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### 5D Patent Law Session. PTAB

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Patricia Martone

John Richards

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**Emily C. & John E. Hansen Intellectual Property Institute**

**TWENTY-EIGHTH ANNUAL CONFERENCE  
INTERNATIONAL INTELLECTUAL PROPERTY  
LAW & POLICY**

*Friday, April 9, 2021 – 12:20 p.m.*

**SESSION 5: PATENT LAW  
5D. PTAB**

***Moderator:***

**Kenneth R. Adamo**

*Law Office of KRAdamo, Chicago*

***Speakers:***

**George E. Badenoch**

*Hunton Andrews Kurth LLP, New York  
Discretionary Denial of Inter Partes Review*

**Patricia Martone**

*NYU Law Engelberg Center on Innovation Law & Policy, New York  
Has the AIA Finally Hit the Wall in the Arthrex Cases?*

**John Richards**

*Ladas & Parry LLP, New York  
Standing Requirement for Losing Challengers in PTAB Proceedings to Appeal  
to the Federal Circuit*

***Panelists:***

**John R. Thomas**

*Georgetown University Law Center, Washington, D.C.*

**Brian Scarpelli**

*ACT / The App Association, Washington, D.C.*

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KEN ADAMO: Good afternoon, everybody. It's an absolutely gorgeous day here in New York City. I congratulate everyone who's lasted until the end of the morning. But we saved good stuff for last. We're going to talk about various subjects relating to the Patent Trial Appeal Board post-grant proceedings before the

USPTO.<sup>1</sup> I'm Ken Adamo. I am now a ghost in the machine. I have my own office in Chicago. I was formerly in Big Law for 37 of my 45-year career. I was a Jones Day partner and then a Kirkland & Ellis partner.

I'm joined by people who, interestingly, I've known almost as long as I've been practicing. George Badenoch, who is now with Hunton Andrews Kurth here in New York, Patricia Martone, who has recently become a member of the NYU Law Engelberg Center on Innovation Law and Policy, also in New York, and John Richards at Ladas & Parry, also in New York. But we also have Professor John Thomas from Georgetown University Law Center in Washington, D.C., and Brian Scarpelli from ACT | The App Association, also located in Washington, D.C. So it's an entirely East Coast crew, mainly New Yorkers, but we've got a couple of people from Washington to join in. We're going to talk about three very, very important PTAB<sup>2</sup> issues this afternoon.

George Badenoch is going to address discretionary denial of *inter partes* reviews, Patricia Martone is going to talk about *Arthrex*,<sup>3</sup> which of course, we're all waiting on the Supreme Court's decision. I'm not sure that after *Google-Oracle*,<sup>4</sup> anyone would be terribly surprised by what the Supreme Court will do, but we'll see. And John Richards is going to discuss the very esoteric, but exceedingly important issue of the standing requirement if you lose in the PTAB—what do you need to get to the Federal Circuit?

Professor Thomas and Brian Scarpelli will comment as the mood and the moment strikes.

George, you're up first. You have the floor.

GEORGE BADENOCH: Well, thank you, Ken, and thank you Fordham team. Hello, everyone. I would like to discuss the impact of two fundamental differences between challenging a patent in court and challenging the validity of a patent in administrative proceedings before the Patent Office. First, to get into court, you need to have standing. You can't just be a citizen who doesn't like patents or doesn't like a particular patent or doesn't like a patent owner or something, you have to have a justiciable interest. That is not true for IPR<sup>5</sup> proceedings before the PTAB.

Unlike for court proceedings and many other types of administrative proceedings, there is no standing requirement to file a petition for *inter partes* review of a patent. Statute is clear on this point. Anyone not the patent owner can file a petition for IPR of a patent. The second big difference is that, once you're in court, assuming you have the standing to be there, you're entitled to your day in court. Again, that is not true for IPR proceedings. A petitioner for IPR has no right to be heard on the merits. The PTAB can, in its discretion, deny a petition for almost

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<sup>1</sup> United States Patent and Trademark Office.

<sup>2</sup> Patent Trial Appeal Board.

<sup>3</sup> *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), *cert. granted sub nom.* *U.S. v. Arthrex, Inc.*, 141 S. Ct. 549 (2020), and *cert. granted*, 141 S. Ct. 551 (2020), and *cert. granted*, 141 S. Ct. 551 (2020), and *vacated and remanded sub nom.* *U.S. v. Arthrex, Inc.*, 19-1434, 2021 WL 2519433 (U.S. June 21, 2021).

<sup>4</sup> *Google LLC v. Oracle America, Inc.*, 593 U.S. \_\_ (2021).

<sup>5</sup> *Inter partes* review.

any reason, including reasons unrelated to the merits of the petition, and including reasons that the petitioner has no control over whatsoever.

