United States Court of Appeals for the Federal Circuit

2017-1368

VIRNETX INC.,

Appellant,

– v. –

THE MANGROVE PARTNERS MASTER FUND, LTD., APPLE INC.,

Appellees.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2015-01046.

2017-1383

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Appellant,

– v. –

THE MANGROVE PARTNERS MASTER FUND, LTD., APPLE INC., BLACK SWAMP IP, LLC,

Appellees.

Appeal from the United States Patent and Trademark Office, Patent Trial and Appeal Board in No. IPR2015-01047.

BRIEF FOR BIOTECHNOLOGY INNOVATION ORGANIZATION (BIO) AND PHARMACEUTICAL RESEARCH AND MANUFACTURERS OF AMERICA (PHRMA) AS AMICI CURIAE SUPPORTING APPELLANT

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APRIL 9, 2018

CERTIFICATE OF INTEREST

Counsel for *Amici Curiae* BIO and PhRMA certifies the following:

1. The full name of every party or *amicus curiae* represented by me is:

Biotechnology Innovation Organization (formerly: Biotechnology Industry Organization)

Pharmaceutical Research and Manufacturers of America

2. The name of the real party or real parties in interest (if a party named in the caption is not the real party in interest) represented by me is:

None

3. All parent corporations and publicly held companies that own 10% or more of stock in the amici curiae represented by me are:

None

4. The names of all law firms and the partners or associates that appeared for the party or amicus now represented by me in the trial court or agency or are expected to appear in this court (and who have not or will not enter an appearance in this case):

ROTHWELL, FIGG, ERNST & MANBECK, P.C.: Michael H. Jones

5. The title and number of any case known to counsel to be pending in this or any other court or agency that will directly affect or be directly affected by this court's decision in the pending appeal. See Fed. Cir. R. 47. 4(a)(5) and 47.5(b).

VirnetX Inc. v. Cisco Systems, Inc., No. 2018-1197 (Fed. Cir.);

VirnetX Inc. v. Apple Inc., No. 6:12-cv-00855 (E.D. Tex.);

VirnetX Inc. v. Apple Inc., No. 6:13-cv-00211 (E.D. Tex.); and

Inter Partes Reexamination, Control Nos. 95/001,679, 95/001,682, 95/001,697, and 95/001,714.

Date: April 9, 2018

/s/ *Nancy J. Linck*
Nancy J. Linck

Counsel for Amici BIO and PhRMA

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INTEREST OF AMICI CURIAE

The Biotechnology Innovation Organization ("BIO") is the principal trade association representing the biotechnology industry domestically and abroad. Approximately 90% of BIO's corporate members are small or mid-size businesses that have annual revenues of under $25 million, and who count their patents among their most valuable business assets. Small biotechnology companies are responsible for 70% of the global clinical pipeline and 84% of all drug development programs for rare diseases and depend heavily on a robust system of patent rights and a fair system for adjudicating their validity. The Pharmaceutical Research and Manufacturers of America (PhRMA) represents leading research-based pharmaceutical and biotechnology companies. Its members develop cutting-edge medicines, treatments, and vaccines that save and improve the lives of countless individuals. In 2016 alone, PhRMA companies invested an estimated $65.5 billion in discovering and developing new medicines. Over the past decade, PhRMA members have secured FDA approval of more than 300 new medicines.

Biotechnology and pharmaceutical businesses and entrepreneurs place significant reliance interests in the validity and enforceability of their patents to develop innovative products that address unmet medical needs, increase crop yields, and provide real-world tools in the fight against disease, hunger, and pollution. The development of a new biopharmaceutical medicine, for example, requires about a

