S. Ct. 1837 (2006), that nineteenth-century patent law should be accorded significant weight in modern patent law in determining the nature of the property rights secured to patent-owners. *Id.* at 1841–42 (Roberts, C.J., concurring).

CONCLUSION

For these reasons, *Amici* urge this Court to grant the rehearing petition to correct the panel's fundamental contradiction concerning the proper due process rights that have been accorded to patents as private property rights under long-standing Supreme Court jurisprudence.

Date: March 14, 2016

Respectfully submitted,

/s/ Matthew J. Dowd

Matthew J. Dowd
Andrews Kurth LLP
1350 I Street, NW
Washington, D.C. 20005
(202) 662-2700
MatthewDowd@andrewskurth.com
Counsel for Amici Curiae

FULL LIST OF *AMICI*

Daniel R. Cahoy
Professor of Business Law
Smeal College of Business
Penn State University

Eric R. Claeys
Professor of Law
George Mason University School of Law

Gregory Dolin
Associate Professor of Law
University of Baltimore School of Law

James W. Ely, Jr
Milton R. Underwood Professor of Law, Emeritus
Vanderbilt University

Matthew P Harrington
Professor of Law
Faculty of Law
University of Montreal

Ryan Holte
Assistant Professor of Law
Southern Illinois University School of Law

Irina D. Manta
Professor of Law
Maurice A. Dean School of Law
Hofstra University

Adam Mossoff
Professor of Law
George Mason University School of Law

Sean M. O'Connor
Professor of Law
University of Washington School of Law

Kristen Osenga
Professor of Law
University of Richmond School of Law

Mark Schultz
Associate Professor of Law
Southern Illinois University School of Law

CERTIFICATE OF SERVICE

I hereby certify that on this day, March 14, 2016, the foregoing was electronically filed and therefore served electronically via the court's ECF/CM system all counsel of record.

/s/ Matthew J. Dowd

Matthew J. Dowd

Dated: March 14, 2016