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STANDING ON EDGE: THE LACK OF STANDING REQUIREMENTS IN THE USPTO INTER PARTES

REVIEW RAISES A CONSTITUTIONAL ISSUE

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Introduction

In 2012, the American Invents Act² created a process called inter partes review (“IPR”), an administrative proceeding to challenge the validity of an issued patent.³ This new proceeding allows anyone to challenge the validity of a patent, regardless of the challenger’s relation to the patent or patent holder.⁴ Inter partes review represented a powerful alternative to challenging a patent in Article III court, a proceeding that normally requires the patent challenger to show standing.⁵ In recent years, inter partes review has become a hot button issue due to its use as a stock manipulation tool by hedge funds.⁶

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² Leahy-Smith America Invents Act, 35 U.S.C. § 1 (2011).

³ 37 C.F.R. § 42.100 (2016).

⁴ See *id.* § 42.101.

⁵ See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007); see also *WiAV Solutions LLC v. Motorola, Inc.*, 631 F.3d 1257, 1263 (Fed. Cir. 2010); see also *Toshiba Corp. v. Wistron Corp.*, 270 F.R.D. 538, 540-41 (C.D. Cal. 2010).

⁶ Joseph Walker & Rob Copeland, *New Hedge Fund Strategy: Dispute the Patent, Short the Stock*, WALL ST. J. (Apr. 7, 2015), <http://www.wsj.com/articles/hedge-fund-manager-kyle-bass-challenges-jazz-pharmaceuticals-patent-1428417408>.

Inter partes review is unconstitutional because it is an improper delegation of judicial power, in that it confers the ability to decide on an issue already adjudicated by an administrative agency and removes this authority from the constitutional protection provided by an Article III court proceeding. The call for review comes not from the administrative agency itself, but instead is instituted by a third party. Administrative adjudications of this type are allowable only when the parties are afforded the regular constitutional protections that would be available in an Article III court.⁷ These constitutional protections are not present in inter partes review proceedings because the relaxed standing requirement allows challenges in an adversarial proceeding from a seemingly limitless group of people.

In Section I of this note, I will address the U.S. patent system, what a patent is, and the process for obtaining a patent. Section II of this note will give brief history and the framework of patent validity challenges in United States Patent and Trademark Office (USPTO). Section III will discuss inter partes review and the procedures that underpin the IPR process. Section IV of this note will discuss previous challenges to inter partes review and constitutional challenges to other patent proceedings. Section V of this note will discuss the difficulty raised by a relaxed standing requirement in inter partes review and the constitutional protections afforded by standing. Section VI of this note will discuss the implications of this lack of standing requirement and its potential effects on other areas of law. Section VII will discuss possible solutions to the inter partes review standing issue. The last section of this note will conclude my discussion of inter partes review and patent law.

I. What is a patent?

⁷ Patlex Corp. v. Mossinghoff, 758 F.2d 594, 604 (Fed. Cir. 1985).

In order to understand the intricacies of inter partes review and why it implicates constitutional concerns, it is useful to have a basic understanding of patents and the United States patent system. Patents resemble statutes that limit the actions of other individuals and entities. In the United States, the United States Patent and Trademark Office (USPTO) grants patents. A patent is a private right,⁸ granting the holder exclusive rights to use a technology covered by the patent.⁹ Patents are valid for a limited amount of time, and when the term of a patent ends, the ability of the patent holder to limit others use of technology ends with the patent.¹⁰ Put rather simply, a valid patent grants the patent holder the right to exclude all others from using or profiting from the patented material.¹¹ The technology covered by a patent is relatively narrow and discussed in terms of “patent claims.”¹² The claims define what the patent does and does not cover.¹³ This exclusive use of technology is so valuable that patents are often included in the valuation of a business.¹⁴

There are three main types of patents,¹⁵ but this note will focus on utility patents, which cover the use or activity of a specified technology.¹⁶ A utility patent grants a twenty-year window¹⁷

⁸ A good analogy to a patent is a land grant that gives exclusive use of a parcel of land to a select person. There are still abundant questions about whether a patent is a private right or an even property.

⁹ See generally U.S. PATENT & TRADEMARK OFFICE, GENERAL INFORMATION CONCERNING PATENTS (Oct. 2015), <https://www.uspto.gov/patents-getting-started/general-information-concerning-patents-heading-2>.

¹⁰ See 35 U.S.C. § 154(a)(2) (2015).

¹¹ U.S. Patent & Trademark Office, *supra* note 9.

¹² Gene Quinn, *Patent Claim Drafting 101: The Basics*, IPWATCHDOG (May 25, 2013), <http://www.ipwatchdog.com/2013/05/25/patent-claim-drafting-101-the-basics/id=40886/>.

¹³ Gene Quinn, *Understanding Patent Claims*, IPWATCHDOG (July 12, 2014), <http://www.ipwatchdog.com/2014/07/12/understanding-patent-claims/id=50349/>.

¹⁴ Terry Ludlow, *What is the best way to assess the potential value of a patent portfolio?*, IPWATCHDOG (Oct. 30, 2016), <http://www.ipwatchdog.com/2016/10/30/ready-for-use-what-is-the-potential-value-of-your-patent-portfolio/id=74285/>.

¹⁵ Utility patents cover the use of an invention, design patents cover the appearance of an invention, and plant patents cover artificially produced plants. U.S. PATENT & TRADEMARK OFFICE, *supra* note 9.

¹⁶ U.S. PATENT & TRADEMARK OFFICE, *supra* note 9 (“Utility patents may be granted to anyone who invents or discovers any new and useful process, machine, article of manufacture, or composition of matter, or any new and useful improvement thereof. . .”).

in which the patent owner possesses exclusive use of the technology covered by the patent.¹⁸ The America Invents Act¹⁹ changed the patent application process to a “first to file” system, in which the first person to file a patent application gets priority in the patent application process.²⁰

Under the modern system, the first step is for an inventor to file a patent application with the USPTO.²¹ Following the filing of a patent, the USPTO examines the patent application²² to ensure that the technology contained within is novel and not covered by other patents or existing technology.²³ The earlier patents and publications the examiner reviews are known as “prior art”.²⁴ Prior art is evidence that an invention has already been invented or known.²⁵ The investigation must be thorough²⁶ as prior art is often an issue when the validity of an issued patent is disputed post-grant.²⁷ When the Examiner is satisfied that the patent meets the statutory requirements,²⁸ the patent is granted.²⁹ Upon grant, the patent becomes valid for twenty years from the initial patent

¹⁷ U.S. PATENT & TRADEMARK OFFICE, *supra* note 9. The twenty-year window begins upon the filing of a patent application with the USPTO.

