

FILED

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION

J. CARL COOPER, and ECHARGE
LICENSING, LLC,

Plaintiffs,

v.

MICHELLE K. LEE, in her capacity as Deputy
Director of the United States Patent and
Trademark Office, and the UNITED STATES
PATENT AND TRADEMARK OFFICE,

Defendants.

2014 JUN -5 P 4: 15

CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

1:14CV 672
CBL/JFA

**COMPLAINT FOR DECLARATORY JUDGMENT
OF UNCONSTITUTIONALITY OF 35 U.S.C. §§ 311-19**

Plaintiffs J. Carl Cooper (“Mr. Cooper”) and eCharge Licensing, LLC (“eCharge”) complain of Michelle K. Lee (“Ms. Lee”), in her capacity as Deputy Director of the United States Patent and Trademark Office, and the United States Patent and Trademark Office (“PTO”), as follows:

JURISDICTION AND VENUE

1. The Court has subject matter jurisdiction over this action under Title 28 of the United States Code Section 1331 because it arises under the United States Constitution and the laws of the United States.

2. Venue is proper in the Eastern District of Virginia under the general federal venue statute, 28 U.S.C. § 1391.

PARTIES

3. Plaintiff Mr. Cooper is a resident of Incline Village, Nevada. He is the inventor

and owner of a large number of U.S. Patents, including U.S. Patent Nos. 6,764,005; 7,828,207; and 8,490,875 (collectively, the “Article I-reviewed patents”). Mr. Cooper has standing to challenge the constitutionality of *inter partes* review in the Patent Trial and Appeal Board (“PTAB”) because he has suffered an injury-in-fact, as the PTAB recently instituted *inter partes* review of the Article I-reviewed patents. Further, any of Mr. Cooper’s numerous other patents may be subject to *inter partes* review proceedings without his consent in the future. Such uncertainty in Mr. Cooper’s (and others’) patents affects his ability to monetize his valuable intellectual property rights either personally or through affiliated entities.

4. Plaintiff eCharge is an Illinois company whose business involves assisting Mr. Cooper to effectively license his inventions. eCharge is a subsidiary of Cascades Ventures, Inc. eCharge is the exclusive licensee and holder of all substantial rights to the Article I-reviewed patents. eCharge has standing to challenge the constitutionality of *inter partes* review in the PTAB because it has suffered an injury-in-fact, as the PTAB recently granted *inter partes* review of the Article I-reviewed patents. Such uncertainty in Mr. Cooper’s patents affects eCharge’s ability to license its valuable intellectual property rights.

5. Plaintiffs have standing because they have suffered a concrete injury-in-fact to a legally protectable interest by being subjected to the unconstitutional *inter partes* review process that is currently taking place. In particular, Plaintiffs have, without their consent, had the issue of patent validity with respect to Square, Inc. removed from Article III courts, where they elected to file their lawsuit for patent infringement (described below), and placed before an Article I tribunal that has no authority to conduct such proceedings. Further, although Plaintiffs demanded a jury trial and sought damages for patent infringement in the concurrent proceedings in the Northern District of Illinois, the issue of patent validity will now be tried before an

Administrative panel, rather than a jury, in violation of Plaintiffs' Seventh Amendment rights. Finally, a favorable decision here would redress the harm suffered by Plaintiffs.

6. This action will not become moot at the completion of the particular *inter partes* review referenced above. Because the *inter partes* review process is ordinarily completed within one year, this issue is "capable of repetition, yet evading review." *Southern Pacific Terminal Co. v. ICC*, 219 U.S. 498, 515 (1911).

7. Defendant Lee is the Deputy Director of the PTO.

8. Defendant PTO is the federal agency responsible for granting United States patents, and for administering *inter partes* review proceedings through the PTAB. The PTO is headquartered in Alexandria, Virginia.

DECLARATORY RELIEF

9. This is an action for declaratory relief pursuant to the Declaratory Judgment Act, 28 U.S.C. § 2201. This Court is also authorized to grant a declaratory judgment under Rule 57 of the Federal Rules of Civil Procedure.

BACKGROUND

10. In 2011, Congress passed the America Invents Act, and President Obama signed it into law on September 16, 2011 as Public Law 112-29. Within this Act is a procedure in the PTO called *inter partes* review, governed now under 35 U.S.C. §§ 311-19.

