IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
Alexandria Division

STEVEN C. CHUDIK, Plaintiff, v. ANDREI IANCU, *Under Secretary of Commerce for the Intellectual Property & Director of the United States Patent & Trademark Office,* Defendant.	)	Civil Action No. 1:19-cv-01163 (AJT/JFA)

ORDER

Plaintiff Steven Chudik is the owner of a patent entitled "GUIDE FOR SHOULDER SURGERY," Patent Number 9,968,459, issued on May 15, 2018. In this patent term adjustment action, Plaintiff seeks review under the Administrative Procedure Act of a final decision by the United States Patent and Trademark Office ("USPTO") concerning how many days the term of his patent will be extended based on the time consumed during the administrative process for the issuance of his patent. Specifically, the Defendant determined that an extension of 2066 days is appropriate and Plaintiff contends that an extension of 2721 days is appropriate. Plaintiff also requests a declaration that the regulations Defendant applied in connection with its determination of an appropriate extension are unlawful, arbitrary, capricious, or otherwise contrary to the applicable provisions of the patent term adjustment statute, 35 U.S.C. § 154(b)(4)(A) (the "PTA statute"). [Doc. No. 1], Complaint, at 2. The parties have filed cross-motions for summary judgment on these issues. [Doc. Nos. 21, 25]. For the reasons set forth below, the Court is constrained to defer to the regulations promulgated by the USPTO with respect to the calculation

of a PTA under the circumstances of this case; and for that reason, Defendant's Motion for Summary Judgment [Doc. No. 25] is GRANTED and Plaintiff's Motion for Summary Judgment [Doc. No. 21] is DENIED.

I. BACKGROUND

A. The Applicable Administrative Process.

An applicant seeking a U.S. patent must file an application with the USPTO, which then conducts an examination of the application. 35 U.S.C. § 131. If a patent examiner determines that an application does not meet patentability requirements, 35 U.S.C. § 132(a) requires that the examiner send a written notice, called an "Office action," to the applicant "stating the reasons for such rejection, or objection or requirement, together with such information and references as may be useful in judging the propriety of continuing the prosecution of his application." Upon receipt of this Office action, an applicant may continue to prosecute the application by (1) amending his claim, (2) arguing against the rejection, or (3) presenting evidence to show why the claimed invention is patentable. 37 C.F.R. § 1.111. In response, the examiner may either issue another rejection (the "Final Rejection") or may authorize some or all of the claims and issue a patent. 35 U.S.C. § 151. Upon receiving a Final Rejection, an applicant can appeal to the Patent Trial and Appeal Board (the "PTAB") and, from there, to either this Court or the U.S. Court of Appeals for the Federal Circuit, or alternatively, file a request for continued examination ("RCE") of the application, which vacates a Final Rejection and allows the applicant to respond to the rejection for USPTO's consideration.

If an applicant appeals to the PTAB, the process begins with the applicant filing a notice of appeal and an appeal brief. 37 C.F.R. §§ 41.31, 41.37. The brief is then reviewed by the

PTAB for compliance with 37 C.F.R. § 41.37.[1] If found to be in compliance, the patent examiner is then obligated to file a brief in response, or an answer, unless he reopens prosecution and continues the examination. *See* Manual Pat. Examining Proc. § 1207. If the patent examiner files an answer, the applicant has two months to file a reply. 37 C.F.R. § 41.41. At the point at which the applicant files a reply or the time to reply has passed, whichever is earlier, "jurisdiction passes" to the PTAB. *See* 37 C.F.R. § 41.35(a) (PTAB does not have jurisdiction over an appeal until "the filing of a reply brief . . . or the expiration of the time in which to file such a reply brief, whichever is earlier."). If the patent examiner reopens prosecution and continues the examination rather than filing an answer, the PTAB will not proceed with any substantive consideration of the appeal.

B. The Administrative Processing of Plaintiff's Patent Application

Plaintiff Steven Chudik filed an application in the USPTO for his patent entitled "GUIDE FOR SHOULDER SURGERY", Patent No. 9,968,459 ("the '459 Patent"), on September 29, 2006. [Doc. No. 22] Plaintiff MSJ, Statement of Undisputed Material Facts ("Pl's SUMF"), ¶ 1. On December 23, 2009, the USPTO examiner issued a non-final rejection, to which Plaintiff responded, but on August 18, 2010, the examiner issued the first Final Rejection. [Doc. No. 26], Defendant MSJ, Statement of Undisputed Facts ("D's SUMF"), ¶ 2. On January 21, 2011, Plaintiff filed an RCE; on October 22, 2013, the examiner issued a non-final rejection; and on September 9, 2014 the patent examiner issued a Final Rejection of Plaintiff's Patent '459, concluding that the application's claims were anticipated under 35 U.S.C. § 102 by another patent, U.S. Patent No. 4,383,527. Pl's SUMF ¶ 2; D's SUMF ¶ 3.

