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**UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA
SAN JOSE DIVISION**

APPLE, INC., et al.

Plaintiffs,

v.

ANDREI IANCU, in his official capacity as
Under Secretary of Commerce for Intellectual
Property and Director, United States Patent and
Trademark Office,

Defendant.

Case No. 5:20-CV-06128-EJD

**PROPOSED INTERVENORS' REPLY IN
SUPPORT OF MOTION FOR A
TEMPORARY RESTRAINING ORDER
AND PRELIMINARY INJUNCTION**

Honorable Edward J. Davila

Date: January 14, 2021
Time: 9:00 a.m.
Courtroom 4, 5th Floor

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I. INTRODUCTION

The Court must wonder, why does a coalition of the world’s largest incumbent technology companies, sporting a combined \$3.4 trillion market capitalization, team up with the government to stop the deployment of tools and information that Congress mandated for small businesses and individual inventors to retain access to the patent system? The evidence is overwhelming and one-sided: AIA trial reviews have stifled innovation, crushed inventor morale, and created a lopsided process whose use alone (irrespective of individual merits) can destroy innovative businesses. The one lifeline giving any hope of escaping this ongoing catastrophe for American innovation and fair competition has been discretionary denial. US Inventor intervened and filed for interim injunctive relief because it is so clear that the Director has far to go before fulfilling his statutory mandate to preserve that lifeline through APA rulemaking. Despite a blizzard of arguments in which Plaintiffs contradict the Director and the Director contradicts Plaintiffs, US Inventors’ claim remains true: The Director has not promulgated notice-and-comment rules on discretionary factors that go into his “sufficient grounds to institute” decision under 35 U.S.C. § 314(a). The time has come to press pause to preserve the status quo while the Court moves this case toward final judgment.

Page 2 of the Director’s opposition contains the admission that confirms US Inventor’s right to a preliminary injunction. The Director admits that “whether the Director should *institute* [an IPR] petition as a matter of his *discretion*” is a question that falls “*under § 314(a)*.” (ECF#51-1, at 2, emphasis added). By acknowledging this, the Director admits that discretionary considerations for determining whether to institute an IPR are “standards for the showing of sufficient grounds to *institute* a review *under section 314(a)*.” 35 U.S.C. § 316(a)(2) (emphasis added). As the statute commands, the “Director shall prescribe regulations” on this topic. 35 U.S.C. § 316(a). This is not a “false conflation” (ECF#51-1, at 10), but a truth borne out by the Director’s own admission, the plain language of the statute, and Supreme Court and Federal Circuit decisions naming § 314(a) as the basis for discretion.

It remains a dispositive uncontested fact that the Director has not promulgated such regulations. Indeed, on the day the Director filed his brief (October 19, 2020), he withdrew a set of draft notice-and-comment regulations from an internal intra-governmental review that might have met this

1 Congressional mandate.¹ As the Director concedes (ECF#51-1, at 12 n.9), he instead published a
 2 Request for Comment on the topic. But a Request for Comment is not even a half-measure. It does not
 3 start rulemaking under the APA. History shows that Requests for Comment are often on topics that die
 4 on the vine without publication of regulations for notice-and-comment. *E.g.*, [https://www.uspto.gov/ip-](https://www.uspto.gov/ip-policy/patent-policy/public-comments-patent-small-claims-proceedings-united-states)
 5 [policy/patent-policy/public-comments-patent-small-claims-proceedings-united-states](https://www.uspto.gov/ip-policy/patent-policy/public-comments-patent-small-claims-proceedings-united-states) (2013 comments
 6 on a small claims court for patents).

7 No party raises any legitimate reason to deny US Inventor its preliminary injunction.

8 **II. ARGUMENT**

9 Neither the Director nor Plaintiffs contest US Inventor’s evidentiary showing that institution of
 10 AIA trial proceedings makes a final disposition of patent invalidity much more likely than in district
 11 court (84% versus 29%). (ECF#34, at 8). This is caused by procedural disadvantages suffered by
 12 patentees (elimination of the clear and convincing standard of proof and presumption of validity, lack
 13 of a jury right). (*Id.*). The strict discovery limits imposed by § 316(a)(5) and the strict deadlines of
 14 § 316(a)(11) also contribute to the high invalidation rate, since inventors are denied opportunity to
 15 obtain and lodge evidence, such as objective evidence of non-obviousness. Contrary to original
 16 Congressional aspirations, AIA trials have not proven to “weed out bad patent claims efficiently,” or
 17 narrowly solve the problem of “weak patents” through a speedier, more efficient alternative to litigation
 18 as Plaintiffs claim. (*See* ECF#52, at 18). To the contrary, the commencement itself of such
 19 adjudications **makes** targeted patents “weak” or “bad.” Data show that “strong” patents get mowed
 20 down in disproportionate numbers as well. Stephen N. Kulhanek, *Inter Partes* Review and Federal
 21 Litigation: Parallel Proceedings and Inconsistent Results, 90 St. John’s L. Rev. 1093, 1106-07 (2016)
 22 (statistics cast “doubt on the belief that only weak patents are being invalidated,” such as 83%
 23 invalidation rate for patent claims that already “survived reexamination”).