¹⁸ 35 U.S.C. § 154(a)(2) (2015).

¹⁹ Press Release, President Obama Signs America Invents Act, Overhauling the Patent System to Stimulate Economic Growth, and Announces New Steps to Help Entrepreneurs Create Jobs (Sept. 16, 2011) (on file with the White House Office of the Press Secretary).

²⁰ Press Release, U.S. Patent & Trademark Office, USPTO Publishes Final Rules and Guidelines Governing First-Inventor-to-File (Feb. 13, 2013) (on file with the U.S. Patent & Trademark Office).

²¹ U.S. PATENT & TRADEMARK OFFICE, NONPROVISIONAL (UTILITY) PATENT APPLICATION FILING GUIDE (Jan. 2014), <https://www.uspto.gov/patents-getting-started/patent-basics/types-patent-applications/nonprovisional-utility-patent-heading-2>.

²² Patent examination by the USPTO is a complex and in-depth process. Patent examining procedure is governed by the Manual of Patent Examining Procedure, rules and regulations promulgated by the USPTO. *See* U.S. PATENT & TRADEMARK OFFICE, MANUAL OF PATENT EXAMINING PROCEDURE (9th ed. Rev. 7, Nov. 2015).

²³ *Id.*

²⁴ *Id.*

²⁵ Prior art is meant to show that an invention is new or novel. It can include printed material as well as knowledge held by one of ordinary skill in the field at the time of invention. *See* MPEP § 2121.

²⁶ *Id.* § 2103.

²⁷ *See* 37 C.F.R. § 42.108(c) (2016); *see also* 37 C.F.R. § 42.104 (2012).

²⁸ 35 U.S.C. § 101 (2015).

²⁹ *See* MPEP § 2103.

application filing date.³⁰ This term of exclusive use is precisely what makes the idea of invalidating patents on lucrative technology such an attractive measure for a patent holder's competitors.³¹

One manner of attacking an issued patent's validity is in Article III court.³² Because patents are granted by the USPTO, a federal agency, patent suits are adjudicated in federal courts.³³ An appeal of a patent case goes to the Court of Appeals for the Federal Circuit.³⁴ In order for a patent to be challenged in Article III court, the patent must first be issued.³⁵ Issued patents have the presumption of validity,³⁶ meaning a patent challenger must meet the burden of showing by clear and convincing evidence that a patent is invalid.³⁷

There are two situations that give rise to a possible Article III court challenge to a patent's validity. A party being accused of patent infringement can argue against the validity of an issued patent as an affirmative defense against the infringement.³⁸ In essence the defendant is arguing that they are not liable for infringing a patent since the patent is invalid.³⁹ Alternatively, a party can directly challenge the validity of an issued patent by seeking a declaratory judgment from a court, which can only be brought in patent suits if the challenging party can show standing.⁴⁰ Standing to bring a declaratory judgment requires that the party requesting relief show a likelihood of the

³⁰ U.S. PATENT & TRADEMARK OFFICE, *supra* note 9.

³¹ Andrew Lagatta, *How Inter Partes Review Became a Valuable Tool So Quickly*, LAW360 (Aug. 16, 2013, 12:01 PM), <https://www.law360.com/articles/463372/how-inter-partes-review-became-a-valuable-tool-so-quickly>.

³² See U.S. CONST. art. III, § 2.

³³ 35 U.S.C. § 271(e)(5) (2010).

³⁴ *Court Jurisdiction*, UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT, <http://www.cafc.uscourts.gov/the-court/court-jurisdiction>.

³⁵ U.S. PATENT & TRADEMARK OFFICE, *supra* note 9.

³⁶ 35 U.S.C. § 282(a) (2015).

³⁷ See *id.*; *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011) (finding that 35 U.S.C. § 282 requires "clear and convincing evidence" to show patent invalidity).

³⁸ See 35 U.S.C. § 282(b).

³⁹ See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 123-24, 128 (2007).

⁴⁰ See *id.* at 126-27.

challenged patent being asserted against them.⁴¹ This standing requirement protects patent owners from being hauled into court to defend the validity of a patent against a virtually limitless class of challengers.

Patent cases in Article III courts may benefit from the presence of a jury.⁴² In certain circumstances, courts find infringement and patent validity are questions of fact, and thus leave it to the jury to decide whether these patents are valid and whether infringement occurred.⁴³ There are drawbacks to jury trials in patent cases, specifically relating to the complexity of patent cases.⁴⁴ Questions of technology are exactly what are at issue in a patent case,⁴⁵ with the judge deciding how the claims are to be construed⁴⁶ but a jury deciding the validity of the patent.⁴⁷ With the time to trial for patent cases at over two-years⁴⁸ and the median jury award at sixteen times the average bench award,⁴⁹ administrative remedies may seem like a viable alternative to judicial relief.

II. Before Inter Partes Review

⁴¹ See *id.* at 126-27, 130-32.

⁴² Recent jurisprudence has suggested that there is no “right” to a jury trial in a patent declaratory judgment trial. See *In re Tech. Licensing Corp.*, 423 F.3d 1286, 1290-91 (Fed. Cir. 2005).

⁴³ See Mark A. Lemley, *Why Do Juries Decide If Patents Are Valid?*, 99 VA. L. REV. 1673 (2013).

⁴⁴ Deborah M. Altman, Comment, *Defining the Role of the Jury in Patent Litigation: The Court Takes Inventory*, 35 DUQ. L. REV. 699, 705-06 (1997).

⁴⁵ The court decides how the patent claims are to be interpreted as a question of law.

⁴⁶ See *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 388-90 (1996) (led to the “Markman Hearing,” a hearing where parties present evidence and a judge decides the interpretation of patent claims).

⁴⁷ See Lemley, *supra* note 43.

⁴⁸ PRICEWATERHOUSECOOPERS LLP, 2016 PATENT LITIGATION STUDY: ARE WE AT AN INFLECTION POINT?, at General Trends (2016), <https://www.pwc.com/us/en/forensic-services/publications/assets/2016-pwc-patent-litigation-study.pdf> [hereinafter PWC, 2016 Patent Litigation Study].

