

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. )

Civil Action No. 2:21-cv-00047 )

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. )

---

**MOTION OF US INVENTOR INC., 10TALES, INC., STRAGENT, LLC AND RAMZI  
MAALOUF FOR ENTRY OF A PRELIMINARY INJUNCTION AGAINST THE  
ACTING DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK  
OFFICE**

## TABLE OF CONTENTS

I.	PROCEDURAL INTRODUCTION.....	1
II.	MERITS INTRODUCTION.....	1
III.	FACTUAL AND PROCEDURAL BACKGROUND.....	4
	A. Structure and Statutory Background of AIA Trials .....	4
	B. Effect of the Lack of Promulgated Rules on the Discretionary Factors Governing AIA Trial Institution Decisions.....	6
IV.	ARGUMENT .....	7
	A. Standard of Review for Preliminary Injunctions in APA Cases.....	7
	B. Movants Have Established a Likelihood of Success on the Merits .....	8
	C. Movants Have Established Irreparable Harm Absent an Injunction .....	10
	D. Movants Have Established that the Balance of the Equities and the Public Interest Factors Favor a Preliminary Injunction .....	13
	E. The Temporary Equitable Remedy .....	14
V.	CONCLUSION.....	15

**Cases**

*Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*,  
IPR2019-01469, Paper 6 (P.T.A.B Feb. 13, 2020)..... 4, 6

*Alcaraz v. Block*,  
746 F.2d 593 (9th Cir. 1984) ..... 14

*Apple Inc. v. Fintiv, Inc.*,  
IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) ..... 1, 4, 8

*Apple v. Iancu*,  
Case No. 5:20-CV-06128-EJD (N.D.Cal. 2020) ..... 1

*California v. Azar*,  
911 F.3d 558 (9th Cir. 2018) ..... 12, 13

*California v. HHS*,  
281 F. Supp. 3d 806 (N.D. Cal. 2017) ..... 12

*Casa de Md. v. United States Dep’t of Homeland Security*,  
924 F.3d 684 (4th Cir. 2019) ..... 9

*Cf. SEC v. Chenery Corp.*,  
332 U.S. 194 (1947)..... 5

*Chalk v. U.S. Dist. Court Cent. Dist. Cal.*,  
840 F.2d 701 (9th Cir. 1988) ..... 14

*Christopher v. SmithKline Beecham Corp.*,  
132 S. Ct. 2156 (2016)..... 13

*Citizens for Better Forestry v. United States Dep’t of Agric.*,  
481 F. Supp. 2d 1059 (N.D. Cal. 2007) ..... 13

*Citizens to Preserve Overton Park v. Volpe*,  
401 U.S. 402 (1971)..... 8

*Colwell v. Dep’t of Health Human Servs.*, 5  
58 F.3d 1112 (9th Cir. 2009) ..... 9

*Cuozzo Speed Tech., LLC v. Lee*,  
136 S. Ct. 2131 (2016)..... 5

*Dartmouth-Hitchcock Clinic v. Toumpas*,  
856 F. Supp. 2d 315 (D.N.H. 2012)..... 12

*Facebook, Inc. v. Windy City Innovations, LLC*,  
973 F.3d 1313 (Fed. Cir. 2020) ..... 2, 3, 8

*Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*,  
IPR2016-01357, Paper 19 (P.T.A.B Sep. 6, 2017)..... 4, 5, 8

*Greater Yellowstone Coal. v. Flowers*,  
321 F.3d 1250 (10th Cir. 2003) ..... 10

