

Keywords: Patents; AIA Review Proceedings; Covered Business Method Review

General: A federal agency is not a “person” eligible to petition for AIA post-issuance review.

Return Mail, Inc. v. United States Postal Service et al.
Supreme Court of the United States
No. 17-1594
Decided June 10, 2019

I. Facts

Return Mail Inc. owns a business method patent that claims a method for processing undeliverable mail. In 2003 the Postal Service allegedly showed interest in licensing Return Mail’s invention for use in handling the country’s undeliverable mail, but the parties never reached an agreement.

In 2006, the Postal Service introduced an enhanced address-change service to process undeliverable mail. Return Mail asserted that the Postal Service’s method infringed on their patent, and the company renewed its offer to license the claimed invention to the Postal Service. The Postal Service then petitioned for ex parte reexamination of Return Mail’s patent. The Patent Office cancelled the original claims but issued several new ones, confirming the validity of the patent. Return Mail subsequently sued the Postal Service in the Court of Federal Claims, seeking compensation for the Postal Service’s unauthorized use of its invention, as reissued by the Patent Office.

While the lawsuit was pending, the Postal Service petitioned the Patent Office for Covered Business Method (CBM) review. The Patent Board agreed with the Postal Service that Return Mail’s patent claims subject matter that was ineligible to be patented, and the Board cancelled Return Mail’s patent. A divided panel of the Court of Appeals for the Federal Circuit affirmed, holding that the government is a “person” eligible to petition for CBM review. *See* AIA §18(a)(1)(B), 125 Stat. 330 (only a qualifying “person” may petition for CBM review). The Federal Circuit then affirmed the Patent Board’s decision on the merits, invalidating Return Mail’s patent claims.

The Supreme Court granted certiorari to determine whether a federal agency is a “person” capable of petitioning for post-issuance review under the AIA.

II. Issue

Can the Federal Government avail itself of the three post-issuance review proceedings of the AIA, including CBM review?

III. Discussion

No. In a 6-3 decision the Supreme Court held that the Federal Government is not a “person” eligible to petition for institution of AIA review proceedings. The AIA provides that only a “person” other than the patent owner may file with the Office a petition to institute a post-grant review or inter partes review of an issued patent. 35 U.S.C. §§311(a), 321(a).

The patent statutes do not define the term “person.” In the absence of an express statutory definition, the Court applies a “longstanding interpretive presumption” that “person” does not include the sovereign, and thus excludes a federal agency like the Postal Service. The Court also relies on 1 U.S.C. § 1 (“The Dictionary Act”), which provides that “person” includes: “corporations, companies, associations, firms, partnerships, societies, and joint stock companies, as well as individuals.” Given the presumption that a statutory reference to a “person” does not include the Government, the burden is placed on the Postal Service to show that the AIA’s context indicates otherwise.

To overcome the interpretive presumption, the Postal Service makes three primary arguments. First, the Postal Service argues 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 contends that federal agencies have a long history of participating in the patent system, and there is no indication that Congress intended to exclude federal agencies from the AIA review proceedings. Third, the Postal Service maintains that the statute must permit it to petition for AIA review because §1498 subjects the Government to liability for infringement.

Addressing the Postal Service’s first point, the Court notes that, while it is true that the AIA sometimes includes the Government when referring to a “person,” the act refers to a “person” at least 18 different times, sometimes excluding the Government, with no clear trend. The Postal service contends that, since §207(a)(1) authorizes a federal agency to “apply for, obtain, and maintain patents or other forms of protection,” the agency is authorized to use the AIA review proceedings to protect its patents. The Court remains unconvinced, stating that §207(a)(1) implies nothing about what a federal agency may or may not do following the issuance of someone else’s patent, and the agency is still able to apply for, obtain, and maintain their patents without instituting AIA review proceedings.

In its second argument, the Postal Service relies on the fact that in 1981 the Patent Office released its Manual of Patent Examining Procedure (MPEP), and therein appears to consider “any person” to include “governmental entities.” The Court acknowledges this “executive interpretation,” but contends that the MPEP has nothing to do with Congress’s intent when drafting the AIA. The Court further maintains that, even assuming that the MPEP allows the Federal Government to petition for ex parte reexamination, ex parte reexamination is a fundamentally different process than an AIA post-issuance review proceeding. Ex parte reexamination is an internal proceeding, to which the party challenging the patent cannot participate. Conversely, AIA review proceedings are adversarial, adjudicatory proceedings. The Court finds justification for Congress authorizing the Government to initiate a hands-off ex parte proceedings, but not authorizing it to become a party to an adversarial proceedings before the Patent Office and any subsequent appeal. The Court notes the “awkward situation” that might result from forcing a civilian patent owner, like Return Mail, to defend the patentability of an invention in an adversarial, adjudicatory proceeding initiated by one federal agency and overseen by a different federal agency.

Finally, the Postal Service argues that it must be a “person” who may petition for AIA review proceedings because, like other potential infringers, it is subject to civil liability and can assert a defense of patent invalidity. The Court sees no issue as an agency, once sued, may argue patent invalidity and will face the same burden of proof as a defendant in any other infringement suit. The Postal Service only lacks the additional avenue of petitioning for

an administrative proceeding before the Patent Office under the AIA, a process separate from an infringement suit. The Court notes that, while the Government does not enjoy this expedient route for heading off potential infringement suits, its risk in an infringement suit is significantly lower than a nongovernmental party's. For instance, §1498 restricts a patent owner suing the Federal Government to her "reasonable and entire compensation" for the Government's infringing use. The patent owner cannot seek an injunction, demand a jury trial, or ask for punitive damages, all of which are available against nongovernmental actors.

IV. Conclusion

The Supreme Court reverses the judgement of the Federal Circuit, holding that a federal agency is not a "person" who may petition for post-issuance review under 35 U.S.C. §§311(a) and 321(a). Thus, the Postal Service is ineligible to petition for CBM review under AIA §18(a)(1)(B).