[1] 37 C.F.R. § 41.37 outlines the procedural rules for filing an appeal brief. Since the events giving rise to this action, compliance with 37 C.F.R. § 41.37 is now reviewed by the Patent Appeal Center. Manual Pat. Examining Proc. § 1204(V).

On October 27, 2014, Plaintiff filed his first Notice of Appeal to the PTAB, challenging the Final Rejection. Pl's SUMF ¶ 3; *see also* D's SUMF ¶ 4. On November 25, 2014, Plaintiff filed his opening brief in the October 27, 2014 appeal. Pl's SUMF ¶ 4.

After Plaintiff's opening brief was reviewed by the PTAB for compliance with 37 C.F.R. § 41.37, it was forwarded to the Examiner for response. Pl's SUMF ¶ 5. On April 2, 2015, while Plaintiff's opening brief was pending, the Examiner filed a non-final rejection, saying, *inter alia*, "In view of the appeal brief filed on 1/16/2015, PROSECUTION IS HEREBY REOPENED. To avoid abandonment of the application, appellant must exercise one of the following two options: (1) file a reply . . . or (2) initiate a new appeal by filing a notice of appeal . . . ." Pl's SUMF ¶ 6. The patent examiner concluded that the application's claims were anticipated under 35 U.S.C. § 102 by another patent, U.S. Patent No. 5,147,367. Pl's SUMF ¶ 7.

On May 13, 2015, Plaintiff filed his second Notice of Appeal to the PTAB. Pl's SUMF ¶ 8. On November 16, 2015, the patent examiner reopened prosecution. *Id.* ¶ 11. On June 27, 2016, Plaintiff filed his third Notice of Appeal to the PTAB. Pl's SUMF ¶ 14. On December 28, 2016, the patent examiner reopened prosecution. *Id.* ¶ 17. On March 28, 2017, Plaintiff filed his fourth and final Notice of Appeal to the PTAB. Pl's SUMF ¶ 20. On December 26, 2017, while Plaintiff's appeal brief was pending, the patent examiner filed a non-final rejection, withdrawing her rejection of some of the application's claims, but maintaining her rejection on other grounds. Pl's SUMF ¶ 23.

On March 14, 2018, following an Applicant Initiated Interview, the patent examiner issued an Examiner's Amendment, which amended the application's independent claim and cancelled some of the claims, and a Notice of Allowance. Pl's SUMF ¶ 24. On May 15, 2018, the '459 Patent was issued showing a PTA of 1967 days. Pl's SUMF ¶ 26.

On July 13, 2018, Plaintiff filed a petition to extend the PTA to 2721 days. Pl's SUMF ¶ 27. On October 18, 2018, the USPTO made a redetermination that the PTA was 2099 days instead of 1967 days. Pl's SUMF ¶ 28. On October 29, 2018, Plaintiff filed a Petition for Reconsideration of the USPTO's October 18, 2018 redetermination. Pl's SUMF ¶ 29. On December 14, 2018, the USPTO redetermined the PTA to be 2066 days, rather than 2099, based on a change in calculation which Plaintiff does not contest in this action. Pl's SUMF ¶ 30. Plaintiff then filed a Supplemental Reply on January 17, 2019, again requesting a PTA of 2721 days. Pl's SUMF ¶ 31. On April 23, 2019, Defendant mailed its decision to Plaintiff, denying Plaintiff's request and advising that the PTA for the '459 patent was 2066 days, not 2721 days. Pl's SUMF ¶ 38. Plaintiff filed this action on September 6, 2019.