<i>Harmonic Inc. v. Avid Tech., Inc.</i> , 815 F.3d 1356 (Fed. Cir. 2016) .....	5
<i>Hunt v. Wash. State Apple Advert. Comm’n</i> , 432 U.S. 333 (1977).....	2
<i>Kollett v. Harris</i> , 619 F.2d 134 (1st Cir. 1980).....	13
<i>Long Term Care Pharm. Alliance v. Ferguson</i> , 260 F. Supp. 2d 282 (D. Mass. 2003) .....	12
<i>Mass. v. Watt</i> , 716 F.2d 946 (1st Cir. 1983).....	13
<i>Massachusetts v. EPA</i> , 549 U.S. 497 (2007).....	5
<i>Natural Resources Defense Council v. Houston</i> , 146 F.3d 1118 (9th Cir. 1998) .....	13
<i>NHK Spring Co. v. Intri-Plex Techs., Inc.</i> , IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018).....	5
<i>Northern Marianas Islands v. United States</i> , 686 F. Supp. 2d 7 (D.D.C. 2009).....	10, 12
<i>Olenhouse v. Commodity Credit Corp.</i> , 42 F.3d 1560 (10th Cir. 1994) .....	8
<i>Public Citizen, Inc. v. Trump</i> , 297 F. Supp. 3d 6 (D.D.C. 2018).....	2
<i>RoDa Drilling Co. v. Siegal</i> , 552 F.3d 1203 (10th Cir. 2009) .....	10
<i>SAS Inst., Inc. v. Iancu</i> , 138 S. Ct. 1348 (2018).....	5
<i>Sierra Club v. Marsh</i> , 872 F.2d 497 (1st Cir. 1989).....	13
<i>Sugar Cane Growers Cooperative of Florida v. Veneman</i> , 289 F.3d 89 (D.C. Cir. 2002).....	10, 12
<i>Univ. of Texas v. Camenisch</i> , 451 U.S. 390 (1981).....	7
<i>Winter v. Nat. Res. Def. Council, Inc.</i> , 555 U.S. 7 (2008).....	7, 10
<b>Statutes</b>	
35 U.S.C. § 261.....	11
35 U.S.C. § 282.....	6, 14
35 U.S.C. § 314(a) .....	passim

35 U.S.C. § 315(d) .....	4, 6
35 U.S.C. § 316.....	15
35 U.S.C. § 316(a)(2).....	3, 5
35 U.S.C. § 316(b) .....	3, 5, 8
35 U.S.C. § 318(a) .....	4
35 U.S.C. § 318(b) .....	4
35 U.S.C. § 324(b) .....	5, 6
35 U.S.C. § 324(c) .....	5, 6
35 U.S.C. § 325(d) .....	4, 6
5 U.S.C. § 553(b) .....	9
5 U.S.C. § 553(c) .....	9
5 U.S.C. § 706(1) .....	7
5 U.S.C. § 706(2)(D).....	7
<b>Other Authorities</b>	
2017 AIPLA Report of the Economic Survey, at I-163.....	6
USPTO PTAB SOP 2 (revision-9).pdf.....	9
Patent Trial and Appeal Board Consolidated Trial Practice Guide (November 2019).....	4
<b>Regulations</b>	
37 C.F.R. § 1.520 .....	14

## I. PROCEDURAL INTRODUCTION

Movants respectfully seek a preliminary injunction. Plaintiffs and movants represent the interests of independent inventors and small innovative patent owning enterprises. A co-pending action raises some of the same issues as here, and is scheduled for a March 11, 2021 hearing.

Essentially the same plaintiffs attempted to intervene in a similar lawsuit pending in the Northern District of California, *Apple v. Iancu*, Case No. 5:20-CV-06128-EJD (the “California Action”). The California judge denied intervention, on the ground that “the Proposed Intervenors have the option to bring a separate action against the Director.” (Case No. No. 5:20-CV-06128-EJD, ECF#101 at 11, Feb. 5, 2021). This is that “separate action,” filed in this Court on the next court day after denial of intervention.

In the California Action, large technology companies argue that the Director has no lawful authority to deny institution of Inter Partes Review (IPR) on discretionary grounds that rely on the existence of parallel litigation (the so-called *Fintiv* rule). Plaintiffs had attempted intervention to ask the California judge to do the opposite: not to “break” the *Fintiv* rule, but rather to compel notice-and-comment rulemaking by the Director. This would allow him to make the *Fintiv* rule (and others) lawful under the APA. The California judge did not address the preliminary injunction arguments presented here, since denial of intervention “mooted” them in that proceeding.

Plaintiffs re-bring those arguments here, with this filing. Meanwhile, the *Apple* plaintiffs have moved for summary judgment on their opposite claims. Their “destroy *Fintiv*” summary judgment motion is set for a hearing in the California Action on March 11, 2021.

## II. MERITS INTRODUCTION

As reflected below, this is an emergency. US Inventor membership includes patentees who are presently facing newly filed AIA review petitions, but who lack the lawfully-promulgated

agency rules that they need and that Congress mandated to show why the Director should use his discretion under 35 U.S.C. § 314(a) to deny a trial. The very existence of valuable property rights is at stake. Patents dragged into instituted AIA trials are 84% likely to be invalidated versus 29% likely in federal court final decisions.

