
2018-1745 (LEAD), -1746, -1747

In the
United States Court of Appeals
for the Federal Circuit

POLYGROUP LIMITED MCO,

Appellant,

v.

WILLIS ELECTRIC COMPANY, LTD.,

Appellee.

On Appeal from the United States Patent and Trademark Office,
Patent Trial and Appeal Board

Case No. IPR2016-00800, Case No. IPR2016-00801, Case No. IPR2016-01609,
Case No. IPR2016-01610, Case No. IPR2016-01611, Case No. IPR2016-01612,
and Case No. IPR2016-01613.

**BRIEF OF *AMICUS CURIAE* US INVENTOR, INC. IN SUPPORT
OF APPELLEE'S PETITION FOR PANEL REHEARING OR
REHEARING EN BANC**

David P. Swenson
LARKIN HOFFMAN DALY LINDGREN, LTD.
8300 Norman Center Drive, Suite 1000
Minneapolis, Minnesota 55437
(952) 835-3800
dswenson@larkinhoffman.com

13 March 2019

*Counsel for Amicus Curiae
US Inventor, Inc.*

CERTIFICATE OF INTEREST

Pursuant to Federal Circuit Rule 47.4 and Fed. R. App. P. 26.1(a), *Amicus Curiae* US Inventor, Inc. states the following:

- (1) The full name of every party represented in the case by Larkin Hoffman is US Inventor, Inc.
- (2) The name of the real party in interest is US Inventor, Inc.
- (3) US Inventor, Inc. has no parent corporation, and no publicly held corporation owns 10% or more of its stock.
- (4) The names of all law firms and the partners and associates that have appeared for the part in the lower tribunal or this court and who are not already listed on the docket for the current case: David P. Swenson and the firm of Larkin Hoffman Daly Lindgren, Ltd.
- (5) The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected byt his court's decision in the pending appeal: none.

Dated: 13 March 2019

/s/ David P. Swenson
David P. Swenson
Counsel for Amicus Curiae

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STATEMENT OF AUTHORSHIP & FUNDING

Pursuant to Federal Rule of Appellate Procedure 29(a)(4)(E), *Amicus Curiae* US Inventor, Inc. states that no party or its counsel authored this brief in whole or part; no party or its counsel contributed money intended to fund preparing or submitting the brief; and, no person other than *Amicus*, its members or counsel contributed money intended to fund preparing or submitting this brief.

IDENTITY & INTEREST OF *AMICUS CURIAE*

US Inventor, Inc. is a non-profit association of inventors devoted to protecting the intellectual property of individuals and small companies. It represents its 13,000 inventor and small business members by promoting strong intellectual property rights and a predictable U.S. patent system through education, advocacy and reform. US Inventor was founded to support the innovation efforts of the “little guy” inventors, seeking to ensure that strong patent rights are available to support their efforts to develop their inventions, bring those inventions to a point where they can be commercialized, create jobs and industries, and promote continued innovation. Their broad experience with the patent system, new technologies, and creating companies, gives them a unique perspective on the important issues presented in the underlying petition.

Appellee Willis Electric Company, Ltd. has consented to the filing of this brief, Appellant Polygroup Limited MCO declined to consent.

INTRODUCTION

The opinion in these appeals runs roughshod over the America Invents Acts framework for inter partes reviews, as interpreted in *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016), and *SAS Institute Inc. v. Iancu*, 138 S. Ct. 1348 (2017). The decision also contravenes precedent of this Court that consistently holds “[i]n an IPR, the petitioner has the burden from the outset to show with particularity why the patent it challenges is unpatentable.” *Harmonic Inc. v. Avid Tech., Inc.* 815 F.3d 1356, 1363 (Fed. Cir. 2016); *see Acceleration Bay, LLC v. Activision Blizzard Inc.*, 908 F.3d 765, 775 (Fed. Cir. 2018); 35 U.S.C. § 312(a)(3); 37 C.F.R. § 42.104(b). It places a new and unwieldy burden on the Patent Trial & Appeal Board to proceed not only “on a claim-by-claim and ground-by-ground basis” addressing every ground asserted against every patent claim in a petition, *SAS*, 138 S. Ct. at 1355-56, but also now to consider references from the combination in a ground individually.

