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Tech Companies Use Rare Appellate Route to Fight Patent Office

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- Two companies filed mandamus actions at Federal Circuit
- Lawyers expect more actions in spite of very high bar

Tech companies are embracing an unorthodox appellate procedure to challenge policy shifts expanding the US Patent and Trademark Office director's power to cut short their validity challenges to patents asserted against them in infringement lawsuits.

Software maker SAP America Inc. and body-camera manufacturer Motorola Solutions Inc. in June each asked the US Court of Appeals for the Federal Circuit for writs of mandamus to overturn as unconstitutional the discretionary denials of their challenges at the Patent Trial and Appeal Board. Their petitions were among dozens rejected after the PTO rescinded Biden-era guidance providing patent defendants an easier procedural path to have PTAB challenges decided on the merits.

The mandamus actions escalate a long-running fight over the role of the PTAB, an administrative tribunal made up of more than 200 technically trained judges with the power to invalidate patents. Created by Congress in 2011, the board provides an alternate forum to contest patent validity, but critics in the patent owner community have labeled it a "death squad" for its willingness to nix patents juries and judges might've otherwise upheld. Multiple patent lawyers said they expect more mandamus actions to follow until the Federal Circuit either blesses or repudiates the PTO's new procedures.

But the petitioners face long odds: mandamus actions are a "drastic and extraordinary" remedy reserved for "really extraordinary cases," the Supreme Court noted in 2004. And the Patent Act says PTAB institution decisions are "final and nonappealable" with narrow exceptions.

There's a "100%" likelihood of additional mandamus petitions, said Giri Pathmanaban, a litigation partner at Cleary Gottlieb who represents both defendants and patent owners in PTAB disputes.

They have "a very narrow sliver of a path" for success, he said.

PTO Shifts

PTO acting Director Coke Morgan Stewart, appointed in January, set up an interim process in March under which she pre-screens patents challenges—called petitions for inter partes review—based on a series of discretionary factors. Some factors were developed during the first Trump administration and some, like the "settled expectations of the parties," are new.

When challenges clear this discretionary denial bar, a panel of PTAB judges reviews the merits and sets the case for trial if there's a reasonable likelihood a challenger will knock out at least one targeted patent claim. Fifty-nine petitions have been discretionarily denied by Stewart or a deputy since May, and 38 petitions proceeded to merits reviews, according to a PTO database.

"We all expected change to happen at the PTAB" as the administration changed, said Scott Hejny, a partner at McKool Smith, which frequently represents patent-suit plaintiffs. "I don't think we expected change to happen so quickly and so decisively."

Tech groups are pushing the Federal Circuit to rein in the PTO's more patent-owner friendly moves. A coalition of industry groups with members including Google LLC and Ford Motor Co. joined briefs supporting both mandamus actions.

Hejny said he sees "a bit of an ideological split" between the PTO's new direction and the Federal Circuit, which has come under criticism from patent owners before for trimming or overturning large jury verdicts.

Specifically, he pointed to a recent precedential Federal Circuit opinion limiting the force of a provision in the Patent Act that bars patent defendants from making identical invalidity arguments at the PTAB and in district court.

The PTO declined to comment for this story. Its response to SAP's petition is due July 14.

Expectations

Both SAP and Motorola filed PTAB petitions—along with stipulations they wouldn't argue the same grounds at the PTAB and in district court—before the PTO scrapped the Biden-era guidance. They both object to their filings being evaluated under changed rules.

The companies said the agency pulled the rug out from under them by retroactively applying the new discretionary process. Each said that violated the US Constitution's Due Process Clause, while Motorola also said it violated the Administrative Procedure Act and amounted to the sort of "shenanigans" the US Supreme Court has said merit appellate scrutiny.

Joe Matal, a former PTO acting director who wrote amicius briefs on behalf of tech groups, acknowledged such actions aren't easy to win but said the companies have no other remedy. IPR petitions can cost upwards of $100,000 each to file, he said.

"It's just flushed down the toilet for reasons you couldn't have possibly predicted," he said.

He likened the denials to an architect submitting building plans only to learn a review board rejected them saying, "Oh, we've got a new rule that your petition is rejected because it was filed on a Tuesday."

Without an avenue to appeal institution decisions, "mandamus is pretty much it," he added. "There's no other way to challenge an illegal policy."

Hejny disagreedand said the companies can still argue patent invalidity in their district court cases. He said he expects the Federal Circuit to reject the constitutional claims for that reason.

The fight echoes skirmishes between the PTO and tech companies during the first Trump administration. Former Director Andrei Iancu normalized the process of discretionary denial in 2020, labeling as precedential PTAB decisions establishing factors under which judges could decline to hear challenges. The tribunal subsequently began rejecting more patent challenges at early stages.

The impact was blunted by a subsequent precedential ruling under which challengers could pledge not to argue invalidity in district court based on any grounds that could've been raised in their PTAB petitions. In 2022, Joe Biden's PTO director, Kathi Vidal, restricted discretionary denials of petitions with such stipulations.

Apple Inc., Google and three other companies filed a joint lawsuit challenging the Iancu-era process as violating the APA, but didn't challenge individual denials. The case has twice been dismissed and has ping-ponged between a California court and the Federal Circuit, where a second appeal is pending.

The long road that case traveled motivated the alternative mandamus approach, according to Matal.

"Any process that takes four years is almost useless," he said.