Likelihood of Success: On the merits of US Inventor’s and the Patent Owners’ claim,<sup>1</sup> the Federal Circuit recently held that the complained-of agency action is not lawful rulemaking. *Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321, 1347-54 (Fed. Cir. 2020) (*reinstated on rehearing in relevant part*). The Director of the United States Patent and Trademark Office does not engage in “rulemaking” when he takes the shortcut of designating Patent Trial and Appeal Board institution decisions “precedential.” *Id.* at 1340 (“[T]here is no indication in the statute that Congress . . . intended [the Director] to engage in any rulemaking other than through the mechanism of prescribing regulations.”). One of the areas in which the Director has made “precedential” designations, instead of promulgating notice-and-comment rules, is for the standards that will govern the agency’s consideration of discretionary factors “for the showing of sufficient grounds to institute a review under [35 U.S.C. § 314(a)].”

---

<sup>1</sup> US Inventor is a nonprofit association whose standing is based on harm to itself, and harm to its membership. *See Public Citizen, Inc. v. Trump*, 297 F. Supp. 3d 6, 17 (D.D.C. 2018) (“organizational standing” allows entity to sue on its own behalf, “associational standing” to sue on behalf of its members). As explained in the Declaration of Josh Malone, ¶¶ 15-19, 21-25, the association membership includes entities suffering imminent irreparable harm from the absence of notice-and-comment rulemaking. *See also* Declarations of Gordon and Russek. This harm can be averted through a preliminary injunction. Thus, at least one of US Inventor’s members has standing to sue in its own right, the interests that US Inventor seeks to protect here are germane to the organization’s purpose, and the relief requested does not require participation of individual members (*e.g.*, there is no claim for damages, just injunctive relief). *See Hunt v. Wash. State Apple Advert. Comm’n*, 432 U.S. 333, 343 (1977). US Inventor itself also has organizational standing (and suffers irreparable harm) based on the absence of notice-and-comment rulemaking interfering with the organization’s day-to-day activities of educating and advocating for inventors and small businesses. Malone Dec. ¶¶ 15, 24.

But this agency practice flies in the face of the America Invents Act of 2011 (“AIA”). The AIA states that the “Director *shall* prescribe *regulations*” on this topic. 35 U.S.C. § 316(a)(2) (emphasis added). The Federal Circuit has held that so-called “precedential” designations are not regulations. *Facebook*, 973 F.3d at 1349-53.

Irreparable Harm: The absence of notice-and-comment rulemaking affects every patent owner dragged into agency proceedings against their will. Plaintiffs in this case include patentees who have had to argue (and are currently arguing) against institution of an AIA trial based on discretionary considerations without the clarity and certainty that would otherwise exist with rulemaking. US Inventor represents their interests, as well as the interests of specific members who (absent a preliminary injunction) must imminently file their Preliminary Response to a newly-filed AIA trial petition. Malone Dec. ¶¶ 15-19, 21-25; *see also* Declarations of Gordon and Russek. Such rulemaking would accomplish the Congressionally-required consideration of the effects on the economy and the integrity of the patent system (35 U.S.C. § 316(b)) in a way that ad hoc panel adjudications are not equipped to do. US Inventor’s day-to-day mission to teach inventors about how to position their patent rights against attack in AIA trials is more difficult without the clarity that can only come from notice-and-comment rulemaking on discretionary factors. On August 27, 2020, US Inventor had already filed a Petition for Rulemaking on this topic, because of its strong interest in teaching and serving its membership. Malone Dec. ¶ 22.

Balance of the Harms and the Public Interest: The “harm balancing” factor is analyzed in tandem with the “public interest” factor. This public interest factor always weighs in favor of preliminary relief when it halts the unlawful action of a federal agency. All of the traditional preliminary injunction factors therefore exist.



For the reasons discussed below, the Court should grant this motion and issue an injunction against AIA trial institution until lawful notice-and-comment rulemaking has occurred.

### III. FACTUAL AND PROCEDURAL BACKGROUND

#### A. Structure and Statutory Background of AIA Trials

The USPTO administers patentability trials under the America Invents Act of 2011 (“AIA trials”). Within such trials (once instituted), the USPTO decides if the evidence presented by a petitioner requires cancellation of one or more patent claims. 35 U.S.C. § 318(a, b). Such AIA trials include IPR (“inter partes review”) and PGR (“post grant review”).