II. STANDARD OF REVIEW

Under Federal Rule of Civil Procedure 56, summary judgment is appropriate only if the record shows that "there is no genuine issue as to any material fact and that the moving party is entitled to a judgment as a matter of law." Fed. R. Civ. P. 56(c); *see also Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 247–48 (1986); *Evans v. Techs. Apps. & Serv. Co.*, 80 F.3d 954, 958–59 (4th Cir. 1996). The facts shall be viewed, and all reasonable inferences drawn, in the light most favorable to the non-moving party. *Anderson*, 477 U.S. at 255. Once a motion for summary judgment is properly made and supported, the opposing party has the burden of showing that a genuine dispute exists. *Matsushita Elec. Indus. Co. v. Zenith Radio Corp.*, 475 U.S. 574, 586–87 (1986). "[T]he mere existence of some alleged factual dispute between the parties will not defeat an otherwise properly supported motion for summary judgment; the requirement is that there be no genuine issue of material fact." *Anderson*, 477 U.S. at 247–48.

Where, as in this case, judicial review is limited to the administrative record and the parties agree that no genuine issues of material fact exist, resolution through a motion for summary judgment is appropriate as the Court need only decide relevant legal questions. *Wyeth v. Kappos*, 591 F.3d 1364, 1369 (Fed. Cir. 2010).

Appellants who disagree with the USPTO's decision on a request for reconsideration of a PTA may file a civil action in the Eastern District of Virginia within 180 days of the USPTO Director's decision. 35 U.S.C. § 154(b)(4)(A).[2] Review of the Director's decision is performed under the Administrative Procedure Act ("APA"), 5 U.S.C. §§ 701–706. 35 U.S.C. § 154(b)(4)(A) ("Chapter 7 of title 5 shall apply" to a district court action challenging the USPTO's PTA determination). The APA provides that the court should "set aside agency action . . . found to be arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law . . . [or] in excess of statutory . . . authority." 5 U.S.C. § 706(2)(A), (C). An agency abuses its discretion "where the decision is based on an erroneous interpretation of the law, on factual findings that are not supported by substantial evidence, or represents an unreasonable judgment in weighing relevant factors." *Star Fruits S.NC. v. United States*, 393 F.3d 1277, 1281 (Fed. Cir. 2005).

"As always, the starting point in every case involving construction of a statute is the language itself." *United States v. Hohri*, 482 U.S. 64, 69 (1987) (internal quotations omitted). "If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress." *City of Arlington*

[2] 35 U.S.C. § 154(b)(4)(A) provides in pertinent part:

> An applicant dissatisfied with the Director's decision on the applicant's request for reconsideration [of the PTA] under paragraph (3)(B)(ii) [of 35 U.S.C. § 154] shall have exclusive remedy by a civil action against the Director filed in the United States District Court for the Eastern District of Virginia within 180 days after the date of the Director's decision on the applicant's request for reconsideration.

v. FCC, 569 U.S. 290, 296 (citing *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837, 842 (1984)). "[I]f the statute is silent or ambiguous with respect to the specific issue, the question for the court is whether the agency's answer is based on a permissible construction of the statute." *Id.* The agency's "interpretation governs in the absence of unambiguous statutory language to the contrary or unreasonable resolution of language that is ambiguous." *Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1345 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1366, 203 L. Ed. 2d 571 (2019).

In this case, the USPTO's interpretation of the PTA statute is reflected in its regulations. In that regard, the USPTO is authorized by statute to issue regulations "establishing procedures for the application for and determination of patent term adjustments," 35 U.S.C § 154(b)(3)(A), and so *Chevron* deference applies, *see Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336, 1345 (Fed. Cir. 2018), *cert. denied*, 139 S. Ct. 1366, 203 L. Ed. 2d 571 (2019) (noting that "[w]hen a statute expressly grants an agency rulemaking authority and does not 'unambiguously direct[ ]' the agency to adopt a particular rule, the agency may 'enact rules that are reasonable in light of the text, nature, and purpose of the statute'").

III. ANALYSIS

Plaintiff requests that the term of his patent be additionally adjusted for a total of 754 days, consisting of 149 days, 184 days, 184 days and 237 days respectively for the notices of appeal filed on October 27, 2014, May 13, 2015, June 27, 2016, and March 28, 2017, respectively. Pl's SUMF ¶¶ 35–36. Plaintiff contends in this regard that he is entitled to these adjustments based on what are termed "C" delays under 35 U.S.C. § 154(b)(1)(C), which provides in pertinent part as follows:

(b) Adjustment of Patent Term.—

> (1) Patent Term Guarantees. —
>
> > * * * *
> >
> > (C) Guarantee of adjustments for delays due to derivation proceedings, secrecy orders, and appeals. — Subject to the limitations under paragraph (2), if the issue of an original patent is delayed due to —
> >
> > * * * *
> >
> > (iii) appellate review by the Patent Trial and Appeal Board or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability,
>
> the term of the patent shall be extended 1 day for each day of the pendency of the proceeding, order, or review, as the case may be.

