

PTAB Strategies and Insights

May 2020



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The PTAB Strategies and Insights newsletter provides timely updates and insights into how best to handle proceedings at the USPTO. It is designed to increase return on investment for all stakeholders looking at the entire patent life cycle in a global portfolio.

This month you will find two articles covering:

- Should USPTO Be Able to Make New Law Without Rulemaking?
- Supreme Court – Decided and Pending Constitutional Challenges

IN THIS ISSUE

Should USPTO Be Able to Make New Law Without Rulemaking

Supreme Court – Decided and Pending Constitutional Challenges

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We welcome feedback and suggestions about this newsletter to ensure we are meeting the needs and expectations of our readers. So if you have topics you wish to see explored within an issue of the newsletter, please reach out to me.

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Best,
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SHOULD USPTO BE ABLE TO MAKE NEW LAW WITHOUT RULEMAKING?

By: [Trent W. Merrell](#), [Jason D. Eisenberg](#), and [Nirav N. Desai](#)

Since arriving at the USPTO, Director Iancu has tried to bring clear messages and consistency to the Office. For purposes of this article, we concentrate on the new POP procedures for Board case law and rules, and how the Federal Circuit has treated them.

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SUPREME COURT – DECIDED AND PENDING CONSTITUTIONAL CHALLENGES

By: [Rebecca A. Lindhorst](#) and [Jason D. Eisenberg](#)

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Contrasting Proppant (POP) and Windy City (Fed Cir)

The contrasting positions of the Federal Circuit and Director Iancu are highlighted by comparing the POP's decision in *Proppant v. Oren Technologies*, IPR2018-00914 with the Federal Circuit's recent *Facebook v Windy City* panel decision, which is up for *en banc* review.

In *Proppant*, the POP determined that 35 U.S.C. § 315(c) provides the Board with discretion to allow a petitioner to be joined to a proceeding in which it is already a party, and it allows joinder of new issues into an existing proceeding.

One year later in *Windy City*, while not deciding an appeal of the Proppant decision, the Federal Circuit addressed Proppant and its issues – same party joinder under § 315(c) – but reached the opposite result.

In *Windy City*, petitioner Facebook filed an initial volley of IPR petitions—challenging some but not all of the claims of the asserted patents—exactly one year after being served with Windy City's complaint. At the time, Windy City had not identified the claims it was asserting in the district court litigation. Later, after Windy City identified the asserted claims, Facebook filed two additional petitions for IPR challenging claims that were not included in the initial volley, along with motions for joinder to the already-instituted IPRs on those patents. The Board instituted Facebook's new petitions and granted joinder. The Board ultimately found several claims unpatentable, including claims only challenged in the later-joined proceedings.

On appeal, the Federal Circuit vacated the Board's decisions based on the later-joined petitions because “the Board erred in allowing Facebook to join itself to a proceeding in which it was already a party, and also erred in allowing Facebook to add new claims to the IPRs through that joinder.”

The Federal Circuit considered, and directly addressed, *Proppant*, stating “[w]e recognize that

the Board’s Precedential Opinion Panel analyzed this issue in [*Proppant*], and came to the opposite conclusion...But that conclusion, which allowed same-party joinder, is incorrect under the unambiguous meaning of the statute.”

The *Windy City* court then turned to whether any *Chevron* deference is owed to the USPTO’s POP decisions or its interpretation of § 315(c) and ultimately determined that there was “no ambiguity that could warrant deference.” See *Chevron, U.S.A., Inc. v. Nat. Res. Def. Council, Inc.*, 467 U.S. 837, 842–43 (1984) (“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.”). “Even under *Chevron*, we owe an agency’s interpretation of the law no deference unless, after ‘employing traditional tools of statutory construction,’ we find ourselves unable to discern Congress’s meaning.” *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348, 1358 (2018) (quoting *Chevron*, 467 U.S. at 843 n.9).

Now, with *Windy City* up for *en banc* review, the [Federal Circuit](#) wants the parties and amici – including the USPTO – “to file supplemental briefs explaining their views regarding the effect, if any, of the Supreme Court’s decision in *Thryv* on our decision in this case.” An overarching question is whether *Proppant* – although overturned – will still stand since the Federal Circuit may not have had the right to review it.

Is the USPTO allowed to use POP or only the APA Rulemaking

Perhaps a larger debate, however, is whether the USPTO may properly use its procedural and POP processes to make law, or whether are they limited to comment and rule making under the APA. There are strong opinions on all sides.

It has been argued that Treatise authority shows overwhelmingly that academia and judges agree that only rulemaking should be used within an agency, and not case-by-case adjudication. But an argument against notice-and-comment rulemaking alleges that there is undue influence, almost lobbying, occurring from wealthy sources that infuse one-sided comments into the rule making process. There is also a concern that independent or so-called “garage” inventors do not have the resources to effectively counterbalance these influences. Although they have tried to swing the pendulum back to preserving patent rights, and will continue to.

The argument against the POP, and precedential and informative decisions in general, is whether the current practice is improper, ineffective, and whether the USPTO has any constitutional authority to establish precedential law. And whether some Executive Orders that have recently issued contradict the USPTO’s new practice.

Some believe that attempts at setting policy through informal guidance have failed because they lack bright line rules and still leave discretionary decision-making in the hands of the Board. Instead of presenting the public with a consolidated and organized set of regulations, which might otherwise be achieved through notice-and-comment rulemaking, POP adversaries argue that the current practice fragments the Board’s rules into disconnected pieces, leading to further confusion.

We will continue to monitor the Federal Circuit’s guidance on this issue, and will anxiously wait to see if the Supreme Court will decide to take up this issue. Stay tuned.

