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The End of AIA Patent Challenges by Government

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This week, in *Return Mail, Inc. v. United States Postal Service*, the U.S. Supreme Court held that the U.S. Federal Government is not a “person” capable of petitioning for post-issuance review under the Leahy-Smith America Invents Act (AIA). On its face, the Court’s decision limits the government’s ability to challenge the validity of patents outside of court. Yet, the practical reach of the decision may be more limited in light of the government’s infrequent use of the AIA post-issuance review proceedings. This article examines the *Return Mail* decision and its potential consequences.

Factual Background

Return Mail owns U.S. Patent No. 6,826,548, which claims a method for processing undeliverable mail. In the mid-2000s, the Postal Service considered licensing the ‘548 Patent but never reached a deal with Return Mail. When the Postal Service later introduced an enhanced address-change service to process undeliverable mail, which Return Mail claimed infringed the ‘548 Patent, Return Mail again approached the Postal Service to negotiate a license to the ‘548 Patent.

In response, the Postal Service petitioned for *ex parte* reexamination. In the *ex parte* reexamination proceeding, the U.S. Patent and Trademark Office canceled the original claims of the ‘548 Patent, but issued several new claims.

Following the conclusion of the *ex parte* reexamination, Return Mail filed suit against the Post Office in the United States Court of Federal Claims under 28 U.S.C. § 1498. While that suit was pending, the

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Postal Service petitioned for institution of a Covered Business Method (CBM) Review of the '548 Patent. The Patent Trial and Appeal Board instituted the CBM Review and invalidated all claims in the '548 patent as patent-ineligible.

The Decision

Justice Sonia Sotomayor, writing for a 6-member majority, explained that the AIA only allows a "person" to petition for an inter partes review (IPR), post-grant review (PGR), or CBM Review. Because neither the Patent Act nor the AIA expressly defines the term "person," the Court started from the presumption that the term "person" does not include the government and its agencies. This presumption not only reflects "common usage,"[1] "[i]t is also an express directive from Congress: The Dictionary Act has since 1947 provided the definition of 'person' that courts use '[i]n determining the meaning of any Act of Congress, unless the context indicates otherwise.'"[2]

The Dictionary Act defines "person" to include "corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals." [3] It does not mention the government, supporting the presumption that the term "person" does not include the government.[4]

To overcome the presumption, one must demonstrate "some affirmative showing of statutory intent to the contrary." [5] The Postal Service advanced three arguments in this regard. First, the Postal Service argued that the statutory text and context offer sufficient evidence that the government is a "person" with the power to petition for AIA review proceedings. Second, the Postal Service contended that federal agencies' long history of participation in the patent system suggests that Congress intended for the government to participate in AIA review proceedings as well. Third, the Postal Service maintained that the statute must permit it to petition for AIA review because §1498 subjects the government to liability for infringement. The Court found none of these arguments persuasive.

Statutory Text and Context

Here, the Postal Service argued that, because the use of "person" in other portions of the Patent Act and AIA includes the government, so too should the post-issuance proceedings statute.[6] While the Court recognized that "it is often true that when Congress uses a word to mean one thing in one part of [a] statute, it will mean the same thing elsewhere in the statute," [7] it noted that "[t]his principle, however, 'readily yields to context,' especially when a statutory term is used throughout a statute and takes on 'distinct characters' in distinct statutory provisions." [8]

Indeed, the Court noted that, throughout the Patent Act and the AIA, there are instances where "person" clearly includes the government (e.g., applying for patents in its own right), instances where it clearly does not (e.g., the requirement that Administrative Patent Judges be "persons of competent legal knowledge and scientific ability"), and instances where it is unclear whether or not it includes the government.[9] Because of this, the Court rejected the Postal Service's contextual argument that "person" must include the government for purposes of seeking AIA review.

Government's Participation in the Patent System

The Postal Service further argued that the government's longstanding ability to participate in the patent system generally supports its position that Congress intended to allow the government access to AIA proceedings as well.[10] The Court rejected this argument for similar reasons to the Postal Service's contextual argument – it does not necessarily follow from the government's historic ability to receive patents that it can also challenge the validity of others' patents in IPR, PGR, and CBM Reviews.[11]

To demonstrate that the government has historically been permitted to challenge patent validity at the Patent Office, the Postal Service pointed to the chapter in the 1981 version of the Manual for Patent Examining Procedure (MPEP) on *ex parte* reexamination proceedings, which expressly allowed the government to file petitions for reexamination.[12] The Court, however, rejected the Postal Service's reliance on this provision, finding sufficient differences between reexamination proceedings and AIA reviews that no conclusions about the latter could be drawn from the former.[13]