In case you think that this discretionary denial is unreasonable in a specific case, you can't do anything about it, because the one thing that is clear under the law now is that these decisions on discretionary institution are not appealable. Now, these differences, I submit, have real consequences. First, from the standpoint of the patent owner, the lack of a standing requirement increases the threat that the patent owner will be confronted with the need to defend against multiple attacks against the same patent. That includes, incidentally, attacks by what I'll call "IPR filing companies" that have a business model which normally allows them to attack patents on behalf of a whole industry without binding the companies that collectively hire them to do that. I say "normally" because it's not always true. The lack of a standing requirement is qualified a little bit by the requirements that the petition must name, besides itself, all real parties in interest and by the fact that the one-year requirement that you file a petition within a year of a complaint being served on you applies to all real parties in interest as well, and by the fact that all real parties in interest will be bound by the result.

The problem here is that there are conflicting decisions on what constitutes a real party in interest. There are some cases that take a very broad view, like the *AIT-RPX* case,<sup>6</sup> where the focus is on whether a party that has some relationship with petitioner, whether or not it will simply benefit if the patent is invalidated. The court in the *RPX* case said that determining whether a non-party is a real party in interest demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a pre-existing relationship and so on. Other cases have taken a very narrow view, which emphasizes whether or not the would-be real party in interest actually wrote or funds or controls the IPR, cases like the *Global Equity Management* case.<sup>7</sup>

Basically, in that case, it was admitted that Amazon, which the patentee was trying to get declared a real party in interest, was controlling proceedings in the district court. It indemnified the party in the district court, and yet, there was no evidence that it actually wrote or controlled the IPR petition. The Board there found that Amazon was not a real party in interest. It's not easy to reconcile these cases. I should add that the language that is on the slide, that the Federal Circuit quoted that language from the Board's decision in describing the case. The Federal Circuit didn't actually decide that point because the issue was not appealable.

From the standpoint of the IPR petitioner now, which is the patent defendant in the court case and the petitioner for IPR, discretionary denial creates problems and uncertainty for petitioners. This is particularly true in cases where a patent is asserted against multiple defendants. The Board has issued public or published guidelines, I should say, so that its exercise of discretionary denial does not look completely arbitrary. In the *General Plastic*<sup>8</sup> case a few years ago, they listed seven

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<sup>6</sup> Applications in Internet Time, LLC v. RPX Corp., 897 F.3d 1336 (Fed. Cir. 2018).

<sup>7</sup> Glob. Eq. Mgt. (SA) Ltd. v. eBay Inc., 798 Fed. Appx. 616 (Fed. Cir. 2020).

<sup>8</sup> General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha, IPR2016-01357, Paper 19 (P.T.A.B. Sept. 6, 2017).

factors for weighing whether or not to consider a second petition against the same patent which included some new arguments or new prior art to reply to whatever was missing in a first petition that got rejected.

I won't go through all these factors, but it's clear that the Board thought that it was unfair for the petitioner to be able to use what the patent owner said before, or what the Board said before, as a roadmap to correct what was missing. Which is interesting because it seems like the Board is not so concerned about whether the patent is ultimately valid or invalid here. It's more concerned with cutting off the debate after one round.

More recently, in the *Apple v. Fintiv* case,<sup>9</sup> the PTAB published a list of six factors that they would use to decide whether to consider a petition when there were parallel proceedings going on in court. They include whether or not the district court proceeding was stayed or likely to be stayed, the proximity of the trial date to the IPR deadline, how much was invested in the proceedings in court, the overlap of issues, and so on.

The telling point here is that it doesn't matter, or it's not a requirement, that the petitioner be a party in the parallel proceeding they're looking at. In fact, in the recent *Mylan v. Janssen* case,<sup>10</sup> that was not the case. Mylan brought a petition in plenty of time after being sued, within some months, and the Board refused to consider it on discretionary grounds, not because of anything Mylan did, but because there was another case that the plaintiff Janssen had brought against Teva, and that case was about to go to trial. The Board rejected the petition on discretionary grounds.

You have a situation where the petitioner, for reasons that have nothing to do with the merits of the petition, and which are totally outside the control of the petitioner, cannot get his petition heard. The problem, as I said before, is even more compounded in cases where a patent is asserted against multiple defendants, because what happens when the Board considers these factors as a practical matter is that there's a tendency that the first petition will set the stage. Where the best arguments and new prior art are not presented until a second petition, that is going to be inefficient and that is something that the Board is less likely to entertain.

When it comes to joinder, they also don't like it if you're going to complicate the proceedings with additional or complicating arguments. What happens is that the first petition tends to set the framework for the IPR review. The problem here, I'll submit, and that this remains equally true whether or not the first petition has the best prior art or the best arguments, or whether or not it's the petition from the person with the most at stake.

I guess what I'll submit in closing with the time here is that if your goal was to try to figure out which prior art and arguments you want to select to make sure you have the best, most meaningful review of the patent validity issues, that probably selecting whoever files first is not the best way to do that. In fact, it may be the worst way to do that, since everybody is going to rush to file first.

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<sup>9</sup> *Apple, Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. March 20, 2020).

<sup>10</sup> *Mylan Labs. Ltd. v. Janssen Pharmaceutical, N.V.*, No. IPR2020-00440, 2020 WL 5580472 (P.T.A.B. Sept. 16, 2020).