24 This factual and procedural backdrop, in view of the applicable law, provides ample basis for
 25 the Court’s entry of a preliminary injunction. Patentees need and are entitled to notice-and-comment
 26

27 ¹ *See* <https://www.reginfo.gov/public/do/eoDetails?rrid=130908>. The content of these draft regulations
 28 were never made public, but were widely reported to relate to discretionary considerations that are the
 subject of this lawsuit. *See* [https://www.ipwatchdog.com/2020/09/23/uspto-rulemaking-ptab-](https://www.ipwatchdog.com/2020/09/23/uspto-rulemaking-ptab-precedential-opinions-deserves-public-support/)
[precedential-opinions-deserves-public-support/](https://www.ipwatchdog.com/2020/09/23/uspto-rulemaking-ptab-precedential-opinions-deserves-public-support/).

1 rulemaking information on discretionary factors. In the following sections, US Inventor addresses each
2 argument raised by the Director and by Plaintiffs against a preliminary injunction, showing their
3 reasoning and analysis to be incorrect.

4 **A. Likelihood of Success**

5 The Director's Position. The Director opposes US Inventor's showing of likelihood of success
6 on numerous faulty grounds.

7 First, the Director states that US Inventor has not exhausted administrative remedies because its
8 August 27, 2020 Petition for Rulemaking remains pending. (ECF#51-1, at 9). This argument misstates
9 US Inventor's grounds for its motion. US Inventor requested a preliminary injunction based on the
10 § 316(a)(2) statutory command to promulgate regulations of a certain type, coupled with the Director's
11 failure to do so. US Inventor is not appealing or contesting action or lack thereof on a specific petition
12 for rulemaking, nor attempting to compel the Director to promulgate particular content for the required
13 rules. A successful lawsuit under § 706(1) does not have the Court specifying what the rules must be,
14 but instead has the Court compelling the agency to promulgate rules. *Norton v. S. Utah Wilderness*
15 *Alliance*, 542 U.S. 55, 65 (2004). While the record does contain an existing US Inventor Petition for
16 Rulemaking, this serves a role here of showing how low the burden will be on the Director to complete
17 prompt rulemaking once the Court issues preliminary relief.

18 Besides arguing the motion is too early, the Director also argues in a footnote that US Inventor
19 is too late. (ECF#51-1, at 9 n.7, invoking six-year statute of limitations). The Director overlooks that an
20 APA claim accrues on the *later* of final adoption of an agency action, *or* the adverse application of the
21 action against the claimant. *Hyatt v. U.S. Patent & Trademark Office*, 904 F.3d 1361, 1372 (Fed. Cir.
22 2018) (citing 9th Circuit law). The limitations argument fails on both grounds. Discretionary
23 "standards" (the verbiage of §316(a)(2)) did not come into existence until the Director began making
24 "precedential" designations. The first such designation occurred on October 17, 2017.
25 <https://www.law360.com/articles/975848>. Before that date, no member of the public could predict that
26 binding standards could emerge on the topic of discretionary factors that go into the "sufficient
27 grounds" determination. Thus, the earliest "final" adoption of an agency action at issue in this case
28 occurred on October 17, 2017. In addition, adverse application of the failure to promulgate notice-and-

1 comment rules renews each time a US Inventor member is served with an AIA trial petition. The record
2 has four examples so far, each from this year. (ECF#34-3, Svendsen Decl.; ECF#34-4, Honeycutt
3 Decl.; *see also* ECF#28-1, ¶¶ 13-14, World Source and Dareltech).²

4 The Director also points to incomplete rulemaking from 2012, arguing that “the Director
5 complied with his statutory obligations eight years ago.” (ECF#51-1, at 9-10). Yet simple inspection of
6 37 C.F.R. § 42.108 shows that this original promulgation only addressed *part* of what was required—
7 the “reasonable likelihood” standard (essentially, parroting words from § 314(a)). Missing from
8 § 42.108 is any mention of discretionary factors. When agency action was attempted but is incomplete,
9 a claim exists under 5 U.S.C. § 706(1). *See Mont. Wilderness Ass’n v. United States Forest Serv.*,
10 314 F.3d 1146, 1151 (9th Cir. 2003) (“The simple fact that the Forest Service has taken some action to
11 address the Act is not sufficient to remove this case from section 706(1) review.”), vacated and
12 remanded on other grounds *sub nom Blue Ribbon Coalition, Inc. v. Mont. Wilderness Ass’n*,
13 542 U.S. 917 (2004). The Director’s cited authority is inapposite because, on its facts, it did not involve
14 *partial* agency action. *See In re Int’l Union, United Mine Works of Am.*, 231 F.3d 51, 54 (D.C. Cir.
15 2000) (observing that *all* of UMWA’s concerns were addressed in a post-complaint notice of proposed
16 rulemaking, thus UMWA’s suit requested actions already taken).

