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## Standing Room Only: *MadStad Engineering* and the Potential to Challenge the Constitutionality of the America Invents Act's "First-Inventor-to-File" Patenting System

Christopher J. Ferrell

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STANDING ROOM ONLY: *MADSTAD ENGINEERING* AND THE  
POTENTIAL TO CHALLENGE THE CONSTITUTIONALITY OF  
THE AMERICA INVENTS ACT'S "FIRST-INVENTOR-TO-FILE"  
PATENTING SYSTEM

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ABSTRACT

*In 2011, the Leahy–Smith America Invents Act (AIA) was signed into law, bringing significant changes to the Patent Act of 1952. Arguably, the most substantial change was the demise of the “American approach” to patent law: the “first-to-invent” patent filing system. Congress, by enacting the AIA, changed America's patent system from “first-to-invent” to “first-inventor-to-file,” sparking controversy among patent scholars and practitioners, with some individuals arguing that this change was unconstitutional. Recently, the Federal Circuit faced an issue of first impression when an inventor challenged the constitutionality of the first-inventor-to-file provisions of the AIA, and by extension the AIA as a whole, under Article I, Section 8, Clause 8 of the United States Constitution in the case of MadStad Engineering, Inc. v. USPTO. While ruling against MadStad based on standing, and not on the constitutionality issue, the court gave some insight for a challenger to establish standing by showing a substantial risk of injury actually arising from the first-inventor-to-file*

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\* Christopher J. Ferrell, University of Washington School of Law, Class of 2015. Thank you to Professor Sean O'Connor from the University of Washington and Dan Crouse of the law firm of Lee & Hayes PLLC for their brilliant insight into the constitutionality of patent law and for their oversight of this Article.

*provision of the AIA. From the MadStad ruling, it is clear that the arguments of the constitutionality of the AIA’s first-inventor-to-file provisions are far from settled.*

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INTRODUCTION

Practitioners and academics alike have debated the constitutionality of the American Invents Act (“AIA”) since before it was signed into law on September 16, 2011.<sup>1</sup> Notably, some

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<sup>1</sup> See, e.g., Jonathan S. Massey, *Why First To File Is Unconstitutional*, in WHY H.R. 1249 IS UNCONSTITUTIONAL 1, 1 (2011), docs.piausa.org/112th-Congress%20(2011-2012)/Why%20H.R.%201249%20is%20Unconstitutional .pdf; Andrew L. Sharp, *Misguided Patent Reform: The Questionable Constitutionality of First-to-File*, 84 U. COLO. L. REV. 1227, 1253 (2013); John Burke, *Examining the Constitutionality of the Shift to “First Inventor to File” in the Leahy–Smith America Invents Act*, 39 J. LEGIS. 69, 87 (2013); Edward C. Walterscheid, *Priority of Invention: How the United States Came to Have a “First-to-Invent” Patent System*, 23 AIPLA Q.J. 263, 286 (1995); Eric P.

academics question the constitutionality of changing America’s first-to-invent patent system to a first-inventor-to-file patent system, bringing the United States in line with the rest of the world’s patent regimes.<sup>2</sup> They argue that the implementation provisions of the AIA do not comport with the original intent behind Article I, Section 8, Clause 8 of the United States Constitution (the “IP Clause”) and the legislative history and intent behind patent law in America.<sup>3</sup> A recent ruling by the Federal Circuit, *Madstad Engineering, Inc. v. U.S. Patent & Trademark Office*, enlightens the procedural context of the continuing debate as to whether certain provisions of the AIA are constitutional.<sup>4</sup> Although the Court ruled that MadStad lacked federal standing, a constitutional challenge to the AIA could be brought if one were to follow the Federal Circuit’s murky path, achieve standing, and maintain a cognizable argument for unconstitutionality.