The administration of such trials occurs in two phases: an institution phase, and (if there is institution) a trial phase. The Director’s decision whether to institute (which he has delegated to the Patent Trial and Appeal Board) includes legal and factual determinations, such as the level of merit of a petitioner’s unpatentability argument. It also includes discretionary weighing factors (e.g., the impact of numerous factors relating to other court or other USPTO proceedings). *See, e.g.*, 35 U.S.C. §§ 314(a), 315(d), 325(d); Patent Trial and Appeal Board Consolidated Trial Practice Guide (November 2019), available at [www.uspto.gov/sites/default/files/documents/tpgnov.pdf](http://www.uspto.gov/sites/default/files/documents/tpgnov.pdf); *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020); *Advanced Bionics, LLC v. MED-EL Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (P.T.A.B Feb. 13, 2020); *Gen. Plastic Indus. Co. v. Canon Kabushiki Kaisha*, IPR2016-01357, Paper 19 (P.T.A.B Sep. 6, 2017). But, these weighing factors did not arise through notice-and-comment rulemaking. They arose through ad hoc adjudications.

The USPTO has plenary authority, unreviewable on appeal or mandamus, to deny review of any AIA trial petition for any reason. *Harmonic Inc. v. Avid Tech., Inc.*, 815 F.3d 1356, 1367

(Fed. Cir. 2016) (“the PTO is permitted, but never compelled, to institute an IPR proceeding”). “[T]he agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion.” *Cuozzo Speed Tech., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016). This discretion *comes from 35 U.S.C. § 314(a)*, which “invests the Director with discretion on the question *whether* to institute review. . . .” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1356 (2018) (emphasis in original).

The formation of AIA trial standards must arise from rulemaking, because using ad hoc adjudication for this purpose is forbidden by statutory language. *Cf. SEC v. Chenery Corp.*, 332 U.S. 194, 203 (1947) (stating general rule that agency has a choice between adjudication or rulemaking). This is clear because the AIA expressly requires that “[t]he Director *shall* prescribe regulations. . . . setting forth the standards for the showing of sufficient grounds to institute a review *under section 314(a)* [and] shall consider the effect of any such regulation on the economy, the integrity of the patent system, [and] the efficient administration of the Office.” 35 U.S.C. 316(a)(2) and (b) (emphasis added). The word “shall” makes promulgation of regulations mandatory. When Congress gives an agency a mandatory duty to issue rules on a topic, the agency lacks the authority to set standards through adjudication. *Massachusetts v. EPA*, 549 U.S. 497, 528 (2007).

Despite this, the Director has set section 314(a) “sufficient ground” standards through ad hoc adjudicative decision making, not notice-and-comment rulemaking. The Director made precedential the ad hoc decision in *General Plastic Industrial Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 (Paper 19) (P.T.A.B. Sept. 6, 2017), to set down about a half dozen weighing factors to govern Board discretion under 35 U.S.C. §§ 314(a) and 324(b-c) in deciding whether the relationship of a petition to other petitions should lead to discretionary denial. The Director made precedential the ad hoc decisions in *NHK Spring Co. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8, at 20 (P.T.A.B. Sept. 12, 2018), and *Advanced Bionics, LLC v. MED-EL*

*Elektromedizinische Geräte GmbH*, IPR2019-01469, Paper 6 (P.T.A.B Feb. 13, 2020), to set down about a half dozen weighing factors to govern Board discretion under 35 U.S.C. §§ 315(d) and 325(d) in deciding whether the relationship of a petition to prior art and arguments considered during earlier patent examination, reexamination, or AIA reviews should lead to discretionary denial. The Director made precedential the ad hoc decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11, at 5 (P.T.A.B. Mar. 20, 2020), to set down about a half dozen weighing factors to govern Board discretion under 35 U.S.C. §§ 314(a) and 324(b) and (c) in deciding whether the relationship to parallel court proceedings should lead to discretionary denial.

