IP Alert: PTAB Involved in Unlawful Takings?



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Celgene Corporation v. Peter

By Sarah A. Kagan, Ph.D.

On June 3, the U.S. Court of Appeals for the Federal Circuit heard constitutional arguments from Celgene Corporation (appellant) and the U.S. Patent and Trademark Office (Deputy Director Laura Peter, intervenor) in an appeal from three inter partes reviews (IPRs) relating to Celgene's U.S. Patent No. 6,315,720. Celgene Corporation. v. Peter (Nos. 2018-1167, -1168, -1169). The petitioner in the IPR was the Coalition for Affordable Drugs VI LLC, which Celgene referred to as a "reverse patent troll." The Coalition did not participate in the appeal.

The involved technology relates to a patient pre-screening method for prescribing a drug. Although Celgene discussed the invention in the context of teratogenic thalidomide drugs, the claims are not limited to any particular drugs.

Celgene's appeal raised the constitutional question: Are patents granted before the American Invents Act (AIA) subject to cancellation in an IPR, a procedure authorized in the AIA in 2011? Celgene urged that cancellation of a patent in an IPR constituted an uncompensated taking of property under the Fifth Amendment of the U.S. Constitution.

As a threshold issue, the U.S. Patent and Trademark Office (USPTO) argued that Celgene had forfeited its right to raise the takings issue on appeal because it had not raised it during the Patent Trial and Appeal Board (PTAB) proceeding. Celgene urged that it would have been futile to raise the issue below because: (1) the PTAB has refused to address the issue in some other cases; (2) it would not be appropriate for an Article I court to address

constitutional issues with the statute that authorizes its action; and (3) the decision to cancel the patent's claims was not yet a final decision, and therefore, the question was not ripe for review.

Discussing the substance of the matter, all parties agreed that a patent is a property right. But the USPTO asserted that there was no valid property right at the heart of this case because the '720 patent was not valid when granted. Celgene labeled this argument circular. The USPTO further compared the PTAB action to a U.S. district court's cancellation of a patent, which is not considered an unconstitutional taking.

Celgene contrasted a district court procedure with an IPR, noting the differences in the presumption of validity, claim construction, and standards of proof. The USPTO argued that this was not the relevant comparison to make, because patents could be challenged in a district court both before and after the AIA. Rather, the USPTO compared pre-AIA inter partes re-examination with post-AIA IPR, and found only the procedure changed, but not substantive rights. The USPTO urged that a patentee has no property interest in a procedure.

The panel that heard arguments in the case consisted of Chief Judge Sharon Prost, Judge Jimmie Reyna, and Judge William Bryson. Chief Judge Prost voiced concern that multiple cases challenging the retroactivity of IPRs were percolating and most of the others seemed to have poorly developed records on this issue. She also expressed unease that different panels at the PTAB could decide inconsistently on this issue without a decision from the Federal Circuit to guide them. Additionally, she noted that a PTAB decision not to institute an IPR because of a conclusion that a pre-AIA patent should not be subject to an IPR was a non-reviewable decision. These considerations weigh in favor of the court taking up the issue, despite possible waiver. Judge Reyna questioned whether the Federal Circuit was the proper venue for deciding the takings issue, rather than the U.S. Court of Claims. Judge Bryson used creative hypothetical situations to push each party to define the bounds of its position. In one, he pushed Celgene to define the extent of its position that a new procedure to enforce an existing law constitutes a taking. He posited a no-felon homesteader provision in the Homestead Act of 1862 that was initially not enforced, but later a procedure was set up to investigate homesteaders' felony records. (Celgene: yes, that would probably be a taking.) In another, Judge Bryson pushed back against Celgene's assertion that it would be at least "passing strange" or impossible for an Article I agency to find its own mandate unconstitutional. He hypothesized a temporary emergency court of appeals that consisted of both Article I and Article III judges and asked Celgene if such a court could find itself unconstitutional. (Celgene: that would be a harder question than we have here.)

This appeal may give the court an opportunity to rule on the constitutionality of retroactive applications of IPRs to pre-AIA patents. A condition for such a ruling, however, is that the court affirms the PTAB's cancellation of the '720 patent's claims.

Click here to listen to the arguments in Celgene Corporation. v. Peter.

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