In Part I, this Article sets out a brief historical backdrop of the Constitution’s IP Clause, explains how America came to have a first-to-invent patent system, and discusses who qualifies as a true “Inventor” under prior patent laws. Following the history of the IP Clause, Part II of this Article describes questions regarding the constitutionality of the AIA and arguments that the first-inventor-to-file provisions of the AIA are unconstitutional. In Part III, this Article explores the *MadStad* case, its facts, procedure, and eventual majority opinion. Ruling against MadStad on the standing issue, the Federal Circuit avoided the constitutional issues MadStad raised in its initial complaint. The Federal Circuit’s opinion invites discussion of how one can establish standing to challenge the AIA. Finally, Part IV of this Article discusses the ramifications of the *MadStad* ruling; the constitutionality of the first-inventor-to-file patent system; and practice pointers on how standing can be achieved and what, if any, constitutional

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Vandenburg, *America Invents Act: How It Affects Small Businesses*, 50 IDAHO L. REV. 201, 205 (2013); *see also* Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>2</sup> Dennis Crouch, *First-to-File versus First-Inventor-to-File*, PATENTLY-O (Dec. 11, 2009), <http://patentlyo.com/patent/2009/12/first-to-file-versus-first-inventor-to-file.html>.

<sup>3</sup> Burke, *supra* note 1, at 87.

<sup>4</sup> *Madstad Eng'g, Inc. v. USPTO*, 756 F.3d 1366 (Fed. Cir. 2014).

challenges can be sustained.

### I. BRIEF HISTORICAL BACKDROP: THE “IP CLAUSE” AND WHO QUALIFIES AS AN INVENTOR

Prior to the changes made by the AIA, the United States granted patent rights based on a first-to-invent system, whereby the first individual to conceive of a new invention and reduce it to practice received the patent.<sup>5</sup> In order to understand the new first-inventor-to-file system and its origins, it is helpful to briefly consider Article I, Section 8, Clause 8 of the United States Constitution and the historical definition of “Inventor.”

#### *A. Development of the IP Clause: Who is an “Inventor?”*

Article I, Section 8, Clause 8 (the “IP Clause”) of the Constitution states: “To promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.”<sup>6</sup> Some scholars have argued that the IP Clause is the only clause granting power to Congress that specifically provides the authorized means to accomplish the clause’s stated purpose.<sup>7</sup> Some scholars argue that, because common usage and Supreme Court precedent indicate that the term “Inventor” actually means the “first inventor,” Congress is only authorized to endow first inventors with patent rights.<sup>8</sup> Other scholars, however, believe that “to promote the Progress of Science and the Useful Arts” grants general power to Congress.<sup>9</sup> What, then, is the constitutional meaning of an “Inventor”? Moreover, has Congress properly

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<sup>5</sup> Vandenburg, *supra* note 1, at 205.

<sup>6</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>7</sup> Adam Mossoff, *The First-to-File Provision in H.R. 1249 is Unconstitutional: A Textual and Historical Analysis*, SANDRA DAY O’CONNOR COLLEGE OF LAW (2011), [http://homepages.law.asu.edu/~dkarjala/Patent/MossoffHR1249Unconstitutional\(2011\).pdf](http://homepages.law.asu.edu/~dkarjala/Patent/MossoffHR1249Unconstitutional(2011).pdf).

<sup>8</sup> Sharp, *supra* note 1, at 1243.

<sup>9</sup> Andrew M. Hetherington, *Constitutional Purpose and Inter-clause Conflict: The Constraints Imposed on Congress by the Copyright Clause*, 9 MICH. TELECOMM. & TECH. L. REV. 457, 507 (2003).

observed this in passage of the AIA?