17 The Director next argues that the relevant rules are merely “general statements of policy that
18 guide agency employees” and thus not “final” agency action. (ECF#51-1, at 10). He argues that these
19 “considerations” “do not dictate the outcome of the Board’s institution decision, so have no direct
20 impact on the parties’ rights” (ECF#51-1, at 12), and similarly that “factors guiding agency discretion
21 are not legislative rules subject to notice-and-comment” but are “general statements of policy.”
22 (ECF#51-1, at 13-15). Based on these assertions, the Director argues that notice-and-comment
23 rulemaking does not apply to discretionary factors for institution because of the exception under
24 5 U.S.C. § 553(b)(3)(A). The Director is wrong about both the facts and the law.

25
26 ² US Inventor asserts both organizational and associational standing. (*See* ECF#34, at 2-5 n.3). As an
27 organization, US Inventor formed in 2015. It could not possibly have run out a six year limitations
28 period relating to its own injury to its organizational mission. (ECF#28-1, ¶ 10 (alleging injury to
educational mission); Exhibit A, Secretary of State Record). *See Am. Anti-Vivisection Soc. and Avian
Welfare Coalition v. U.S. Dep’t Agric.*, 946 F.3d 615, 618-19 (D.C. Cir. 2020) (organization’s standing
in APA case based on injury to educational mission from absence of agency action).

1 First, the Director contradicts the USPTO's own description of what the "precedential"
 2 designation means on decisions that set forth discretionary considerations for denying institution (such
 3 as *General Plastics*, *Advanced Bionics*, and *Fintiv*). According to SOP 2, a precedential decision is
 4 "binding Board authority in subsequent matters involving similar facts or issues." (ECF#51-2, at 11).
 5 This agency document could not be plainer. "Binding" means "binding." Precedential decisions are not
 6 policy statements, but binding and final by the USPTO's own admission.

7 Second, the Director's cited authority excuses "guideline" documents from notice-and-comment
 8 rulemaking as non-final only where they have "no legal consequences for any regulated party," and
 9 only when they "compel[] action by neither the recipient nor the agency." *Valero Energy Corp. v. EPA*,
 10 927 F.3d 532, 536-39 (D.C. Cir. 2019). That is not the case here. For example, under this legal
 11 standard, an EPA "guidance" document is considered "final" when it binds regional EPA directors to
 12 act in a specific way. *NDRC v. EPA*, 643 F.3d 311, 320 (D.C. Cir. 2011). This is exactly the nature of
 13 the "precedential" discretionary factors at issue here. No Board panel is permitted to sidestep the named
 14 discretionary factors, as they are "binding Board authority in subsequent matters involving similar facts
 15 or issues." (ECF#51-2, at 11). The challenged documents are unquestionably "final" agency documents.

16 Separately but relatedly, the "critical question in distinguishing between legislative rules and
 17 general statements of policy is whether the statement 'is of present binding effect; if it is, then the APA
 18 calls for notice and comment.'" *Casa de Md. v. United States Dep't of Homeland Security*,
 19 924 F.3d 684, 702 (4th Cir. 2019) (also referring to "binding norms"); *see also Colwell v. Dep't of*
 20 *Health Human Servs.*, 558 F.3d 1112, 1124 (9th Cir. 2009) ("critical factor" is "extent to which the
 21 challenged directive leaves the agency, or its implementing official, free to exercise discretion to
 22 follow, or not to follow, the announced policy in an individual case." (alterations omitted)). Here, SOP
 23 2 states that "precedential" decisions are of "binding" effect. (ECF#51-2, at 11). Once so-designated, no
 24 panel of the Board has discretion to avoid applying the stated factors.³ True, the subject area of the rules
 25 is indeed discretionary considerations. But this in no way means that any Board panel has discretion of

26 _____
 27 ³ The Director's cited authority (ECF#51-1, at 14) describing "three circumstances when a rule has the
 28 force of law and is therefore legislative," is not germane because those "three circumstances" are for
 distinguishing *interpretive rules* from legislative rules, not *statements of policy* from legislative rules.
See Wilson v. Lynch, 835 F.3d 1083, 1099 (9th Cir. 2016). The Director claims that § 553(b)(3)(A)
 exempts notice-and-comment here because the documents are alleged statements of policy.

1 its own to stop using the specific weighing factors named in those precedential decisions. They do not,
2 since SOP 2 makes them “binding.” The “general statements of policy” exception under § 553(b)(3)(A)
3 therefore does not apply to excuse the absence of notice-and-comment rulemaking.

4 The Plaintiffs’ Position. Plaintiffs also oppose US Inventor’s showing of likelihood of success
5 on numerous faulty grounds, some overlapping those offered by the Director.

