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# Federal Circuit Patent Bulletin: *MadStad Eng'g, Inc. v. U.S. Patent & Trademark Office*

July 1, 2014

*"[F]iling and losing a derivative action is [not] a necessary prerequisite to standing to challenge the first-inventor-to-file provision of the AIA; [but we] do not define exactly what steps a would-be patent applicant would need to undertake to establish standing . . . ."*

On July 1, 2014, in *MadStad Eng'g, Inc. v. U.S. Patent & Trademark Office*, the U.S. Court of Appeals for the Federal Circuit (Newman, O'Malley,* Wallach) affirmed the district court's dismissal for lack of standing in MadStad's suit seeking a declaration that the "first-inventor-to-file" provision of the Leahy-Smith America Invents Act (AIA), Pub. L. No.112-29, § 3, 125 Stat. 284, 285-294 (2011) is unconstitutional. The Federal Circuit stated:

The Supreme Court has not had occasion to determine whether a claim attacking the constitutionality of an Act of Congress relating to patents is one arising under that Act of Congress within the meaning of 28 U.S.C. § § 1295 and 1338. [W]e conclude that jurisdiction over this appeal lies properly in this court. [T]o the extent Congress has attempted to "balance" the matters committed to the jurisdiction of this court and those committed to the regional circuits, we believe that balance would be upset by placing jurisdiction over interpretations of the AIA and an assessment of its constitutional validity in the hands of any circuit other than this one.

Although we have statutory jurisdiction over its appeal, MadStad must have standing under Article III to assert that claim before we may reach the merits. To satisfy the minimum standing requirements of Article III, a party must demonstrate an injury in fact that is: (1)"concrete, particularized, and actual or imminent"; (2) "fairly traceable to the challenged action"; and (3) "redressable by a favorable ruling." The party invoking federal jurisdiction has the burden of establishing each of these elements. . . .

[T]he district court found that, in order for MadStad to actually suffer any injury fairly traceable to the AIA, an "acutely attenuated concatenation of events" was required. Based on this finding, the district court determined that MadStad failed to prove that any injury was actual or imminent [and] and therefore lacked standing to challenge the constitutionality of the AIA. . . . We review each of MadStad's alleged injuries in turn to determine whether they are sufficient to support the minimum requirements for Article III standing, individually or collectively.

MadStad alleges that it has been forced to increase its computer security because the AIA has made it more attractive and profitable for computer hackers to steal IP and file their own patents. Because MadStad claims it has already expended money to enhance its security in response to this alleged increased threat, it argues that it has suffered redressable injury directly caused by the AIA. The district court found that this scenario was too farfetched because it assumes too much. . . . In order to establish standing, the injury must be, inter alia, "fairly traceable to the challenged action." . . . The mere fact that MadStad, like all other people and companies, faces cyber threats does not create standing. In fact, MadStad cites statistics that indicate hacking was a growing threat well before the AIA was even enacted. . . . MadStad failed to establish standing arising from the alleged increased risk of hacking caused by the AIA or any expenditures MadStad may have made in cyber security because of that perceived risk. . . .

MadStad has not asserted that he has filed any recent patent applications (i.e., after the March 16, 2013 effective date of the first-inventor-to-file provision) and does not point to any particular invention he claims is ready for patenting. . . . While we are not prepared to accept the Government's characterization of what MadStad would need to show to establish standing—and specifically do not agree that filing and losing a derivative action is a necessary prerequisite to standing to challenge the first-inventor-to-file provision of the AIA—we conclude that, on the record before us, MadStad has not established standing based on its fear of being forced into filing a patent applicationsooner than it would prefer or would normally do. . . . We do not define exactly what steps a would-be patent applicant would need to undertake to establish standing to challenge the first-inventor-to-file provision of the AIA. . . .

MadStad contends that the AIA forces small entities to develop and test their products in-house because sending developing products to outside vendors exposes them to IP theft. This requires small companies to divert some of their limited resources to set up and maintain these inhouse development and testing centers, which larger competitors already have in place. [W]e find MadStad's concerns too speculative and generalized to meet the "concrete, particularized, and actual or imminent" injury requirement. . . .

MadStad also alleges standing because the AIA inhibits it from sharing ideas with potential partners and investors, causing lost business and investment opportunities. [O]n this record, MadStad has failed to show actual or imminent injury for lost business and investment opportunities.