The common usage of the word “inventor” generally refers to a first inventor, not the second individual to discover the same or similar idea.<sup>10</sup> In certain instances, however, “inventor” means anyone who brought the invention into another country, not necessarily the absolute first inventor in the world.<sup>11</sup> When the Constitution was drafted, “inventor” meant “one who produces something new; a deviser of something not known before.”<sup>12</sup> Only a first inventor can devise something not previously known; a second inventor does not produce anything new. Therefore, while a second inventor may rediscover an idea, he or she does not actually discover the idea.<sup>13</sup>

The Constitution was not the only enactment relating to patent rights in the early days of the Republic. In 1790, Congress passed the first patent act, which authorized patents for any person who “invented or discovered any useful art, manufacture, engine, machine, or device . . . not before known or used.”<sup>14</sup> Although certain congressional members believe that a first-to-invent system has been guaranteed by prior history, both the Supreme Court and Congress believe a first-inventor-to-file system brings the U.S. in line with the rest of the world. The Supreme Court has previously supported the idea that the first-to-invent system, which is different from other patent systems in place around the world, is constitutional.<sup>15</sup> But, does the first-inventor-to-file system comport with prior definitions and remain constitutional? Almost every other country in the world awards patents to the first individual to file for a patent without considering whether the potential patentee was actually the first to invent the particular subject matter for

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<sup>10</sup> Massey, *supra* note 1, at 2.

<sup>11</sup> Edward C. Walterscheid, *Patents and Manufacturing in the Early Republic*, 80 J. PAT. & TRADEMARK OFF. SOC'Y 855 (1998).

<sup>12</sup> *Id.*

<sup>13</sup> Sharp, *supra* note 1, at 1243.

<sup>14</sup> Patent Act of 1790, ch. 7, 1 Stat. 110 (1790).

<sup>15</sup> Burke, *supra* note 1, at 87 (acknowledging *Shaw v. Cooper*, 32 U.S. (6 Pet.) 292, 292 (1833) (“[I]t clearly appears, that it was the intention of the legislature, by a compliance with the requisites of the law, to vest the exclusive right in the inventor only . . .”).

which the patent is sought.<sup>16</sup> Thus, Congress felt the need to align the American patent system with the world's view of an "inventor."

*B. The Changing Landscape: The AIA and the "First-to-Invent" Patent Filing System*

The Supreme Court has given Congress wide latitude to define the patent system under the IP Clause.<sup>17</sup> The Court noted that, although the IP Clause "is both a grant of power and a limitation," Congress may "[w]ithin the limits of the constitutional grant . . . implement the stated purpose of the Framers by selecting the policy which in its judgment best effectuates the constitutional aim."<sup>18</sup> Although the Supreme Court has allowed Congress to define "inventor" to mean the first inventor to file, this does translate to a general prohibition against challenging the constitutionality of the AIA.

When Congress enacted the AIA, it defined an inventor as the individual who is the first inventor to file with the United States Patent and Trademark Office (USPTO). As Congress noted in the AIA, "converting the United States patent system from 'first to invent' to . . . 'first inventor to file' . . . [provides] inventors with greater certainty regarding the scope of protection provided by the grant of exclusive rights to their discoveries."<sup>19</sup> With potential patent holders worried that their inventions and proprietary information may be encroached upon, some have challenged Congress's way of thinking and questioned the legitimacy of the first-inventor-to-file system when legislative history, constitutional drafting, and case law have indicated otherwise.

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<sup>16</sup> *Id.* (quoting Vito J. DeBari, *International Harmonization of Patent Law: A Proposed Solution to the United States' First-to-File Debate*, 16 *FORDHAM INT'L L.J.* 687, 687–88 (1993)).

<sup>17</sup> Timothy R. Holbrook, *The Treaty Power and the Patent Clause: Are There Limits on the United States' Ability to Harmonize?*, 22 *CARDOZO ARTS & ENT. L.J.* 1, 7 (2004).

<sup>18</sup> *Id.*

<sup>19</sup> Leahy–Smith America Invents Act, Pub. L. No. 112-29, § 3(o), 125 Stat. 284, 293 (2011) (codified at 35 U.S.C. § 100).