decade of R&D, at an out of pocket cost exceeding $1.39 billion. DiMasi JA, Grabowski HG, Hansen RA. *Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs*. J. Health Econ. 47 (2016), 20-33. New molecules entering human testing experience an approximately 90% failure rate on the path to regulatory approval. David W. Thomas, Justin Burns, John Audette, Adam Carroll, Corey Dow-Hygelund, Michael Hay, *Clinical Development Success Rates 2006-2015*, BIO Industry Analysis 2016.[1] The assumption of such cost and business risk cannot be commercially justified absent patent protection. Without the promise of effective and predictable patent rights, such investments would be far more difficult—if not impossible—to undertake. Unlike typical products in, for example, the e-commerce, enterprise software, or mobile communications industries, a given biotechnology or pharmaceutical product tends to be protected by a relatively small number of patents. Thus, while the manufacturer of a smartphone may take comfort knowing it is impossible to tear down the thousands of patents that protect its flagship product, *amici*'s members can face the loss of their entire business if a few, or even potentially just one, of their key patents are invalidated. *Amici*'s members therefore have a strong interest in preventing unfairness or imbalance in post-grant

[1] Available at: https://www.bio.org/sites/default/files/Clinical%20Development%20Success%20Rates%202006-2015%20-%20BIO,%20Biomedtracker,%20Amplion%202016.pdf

proceedings at the Patent and Trademark Office ("PTO"), including instances where such proceedings are improperly instituted or multiple parties improperly joined to the detriment of the patent owner.[2]

ARGUMENT[3]

35 U.S.C. § 315(b) reads:

> *Patent Owner's Action.*— An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent. The time limitation set forth in the preceding sentence shall not apply to a request for joinder under subsection (c).

Based on its express language and consistent with its purpose, the last sentence of this statute excludes a "request for joinder" from the one-year time bar dictated by the first sentence, but not the underlying petition. The PTO should not

[2] Pursuant to Federal Rule of Appellate Procedure 29(c)(5), *amici* certify that no counsel for a party authored this brief in whole or in part, and no such counsel or party, nor any person other than the *amici* or its counsel, made a monetary contribution intended to fund the preparation or submission of this brief. This brief is solely the work of *amici*; it reflects the members' consensus view, but not necessarily the view of any individual member. Pursuant to Federal Rule of Appellate Procedure 29(a), *amici curiae* BIO and PhRMA concurrently file a motion for leave to file this brief.

[3] BIO and PhRMA write in support of VirnetX's position in Argument §§ II and IV of its Brief for Appellant VirnetX Inc. ("App. Br.") and take no position on the validity of the underlying patents.

be permitted to re-write the statute by leveraging a statutory timeliness clarification for *joinder requests* to permit the institution of *petition*s that are not "properly filed" because they are time-barred under § 315(b). By imposing the one-year limitation on filing an *inter partes* review (IPR) petition, Congress crafted a balance between encouraging IPR, avoiding serial or delayed attacks on patent owners, and respecting the appropriate roles of the PTO and Article III courts. *See* 157 Cong. Rec. S1041-42 (daily ed. Mar. 1, 2011); H.R. Rep. No. 112-98, pt. 1, at 48 (June 1, 2011). That balance should not be undone through unnecessary and unreasonable statutory interpretation.

In addition to unlawfully permitting the institution of IPRs based on petitions filed outside the § 315(b) one-year time bar, this case exposes other PTO Patent Trial and Appeal Board ("PTAB") practices relating to joinder that go beyond Congress' intent in enacting the America Invents Act (AIA). Those additional practices unfairly prejudice patent owners and have on several occasions (including this one) resulted in invalidating patent claims that were previously found not invalid by federal courts. They include:

1) Interfering with late-stage judicial proceedings through administrative re-adjudication of issues already decided by Article III courts by, *inter alia*, giving little to no consideration to an Article III court's determinations under the guise of a different claim construction standard and a different burden of proving invalidity;

2) Facilitating serial attacks on patents by permitting time-barred parties to join IPR proceedings brought by obscure parties who do not admit to being real parties in interest ("RPIs") or privies to a party who is time-barred by § 315(b); and

3) Denying the patent owner meaningful discovery on RPI and privity issues when the relevant documents are uniquely in the control of the petitioner.