⁴⁹ *Id.*

Before inter partes review, there were other mechanisms to challenge the validity of an issued patent outside of the court system. Interference proceedings⁵⁰ allowed a party to challenge the validity of an issued patent on the basis of first to invent.⁵¹ This process became obsolete in 2013 when the USPTO changed to a first to file system.⁵² Like inter partes review, this system was an administrative adjudication.⁵³ Interference proceedings allowed the USPTO to terminate an existing patent, at the behest of a third party asserting that they were actually the first to invent a patented technology.⁵⁴ Thus, interference proceedings effectively had a standing requirement because it required that the party requesting reexamination have some claim to the invention of the patented technology.⁵⁵ Interestingly, it was possible for an already issued patent to be questioned based on a conflict with a non-issued patent,⁵⁶ showing the clawback power that the USPTO possessed to invalidate an already issued patent and correct agency mistakes.⁵⁷

Inter partes reexamination⁵⁸ was another avenue to challenge the validity of a patent. Inter partes reexamination, like interference proceedings, became obsolete on the effective date of the America Invents Act. Inter partes reexamination could be requested by anyone⁵⁹ and the prior art considered under reexamination was limited to prior patents or printed publications.⁶⁰ An inter

⁵⁰ Interference proceedings were unique to United States patent law, and are only necessary within a first to invent patent system. See Lara C. Kelley & Barbara C. McCurdy, *Why Patent Interference Proceedings Are Worth It*, N.J. L.J., July 19, 2004, republished at

<http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=5b6f0b73-4fd8-495b-a639-ef20dbb4850f>.

⁵¹ MPEP § 2301 (2012).

⁵² See Leahy-Smith America Invents Act, 35 U.S.C. § 1 (2011); U.S. PATENT & TRADEMARK OFFICE, AMERICA INVENTS ACT: EFFECTIVE DATES, at 6 (Oct. 5, 2011).

⁵³ MPEP § 2301.

⁵⁴ *Id.*; 37 C.F.R. § 41.202 (2012).

⁵⁵ MPEP § 2301; 37 C.F.R. § 41.202.

⁵⁶ 37 C.F.R. § 41.203 (2004).

⁵⁷ MPEP § 2308.

⁵⁸ See *id.* §§ 2601, 2609. An additional process, ex parte reexamination also existed. This process operated the same as inter partes reexamination, except after filing the petition for reexamination, the challenger no longer interacted in the proceeding. See *id.* §§ 2201, 2209.

⁵⁹ *Id.* §§ 2601, 2609.

⁶⁰ *Id.* § 2618.

partes reexamination was not only initiated by an adversary; often a patent holder would institute reexamination to ensure that his patent was strong and could avoid challenge.⁶¹ Even the director of the USPTO could institute reexaminations, as was the case with several NTP Inc. patents that had been involved in high profile litigation.⁶² The proceedings are adversarial, meaning that the challenger is able to provide evidence against the validity of the patent.⁶³ Generally speaking, in a reexamination, an examiner looks over a patent in light of the prior art submitted by both the patent holder and the challenger.⁶⁴ The decision of the examiner is appealable by either the challenger or the patent holder.⁶⁵ These appeals first go to the Patent Trial and Appeal Board (PTAB)⁶⁶ and then further to the Court of Appeals for the Federal Circuit.⁶⁷ Further, the patent holder has the opportunity to amend the patent's claims⁶⁸ during the proceeding as a way to save the patent from invalidity.⁶⁹

III. Inter Partes Review and the Streamlining of the Patent System

⁶¹ U.S. Patent & Trademark Office, Dep't of Commerce, Performance & Accountability Report (2012), <https://www.uspto.gov/sites/default/files/about/stratplan/ar/USPTOFY2012PAR.pdf>.

⁶² Scott McKeown, NTP's Law Stand: The Remnants of Patent Reexamination, *ROPES & GRAY: Patents Post Grant* (July 12, 2010), <http://www.patentspostgrant.com/new-ntp-patent-suit-relies-on-non-existent-claims/> (a case between RIM [Blackberry] and Inc. gained significant coverage due to the popularity of Blackberry products).

⁶³ MPEP § 2301.

⁶⁴ *Id.* § 2636.

⁶⁵ 35 U.S.C. § 315 (2011).

⁶⁶ The Patent Trial and Appeal Board is an administrative law body that decides issues of patentability. The members are administrative patent judges.

⁶⁷ 35 U.S.C. § 134(a) (2011).

⁶⁸ Claims could only be amended to become narrower. The new claims could not encompass anything that the previous claim would not. 37 C.F.R. § 1.111 (2005).

⁶⁹ *Id.*

Inter partes review was devised under the America Invents Act, which streamlined the patent system by granting greater administrative oversight over patents, and served to align the USPTO practices with the patent systems of other countries.⁷⁰

Inter partes review, like its precursors, is a route to correct the agency mistake by invalidating a patent issued in error.⁷¹ Like inter partes reexamination, inter partes review allows anyone to challenge the validity of a patent, regardless of standing.⁷² To do this, the third-party challenger must petition the USPTO to institute a review of the valid, issued patent.⁷³ The proceeding is adversarial,⁷⁴ but differs from inter partes reexamination because the scope of party interaction is greatly expanded.⁷⁵ Enhancing its quasi-judicial nature, inter partes review has its own procedures for discovery and testimony.⁷⁶ Further, inter partes review includes oral arguments to be presented in front of a PTAB panel.⁷⁷ The process does not begin with the presumption of validity for issued patents; rather it merely requires that challengers show a patent to be invalid by a preponderance of the evidence standard.⁷⁸ Inter partes review is an administrative adjudication by the Patent Trial and Appeal Board and either the challenger⁷⁹ or the patent holder can appeal the PTAB decision to the Court of Appeals for the Federal Circuit.⁸⁰

⁷⁰ No countries currently have a patent system that uses first to invent. The United States was the last country still following a first to invent system. *See* U.S. PATENT & TRADEMARK OFFICE, FIRST INVENTORS TO FILE (FITF) RESOURCES (Mar. 2013), <https://www.uspto.gov/patent/first-inventor-file-fitf-resources>.

⁷¹ *See* 35 U.S.C. § 311 (2013).

⁷² *Id.*

⁷³ *Id.*

⁷⁴ *See* 37 C.F.R. § 42.101 (2016).

⁷⁵ *See* 35 U.S.C. § 316 (2011).

⁷⁶ *Id.*

⁷⁷ 37 C.F.R. § 42.70 (2016).

⁷⁸ 35 U.S.C. § 316(e).

⁷⁹ If the challenger can show standing after the holding in *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168, 1170-1172 (Fed. Cir. 2017).

⁸⁰ 35 U.S.C. § 141 (2011).

