You Lost the IPR You Started. You Get an Appeal, Right? No, Maybe Not

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January 27, 2017 – Inter partes reviews (IPRs) are the new way to challenge patents. An IPR petition, if the Patent Trial and Appeal Board (PTAB) takes the petition up for trial, has an approximate 70 percent statistical chance of killing the challenged patent. Still, you can lose. Thirty percent of petitions lose, where at least one patent claim survives. You get an appeal and maybe another chance, right?

No, maybe not. Before moving to the point, assume first that you do get an appeal. The appeal is to the U.S. Court of Appeals for the Federal Circuit. As part of knowing about IPRs, Banner & Witcoff IPR lawyer Bob Resis has generated a fund of knowledge on how these appeals have been handled. There have been 116 Federal Circuit IPR decisions (some are combined appeals), through September 30, 2016. The statistics for success on appeal are not good, and instead, are very bad. In 66 decisions, the Federal Circuit affirmed the PTAB IPR decision, whatever it was, without even writing an opinion on the appeal. This is called “Rule 36 affirmance.” That’s more than half of appeals, about 57 percent, that have been considered by the Court to be so lacking in merit as to be unworthy of its time and resources to write up its decisions. Now add more. There have been another 24 affirmances with opinions. That’s almost 80 percent of appeals from PTAB IPR decisions getting affirmed.

But get this — you may not even get an appeal. One company, Phigenix, did not even get an appeal, in Phigenix, Inc. v. Immunogen, Inc. Appeal No. 2016-1544 slip op. (Fed. Cir. January 9, 2017). There, the subject was a patent on cancer treatments. Phigenix did not make any products,
and relative to being anything more than a non-practicing entity, an NPE, it said it “has
developed, and is developing, an extensive intellectual property portfolio.” Id. at 3. It asserted it
filed an IPR petition on the Immunogen patent because the patent “encumbered” its “licensing
efforts” while Immunogen “receives millions of dollars in licensing revenues.” Slip op. at 9.
It lost at the PTAB. It appealed. And that went very poorly. Immunogen tried to preempt the
appeal with a motion to dismiss. The motion claimed that Phigenix lacked “Article III standing,”
the necessary prerequisite for someone to bring a case in federal court. Specifically, Immunogen
said Phigenix lacked any injury for which it was seeking a remedy.

Such motions routinely get deferred to being addressed in the appeal briefs, and this one did.
That was good for Phigenix for a while, but it was a small victory. The patent owner repeated its
lack of standing argument in its appeal brief. The Court then took up only standing in its opinion.

Standing, the Court stated, required the party claiming standing to prove (1) an injury “in fact,”
(2) fairly traceable to the challenged conduct of the appellee, (3) that is likely to be redressed by
a favorable judicial decision. Id. at 4. It concluded that Phigenix did not have an injury.

How did Phigenix get a decision out of the PTAB? “Article III standing is not necessarily a
requirement to appear before an administrative agency,” said the Court, quoting from its own
earlier case. Id. at 5. But then why not an injury for appeal, its loss at the PTAB? Because, said
the Court, “an appellant must nevertheless supply the requisite proof of an injury in fact when it
seeks review of an agency’s final action in federal court,” citing a Supreme Court decision. Id.
And, further, Phigenix did “not contend that it faces a risk of infringing, … that it is an actual or
prospective licensee of the patent, or that it otherwise plans to take any action that would
implicate the patent.” Id. at 9.

So then how do you assure you have standing to get an appeal, however poor your chances in it,
from a PTAB decision against you? The answer in most IPRs is that you are in the IPR because
you were sued. Eighty percent of IPRs are filed by those sued for patent infringement. You face
“a risk of infringing.” For the rest, as part of getting your IPR in good shape to win, you should
assure you can “contend [and prove] that [you] face[] a risk of infringing, … that [you are] an
actual or prospective licensee of the patent, or that [you] otherwise plan[] to take any action that
would implicate the patent.” If you simply want to clear out a field that has some problem
patents, before you might enter it in some distant future, or have lesser motives such as shorting
a company stock while you kill the company patents on a blockbuster drug, or wreaking revenge
on a company that killed some of your patents in IPR, think again about what you’re doing.
Work up your standing.

The decision comes at an interesting time. The President of the United States was sued by
“CREW,” Citizens for Responsibility and Ethics, alleging he breached a constitutional clause
against gifts from foreign powers. The allegation of CREW is that it has standing because it has had to divert resources that it would otherwise use for its mission, to bring the case. It relies on a Supreme Court case, *Havens Realty Corp. v. Coleman*, where a housing rights group had standing on its theory that a company it alleged to be discriminating in housing had frustrated its mission of assisting equal access in housing through counseling. Havens Realty had standing, but Phigenix, whose “mission” of licensing was also “frustrated,” did not.

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The Leahy-Smith America Invents Act established new patent post-issuance proceedings, including the inter partes review, post grant review and transitional program for covered business method patents, that offer a less costly, streamlined alternative to district court litigation. With the U.S. Patent and Trademark Office’s Patent Trial and Appeal Board conducting a large and increasing number of these proceedings, and with the law developing rapidly, Banner & Witcoff will offer frequent summaries of the board’s significant decisions and subsequent appeals at the U.S. Court of Appeals for the Federal Circuit.

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