It is through the lens of these prejudicial practices and the PTAB's *ultra vires* application of §§ 315(b) and (c) that BIO and PhRMA urge this Court to confirm what is clear from the face of the statute: if a petition for an IPR is filed outside of the one year statutory window, neither the petitioner nor any of the grounds raised in its belated petition may be joined to another IPR proceeding.

I. The PTO's Interpretation of 35 U.S.C. §§ 315(b) and (c) Unreasonably Prejudices Patent-Dependent Innovators

BIO and PhRMA members are particularly impacted by the PTAB's joinder practices. The PTO's own statistics establish that pharmaceutical patents that are listed in the U.S. Food and Drug Administration's (FDA's) Orange Book pursuant to the Hatch-Waxman Act (HWA) experience IPR joinder rates exceeding *four times* that for other patents (17% vs. 4%), and that Orange Book-listed patents have consistently more instances of multiple petitions being filed against them, and more petitioners being involved, than other patents. *See* David Ruschke et al., Chat with the Chief, "New PTAB Studies in AIA Proceedings: Expanded Panels and Trial Outcomes for Orange Book-listed Patents" (Mar. 13, 2018) ("PTAB Slides"), at

slides 49, 53, 54 (https://www.uspto.gov/sites/default/files/documents/chat_with_the_chief_march_2018.pdf).

Importantly, Congress never discussed or contemplated the potential impact on pharmaceutical patent litigation under the HWA when it created the IPR system. And the use of IPR, including its joinder practices, has introduced unexpected and unintended complications into the Hatch-Waxman system. The HWA, Public Law 98-417, Sept. 24, 1984; 98 Stat. 1585, enacted in 1984, is the principal law governing approval and market entry of generic drugs. For more than 30 years, the HWA has balanced its goals of drug innovation and increased access to low-cost generic drugs. More innovative new drugs have been developed in the United States than in the rest of the world combined,[4] while at the same time, about 90% of drug prescriptions in America today are filled with generics – one of the highest generic market penetration rates in the industrialized world.[5] In addition, U.S. consumers enjoy generic drug prices that are among the lowest among industrialized countries.

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[4] Ross C. DeVol, Armen Bedroussian, and Benjamin Yeo, The Global Biomedical Industry: Preserving U.S. Leadership, Milken Institute, Sept. 2011, available at: http://assets1b.milkeninstitute.org/assets/Publication/ResearchReport/PDF/CASMIFullReport.pdf.

[5] Generic penetration rates have been a steady driver of pharmaceutical market growth since the 1980s. In the United States, generic drugs now account for 89% of prescriptions filled, or 3.9 billion prescriptions annually, according to the Association for Affordable Medicines, *see* https://www.accessiblemeds.org/sites/default/files/2017-07/2017-AAM-Access-Savings-Report-2017-web2.pdf. Prior to the creation of the modern generics industry with the passage of the HWA

Generic pharmaceutical companies receive benefits under the HWA that exist in no other industry, including a safe harbor from infringement liability during drug development, the ability to make patent challenges in FDA certifications, a lucrative 180-day generic exclusivity period for doing so, and the ability to fully and fairly challenge patents in federal district court without risk of liability for infringement damages.[6] Under this system, generic drug companies also get the benefit of the innovator company's prior demonstration of safety and efficacy for a given medicine, resulting in enormous reductions in drug development costs and business risk.

While continuing to reap these benefits, generic pharmaceutical litigants are increasingly using IPR in pursuit of further advantages – for example, by litigating the innovator company's patents for up to a year in federal district court, and then using what they have learned to open a parallel challenge to the same patents in an IPR proceeding. If timed strategically, this parallel IPR proceeding can be used as a hedge against the outcome of the district court litigation. If the district court were to

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in 1984, generics represented 12% of US prescriptions. Generic market share in Europe is significantly lower, around 55% on average in 2014 according to Medicines for Europe, *see* http://www.medicinesforeurope.com/wp-content/uploads/2017/05/20170220-Medicines-for-Europe-recommendationsv1.0_FINAL.pdf.