## II. SCHOLARLY CRITICISM OF THE AIA’S CONSTITUTIONALITY

Beyond the arguments that the AIA does not comport with the IP Clause of the Constitution, other scholars have argued that the AIA is unconstitutional under the Fifth Amendment’s Takings Clause. In his article *Misguided Patent Reform: The Questionable Constitutionality of First-to-File*, Andrew L. Sharp argues that the AIA’s constitutionality can be challenged under the Fifth Amendment’s Takings Clause.<sup>20</sup> The Takings Clause states that “private property [shall not] be taken for public use, without just compensation.”<sup>21</sup> The argument goes as follows: although the Takings Clause traditionally applies to eminent domain seizures, it also prevents the government from taking any constitutionally-protected private property without just compensation.<sup>22</sup> The Takings Clause has four elements: (1) an individual must have private property; (2) the government must take the private property; (3) the taking must be without just compensation; and (4) the taking must be in the public interest.<sup>23</sup>

When the Patent Office awards patent rights to an individual other than the first inventor, it allows that individual to prevent the first inventor from using their invention. Ultimately, “whatever invention [an inventor] may thus conceive and perfect is his individual property.”<sup>24</sup> Using the Supreme Court’s reasoning from *Ruckelshaus v. Monsanto*,<sup>25</sup> Sharp argues that patentable inventions are private property because those inventions possess many elements of real property.<sup>26</sup>

Sharp also analogizes to the “real property” aspects of patentable intentions. Citing *Phillips v. Washington Legal*

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<sup>20</sup> See Sharp, *supra* note 1, at 1248 (arguing that the Takings Clause prevents the government from taking an inventor’s private property without compensation and for the public use).

<sup>21</sup> U.S. CONST. amend. V.

<sup>22</sup> Sharp, *supra* note 1, at 1248 (citing *United States v. Willow River Power Co.*, 324 U.S. 499, 502 (1945)).

<sup>23</sup> *Kelo v. City of New London*, 545 U.S. 469, 496–97 (2005).

<sup>24</sup> Sharp, *supra* note 1, at 1250 (quoting *Solomons v. United States*, 137 U.S. 342, 346 (1890)).

<sup>25</sup> 467 U.S. 986 (1984).

<sup>26</sup> Sharp, *supra* note 1, at 1249–54.

*Foundation*,<sup>27</sup> Sharp notes that the Supreme Court held that “a State may not sidestep the Takings Clause by disavowing traditional property interests long recognized under state law.”<sup>28</sup> As Sharp summarizes, because the Fifth Amendment applies equally to the state and federal governments, the reasoning in *Phillips* would also prohibit the federal government from taking first inventors' property via congressional action.<sup>29</sup> Thus, Congress cannot simply revoke the Fifth Amendment protection that first inventors enjoy in patentable inventions. This revocation creates an unconstitutional “taking.” While this argument has yet to gain traction in federal court, it remains a potential ground for challenging the AIA.

### III. FACTS AND RULINGS OF *MADSTAD ENGINEERING V. USPTO*

#### *A. Facts*

Mark Stadnyk is an inventor and the holder of three patents. Stadnyk's company, MadStad Engineering, Inc., is a Florida corporation that developed and marketed Stadnyk's inventions.<sup>30</sup> Together, Stadnyk and MadStad Engineering, Inc., (collectively “MadStad”) challenged the constitutionality of the AIA because, allegedly, they had to “maintain heightened security around potential inventions,” which increased business costs, including costs resulting from maintaining security against computer hackers who allegedly sought information about ideas that were “close to patentability.” MadStad claimed that it invested substantially in “hardware firewalls, . . . encryption software, . . . and the IT expertise to install and manage [those systems],” and also had to invest in additional equipment and facilities to produce, manufacture, and execute prototypes “increasing time and effort and higher costs relating to patent applications” costing

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<sup>27</sup> 524 U.S. 156, 164 (1998).

<sup>28</sup> Sharp, *supra* note 1, at 1252.

<sup>29</sup> *Id.* at 1253.