Without following the appropriate standard of review, *see, e.g., In re Durance*, 891 F.3d 991 (Fed Cir. 2018); 5 U.S.C. § 706(2), this result opens another avenue of attack for accused infringers already extravagantly favored by the administrative IPR process. This significant reinterpretation of the law like this should be addressed by the full Court, rather than in a nonprecedential decision. Because of the lack of clarity introduced into the IPR process by the opinion, and

because of the new costs and burdens imposed by this decision both on patentholders and on the Board, *Amicus* urges that the panel should reconsider its ruling, or alternatively that the entire Court should review this outcome en banc.

ARGUMENT

I. The Decision Is Contrary to *Cuozzo*, *SAS*, and the APA.

These appeals unearthed yet another nuance in the AIA statutory IPR framework. In 2016, the Supreme Court in *Cuozzo* concluded that the PTAB's determination of "whether to institute" an IPR cannot be reviewed, it is "final and non-appealable." 136 S. Ct. at 2139; *see* 35 U.S.C. § 314(d). *Cuozzo* relied on the entire statutory scheme of the AIA, as well as the Administrative Procedure Act, along with "the prior interpretation of similar patent statutes, as "all point[ing] in favor of precluding review of the Patent Office's institution decisions." 136 S. Ct. at 2141. In 2018, the Supreme Court in *SAS* concluded that when "section 318(a) says the Board's final written decision 'shall' resolve the patentability of 'any patent claim challenged by the petitioner,' it means the Board *must* address *every* claim the petitioner has challenged." 138 S. Ct. at 1354; *see* 35 U.S.C. § 318(a). In turn, this Court clarified that it "will treat claims and grounds the same in considering the *SAS* issues currently before us," while "the PTO issued a 'Guidance' declaring that the Board will now institute on all claims and all grounds

included in a petition if it institutes at all.” *PGS Geophysical AS v. Iancu*, 891 F.3d 1354, 1359 (Fed. Cir. 2018).

In the present appeals, *Cuozzo* notwithstanding, the decision in effect reviews (and vacates) the Board’s institution decision in so far as that “[t]he Board declined to consider Miller [U.S.Patent No. 4,020,201] alone, however, because [the Board] found that Appellant ‘set forth an obviousness ground containing and requiring [] three references.’” Slip Op. at 14. Interestingly, the opinion cites to a footnote in the final written decisions to make this point. Of course where the Board actually determined what the ground was that Appellant asserted was in the institution decisions, not the final written decisions. Indeed, referring to the Decision instituting review in IPR2016-00802, p. 12, the Board thoroughly explained how it found Appellant “unambiguously” presented Miller only in combination with multiple other references as a ground:

Initially, we reject Patent Owner’s arguments that the ground articulated by Petitioner is unclear. *See, e.g.*, Prelim. Resp. 32–34. Although Petitioner uses non-committal language regarding whether Miller anticipates claim 1, the ground presented unambiguously is obviousness based on Miller, Otto, and Jumo. Pet. 5 (identifying the grounds). Further, Petitioner sets forth the particular teachings of each reference in its “Rule 104(b)(4) Analysis” (*id.* at 25–31) and sets forth a specific and detailed explanation of obviousness in its “Obviousness Analysis” (*id.* at 17–25).

Ironically, Patent Owner had argued that there was an ambiguity—and thus lack of “particularity”—in Appellant’s articulation of its grounds that rely upon Miller, and it was the Board that ruled in the institution decision there was none at all.

One might read the decision’s reasoning to this point, and surmise it has recognized a *SAS* issue, with the Board failing to institute on a stated ground, thereby necessitating remand to the Board under *SAS*. To the contrary, though, in a footnote on the next page, the opinion announces instead that,

[a]lthough the Board instituted review on the ground of ‘Miller in view of Otto and Jumo,’ J.A. 41 n. 31, ***we do not read the Board’s institution decision as a partial institution.*** Instead, we merely recognize as we did in *Realtime Data*, that when a petition sets forth a ground with multiple references, but the petitioner’s primary arguments rely on a single reference, the Board should consider those arguments irrespective of a motivation to combine references. Therefore, this case does not raise any issue under *SAS Institute Inc. v. Iancu*, 138 S.Ct. 1348 (2018), or our cases interpreting it.

Slip Op. at 15 FN3 (emphasis added). In other words, the opinion concedes that obviousness over Miller alone was not presented as a statutory ground, and that it is not basing its authority to vacate and remand on the *SAS* decision.

Notably, *Realtime Data* does not support this decision either. In that proceeding, “HP’s primary argument to the Board was that all of the elements of claims 1-4, 8, and 28 were disclosed in O’Brien, a single reference.” 912 F.3d at 1368. Neither the opinion nor even Appellant itself has proposed that obviousness over Miller alone was Appellant’s “primary argument” here. Quite the opposite, as

the quote above demonstrates, the Board concluded that Appellant’s argument “unambiguously” relied on Miller only in combination with other references.

