

MADSTAD ENGINEERING INC. v. USPTO, Appeal No. 2013-1511 (Fed. Cir. July 1, 2014).
Before Newman, O'Malley, and Wallach. Appealed from M.D. Fla. (Judge Merryday).

Background:

MadStad filed suit against the Patent and Trademark Office and the United States seeking a declaratory judgment that the "first-inventor-to-file" provision of the America Invents Act ("AIA") is unconstitutional. MadStad further sought a permanent injunction barring enforcement of the AIA.

The district court granted the Government's motion to dismiss for lack of standing. MadStad then appealed that dismissal to the Federal Circuit.

Issue/Holding:

Did the district court err in granting the Government's motion to dismiss for lack of standing? No, affirmed.

Discussion:

MadStad's complaint alleged the entirety of the AIA is unconstitutional because the AIA (1) forces MadStad to upgrade its computer security; (2) increases the time and effort for filing patent applications; (3) places MadStad at a competitive disadvantage with larger companies; and (4) brings about business loss for MadStad.

To have standing under Article III to challenge the constitutionality of an Act of Congress, a party must prove, among other things, that an injury is "concrete, particularized, and actual or imminent," as well as "fairly traceable to the challenged action." The district court found, and the Federal Circuit agreed, that each of MadStad's alleged harms was too speculative to give rise to standing. The Federal Circuit found that, even though MadStad had already redirected funds to face what it perceived as the increased threat and competition of the first-inventor-to-file environment of the AIA, there was no evidence that MadStad had or would suffer injury "fairly traceable to" the AIA because MadStad's fears were based on mere speculation regarding the capabilities and incentives of hackers and competitors. In addition, the Federal Circuit found there was no evidence that MadStad would have refrained from modifying its business practices (security upgrades, increased effort) if the AIA had not been enacted. The Federal Circuit thus affirmed that MadStad's speculation, which allegedly led to increased expenditure, did not create standing.