Plaintiff contends that under the plain, unambiguous text of the statute, he is entitled to the "C" delay adjustments he requests because "appellate review by the [PTAB]" refers to the appellate process of review before the PTAB, which begins with the applicant's filing of a Notice of Appeal, the time claimed is associated with the "pendency" of that "proceeding" or "review"—the appellate process initiated by the filing of the Notice of Appeal—and there was during that appellate review process a "decision in the review reversing an adverse determination of patentability"—the decision of the patent examiner to reopen the examination, which ultimately led to the patent examiner allowing the patent. Defendant contends, on the other hand, that none of the time following the filing of the Notices of Appeal is within the scope of a "C" delay because under the implementing regulations, the PTAB never obtained "jurisdiction" because following the filing of each Notice of Appeal, the patent examiner reopened the examination rather than file an answer, and the appeals process ended before the PTAB ever obtained "jurisdiction" to engage in "appellate review" or issued a "decision in the review reversing an adverse determination of patentability." Central to this position is that the

implementing regulations are a valid exercise of rule-making authority and are therefore controlling under *Chevron* deference.[3]

Plaintiff's position is based on a reasonable construction of the statutory text, specifically, "appellate review by the [PTAB]." Under Plaintiff's construction, that appellate process begins with the filing of a notice of appeal, 37 C.F.R. § 41.31, as it does in federal court proceedings, which, in turn, triggers, without more, Plaintiff's obligation to file an opening brief, PTAB's review of that brief's form for compliance with the applicable regulations, and, if in compliance, the patent examiner's obligation to file a brief in response, unless he acts to reopen the examination. That process can reasonably be viewed as "appellate review by the [PTAB]" and the patent examiner's decision to reopen the prosecution is reasonably viewed as a decision "reversing an adverse determination of patentability," which occurred during the "pendency" of that "review," *i.e.*, after the examination process or the appellate process started and as part of that patent examination proceeding or appellate process. For these reasons, based on the text of the statute, the delays associated with the appellate process after the filing of a notice of appeal can be reasonably understood to be part of "the pendency of the proceeding, order, or review, as the case may be." The critical fact is that all of these events take place only after the appellate process has begun and before it ends. For these reasons, Plaintiff's construction of the statute, if adopted, would entitle him to the claimed "C" delay term adjustment, unless the Court must defer to the implementing regulations that deny a "C" delay adjustment where the patent

[3] Defendant also asserts that its interpretation of the PTA statute would be entitled to *Skidmore* deference. [Doc. No. 26] at 18 n.6. While *Chevron* deference applies to an agency's interpretation of a statute through notice-and-comment rulemaking, *Skidmore* deference applies to informal agency actions and "does not entail the same degree of deference to administrative decisionmaking as the *Chevron* standard, [but does] require[] courts to give some deference to informal agency interpretations of ambiguous statutory dictates, with the degree of deference depending on the circumstances." *Cathedral Candle Co. v. U.S. Int'l Trade Comm'n*, 400 F.3d 1352, 1365 (Fed. Cir. 2005) (citing *Skidmore v. Swift & Co.*, 323 U.S. 134 (1944)). Because the USPTO's interpretation is reflected in regulations properly promulgated through notice-and-comment rulemaking, the *Chevron*, rather than the *Skidmore*, standard of review applies.

examiner has reopened his examination rather than filed an answer in response to an applicant's opening brief.

Where an agency has been authorized to promulgate regulations to effectuate a statute, the Court engages in *Chevron* analysis in deciding whether it must defer to that agency's construction of the statute. Under *Chevron*, the first issue is whether the statute is ambiguous and if so, a Court must determine "(1) whether the PTO has adopted a rule or regulation through APA-compliant procedures that have the force and effect of law; (2) if so, whether that rule is within the scope of the PTO's rulemaking authority; and (3) if so, whether that rule is based on 'a permissible construction of the statute.'" *Aqua Prod., Inc. v. Matal*, 872 F.3d 1290, 1316 (Fed. Cir. 2017) (quoting *Chevron*, 467 U.S. at 843). A construction is "permissible" if the statutory language is ambiguous and the agency's construction is not an unreasonable resolution. *Chevron*, 467 U.S. at 844–45.