I'm going to leave it at that. I'm not proposing any answers here. The Fordham management of the conference asked us to provoke discussion, so we don't want to present anything where the answers are so easy as to be unworthy of discussion.

KEN ADAMO: George, a couple of quick follow-ons, and then I'm going to turn to Professor Thomas who I think is champing at the bit to raise this issue and discuss it with us. If I'm recalling it correctly, there have been a number of lawsuits filed—I believe Cisco and others may be involved—to try to attack this offensive approach to get the PTAB told that they've got to not do things like walk away from institution of an IPR simply because a third party is going to trial.<sup>11</sup> Am I recalling that correctly? If I am, do you remember what the status of those suits are at the moment?

GEORGE BADENOCH: You are definitely recalling it correctly, and I did not check very recently as to what the status was. I didn't understand that we were close to a decision in any of those cases. But yes, there are definitely suits filed on this.

JOHN RICHARDS: Could I just jump in on that one? I think they had oral argument about two weeks ago in California.

KEN ADAMO: Am I remembering it correctly, John, it's eight or nine really substantial users of the post-grant proceeding practice that are the plaintiffs of the case? Very good. George, in view of the fact that the IPRs were put in play at the same time CBMRs<sup>12</sup> were put in play, and CBMRs did require—they've now sunsetted, of course, but CBMRs did require an accusation of infringement. It's sort of hard to say that lack of standard standing was inadvertent on Congress's part, is it?

GEORGE BADENOCH: I think that's correct. I don't mean to suggest it was inadvertent. I think what was inadvertent is I'm not sure that Congress understood what the consequence would turn out to be if you had no standing requirement. I'm referring here to where you had people that were filing IPRs for reasons of stock manipulation, and to this whole new business model of companies like RPX and Unified Patent. It's a surprising result. In a sense, I really don't think it's fair. There's nothing wrong with Unified Patent and RPX competing with us law firms about handling IPRs, but it's not quite right for them to say, "Look, we'll file an IPR on your behalf, and if we win, you win. Don't worry if we screw up, you're not going to be bound." I don't know that that consequence was appreciated when Congress did it this way.

KEN ADAMO: The third quick point, and the only reason I'm raising this is because I've had this happen in Eastern Texas, of course, of all places. The concept of asking for a stay based on an IPR these days, one that's been instituted where a third-party file of the petition is not new news. Arguably, you can have a stay granted on that basis. If you get it granted on that basis, you are not involved

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<sup>11</sup> See Jan Wolfe, *Apple, Google Team Up to Sue Patent Office over 'Invalid' Policy Change*, Reuters (Aug. 31, 2020 at 7:13 p.m.), available at <https://www.reuters.com/article/ip-patent-cisco/apple-google-team-up-to-sue-patent-office-over-invalid-policy-change-idUSL1N2FX2DF>.

<sup>12</sup> Covered Business Method Reviews.

in the IPR, you're not looking at estoppel risk. It seems that one of these variations on a theme here, again, they're not inadvertent. It's just the statute being used the way Congress wrote it, right?

GEORGE BADENOCH: Well, I agree. I'm just thinking that, for some of the reasons I would set forth, this is a problem on both sides of the issue.

KEN ADAMO: Professor Thomas, you're up. What's your reaction to all of this?

JOHN THOMAS: My reaction is much the same as you two gentlemen. I don't know if it's fools think alike or great minds running the same channel. It's one or the other. I want to say I had my second vaccine dose this morning, so I'm a little more cranky than usual, if that can be done. I blame it on that. I'd also like briefly to acknowledge if it hasn't been done already this morning, that we've lost a giant, in Professor Gerhard Shrecker who was the Director of the Max Planck Institute while I was a Mitarbeiter there. Although we didn't always see eye to eye, without his intervention, I would not have the opportunity to study at Max Planck, and I'm very grateful for that. He was a fine scholar and he'll be remembered through his scholarship.

I agree with all the points that the two of you have collectively raised. CBM, the transitional business method proceedings that have just recently sunsetted, could not be brought absent parallel litigation. I think it's tough to say that Congress did not intend parallel administrative and litigation proceedings. Section 315, *via* the Patent Act, says you have to bring an IPR within one year of being served a complaint, full stop.<sup>13</sup> There's nothing more about this. I'm disturbed by *Valve*<sup>14</sup> and the other cases that George identified. There aren't too many rights that you can't enforce just because somebody else did it first.

The access to quality-control function of patents at the PTAB I think is critical. This trend leads to forum-shopping and has developed a rocket docket. For example, the Western District of Texas promises a ruling before the Final Written Decision of the PTAB, so the PTAB says, "We're not going to go there." It also leads to piecemeal litigation. The PTAB has encountered dramatically reduced workload on its appeal side. In 2012, the PTAB made an inventory of 26,000 pending appeals. That is down to 7,000 today. I believe the PTAB ought to use its increased free time to actually address the important patent quality issues that are presented to it, rather than turn them away on dubious grounds. Thank you, Ken.

