

THE PTAB REVIEW

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Nothing Personal: Supreme Court Says Feds Lack Post-Grant Standing

With post-grant trials passing their seventh anniversary, the courts are still working out the kinks. The U.S. Supreme Court has already provided clarification in four cases. In *Cuozzo*, the Court held that the Patent Trial and Appeal Board (PTAB) could use a claim-construction standard that the board subsequently stopped using. In two opinions issued on the same day in 2018, the Court paradoxically decided that the board must address all challenged claims (*SAS*), explaining that post-grant patent reviews are like private litigation in that the petition (like the complaint) governs the scope of the proceeding, and that the board (not just courts) can cancel a patent claim (*Oil States*) because post-grant patent reviews are more like an agency revisiting its own decision to grant the patent than private litigation between parties. The latest decision, *Return Mail, Inc. v. U.S. Postal Serv.*, 587 U.S. —, 139 S. Ct. 1853 (2019), turned on whether the federal government is a person.

Return Mail, Inc. owns a patent to a method of mail processing. When it asserted its patent against the United States Postal Service, the government responded by petitioning for a covered business method (CBM) review, a form of post-grant patent review at the board. CBM reviews differ from other post-grant patent reviews in several ways, including that their statutory authorization sunsets in 2020 and they require that the petitioner to have been sued for infringement. The federal government, in turn, differs from other petitioners: it is not facially a person, and it cannot be sued for infringement. Instead, a patent owner must enforce its patent against the federal government in a special proceeding under 28 U.S.C. § 1498(a) in the Court of Federal Claims. Return Mail capitalized on these differences in challenging the Postal Service's standing to petition for CBM review. By statute, a petitioner must be a "person" other than the patent owner. The Federal Circuit concluded that the federal government is a person for purposes of post-grant patent reviews; the Supreme Court disagreed.

Significantly, Congress provides a definition of "person" in the Dictionary Act (1 U.S.C. 1). The definition includes entities that are not facially persons, such as corporations, but does not include the federal government, implying that Congress does not consider the government a person. Courts also look to statutory context, but the Patent Code (35 U.S.C.) does not uniformly treat the government as a person, again supporting an inference that Congress did not intend to include the government. Finally, specifically for CBMs, there is the problem that the federal government is not sued for infringement, but rather sued under a parallel process that only provides a limited waiver of the federal government's sovereign immunity (for example, it cannot be enjoined). The Supreme Court, in an opinion by Justice Sonia Sotomayor, joined by Chief Justice John Roberts and Justices Clarence Thomas, Samuel Alito, Neil Gorsuch, and Brett Kavanaugh, explained that collectively these considerations undercut the government's claim to be a person for purposes of filing a CBM petition. The dissenting opinion by Justice Stephen Breyer, joined by Justices Ruth Bader Ginsburg and Elena Kagan countered the textualist approach of the majority with the purposive argument that allowing the federal government to petition for post-grant review vindicates core goals of the legislation by allowing the United States Patent and Trademark Office (USPTO) to review its own work.

The ruling is a win for patent owners in technologies of interest to the federal government because a large potential challenger has lost a tool for canceling patent claims. More broadly, at least two aspects of the decision may affect the course of other issues percolating up to the Supreme Court.

First, the majority and dissent relied, respectively, on *SAS* and *Oil States*. The fact that the *SAS* (private litigation) view prevailed this time may have implications for other cases working their way through judicial review.

In This Issue

Nothing Personal: Supreme Court Says Feds Lack Post-Grant Standing .. Page 1

Article III Standing: A Critical Prerequisite for Appellate Review Page 2

Update on PTAB's Discretionary Institution Denials..... Page 3

PTAB Issues 2019 Update to Trial Practice Guide Page 4

Anti-Vaxxers Prevail: Immunity Not Effective in IPRs..... Page 5

(continued on page 2)

A second implication comes from the fact that the Department of Justice (DOJ) represents the federal government in judicial review of federal agency decisions, including board decisions. While the DOJ considers individual agency positions, it arguably gives greater weight to the views of other DOJ units, such as the Antitrust Division or the Civil Division. A non-DOJ agency with policy responsibility in the relevant area does not always prevail. For example, in the Supreme Court's *Mayo* decision, the DOJ successfully advocated to limit patent eligibility despite long-standing contrary USPTO practice that had resulted in the issuance of thousands of patents. If the DOJ's Civil Division can no longer use post-grant patent reviews in its own cases, the DOJ might be more willing to compromise post-grant patent reviews in favor of other policy interests.

