

**UNITED STATES DISTRICT COURT FOR THE
EASTERN DISTRICT OF TEXAS
MARSHALL DIVISION**

**US INVENTOR INC., TINNUS
ENTERPRISES, LLC, 10TALES, INC.,
STRAGENT, LLC, 360 HEROS, INC.,
RAMZI MAALOUF, LARRY GOLDEN,
WORLD SOURCE ENTERPRISES, LLC
and E-WATCH, INC.,**

Plaintiffs,

v.

**DREW HIRSHFELD, in his official
capacity Performing the functions and duties
of the Under Secretary of Commerce for
Intellectual Property and Director, United
States Patent and Trademark Office,**

Defendant.

Civil Action No. 2:21-cv-00047

MOVANTS' REPLY IN SUPPORT OF MOTION FOR PRELIMINARY INJUNCTION

Defendant's opposition does not undermine Movants' entitlement to a preliminary injunction. Movants have established each factor. It is bewildering the Defendant even opposes relief to strengthen and legalize AIA trial rules that the USPTO has already endorsed.

I. Movants Met and Conferred

Movants met and confer prior to filing their motion. US Inventor was the lead filer of essentially the same motion in the Northern District of California in Case No. 5:20-CV-06128-EJD. The Defendant fully opposed the motion in that court, giving no indication of flexibility or consent to relief. While the case was pending in California, counsel together discussed the eventuality that US Inventor would re-bring the same proceedings in the Eastern District of Texas if intervention were denied in a way that would moot the motion there (which occurred).

II. Movants Established Likelihood of Success

Standing: The Defendant asserts lack of standing based on Movants' alleged absence of concrete injury. But concrete injury exists here.

The Defendant cites *Summers v. Earth Island Institute*, 555 U.S. 488, 129 S. Ct. 1142 (2009). *Summers* was a notice-and-comment decision where standing existed until partial settlement of the case. *Id.* at 1149. It was the settlement that deprived plaintiff of concrete injury to carry on. *Id.* at 1049-51. But pre-settlement concrete injury existed, based on a forest enthusiast who had "interests in viewing the flora and fauna of the area [that] would be harmed if the Burnt Ridge Project went forward without incorporation of the ideas he would have suggested if the Forest Service had provided him an opportunity to comment." *Id.* at 1149. *Summer* favors Movants. No settlement has occurred here. Property rights are at issue. If an individual's fondness for flowers and animals can establish standing, certainly risk to property rights can. Crucially, the Court went on to find pre-settlement standing, despite "the possibility that [claimant's] allegedly

guaranteed right to comment would not be successful in persuading the Forest Service to avoid impairment of [claimant's] concrete interests.” *Id.* at 1151.¹

The Defendant also remarkably opines that institution of an AIA trial has “no effect on the Moving Plaintiffs’ patent rights.” (Opp. 8). To the contrary, the undisputed 84% invalidation rate cloud sits on top of such rights upon AIA trial institution. The government causes concrete injury in depriving litigants of notice and comment rights merely from added *risk* to protectible interests. *Sierra Club v. Marsh*, 872 F.2d 497, 503 (1st Cir. 1989) (Breyer, J.) (holding a harm to the environment included “the added *risk* to the environment that takes place when governmental decisionmakers make up their minds without having before them an analysis (with prior public comment) of the likely effects of their decision”) (emphasis in original).

Merits: The Defendant’s proverbial kitchen sink attack on the merits also fails. What remains undisputed is that (A) no notice-and-comment rulemaking has occurred on institution discretionary factors, (B) Congress mandated rulemaking for the § 314(a) “sufficient grounds” factors, (C) *Facebook v. Windy City* held that stamping the “precedential” label is not notice-and-comment rulemaking, and (D) discretionary denial is a “sufficient grounds to institute” issue.²

First, no statutory text supports the Defendant’s novel “two decisions” theory about § 314(a). The institution decision is lumped into one. *General Plastics, Advanced Bionics* and *NHK* all discretionarily denied without addressing the “reasonable likelihood” factor. (ECF#13-3). Section 314(a) is the source of the Defendant’s authority to apply discretionary factors in the

¹ In n.6, the Director asserts that US Inventor lacks organizational standing. The Director overlooks that organizational standing arises from injury to an organization’s educational mission. *See Am. Anti-Vivisection Soc. and Avian Welfare Coalition v. U.S. Dep’t Agric.*, 946 F.3d 615, 618-19 (D.C. Cir. 2020). *See* Malone Decl. ¶¶ 15, 26.

² The petitions recently filed against 10Tales and Stragent each seek institution by arguing against *discretionary* denial. *See, e.g.*, Petitions in IPR2021-00417, IPR2021-00476.

first place, thus meeting the § 316(a)(2) definition of “standards . . . under section 314(a).” *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016); *see also SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (“§ 314(a) invests the Director with discretion on the question *whether* to institute review . . . ,” emphasis in original); *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367 (Fed. Cir. 2016) (citing § 314(a), holding “the PTO is permitted, but never compelled, to institute an IPR proceeding”). Consequently, § 314(a) is not bifurcated into “sufficient grounds” versus “discretion” as the Defendant argues, because “sufficient grounds under section 314(a)” *includes* factors that relate to discretion.