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But alongside the appointments clause issue in *Arthrex II*, there are several other cases to watch. For example *Collabo Innovations v. Sony Corp.*[iv], *Chrimar Systems v. ALE USA Inc.* [v], and *General Electric Co. v. United Technologies Corp.*[vi] are all on cert before the Supreme Court. And the Supreme Court recently denied cert in a case challenging sovereign immunity from PTAB challenges.[vii] Another case moving towards the Court, *Virnetx v. Cisco*, may challenge whether inter partes reexamination should have the same fate as AIA cases under *Arthrex II*.

Collabo asks the Court to address if the retroactive application of *inter partes* review of pre-AIA patents violates the Takings and Due Process Clause of the Fifth Amendment. The Court left this issue unresolved when it upheld the constitutionality of *inter partes* review in *Oil States*. [viii] Since *Oil States*, numerous academics, scholars, and professionals have questioned the constitutionality of the retroactive application of *inter partes* review. A finding by the Court that retroactive application of *inter partes* review is unconstitutional would exempt millions of patents from *inter partes* review.

Chrimar asks the Court to clarify when a patent judgment becomes final. Specifically, *Chrimar* asks: (1) “[w]hether the Federal Circuit may apply a finality standard for patent cases that conflicts with the standard applied by [the Supreme Court] and all other circuit courts in nonpatent cases” and (2) [w]hether a final judgment of liability and damages that has been affirmed on appeal may be reversed based on the decision of an administrative agency.” Several

amici have filed briefs on behalf of Chimar urging the Court to grant cert and clarify the law on if and when a finally resolved dispute on the merits is open to collateral attack in administrative agency proceedings.

General Electric asks the Court to weigh in on if competitive harm alone is sufficient to confer Article III standing to appeal an *inter partes* review decision or if an appellant must also show concrete plans for future activity that creates a substantial risk of future infringement action. Under the current standard, a showing of economic injury as a result of an IPR decision is not enough to establish injury-in-fact and therefore standing for appellate review by an Article III court. GE argues that the current test contradicts the doctrine applied by the Supreme Court and other circuits that government action that subjects parties to competitive harm satisfies Article III's injury-in-fact requirement. If the Court were to agree with GE, it would result in an increase in appellate review of IPR decisions brought by dissatisfied petitioners.

The Court recently denied cert in *Regents of the University of Minnesota v. LSI Corp.*, which challenged sovereign immunity from PTAB challenges. The petition asked the Court to address if IPR proceedings brought by private respondents against the University of Minnesota are barred by sovereign immunity. The Federal Circuit, in view of its decision in *Saint Regis*^[ix] held that state sovereign immunity does not preclude institution of IPR proceedings. It appears that the Supreme Court is unlikely to address this issue any time soon, as it has denied cert in both *Saint Regis* and *Minnesota*.

Finally, for completeness, the Supreme Court has also denied challenges to the AIA when petitioners argued it violates the Separation of Powers^[x] requirement because patent validity can only be finally determined by an Article III court and also deprives patent owners of their right to a jury trial under the Seventh Amendment^[xi].

We will see if the Court will address not just how PTAB procedures should proceed as they did in *Couzo*^[xii] *SAS*^[xiii] *Oil States*^[xiv] and *Thyrv*^[xv] but whether they should be able to proceed at all, as they did in *Return Mail*^[xvi]

Unfortunately, the Supreme Court is definitely not taking up the most pressing issue – patentable subject matter - anytime soon, denying cert nearly 50 times on *Alice* issues. We hope Congress will clarify patent subject matter.

Stay tuned.

[i] [Petition for Writ of Certiorari](#), *Arthrex v. Smith & Nephew, Inc.*, No. 19-1204 (filed April 6, 2020).

[ii] *Arthrex v. Smith & Nephew, Inc.*, 953 F.3d 760 (Fed. Cir. 2020) ([denying rehearing en banc](#)).

[iii] General Order in Cases Remanded Under *Arthrex v. Smith & Nephew Inc.*, 941 F.3d 1320 (Fed. Cir. 2019) (PTAB May 1, 2020) [LINK](#).

[iv] [Petition for Writ of Certiorari](#), *Collabo Innovations v. Sony Corp.*, No. 19-601 (filed Nov. 4, 2019). Distributed for June 4, 2020 conference.

[v] [Petition for Writ of Certiorari](#), *Chrimar Systems, Inc. v. Ale USA, Inc.*, No. 19-1124 (filed Mar. 10, 2020). Cert was denied May 26, 2020.

[vi] [Petition for Writ of Certiorari](#), *General Electric Co. v. Raytheon Technologies, Corp.*, No. 19-1012 (filed Feb. 12, 2020).

[vii] [Petition for Writ of Certiorari](#), *Regents of the University of Minnesota v. LSI Corp.*, No. 19-337 (filed Sep. 12, 2019).

[viii] *Oil States Energy Services, LLC v. Greene's Energy Group, LLC.*, 138 S.Ct. 1365 (2018).

[ix] *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals, Inc.*, 896 F.3d 1322 (Fed. Cir. 2018).

[x] Petition for Writ of Certiorari, *Cooper v. Lee*, No. 15-955 (filed Jan. 21, 2016); Petition for Writ of Certiorari, *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330 (filed Feb. 18, 2016.)

[xi] Petition for Writ of Certiorari, *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 15-1330 (filed Feb. 18, 2016.)

[xii] *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016) [LINK](#).

[xiii] *SAS Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018) [LINK](#).

[xiv] *Oil States Energy Services, LLC v. Greene's Energy Group, LLC.*, 138 S.Ct. 1365 (2018) [LINK](#).

[xv] *Thyrv, Inc. v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020) [LINK](#).

[xvi] *Return Mail, Inc. v. United States Postal Service*, 139 S.Ct. 1853 (2019) [LINK](#).

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