6 First, it is important to note that Plaintiffs do not challenge the likelihood of success of US
7 Inventor’s Count II—that “precedential” designation of adjudication decisions naming discretionary
8 factors violates the APA for lack of notice-and-comment. (ECF#51, at 7-8 n.1; *see also* ECF#28-1 at
9 Count II). This is understandable. US Inventor’s Count II is virtually identical to Plaintiffs’ own Count
10 3. (*See* ECF#1). Plaintiffs therefore agree with US Inventor that the Director is incorrect to assert that
11 such adjudication-based rules are not final, not “legislative,” or are just general statements of policy
12 within the APA’s § 553(b)(3)(A) exception.

13 Plaintiffs instead focus on US Inventor’s Count I—that incomplete rulemaking occurred within
14 37 C.F.R. § 42.108, since that rule did not include the now-numerous standards for determining
15 “sufficient grounds” under § 314(a) in violation of 35 U.S.C. § 316(a)(2), *i.e.*, discretionary factors.
16 Plaintiffs mimic the Director’s argument that “the PTO has already conducted the only rulemaking it is
17 affirmatively required to undertake.” (ECF#52, at 8). Plaintiffs err for the reasons already described:
18 § 706(1) permits a court to compel agency action unlawfully withheld, even if unrelated aspects of
19 agency action have occurred.

20 Plaintiffs also err to argue that § 314(a) only “addresses whether there is a reasonable
21 likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the
22 petition.” (ECF#52, at 9). This wishful myopia ignores statutory plain meaning. As the Director ably
23 points out, § 314(a) is the source of the Director’s authority to apply discretionary factors in the first
24 place. (ECF#51-1, at 11, citing *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016), and its
25 invocation of § 314(a) for the proposition). Case law is uniform on this point. *See SAS Inst., Inc. v.*
26 *Iancu*, 138 S. Ct. 1348, 1356 (2018) (“§ 314(a) invests the Director with discretion on the question
27 *whether* to institute review . . . ,” emphasis in original); *Harmonic Inc. v. Avid Tech., Inc.*,
28 815 F.3d 1356, 1367 (Fed. Cir. 2016) (citing § 314(a), holding “the PTO is permitted, but never

1 compelled, to institute an IPR proceeding”). As pointed out on page 1 above, the Director also
 2 effectively admits that discretionary factors constitute “standards for the showing of sufficient grounds
 3 to institute a review *under section 314(a)*.” 35 U.S.C. § 316(a)(2) (emphasis added). Consequently,
 4 § 314(a) is not as limited as Plaintiffs hope, and the Director is under a statutory command through
 5 § 316(a)(2) to promulgate regulations on all aspects of “sufficient grounds” under § 314(a). *Id.*

6 Plaintiffs’ final argument⁴ against US Inventor’s likelihood of success under Count I posits that
 7 its case “depends on the unfounded assumption that any rulemaking would yield the specific rules US
 8 Inventor favors.” (ECF#52, at 9-10). This is false. US Inventor seeks lawful rules (whatever their
 9 content might be) because the notice-and-comment process will take into account statutory factors for
 10 the first time under 35 U.S.C. § 316(b). US Inventor also seeks lawful rules (even if they simply repeat
 11 what is in the current precedential decisions) because today’s precedential designations are unstable. A
 12 Director can remove or de-designate at any time without notice. By contrast, after notice-and-comment
 13 promulgation of APA rules, no present or future Director could lawfully rescind them by fiat. In short,
 14 US Inventor’s Count I carefully seeks properly-confined relief—compelling the withheld agency action
 15 to happen, without the Court dictating what the final result will be.

16 For each of the foregoing reasons, and those in US Inventor’s opening brief, neither the Director
 17 nor Plaintiffs can refute US Inventor’s likelihood of success, under Counts I and II.

18 **B. Irreparable Harm**

19 The Director’s Position. The Director cites the correct legal standard on irreparable harm, but
 20 inexplicably ignores the record evidence showing that US Inventor has proven it.

21 The Director accurately cites *E. Bay Sanctuary Covenant v. Trump*, 349 F. Supp. 3d 838, 865
 22 (N.D. Cal. 2018) (“*EBSC*”) for the quotation that being “deprived of the opportunity to offer comments
 23 . . . may constitute irreparable injury while a rule promulgated in violation of § 553 is in effect,
 24 provided that plaintiffs suffer some additional concrete harm as well.” In *EBSC*, Judge Tigar found such
 25 concrete harm (and issued a preliminary injunction) because the unfavorable substance of the unlawful
 26 rules caused the concrete injury that resulted in the organization’s standing to sue. *Id.* (“frustrates the
 27

28 ⁴ Plaintiffs mistakenly put their argument against the requested scope of injunctive relief in their
 “likelihood of success” section. This Reply addresses it under the scope of relief section, below.

1 Immigration Organizations’ missions and forces them to divert resources outside of their core
2 services.”). In other words, injury to the organizations’ mission that created legal standing (*i.e.*, based
3 on unfavorable content of current rules) doubled as the organizations’ concrete injury for preliminary
4 injunction purposes. *See id.* at 850-51 (content of unlawful rules prevented organizations’ immigrant
5 constituency from gaining access to organization’s services). The same is true here.

