

Return Mail, Inc. v. United States Postal Service: The Federal
Government Cannot Use IPRs or Other AIA Post-Grant Reviews
by David R. Todd

On June 10, 2019, the U.S. Supreme Court issued its decision in *Return Mail, Inc. v. United States Postal Service*, addressing whether the federal government is entitled to use any of the post-grant proceedings created by the Leahy-Smith America Invents Act (“the AIA”)—the most popular of which is *inter partes* review (IPR)—to challenge the validity of a third party’s patent. The Supreme Court held that the federal government cannot.

Return Mail, Inc. owns a patent that claims a method for processing mail that is undeliverable. In 2006, the Postal Service introduced a new service for processing undeliverable mail, which Return Mail asserted was an infringement of its patent. In response, the Postal Service petitioned for *ex parte* reexamination. As a result, the Patent Office cancelled the original claims of the patent but issued several new claims. Return Mail then sued the Postal Service in the U.S. Court of Federal Claims under 28 U.S.C. § 1498.

The Postal Service then petitioned the Patent Office for a “covered business method” (CBM) review of the patent, one of the post-grant reviews established by the AIA. In the CBM review, Return Mail argued that the Postal Service did not have statutory standing to petition for CBM review because the Postal Service had not been “sued for infringement,” as the AIA requires. Return Mail argued that the Postal Service had only been sued under 28 U.S.C. § 1498 and that § 1498 was a statute allowing recovery for an “eminent domain” taking rather than for “infringement.” The Patent Trial and Appeal Board rejected this argument and then concluded that Return Mail’s patent should not have been issued because it claimed ineligible subject matter under 35 U.S.C. § 101. On appeal to the U.S. Court of Appeals for the Federal Circuit, a dissent by Judge Newman argued for the first time in the case that the Postal Service had no statutory standing because it was not a “person,” as the AIA requires. The Federal Circuit majority rejected that argument as well as Return Mail’s argument that the Postal Service had not been “sued for infringement.”

Return Mail then petitioned for certiorari on both statutory standing issues, including its own argument regarding the meaning of “sued for infringement” and Judge Newman’s argument regarding the meaning of “person.” The Supreme Court granted certiorari, but only to address Judge Newman’s argument regarding the meaning of “person.”

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In a 6-3 decision, the Supreme Court held that Judge Newman had correctly concluded that the federal government did not qualify as a “person” under the AIA statutory provisions governing post-grant reviews. Justice Sotomayor, writing the majority opinion for the Court, began with “a longstanding interpretive presumption” established in the Supreme Court’s case law: the presumption that the term “person” does not include the government. She then addressed the Postal Service’s three arguments attempting to overcome that presumption, concluding that none of the arguments was able to do so.

The Postal Service’s first argument was that the presumption should be overcome because other references to the word “person” in the patent statutes include the federal government. But the Court rejected that argument because those statutes use the word “person” inconsistently. Specifically, the statutes use the word “person” “in at least 18 different places, and there is no clear trend: Sometimes ‘person’ plainly includes the Government, sometimes it plainly excludes the Government, and sometimes—as here—it might be read either way.” The Court acknowledged that the patent statutes plainly indicate that the federal government can obtain a patent and therefore there is sufficient context to interpret “person” in the context of the patent statutes governing the application process to include the federal government, but those statutes “imply nothing about what a federal agency may or may not do following the issuance of someone else’s patent.” The Court summarized its reasoning as follows: “The consistent-usage canon breaks down where Congress uses the same word in a statute in multiple conflicting ways. . . . In the face of such inconsistency, the mere existence of some Government-inclusive references cannot make the ‘affirmative showing’ . . . required to overcome the presumption” for the other provisions.

The Postal Service’s second argument was that the federal government had a “longstanding history” with the patent system. For example, federal officers had been able to apply for patents in the name of the United States since 1883, and the Patent Office has allowed the federal government to request *ex parte* reexamination since 1981. The Court rejected this argument because “the Government’s ability to obtain a patent . . . does not speak to whether Congress meant for the Government to participate as a third-party challenger in AIA

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review proceedings” and because “*ex parte* reexamination is a fundamentally different process than an AIA post-issuance review proceeding.”

The Postal Service’s third argument was that it must be a “person” able to petition for AIA post-grant review “because, like other potential infringers, it is subject to civil liability,” albeit in § 1498 actions. In other words, “it is anomalous to deny [the federal government] a benefit afforded to other infringers.” The Court rejected this argument because injunctions, jury trials, and punitive damages are not available against the federal government in a § 1498 action but are available against other defendants in a civil action for infringement. The bottom line was that “[b]ecause federal agencies face lower risks, it is reasonable for Congress to have treated them differently.” The Court also rejected this argument because “excluding federal agencies from the AIA review proceedings avoids the awkward situation that might result from forcing a civilian patent owner . . . to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency . . . and overseen by a different federal agency (the Patent Office).”