KEN ADAMO: Now those numbers, Professor, the 27,000 down to about 7,000, that's in large measure because the additional administrative patent judges have really been whacking at backlog of *ex parte* appeals, not PTAB stuff, right?

JOHN THOMAS: Well, the reasons are complex, I think, and I'll just say them very briefly and bluntly. With the introduction to the RCE<sup>15</sup> and changes to the account system under the Kappos regime,<sup>16</sup> there was more emphasis placed on

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<sup>13</sup> 35 U.S. Code § 315.

<sup>14</sup> *Valve Corp. v. Electronic Scripting Products, Inc.*, IPR2019-00064, Paper 10 (May 1, 2019).

<sup>15</sup> Request for Continued Examination.

<sup>16</sup> David J. Kappos, former Director of the United States Patent and Trademark Office (2009-13).



the front end of examination rather than on RCEs. Examiners are increasingly less willing to do more work once they've done the initial work. The agency even had an RCE processing fire sale, where the examiners got more credit to process RCEs.

I also find that, increasingly, examiners are reluctant to write Examiners' Answers when a Notice for Appeal is filed. At this point, it seems if you file a Notice of Appeal, that's a gut check to the examiner, and rather than write an answer, there's often a phone call to the petitioner. It used to be that applicants didn't like the PTAB, now examiners don't like the PTAB either. To me, that's quite an existential threat to the PTAB. At any event, as far as it goes in this end, I do think there's a capacity to cover the IPRs that are right now being turned away.

KEN ADAMO: Your use of the term "existential threat" sort gets me now to our next speaker. Brian Scarpelli, I'm not trying to keep you from getting into this. If at any particular point you want to jump in, other than waiting for Patricia because her stuff is exceedingly interesting as well. You can jump in, but otherwise, Pat, you're on.

BRIAN SCARPELLI: Sure.

PATRICIA MARTONE: Okay, thank you very much. Hello to everyone. I'm pleased today to have the opportunity to speak about the *Arthrex* case<sup>17</sup> which is now before our Supreme Court, involving a constitutional challenge to the appointment of administrative law judges who decide IPR proceedings. These people are called PTAB judges. The question I posed in this discussion is, "Has the America Invents Act finally hit the wall in the *Arthrex* case?" This is a constitutional challenge, as I said. There have been many court challenges, including constitutional ones, but this, to me, is the most serious threat.

The answer I'm going to give is, "Maybe, but not for the reasons briefed before the Supreme Court, and with an uncertain impact." Just briefly, let me explain the Appointments Clause of the U.S. Constitution.<sup>18</sup> The Constitution provides for two types of officers in the executive section of our government. These are principal officers and inferior officers. Principal officers are nominated by the President with the "Advice and Consent of the Senate." Inferior officers may be appointed by the President, by a Court or by heads of administrative departments. The decisions of inferior officers must be subject to agency review.

The way in which PTAB judges are appointed is consistent with the definition of inferior officer. However, those same judges issue final decisions not reviewable within the Patent and Trademark Office. *Arthrex* claimed that this was a violation of the Appointments Clause, because PTAB judges had the authority of principal officers but were not appointed by the President and confirmed by the Senate. The Federal Circuit reviewed the role of PTAB judges using criteria established in Supreme Court precedent, The Federal Circuit decided that, in fact, PTAB judges fulfilled the role of principal officers and therefore that their appointment was unconstitutional.

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<sup>17</sup> *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019), *cert. granted sub nom.* U.S. v. *Arthrex, Inc.*, 141 S. Ct. 549 (2020), and *cert. granted*, 141 S. Ct. 551 (2020), and *cert. granted*, 141 S. Ct. 551 (2020), and *vacated and remanded sub nom.* U.S. v. *Arthrex, Inc.*, 19-1434, 2021 WL 2519433 (U.S. June 21, 2021).

<sup>18</sup> U.S. Const. art. II, § 2, cl. 2.

The Federal Circuit attempted to rectify this problem using the doctrine of severability. This doctrine permits a court under certain circumstances to sever an unconstitutional part of a statute to preserve the rest of the statute. I'll come back to their solution in a moment, but the main issue before the Supreme Court is really whether PTAB judges are principal officers or inferior officers. At the oral argument<sup>19</sup>, the thing that the Supreme Court leapt on immediately was that there was no agency review of PTAB decisions. The transcript shows questions from the Justices about the lack of internal review, particularly Justices Kavanaugh and Kagan, my favorite being Justice Kagan saying, "It's really a strange bird, why is that?"

The appointment and role of PTAB justices is a strange bird because there is apparently no other agency, where so-called inferior officers make final decisions. Of course, that is exactly what Congress wanted to do. They wanted PTAB judges to have the same decision-making authority as district court judges but be appointed like inferior officers. I think the Supreme Court is seeing the issues in this case purely as an administrative law matter.

I would say that the court is leaning towards holding part of the AIA statute unconstitutional but wants to find a fix using the doctrine of severability, in order to get rid of the unconstitutional part and preserve the rest of the statute. I would say that the Supreme Court ignored what the Federal Circuit did, which was to seek to convert PTAB judges to inferior officers by removing their tenure protections.