Congress has several bills pending to amend the Patent Code, and could easily opt to undo the *Return Mail* decision by including the federal government as an eligible petitioner. Because post-grant reviews arguably provide a cost-effective option to prevent awards of federal funds to owners of dubious patents, *Return Mail* may prove to be short-lived.

Article III Standing: A Critical Prerequisite for Appellate Review

Because the America Invents Act of 2011 (AIA) authorizes any "person who is not the owner of a patent" to file an AIA review petition, *Return Mail* (just discussed) is a rare exception to the rule that most anyone can file an AIA petition.¹ Despite broad statutory language providing appeal rights in an *inter partes* review (IPR) to any "party dissatisfied with the final written decision,"² an appeal may proceed only if at least one appellant can demonstrate it has Article III standing. Indeed, the Supreme Court has long held that a party invoking federal court jurisdiction must establish that it has standing under Article III of the U.S. Constitution. This requires that the party seeking judicial relief establish that 1) it has suffered or will suffer an injury in fact that is both concrete and particularized and also actual or imminent; 2) this injury is fairly traceable to the challenged conduct of the adverse party; and 3) the injury is likely to be redressed by a favorable judicial decision.³ The Federal Circuit has repeatedly dismissed petitioners' appeals of adverse final written decisions for lack of Article III standing unless the petitioner demonstrates it already has been, or imminently will be, accused of infringing the challenged patent.

The Federal Circuit announced in *JTEKT Corp. v. GKN Automotive Ltd.*, that "typically in order to demonstrate the requisite injury in an IPR appeal, the appellant/petitioner must show that it is engaged or will likely engage 'in an[] activity that would give rise to a possible infringement suit.'"⁴ The court explained that "where a party relies on potential infringement liability as a basis for injury in fact . . . it must establish that it has concrete plans for future activity that creates a substantial risk of future infringement or likely [will] cause the patentee to assert a claim of infringement."⁵ Although the petitioner submitted evidence that it was in competition with the patent owner and had a product in development that it said created a "potential risk" of an infringement suit, the court held the petitioner lacked standing because the petitioner asserted that it may change its product design to avoid infringement liability, making the "potential risk of infringement . . . impossible to quantify."⁶ The Supreme Court denied a petition for certiorari.

In contrast, the Federal Circuit found a petitioner had established injury-in-fact where the petitioner publicly announced plans to build a plant to produce a specific product, the petitioner disclosed in the IPR the planned manufacturing process to be used at the plant, and the patent owner argued in the IPR that the petitioner's process copied the patent and refused to grant a covenant not to sue.⁷ The court held that the petitioner's concrete manufacturing plans established an injury-in-fact sufficient to invoke Article III jurisdiction over the appeal of the IPR decision.⁸

Absent a likelihood of an actual and imminent infringement dispute between the parties, the Federal Circuit is reluctant to find Article III standing. In *Phigenix, Inc. v. ImmunoGen, Inc.*, the court rejected Phigenix's injury-in-fact argument that its patent was essentially in competition with the challenged patent.⁹ Phigenix argued that its intended licensee was a current licensee of the patent owner and would be more likely to license the Phigenix patent if it no longer needed to license the challenged patent.¹⁰ The court rejected the argument, finding Phigenix failed to prove anyone would license Phigenix's patent if the challenged claims were cancelled.¹¹

¹ 35 U.S.C. §§ 311(a), 321(a); see AIA § 18(a)(1)(B).

² 35 U.S.C. § 319.

³ *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560-61 (1992).

⁴ 898 F.3d 1217, 1220 (Fed. Cir. 2018) (alteration in original) (quoting *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1262 (Fed. Cir. 2014)).

⁵ *Id.* at 1221.

⁶ *Id.* (citation omitted).

⁷ *E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996, 1003-05 (Fed. Cir. 2018).

⁸ *Id.*

⁹ 845 F.3d 1168, 1171-76 (Fed. Cir. 2017).

¹⁰ *Id.* at 1174.

¹¹ *Id.* at 1174-76.

