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Patents/Post-Grant Opposition

Can an Industry Group Appeal an Unfavorable IPR Decision?



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Patent owners, both those practicing their invention and non-practicing entities (NPEs), often approach companies they believe are infringing their patent rights. The patent owners threaten lawsuits if the companies do not stop selling certain products or demand a license with a threat of a lawsuit if no agreement is reached. If the companies are unable to reach an agreement with the patent owner, they often turn to invalidation proceedings, such as inter partes reviews (IPRs), covered business method (CBM) proceedings, or post-grant reviews (PGRs).

In some situations, an entity that has not been threatened directly will file one of these post-grant proceedings. That entity may or may not have a relationship

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with the companies that were threatened, and may have a less direct relationship with the patent owner. Any of these entities should have standing to file IPRs and PGRs in the Patent Trial and Appeal Board (PTAB) of the Patent and Trademark Office. See *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131, 2143-44 (2016) (“Parties that initiate the proceeding need not have a concrete stake in the outcome; indeed, they may lack constitutional standing”). To initiate a CBM proceeding, a party needs to have been sued or charged with infringement of a covered business method patent. America Invents Act, § 18(a)(1)(B).

However, to appeal an unfavorable final decision from the PTAB to the U.S. Court of Appeals for the Federal Circuit, the entity needs Article III standing. *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1171-72 (Fed. Cir. 2017) (“[A]lthough Article III standing is not necessarily a requirement to appear before an administrative agency, an appellant must nevertheless supply the requisite proof of an injury in fact when it seeks review of an agency’s final action in a federal court” (quoting *Consumer Watchdog v. Wisconsin Alumni Research Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014); citations omitted)). “Article III limits the federal courts’ jurisdiction to those disputes seeking to ‘redress or prevent actual or imminently threatened injury to persons caused by private or official violation of law.’” *Consumer Watchdog*, 753 F.3d at 1260 (quoting *Summers v. Earth Island Inst.*, 555 U.S. 488, 492-93 (2009)). Article III standing may be unlikely in a situation in which the entity has no meaningful relationship to the threatened companies.

This article addresses considerations that arise if the entity is an industry group whose members are among those threatened by the patent owner. The courts have not yet addressed whether such an industry group can appeal an unfavorable final written decision from the PTAB.

General Standing Requirements

The party seeking judicial review bears the burden of establishing that it has standing under Article III. *Phigenix*, 845 F.3d at 1171. Courts apply a three-part test: an appellant must have (1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the

appellee, (3) that is likely to be redressed by a favorable judicial decision. *Id.* (citing *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547 (2016)).

To establish an injury in fact under the first part of the test, “a plaintiff must show that he or she suffered ‘an invasion of a legally protected interest’ that is ‘concrete and particularized’ and ‘actual or imminent, not conjectural or hypothetical.’” *Spokeo*, 136 S. Ct. at 1548 (quoting *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 560 (1992)). If a member of an industry group has been accused of infringing a patent, it would generally meet the first part of the test, having suffered an injury in fact from the PTAB decision unfavorable to the member. That injury is fairly traceable to the accusation by the patent owner (the appellee if there has been a decision unfavorable to the petitioner) and is likely to be redressed by a favorable (to the petitioner) appellate decision.

The industry group, however, could find it challenging to demonstrate that it, as opposed to its member, has suffered an injury in fact if the industry group itself would not infringe directly or indirectly. In some circumstances, the group may be at risk for inducing infringement, or there may be some other injury to the group if its members cannot practice the patent. However, in many circumstances the group itself will have difficulty establishing injury in fact.

One potential injury as a petitioner is the estoppel that attaches to a petitioner after the Final Written Decision. 35 U.S.C. § 325(e). This issue was addressed in *Phigenix*, in which the Federal Circuit determined that the risk of an estoppel from an adverse PTAB decision generally is not sufficient to establish an injury in fact when the appellant “is not engaged in any activity that would give rise to a possible infringement suit.” *Phigenix*, 845 F.3d at 1175-76 (citing *Consumer Watchdog*, 753 F.3d at 1262).

If the industry group could show an injury in fact related to the threatened patent litigation, it likely could show that it met the other two elements of the test. The injury in this scenario would be traceable to the patent infringement litigation threatened by the patent owner and likely would be redressed by cancellation of the challenged claims of the patent(s) at issue. However, as discussed below such a direct injury may not be required.

