

MARCH/APRIL 2020
VOLUME 26 NUMBER 2

DEVOTED TO
INTELLECTUAL
PROPERTY
LITIGATION &
ENFORCEMENT

*Edited by Gregory J. Battersby
and Charles W. Grimes*

IP *Litigator*®

Inter Partes Review Final Decisions— End of the Road or Right to Appeal?

Jordan Fernandes and Paul Ragusa

Jordan Fernandes is an associate and Paul Ragusa a partner in the New York office of Baker Botts LLP, where they both practice intellectual property law, including inter partes reviews and appeals thereof.

Introduction

Filing a petition for an *inter partes* review (IPR) can be an efficient path to challenge the validity of an issued patent. Considerations including cost, timeliness, the availability of alternative bases for challenging patent validity and the likelihood of success can all enter a petitioner's decision to bring an IPR.¹ However, even where an IPR is instituted, the Patent Trial and Appeal Board (the Board) finds in favor of the patent owner on some or all challenged claims in many cases.² When this occurs, the petitioner does not necessarily have a right to appeal the final decision of the PTAB.

The lack of homogeneity regarding whether a PTAB final decision can be appealed arises from constitutional differences between Article I courts (e.g., the Board) and Article III courts (e.g., the Federal Circuit). While any party can file an IPR petition, only parties with requisite standing can pursue an appeal at the Federal Circuit. This article discusses recent developments in the area of law.

Overview of Standing

Under Article III of the U.S. Constitution, the “judicial power shall extend to all Cases ... [and] Controversies.” U.S. Constitution, Article III §2, cl. 1. The doctrine of standing is rooted in “the traditional understanding of a case or controversy” from Article III. *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1547 (2016). Since this doctrine applies only to Article III courts, Article III standing is not required “to file an IPR petition and obtain a Board decision.” *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357, 1361 (Fed. Cir. 2019).

A party to an IPR “may appeal the Board’s decision only to the ... United States Court of Appeals for the Federal Circuit,” which is subject to the requirements of

Article III (e.g., standing). 35 U.S.C. § 141(c). In order to invoke the jurisdiction of the federal courts, the appealing party bears the burden of establishing Article III standing. *FW/PBS, Inc. v. Dallas*, 493 U.S. 215, 231 (1990). As such, “not every party to an IPR will have Article III standing to appeal a final written decision of the Board” to the Federal Circuit. *General Electric Co. v. United Technologies Corp.*, 928 F.3d 1349, 1353 (Fed. Cir. 2019); accord *Phigenix, Inc. v. Immunogen, Inc.*, 845 F.3d 1168, 1172 (Fed. Cir. 2017) (“Simply being a party to an IPR, whether a petitioner or patent owner, does not confer Article III standing.”).

To satisfy Article III standing, an appellant must establish that it “(1) suffered an injury in fact, (2) that is fairly traceable to the challenged conduct of the defendant, and (3) that is likely to be redressed by a favorable judicial decision.” *Id.* An injury in fact may be established by showing of “an invasion of a legally protected interest” that is “concrete and particularized” and “actual or imminent, not conjectural or hypothetical.” *Lujan v. Defs. of Wild-life*, 504 U.S. 555, 560 (1992).

Such an injury can be caused “in a variety of ways, for example, by creating a reasonable apprehension of an infringement suit.” *Prasco LLC v. Medicis Pharma Corp.*, 537 F.3d 1329, 1338 (Fed. Cir. 2008). The Federal Circuit has also indicated that an injury in fact could, in appropriate circumstances, also be shown by “concrete plans for future activity that creates a substantial risk of future infringement.” *JTEKT Corporation v. GKN Automotive Ltd.*, 898 F.3d 1217, 1221 (Fed. Cir. 2018).

General Electric Co. v. United Technologies Corp.

In *General Electric Co. v. United Technologies Corp.*, General Electric (GE) filed a petition for IPR of U.S. Patent No. 8,511,605 (the “’605 patent”). 928 F.3d 1349, 1352 (Fed. Cir. 2019). The Board upheld the validity of the challenged claims of the ’605 patent, and GE appealed to the Federal Circuit. *Id.* The patent owner, United Technologies Corp. (UTC), moved to dismiss on the basis that GE lacked standing. *Id.* The Federal Circuit

denied UTC's motion without addressing the merits and instead ordered the parties to brief the standing issue. *Id.* GE thereafter filed a pair of declarations from Mr. Alexander E. Long, its Chief IP Counsel and General Counsel of Engineering for GE Aviation. *Id.* The declarations set forth three bases to demonstrate the requisite injury in fact: "(1) competitive harm; (2) economic losses; and (3) estoppel under 35 U.S.C. § 315(e)." *Id.* at 1353.

