

Navigating evolving standing requirements for appeals from the PTAB

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Because the Constitution limits judicial power to cases or controversies,¹ a party must have Article III standing before a federal court will consider the merits of a case.

To establish standing, a party seeking judicial review must have (1) suffered an injury in fact, (2) that is fairly traceable to the opposing party's challenged conduct, and (3) that would likely be redressed by a favorable judicial decision.²

Standing requirements, however, do not apply to administrative agencies such as the U.S. Patent and Trademark Office. Thus, no standing is necessary to appear before the Patent Trial and Appeal Board.

When seeking judicial review of an adverse board decision, however, an appellant must supply proof of standing for the U.S. Court of Appeals for the Federal Circuit to consider the appeal.

After holding that an inter partes reexamination requester must establish standing to appeal,³ the Federal Circuit has held that standing requirements similarly apply to appeals from inter partes review proceedings, often called IPRs.⁴

Since then, the appeals court has further defined the appellate standing requirements and dismissed several appeals from the PTAB for lack of standing.

Seeking Supreme Court review, IPR petitioners in *JTEKT Corp. v. GKN Automotive Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018), and *RPX Corp. v. ChanBond LLC*, No. 17-2346, 2018 WL 9371458 (Fed. Cir. Jan. 17, 2018), filed certiorari petitions after the Federal Circuit dismissed their appeals.

They sought to overturn the Federal Circuit's standing jurisprudence; however, the Supreme Court denied both petitions in June 2019.⁵ As a result, Federal Circuit case law remains controlling on standing.

GENERAL LEGAL STANDARDS

An appellant bears the burden to show standing. To do so, it must create a sufficient evidentiary record in the Federal Circuit if standing is not self-evident from the PTAB record.

Standing is self-evident (and unlikely to be challenged) when, for example, a patent owner has lost an IPR challenge or when a

petitioner has lost an IPR challenge to a patent that it has been accused of infringing.

When the record before the PTAB is inadequate, the appellant must supplement it with evidence showing its entitlement to judicial review.⁶ This additional evidence may take the form of declarations and documents establishing injury-in-fact.

In *E.I. du Pont de Nemours & Co. v. Synvina CV*, 904 F.3d 996 (Fed. Cir. 2018), for example, DuPont and ADM submitted declaration testimony regarding their construction of a pilot plant that potentially implicated the patent at issue.

The court found that DuPont and ADM had established standing to appeal and reversed the board's decision, holding all challenged claims unpatentable for obviousness.

Standing is self-evident (and unlikely to be challenged) when, for example, a patent owner has lost an IPR challenge.

With respect to timing, because standing is a threshold question over the court's power to hear a case, an appellant must identify or submit evidence in support of standing at the first appropriate time, whether in response to a motion to dismiss or in the appellant's opening brief.⁷

Standing must also be maintained throughout an appeal to avoid mootness. For example, in *Momenta Pharmaceuticals Inc. v. Bristol-Myers Squibb Co.*, 915 F.3d 764 (Fed. Cir. 2019), Momenta appealed after an unsuccessful IPR challenge to BMS's patent on abatacept.

During the appeal, Momenta withdrew development of its abatacept biosimilar. BMS challenged Momenta's standing based on a Momenta press release and statement filed with the Securities and Exchange Commission regarding termination of its commercial activities.

The Federal Circuit dismissed Momenta's appeal, holding that the cessation of potentially infringing activities meant that Momenta

no longer had the potential for injury, depriving it of standing to appeal.⁸

PROVING OR CHALLENGING INJURY-IN-FACT

The injury-in-fact requirement has been the principal focal point of the standing analysis. To show an injury, an appellant must demonstrate “an invasion of a legally protected interest” that is “concrete and particularized,” and “actual or imminent, not conjectural or hypothetical.”⁹

When there is ongoing infringement litigation between the parties involving the patent challenged in the PTAB proceeding, the injury-in-fact should be self-evident given the potential infringement liability.

When injury-in-fact is disputed, the Federal Circuit has considered several factors in deciding whether the injury requirement has been met.

ECONOMIC INJURY BASED ON RISK OF INFRINGEMENT

Most importantly, whether an appellant is currently engaged in potentially infringing activities has been the primary injury-in-fact consideration.

For example, in *Google LLC v. Conversant Wireless Licensing S.A.R.L.*, 753 F. App'x 890 (Fed. Cir. 2018), LGE and Google appealed after unsuccessfully challenging a patent directed to location information services.

When there is ongoing infringement litigation between the parties involving the patent challenged in the PTAB proceeding, the injury-in-fact should be self-evident.

Recognizing that both appellants currently marketed and sold products implicating the patent, the Federal Circuit found their risk of infringement to be concrete and substantial.

In contrast, in *JTEKT Corp.*, the Federal Circuit rejected JTEKT's injury argument because the automotive technology firm had failed to show that its planned product created a concrete and substantial risk of infringement.