**B. Effect of the Lack of Promulgated Rules on the Discretionary Factors Governing AIA Trial Institution Decisions**

AIA trials are expensive and often ruinous to defend. In costs and legal fees, patent owners can expect to spend on average \$451,000 per patent. 2017 AIPLA Report of the Economic Survey, at I-163. This sum gets spent just to maintain the status quo of keeping a patent that the law already presumed to be valid. 35 U.S.C. § 282. Patent owners who are dragged into an AIA trial have no upside—the USPTO cannot adjudicate infringement and cannot award damages. AIA trials, once instituted, proceed without a jury and impose about an 84% likelihood of invalidation. Malone Dec. ¶ 11. This is at least 2-3 times higher than in district court proceedings, which afford more procedural protections, a presumption of validity (including deference due a qualified government agency official presumed to have performed his or her job), and a clear and convincing burden of proof of invalidity. Malone Dec. ¶ 11.

Compared to setting standards through ad hoc adjudications, notice-and-comment rulemaking by administrative agencies provides benefits of public participation and transparency. Rulemaking instills greater predictability by allowing rules to be known in advance, and creating a framework for public scrutiny if agency policy changes. In this case in particular, the Director

bestowing a “precedential” designation on an ad hoc adjudication decision can just as easily remove it the next day without notice or comment.

#### **IV. ARGUMENT**

All preliminary injunction factors weigh in favor of granting US Inventor’s requested restraining order and injunction.

Congress ceded to the Director absolute discretion to deny AIA trial institution, but on an important condition. The Director first had to consult with stakeholders before legislating how he would use this power, via mandatory notice-and-comment rulemaking. This has not yet occurred. Instead, the Director’s procedure for labeling certain ad hoc adjudications as “precedential” constitutes reviewable final agency action that the USPTO employs “without observance of procedure required by law,” such that proper and required rulemaking on this topic is “agency action unlawfully withheld.” 5 U.S.C. §§ 706(1), 706(2)(D).

##### **A. Standard of Review for Preliminary Injunctions in APA Cases**

The purpose of a preliminary injunction is merely to preserve the relative positions of the parties until a trial on the merits can be held. Given this limited purpose, and given the haste that is often necessary if those positions are to be preserved, a preliminary injunction is customarily granted on the basis of procedures that are less formal and evidence that is less complete than in a trial on the merits. A party thus is not required to prove his case in full at a preliminary-injunction hearing, and the findings of fact and conclusions of law made by a court granting a preliminary injunction are not binding at trial on the merits.

*Univ. of Texas v. Camenisch*, 451 U.S. 390, 395 (1981) (citations omitted).

To obtain a preliminary injunction, the party must demonstrate that (1) it “is likely to succeed on the merits,” (2) it “is likely to suffer irreparable harm in the absence of preliminary relief,” (3) “the balance of equities tips in [its] favor,” and (4) “an injunction is in the public interest.” *Winter v. Nat. Res. Def. Council, Inc.*, 555 U.S. 7, 20 (2008). Judicial review of agency action is governed by the standards set forth in § 706 of the APA, requiring the reviewing court to

engage in a “substantial inquiry.” *Olenhouse v. Commodity Credit Corp.*, 42 F.3d 1560, 1573-74 (10th Cir. 1994) (citing *Citizens to Preserve Overton Park v. Volpe*, 401 U.S. 402 (1971)). “[T]he essential function of judicial review is a determination of (1) whether the agency acted within the scope of its authority, (2) whether the agency complied with prescribed procedures, and (3) whether the action is otherwise arbitrary, capricious or an abuse of discretion.” *Id.* at 1574.

### **B. Movants Have Established a Likelihood of Success on the Merits**

Agency-published standards governing the Director’s exercise of discretion must be held “unlawful and set aside” because they are “without observance of procedure required by law.” Decisions marked “precedential” by the Director such as *General Plastics* and *Fintiv* are not notice-and-comment rulemaking. The Federal Circuit in *Facebook v. Windy City* already effectively ruled as much. *Facebook*, 973 F.3d at 1349-53. Further, discretionary standards must come about through rulemaking.

Using “precedential” ad hoc decisions as a substitute for rulemaking cannot be reconciled with the plain language of the AIA. Section 316(a), holds that the Director “shall” promulgate regulations on what constitutes “sufficient grounds” to institute trial under Section 314(a). In turn, section 314(a) is the source of the Director’s plenary discretion to deny review. Putting these two provisions together, the Director is under command from Congress to promulgate rules governing his application of discretionary factors to the decision of whether “sufficient grounds” exist to institute an AIA trial, either IPR or PGR.