Associational Standing

The courts have recognized an exception to the general standing requirements in the case of certain associations. “‘Even in the absence of injury to itself, an association may have standing solely as the representative of its members.’” *Hunt v. Washington Apple Advertising Comm’n*, 432 U.S. 333, 342 (1977) (quoting *Warth v. Seldin*, 422 U.S. 490, 511 (1975)). In particular, the “association must allege that its members, or any one of them, are suffering immediate or threatened injury as a result of the challenged action of the sort that would make out a justiciable case had the members themselves brought suit.” *Id.* (quoting *Warth*, 422 U.S. at 511). The U.S. Supreme Court has explained that so “long as this can be established, and so long as the nature of the claim and of the relief sought does not make the individual participation of each injured party indispensable to proper resolution of the cause, the association may be an appropriate representative of its mem-

bers, entitled to invoke the court’s jurisdiction.” *Id.* at 342-43 (quoting *Warth*, 422 U.S. at 511).

An association has standing to sue on behalf of its members “when: (a) its members would otherwise have standing to sue in their own right; (b) the interests it seeks to protect are germane to the organization’s purpose; and (c) neither the claim asserted nor the relief requested requires the participation of individual members in the lawsuit.” *Id.* at 343.

The Federal Circuit has applied the associational standing test only a handful of times in the last 20 years, and never in the context of post-grant proceedings. In each of its prior decisions, the court permitted various organizations to represent their respective members. *Biotechnology Industry Organization v. District of Columbia*, 496 F.3d 1362 (Fed. Cir. 2007). See also *Eastern Paralyzed Veterans Ass’n, Inc. v. Secretary of Veterans Affairs*, 257 F.3d 1352 (Fed. Cir. 2001) (holding that Veterans Association, representing approximately 2,000 members, had standing to challenge regulations as the association “[sought] to protect the interests of paralyzed veterans in receiving medical care”), and *Disabled American Veterans v. Gober*, 234 F.3d 682 (Fed. Cir. 2000) (holding that four representative veterans groups had proper standing to challenge Department of Veterans Affairs regulation as the organizations’ suit was “relevant to its purpose of aiding veterans in obtaining benefits”).

For example, in *Biotechnology Industry Organization v. District of Columbia*, the Federal Circuit found proper standing for two industry organizations whose membership included manufacturers of patented pharmaceuticals to challenge city council legislation. 496 F.3d 1362 (Fed. Cir. 2007) (note: WilmerHale represented the plaintiffs.). More recently, the D.C. Circuit applied the associational standing test to an environmental group’s challenge to an adverse agency decision, relating to approval of construction of natural-gas pipelines. *Sierra Club v. Federal Energy Regulatory Commission*, 827 F.3d 36 (D.C. Cir. 2016). The court credited a declaration by one of the environmental group’s members, concluding that the standing requirement was met because “[a]t least one Sierra Club member has risen to that task [of proving injury in fact], and that is all that Article III requires.” *Id.* at 43.

To satisfy the first element of the associational standing inquiry, an industry group must show that: (1) at least one of its members has suffered an “injury-in-fact” that is “concrete and particularized” and “actual or imminent, not conjectural or hypothetical;” (2) the injury is “fairly traceable to the challenged action of the defendants;” and (3) it is “likely, as opposed to merely speculative, that the injury will be redressed by a favorable decision.” *Friends of the Earth, Inc. v. Laidlaw Envtl. Servs. (TOC), Inc.*, 528 U.S. 167, 180-81 (2000) (internal citations omitted). “Under *Hunt*, an association has standing to sue on behalf of its members when those members would have standing to bring the same suit.” *New York State Club Ass’n, Inc. v. City of New York*, 487 U.S. 1, 9 (1988).

For an industry group, several factors may weigh towards a finding that the first element of associational standing inquiry is satisfied. As with general Article III standing, if one of the group members received letters or notices from the patent owner threatening litigation, seeking to license the challenged patent(s), or with claim charts purporting to show that the member in-

fringed the patent(s), that would likely be sufficient to demonstrate the member suffered an injury-in-fact that is concrete, particularized, and actual or imminent. If, in addition, the group's interests would be "adversely affected by the outcome," that could strengthen an argument that sufficient adversity between the parties existed to support standing. *Hunt*, 432 U.S. at 345.