Second, there is no limitations problem. An APA claim accrues on the *later* of final adoption of an agency action, *or* the adverse application of the action against the claimant. *Hyatt v. U.S. Patent & Trademark Office*, 904 F.3d 1361, 1372 (Fed. Cir. 2018). “Rules” for discretionary standards did not exist until the Defendant began making “precedential” designations, which first occurred on October 17, 2017. <https://www.law360.com/articles/975848>. Thus, the earliest “final” adoption of an agency action at issue here occurred on October 17, 2017. In addition, adverse application of the failure to promulgate notice-and-comment rules renews each time a US Inventor member is served with an AIA trial petition. The record shows at least two examples, each from this year. *See* Gordon and Russek Declarations.

Third, that the August 27, 2020 Petition for Rulemaking remains pending does not raise exhaustion issues. This argument misstates Movants’ grounds for this motion. US Inventor is not appealing or contesting action or lack thereof on a specific petition for rulemaking.

Fourth, on arguments lodged against Count II, it defies logic for the Defendant to argue that precedential designation of ad hoc decisions is not “final agency action.” The Defendant used his SOP 2 (ECF#13-3) as authority to place the label “precedential” on the relevant decisions.

Movants like 10Tales and Stragent must prepare imminent preliminary response arguments under a “discretionary denial” regime that treats those decisions as “binding” under SOP 2 on future panels. (*Id.* at 11). Likewise, nonappealability of institution decisions misplaces the issue. This case is not about a specific institution decision, but is about the rulemaking Congress made mandatory in the AIA. Compliance with the statutory requirement is reviewable under the APA.

Finally, the improperly-created rules are substantive, not general statements of policy, and thus subject to notice-and-comment. The relevant inquiry is the text of SOP 2, not the content of the rule-sets. SOP 2 dispositively describes precedential decisions as “binding” on future AIA panels. (ECF#13-3, at 11). While “binding” tests emerged as multi-factor, “non-exclusive” or “non-exhaustive,” it is improper bootstrapping to say this makes resulting rules “nonsubstantive.” The fact that the Defendant has made what should have been notice-and-comment rules nonpredictive of future outcomes speaks to injury, not a justification to sidestep notice-and-comment and escape mandates in AIA § 316(a)(2) and the APA §§ 706(1) and (2)(d). Plus, the rules are “substantive” inasmuch as they define how to exit an 84% invalidation rate proceeding.

III. Movants Established Sufficient Harm and Public Interest for the Injunction

Defendant accurately cites *E. Bay Sanctuary Covenant v. Trump*, 349 F. Supp. 3d 838, 865 (N.D. Cal. 2018) (“*EBSC*”) for the quotation that “some additional concrete harm” beyond “depriv[ation] of the opportunity to offer comments” may constitute irreparable harm. *EBSC* found such concrete harm (and issued a preliminary injunction) because the unfavorable substance of the unlawful rules caused the concrete injury that resulted in the organization’s standing to sue. *Id.* (“frustrates the Immigration Organizations’ missions and forces them to divert resources outside of their core services.”). In other words, injury that created legal standing (*i.e.*, based on unfavorable content of current rules) doubled as the organizations’ concrete injury for preliminary

injunction purposes. *See id.* at 850-51 (content of unlawful rules prevented organizations' immigrant constituency from gaining access to organization's services). The same is true here, for all Movants.

Mr. Malone explained that the content of the current unlawfully-promulgated rules hurts specific patentee members of US Inventor, including Movants 10Tales and Stragent. Malone Decl. ¶¶ 18-20, 24-25. Mr. Malone also explains how this situation directly undermines US Inventor's own organizational mission. *Id.* ¶ 26. As in *EBSC*, the same injury that triggers standing constitutes the "additional concrete harm" that permits a finding of irreparable harm in a withheld-rulemaking context. *See Am. Anti-Vivisection Soc. and Avian Welfare Coalition*, 946 F.3d at 618-19 (organization's standing in APA case based on injury to educational mission).

The balance of the harms and the public interest also favor the injunction. It would serve the public interest to call a temporary halt to AIA trial invalidity challenges (channeling them into Article III courts and/or ex parte reexamination) pending completion of this case or lawful APA rulemaking on discretionary factors. *S.A. v. Trump*, No. 18-cv-03539-LB, 2019 U.S. Dist. LEXIS 33286, *27 (N.D. Cal. Mar. 1, 2019) (argument that injunction against enforcing a statute irreparably harms the public "reaches too far. The APA is a statute promulgated by duly elected representatives too, and courts may enjoin an agency when it violates the APA."). And it is false that Movants would have to prove that future rules will be more favorable to invoke their right in this Court to compel notice and comment rulemaking at the agency. *See Summers*, 129 S. Ct. at 1151 ("the possibility that [claimant's] allegedly guaranteed right to comment would not be successful in persuading the Forest Service to avoid impairment of [claimant's] concrete interests" did not negate injury and standing).

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Respectfully submitted,

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