6 Ignored by the Director, Mr. Malone explains that the content of the current unlawfully-
7 promulgated rules hurts specific patentee members of US Inventor. Their upcoming preliminary
8 responses cannot predictably rely on the present binding discretionary factors to seek a non-institution
9 outcome, or alternatively to recognize unavailability of discretionary denial. (ECF#34-2, at ¶ 25,
10 referring to the “weighing” of factors related to timing of jury trials in parallel litigation, and
11 nonexistence of factors relating to product development in reliance on patent rights). Mr. Malone also
12 explained how this situation directly undermines US Inventor’s own core organizational mission:

13 For US Inventor as an organization, it is presently hamstrung in its efforts to teach inventors
14 about keeping their patents free of AIA trial reviews. It so far lacks a procedural way to give
15 its comments on published proposed rules. The current style of “precedential” decision
16 labeling does not let us teach membership on what factors that govern the Director’s
17 discretion will lead him to deny institution. Without rules, US Inventor is temporarily forced
18 to advise its members that not participating in the U.S. patent system, reducing investments
19 in inventing, and/or to keeping their inventions secret may now (solely because of AIA trial
20 reviews) be the best way forward for their situation. These mitigation measures undermine
21 our core mission of fostering innovation and helping inventors to achieve the American
22 Dream, build businesses, and create jobs.

23 (ECF#34-2, at ¶26). Just as in *EBSC*, the same injury that triggers associational and organizational
24 standing constitutes the “additional concrete harm” that permits a finding of irreparable harm in a
25 withheld-rulemaking context. *See Am. Anti-Vivisection Soc. and Avian Welfare Coalition*, 946 F.3d at
26 618-19 (organization’s standing in APA case based on injury to educational mission).

27 Rather than confront US Inventor’s evidence, the Director argues (1) ambiguity in a legal
28 standard cannot be a concrete injury, (2) patent holders have no right to discretionary denial, and (3)
being compelled to participate in an adjudicative proceeding is not itself a concrete harm. (ECF#51-1,
at 18). These arguments are flawed.

First, the named injury is not “ambiguity in a legal standard,” but lack of statutorily-required
information that allows a patentee to participate fully in the patent system, *i.e.* to avoid a statistically

1 near-certain loss of valuable property rights (84% versus 29%). The government causes cognizable
2 “informational injury” when an industry participant is entitled to notice-and-comment regulations on a
3 topic to “gain information useful in its efforts” to participate in an industry, but those regulations are
4 developed through alternative unlawful procedures. *Ethyl Corp. v. EPA*, 306 F.3d 1144, 1146-48 (D.C.
5 Cir. 2002) (unlawful to develop ad hoc regulations through closed-door procedure). Nothing in the
6 Director’s citations precludes such informational injury from constituting “additional concrete injury”
7 under the right facts in an APA case challenging the withholding of notice-and-comment rules. *See*
8 *Thomas v. Anchorage Equal Rights Comm’n*, 220 F.3d 1134, 1138-40 (9th Cir. 2000) (not APA case;
9 landlords’ religious freedom attack on antidiscrimination law not ripe because of no present intent to
10 refuse rental to unmarried couple); *In re Dumont*, 581 F.3d 1104, 1112 n.14 (9th Cir. 2009) (not APA
11 case; bankruptcy case). Agencies harm their constituency when they generate ambiguity in governing
12 standards because “regulated parties should know what is required of them so they may act accordingly
13 [and] . . . precision and guidance are necessary so that those enforcing the law do not act in an arbitrary
14 or discriminatory way.” *FCC v. Fox TV Stations, Inc.*, 132 S. Ct. 2307, 2317 (2012).

15 Second, the Director cannot show that patent holders would lack a “right to discretionary
16 denial” if proper notice-and-comment takes place. Agencies that possess broad discretion on a topic
17 often channel that discretion into bright line promulgated rules. *Graham v. Ashcroft*, 358 F.3d 931, 932
18 (D.C. Cir. 2004) (“In *Vitarelli [v. Seaton]*, 359 U.S. 535, 539-40 (1959)], the Supreme Court held that
19 even agencies with broad discretion must adhere to internally promulgated regulations limiting the
20 exercise of that discretion.”); *see also Watkins v. United States Bureau of Customs*,
21 643 F.3d 1189, 1198 (9th Cir. 2011) (“It is a familiar rule of administrative law that an agency must
22 abide by its own regulations.”) (citation omitted). Arguing that patentees do not **currently** have a right
23 to discretionary denial is improper bootstrapping. Likewise, the Director ignores that after notice-and-
24 comment rulemaking, patent holders would gain a right to **stability** of whatever the rules may be, such
25 that a present or future Director could not lawfully withdraw them without notice. The present unlawful
26 agency actions deprive patent owners of their rights to such stability in agency standards.

27 Finally, the Director misunderstands the nature of the imminent injury when recharacterizing it
28 as being compelled to participate in adjudication. Rather, the evidence shows the injury to US Inventor

1 membership includes imminent preliminary response deadlines where the patentees stand ready to
2 explain why discretion should lead to denial, but lack necessary tools to do so absent notice-and-
3 comment rules. Such injury involves property rights threatened with diversion into procedures that
4 weaken patentees' procedural rights compared with other fora for resolving the same validity disputes.