<sup>30</sup> *Madstad Eng'g, Inc. v. USPTO*, No. 8:12-CV-1589-T-23MAP, 2013 WL 3155280, at \*1 (M.D. Fla. May 8, 2013).

approximately \$3,500.00.<sup>31</sup> MadStad claimed the AIA’s new first-inventor-to-file system imposes a burden of maintaining heightened secrecy around potential inventions until a patent application is filed, as “much of today’s intellectual property . . . is created on or stored on computers, virtually all of which are connected to the Internet . . . . Since the [AIA] no longer concerns itself with actual inventorship, the new law makes it attractive and profitable for computer hackers to steal IP and file it as their own or to sell it to the highest bidder.”<sup>32</sup>

MadStad sued the United States, the USPTO, and the Director of the USPTO (collectively the “Defendants”), claiming the AIA was unconstitutional and violated the IP Clause because “Congress [was] not authorized to award patents to the winners of the race to file at the USPTO.” MadStad sought injunctive and declaratory relief.<sup>33</sup> The Defendants challenged MadStad’s standing to sue and filed a motion to dismiss.

### B. Rulings

#### 1. District Court Rules Against MadStad: The Uphill Climb Begins

At the district court level, the Defendants attacked MadStad’s standing to sue the USPTO and claim that the AIA was unconstitutional. In order to establish standing, a plaintiff must assert facts showing that, at the moment of the filing of the suit, “the plaintiff suffers from a *concrete and imminent injury in fact* (1) that results from the invasion of a legally protected interest, (2) that is causally and fairly traceable to the defendant’s challenged conduct, and (3) that a favorable judicial determination likely will redress.”<sup>34</sup> These three factors “constitute the core of Article III’s case-or-controversy requirement, and the party invoking federal

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<sup>31</sup> *Id.* at \*1–2.

<sup>32</sup> *Id.*

<sup>33</sup> *Id.*

<sup>34</sup> *Id.* (emphasis added) (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555 (1992)).

jurisdiction bears the burden of establishing its existence.”<sup>35</sup>

MadStad argued that it suffered four “concrete injuries” from the enactment of the AIA: (1) the burden of maintaining heightened security protocols; (2) the need to maintain additional equipment to expedite product development; (3) the increased time and effort caused by the need to file additional patent applications; and (4) lost business and investment opportunities caused by the “chilling effect” of the AIA.<sup>36</sup> The Defendants argued that MadStad’s harms were not actual or imminent (not “certainly impending”) and were partially within MadStad’s control.<sup>37</sup>

After analyzing both sides’ arguments, the district court discussed *Clapper v. Amnesty International USA*, the Supreme Court’s then-current directive on Article III standing.<sup>38</sup> In *Clapper*, the Supreme Court reversed a judgment of the Second Circuit Court of Appeals but agreed that, under Article III, an injury must be “concrete, particularized, and actual or imminent.”<sup>39</sup> The *MadStad* district court stated that “imminence is concededly . . . an elastic concept, it cannot be stretched beyond its purpose, which is to ensure that the alleged injury is not too speculative for Article III purposes . . . . [T]hreatened injury must be *certainly impending* to constitute injury in fact . . . . [A]llegations of *possible* future injury” are insufficient.<sup>40</sup> The district court in *MadStad* then recounted the injuries pled by the plaintiffs in *Clapper*, which included heightened travel costs for fear of government monitoring of personal conversations under the Foreign Intelligence Surveillance Act (FISA), and noted that the Supreme Court determined that the “highly attenuated chain of possibilities present[ed] no prospect of a ‘certainly impending’ injury to the plaintiffs.”<sup>41</sup> Finally, the *MadStad* court further emphasized that,

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<sup>35</sup> *Id.* at \*3.

<sup>36</sup> *Id.* at \*2–3.

<sup>37</sup> *Id.*

<sup>38</sup> *Clapper v. Amnesty Int’l USA*, 133 S. Ct. 1138 (2013). The case of *Susan B. Anthony List v. Driehaus*, 134 S. Ct. 2334 (2014), the Supreme Court’s new directive on standing, was not decided until 2014.

<sup>39</sup> *Clapper*, 133 S. Ct. at 1140 (quoting *Monsanto Co. v. Geertson Seed Farms*, 130 S. Ct. 2473, 2474 (2010)).

<sup>40</sup> *Clapper*, 133 S. Ct. at 1147.

