

ETHICON ENDO-SURGERY, INC. v. COVIDIEN LP, Appeal No. 2014-1771 (Fed. Cir. January 13, 2016). Before Newman, Dyk and Taranto. Appealed from PTAB.

Background:

Covidien petitioned the USPTO for *inter partes* review of all claims of Ethicon's patent. The USPTO, though a panel of the Board, granted the petition. The same panel of the Board found all challenged claims invalid as obvious. Ethicon appealed.

Issue/Holding:

Did the Director's assignment of institution and determination of validity to the same Board panel violate due process or the intent of the America Invents Act (AIA)? No, affirmed.

Discussion:

The AIA gives the Director the authority to determine whether an *inter partes* review should be initiated, and the Director has delegated this authority to the Board. The AIA also provides the Board with the power to decide the question of validity. In the interest of efficiency, the Director determined that the decision to institute *inter partes* review and the decision on validity should be made by the same Board panel.

However, Ethicon contended that this combination of decisions by the same Board panel is improper because the statutory text and structure, guided by constitutional principles, require that the decision to institute not be made by the same Board panel that makes the decision on validity. Ethicon also asserted that because the Board is first exposed to a limited record consisting of the petition and the patent holder's preliminary response, there is a risk that the panel may prejudge the case before seeing a full record, thereby depriving a patent holder of a due process right to an impartial decision maker. Thus, Ethicon argued that the Director was precluded from delegating the decision to institute to the same panel of the Board that makes the decision on validity.

The Federal Circuit disagreed with Ethicon and held that the assignment of the decision to institute and the decision to determine validity to the same Board panel does not violate due process. The Federal Circuit found that the decisions to institute and determine validity are adjudicatory decisions and do not involve combining investigative and/or prosecutorial functions with an adjudicatory function. The Federal Circuit analogized the *inter partes* procedure as being similar to a district court determining whether there is "a likelihood of success on the merits" and then later deciding the merits of a case. The Federal Circuit also found that there was nothing in the statute or legislative history of the statute indicating a concern with separating the decisions on instituting and validity. Accordingly, the Federal Circuit affirmed that there is nothing in the Constitution or in the AIA that precludes the same Board panel from making both the decisions to institute a proceeding and determine validity.

Judge Newman dissented, arguing that the AIA established a threshold step of institution decided by the Director, followed by trial and adjudication by the Board. Judge Newman argued that the legislation divided the functions of institution and trial into separate bodies within the USPTO as a safeguard of administrative objectivity.