The court pointed out that JTEKT's witnesses had testified that the company was still validating the product's design; that the concept would continue to evolve; and that no product had yet been finalized.¹⁰

A lack of current infringing activity does not preclude standing. However, if an appellant relies on potential future infringement liability as a basis for injury-in-fact, it must show “concrete plans” for future activity that would likely lead to an infringement claim.¹¹

For example, in *General Electric Co. v. United Technologies Corp.*, 928 F.3d 1349 (Fed. Cir. 2019), the Federal Circuit

rejected GE's injury argument based on future harm, because GE did not demonstrate definite plans to use the claimed features of the challenged patent and the patent owner had not sued or threatened to sue GE based on that patent.

REFUSAL TO GRANT A COVENANT NOT TO SUE

A patent owner's refusal to grant a covenant not to sue to an IPR petitioner may help prove that the petitioner's risk of infringement liability is not conjectural or hypothetical.

For example, in *Google v. Conversant*, the Federal Circuit considered the patent owner's refusal to grant a covenant not to sue in finding that Google and LGE had standing to appeal. On the other hand, if the patent owner grants the appellant a covenant not to sue, the appeal may be mooted.

In *PPG Industries Inc. v. Valspar Sourcing Inc.*, 679 F. App'x 1002 (Fed. Cir. 2017), for example, patent owner Valspar obtained favorable PTAB decisions in the inter partes reexaminations requested by PPG.

After PPG appealed, Valspar submitted a unilateral covenant not to sue as to the challenged patents in its briefing to the court.

While concluding that PPG did initially have standing to bring the appeal, the court held that the controversy as to the patented subject matter had been mooted by Valspar's unilateral covenant not to sue and dismissed the appeal.¹²

ESTOPPEL INJURY

Appellants who are petitioners in PTAB proceedings often assert injury based on the potential estoppel effect of PTAB decisions under Section 315 of the Patent Act, 35 U.S.C.A. § 315, which limits the petitioner's ability to subsequently assert any grounds that were raised or could have been raised in the PTAB proceeding.

The Federal Circuit has held that the estoppel provision does not constitute an injury-in-fact when the appellant is not engaged in activity that could give rise to an infringement suit.¹³

Thus, absent current or future potential infringing activity, estoppel injury alone is probably not sufficient to support standing.

For example, in *RPX Corp.*, appellant RPX argued that the board's decision injured RPX by impeding its ability to file multiple IPRs challenging the same patent claims.

The Federal Circuit rejected this argument, concluding that it was undisputed that RPX was not engaged in any potentially infringing activity.

Similarly, in *General Electric Co.*, the Federal Circuit rejected GE's estoppel injury argument based on a lack of evidence that GE was currently designing products implicating the challenged patent or that it had definite plans to use the claimed features.

If an appellant is engaged in potentially infringing activity, the estoppel injury argument may help to establish standing.

In *Google v. Conversant*, for example, LGE had been previously sued for infringing the challenged patent, and Google Maps was implicated in the patent owner's infringement contentions.

In holding that LGE and Google had standing to appeal, the Federal Circuit explained that LGE and Google both marketed and sold the accused products; and that, if sued in the future, LGE could be prohibited from filing an IPR under Section 315(b) and LGE and Google could be collaterally estopped under Section 315(e).¹⁴

ORANGE BOOK LISTING

In the pharmaceutical area, the listing of an innovator drug company's patent in the Food and Drug Administration's Orange Book may help show a cognizable injury.

In *Amerigen Pharmaceuticals Ltd. v. UCB Pharma GmbH*, 913 F.3d 1076 (Fed. Cir. 2019), UCB owned a patent related to Tolviaz, which was listed in the Orange Book.

Appellants who are petitioners in PTAB proceedings often assert injury based on the potential estoppel effect of PTAB decisions.

Amerigen had submitted a Paragraph III certification for the patent, which meant that the FDA would approve Amerigen's Abbreviated New Drug Application for a competing drug only after the patent expired.

After unsuccessfully challenging the patent in an IPR, Amerigen appealed.

The Federal Circuit held that Amerigen had a concrete, economic interest in future sales of its tentatively approved drug and therefore had demonstrated a sufficiently immediate controversy for standing.

The court explained that if Amerigen successfully challenged the patent and had it delisted from the Orange Book, it could launch its proposed generic drug product at a substantially earlier date.

COMPETITIVE OR REPUTATIONAL INJURY

Some appellants have argued that the potential effect of PTAB decisions on the appellant's (usually the patent challenger's) ability to compete in the market may constitute an injury-in-fact.

However, if the appellant is not engaged in conduct implicating the patent (or has only speculative plans to do

so), the alleged competitive harm may be insufficient to constitute the concrete interest required for standing.¹⁵

For example, in *AVX Corp. v. Presidio Components Inc.*, 923 F.3d 1357 (Fed. Cir. 2019), IPR petitioner AVX appealed from the board's decision upholding a capacitor patent owned by competitor Presidio.

In support of its argument that it had standing, AVX submitted a declaration from its general counsel explaining AVX's investment in capacitors, previous litigations between the two competitors, and his belief that the threat of future litigation over the challenged patent was substantial.