While inter partes reexamination may claim to be adversarial,⁸¹ inter partes review is truly adversarial⁸² with built-in mechanisms of discovery.⁸³ Further, built into inter partes review are mechanisms for parties to actively confront one another during the proceedings.⁸⁴

Inter partes review is often viewed as an alternative to court proceedings, but the two can work alongside each other. During a trial for patent infringement, the defendant can enter inter partes review proceedings to determine the validity of the patent asserted against them.⁸⁵

IV. Constitutional Challenges to Inter Partes proceedings

One of the significant challenges to inter partes proceedings came in *Patlex v. Mossinghoff*.⁸⁶ In *Patlex*, an inventor attempted to get a stay and enjoin the commissioner of patents from proceeding with reexamination of the inventor's patent.⁸⁷ Patlex attempted to attack the inter partes reexamination statute as unconstitutional by seizing on a separation of powers argument.⁸⁸ Patlex argued that the reexamination was unconstitutional due to a Fifth Amendment deprivation of due process, a Seventh Amendment right to a jury trial and the right to Article III adjudication by the court.⁸⁹ Taking guidance from the 1898 case *McCormick Harvesting Mach. Co. v. Aultman*,⁹⁰ the court admitted that "an issued patent [can]not be set aside other than by an Article III court".⁹¹ However, the court reasoned that the USPTO was not setting aside a patent, but merely remedying a mistake made in the initial examination of the patent.⁹² The court further clarified that as long as the parties

⁸¹ See MPEP § 2301 (2015).

⁸² Reflecting the adversarial nature, inter partes review decisions are reported as [challenger] v. [patent holder].

⁸³ 37 C.F.R. § 42.51 (2015).

⁸⁴ See 35 U.S.C. § 316.

⁸⁵ See *id.* at § 315(a)(2).

⁸⁶ See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594 (Fed. Cir. 1985).

⁸⁷ *Id.* at 598.

⁸⁸ *Id.*

⁸⁹ *Id.* at 600-05.

⁹⁰ See 169 U.S. 606 (1898).

⁹¹ *Mossinghoff*, 758 F.2d at 602.

⁹² *Id.* at 601.

in the case receive the same constitutional safe guards in an administrative process as they would receive in an Article III court, then there is no constitutional harm in adjudication by an administrative process.⁹³

*Cuozzo Speed Technologies v. Lee*⁹⁴ addressed inter partes review and whether the decision to institute inter partes review is appealable. In *Cuozzo*, the Supreme Court decided that while a PTAB decision about inter partes review is appealable, whether to institute inter partes review is at the sole discretion of the PTAB and not appealable.⁹⁵

In June of 2017, the Supreme Court granted certiorari in *Oil States Energy Services v. Greene's Energy Group*, a case,⁹⁶ about the ability of the USPTO to invalidate patent rights outside Article III courts.⁹⁷ The question in this case does not directly relate to standing, but rather, it will cover the ability of an administrative agency to invalidate an individual's "property right" in a patent.⁹⁸

V. Inter Partes Review Lacks Constitutional Protections

For those seeking to invalidate patents, inter partes review seems like a viable alternative to the court system.⁹⁹ With relaxed standing requirements, but still many of the advantages of

⁹³ *Id.* at 605.

⁹⁴ 136 S. Ct. 2131, 2139 (2016).

⁹⁵ *Id.*

⁹⁶ *Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, 639 F. App'x 639 (2016), *cert. granted in part*, 137 S. Ct. 2239 (Jun. 12, 2017) (No. 16-712).

⁹⁷ Gene Quinn, *Supreme Court to Decide if Inter Partes Review is Unconstitutional*, IPWATCHDOG (June 12, 2017), <http://www.ipwatchdog.com/2017/06/12/supreme-court-inter-partes-review-unconstitutional/id=84430/>.

⁹⁸ Petition for Writ of Certiorari, *Oil States Energy Servs., LLC*, 137 S. Ct. 2239 (No. 16-712) (questioning "[w]hether inter partes review—an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury?").

⁹⁹ In the past, infringers have generally filed for declaratory judgment when they wanted to invalidate a patent. It is now possible for that infringer to challenge the patent in IPR proceedings and avoid the costs associated with court. *See* Erin Coe, *Accused Infringers Rethink Declaratory Judgment Strategies*, LAW360 (Nov. 25, 2015, 7:43 PM), <https://www.law360.com/articles/730120/accused-infringers-rethink-declaratory-judgment-strategies>.

traditional adversarial proceedings, inter partes review can be a benefit to both practicing and non-practicing entities who deal with patents.¹⁰⁰

Inter partes review also has some benefits to patent holders. The cost of defending against inter partes review is relatively less than the cost of defending a declaratory judgment.¹⁰¹ Further, inter partes review has a greatly accelerated timeline for decision when compared with the traditional court timeline.¹⁰² However, there are still distinct disadvantages to the patent holder in an inter partes review proceeding when compared with a declaratory judgment because the challenger in IPR need not show standing.

A. Agency Error and Clawback

In *Patlex*, the court establishes that one of the accepted aims of a inter partes patent proceeding is to correct agency error, the error being the issuance of an invalid patent.¹⁰³ This was presumably true under the inter partes reexamination statute where the USPTO¹⁰⁴ itself could initiate a reexamination¹⁰⁵ and the proceeding was not truly “adversarial in nature.”¹⁰⁶ Although reexamination did have some back and forth between challenger and patent holder, these were in the form of comments and responses, not actively facing one another in front of a tribunal.¹⁰⁷ But, since the individual disputing the patent’s validity is considered the challenger, characterization of inter partes review as merely an agency action is impossible due to the process’s actively adversarial

¹⁰⁰ *Id.*

¹⁰¹ *Id.*

¹⁰² See 37 C.F.R. § 42.100(c) (2016).

¹⁰³ See *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601 (Fed. Cir. 1985). *But see generally* *Joy Tech., Inc. v. Manbeck*, 959 F.2d 226 (Fed. Cir. 1992) (finding the analysis of inter partes reexamination did not mention correcting agency mistake).

¹⁰⁴ McKeown, *supra* note 62.

¹⁰⁵ Due to the adversarial nature of inter partes review, it would be impossible for the USPTO to both challenge a patent in an adversarial proceeding and adjudicate this adversarial proceeding.

¹⁰⁶ See MPEP § 2601 (2015).

¹⁰⁷ See *id.* § 2671.

nature.¹⁰⁸ While it is permissible for an agency to correct its own mistakes, it is something entirely different for an agency to clawback a patent for the purpose of adjudicating a dispute between two third parties who could settle their dispute in court.¹⁰⁹

One of the issues that this agency clawback creates is the possibility of no “final agency action” under the Administrative Procedure Act.¹¹⁰ With the existence of IPR, final agency action never comes.