5 Plaintiffs' Position. Plaintiffs make only two additional arguments against irreparable harm
6 beyond what the Director has argued. These are that the irreparable harm is allegedly speculative, and
7 that US Inventor unduly delayed seeking equitable relief. Both arguments fail.

8 First, Plaintiffs argue that it is "speculative" that "additional regulations would yield more or
9 clearer guidance from the PTO," and that "the Court could not dictate the content of any regulations the
10 PTO would adopt." (ECF#52, at 14-15). Plaintiffs also label "purely speculative" US Inventor's
11 showing that the APA violations cause greater economic burden and uncertainty and increase the
12 probability that members' patents would be invalidated. (ECF#52, at 15-16). These arguments fall by
13 the wayside under the proper framework for analyzing irreparable harm in APA cases alleging
14 withholding of notice-and-comment rulemaking. As reflected above in the *EBSC* decision, it is the
15 **current** rules against which the Court measures the movant's claims of harm. In *EBSC*, it was equally
16 true that the movants could not predict with certainty what rules would emerge from notice-and-
17 comment rulemaking. The immigration organizations' claim of irreparable harm, accepted by the Court,
18 concerned unfavorable consequences of the **current** rules that were promulgated without their ability to
19 comment. *EBSC*, 349 F. Supp. 3d at 850-51, 865. Plaintiffs make no effort to counter, with evidence,
20 US Inventor's evidence that the current unlawful rules create unfavorable outcomes for US Inventor
21 and its membership (described above and in the opening brief).

22 Plaintiffs' allegations of undue delay also lack merit, and do not undermine US Inventor's
23 irreparable harm showing. As mentioned before, US Inventor's associational injury renews every time a
24 member faces a new IPR petition. The record evidence names four such instances from this year, two of
25 which involve upcoming preliminary response deadlines. For those members, US Inventor acted
26 extremely quickly.⁵ Additional members experience this harm on a near-weekly basis.

27 _____
28 ⁵ Respectfully, just because US Inventor responded to a Department of Justice lawyer's request to
extend the response deadline to a different motion (the intervention motion) by acquiescing to his
request for a professional courtesy, this does not contradict that there is an emergency. US Inventor

1 Likewise, this case falls under Ninth Circuit holdings that find no material delay when there are
2 “ongoing, worsening injuries.” *Arc of California v. Douglas*, 757 F.3d 975, 990-91 (9th Cir. 2014). As
3 the Ninth Circuit recognizes, “delay is but a single factor to consider in evaluating irreparable injury;
4 courts are loath to withhold relief solely on that ground.” *Id.* at 990 (citation omitted). When alleged
5 injuries result from acts taken “over a period of time and having a cumulative impact . . . , the
6 magnitude of the potential harm becomes apparent gradually, undermining any inference that the
7 plaintiff was ‘sleeping on its rights.’” *Id.* at 990-91. Thus, “waiting to file for preliminary relief until a
8 credible case for irreparable harm can be made is prudent rather than dilatory [such that] a prudent
9 delay in determining irreparable harm may become so small as to disappear.” *Id.* at 991.

10 The record shows that US Inventor’s injury, and that of its members, fits this description. The
11 proposed Complaint in Intervention reveals that Board decisions under the unlawfully-promulgated
12 discretionary standards only demonstrated injurious inconsistency and unclarity over time. (ECF#28-1,
13 ¶ 70, discussing four inconsistent Board decisions dating between September 12, 2019 and July 28,
14 2020). This inventor-unfriendly outcome was not preordained. Hypothetically, the Director’s
15 “precedential” designations might have led to individual Board panels predictably denying petitions at a
16 high rate, leaving patentees with no complaint. Unfortunately, that did not occur.

17 The tipping point for the present motion came with the September 4, 2020 decision on rehearing
18 in *Windy City*. See *Facebook, Inc. v. Windy City Innovations, LLC*, 953 F.3d 1313, 1339-43 (Fed. Cir.),
19 *reinstated on rehearing in relevant part*, 2020 U.S. App. LEXIS 28187 (Sept. 4, 2020). Before then, no
20 one knew whether the Federal Circuit would leave intact the original panel ruling that the Director’s
21 “precedential” decisions did not constitute notice-and-comment rulemaking, and that “[t]here is no
22 indication in the statute that Congress . . . intended [the Director] to engage in any rulemaking other
23 than through the mechanism of prescribing regulations.” *Id.* at *63; *see generally id.* (noting possibility,
24 but rejecting, that intervening Supreme Court authority might require vacating panel decision). This
25 hot-off-the-presses reaffirmation was an essential argument point in US Inventor’s motion. (ECF#34, at
26 2-3, 7, 11). “Ongoing, worsening injuries” continue to pile up during briefing of this motion. As
27

28 carefully stipulated to rapid deadlines for this preliminary injunction motion, and the intervention
motion now is fully briefed under a fast timeline as between Plaintiffs and Proposed Intervenors.

