Inside Counsel
JUNE 8, 2017
BUSINESS INSIGHTS FOR THE LEGAL PROFESSIONAL
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One and Done: Tripped Up by Standing--Some Patent Challengers Who Lose PTAB Trials Cannot Appeal

In the last five years, companies and a diverse array of other groups from hedge funds to public interest groups have elected administrative trials of patentability rather than district court litigation. Perhaps a surprise to many, not all types of patent challengers can appeal.

These trials are conducted at the U.S. Patent and Trademark Office, a federal agency. However, appeals from final decisions in these trials occurs at the Federal Circuit which has its own standing requirement. As a result, some groups of patent challengers trying to appeal are getting tripped up by the standing requirement even when a right to appeal is otherwise available. This can depend on the party and the party's activity.

This issue was highlighted when the Federal Circuit held that Phigenix, an IPR petitioner who had lost at the PTAB, did not have standing to appeal. *Phigenix, Inc., v. Immunogen, Inc.*, No. 2016-1544 (Fed. Cir. Jan. 2017).

One of the AIA statutes (35 U.S.C. §141(c)) states: "[a] party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board [] may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit." Naturally, one would therefore assume that any party could appeal. Not so. The Phigenix decision makes clear that 314(c) does not confer standing on IPR petitioners nor does it remove the requirement for standing to appeal final written decisions of the PTAB.

By way of background, while not manufacturing any of its own products, Phigenix contended that it "has developed, and is developing, an extensive intellectual property portfolio" that it claims includes a patent that covers Genentech's activities relating to the breast cancer drug Kadcyla. Although it refused to license Phigenix's patent, Genentech licensed a patent from ImmunoGen, Inc., for use in making Kadcyla. Phigenix sought redress in various forums: one being a challenge to ImmunoGen's patent in an IPR proceeding. But this challenge failed when the PTAB confirmed the Immunogen patent claims. Phigenix appealed that decision to the Federal Circuit. But the Federal Circuit dismissed the appeal for lack of standing, finding that Phigenix had failed to establish it had suffered an injury in fact.

Standing issues will not arise in the majority of appeals from IPRs because around 80% of IPRs are brought by parties involved in underlying patent infringement controversies. But Phigenix is perhaps unique as compared to a "typical" IPR petitioner-appellant in that Phigenix was not being accused of infringing the patent it challenged. In fact, Phigenix did not manufacture any product that could infringe. Instead, Phigenix's principal argument for standing was that the mere existence of the challenged

patent encumbered Phigenix's efforts to license its own patent directed to cancer treatments. In other words, Phigenix allegedly suffered an economic injury in the form of lost licensing revenue due to competition presented by the existence of the challenged patent.

The Federal Circuit found this "licensing injury" to be largely hypothetical, with insufficient evidence to establish an actual injury in fact. Phigenix did not present any evidence it risked infringing Immunogen's patent, that it was an actual or prospective licensee of the patent, or that it otherwise planned to take any action that would implicate the patent. Having failed to substantiate its alleged injury in fact, the Federal Circuit held that Phigenix lacked standing to appeal the adverse decision.

A month after the Phigenix decision, the Federal Circuit again addressed standing following unfavorable PTAB final written decision. *PPG Industries v. Valspar Sourcing Inc.*, Nos. 2016-1406, 2016-1409 (Fed. Cir. Feb 2017). In PPG, in preparation for launching a commercial can-interior coating, PPG challenged two of Valspar's patents at the PTAB. After losing its IPRs, PPG appealed and the Court again addressed standing, but this time found that despite not having an infringing product when it filed the IPR, PPG had standing for appeal. PPG's standing arose because it had launched a product before it filed the appeal, and it had received news that suggested that Valspar was intending to pursue an infringement action. In this case, the Court found that "[a]t a minimum, this evidence establishes that PPG had a legitimate concern that its manufacture and sale of its can-interior coating would draw an infringement action by Valspar. PPG's concern proved warranted when Valspar subsequently filed an infringement action on related patents."

In the wake of Phigenix, certain petitioners—public interest groups, hedge funds, patent holding companies, and the like—face the real likelihood they may have no ability to appeal unfavorable PTAB decisions in some cases. Of course, if the IPR is successful, there is no need for the appeal, and standing becomes moot. But one should never take a win at the PTAB for granted. So it behooves any non-practicing parties contemplating an IPR challenge to consider before filing whether they have suffered an injury, or will do so by a time that would provide for appellate standing in the event of an adverse decision at the PTAB. Similarly, a newer company, or an established company launching a new product may want to carefully consider timing on creating freedom-to-operate through IPRs. A product launch after filing the IPR but before any appeal is filed may be sufficient to create standing should a Final Written Decision in the IPR be unfavorable.

*The article reflects current views of the authors only for illustrative purposes and does not represent the full opinions of the authors, their firm or any clients.

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