11. The PTAB is an Article I tribunal, and both the Federal Circuit and the PTAB itself have noted that "[a]n *inter partes* review is more adjudicatory than examinational in nature." *Idle Free Systems, Inc. v. Bergstrom, Inc.*, IPR2012-00027, Paper 26, at 6 (June 11, 2013) (citing *Abbott Labs v. Cordis Corp.*, 710 F.3d 1318, 1326 (Fed. Cir. 2013) ("The purpose . . . was to convert *inter partes* reexamination from an examinational to an adjudicative

proceeding”).

12. The process of *inter partes* review begins with a petition filed under 35 U.S.C. § 311. The petition may request the cancellation as “unpatentable” of one or more claims on a ground that could be raised under 35 U.S.C. §§ 102 or 103, and only on the basis of prior art consisting of patents or printed publications. *Id.*

13. The patent owner has the option of filing a preliminary response to the petition within three months. 35 U.S.C. § 313. The response is limited to setting forth reasons why no *inter partes* review should be instituted. *Id.* Though the patent owner may include additional evidence (as long as it is related to the institution of the *inter partes* review), the patent owner is specifically prohibited from presenting any testimonial evidence beyond that already of record. 37 C.F.R. § 42.207.

14. After taking into account only the petition and the patent owner’s response, the PTAB issues a decision within three months as to whether an *inter partes* review will be instituted. 35 U.S.C. § 314(b). The petitioner must only make a showing that there is a “reasonable likelihood” that at least one of the claims challenged in the petition is unpatentable. 35 U.S.C. 314(a).

15. The PTAB’s procedures for conducting an *inter partes* review are very closely modeled after Article III courts. For example, the PTAB’s “Judicial Panel” (as it is known internally) enters an initial scheduling order concurrent with the decision to institute a trial. Office Patent Trial Practice Guide, 77 Fed. Reg. 48,757 (Aug. 14, 2012).

16. Once review (called a “trial”) is instituted, the patent owner may file a response addressing any ground for unpatentability not already denied. 37 C.F.R. § 42.120. The patent owner may also elect to file a motion to amend the patent claims at the same time, but only after

conferring with the Judicial Panel. 37 C.F.R. § 42.121. The petitioner may then file a reply to the patent owner's response, and oppose the patent owner's motion to amend if applicable. The patent owner may reply to the petitioner's opposition to motion to amend the patent claims. The parties may then request an oral hearing. 37 C.F.R. § 42.70.

17. The PTAB's final written decision is ordinarily issued within one year of instituting the proceedings, but may be extended by up to six months for good cause or in the case of joinder. 37 C.F.R. § 42.100.

18. During the course of the *inter partes* review process, the parties participate in discovery that very closely resembles an Article III proceeding. For example, they file mandatory notices regarding real parties-in-interest and related matters, 37 C.F.R. § 42.8(b), and may provide initial disclosures that are expressly modeled after Fed. R. Civ. P. 26(a)(1). See 37 C.F.R. § 42.51; Office Patent Trial Practice Guide, 77 Fed. Reg. 48,761 (Aug. 14, 2012). The PTAB's regulations also provide for depositions, and authorize parties to "seek such discovery as the Patent Office determines is otherwise necessary in the interest of justice." See *Abbott Labs*, 710 F.3d at 1326. Routine discovery includes cited documents, cross-examination of declaration testimony, and information inconsistent with positions advanced during the proceeding. See 37 C.F.R. § 42.51(b)(1). A party may compel testimony and production of documents with the PTAB's authorization, 37 C.F.R. § 42.52, and may also have a certified court reporter present for depositions and conference calls. See 37 C.F.R. § 42.53. Oral argument on issues raised in the papers is permissible. 37 C.F.R. § 42.70.

19. As would happen in an action before an Article III court, the parties to an *inter partes* review file objections, motions in *limine*, and motions to exclude arguably inadmissible evidence at the close of fact discovery. 37 C.F.R. § 42.64. The Judicial Panel rules on these and

other motions. Further, throughout the process, as with an Article III court, the parties are expressly prohibited from having *ex parte* communications with the Judicial Panel on substantive matters. 37 C.F.R. § 42.5(d). The end result of the entire process may be patent cancellation. 37 C.F.R. § 42.73(b)(2). To date, almost all completed *inter partes* review proceedings have cancelled (*i.e.*, invalidated) claims in the subject patents.