B. No Standing Requirement to Challenge Administrative Action

The standing requirement is one of the most basic concepts of federal law. To sue, a party must be able to establish standing in accord with the standard set out by the Supreme Court in *Lujan v. Defenders of Wildlife*.¹¹¹ A litigant must have suffered an “injury in fact”—an invasion of a legally protected interest is (a) concrete and particularized, and (b) “actual or imminent,” not “conjectural” or “hypothetical.”¹¹² There must also be a causal connection between the injury and the conduct complained of—the injury has to be “fairly ... trace[able] to the challenged action of the defendant, and not ... th[e] result [of] the independent action of some third party not before the court.”¹¹³ Finally, the Court’s ability to redress the injury must be “likely,” as opposed to merely “speculative.”

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The requirement for declaratory judgment manages to satisfy this test by showing a likelihood of a patent being asserted against the challenger.¹¹⁵ By doing this, the petitioner for

¹⁰⁸ See 37 C.F.R. § 42.70 (2016).

¹⁰⁹ These parties may not actually be able to settle their dispute in court as well shall discuss later. Because of the relaxed standing requirement in inter partes review, an individual who cannot move for declaratory judgment could enter inter partes review proceedings.

¹¹⁰ See 5 U.S.C. § 704.

¹¹¹ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

¹¹² *Id.*

¹¹³ *Id.*

¹¹⁴ *Id.* at 561.

¹¹⁵ See *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126–27, 130-32 (2007).

declaratory judgment has shown the particularized and imminent harm,¹¹⁶ as well as a proof that favorable decision will redress the harm.¹¹⁷

The judicial gloss on *Lujan* indicates that the court intends the standing requirement to do more than merely keep frivolous cases out of court.¹¹⁸ The majority opinion suggests that standing also serves as a protection for the party whom suit would be brought against.¹¹⁹ While the majority opinion is especially critical of the aims of the initial suit in *Lujan*,¹²⁰ its inquiry focusing on the harm aspect of standing is particularly relevant to this discussion.

Simply put, an entity can show no tangible and particularized harm presented by the existence of a patent that will not be asserted against the entity in court. Yet, while an Article III court requires that a party show standing to obtain relief, inter partes review merely requires a filing fee.¹²¹

A good example for this discussion of standing is the recent media attention garnered by hedge fund manager Kyle Bass's use of IPR for stock manipulation.¹²² Bass would systematically hedge stocks and then submit petitions for inter partes review knowing that when these petitions were published, the stock would go down in price.¹²³ Bass's main area of concentration was on pharmaceutical stocks since pharmaceutical companies are heavily invested in, based on their patent

¹¹⁶ A patent being asserted against a company in litigation serves as a substantial harm. Patent litigation is extremely expensive and may even influence the valuation of a company.

¹¹⁷ Invalidation of a patent prevents that patent from being asserted in litigation.

¹¹⁸ See *Lujan*, 504 U.S. at 559.

¹¹⁹ See *id.*

¹²⁰ See *id.*

¹²¹ See U.S. PATENT & TRADEMARK OFFICE, UPSTO FEE SCHEDULE (2016),

<https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule> (requiring a \$9,000 filing fee to institute inter partes review).

¹²² Gene Quinn, *Inter Partes Review and the Controversial Implications of the Kyle Bass Petitions*, IPWATCHDOG (Sept. 15, 2015), <http://www.ipwatchdog.com/2015/09/15/inter-partes-review-and-the-controversial-implications-of-the-kyle-bass-petitions/id=61691/>.

¹²³ *Id.*

portfolios.¹²⁴ Interestingly, Bass did not view his actions as merely an attempt to make money; Bass claimed that he was doing the public a service by eliminating invalid patents which would allow for greater freedom of innovation.¹²⁵ In Article III court, Bass would never have standing to move for declaratory judgment; he was not in the pharmaceutical production business¹²⁶ and could show no concrete and particularized imminent harm.¹²⁷ However, with the relaxed standing requirements of IPR, Bass was able to institute IPRs.¹²⁸

C. Standing is required to appeal an IPR decision

The most recent development in this field shows that courts are still grappling with the issue of standing in the IPR system. While previously, a party who instituted IPR could appeal this decision without the need for standing, this policy has recently changed. In 2017, the United States Court of Appeals for the Federal Circuit handed down a landmark decision in *Phigenix, Inc. v. Immunogen Inc.*¹²⁹ This decision held that in order for a party to appeal the decision of an IPR, it must show injury in fact.¹³⁰ Without this, there is no standing to appeal.¹³¹

The *Phigenix* court stated that, “In the nearly thirty-five years since the court's inception, we have not established the legal standard for demonstrating standing in an appeal from a final agency action.”¹³² Previous courts have said that standing may be self-evident and need not require the

¹²⁴ *Id.*

¹²⁵ Gene Quinn, *Kyle Bass IPR challenge moves forward, what does it mean for patent reform?*, IPWATCHDOG (Oct. 12, 2015), <http://www.ipwatchdog.com/2015/10/12/kyle-bass-ipr-challenge-moves-forward-what-does-it-mean-for-patent-reform/id=62449/>.

¹²⁶ *Id.*

¹²⁷ *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

¹²⁸ Quinn, *supra* note 125. This is one of the most universally frustrating uses of the IPR process for people on both sides of the issue. Quinn, *supra* note 125. While many believe that the IPR process should be abolished, citing the behavior of Bass and others, even proponents of IPR cannot help but feel as though Bass is abusing the system. Quinn, *supra* note 125.

¹²⁹ *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168 (2017).

¹³⁰ *Id.* at 1176.

¹³¹ *Id.* at 1171.

¹³² *Id.* at 1172.

submission of evidence to show standing to challenge agency action.¹³³ This is the case when a party challenging the agency action is a party to the action.¹³⁴

This decision illustrates the state of flux and the inconsistency that exists in the current IPR process.¹³⁵ The IPR process is meant to serve as an alternative to a court proceeding.¹³⁶ With no standing requirement on the IPR process but a standing requirement on the appeal of an IPR, there is a two-track system to invalidating a patent.¹³⁷

As it stands this allows for inconsistent process in the patent system. If a petitioner challenges the validity of a patent in IPR proceeding, the petitioner need not show standing.¹³⁸ If the petitioner succeeds and the PTAB declares the patent invalid via IPR process, the patent holder now has the right to appeal to the Court of Appeals for the Federal Circuit, no standing inquiry required.

¹³⁹ However, if the petitioner is unsuccessful in the IPR, and the patent is invalid, the petitioner will now need to show standing in order to appeal the decision of the PTAB.¹⁴⁰

¹³³ *Sierra Club v. EPA*, 292 F.3d 895, 899-900 (D.C. Cir. 2002).