To meet the second element of the associational standing requirement, the test "mandates 'pertinence between litigation subject and organizational purpose.'" *Center for Sustainable Econ. v. Jewell*, 779 F.3d 588, 597 (D.C. Cir. 2015) (quoting *Humane Soc. of the United States v. Hodel*, 840 F.2d 45, 58 (D.C. Cir. 1988)). Courts define "pertinence" broadly because "[t]oo restrictive a reading of the requirement would undercut the interest of members who join an organization in order to effectuate 'an effective vehicle for vindicating interests that they share with others.'" *Humane Soc.*, 840 F.2d at 56 (quoting *Int'l Union, UAW v. Brock*, 477 U.S. 274, 290 (1986)).

Moreover, courts have highlighted "the importance of a reading of the germaneness requirement that does not unduly confine the occasions on which associations may bring legal actions on behalf of members and thus significantly restrict the opportunities of associations to utilize their 'specialized expertise and research resources' relating to the subject matter of the lawsuit. *Id.* As the D.C. Circuit explained, "[g]ermaneness is required for 'the modest yet important' purpose of 'preventing litigious organizations from forcing the federal courts to resolve numerous issues as to which the organizations themselves enjoy little expertise and about which few of their members demonstrably care.'" *Center for Sustainable Econ.*, 779 F.3d at 597 (internal citations omitted).

The analysis for the second element likely would largely depend on the particular purpose and structure of the industry group, and its nexus to the validity of the patent(s). A court may look to the group's bylaws or other organizational documents in resolving this inquiry. *Id.* If an established purpose of the industry group were to promote the ability of its members to sell products or offer services, such as through direct promotions of technology used by the members and at risk from the patent, or by acquiring or attacking patents pertinent to its members, there could be the required pertinence between the post-grant proceeding and the organizational purpose. As explained by the D.C. Circuit, the pertinence requirement is "undemanding" and is meant to "ensure[] a modicum of concrete adversity by reconciling membership concerns and litigation topics by preventing associations from being merely law firms with standing." *Humane Soc.*, 840 F.2d at 58.

In contrast, if the validity of the patent were not pertinent to the industry group's objectives, the second element of the associational standing inquiry could be more difficult to establish. For example, in *McKinney v. U.S. Department of the Treasury*, the Federal Circuit denied standing on the grounds that the organizational purpose was not germane to the litigation subject, finding that a self-described "non-profit public interest law firm," could not sue to require the Customs Service to bar the importation of Soviet-made goods in an effort to protect the economic interests of producers and workers because these goals were not pertinent to the Foundation's purpose. 799 F.2d 1544, 1553 (Fed. Cir.1986).

The third element of the associational standing test, that neither the claim asserted nor the relief requested requires the participation of individual members in the lawsuit, has been held to be neither as critical as the first two elements, nor constitutionally required. *United Food & Commercial Workers Union v. Brown Group, Inc.*, 517 U.S. 544, 555-58 (1996). The Supreme Court explained that although the first two prongs of the *Hunt* test are constitutional requirements, "the third is a prudential one" and not a constitutional mandate. *Id.*

An appeal from an adverse decision in a post-grant proceeding would only involve invalidity contentions, and therefore in most situations would not seem to require the participation of the industry group's individual members.

However, participation in post-grant proceedings comes with a cost: the petitioner and any real parties-in-interest and privies will be estopped from arguing invalidity of the claims at issue in the proceeding in a subsequent court, International Trade Commission, or Patent Office proceeding under some circumstances. The patent owner might assert that the relief requested (invalidating its patent, but with the risk that a decision against the petitioner creates a meaningful estoppel) requires the participation of individual members in the lawsuit, or at least their identification as real parties-in-interest.

Conclusion

Associational standing, a doctrine applied outside of the post-grant proceeding context, may provide a path for an entity other than the companies potentially facing a lawsuit to establish Article III standing to appeal an adverse decision from the PTAB of a proceeding in which the entity was the petitioner. The associational standing inquiry is likely to be fact-specific, with the outcome dependent on a number of factors, including particularly the connection between the group's previously established objectives and the patent(s) at issue.