The Federal Circuit rejected AVX's argument that the board's decision reduced AVX's ability to compete with Presidio, concluding that AVX had no present or nonspeculative interest in engaging in conduct even arguably covered by the patent claims.¹⁶

The appeals court explained that government action upholding patent claims covering precisely defined product features does not harm a party simply because it is a competitor.

Rather, it said a patent claim can have a harmful competitive effect if the challenger is using the claimed features or plans to do so in competition.¹⁷

Similarly, in *General Electric Co.*, the court rejected GE's competitive injury arguments, pointing to the lack of evidence that GE lost business opportunities because of the upheld claims and determining that GE had asserted "only speculative harm untethered to" the challenged patent.¹⁸

GE argued that it had been harmed by increased research and development costs due to attempts to design engines that would not implicate the challenged patent.

The court concluded, however, that, aside from unquantified research and development expenditures, GE had not established any specific design around R&D costs.

The Federal Circuit considered potential reputational injury in *RPX Corp.*, where RPX asserted that the board's decision injured its reputation for successfully challenging patents in IPR proceedings.

To support its position, RPX submitted a declaration from its senior vice president of client relations in arguing that the board's unfavorable determination tarnished its reputation for successfully challenging patents.

The court rejected this reputational injury argument based on insufficient evidence to quantify the injury or show concrete and particularized harm.

It remains unclear whether reputational injury alone (without economic harm) could meet the injury-in-fact requirement when adequately proved through persuasive documentary and/or testimonial evidence.

In most cases where standing has been found to exist, however, injury-in-fact has been based at least in part on economic injury related to potential infringement liability.

TIMING CONSIDERATIONS

Timing can also be an important consideration for establishing or challenging standing.

Because an appellant may need to supplement the PTAB record with standing-related evidence when appealing to the Federal Circuit, it must ensure that such evidence can be presented at the time of the filing of a notice of appeal.

For example, if the appellant is a non-defendant IPR petitioner, it must ensure that by the time of appeal following completion of the IPR proceeding, sufficient standing-related evidence can be presented to the court.

When possible, this should be done by strategically planning the timing of the filing of an IPR petition, taking into account that an appeal usually commences about 18 months after the petition is filed.

The prospective appellant may also consider planning related commercial activities so that at the time of appeal (approximately 18 months from filing of the petition), it can demonstrate concrete present or future activities that create a substantial risk of potential infringement liability.

In addition, parties should be cognizant that standing must exist at all times during the pendency of an appeal.

Appellees should therefore investigate whether at any time before or during an appeal, the appellant has taken any actions to modify or terminate its activities implicating the challenged patent.

If such actions have been taken, the injury required for standing may be moot and the appellant may lose its standing to appeal.

IRREDUCIBLE CONSTITUTIONAL MINIMUM

Standing is an irreducible constitutional minimum that must be met for the Federal Circuit to consider an appeal.

When standing is not self-evident, an appellant must present persuasive, detailed evidence to supplement the PTAB

record to demonstrate standing, particularly to show an injury-in-fact.

Prospective IPR petitioners should consider strategically planning their commercial activities and the timing of their petitions to ensure that evidence relating to standing can be timely presented at the outset of a future appeal.

Only by successfully navigating the standing requirements will an appellant have the opportunity to challenge an unfavorable PTAB decision at the Federal Circuit.

NOTES

- ¹ U.S. Const. art. III, § 2.
- ² *Spokeo Inc. v. Robins*, 136 S. Ct. 1540 (2016).
- ³ *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258 (Fed. Cir. 2014).
- ⁴ *Phigenix Inc. v. Immunogen Inc.*, 845 F.3d 1168 (Fed. Cir. 2017).
- ⁵ *JTEKT Corp. v. GKN Auto. Ltd.*, 139 S. Ct. 2713 (2019); *RPX Corp. v. ChanBond LLC*, 139 S. Ct. 2713 (2019).
- ⁶ *AVX Corp. v. Presidio Components Inc.*, 923 F.3d 1357 (Fed. Cir. 2019).
- ⁷ *Phigenix*, 845 F.3d at 1173.
- ⁸ *Momenta Pharm. Inc. v. Bristol-Myers Squibb Co.*, 915 F.3d 764 (Fed. Cir. 2019).
- ⁹ *Lujan v. Defs. of Wildlife*, 504 U.S. 555 (1992) (internal quotation marks omitted).
- ¹⁰ *JTEKT Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018).
- ¹¹ *Id.*
- ¹² *See PPG Indus. v. Valspar Sourcing Inc.*, 679 F. App'x 1002 (Fed. Cir. 2017).
- ¹³ *Phigenix*, 845 F.3d at 1175-76.
- ¹⁴ *Google LLC v. Conversant Wireless Licensing S.A.R.L.*, 753 F. App'x 890 (Fed. Cir. 2018).
- ¹⁵ *See AVX*, 923 F.3d at 1365.
- ¹⁶ *Id.* at 1363.
- ¹⁷ *Id.* at 1365.
- ¹⁸ *GE v. United Techs. Corp.*, 928 F.3d 1349 (Fed. Cir. 2019).

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