Interestingly, the Court declined to rely on the fact that the AIA’s estoppel provisions apply to civilian petitioners in federal district court but do not apply to the federal government in § 1498 actions. The Court explained in a footnote that it was not relying on that potential asymmetry because “the practical effect of the estoppel provisions’ potential inapplicability to the Government is uncertain given that this Court has not decided whether common-law estoppel applies in § 1498 suits.” In other words, the Court left open the possibility that the same (or similar) effect as the estoppel provisions might have attached by virtue of “common-law estoppel.”

Justice Breyer, joined by Justice Ginsburg and Justice Kagan, dissented. Justice Breyer relied on precedent explaining that the “presumption” relied on by the majority is “no hard and fast rule of exclusion” and that it may be overcome when the “context” or the “purpose” of the statute indicate an intent to include the federal government.

As for “context,” Justice Breyer was not persuaded by the fact that the patent statutes use

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the word “person” inconsistently because, in his view, those statutes only use the word “person” to exclude the federal government where that application is “close to logically impossible”:

“The fact that the word ‘person’ does not apply to the Government where that application is close to logically impossible proves nothing at all about the word’s application here. On the one hand, Congress has used the word ‘person’ to refer to Government agencies when the statute concerns the criteria for obtaining patents, or when the statute concerns the availability of certain infringement defenses. On the other, Congress has not used the word ‘person’ to refer to Government agencies when doing so would be close to logically impossible, or where the context otherwise makes plain that the Government is not a ‘person.’ The provisions at issue here, which establish administrative procedures for the benefit of parties accused of infringement, are much closer to the former category than the latter. It therefore makes little sense to presume that the word ‘person’ excludes the Government, for the surrounding provisions point to the opposite conclusion.

Justice Breyer also believed that the AIA’s “purpose” in establishing post-grant review proceedings tended to overcome the presumption. He viewed one purpose of the statute as seeking to “improve the quality of patents” and “making it easier to challenge ‘questionable patents.’” And he pointed out that “Congress’ goal of providing an easier way for parties to challenge ‘questionable patents’ is implicated to the same extent whether the Government or a private party is the one accused of infringing.”

In a puzzling passage, Justice Breyer also viewed a second purpose (or at least an effect) of the statute as allowing a petitioner to “protect [its] own patent” “by clearing away conflicting patents that cover the same or similar ground.” This was significant, in his view, because the patent statutes expressly state that the federal government may “undertake all . . . suitable and necessary steps to protect . . . rights to federally owned inventions.” Justice Breyer’s reasoning that a petitioner can protect its “patent” “by clearing away conflicting patents that cover the same or similar ground” appears to demonstrate a misunderstanding of patents. A “patent” is a right to exclude, not a right to commercialize the subject matter of the patent,

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and “clearing away conflicting patents” using one of the post-grant proceedings at issue is a way to protect one’s commercial activities from the reach of those conflicting patents, not a way to protect one’s own “patent.”

On the other hand, Justice Breyer did have a strong response to the majority’s subpoint that “excluding federal agencies from the AIA review proceedings avoids the awkward situation that might result from forcing a civilian patent owner . . . to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency . . . and overseen by a different federal agency (the Patent Office).” As he explained: “[T]he statutes before us . . . would permit a private party to invoke any of the three new procedures to challenge a Government patent. In such cases, one Government agency, the Patent Office, would be asked to adjudicate the patent rights of another. Thus, the situation the majority attempts to avoid is already baked into the cake.”

Justice Breyer concluded with a thought-provoking question: “Government agencies can apply for and obtain patents; they can maintain patents; they can sue other parties for infringing their patents; they can be sued for infringing patents held by private parties; they can invoke certain defenses to an infringement lawsuit on the same terms as private parties; they can invoke one of the pre-existing administrative procedures for challenging the validity of a private party’s patents; and they can be forced to defend their own patents when a private party invokes one of the three procedures established by the America Invents Act. Why, then, would Congress have declined to give federal agencies the power to invoke these same administrative procedures? I see no good answer to that question.” This is an excellent question, but it seems to ignore the Court’s case law imposing a presumption that the word “person” should be interpreted to exclude the federal government. Without that presumption, Justice Breyer’s question may have carried the day.

The full text of the opinions in this case can be found here:

https://www.supremecourt.gov/opinions/18pdf/17-1594_1an2.pdf