1 mentioned above (*see* n.1, above), the Director inexplicably just now withdrew possible rules from an
2 intra-government process that would have led to their publication for notice-and-comment.

3 For all of these reasons, neither the Director nor Plaintiffs raise any legitimate rebuttal to US
4 Inventor’s evidentiary showing of irreparable harm absent the requested relief.

5 **C. Balance of the Harms and the Public Interest**

6 Under the final two injunction factors, the Director simply repeats the assertion debunked above
7 that there is “no actual harm” from withholding notice-and-comment rulemaking, compared with
8 imposing rules on the public through the unlawful mechanism of “precedential” designations. (ECF#51-
9 1, at 19). This argument sidesteps the question. As discussed above, the *EBSC* decision shows that the
10 relevant harm to US Inventor as movant includes the harm resulting from the content of the *current*
11 unlawfully-promulgated rules and their instability based on the Director’s power to withdraw them
12 without notice. The Director simply ignores US Inventor’s robust evidentiary showing.

13 The Director makes no attempt to show that he (or the agency) will be more harmed from an
14 injunction than US Inventor will be from its absence. At most, the Director points to statutory timelines
15 for institution decisions: three months after a preliminary response is received or due. (ECF#51-1, at
16 19). The Director overlooks that US Inventor’s requested injunction does not interfere with any
17 deadline. Court ordered institution denials during the proposed injunction would occur within each
18 respective statutory time period. The Director makes no argument that he cannot issue timely denials.

19 Plaintiffs attempt separate arguments on the balancing factor. (ECF#52, at 16-17). Plaintiffs
20 present no authority that their harm is a factor when Plaintiffs are not to be enjoined by the Court. The
21 Court may, of course, accept Plaintiffs’ arguments under the public interest prong.

22 Concerning that public interest, the Director says little. That is understandable, since he is on
23 record already explaining (correctly) why the public interest is not harmed when the Director denies an
24 AIA trial petition on discretionary grounds:

25 [A] USPTO decision declining to initiate an inter partes review leaves . . . the petitioner free
26 to challenge those claims in district court, just as it was before filing a petition. [N]o one has
27 a right to an instituted inter partes review proceeding, and the petitioner remains free to
28 challenge those claims in district court or by filing for ex parte reexamination.

1 (Exhibit B, Dkt. No. 22 in Federal Circuit Case No. 2020-2047, Intervenor-USPTO Director's
2 September 14, 2020 Response to Appellant's Response to the Order to Show Cause, at 17). The
3 Director's observations mirror US Inventor's argument, that continued availability of court challenges
4 and ex parte reexamination prevent any diminution of the public interest in the adjudication of patent
5 validity, once the Court grants the short-term requested injunction. (ECF#34, at 9, 19). Likewise, any
6 residual public interest concerns on the Director's part are under the Director's own control, resolvable
7 by the Director acting speedily to complete lawful APA processes to get those rules on the books.

8 Turning to Plaintiffs' claims of harm and impact on the public interest, they do not overcome
9 what US Inventor and the Director agree to be the case: court challenges and ex parte reexamination
10 would remain available under the Court's injunction. Plaintiffs in response point to Congressional
11 aspirations that AIA trial reviews would be an additional "quick, inexpensive, and reliable alternative to
12 district court litigation." (ECF#52, at 17, quoting 2008 legislative record of different Congress from that
13 which enacted 2011 AIA). But Plaintiffs' argument is not based on evidence. No evidence of record
14 suggests that AIA trials culminate in the intended efficiencies, or provide true "alternatives to district
15 court litigation," as opposed to one-sided killing fields with outcomes different from those of litigation.
16 The evidence shows that AIA trials are not "alternatives" to litigation, because of the vast imbalance in
17 outcomes (84% invalidity versus 29% invalidity). Plaintiffs also invoke the "expertise of the Patent
18 Office on questions of patentability," *id.*, but this comes with ex parte reexamination, too.

19 Nor would it "thwart the public interest" (ECF#52, at 18) to call a temporary halt to AIA trial
20 invalidity challenges (channeling them into Article III courts and/or ex parte reexamination) pending
21 completion of lawful APA rulemaking on discretionary factors. *S.A. v. Trump*, No. 18-cv-03539-LB,
22 2019 U.S. Dist. LEXIS 33286, *27 (N.D. Cal. Mar. 1, 2019) (argument that injunction against
23 enforcing a statute irreparably harms the public "reaches too far. The APA is a statute promulgated by
24 duly elected representatives too, and courts may enjoin an agency when it violates the APA."). Time
25 has proven that AIA trials are not, in fact, "key administrative procedures for maintaining a well-
26 functioning patent system." (ECF#52, at 18). If that were so, AIA trials would involve invalidity rates
27 similar to district court final dispositions, and would reach those outcomes at relatively small expense.
28 As mentioned, it is the AIA trial system itself that *makes* targeted patents "weak," since data show that

1 “strong” patents get invalidated at high rates as well. Kulhanek, *cited above*, 90 St. John’s L. Rev. at
2 1106-07 (83% invalidation rate for patent claims that already survived reexamination; high rate as well
3 for patents that survived previous Article III court adjudication).