The Supreme Court focused on the part of the AIA statute that states, "Only the Patent Trial and Appeal Board may grant rehearings."<sup>20</sup> Whether just removing that language would solve the problem of rehearings within the Patent Office is uncertain. Eliminating the sentence does not provide for a full internal review process. What might that process look like? I would expect the Court to describe the parameters of such a process in its opinion.

*Arthrex* counsel stated that the Director of the USPTO need only have the opportunity to review a decision, and could delegate decision-making responsibility to others. Relying on the Administrative Procedure Act is another approach. The AIA gave the director broad rule-making authority, but it's unclear to me if it extends to providing rules for an internal review process, because that's exactly what Congress didn't want.

This may fall back into Congress' lap at which point anything can happen.

Another issue is which IPR proceedings are going to be affected by any ruling of unconstitutionality. Of course, the *Arthrex* IPR is already decided. *Arthrex* will not get the same relief as parties to undecided IPR's will. Relief encompassing all IPRs ever decided is not likely. Then there are all of these IPR decisions vacated by the Federal Circuit on *Arthrex* grounds. These issues weren't even referenced during this argument.

I see a roadblock here. It's really what is found in the statutory time limits for IPR's. The problem is that a final determination must issue in a year. I don't see how this change is going to fit within the statutory framework. I don't see how the

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<sup>19</sup> Available at

[https://www.supremecourt.gov/oral\\_arguments/argument\\_transcripts/2020/19-1434\\_o759.pdf](https://www.supremecourt.gov/oral_arguments/argument_transcripts/2020/19-1434_o759.pdf).

<sup>20</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

USPTO can accomplish this without straining their resources. I know people are concerned about discretionary denial of IPR's. An internal review process will force the USPTO into being more efficient and more selective. If the Supreme Court issues a decision which requires Congress to fix the statute, then anything can happen.

KEN ADAMO: Pat, you timed out. Would you just finish if there are any points in the remaining slides that you want to touch on? Why don't you take another minute to go ahead and do that? Then I've got two quick points that I want to make with you if that's okay. According to *LAW360* yesterday, that backlog that *Arthrex* is causing at the PTAB right now, it's over a hundred cases.<sup>21</sup> Is that accurate to your knowledge|?

PATRICIA MARTONE: Yes, I agree. While some IPR's have been resolved by settlement, I think they remain in the high 90s. That's the number of cases that are there.

KEN ADAMO: To me, I suppose the most interesting point that I'd like us to talk about is, okay, the Supremes have got to do something. Now, obviously, they have a wide range of things they could do. They could just dump this back to the Federal Circuit. They could say whatever the hell they wanted to say about what was wrong with the original effects, base it on the AIA or whatever they want to base it on and send it back to the Federal Circuit, it's possible.

PATRICIA MARTONE: It's possible, but I think that you have at least four justices here including the three newest justices, plus Chief Justice Roberts who are really concerned about the lack of an internal appeal process. I think they're going to want to make a ruling focused on proper administrative procedure.

KEN ADAMO: Well, an interesting possibility. If it goes back to the circuit, let's say that the justices can't figure out or don't want to be bothered a la *Alice*<sup>22</sup> and 101,<sup>23</sup> it's just too much down in the weeds for them. They want to tell the circuit what's wrong with what it did, they didn't give them another shot? Something very interesting is going to happen if they do that. As I recall, it is much more rote than *Arthrex*. Am I remembering that correctly?

PATRICIA MARTONE: Yes. Right.

KEN ADAMO: As of about six weeks from now, Chief Judge Prost will no longer be chief judge if I'm following the timetable correctly and I assume everybody on this session understands that the next chief judge will be Judge Moore. It'd be very interesting to see if the Supreme Court's paying any attention to this change-over. There's a lot of different views in Washington about what the Supreme Court thinks about the Federal Circuit. It'd be interesting if they do remand it and Judge Moore, now being the chief judge, gets to take another shot at it. I don't know that anybody's paying much attention to that point, that we're about to have a change over as to who is the chief. It might be interesting.

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<sup>21</sup> *A Breakdown of the PTAB Backlog Arthrex Caused*, *LAW360* (April 7, 2021 at 6:41 p.m.), available at <https://www.law360.com/articles/1368752/a-breakdown-of-the-ptab-backlog-arthrex-caused>.

<sup>22</sup> *Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014).

<sup>23</sup> 35 U.S. Code § 101.

PATRICIA MARTONE: Part of the problem here is that much of the issues that I've raised were never briefed. Nobody briefed what an internal review process would look like. There was little briefing on the issue of severability. The briefing of the parties and the amici were all focused on whether PTAB judges were principal or inferior officers. No party or amici addressed the problem of fitting a review process into the statutory 12-month decision deadline, which I think is going to be very difficult.