There is simply no way that Congress could have envisioned ad hoc time-constrained adjudicative decisions by randomly-assigned PTAB panels meeting the requirements of section 316(b). Under section 316(b), the rulemaking process itself must factor in, for each rule, the effect on the economy, the integrity of the patent system, the efficient administration of the USPTO as a

whole, and the ability of the USPTO to timely complete proceedings. Only the deliberation and public input that comes from transparent notice-and-comment rulemaking could permit the Director to meet such requirements.

The APA requires agencies to provide the public notice and an opportunity to be heard before promulgating a regulation. The agency must publish in the Federal Register a notice of proposed rulemaking that includes “(1) a statement of the time, place, and nature of public rule making proceedings; (2) reference to the legal authority under which the rule is proposed; and (3) either the terms or substance of the proposed rule or a description of the subjects and issues involved.” 5 U.S.C. § 553(b). After the notice has issued, “the agency shall give interested persons an opportunity to participate in the rulemaking through submission of written data, views, or arguments with or without opportunity for oral presentation.” *Id.* § 553(c). This has not happened.

Nor is any shortcut available by labeling precedential decisions merely “general statements of policy,” and thus not “legislative” rules. The “critical question in distinguishing between legislative rules and general statements of policy is whether the statement ‘is of present binding effect; if it is, then the APA calls for notice and comment.’” *Casa de Md. v. United States Dep’t of Homeland Security*, 924 F.3d 684, 702 (4th Cir. 2019) (also referring to “binding norms”); *see also Colwell v. Dep’t of Health Human Servs.*, 558 F.3d 1112, 1124 (9th Cir. 2009) (“critical factor” is “extent to which the challenged directive leaves the agency, or its implementing official, free to exercise discretion to follow, or not to follow, the announced policy in an individual case.” (alterations omitted)). Here, USPTO’s description of what it does states that “precedential” decisions are of “binding” effect. (<https://www.uspto.gov/sites/default/files/documents/sop2-revision-9-dated-9-22-2014.pdf>, at 11). Once so-designated, no panel of the Board has discretion to avoid applying the stated factors.

Since “precedential” designations that create “binding” standards governing discretionary factors have occurred without observance of procedure required by law, and since rulemaking has been unlawfully withheld, US Inventor has established a likelihood of success on the merits.

### **C. Movants Have Established Irreparable Harm Absent an Injunction**

The current unlawful sidestep of proper notice-and-comment rulemaking is likely to inflict irreparable harm on the US Inventor and its membership, and movants like 10Tales and Stragent. *See Winter*, 555 U.S. at 22. The irreparable harm factor requires a party “seeking preliminary relief to demonstrate that irreparable injury is *likely* in the absence of an injunction.” *Id.* (emphasis in original). To satisfy the irreparable harm requirement, a movant must demonstrate ““a significant risk that he or she will experience harm that cannot be compensated after the fact by monetary damages.”” *RoDa Drilling Co. v. Siegal*, 552 F.3d 1203, 1210 (10th Cir. 2009) (quoting *Greater Yellowstone Coal. v. Flowers*, 321 F.3d 1250, 1258 (10th Cir. 2003)). A court must further assess ““whether such harm is likely to occur before the district court rules on the merits.”” *Id.* (quoting *Greater Yellowstone Coal*, 321 F.3d at 1260).

Movants are subject to harm when ““deprived of a procedural protection to which [they] are entitled”” under the APA, including the opportunity to shape the rules through notice and comment. *Northern Marianas Islands v. United States*, 686 F. Supp. 2d 7, 17, 18 (D.D.C. 2009) (quoting *Sugar Cane Growers Cooperative of Florida v. Veneman*, 289 F.3d 89, 94-95 (D.C. Cir. 2002)). The threat of harm here is palpable. Each day patentees get dragged into AIA trial institution proceedings without clarity and balance in the governing discretionary standards that only notice-and-comment rulemaking can bring is a day that patentees are deprived of a tool for persuading the PTAB to keep their patent out of an 84% invalidation-rate process, in favor of a

29% invalidation-rate process that offers more procedural protections to patent owners—district court litigation. Malone Dec. ¶ 11.