20. *Inter partes* review proceedings eliminate the patent owner's presumption of validity, and lower the petitioner's burden of proof from clear and convincing evidence, *Microsoft Corp. v. i4i Ltd. P'ship*, 131 S. Ct. 2238, 2242 (2011), to a preponderance of the evidence. 35 U.S.C. § 316(e). Proceedings on unexpired patents utilize a claim interpretation framework that is broader than an Article III court's framework, called "Broadest Reasonable Interpretation," and thus make such claims more vulnerable to invalidity findings than in Article III proceedings.

21. Under the Federal Circuit's recent decision in *Fresenius USA, Inc. v. Baxter International, Inc.*, a finding of invalidity by the PTO will trump whatever patent infringement proceedings are taking place in an Article III court, no matter how advanced. 721 F.3d 1330 (Fed. Cir. 2013) (holding that although the district court had already entered a final judgment for purposes of appeal in 2007, the judgment was not sufficiently final to preclude application of the PTO's later decision to cancel the claims at issue, because the case had been remanded to the district court to reconsider postverdict damages and injunctive relief).

22. The patent bar has acquired an understanding that PTAB proceedings, once initiated, effectively replace federal court litigation concerning validity over prior art of allegedly infringed patents. Many federal courts stay litigation pending PTAB review. Conversely, if a patentee prevails, the petitioner is estopped from advancing in federal court litigation any ground

of invalidity that it raised or reasonably could have raised in the PTAB. 35 U.S.C. § 315(e).

STATEMENT OF FACTS

23. On September 9, 2013, Plaintiff eCharge filed a Complaint in the United States District Court for the Northern District of Illinois against Square, Inc. (“Square”) for infringement of the Article I-reviewed patents. (*eCharge Licensing LLC v. Square, Inc.*, Case No. 1:13-cv-06445 (N.D. Ill.)). eCharge sought both money damages and a permanent injunction prohibiting future infringement of the patents, and demanded trial by jury.

24. On November 18, 2013, Square filed a Petition to institute an *inter partes* review of certain claims of the Article I-reviewed patents under 35 U.S.C. § 311. (Case Numbers IPR2014-00156, -00157, and -00158).

25. On January 16, 2014, the district court entered a stay of proceedings pending the PTAB’s decision.

26. On May 14, 2014, even though Plaintiffs had previously lodged objections to the constitutionality of the procedure and did not consent to it, the PTO instituted an *inter partes* review of the Article I-reviewed patents, under 35 U.S.C. § 314.

COUNT FOR UNCONSTITUTIONALITY OF 35 U.S.C. § 311-19

27. Plaintiffs hereby incorporate paragraphs 1-26 above by reference.

28. The PTAB’s *inter partes* review proceedings embody the Executive’s assertion of judicial power, and thus violate fundamental constitutional principles of separation of powers by adjudicating purely private disputes between patent owners and alleged infringers in Article I tribunals, usurping the Judicial Branch’s exclusive jurisdiction.

29. As a direct result of the PTAB’s *inter partes* review proceedings, eCharge has unconstitutionally been denied its right to have the issue of patent validity in the pending

litigation determined by a jury, and likewise, Mr. Cooper's property rights have become subject to nullification without a trial by jury.

REQUEST FOR RELIEF

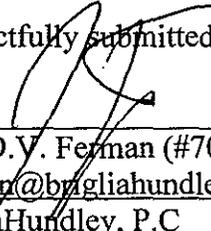
Plaintiffs respectfully request that this Court enter a judgment against Defendants and a finding that *inter partes* review is unconstitutional on its face, and grant the following relief:

- A. A declaration that *inter partes* review proceedings before the PTAB unconstitutionally place before Article I tribunals matters reserved for the judiciary, in violation of Separation of Powers principles;
- B. A declaration that *inter partes* review proceedings before the PTAB violate the Seventh Amendment's guarantee of a jury trial;
- C. A permanent injunction prohibiting the PTAB from conducting *inter partes* review proceedings in further violation of both Article III and the Seventh Amendment;
- D. An award of reasonable costs and attorneys' fees pursuant to 28 U.S.C. § 2412; and
- E. Such other and further relief as this Court may deem proper and just.

Dated: June 5, 2014

Respectfully submitted,

/s/



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