35 U.S.C § 154(b)(3)(A) and (B) specifically direct that "[t]he Director shall prescribe regulations establishing procedures for the application and determination of patent term adjustments under this subsection [pertaining to patent term adjustments]" and, under those procedures, "the Director shall . . . make a determination of the period of any patent term adjustment . . . ." The USPTO therefore has the legislatively-sanctioned power to promulgate regulations pursuant to notice-and-comment rulemaking authority, and pursuant to that authority, it promulgated regulations as to how to calculate the patent term adjustments authorized under § 154(b)(1). *See* 37 C.F.R. §§ 1.702, 1.703. As applicable here, the USPTO's regulations describe specifically the method to calculate "C" delay adjustments and limits such adjustments to those days "beginning on the date on which jurisdiction over the application passes to the Patent Trial and Appeal Board under § 41.35(a) of this chapter and ending on the date of a final decision in

favor of the applicant by the [PTAB] . . . ." 37 C.F.R. § 1.703(e). Plaintiff does not contend that the USPTO failed to follow APA-compliant procedures in promulgating its regulations. Rather, the issue is whether this regulation reflects a permissible construction of 35 U.S.C. § 154(b)(1)(C). Central to that issue is whether it is a permissible construction of the statute to exclude the time following the beginning of the appellate process until such time as "jurisdiction passes to the PTAB," defined under the regulations as that point in time when the applicant files a reply brief or fails to file a reply brief within two months of the patent examiner's filing of an answer.

The first issue is whether the phrase "appellate review by the Patent Trial and Appeal Board or by a Federal court in a case in which the patent was issued under a decision in the review reversing an adverse determination of patentability" is unambiguous. That issue reduces to whether that phrase can only reasonably refer to the appellate process bringing the matter to the PTAB, beginning with the filing of a Notice of Appeal, as the Plaintiff contends, or whether it may also reasonably refer, as the Defendant's regulations presume, to the period when the PTAB first has, under the regulations, "jurisdiction," that is, when it is authorized to begin its actual substantive review of an appeal after briefing has been completed.

Although a close issue, the Court concludes that the phrase is ambiguous and that Defendant's construction is a reasonable one. In that regard, the phrase "appellate *review by* the PTAB" can reasonably be understood to refer to the actual process of substantive review by the PTAB rather than the period initiated procedurally as part of an administrative sequence. Similarly, what constitutes "a decision in the review" or a "pendency of the review" under § 154(b)(1)(C)(iii) is susceptible to more than one reasonable interpretation, as evidenced in part by the USPTO's longstanding position that an "applicant is not entitled to patent term adjustment

[for "C" delays] for the reopening of prosecution," as explained by the USPTO in 2012 when it engaged in notice-and-comment rulemaking to promulgate the revised PTA regulations. *Revision of Patent Term Adjustment Provisions Relating to Appellate Review*, 77 Fed. Reg. 49,354, 49,357 (Aug. 16, 2012) (response to Comment 11); *see also Hyatt v. United States Patent & Trademark Office*, 904 F.3d 1361, 1374 (Fed. Cir. 2018), *cert. denied sub nom. Hyatt v. Iancu*, 140 S. Ct. 45 (2019) (noting that "an examiner's decision not to reopen prosecution is [a] condition that must be satisfied before an appeal reaches the Board"). Overall, these regulations are not an unreasonable resolution of ambiguous statutory language, and Defendant's PTA decision based on those interpretations of the PTA statute reflected in the USPTO's properly promulgated regulations was not arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law or in excess of statutory authority.

IV. CONCLUSION

For the foregoing reasons, it is hereby

ORDERED that Defendant's Motion for Summary Judgment [Doc. No. 25] be, and the same hereby is, **GRANTED**; and it is further

ORDERED that Plaintiff's Motion for Summary Judgment [Doc. No. 21] be, and the same hereby is, **DENIED;** and it is further

ORDERED that the final decision of the Defendant be, and the same, hereby is **AFFIRMED**; and this action dismissed.

The Clerk is directed to forward copies of this Order to all counsel of record and to enter judgment in favor of the Defendant and against the Plaintiff pursuant to Federal Rule of Civil Procedure 58.

/s/
Anthony J. Trenga
United States District Judge

Alexandria, Virginia
March 25, 2020