The Federal Circuit rejected GE's alleged competitive harm as "too speculative to support constitutional standing." *Id.* In his declarations, Mr. Long attested that GE received a request from Boeing to provide information regarding future engine designs for both geared-fan engines and direct-drive engines. He also attested that in response to this request, GE researched a gear-fan engine design that could potentially implicate the '605 patent and subsequently provided Boeing with a design for a direct-drive engine, not a gear-fan engine. *Id.* 1352-53. The Federal Circuit, however, indicated that the declarations did not "indicate why GE submitted a direct-drive engine design instead of a geared-fan engine design" and to "state whether GE lost this particular bid." *Id.* at 1353. Accordingly, the facts supported only the contention that GE "expended some unspecified amount of time and money to consider engine designs that could potentially implicate the '605 patent." *Id.* The Federal Circuit further noted that GE provided no evidence "that [it] lost business or lost opportunities because it could not deliver a geared-fan engine covered by the upheld claims" or "that prospective bids require geared-fan engine designs." *Id.* at 1354.³

Regarding economic loss, the Federal Circuit found that "[a]side from a broad claim of research and development expenditures, GE has provided no evidence that these expenses were caused by the '605 patent." *Id.* Mr.

Long contended that its economic loss is the result of "increased research and development costs sustained by attempts to design engines that could implicate the '605 patent and engines that do not implicate the '605 patent." *Id.* GE, however, did not "provide an accounting for [such] research and development costs [and] provide[d] no evidence that GE actually designed a geared-fan engine or that these research and development costs are tied to a demand by Boeing for a geared-fan engine." *Id.*

The Federal Circuit also rejected GE's estoppel argument. Under 35 U.S.C. § 315(e)(2), an IPR petitioner who receives a final decision cannot raise in litigation a ground that it raised or reasonably could have raised during the IPR.⁴ The Federal Circuit found that, § 315(e) was not an adequate basis for Article III standing when "the appellant does not currently practice the patent claims and the injury is speculative." *Id.* at 1355; *see also AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357, 1362-63 (Fed. Cir. 2019) ("§ 315(e) 'do[es] not constitute an injury in fact' when, as here, the appellant 'is not engaged in any activity that would give rise to a possible infringement suit.'").

Conclusion

IPR petitioners should be aware that they do not necessarily have a right to appeal the final decision in an IPR. Where a party does not have an actual controversy or a reasonable basis to claim apprehension of an infringement suit from a third party, it should consider whether and how it can establish standing to appeal long before the need to file an appeal arises, *e.g.*, by documenting concrete plans taking into account the guidance provided by the court in *GE*.

1. See John M. Bird and Margaret M. Welsh, *Strategic Considerations before Filing an IPR*, 7 *Landslide* 2 (2014), available at www.americanbar.org/groups/intellectual_property_law/publications/landslide/2014-15/november-december/strategic-considerations-filing-ipr/.

2. As of November 30, 2019, the Board has found no claims unpatentable in 20% of instituted IPRs, some claims unpatentable in 18% of instituted IPRs, and all claims unpatentable in 63% of instituted IPRs. *See* Patent Trial and Appeal Board, *Trial Statistics: IPR, PGR, CBM*, United States Trademark and Appeal Board (Nov. 2019) at 10, www.uspto.gov/sites/default/files/documents/Trial_Statistics_2019-11-30.pdf.

3. The court also found the competitor standing doctrine, inapplicable because "upholding [the claims] of the '605 patent did not change the competitive landscape for commercial airplane engines." *Id.*

4. "The petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision under section 318(a) ... may not assert [] in a civil action ... that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review."

Copyright © 2020 CCH Incorporated. All Rights Reserved.

Reprinted from *IP Litigator*, March/April 2020, Volume 26, Number 2, pages 17–18,
with permission from Wolters Kluwer, New York, NY,
1-800-638-8437, www.WoltersKluwerLR.com



Wolters Kluwer