¹³⁴ *Id.*

¹³⁵ *See Wi-Fi One, LLC v. Broadcom Corp.*, 851 F.3d 1241 (Fed. Cir. 2017) (discussing overruling the timeliness requirement of IPR); *see generally* *Cuozzo Speed Techs. v. Lee*, 136 S. Ct. 2131 (2016) (questioning the reviewability of an agency decision to institute an IPR). There are currently many questions about what may and may not be permissible in the IPR process.

¹³⁶ *Coe*, *supra* note 99.

¹³⁷ Jeffrey A. Freeman & Jason E. Starch, *District Court or the PTO: Choosing Where to Litigate Patent Invalidity*, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, LLP (Mar. 2014), <http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=e7ad4528-cec4-4889-a23d-d17bca527ca2> (providing types of guidance given by firms when a client decided between IPR and District Court litigation); Michael J. Fibbert & Maureen D. Queler, *5 Distinctions Between IPRs and District Court Patent Litigation*, FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER LLP (Dec. 2015), <http://www.finnegan.com/resources/articles/articlesdetail.aspx?news=64c22ef3-9abe-4637-a445-c75c56892eb1> (providing five big differences between IPR and District Court litigation). Law firms spend substantial time and effort advising clients about whether to pursue IPR or traditional courtroom patent proceedings. A myriad of guidance has been given by law firms weighing the benefits and drawback of both possibilities.

¹³⁸ *See* 35 U.S.C. § 311 (2013).

¹³⁹ *See id.*

¹⁴⁰ *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168, 1173 (2017) (holding that in order to appeal an IPR decision, the petitioner needed standing to bring a case in Article III court even though standing was not required to initiate an IPR).

This inconsistent process leaves much to be desired. If IPR is intended to serve as an alternative to Article III courts, then this requirement of standing only for appeals is inconsistent. It would be akin to allowing an individual to file suit in a trial court without showing standing, but then require standing to file for an appeal.

VI. Analysis

Through the adversarial inter partes review process, the USPTO has created an administrative clawback provision and eliminates final agency action from the USPTO procedures. Administrative agencies are supposed to render a final agency decision, at which point adjudication of the action is to be handled by a court of competent jurisdiction.¹⁴¹ The grant of a patent is an agency action and should be subject to some finality.¹⁴² With reexamination of patents, a patent is arguably never final and always has the potential to be reviewed by an agency.¹⁴³ With inter partes review, this reexamination is at the behest of a third party. Further, this third party usurps the judicial function that is meant to be handled by the courts.¹⁴⁴ Rather than withdrawing from the process and allowing the courts to adjudicate a patent when a third party wishes to challenge the validity, the USPTO has instead set up its own system for taking judicial action, the IPR.¹⁴⁵

There is a powerful question raised by the lack of standing requirements in IPR proceedings. Congress is vested with the ability to confer standing upon a class of persons or even all people.¹⁴⁶

¹⁴¹ See 5 U.S.C. § 704 (2017).

¹⁴² *Id.* (“A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action.”) This means that for patents to be reviewable by courts either on an appeal from IPR or in a patent case, the patent itself has passed the final agency action stage.

¹⁴³ In the case of IPR, the third party is initiating agency review, but the patent is still adjudicated by the administrative agency of the USPTO.

¹⁴⁴ See 5 U.S.C. § 704.

¹⁴⁵ U.S. PATENT AND TRADEMARK OFFICE, INTER PARTES REVIEW, (May 19, 2017), <https://www.uspto.gov/patents-application-process/appealing-patent-decisions/trials/inter-partes-review>.

¹⁴⁶ See Endangered Species Act of 1973, 16 U.S.C. § 1540(g)(1)(A) (1994) (granting any person the right to commence a civil suit on his own behalf “to enjoin any person, including the United States and any other governmental instrumentality or agency . . . who is alleged to be in violation of any provision of this chapter. . .”).

This generally takes the form of a citizen suit provision that allows individuals to be given standing.

¹⁴⁷ In an Article III court, this is important, as standing may be the difference between a successful suit and no suit at all.¹⁴⁸

The relevant section of the U.S. Code for inter partes review states “[s]ubject to the provisions of this chapter, a person who is not the owner of a patent may file with the [United States Patent and Trademark] Office a petition to institute an inter partes review of the patent.”¹⁴⁹ One might argue that this was a congressional conferment of standing upon all people to challenge patents. However, that contention falls apart in the face of the actual court practice.¹⁵⁰ Those seeking declaratory judgments on patents are still tasked with showing standing in a court of law.¹⁵¹ Further guidance by the Court of Appeals for the Federal Circuit establishes that standing was not conferred by 35 U.S.C. § 311(a) because standing is still required to appeal an IPR decision to the Federal Circuit.¹⁵² For these reasons, the courts have given us guidance to understand that this is not a citizen suit provision or the conference of standing, it is simply allowing third parties to challenge the validity of a patent in an administrative procedure.¹⁵³

We need not reach very far to consider how this provision might have massive effects on administrative agencies all over the United States. The ability for individuals to elect to challenge

¹⁴⁷ For a look at what a citizen suit provision looks like, the citizen suit provision of the Clean Air Act gives an excellent view of how a citizen suit might be covered to confer standing upon the general populace. *Compare* 42 U.S.C. § 7604 (2000) *with* 35 U.S.C. 311(a) (2015), the section of the U.S. Code allowing individuals to file for inter partes review without standing.

¹⁴⁸ To understand this, we need to look further than *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992), where standing was central to the resolution of the case.

¹⁴⁹ *See* 35 U.S.C. § 311(a) (2013).

¹⁵⁰ Patent cases still require the showing of standing to be able to proceed. In fact, recent years have shown greater emphasis upon standing in patent cases. *See Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168 (2017).

¹⁵¹ *See MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126–27 (2007). *See also* Dennis Crouch, *Federal Circuit: Patentability of Isolated Genes*, PATENTLY-O (Oct. 26, 2010), <https://patentlyo.com/patent/2010/10/federal-circuit-patentability-of-isolated-genes.html>.

¹⁵² *See Phigenix, Inc.*, 845 F.3d at 1168.

¹⁵³ *Id.* at 1172.

agency decisions within an agency without the need for standing would have massive consequences.

¹⁵⁴ Environmental lawsuits, which have often struggled substantially with the question of standing,
¹⁵⁵ would quickly be able to solve standing problems by challenging an agency action within the agency. The burden on Article III courts would be greatly diminished, but the constitutional protections of standing would be non-existent.