(continued on page 3)

The Federal Circuit has since rejected the argument that a petitioner who was engaged in a patent war with the patent owner had an injury-in-fact based on the competitor's expectation that the patent owner likely would assert that patent as part of their conflict.¹² The Federal Circuit also has rejected an argument that the cost incurred by a direct competitor of the patent owner to ensure its new product designs do not practice the claims of the challenged patent was a sufficient injury-in-fact to generate Article III standing.¹³ The court found the petitioner lacked standing because it failed to establish its customers demanded a product covered by the challenged claims and failed to provide an accounting for costs expended to design around the challenged patent.¹⁴ In contrast, the Federal Circuit held that a patent owner need not establish concrete plans to sue anyone for infringement to appeal an adverse final written decision, even one addressing an expired patent.¹⁵

Petitioners who fail to demonstrate Article III standing not only face the prospect of the Federal Circuit refusing to provide appellate review of a final written decision, but also of being permanently prevented from attacking the validity of the challenged patent based on prior art or arguments it raised or could have raised in the IPR if it is later sued for infringement.¹⁶ The Federal Circuit has repeatedly held that the immediate estoppel effect of an adverse final written decision is insufficient to create Article III standing absent an imminent threat of an infringement lawsuit.¹⁷ The potential consequence of a petitioner being statutorily estopped by a decision which it had no chance to appeal has led at least some Federal Circuit judges to question whether there is an unwritten exception to the estoppel statute for petitioners who are denied the appellate review provided by the AIA.¹⁸ Future cases likely will answer the question whether statutory estoppel applies to final written decisions where appellate review is unavailable.

Update on PTAB's Discretionary Institution Denials

The board has long exercised discretion to deny institution of AIA reviews regardless of the merits of an AIA challenge. The board subsequently expanded its use of this discretion.

The board's 2017 precedential *General Plastic* decision¹⁹ listed several factors the board evaluates in using its discretionary denial power, including 1) whether the same petitioner previously filed a petition against the same claims; 2) whether the petitioner knew or should have known of the art asserted in the second petition at the time of the first petition; 3) whether the petitioner had already received the patent owner preliminary response or the board's institution decision for the first petition before filing the second petition; 4) how much time elapsed between learning of the prior art in the second petition and the filing of the second petition; 5) whether the petition explains the time elapsed between the two petitions; 6) the finite resources of the board; and 7) the board's obligation to complete the review within one year of institution. The board uses these factors to balance the interest of a petitioner in being heard against "undue inequities and prejudices to Patent Owner."²⁰ Another concern is that petitioners would "strategically stage" multiple petitions, "using [Board] decisions as a roadmap" and that this would be an "inefficient" use of board resources.²¹

Since *General Plastic*, the board has made clear that discretionary denial is not limited to follow-on petitions by the same petitioner, and can include situations when parallel district court litigation is already in an advanced stage. For example, in May 2019, the board designated precedential a decision denying institution in part because the "same issues . . . will be resolved" at the district court prior to the conclusion of any PTAB trial.²² In another case, the board refused to exercise discretionary denial based on doubts the district court trial would finish before the IPR.²³ In another, discretionary denial was not used because the board said that a concurrent ITC proceeding would have "no preclusive effect."²⁴

Discretionary denial was newly extended to instances where multiple petitions were filed simultaneously against a single patent. In June 2019, when faced with six IPR petitions filed simultaneously against one patent, the board ordered the petitioner to rank the petitions "in the order in which it wishes the panel to consider the merits."²⁵ After receiving the petitioner's rankings, the board instituted one petition and denied the remainder without addressing their merits.^{26 27} Discretionary denial has also been used when only two petitions were filed against the same patent, the board instituting only a single review after ordering the petitioner to rank the petitions. This practice has been embraced in the most recent update to the Trial Practice Guide,²⁸ discussed below.

¹² *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357, 1360-61, 1363-67 (Fed. Cir. May 13, 2019).⁹ *Id.* at 1221.

¹³ *Gen. Elec. Co. v. United Techs. Corp.*, No. 2017-2497, 2019 U.S. App. LEXIS 20405 (Fed. Cir. July 10, 2019).

¹⁴ *Id.* at *9-10.

¹⁵ *Sony Corp. v. Iancu*, 924 F.3d 1235, 1238 n.1 (Fed. Cir. 2019).

¹⁶ 35 U.S.C. § 315(e).

¹⁷ *Phigenix*, 845 F.3d at 1175; *JTEKT*, 898 F.3d at 1221; *GE*, 2019 U.S. App. LEXIS 20405, at *10.

