

## Fed. Circ. GE Case Reveals IPR Appellants' Standing Burden

By **Richard Stark** (October 8, 2019, 1:19 PM EDT)

General Electric Co. v. United Technologies Corp.[1] (decided on July 10) shows the difficulty in demonstrating Article III standing in appeals to the U.S. Court of Appeals for the Federal Circuit from decisions of the Patent Trial and Appeal Board in inter partes reviews.

As the PTAB is an administrative tribunal, there is no issue of Article III standing in IPR proceedings. Any person (other than the patent owner) may file an IPR petition.[2] But in the Federal Circuit, as in any other Article III court, the appellant has the burden, if challenged, to establish its constitutional standing.[3] Generally, this boils down to showing sufficient injury in fact.



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The decision in GE was consistent with, and further illustrates, the demanding standard developed by the Federal Circuit for demonstrating injury in fact in IPR appeals. Over the last several years, appellate standing has become a contentious issue, and the Federal Circuit has now decided a substantial body of cases illuminating how and when appellants must come forward with evidence to demonstrate their standing and the types of facts they must prove to succeed.

The Federal Circuit first addressed the issue of Article III standing in appeals from the U.S. Patent and Trademark Office administrative proceedings in *Consumer Watchdog v. Wisconsin Alumni Research Foundation*,[4] a case involving the now-superseded inter partes reexamination procedure. *Consumer Watchdog*, the reexamination petitioner, did not claim to have any involvement in any business or research related to the patent at issue, or that it was an actual or potential competitor or licensee of WARF.[5] It asserted only a general concern over WARF's "broad and aggressive assertion of" its patent.[6]

The Federal Circuit noted that a party appealing from an adverse decision in an administrative proceeding must demonstrate Article III standing, and "injury in fact" is the "hard floor of Article III." [7] Because *Consumer Watchdog* did not allege any injury aside from the denial of cancellation of the at-issue claims, which was insufficient for Article III standing, the court dismissed the appeal for lack of standing.[8]

Three years later, in *Phigenix Inc. v. ImmunoGen Inc.*, the Federal Circuit applied the same principles in the context of the new inter partes review procedure and reached the same result.[9] A handful of additional decisions came down in 2017, 2018 and early 2019, providing examples where appellants

established standing[10] and failed to establish standing.[11]

The Federal Circuit's decision in *General Electric Co. v. United Technologies Corp.*[12] applied this growing body of case law. GE petitioned the PTAB to review UTC's U.S. Patent No. 8,511,605, which generally concerns turbofan engines for use in aircraft.[13] The board ultimately upheld the claims against GE's obviousness arguments.[14] GE appealed.[15] UTC moved to dismiss the appeal for lack of standing.[16]

In opposition, GE argued that it had suffered injuries, including competitive harm and economic loss.[17] GE submitted declarations providing evidence that "the '605 patent impedes its ability to use" geared turbofan engines.[18] Such engines could implicate the '605 patent.[19] Thus, the patent restricted GE's design choices and "forced GE to incur additional research and development expenses." [20] GE noted, in particular, that it had researched a geared engine design at the request of Boeing, but ultimately did not submit that design to Boeing.[21]

The Federal Circuit rejected GE's theories of injury in fact. It held that GE's claimed injuries were "too speculative", because the evidence failed to show "a concrete and imminent injury to GE related to the '605 patent." [22] The court faulted GE's declarations for not attesting that GE actually lost the Boeing bid, or any other specific bids, because it could not offer a geared-drive engine, but "only that GE expended some unspecified amount of time and money to consider engine designs that could potentially implicate the '605 patent." [23]

The court also declined to credit GE's theory of increased research and development costs, because GE failed to produce "an accounting for the additional research and development costs expended to design around the '605 patent" and submitted "no evidence that GE actually designed a geared-fan engine." [24] Further, GE introduced "no evidence that [it] is in the process of designing an engine covered by" the '605 patent or that it had "definite plans to use the claimed features of the '605 patent." [25] Without a real, particularized injury", the court stated, "GE lacks standing to appeal the IPR decision." [26]

GE also argued, as others have ventured in prior cases, that the statutory estoppel associated with bringing an IPR constituted an injury in fact.[27] The Federal Circuit dismissed this argument, pointing out that it had previously ruled against estoppel as a ground for standing.[28] "Where, as here, the appellant does not currently practice the patent claims and the injury is speculative, we have held that the estoppel provision does not amount to an injury in fact." [29]