If this policy was applied to other agencies, consider a hypothetical EPA decision to issue a land use permit. Rather than challenging the permit in a long-protracted court battle, the parties could have an administrative hearing in front of an EPA tribunal. It is questionable whether there could be truly objective parties in these administrative hearings. The USPTO has the benefit of being charged with merely issuing valid patents; they are not politically inclined to issue one way or another.¹⁵⁶ The same might not be said for administrative agencies tasked with promoting a specific public good.¹⁵⁷

One significant problem is the issue of checks and balances created by the two-track system further exacerbated by the court's decision in *Phigenix*.¹⁵⁸ Article III courts are meant to serve as a check on administrative authority.¹⁵⁹ This provision is built into the APA where that the role of the courts is to review the determination of an administrative agency when applicable.¹⁶⁰

¹⁵⁴ Standing is one of the hallmarks of American legal practice. *See* *Hollingsworth v. Perry*, 133 S. Ct. 2652, 2661 (2013) (explaining that Article III discusses the powers granted to the Judicial Branch and, inter alia, "confines the judicial power of federal courts to deciding actual 'Cases' or 'Controversies'" (*quoting* U.S. CONST. Art. III, § 2)).

¹⁵⁵ *See* *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560-61 (1992).

¹⁵⁶ *See* MPEP § 1701 (Rev. 8, July 2010) ("Every patent is presumed to be valid. 35 U.S.C. § 282, first sentence. Public policy demands that every employee of the United States Patent and Trademark Office (USPTO) refuse to express to any person any opinion as to the validity or invalidity of, or the patentability or unpatentability of any claim in any U.S. patent, except to the extent necessary to carry out . . .").

¹⁵⁷ Consider the EPA example. Might this administrative challenge allow the EPA to advance an agenda of more vigorous environmental protection? If the EPA feels that they could not effectively challenge the issuance of a permit, might they instead rely on this hypothetical administrative challenge system?

¹⁵⁸ *See* *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168 (2017).

¹⁵⁹ This has become the modern understanding of separating the three branches of government. *See* U.S. CONST. art. III.

¹⁶⁰ *See* 5 U.S.C. § 704 (2017).

The traditional path would be a decision of patent validity by the USPTO¹⁶¹ with the challenge to its decision coming in Article III court followed by an appeal to the Federal Circuit if applicable.¹⁶² This means that the next step after a USPTO decision is a judicial check on the agency.¹⁶³ An aggrieved party who disputes the decision of the USPTO has an early chance to gain judicial review.¹⁶⁴ With the existence of the IPR system, the petitioner could still use the USPTO to Article III path, however the attractiveness of the IPR process might lead to more reliance on the USPTO practices.¹⁶⁵ This means two USPTO actions take place prior to giving an Article III court the opportunity to check the power of the USPTO. Further, this check on power may never come.¹⁶⁶ With the decision in *Phigenix*, the petitioning party may never have the opportunity to get the judicial check on the USPTO's decision due to the Federal Circuit Standing requirement.¹⁶⁷ Agency action would be unreviewable by anyone other than the agency.¹⁶⁸

One of the most high profile complaints about the IPR system relates to its potential abuses.¹⁶⁹ Without a standing requirement, anyone can challenge a patent, and this is exactly what has been done.¹⁷⁰ It was not long after the institution of IPR that investors started using it as a tool for stock manipulation.¹⁷¹ By hedging stocks and then instituting an IPR on a company's patent, investors

¹⁶¹ I.e., the grant of the patent. See MPEP § 2103 (2015).

¹⁶² This is how patent litigation might look without any administrative procedures for challenging the validity of a patent after the patent has been granted.

¹⁶³ See 5 U.S.C. § 704.

¹⁶⁴ See *id.* § 702.

¹⁶⁵ See Coe, *supra* note 99.

¹⁶⁶ A patent holder may choose not to appeal the decision of the USPTO because of the relative expense of the IPR process followed by an appeal. The cost for an IPR generally runs in the six-figure range. See Vic Lin, *How much does IPR cost?*, PATENT TRADEMARK BLOG, <http://www.patenttrademarkblog.com/how-much-does-ipr-cost/> (last visited Sept. 13, 2017).

¹⁶⁷ See *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168, 1171-73 (2017).

¹⁶⁸ The only exception is if some other party could establish standing to sue or institute their own IPR, and then have standing to appeal to the Federal Circuit. See *id.* at 1173-76.

¹⁶⁹ See Quinn, *supra* note 125.

¹⁷⁰ See *id.*

¹⁷¹ See *id.*

could essentially manipulate stock prices.¹⁷² This abuse was precisely because there was no standing requirement present in the IPR process.¹⁷³ The standing requirement prevented this action with declaratory judgment, as investors could not show standing.¹⁷⁴

VII. Proposed Solutions to the Inter Partes Review Standing Problems

A. Institute a Standing Requirement

There are potential solutions to the problems raised by inter partes review. The first of these is to institute a standing requirement. Because the inter partes review process is adversarial, it should provide the same protections as an Article III court, however these protections can be crafted to work within the administrative process of the USPTO. For that reason, it is possible to have a lower requirement of standing than would be applicable in Article III court, but still have a standing requirement to prevent those who merely want to use the IPR process as a tool for stock manipulation.

In the interest of clarity and separation of powers, this standing requirement should come as an amendment to the inter partes review statute.¹⁷⁵ The statute currently reads:

(a) IN GENERAL. —Subject to the provisions of this chapter, a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by

¹⁷² See *id.*

¹⁷³ Had there been a standing requirement, Bass would have needed a practicing entity to either file an IPR or attempt to engage in an Article III court proceeding, the cost of which would be prohibitively expensive. PRICEWATERHOUSECOOPERS LLP, *supra* note 48.

¹⁷⁴ See Quinn, *supra* note 125.

¹⁷⁵ 35 U.S.C. § 311 (2013).

the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

(b) SCOPE. —A petitioner in an inter partes review may request to cancel as unpatentable 1 or more claims of a patent only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications.¹⁷⁶

The first problem with the statute as it stands is that the only definition of who may file is “a person who is not the owner of a patent”. This should be modified to further limit the class of people who may file. From here the question becomes “what standard ought the petitioner be held to without being overly broad or overly narrow?”