Government's Liability for Infringement

Finally, the Postal Service argued that, because the government is subject to civil liability and can assert a defense of patent invalidity, as with other potential infringers, so too must the government be a "person" able to petition for AIA post-issuance reviews.[14] According to the Postal Service, "it is anomalous to deny it a benefit afforded to other infringers – the ability to challenge a patent *de novo* before the Patent Office, rather than only as an infringement defense that must be proved by clear and convincing evidence.[15]

The Court disagreed, stating that the Postal Service "overstates the asymmetry." [16] According to the Court, the imbalance of which the Postal Service complained could be offset by the additional risks faced by non-governmental accused infringers, including exposure to treble damages and injunctive relief.[17] Moreover, the Court expressed concern about the "awkward situation that might result from forcing a patent owner (such as Return Mail) to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency (such as the Postal Service) and overseen by a different federal agency (the Patent Office)." [18]

The Dissent

Justice Stephen Breyer, joined by Justices Ruth Bader Ginsburg and Elena Kagan, dissented.

The dissent asserts that the contextual ambiguity relied upon by the majority falls apart upon closer inspection of the statutes wherein "person" clearly does not refer to a person. Specifically, the dissent argues that each of these provisions "concern details of administration that, almost by definition could not involve an entity such as the government." [19] For example, the dissent points out that administrative patent judges clearly must be natural persons.[20] According to the dissent, "[t]he fact that the word 'person' does not apply to the government where that application is close to logically impossible proves nothing at all about the word's application" to AIA post-grant proceedings.[21] Thus, concludes the dissent, the assumption that the government is not a "person" is inapplicable.[22]

Moving to the underlying purpose for the implementation of the AIA and, specifically, the creation of AIA reviews, the dissent states that the legislature's goal of facilitating challenges of "questionable patents" is implicated regardless of whether a private party or the government is accused of infringement.[23]

The dissent responded to several other points made in the majority opinion. In response to the majority's contention that permitting the government to petition for AIA reviews would create an "awkward situation," the dissent points out that this would be no less awkward than in the inverse situation (i.e., if a private entity petitioned for review of a government-owned patent).[24] Furthermore, in response to the majority's point that the government does not face the possibility of injunctive relief in patent suits against it, the dissent points out several instances where such suits hampered the government's efforts to implement certain laws.[25]

Potential Implications

The *Return Mail* decision removes, as a matter of law, the government's access to some of the mechanisms by which the validity of a patent can be challenged outside of court. Thus, the impact of the decision will be felt most acutely by government attorneys, who no longer have the leverage of an IPR, PGR, or CBM review directly available when trying to resolve patent infringement claims. Likewise, patentees that believe their patents have been infringed by the government or its contractors may perceive the government's inability to seek AIA review as a litigation advantage – if the government wants to invalidate an asserted patent in an adversarial process, it now can only do so by clear and convincing evidence as part of a § 1498 proceeding.

There is, however, reason to believe that the consequences of the decision may be less severe than they might appear at first blush. Notably, the government has only petitioned for AIA review in a handful of instances, not all of which have resulted in the institution of review proceedings or the cancellation of claims. Thus, while the government has lost the ability to use certain tools, it was not making extensive use of those tools in the first instance.

Moreover, private parties often join as third-party defendants or intervenors in 28 U.S.C. § 1498 litigation, perhaps because they face potential indemnity obligations if the government is found liable. Although the government cannot seek IPR, PGR, or CBM Review of any asserted patents, the private party is not so restricted. Indeed, contractors that have entered § 1498 cases as third-party defendants have already made effective use of AIA reviews to invalidate asserted patents and bring those cases to a conclusion relatively quickly.

Finally, with patent issues still prominent in the minds of many in Congress, there remains the possibility of a legislative fix to make explicit that the government can seek AIA review of potentially invalid patents.

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[1] Slip Op. at 7.

[2] *Id.* (citing 1 U.S.C. § 1).

[3] *Id.*

[4] *Id.*

[5] *Id.* (citing *Stevens*, 529 U.S., at 781).

[6] *Id.* at 9.

[7] *Id.* (citing *Merrill Lynch, Pierce, Fenner & Smith Inc. v. Dabit*, 547 U.S. 71, 86 (2006)).

[8] *Id.* at 10 (citing *Utility Air Regulatory Group v. EPA*, 573 U.S. 302, 320 (2014)).

[9] *Id.*

[10] *Id.* at 13.

[11] *Id.*

[12] *Id.*

[13] *Id.* at 13-14.

[14] *Id.* at 15.

[15] *Id.*

[16] *Id.*

[17] *Id.* at 16.

[18] *Id.* at 17.

[19] Dissent at 3.

[20] *Id.* (citing 35 U.S.C. § 6(a)).

[21] *Id.* at 4.

[22] *Id.*

[23] *Id.* at 5.

[24] *Id.* at 6.

[25] *Id.* at 6-7.