Notably, U.S. Circuit Judge Todd Hughes filed an opinion concurring in the judgment but criticizing the reasoning. Judge Hughes explained that, while he was constrained by precedent to accept the majority's conclusion, he believed that the Federal Circuit's cases have "developed an overly rigid and narrow standard for Article III standing in the context of appeals from inter partes review proceedings." [30] In particular, he wrote that the Federal Circuit had laid down a rule of competitor standing that is unique to patent law and therefore "out of step" with the U.S. Supreme Court's disapproval of patent-law-specific principles and procedural rules.[31]

The touchstone of injury in fact for the Federal Circuit has been the threat of infringement litigation. Parties have succeeded in establishing injury in fact in certain cases where they have been able to substantiate a real and concrete threat of litigation.[32] In other cases, where appellants could only show a generalized concern about a patent, the court has found no injury in fact.[33]

The GE case underscores the need for hard evidence of an injury in fact. Although GE arguably provided more persuasive evidence than other appellants in prior cases, the Federal Circuit still found that it fell short, because it did not provide an accounting of its increased costs or identify specific designs or lost sales.<sup>[34]</sup> The GE case might be read to suggest that if an appellant could produce evidence of the cost of the additional research and development needed to design around the patent in question, it might be able to establish injury in fact.

Alternatively, concrete evidence that the appellant actually designed a product that could plausibly be seen as within the scope of the patent's claims (in GE's case, a geared-fan engine), but did not sell such a product due to the existence of the patent, should go a long way to establishing an injury in fact. Appellants should consider supplying documentary evidence, rather than mere conclusory declarations. But, of course, one must always consider the possibility that evidence of injury in fact (i.e., a likelihood of infringement litigation) may be exploited by the patent holder to prove infringement — or willfulness.

The GE case also suggests that the statutory estoppel argument has virtually no traction with the Federal Circuit. There may be exceptions where an appellant can show: (1) the intention to make, use or sell a product that is likely covered by the patent in question and (2) a concrete threat of being sued for infringement if it does so.

It has to be said, however, that if the statutory estoppel associated with filing and losing an IPR would interfere with the defense of a likely infringement litigation, the better course may be not to file the IPR in the first place. Alternatively, it may be preferable to wait for the expected infringement litigation to commence and then file the IPR. That way, at least there would be no question as to standing on appeal from the Board's decision.

Finally, in view of Judge Hughes' opinion in GE, it seems certain that the issue of Article III standing will continue to be argued. It may eventually find its way to the Supreme Court. In the meantime, counsel for appellants in IPR appeals will be well advised to focus carefully on injury in fact.

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[1] 928 F.3d 1349 (Fed. Cir. 2019).

[2] 35 U.S.C. § 311(a).

[3] *Lujan v. Defenders of Wildlife*, 504 U.S. 555, 561 (1992).

[4] 753 F.3d 1258 (Fed. Cir. 2014).

[5] *Id.* at 1260.

[6] *Id.*

[7] *Id.* at 1261.

[8] Id.

[9] 845 F.3d 1168, 1176 (Fed. Cir. 2017).

[10] E.g., *Altaire Pharms., Inc. v. Paragon Biotech, Inc.*, 889 F.3d 1274 (Fed. Cir. 2018); *E.I. DuPont de Nemours & Co. v. Synvina C.V.*, 904 F.3d 996 (Fed. Cir. 2018).

[11] E.g., *JTEKT Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018); *AVX Corp. v. Presidio Components, Inc.*, 923 F.3d 1357 (Fed. Cir. 2019).

[12] 928 F.3d 1349 (Fed. Cir. 2019).

[13] Id. at 1351-52.

[14] Id. at 1352.

[15] Id.

[16] Id.

[17] Id.

[18] Id.

[19] Id.

[20] Id.

[21] Id. at 1352-53.

[22] Id. at 1353.

[23] Id.

[24] Id. at 1354.

[25] Id.

[26] Id.

[27] Id. at 1355.

[28] Id.

[29] Id.

[30] Id.

[31] *Id.* at 1357.

[32] See, e.g., *Altaire Pharms.*, 889 F.3d at 1283.

[33] See, e.g., *Consumer WatchDog*, 753 F.3d at 1263.

[34] *Gen. Elec.*, 928 F.3d at 135-55.