¹⁸ See *AVX Corp. v. Presidio Components*, 923 F.3d 1357, 1363 (Fed. Cir. 2019).

¹⁹ *Gen. Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357, -01358, -01359, -01360, -01361, Paper 19 (precedential).

²⁰ *Id.* at 17.

²¹ *Id.* at 17-18.

²² *NHK Spring Co., Ltd. v. Intri-Plex Technologies, Inc.*, IPR2018-00752, Paper 8 at 11-20. The board's non-institution decision, however, was also based on its conclusion that similar art or arguments had previously been presented to the Office.

²³ *Mylan Pharmaceuticals Inc. v. Sanofi-Aventis Deutschland GmbH*, IPR2018-01670, Paper 19 at 10-11.

²⁴ *3Shape A/S v. Align, Tech., Inc.*, IPR2019-00157, Paper 9 at 38-39.¹⁷ *Phigenix*, 845 F.3d at 1175; *JTEKT*, 898 F.3d at 1221; *GE*, 2019 U.S. App. LEXIS 20405, at *10.

²⁵ *Comcast*, IPR2019-00224, Paper 10 at 3-4.

²⁶ *Id.*, Paper 14 at 8; IPR2019-00225, -00226, -00227, -00228, -00229, Paper 14 at 7.

²⁷ *Comcast Cable Comm'ns, LLC v. Rovi Guides, Inc.*, IPR2019-00224, Paper 14 at 8; IPR2019-00225, -00226, -00227, -00228, -00229, Paper 14 at 7.

²⁸ USPTO, Trial Practice Guide Update (Jul. 2019), <https://www.uspto.gov/sites/default/files/documents/trial-practice-guide-update3.pdf>.

(continued on page 4)

This new discretionary denial factor (multiple, simultaneous petitions) provides benefits to both patent owners and to petitioners. Patent owners benefit from not being forced to defend against multiple IPR petitions on the same patent. But petitioners also may benefit because statutory IPR estoppel applies against “any ground that the petitioner raised or reasonably could have raised during” an instituted IPR that results in a final written decision.²⁹ The board’s decision to deny institution, albeit discretionary, may establish that the petitioner could not have raised those arguments because the board expressly refused to consider them.

The board also has invoked discretionary denial when a later petition is filed by a different petitioner, particularly when a “significant relationship” exists between the first and second petitioner. In a precedential decision, the PTAB held that former district court co-defendants who had a customer-supplier relationship had a sufficiently significant relationship for the “same petitioner” *General Plastic* factor to weigh against institution. The board denied all seven petitions filed by the later co-defendant.³⁰

Although *General Plastic* is regularly invoked to deny institution of follow-on petitions, denial is far from assured. For example, the PTAB declined to exercise its non-institution discretion where the petition was the third petition filed against the very same patent because “the respective filings appear to be a direct result of [the patent owner’s] own litigation activity.”³¹

These cases highlight the critical importance for petitioners and patent owners to address the board’s discretionary denial factors up front. Many of the discretionary denials in 2019 arose out of petitions that simply did not address the *General Plastic* factors or did so in a conclusory fashion. In these cases, patent owners were able to effectively advocate for denial even in circumstances that do not seem to invoke the fairness concerns expressed in *General Plastic*.

PTAB Issues 2019 Update to Trial Practice Guide

This summer, the PTAB issued an update to its Trial Practice Guide. The update incorporates existing PTAB standard operating procedures and recently-designated precedential decisions and addresses additional topics, summarized below:

Discovery

Parties to AIA trials generally can seek the same types of discovery available under the Federal Rules of Civil Procedure. The update also gives examples where additional discovery related to real party-in-interest questions was either granted or denied.

Claim Construction

The update reiterates the importance of petitioners providing support when an express construction of a claim term is required and states that both parties should have an opportunity to respond to a claim construction used by the PTAB to decide the case. PTAB claim constructions will take into account claim construction orders and agreements from other proceedings but will decide them based on the record made in the AIA trial at issue.

Discretionary Denial of Institution

The update reaffirms the PTAB’s use of the *General Plastic* factors and *Becton Dickinson* factors for determining when to exercise the Director’s discretion not to institute review but notes these factors are non-exclusive. The update discourages filing even two petitions against a single patent unless the patent owner has asserted “a large number of claims in litigation” against the petitioner or there is a dispute about a priority date requiring arguments under multiple prior art references. If a petitioner files more than one petition against a single patent, the petitioner should rank its petitions and explain 1) their differences; 2) why those differences are material; and 3) why multiple petitions should be instituted against one patent. The petitioner may justify filing multiple petitions in a separate paper of up to five pages and the patent owner may file a response to that paper. The update suggests that *ex parte* reexamination proceedings may be ordered even where the *Becton Dickinson* factors would not favor institution of an IPR.