KEN ADAMO: All right, but I guess back on the timetable at this point because I do want to talk about standing, but here's my proposal in about the 24 minutes that we have left. Professor Thomas, I'm going to come back to you about *Arthrex* after Mr. Richards does his presentation and then, Mr. Scarpelli, you've been exceedingly patient. If you'd like to jump into this at some point after I give Professor Thomas a chance on *Arthrex*, fine, and from there on out, we'll just have at it with each other. There are no pending questions. Our time is ours to do what we will with it. John, talk about standing, which is really interesting.

JOHN RICHARDS: Thank you, sir. 35 USC § 319 says that a part who is dissatisfied with the final written decision of the Patent Trial and Appeal Board in *inter partes* review may appeal the decision to the Court of Appeals for the Federal Circuit. Similar statutory language applies to post grant review. So, why doesn't everybody have the right to appeal?

Article III of the Constitution basically says that a court's role is to decide cases and controversies. That then sets up the question of who would win. Is there a case or controversy just because somebody has lost an *inter partes* review or a post-grant review before the PTAB? Many years ago, the Supreme Court addressed the question of who has standing to challenge the validity of the patent in a declaratory judgment action in *MedImmune v. Genentech*.<sup>24</sup>

The Court basically said there that the Federal Circuit, which at that point had said that you had to have been sued before you could—or been threatened to have been sued—before you could challenge, was not right. The test was broader and allowed people who were in dispute over patent validity where a patent license was involved to have standing to challenge the validity of a patent. The Federal Circuit recently in *General Electric vs. Raytheon*<sup>25</sup> summarized the situation as it saw it as the law at this point now.

The appellant must meet “the irreducible constitutional minimum of standing.” That “irreducible constitutional minimum” requires the appellant to “have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the [appellee], and (3) that is likely to be redressed by a favorable judicial decision. Where Congress has accorded a procedural right to a litigant, such as the right to appeal an administrative decision” some requirements of standing—but not the requirement of injury in fact—may be relaxed. In support, the court cited

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<sup>24</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

<sup>25</sup> *General Electric Company v. Raytheon Technologies Corporation*, 983 F.3d 1334 (Fed. Cir. 2020).

the *Consumer Watchdog* case,<sup>26</sup> which was a case on Patent Office re-examination some years ago.

What does “injury in fact” mean? The case law of the Federal Circuit (again, remember, we are dealing only with Final Written Decisions—there is no appeal against decisions on institution of a review) held in the *AVX* case<sup>27</sup> that was mentioned in the paper I submitted, that simply because a decision may have a general effect on competition, loss of a challenge to the validity of a patent does not give you the right to appeal.

The risk that you will be estopped in later proceedings, from raising anything which you raised or could have raised in IPR or PGR<sup>28</sup> does not give you the right of appeal. This, I think, is an important issue, because in deciding whether to go ahead with an IPR proceeding or a PGR proceeding, you've got to bear in mind that those issues which you could have raised in those proceedings cannot subsequently be raised if you are sued for infringement.

Now, in many cases, as we've heard earlier, the IPR or the PGR follows you having been sued, but that's not always the case. These situations have been held to be ones where an appeal against the final decision that the patent is not invalid, or the claims in question are not invalid, do not work. Where has the Federal Circuit come down and said that you do in fact have standing to appeal?

The first case where this was done was the *DuPont* case.<sup>29</sup> Where DuPont gave evidence of what it was intending to do, pointing out what it was intending to do would infringe the patent in question. The Federal Circuit said, "Yes, okay, under those circumstances, we recognize that you will suffer an injury in fact if this patent is upheld wrongly." There was a similar situation in the *Altera* case,<sup>30</sup> where the challenger was seeking to terminate a license agreement, somewhat similar to the *MedImmune*<sup>31</sup> situation on declaratory judgments. There, the Federal Circuit says, "Yes, that's okay."

A situation where your royalty payments might be affected by the decision, even though it was only some of the patents involved in the agreement, was presented in the *Samsung* case.<sup>32</sup> Again, you got standing to appeal. On the other hand, where there is a portfolio license, which was the case, which came down on Monday in the *Apple v. Qualcomm* case.<sup>33</sup> The Federal Circuit says, “No, you've got 100,000 patents in this license. We do not see where your challenge to the validity of some of these is going to affect you in a significant way. Therefore, you do not have standing to appeal.”

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<sup>26</sup> *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258 (Fed. Cir. 2014).

<sup>27</sup> *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357 (Fed. Cir. 2019).

<sup>28</sup> Post-grant review.

<sup>29</sup> *E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996 (Fed. Cir. 2018).

<sup>30</sup> *Altera Corp. v. PACT XPP Techs., AG*, 14-CV-02868-JD, 2015 WL 4999952 (N.D. Cal. 2015).

<sup>31</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007).

<sup>32</sup> *Ericsson Inc. v. Samsung Elecs. Co., Ltd.*, 2:20-CV-00380-JRG, 2021 WL 89980 (E.D. Tex. Jan. 11, 2021).

<sup>33</sup> *Apple Inc. v. Qualcomm Inc.*, 992 F.3d 1378 (Fed. Cir. 2021).