<sup>41</sup> *Id.* at 1148.

although the *Clapper* plaintiffs contended that they had standing because of costs incurred due to the reasonable risk of harm, the plaintiff’s costs were a form of “self-inflicted injuries” that were not “fairly traceable” to the claim.<sup>42</sup>

The district court then compared the facts of *Clapper* to Madstad’s case. The *MadStad* court believed that, although the two cases had remarkably different fact patterns, there were some similarities: each plaintiff tested the constitutionality of a statute, and each plaintiff triggered an especially rigorous inquiry into the qualifications for his standing. Further, both plaintiffs responded to a perceived need to expend money to avoid “entirely hypothetical consequences of legislation,” that is, “the plaintiffs expended funds . . . in response to conjectural events . . . controlled entirely by the judgment and discretion of the plaintiffs.”<sup>43</sup> Relying on *Clapper*, the district court held that MadStad did not have standing, and granted the Defendants’ motion to dismiss.

## 2. Federal Circuit Hearing: No Rest for MadStad

Madstad appealed the dismissal and requested that the Federal Circuit declare the AIA unconstitutional.<sup>44</sup> The Federal Circuit affirmed the lower court’s ruling and did not address the constitutionality argument.<sup>45</sup>

### a. Federal Circuit jurisdiction

In the Federal Circuit’s opinion, the court first discussed whether it was authorized to hear the case under Article III. The court held that, based on previous Supreme Court rulings, the court’s jurisdiction was proper because (1) a resolution of the constitutional challenge would require the court to interpret the terms “inventor” and “first-inventor-to-file” under the AIA and to assess the interactions between those terms and the use of those terms in the IP Clause in the Constitution; and (2) both parties’

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<sup>42</sup> *Id.* at 1152.

<sup>43</sup> *MadStad Eng’g*, 2013 WL 3155280, at \*5.

<sup>44</sup> *MadStad Eng’g v. USPTO*, 756 F.3d 1366, 1367 (2014).

<sup>45</sup> *Id.* at 1380.

briefs made clear that the definitional matters were at the heart of the dispute—precisely the type of issue the Supreme Court has classified as substantial in the relevant sense, as defined by its “importance of the issue to the federal system as a whole.”<sup>46</sup> Further, the court emphasized that Congress placed appeals for constitutional inquiries involving patents “within the province of the Federal Circuit.”<sup>47</sup>

b. MadStad’s failed standing arguments

The court next addressed MadStad’s standing to sue. The court recounted the minimum standing requirements, described above.<sup>48</sup> It then recounted the lower court’s reliance on *Clapper* and agreed with the lower court that an “acutely attenuated concatenation of events” was required for MadStad to actually suffer any injury traceable to the AIA.<sup>49</sup>

MadStad made no argument that was persuasive to the Federal Circuit. The court analyzed all four of MadStad’s alleged injuries: the increased risk of computer hacking, the increased time and effort to file additional patent applications, the competitive disadvantage relative to competitors, and the lost business and investment opportunities.<sup>50</sup> The court found none of those injuries sufficient to reverse the lower court’s ruling that MadStad did not have standing.<sup>51</sup>

MadStad claimed it suffered redressable injury because it already expended money to enhance cyber security in response to an alleged increase in computer hacker threats.<sup>52</sup> The court stated “the mere fact that MadStad, like all other people and companies, faces cyber threats does not create standing . . . MadStad [cited] statistics that indicate hacking was a growing threat well *before the*

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<sup>46</sup> *Id.* at 1371 (quoting *Gunn v. Minton*, 133 S. Ct. 1059, 1066 (2013)).

<sup>47</sup> *Id.*

<sup>48</sup> *Id.* (quoting *Monsanto Co. v. Geertson Seed Farms*, 561 U.S. 139, 149 (2010)).

<sup>49</sup> *Id.* at 1373 (quoting *MadStad Eng’g*, 2013 WL 3155280, at \*6).

<sup>50</sup> *Id.* at 1373–78.