4 **D. The Scope of Interim Equitable Relief**

5 All that remains is Plaintiffs’ challenge to the scope of the requested injunctive relief. Plaintiffs
6 argue that the requested injunction does not track the final relief sought under US Inventor’s Counts I
7 and II. (ECF#52, at 10-12). But US Inventor’s pleaded request for relief asks for the same injunction as
8 requested in this motion. (ECF#28-1, Relief Requested ¶ 3). On this basis alone, the argument fails.

9 Plaintiffs also do not dispute that the requested injunction would abate the named harm to US
10 Inventor and its membership. Plaintiffs err to assert that preliminary relief must exactly match or mirror
11 the statutorily available permanent relief in a pleading’s counts. To the contrary, preliminary injunctive
12 relief is available so long as there is “a relationship between the injury claimed in the motion for
13 injunctive relief and the claims set forth in the underlying complaint itself.” *Pac. Radiation Oncology,*
14 *LLC v. Queen’s Med. Ctr.*, 810 F.3d 631, 636 (9th Cir. 2015). It is sufficient if the requested relief is
15 “of the same character as that which may be granted finally.” *Id.* Here the “same character” test is
16 easily met. Permanent relief under Count I would result in compelled rulemaking setting forth properly-
17 promulgated regulations for **discretionary denial** factors that cannot be withdrawn by any Director
18 without notice. Similarly, the requested injunctive relief has the Court guiding the Director to
19 implement **discretionary denials** until lawful agency procedures finalize.

20 Plaintiffs’ argument also runs afoul of the broad discretion courts have to fashion interim
21 equitable relief that will preserve the status quo, *i.e.*, to preserve “the last uncontested status which
22 preceded the pending controversy.” *Boardman v. Pac. Seafood Grp.*, 822 F.3d 1011, 1024 (9th Cir.
23 2015). A court may permissibly invoke the APA to suspend parts of a different statute. *S.A. v. Trump*,
24 2019 U.S. Dist. LEXIS 33286, at *27. This is so even if actions under that different statute are
25 ostensibly lawful. In *Boardman*, for example, counts for monopolization and attempted monopolization
26 based on unlawful acts to acquire a company called “Ocean Gold” led to a preliminary injunction
27 preventing **even otherwise-lawful preparatory conduct** for such an acquisition. *Id.* The Ninth Circuit
28 held that the preliminary injunction was not overbroad: “By prohibiting [ostensibly lawful actions], the

1 district court effectively preserved the parties’ last uncontested status, prior to Pacific Seafood’s attempt
 2 to acquire Ocean Gold.” *Id.* Likewise, here, the “last uncontested status” is the status before AIA trial
 3 reviews began in the absence of proper rulemaking on discretionary factors. At that time, “grants” of
 4 institution were nonexistent. This is why the requested injunction requires the Director to engage solely
 5 in denials of new petitions (absent consent), to preserve the status quo. Nothing in the APA cabins the
 6 Court’s broad authority to grant interim equitable relief (whether that sought in US Inventor’s motion,
 7 or something different that the Court might independently devise in consultation with the parties).

8 Finally, Plaintiffs demand that US Inventor request, through this motion, precisely the same
 9 compelled rulemaking of Count I and the same setting aside of agency action of Count II. This demand
 10 is, at best, naïve and unworkable. Asking preliminarily for the same relief that success in the lawsuit
 11 will permanently bring ignores that this is a *preliminary* injunction motion. This Court fashions a
 12 remedy that preserves the status quo *until* final decision arrives on the ultimate merits of US Inventor’s
 13 Counts I and II, not a remedy that that *is* such a final decision.

14 III. CONCLUSION

15 For the foregoing reasons, as well as those in US Inventor’s opening brief and evidentiary
 16 submissions, the Court should grant US Inventor’s motion for a preliminary injunction. The injunction
 17 should be nationwide, as neither the Director nor Plaintiffs suggest any practical way to limit such an
 18 injunction to US Inventor’s membership. Injury to US Inventor’s membership is representative of the
 19 injury all patent owners sustain from having to argue against AIA trial institution without the critical
 20 information Congress said the Director must provide to enable fair access to the patent system.

21 **Dated: October 26, 2020**

22 **Respectfully submitted,**

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CERTIFICATE OF SERVICE

The undersigned certifies that all counsel of record who are deemed to have consented to electronic service are being served with a copy of the forgoing PROPOSED INTERVENORS' REPLY IN SUPPORT OF MOTION FOR A TEMPORARY RESTRAINING ORDER AND PRELIMINARY INJUNCTION via the Court's CM/ECF system pursuant to the Federal Rules of Civil Procedure and Local Rule CV-5(b)(1) this 26th day of October, 2020.

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