Another situation in which the Federal Circuit held that there was standing to appeal, was where a patent was stated in the Orange Book to be covering a drug, which the challenger was contemplating bringing on to market. Again, that was found to be sufficient standing to appeal. In *Nike v. Adidas*,<sup>34</sup> because the patent owner was going around suing other people on the patents in question, the Federal Circuit found that the challenger had sufficient cause to expect an injury from the patent being upheld. That was given sufficient basis to give standing for appeal.

The problem arises as to how much information you have to give as to what your intentions are in order to establish that you're going to likely suffer a real injury from the patent being upheld. The several cases which have addressed this are *General Electric v. Raytheon*,<sup>35</sup> the only case which I cited from. General Electric had challenged our patents previously, and then we found that it did not have standing to sue on jet engines previously, which was found not to have standing to sue, because it had not shown sufficient relationship between the patent and anything that it specifically said it intended to do in the future. Therefore, it had not been able to show that it was going to suffer an injury in fact.

General Electric learned from this in the second case and gave more detail of the reasons why it thought that jet engines it was developing might fall within the scope of the patent claim. It has been hypothesized that in the course of doing that, General Electric, in fact, revealed that Airbus was contemplating a new narrow-bodied plane because of the information which General Electric had brought forward in order to satisfy the standing requirement.

In the case on Monday, *Apple vs. Qualcomm*,<sup>36</sup> it is where there were, as I said, 100,000 patents in the license agreement, they said that we're entitled to challenge validity because of what was held in *Qualcomm* in the declaratory judgment situation. General Electric says, "No, there's 100,000 patents here, we're not just going to be told that our holding two patents causes you any real injury." It went on to argue that there were specific patents in question that were ones that they might infringe, but they brought forward very sketchy evidence as to why they might infringe.

The Federal Circuit says, "No, you haven't told us enough as to why you feel that you're going to suffer a real injury, and therefore not enough." Finally, in that case, the Federal Circuit reiterated what it said previously, that simply being afraid that you might suffer estoppel as a result of issues being decided against you in the PTAB and having to appeal against it, that's not enough to show that you are suffering a real injury in fact to give you a standing to appeal.

We have a rather dangerous situation in my view at the moment on any attempt to this appeal because if the PTAB holds that something is not valid and you cannot change that in subsequent district court proceedings and you cannot appeal that decision of the PTAB, I think you're probably going to need to think twice about whether you want to bring dodgy cases before the PTAB in the first place.

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<sup>34</sup> Nike, Inc. v. Adidas AG, 955 F.3d 45 (Fed. Cir. 2020).

<sup>35</sup> Raytheon Techs. Corp. v. Gen. Electric Co., 993 F.3d 1374 (Fed. Cir. 2021).

<sup>36</sup> Apple Inc. v. Qualcomm Inc., 992 F.3d 1378 (Fed. Cir. 2021).

KEN ADAMO: I think we've got three, after listening to presentations so far and our discussion is we've got three really difficult risky situations with the PTAB at this point. Mr. Scarpelli, you've been exceedingly patient with me so far. What have you got to say about what we've been discussing?

BRIAN SCARPELLI: Well, thanks, Ken, and I appreciate being able to be here. I think very great information and great perspectives and problem statements, *et cetera*, have been shared so far. Just to give folks a brief idea because, and this is on me, I failed to submit a bio for myself that's included in the program, I'm Brian Scarpelli. I'm a lawyer with a not-for-profit trade association that works on a wide range of issues, including patent policy generally and PTAB issues, on behalf of small business technology development firms and software developers. That's just informing my experience.

Running across all three of these themes, and I'd love to hear anyone's reaction to any of what I'm about to say, too. When we're talking about the PTAB, a great deal of good has been done by it. I think that, by and large, it is adhering to, I think as a couple of people have talked about already, Congress's intent. It's saved an estimated \$2.3 billion in unnecessary litigation over the years. That's immensely beneficial to small businesses that simply cannot afford to spend years and a minimum of hundreds of thousands of dollars in a federal court.

I know we're talking about a lot of problems here with the PTAB, but I think overall the process has actually been quite beneficial to the small business community and is in alignment with the AIA. We're one of many amici supporting, for example, the Federal Circuit's interpretation<sup>37</sup> in the *Arthrex* case, and we're hopeful that that comes out in upholding the PTAB.

As far as issues and concerns that I would raise, and again, I think that these run across all three of the areas—over the last few years, without question, to me, the PTO has taken a series of actions that are hobbling the IPR process and its effectiveness. For example, the PTO has implemented some changes to the rules of practice for instituting a review on challenge claims in an IPR, in a post-grant review. It has eliminated the presumption in favor of the petitioner for a genuine issue of material fact created by testimonial evidence submitted with a patent owner's preliminary response when deciding whether to institute that IPR or post-grant review.

