

# Recent Federal Circuit Decision Could Change the Game for Inter Partes Review Petitions

January 23, 2017

With limited exceptions, anyone but the patent owner can challenge the validity of a patent by filing an *inter partes* review (IPR) petition with the Patent Trial and Appeal Board. Not every IPR petitioner, however, can seek judicial review of the PTAB's final written decision. In *Phigenix, Inc. v. ImmunoGen, Inc.*, the Federal Circuit held that it cannot review a final written decision if the IPR petitioner appealing the decision lacks Article III standing.<sup>[1]</sup>

In *Phigenix*, both Phigenix (a non-practicing entity) and ImmunoGen owned patents directed to cancer treatments.<sup>[2]</sup> Phigenix asserted through IPR that the ImmunoGen patent claims were invalid as obvious.<sup>[3]</sup> But the PTAB found the asserted claims nonobvious in its final written decision.<sup>[4]</sup> Phigenix then appealed to the Federal Circuit.<sup>[5]</sup> In the appeal, ImmunoGen countered that the Federal Circuit cannot review the IPR decision because Phigenix lacks constitutional standing.<sup>[6]</sup> The Federal Circuit held that constitutional standing, while not a prerequisite for filing an IPR, is required for judicial review of the IPR decision.<sup>[7]</sup> The Court agreed with ImmunoGen that Phigenix lacked constitutional standing and dismissed the appeal for this reason.<sup>[8]</sup>

Article III standing requires an injury in fact that is fairly traceable to the challenged conduct of the appellee and which has a likelihood of being redressed by a favorable judicial decision.<sup>[9]</sup> The burden to establish standing lies on the party seeking judicial review.<sup>[10]</sup> Phigenix, relying principally on declarations, argued that it had suffered an injury in fact—an actual economic injury—because the existence of ImmunoGen's patent encumbered Phigenix's efforts to license its own patent portfolio.<sup>[11]</sup> The Court found, however, that Phigenix's conclusory declarations did not contain facts sufficient to support its position.<sup>[12]</sup> The Court also gave no weight to Phigenix's contention that IPR petitioners have the statutory right under 35 U.S.C. § 141 (c) to appeal the PTAB's final decision to the Federal Circuit.<sup>[13]</sup> A statutory right to file an appeal, the Court held, does not erase Article III's standing requirements.<sup>[14]</sup>

In light of *Phigenix*, both petitioners and patent owners will be well-served to reevaluate their IPR practices. Practical tips for petitioners and patent owners include:

## Tips for Petitioners

## 1. Reconsider filing IPR

It is not uncommon (or impermissible) for parties who do not possess Article III standing to file an IPR. For example, even without an Article III "case or controversy" regarding a particular patent, a company may file an IPR against patents it discovers as a result of a freedom to operate search; or a hedge fund may file an IPR against patents owned by corporations the hedge fund is shorting. Because an adverse final decision at the Patent Office may not be reviewable, petitioners without constitutional standing should reevaluate whether to file an IPR in the first instance. And if an IPR is to be filed, petitioners may want to "create" standing (e.g., by sending the patent owner a letter asking it to confirm that there is no infringement, baiting it to retaliate) before the IPR is filed.

## 2. Allege standing in the IPR petition

If a petitioner can establish constitutional standing, it should consider alleging supporting facts in the IPR petition. For instance, if the patent owner has sent the petitioner a cease and desist letter, the petitioner may include the letter in the IPR petition as an exhibit. The Federal Circuit expressly noted that Phigenix did "not substantiate [the standing] arguments with record evidence developed before the PTAB."<sup>[15]</sup> While *Phigenix* also provides that an IPR petitioner should have the opportunity to establish standing on appeal,<sup>[16]</sup> doing so at the IPR stage may put the issue to bed at an early stage and may signal that the petitioner stands ready to appeal an adverse decision. If there is no evidence to support standing from the PTAB record, the challenger "must produce such evidence at the appellate level at the earliest possible opportunity."<sup>[17]</sup> Providing standing evidence at the beginning of the IPR proceeding may substantially simplify issues later.

### Tips for Patent Owners

#### 1. Be careful with notice letters

Patent owners should carefully evaluate the language in any notice letters they send to alleged infringers, and should reconsider sending notice letters. If a patent owner's communication is sufficient to give rise to Declaratory Judgment jurisdiction, the alleged infringer will have the opportunity to seek judicial review of an adverse final decision in an IPR.

#### 2. Leverage standing issues for settlement

While an IPR petitioner who lacks constitutional standing cannot seek judicial review of an adverse final decision, the patent owner can seek judicial review of an adverse IPR decision. Thus, where an IPR petitioner lacks constitutional standing, the patent owner may leverage this disparity to obtain a favorable settlement in the IPR proceeding.



This recent ruling clearly limits appeals of PTAB decisions. Petitioners and patent owners involved in a patent dispute will need to adjust their IPR strategies and tactics accordingly.

If you have any questions regarding this alert, please contact your Lathrop Gage attorney or the attorneys listed above.

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[1] *Phigenix, Inc. v. Immunogen, Inc.*, No. 2016-1544, 2017 WL 74762, at \*6 (Fed. Cir. Jan. 9, 2017)

[2] *Id.*, at \*1.

[3] *Id.*

[4] *Id.*

[5] *Id.*

[6] *Id.*, at \*2.

[7] *Id.*, at \*6.

[8] *Id.*

[9] *Id.*, at \*3.

[10] *Id.*

[11] *Id.*, at \*4-5.

[12] *Id.*

[13] *Id.*, at \*6.

[14] *Id.*

[15] *Id.*, at \*4.

[16] *Id.*

[17] *Id.*