Amicus submits that, given obviousness over Miller alone admittedly is not a stated ground, under 35 U.S.C. § 312(a)(3) and 37 C.F.R. § 42.104(b), and that the opinion does not rely on *SAS* for the authority to review an institution decision of the Board for the purpose of confirming that any final written decision will comply with section 318(a), then *Cuozzo* must stand firmly in the way of the outcome ordered here. Remarkably, beyond trying to rely on the inapposite *Realtime Data* decision, the opinion fails to cite any precedent for finding the authority to undertake this review, and completely fails to address *Cuozzo*.

At minimum, section III.B. of the opinion’s analysis must be revisited in greater (and hopefully precedential) depth by the panel or reviewed by the Court en banc to elaborate on the critical questions it implicitly raises without resolving. First, if the Board’s decision indisputably addressed all of the grounds set forth in the petition against each of the challenged claims, and thereby satisfied section 318(a) and *SAS*, what authority after *Cuozzo* permits this Court to look behind “the grounds” identified pursuant to section 312(a)(3) to require the Board to consider additional *non-grounds invalidity arguments* (for lack of a better term) under the AIA. In *SAS* and *Cuozzo*, the Supreme Court cited 5 U.S.C. §§ 706(2) of the APA as the authority to set aside Patent Office “shenanigans.” *See* 138 S.Ct. at 1359;

Cuozzo, 136 S. Ct. at 2141-42. But this decision does not rely on that standard, and does not point to any illegal or excessive act by the Board that could trigger intervention under section 706(2).

Second, if this Court can review a Board decision not to institute IPR proceedings on a non-grounds invalidity argument, what standard of review applies to the specific question of whether such an argument, like the Miller-only argument at issue here, was sufficiently fleshed out in the body of a petition to require the Board to institute an IPR trial on that argument and include it in a final written decision under section 318(a). The opinion simply says “[t]he board erred,” then cites *Realtime Data* (which itself does not state a standard of review), Slip Op. at 15, without characterizing the nature of the error or identifying the applicable standard of review. Merely to have “erred” does not invoke any of the categories that could justify setting aside an agency action under the APA. *See* § 706(2)(A)-(D). This appears to be a simple matter of the Board applying its procedural rules, which should be reviewed for abuse of discretion. *Durance*, 891 F.3d at 1000.

II. This Decision Will Cause Confusion, Waste Government Resources, and Imposes a Huge Additional Non-Statutory and Unfair Burden on Patent Owners in IPRs.

Although this decision is nonprecedential, because it identifies and resolves an issue of first impression, it will have an enormous and unfortunate impact on the conduct of IPRs. Indeed, a hint of the mischief invited by this decision already can

be seen in the Petition for Panel Rehearing filed immediately by Appellant. *See* 18-1745, Doc. No. 64. With the ink barely dry on the panel opinion, Appellant seeks to have the Board's institution decisions reopened further to require it to consider another non-grounds invalidity argument it barely alluded to in its petitions. Down the road, if this decisions stands, any petitioner that fails to invalidate any challenged patent claim in an IPR on the stated grounds can scour its petition for a second chance on appeal based on discussions of individual prior art references within an asserted combination under section 103. Presumably enterprising petitioners will find other arguments in the bodies of their petitions to raise as well.

IPRs already favor petitioners over inventors and patentholders in numerous ways, without the additional advantage of loosening the statutory requirement to state grounds with particularity under section 312(a)(3). According to the *AIPPLA 2017 Report of the Economic Survey*, the mean cost of an IPR in 2017 was \$324,000 through a hearing, and \$451,000 through appeal. RPX found that the routine practice of "fil[ing] at least two or three IPR petitions per litigation campaign . . . appears to cost over \$700,000 and could reach the millions." *IPRs: Balancing Effectiveness vs. Cost*, RPX Corp., June 17, 2016. In this case, after being sued in court, Appellant launched eight IPRs against the three patents on appeal (and three more IPRs against a fourth patent that is the subject of related appeals). Most likely this battle has cost each side millions of dollars. The key

difference is that if the petitioner wins and invalidates the asserted claims, the money was well spent. Not so for the patent owner, who cannot prove liability or win damages in an IPR. The best the patentee can do is survive with claims intact, to go back and restart the trial court litigation, which could well cost even more.

