

Fed. Circ. Rules 'Abusive' IPRs Can't Be Revived As Reexams

By Ryan Davis

Law360 (September 29, 2021, 9:26 PM EDT) -- The Federal Circuit ruled Wednesday that the U.S. Patent and Trademark Office cannot institute a patent reexamination when "nearly identical" inter partes review petitions have been denied for making "abusive" repetitious arguments, in a decision undoing the invalidation of a Vivint Inc. patent.

The appeals court held that the office should not have conducted an ex parte reexamination of Vivint's equipment monitoring patent, because Alarm.com had previously filed multiple IPR petitions targeting it, to the point where the Patent Trial and Appeal Board denied the last one as "harassment."

Alarm.com then filed a petition seeking reexamination of the patent, "vast swaths" of which were "copied almost word for word" from the denied IPR petition, the Federal Circuit said. The USPTO ultimately held the patent invalid, but the appeals court said it "acted arbitrarily and capriciously" in launching the reexamination, vacated the decision and ordered the case to be dismissed.

The USPTO "cannot deny institution of IPR based on abusive filing practices then grant a nearly identical reexamination request that is even more abusive," the appeals court said. "We see no difference between the IPR and ex parte reexamination processes that would justify such conduct and nothing short of termination of the reexamination would be appropriate."

The court pointed out that "our ruling today is limited" both because it is focused on abusive filings and because the USPTO director has the authority to institute reexaminations on his or her "own initiative," as when it is in the public interest, separate from the objectives of any challenger.

"Accordingly, we are not holding that the director may never launch a reexamination even when a particular challenger has engaged in improper serial filing," the court said, but the director did not invoke that authority in this case.

Vivint sued Alarm.com in the District of Utah in 2015 over four patents, and Alarm.com mounted numerous challenges to them, including three IPR petitions targeting the one patent at issue in the appeal. The PTAB denied all three, two of them for failing to show that the patent is likely invalid, and the third as an "undesirable" serial challenge that it said "risks harassment of patent owners."

Alarm.com then filed a request for reexamination that the Federal Circuit said "repackaged" the arguments in the third IPR, only changing some prior art references, and the USPTO instituted the proceeding.

Vivint sought dismissal under a statute that says reexamination requests can be denied when the same prior art or arguments were previously presented to the office. The agency refused, saying reexaminations cannot be terminated after they begin and that dismissal bids must be made before a reexamination is instituted. It rejected Vivint's argument that USPTO rules make it impossible to seek dismissal prior to institution, and it ultimately found the patent invalid.

The Federal Circuit ruled that the patent office was wrong: It does have the authority to terminate reexaminations after they begin. The court cited decisions permitting the agency to reconsider the institution of IPRs and said nothing in the law prevents it from doing the same in reexaminations.

The appeals court said such a holding would normally lead it to remand the case to the office for reconsideration under the correct view of its authority. But it held that "doing so in this case would be a waste of everyone's resources" because "it would be arbitrary and capricious for the patent office to do anything on remand other than terminate."

The appeals court said Alarm.com's petition did present "new questions of patentability" as required for a reexamination, contrary to Vivint's position. But it held that after the PTAB found that Alarm.com's third IPR petition was "undesirable" harassment, it was "arbitrary and capricious" to permit a fourth one in the form of a reexamination, the Federal Circuit said.

"Indeed, the ex parte reexamination request was a more egregious abuse" than the IPRs, the court said. It concluded that "therefore, the patent office should not have ordered reexamination, or, at minimum, should have terminated the reexamination once Vivint requested that it do so."

Counsel for Vivint and a representative of the USPTO declined to comment on the ruling. Counsel for Alarm.com could not immediately be reached for comment Wednesday.

Judges Kimberly Moore, Alvin Schall and Kathleen O'Malley sat on the panel for the Federal Circuit.

The patent at issue is U.S. Patent No. 6,717,513.

Vivint is represented by William Milliken, Jason Eisenberg and Robert Green Sterne of Sterne Kessler Goldstein & Fox PLLC.

The USPTO is represented by Robert McManus, Thomas Krause, Maureen Queler and Farheena Rasheed of the agency's Office of the Solicitor.

Alarm.com did not participate in the appeal, but in the reexamination, it was represented by Sughrue Mion PLLC.

The case is In re: Vivint Inc., case number 20-1992, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Andrew Cohen.