<sup>51</sup> *Id.*

<sup>52</sup> *Id.*

*AIA was even enacted.*”<sup>53</sup> The court discussed this point, finding that there was nothing in the record to suggest that the AIA would cause hackers to launch attacks that MadStad’s old security system could not handle and concluded that MadStad’s assumptions did not create standing.<sup>54</sup>

Turning to the argument that MadStad had to increase its time and effort to file additional patent applications, the court analyzed whether MadStad had suffered actual or imminent injury because of the AIA.<sup>55</sup> MadStad claimed that Stadnyk would be forced to move the invention process more quickly and file applications earlier than he might otherwise desire. The Defendants argued that MadStad had not filed any patent applications after the AIA was enacted, and that Stadnyk’s patents would still have to traverse the patent application process.<sup>56</sup> While the court did not necessarily agree with the Defendant’s arguments, it agreed that MadStad did not establish standing based on “[MadStad’s] fear of being forced into filing a patent application . . . .”<sup>57</sup> Quoting *Lujan v. Defenders of Wildlife*, the court found MadStad did not provide enough evidence to meet the “concrete, particularized, and actual or imminent injury requirement.”<sup>58</sup>

For Madstad’s final two arguments—the competitive disadvantage relative to competitors and the lost business and investment opportunities—the court found MadStad’s concerns too “speculative and generalized” to meet the injury requirement.<sup>59</sup> MadStad argued that it would have to create in-house development and testing centers to compete with larger companies that have resources to protect their inventions.<sup>60</sup> However, the court noted

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<sup>53</sup> *Id.* at 1374.

<sup>54</sup> *Id.* (comparing to *Clapper v. Amnesty Int’l USA*, 133 S. Ct. 1138, 1148 (2013)).

<sup>55</sup> *Id.* at 1375.

<sup>56</sup> *Id.*

<sup>57</sup> *Id.* at 1376.

<sup>58</sup> *Id.* at 1377 (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 564–65 (1992) (“[P]rofessions of ‘some day’ intentions without any description of concrete plans or indeed even any specification of when that some day will be do not support a finding of the ‘actual or imminent injury.’”)).

<sup>59</sup> *Id.* at 1377.

<sup>60</sup> *Id.* at 1378.

that this would require too many assumptions to connect the injury to the enactment of the AIA; MadStad had not shown that it actually had set up research facilities in response to the AIA, or that it was engaged in a research project that would use such facilities.<sup>61</sup> Finally, the court was not persuaded by MadStad's argument that non-disclosure agreements (put in place to combat theft) would dissuade potential investment opportunities, creating an actual or imminent injury sufficient to establish standing.<sup>62</sup>

c. *Clapper* as appropriate precedent

After finding that MadStad had failed to establish standing under the standard set forth in *Clapper*, the court addressed MadStad's challenge to the district court's reliance on *Clapper*. MadStad tried (and failed) to persuade the court that *Clapper*'s plaintiffs were not directly affected by the act they brought suit under (the FISA), and that the facts of *Clapper* in no way conformed to the facts in the current case.<sup>63</sup> While the court agreed with MadStad's argument, it concluded that many of the general standing principles set forth in *Clapper* were "enlightening and . . . controlling."<sup>64</sup> Much like the plaintiffs in *Clapper*, MadStad "present[ed] no concrete evidence to substantiate their fears, but instead rest[ed] on mere conjecture about possible government action."<sup>65</sup> MadStad provided no concrete evidence the enactment of the AIA would increase IP theft, and "MadStad [did] not allege or present evidence that anyone [was] trying to actively steal its IP because of the AIA."<sup>66</sup>

MadStad also argued that the court should apply the standing analysis employed by the Supreme Court in *Susan B. Anthony List v. Driehaus*.<sup>67</sup> In *Driehaus*, the Court articulated a separate

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<sup>61</sup> *Id.*

<sup>62</sup> *Id.*

<sup>63</sup> *Id.* at 1381.

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.* at 1379–80.