The goal would be to prevent those with no direct interest in the patented technology from instituting an IPR. Some will argue that the benefit of IPR is that it allows anyone to challenge patents for any reason. However, these individuals would not have standing to file for a declaratory judgment in Article III court and still have the benefit of ex parte reexamination.¹⁷⁷ To show a direct interest in a patent, the challenger should have to show that the existence of the issued patent is likely to conflict with a business that they will participate in. The “likely” component of this revised standard can be satisfied by showing that the party took affirmative steps to participate in a business but is being hindered by the existence of the allegedly invalid patent. The petitioner must show an interest in producing or using the patented technology, not merely benefiting from its existence.¹⁷⁸

¹⁷⁶ *Id.*

¹⁷⁷ Ex parte reexamination acts similar to inter partes review and had no standing requirement; however, it does not contain the same adversarial process and does not serve a quasi-judicial function. Ex parte reexam is akin to asking the USPTO to take another look at an issued patent. *See* MPEP § 2209 (2015).

¹⁷⁸ This will prevent investors from arguing that the patent’s market harms are sufficient to show standing.

Likelihood of harm by the invalid patents existence is a burden that could be met by most qualified petitioners, but is still a lower level than that of the regular standing requirement for court cases. This standard has some basis among recent patent cases.¹⁷⁹

A hypothetical will be helpful in illustrating how this standing requirement would work. Company A holds a patent on an antibiotic. Company B produces bandages but wishes to enter the market for antibiotics. Company B has reason to believe that Company A's antibiotic patent is invalid. If Company B can show that they have plans or interest in producing the patented antibiotic, they will be allowed to challenge the patent in an inter partes proceeding. At the same time, Company C is a major financial firm. They do not produce antibiotics but invest heavily in the antibiotic market. Company C will have a harder time arguing that they are likely harmed by the patents existence, as they cannot show that they took steps to utilize the target technology.

My proposed standing statute would read:

(a) IN GENERAL. —Subject to the provisions of this chapter, a person who is not the owner of a patent *and has standing as defined by this part* may file with the Office a petition to institute an inter partes review of the patent. The Director shall establish, by regulation, fees to be paid by the person requesting the review, in such amounts as the Director determines to be reasonable, considering the aggregate costs of the review.

- (i) *to show for the purpose of this section means that the petitioning party must show*
 - a. *likelihood that the petitioner would make use the patented technology*
 - b. *that the potential use has been hindered by the existence of a patent*

¹⁷⁹ See *Phigenix, Inc. v. ImmunoGen, Inc.*, 845 F.3d 1168, 1170- 71 (2017) (holding that standing could not be shown when the petitioner did not show evidence that they planned to enter the market for the patented drug).

*c. that the petitioner has taken affirmative steps to participate in market for the material covered by the patent in question.*¹⁸⁰

B. Inter Partes Review Decisions Should Be Merely Advisory

A second option is to allow inter partes review to continue in its current form, but substantially modify its reach. Instead, inter partes review should serve to generate advisory opinions to be reviewed by a judge in Article III court. This would establish a standing requirement because a third party with no injury-in-fact would not be able to file a suit in Article III court and thus would have no use for an advisory opinion.

The advisory opinion of the PTAB would be substituted in for the decision of the jury, to be reviewed by the judge in the same manner that a jury decision is. The benefit to this is that it allows an earlier check on the administrative agency. Rather than waiting for the appeal of the decision to the Federal Circuit, instead the court steps in at an earlier stage in the process. Further, it makes sense to have the court involved in the adjudication of disputes between private parties. This process would not substantially drive up costs as most of the cost involved in a patent trial is due to its long length owing to the need to present evidence to a jury.¹⁸¹ In most cases, the judge would resolve any issues of law to be presented and then acknowledge the decision of the PTAB. However, in the case of a legitimate problem of fact such as the judge finding that the PTAB decided based on insufficient fact, the judge could step in the same way he would with a jury. In these cases, the role of the judge would be that of an intermediary appellate judge.

Conclusion

¹⁸⁰ Italics are my suggestions for alterations to 35 U.S.C. § 311.

¹⁸¹ See PRICEWATERHOUSECOOPERS LLP, *supra* note 48.

At present, it is not possible to completely dismantle the inter partes review system.¹⁸² It is unlikely that this would even be an advisable action. Inter partes review has concrete benefits. It allows individuals to get expedited patent validity decisions, comes at greatly reduced costs when compared with a traditional trial, and it allows the United States Patent and Trademark Office to correct agency mistakes. But the system is not without substantial drawbacks.

A patent holder can be pulled into an inter partes review proceeding and forced to defend their patent at substantial cost.¹⁸³ While this challenge might come from a company who is legitimately disputing the validity of a patent, this dispute may also come from an investor, out to make money at the cost of an inventor's patent.¹⁸⁴ Further, a patent holder could not expect the same protections that they might be guaranteed in a regular court of law. Beyond the fact that the petitioner did not need standing to challenge the patent in inter partes review; there is something unsettling about the difficulty of oversight presented by the constant administrative action. Eventually, administrative adjudication should become subject to judicial review, yet the quasi-judicial nature of the inter partes review process further delays this process, pushing the point of review until the Court of Appeals for the Federal Circuit's decision after inter partes review. Further, inter partes review represents perhaps the only case where an administrative agency acts as a judiciary between two third parties who might otherwise be able to bring their case in court.¹⁸⁵

As it stands, inter partes review represents substantial question in the separation of powers, but also brings us an interesting question of congressional authority. While it is well established that

¹⁸² Although the decision in *Oil States Energy Servs. LLC. v. Greene's Energy Grp. LLC*, 639 F.App'x. 639 (Fed. Cir. 2016), *cert. granted*, 85 U.S.L.W. 3575 (U.S. Jun. 12, 2017) (No. 16-712) may change this.

¹⁸³ *Lin*, *supra* note 167.

¹⁸⁴ *Quinn*, *supra* note 125.

¹⁸⁵ After completing an exhaustive search of administrative law procedures, it appears that there are no other administrative bodies that adjudicate disputes between third-parties in this manner.

congress can confer standing,¹⁸⁶ it has not been substantially addressed whether congress can eliminate a standing requirement in quasi-judicial proceeding. Law has become increasingly administrative in recent years. The inter partes review process may represent a process that law has yet to address: is it within the authority of administrative agencies to adjudicate disputes between third parties.

Inter partes review represents a special case in what is otherwise a very narrow section of law. Due to the uniqueness of patent law and the administrative nature of the IPR process, it is surprising that the inter partes review process has garnered so much attention. As the attention on IPR intensifies, significant decisions must be asked about whether a standing requirement should be instituted to protect the integrity of the process and the rights of patent holders.

¹⁸⁶ See Endangered Species Act of 1973, 16 U.S.C. § 1540(g)(1)(A) (1994).