Probably more concerning is something we've been talking about here, and this is just what we're hearing from the field about the practical impact: the rapidly growing string of discretionary denials in which the PTO is, in my view, ignoring the statutory deadline and allowing an IPR to be brought within one year. The PTO has substituted its own policy preference and directed the discretionary denial of timely filed IPR petitions if a district court docketed an early trial date. Recent reports are showing that discretionary denials under 314(a)<sup>38</sup> have grown exponentially over the past three years. They don't seem to be based on the merits of the petitions. We're seeing denials of meritorious and timely filed IPR petitions.

I think that towards some recommendations, I would not even dare to predict the Supreme Court outcome because if I bet five bucks on a baseball game,

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<sup>37</sup> *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019).

<sup>38</sup> 35 U.S. Code § 314(a).

I lose every time, so I wouldn't try to do that. I think a lot can be done without Congress acting because unless we're in an alternative universe I don't think we can count on Congress to act to do anything in a timely or meaningful way. If Congress takes offense to that, then I'm sorry, but you can't bank on that. You can't bank on Congress acting to revise the AIA,<sup>39</sup> for example.

Whoever comes in to be the next USPTO director, I think can take a number of very tangible and important intermediate steps to prioritize patent quality, ensure valid patents issue, protect against the issuance and enforcement of low-quality patents, and they can stem abuse of the system by augmenting the PTAB that reduce the costs and risks imposed on companies that I work with, small businesses that are deeply impacted negatively by frivolous litigation and consulting other stakeholders. Sorry, that's a number of thoughts I had that run across some of these different areas. I welcome anyone telling me I'm right, or maybe I'm wrong, but thanks a lot.

KEN ADAMO: Mr. Scarpelli, thank you. By my eye, we've got six minutes left in our slots. Here's how I'd like to allocate them. Professor Thomas, you get four of the six, and Mr. Badenoch gets one minute of the six, and Ms. Martone gets the last minute of the six. Professor Thomas.

JOHN THOMAS: Thank you, Ken. I agree that reading the tea leaves from the transcripts of oral arguments at the Supreme Court is a hazardous endeavor. I believe also that this will be an impactful decision relating to the relationship of the federal courts to the federal administrative state, and that the Supreme Court will be quite keen to maintain its own hegemony and push proceedings from agencies to the court. I don't believe this will be limited to the Patent Office. I think that depending on the wording of the opinion, it could impact, for example, SEC,<sup>40</sup> FDA,<sup>41</sup> FTC,<sup>42</sup> any place with an internal administrative, inter partes tribunals in which a lot of them have it.

I just wish we had called them "appeals examiners" instead of "judges." I just think it would have been a little more reflective of what they're doing and what the role might be. I'm actually going to revert to you a lot of the time, Ken, but I want to bring up three quick other points. First, the PTAB has a desperate need to improve its hearing rooms which resemble the average waiting area at LaGuardia Airport and are shabby and a shame. Second, the PTAB is struggling with its internal IT systems like many patents offices around the world. It's difficult for these agencies to use off-the-shelf software. There's a culture of in-house products.

And the PTAB, end-to-end, is something right now that appears to be hampering the work of the APJs rather than advancing it. Finally, I'd ask each of you to be on the lookout. The Department of Commerce, the place where the USPTO sits, is putting out a report. You can expect it in about three months. I'm sure there'll be some keen readers among the panelists. Thanks so much for having me, Ken.

KEN ADAMO: Go ahead, George.

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<sup>39</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

<sup>40</sup> United States Securities and Exchange Commission.

<sup>41</sup> United States Food & Drug Administration.

<sup>42</sup> United States Federal Trade Commission.



GEORGE BADENOCH: I'll just say quickly in one minute in response to John's presentation. It's obviously a bit of an anomaly that you have a situation where you don't need standing in a lower tribunal. Yet, you do need standing in order to appeal the decision from that tribunal. That's just another reason why I think it would be useful to have standing. I don't really know what the downside of including standing would be, other than as Brian says, Congress is not going to do that in a hurry. We understand.

In response to what Brian said, I agree with all that too. I think maybe some kind of a presumptive stay rule for the district courts might be what's needed here, where there's not a clear reason that the court has to go instead of the PTAB. Obviously, what's going on right now is that in their desire, and perhaps their business model down in Texas, there's really a race here to have a trial date so fast that plaintiffs can come to court and not worry about being subject to IPRs. I'm not sure that's the way these things should be decided.

KEN ADAMO: Besides focusing on what is going on in the Western District of Texas, in Waco, I recall that the ITC's<sup>43</sup> volume of matters has gone up tremendously. You can get about the same sort of speed out of the ITC as Judge Albright believes he can generate out of the Western District of Texas. It's not just Western Texas that's trying to get to court faster than the PTAB can hand out a Final Written Decision. But the ITC is, essentially, now picking up a lot of that bandwidth as far as the speed is concerned.

I'd like to thank everybody for your thoughts and your participation. On that thought, it's a beautiful day. I'm going out and find myself a glass of wine. Thank you, everybody.

JOHN THOMAS: Thank you, Ken.

KEN ADAMO: Take care.

JOHN RICHARDS: Thank you, Ken.

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<sup>43</sup> International Trade Commission.