<sup>67</sup> 134 S. Ct. 2334 (2014).

standard for the threat of impending injury.<sup>68</sup> The Court, citing *Clapper*, stated that a “challenger need not expose himself to . . . prosecution to challenge a statute so long as the threat of arrest or prosecution is sufficiently ‘credible’ . . . . [A]n allegation of future injury may suffice if the threatened injury is ‘certainly impending’ or there is a ‘substantial risk’ harm will occur.”<sup>69</sup> The *Madstad* court, unpersuaded by the potential of other tests for standing based on different factual circumstances, held *Clapper* applied to *Madstad* and affirmed the district court’s ruling.<sup>70</sup>

#### IV. CONCLUSION

Despite finding that *Madstad* lacked standing, the court by no means closed the door to a constitutional attack on the AIA. This, of course, is as long as one achieves standing under Article III and competently challenges the constitutionality of the AIA.

While the plaintiffs in *Madstad* failed to establish standing due to lack of cognizable injury, future plaintiffs could do a few things to overcome this particular hurdle. In order to achieve standing under the *Clapper* standard (and to an outside extent the *Driehaus* standard), plaintiffs must present a substantial risk that harm will occur *because of* the enactment of the challenged congressional act. Based on the Federal Circuit’s opinion, a plaintiff would need to show that, because of the AIA, he or she has been harmed and the offending party has (1) stolen the potentially patentable idea and attempted to patent that idea; (2) hacked a patent holder’s data systems and taken potential proprietary information for the purpose of being the first inventor to file an invention; or (3) caused concrete injury because of the illegal decisions of independent actors stemming from the enactment of the AIA. Of course, any person filing a patent under the AIA is still subject to certain statutory requirements.<sup>71</sup> Beyond the statutory provisions, a

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<sup>68</sup> *Id.* at 2342–43.

<sup>69</sup> *Madstad Eng’g*, 756 F.3d at 1380 (quoting *Susan B. Anthony List*, 134 S. Ct. at 2340–41).

<sup>70</sup> *Id.* at 1381.

<sup>71</sup> A patent applicant must adhere to the Oath and Declaration requirement under §115(b) of the AIA (stating they are the original inventor) and is subject

plaintiff could bolster their standing to sue outside of the AIA's provisions by showing harm similar to the *Clapper* standard: an injury that is "concrete, particularized, and actual or imminent."<sup>72</sup> This could include: (1) evidence of harm arising out of the enactment of the AIA, including the harms listed above; (2) a suffering of current injury; or (3) a patentable invention or a patent ready for filing.

If a plaintiff can establish standing, they would be able to argue that the AIA's first-inventor-to-file provision is unconstitutional under the IP Clause or the Takings Clause. Thus, "the door remains open for a challenger to attempt to establish standing by demonstrating its alleged harms are 'certainly impending' through factual circumstances that support a 'substantial risk' of injury flowing from the statutory requirement."<sup>73</sup>

#### PRACTICE POINTERS

- *MadStad* did not close the door to a constitutional challenge of the AIA's first-inventor-to-file provisions.
- To establish standing when challenging the constitutionality of the AIA's first-inventor-to-file provisions, practitioners should closely follow the standards set forth in *Clapper*, and to a lesser extent, *Driehaus*, and establish: a sufficiently "credible" allegation of future injury if the threatened injury is "certainly impending" or there is a "substantial risk" harm will occur.
- A plaintiff could bolster their standing to sue by showing (1) evidence of harm arising out of the enactment of the AIA; (2) a suffering of current injury; and (3) a patentable invention or a patent ready for filing.

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to the AIA's §135 Derivation Proceedings if another inventor believes they were indeed the first person to invent.

<sup>72</sup> *Clapper v. Amnesty Int'l USA*, 133 S. Ct. 1138, 1148 (2013).

<sup>73</sup> Natalie A. Bennett, *Federal Circuit Sidesteps Constitutionality of AIA First-to-File Provision*, NAT'L L. REV. (Aug. 29, 2014), <http://www.natlawreview.com/article/federal-circuit-sidesteps-constitutionality-america-invents-act-aia-first-to-file-pr>.