The imminent harm at issue for US Inventor’s membership and the other movants is irreparable for at least two reasons. First, property is at stake, not just damages. Patent rights “have the attributes of personal property.” 35 U.S.C. § 261. Making a class of property owners more likely to be dragged into a process that virtually guarantees their loss of valuable exclusionary property rights is a type of irreparable harm that equity can address. Second, specific US Inventor members face imminent deadlines for crafting arguments and filing their Preliminary Response to oppose institution of newly-filed petitions. Malone Dec. ¶¶ 21-25; *see also* Declarations of Gordon and Russek. Such members have no rule-based guidance over how to present discretionary factors as a basis for denial of the petitions they are now facing, under deadline.

Notice-and-comment rules, and particularly rules that first have factored in the effect on the economy and the integrity of the patent system of AIA trial institutions, will reduce the economic burden and uncertainty of crafting arguments opposing institution. Malone Dec. ¶¶ 23-24. For example, if notice-and-comment results in promulgation of the rules that US Inventor has proposed in its Petition for Rulemaking, there is no weighing of factors. If certain factors are present, PTAB panels must deny institution. If no such factors are present, the PTAB may proceed and possibly grant institution if the merits of the invalidity argument are strong enough.

For US Inventor as an organization, it is presently hamstrung in its efforts to teach inventors about keeping their patents free of AIA trial reviews. And it has been deprived of a procedural vehicle for presenting notice-and-comment on published proposed rules. The current style of “precedential” decision labeling does not let it cogently teach its membership what factors that govern the Director’s discretion will lead him to deny institution. In the absence of rules, US



Inventor is temporarily forced to advise its members that not participating in the U.S. patent system, reducing investments in inventing, and/or to keeping their inventions secret may now (solely because of AIA trial reviews) be the best way forward for their situation. These mitigation measures undermine our core mission of fostering innovation and helping inventors to achieve the American Dream, build businesses, and create jobs. Malone Dec. ¶ 26. Thus US Inventor is also suffering its own irreparable harm, curable through entry of the requested preliminary injunction.

“A party experiences actionable harm when ‘deprived of a procedural protection to which he is entitled’ under the APA.” *Northern Marianas Islands*, 686 F. Supp. 2d at 17 (quoting *Sugar Cane Growers*, 289 F.3d at 94-95); accord *California v. HHS*, 281 F. Supp. 3d 806, 829-30 (N.D. Cal. 2017) (“A procedural injury may serve as a basis for a finding of irreparable harm when a preliminary injunction is sought.”), *vacated in part and affirmed in part on other grounds*, *California v. Azar*, 911 F.3d 558 (9th Cir. 2018). Denial of notice and comment rights constitutes irreparable harm where, as here, “significant administrative action is taken that might adversely affect ... substantial rights.” *Dartmouth-Hitchcock Clinic v. Toumpas*, 856 F. Supp. 2d 315, 325 (D.N.H. 2012) (holding that deprivation of notice-and-comment rights under Section 13(A) of the Medicaid Act constituted irreparable injury); see also *Long Term Care Pharm. Alliance v. Ferguson*, 260 F. Supp. 2d 282, 293-94 (D. Mass. 2003) (holding that failure to give notice in Medicaid rate-setting process is irreparable injury), *vacated on other grounds*, 362 F.2d 50 (1st Cir. 2004).

Courts have cogently explained why depriving parties of notice-and-comment rights constitutes irreparable harm. First, denial of notice-and-comment procedural rights creates high administrative inertia with respect to an illegally developed rule. “[A]s time goes on, it will be ever more difficult to undo an improper decision (a decision that, in the presence of adequate . . .

information, might have come out differently).” *Sierra Club v. Marsh*, 872 F.2d 497, 503 (1st Cir. 1989) (Breyer, J.); *accord Mass. v. Watt*, 716 F.2d 946, 952 (1st Cir. 1983) (“It is far easier to influence an initial choice than to change a mind already made up.”). “The difficulty of stopping a bureaucratic steam roller, once started, . . . seems . . . a perfectly proper factor for a district court to take into account . . . on a motion for a preliminary injunction.” *Sierra Club*, 872 F.2d at 504; *accord Natural Resources Defense Council v. Houston*, 146 F.3d 1118, 1129 (9th Cir. 1998) (“The failure to respect the process mandated by law cannot be corrected with post-hoc assessments of a done deal.”). Second, ad hoc regulations (provided by way of designating opinions as “precedential”) do not provide regulated parties with “fair warning.” *Christopher v. SmithKline Beecham Corp.*, 132 S. Ct. 2156, 2167 (2016) (explaining that agencies should provide parties with “fair warning” and not “unfair surprise”); *accord Kollett v. Harris*, 619 F.2d 134, 140 n.5 (1st Cir. 1980).