In an IPR, the petitioner also benefits from a lower burden of proof than in court, and until late last year also was entitled to construe challenged patent claims (as here) with the “broadest reasonable interpretation,” rather than the stricter standard in court under *Phillips v. AWH Corp.*, 415 F.3d 1303 (Fed. Cir. 2005), making it easier for a claim to read on a prior art reference or combination. Cumulatively since the AIA went into effect through January 2019, the Patent Office counts 9,031 petitions for IPR filed, with 68% resulting in institutions in the mechanical, electrical, and computer arts. *See Trial Statistics IPR, PGR, CBM, P.T.A.B.*, Jan. 2019. Of the IPRs that reached final written decisions, 81% resulted in at least some of the claims being ruled invalid. *Id.* at 10.

Despite such an overwhelming arsenal of advantages, Appellant lost at the Board on every ground asserted against every claim—Appellee ran the table. In preparing the eight petitions and spending millions dollars on legal fees to try to invalidate the three patents at issue here through IPRs rather than face a liability trial, however, Appellant apparently did not believe strongly enough in Miller by itself as an obviousness ground to include that in the petitions as such. Rather,

Appellant alluded in a few places in its petitions to the possibility that “Miller arguably teaches every element” of a claim, or in other places hedged its arguments on a combination with “[t]o the extent Patent Owner may allege Miller does not expressly teach this element.” IPR2016-01610, Paper 2, at 23, 50-51. Nor did Appellant preserve this argument before the Board in the oral hearing.

Appellant only focused on the Miller-alone argument once it arrived in this Court, after seeing every other argument it had actually raised rejected by the Board.

These appeals exemplify the worst-case scenario for a patent owner. After two-and-a-half years and a cost of probably millions of dollars to get through the IPR process successfully, and resume its efforts to litigate Appellant’s liability and seek damages for alleged patent infringement, this Court resurrects an infringement argument that was not explicitly made and that the Court admits was not enumerated as a ground under the relevant statute. Not only will Appellee incur untold additional expense, but the Board too will have to recommit its limited resources to conducting new proceedings on an issue it considered and found within its discretion to decide “unambiguously” had not been properly raised. Those costs of time and money will eventually be multiplied countless times over across every IPR where a petitioner can cite a non-grounds invalidity argument the Board thought it had the authority to decline to consider under the AIA framework.

Before all of that comes to pass, not only for Appellee, for but for all patent owners that in the future will find themselves in this situation, under this opinion, the panel should reconsider its decision, or the full Court should review it en banc. Either way, the Court should revisit and explain its authority for reviewing this aspect of a Board institution decision, in light of *SAS*, *Cuozzo*, and this Court's precedent. The Court should lay out in a precedential decision for future litigants to follow what the scope is of the Board's discretion, and what standard of review applies to such agency actions in this and prospective appeals.

Respectfully submitted,

Dated: 13 March 2019

/s/ David P. Swenson

David P. Swenson

LARKIN HOFFMAN DALY & LINDGREN LTD.

8300 Norman Center Drive, Suite 1000

Minneapolis, Minnesota 55437-1060

(952) 835-3800

dswenson@larkinhoffman.com

Counsel for Amicus Curiae

CERTIFICATE OF COMPLIANCE

This brief complies with the word count limitation of Fed. Cir. R. 35(g), and contains 2552 words, exclusive of the portions exempted by Fed. R. App. P. 32(f) and Fed. Cir. R. 32(b).

This brief complies with the typeface requirements of Fed. R. App. P. 32(a)(5) and the type style requirements of Fed R. App. P. 32(a)(6) because this brief has been prepared in a proportionally-spaced typeface using Microsoft Word 2010 in 14-point Times New Roman type.

Dated: 13 March 2019

/s/ David P. Swenson

David P. Swenson

LARKIN HOFFMAN DALY & LINDGREN LTD.

8300 Norman Center Drive, Suite 1000

Minneapolis, Minnesota 55437-1060

(952) 835-3800

dswenson@larkinhoffman.com

Counsel for Amicus Curiae

PROOF OF SERVICE

I hereby certify that on this 13th day of March, 2019, I caused copies of the foregoing **BRIEF OF *AMICUS CURIAE* US INVENTOR, INC. IN SUPPORT OF APPELLEE'S PETITION FOR PANEL REHEARING OR REHEARING EN BANC** to be served by electronic means via the Court's CM/ECF system on all counsel registered to receive electronic notices.

Dated: 13 March 2019

/s/ David P. Swenson
David P. Swenson