Motions to Amend

The update states that motions to cancel claims and motions to amend claims to correct simple and obvious typographical errors should be permitted even late in a proceeding. It emphasizes that motions to amend should clearly state the patentably distinct features for the proposed substitute claims.

Joinder

The board may consider the *General Plastic* factors in determining whether to grant joinder. The update notes that the one-year statutory time period for issuing a final decision does not apply when joinder is granted, and the board should specify a new deadline prior to the expiration of the one-year deadline, and that the adjustment should not exceed six months.

²⁹ 35 U.S.C. § 315(e).

³⁰ *Valve Corp. v. Electronic Scripting Prds., Inc.*, IPR2019-00062, -00063, -00084, Paper 11 at 10 (designated precedential May 7, 2019); IPR2019-00064, -00065, -00085, Paper 10 at 11.

³¹ *Juniper Networks, Inc. v. Finjan, Inc.*, IPR2019-00026, Paper 7 at 2-3, 26.

(continued on page 5)

Remand After Appeal

The update reiterates current PTAB practice of aiming to complete remands after Federal Circuit appeal within six months of issuance of the mandate. It makes explicit the current practice that proceedings on remand normally will not be stayed after the Federal Circuit has issued its mandate, even if Supreme Court review has been requested.

Anti-Vaxxers Prevail: Immunity Not Effective in IPRs

The Federal Circuit decided in *Regents of the University of Minnesota v. LSI Corporation*,³² that state sovereign immunity does not immunize state-owned patents from IPR proceedings. Following its earlier decision in *Saint Regis Mohawk Tribe v. Mylan Laboratories Inc.*,³³ the court reasoned that IPRs are more like agency enforcement actions by the USPTO based on information supplied by a private party than private litigation between a petitioner and patent owner. Citing the Supreme Court's decision in *Oil States*, the Federal Circuit said that patents are granted subject to potential cancellation by an executive (agency) proceeding. The Federal Circuit held that a state impliedly consents to IPR proceedings authorized by the patent statute when it applies for, or otherwise obtains ownership of, a patent because a patent is a creation of the patent statute. The decision sets up a potential Supreme Court clash between the proponents of *Oil States*, which emphasizes the character of IPRs as administrative proceedings, and *SAS*, which emphasizes aspects of IPRs that are more like private litigation between patent owners and petitioners.

The Federal Circuit panel also hedged its bets with an *in rem* analysis in a separate opinion labeled "additional views." The panel stated that sovereign immunity does not apply to IPR proceedings because they are the type of *in rem* proceedings to which state sovereign immunity does not apply. Analogizing to bankruptcy proceedings where sovereign immunity does not apply, the panel reasoned that jurisdiction is premised on the *rem*, i.e., the patent, and not over a state or its officers and that the only relief the PTAB can offer is the revocation of erroneously granted patent claims, not damages. The panel also noted that there is no statutory requirement compelling a state to participate in an IPR as a patent owner. Because the Federal Circuit decision did not reach the *in rem* issue the "additional views" are relegated to being mere dicta. However, these "additional views" were clearly offered in anticipation of future Supreme Court review.

³² 2018-1559, 2018-1560, 2018-1561, 2018-1562, 2018-1563, 2018-1564, 2018-1565 (Fed. Cir. June 14, 2019).

³³ 896 F.3d 1322 (2018).

About Our Post-Grant Practice

The professionals in Wilson Sonsini Goodrich & Rosati's post-grant practice are uniquely suited to navigate the complex trial proceedings at the United States Patent and Trademark Office (USPTO). We have extensive experience before the PTAB, representing clients in numerous new trial proceedings and in countless reexaminations and patent interference trials. Our practice includes professionals with decades of experience at the PTAB, including former PTAB personnel. As the needs of a case may require, our team also collaborates with other WSGR professionals, including district court patent litigators and patent prosecutors, with technical doctorates or other advanced technical degrees. Our core team leverages firmwide intellectual property expertise to provide comprehensive IP solutions for clients that cover strategy, prosecution, licensing, enforcement, and defense.

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