In short, failure itself to abide by statutory procedural mandates, such as the notice and comment requirements of the APA, causes irreparable harm to US Inventor and its membership under the facts of this case. *See, e.g., Citizens for Better Forestry v. United States Dep’t of Agric.*, 481 F. Supp. 2d 1059, 1100 (N.D. Cal. 2007) (“The irreparable harm in this case stems from the agency’s failure to follow the statutes’ procedural mandates, which required it to undertake an evaluation . . . and also to open the rule up to public notice and comment.”).

**D. Movants Have Established that the Balance of the Equities and the Public Interest Factors Favor a Preliminary Injunction**

When the government is a party, the Court considers the balance of the equities and the public interest together. *California v. Azar*, 911 F.3d at 581. Here, the “public interest is served by compliance with the APA: ‘the APA creates a statutory scheme for informal or notice-and-comment rulemaking reflecting a judgment by Congress that the public interest is served by a

careful and open review of proposed administrative rules and regulations.” *Id.* (quoting *Alcaraz v. Block*, 746 F.2d 593, 610 (9th Cir. 1984)). Importantly, it “does not matter that notice and comment could have changed the substantive result; the public interest is served from proper process itself.” *Id.* at 581-82.

Independent of the presumption that the public interest favors injunctive relief, the evidence does as well. Patent owners are dragged unwillingly into a process as to whose governing standards (on discretionary considerations) they had no input, and find no clarity. This process potentially destroys their ability to protect their hard-won intellectual property, build businesses and create jobs. Meanwhile, in those rare cases where post-grant patent review is in the public interest during the temporary pendency of the preliminary injunction sought here, the Director has the ability to institute an *ex parte* reexamination proceeding on his own initiative. 37 C.F.R. § 1.520. Third parties (like accused infringers) retain the ability to start an *ex parte* reexamination, or seek court declarations of invalidity if they can meet the threshold for standing in federal court.

#### **E. The Temporary Equitable Remedy**

When weighing the factors and the ultimate equitable relief, particular attention should be given to preserving the status quo. *Chalk v. U.S. Dist. Court Cent. Dist. Cal.*, 840 F.2d 701, 704 (9th Cir. 1988) (“The basic function of a preliminary injunction is to preserve the status quo pending a determination of the action on the merits.”). Here, the status quo is the presumption of validity of every issued United States patent, 35 U.S.C. § 282, along with the patents’ *absence* from an AIA trial. It also encompasses the longstanding ability of either the Director or an infringer to test that validity through non-AIA trial means (*e.g.*, *ex parte* reexamination and/or federal court litigation). The Director will suffer little if any harm if the Court guides him (temporarily) to exercise discretion in all cases to deny institution (or stay it), pending the conclusion of this case

or compliant rulemaking. No impediment stands in the way of the Director beginning lawful notice-and-comment rulemaking immediately.

## V. CONCLUSION

US Inventor, 10Tales, Stragent and Mr. Maalouf respectfully request that this Court grant the motion for a temporary restraining order and a preliminary injunction, guiding the USPTO Director to deny all AIA trial institutions pending the completion of lawful rulemaking under 35 U.S.C. § 316 on the topic of discretionary factors under 35 U.S.C. § 314(a).<sup>2</sup>

Dated: February 19, 2021

Respectfully submitted,

/s/ Michael C. Smith  
Michael C. Smith  
State Bar No. 18650410  
Siebman, Forrest, Burg & Smith, LLP  
113 E. Austin Street  
Marshall, Texas 75670  
Office: (903) 938-8900  
[michaelsmith@siebman.com](mailto:michaelsmith@siebman.com)

/s/ Robert P. Greenspoon  
Robert P. Greenspoon  
State Bar No. 6229357  
Flachsbart & Greenspoon, LLC  
333 N. Michigan Ave.  
Suite 2700  
Chicago, IL 60601  
Office: (312) 551-9500  
[rpg@fg-law.com](mailto:rpg@fg-law.com)

ATTORNEYS FOR PLAINTIFF  
US INVENTOR, INC., et al

---

<sup>2</sup> The Court may recognize in its injunction order that patent owners in specific proceedings might consent to move forward with an otherwise-grantable AIA trial.