[6] These benefits are captured, *inter alia*, in 35 U.S.C. § 271(e)(1) & 21 U.S.C. § 355(j).

uphold the patent, the IPR may still produce the opposite result. And even if the court and the PTAB both agree that the patent is not invalid, the generic challenger has not one but two chances to overturn the result on appeal. It is the quintessential double bite at the apple. Through such use of IPR, generic pharmaceutical companies seek to secure for themselves the benefits of the Hatch-Waxman system without being bound by that system's results. In the process, they are undermining the carefully constructed policy balance of the HWA, by creating uncertainty, delay, and increased costs in the system for drug innovators and other generic competitors.

While the Court should be conscious of such policy implications, it should also be mindful of the more general harm to patent owners caused by being forced to defend one's patent against multiple parties – often with virtually unlimited funds – and in multiple forums. It is real and manifest. The burden of effectively responding to alternative or additional arguments and evidence set forth in the multiple petitions, often with constrained page limits, can be considerable.

Further, even when the issues raised in a later petition are substantially the same as those raised in an earlier petition, a patent owner is prejudiced when time-barred defendants are given the opportunity to cooperate, pool resources, access each other's evidence and experts, and in general "gang up" on the patent owner.[7] In this

[7] Such harm is particularly acute for a small patent owner with limited resources. Apple's revenue for 2015 was $234 billion. *See* Press Release, October 27, 2015,

instance, VirnetX is battling against three parties, including a much larger corporation whose invalidity arguments have already proven unsuccessful in district court. Congress designed the one-year time bar of § 315(b) to provide at least some protection against such prejudice. *See Wi-Fi One, LLC v. Broadcom Corp*., 878 F.3d 1364, 1377 (Fed. Cir. 2018) (O'Malley, J., concurring) ("Section 315(b) … places a limit on the PTO's authority to institute IPRs that is based on a comparison of two or more dates. … with the unambiguous phrase '[a]n [IPR] *may not be instituted* if ….'"). Congress could not have intended that such substantive protections could so easily be bypassed through mere joinder.

II. The PTO's Rule 42.122(b) Is Not Entitled to Deference Because the Statute Is Clear, and the PTO's Interpretation Is Unreasonable

Apple's two petitions requesting *inter partes* review of the 7,490,151 and 6,502,135 Patents should not have been granted because they were barred by 35 U.S.C. § 315(b). *See Wi-Fi One*, 878 F.3d at 1374 ("The timely filing of a petition under § 315(b) is a condition precedent to the Director's authority to act."). But the PTAB relied on its regulation, 37 C.F.R. § 42.122(b), which waives the one-year time bar, to allow Apple to move forward. In granting the petitions and joining Apple

available at http://www.apple.com/pr/library/2015/. To suggest that its involvement, given its resources, does not prejudice VirnetX defies logic.

to Mangrove Partners Master Fund, Ltd.'s instituted IPR proceedings, the PTAB exceeded its statutory authority.[8]

PTO Rule 42.122(b) is not a permissible exercise of the rulemaking authority delegated to the PTO under 35 U.S.C § 316(a) and (b). Because § 315(b) is clear on its face, contains no delegation of authority to interpret the one-year time bar for filing a petition, and because it was interpreted unreasonably by the PTO, the regulation is not entitled to *Chevron* deference.

The PTO has sought to recast a simple, easily understandable provision as a serious statutory ambiguity, but there is genuinely no reason why the language of § 315(b) should not simply be read at its face value. It is, after all, not that difficult to understand. In plain English, Congress barred institution of IPR petitions if filed more than one year after service of an infringement complaint. § 315(b) (first sentence). And in the next sentence of § 315(b), Congress specified that a related but different kind of document – requests for joinder relating to properly filed petitions

[8] This issue was previously raised in March 2016. VirnetX sought mandamus from the Federal Circuit, arguing that 35 U.S.C. § 315(b) unambiguously prohibits the institution of time-barred petitions even when accompanied by a joinder request. After a temporary stay, the Federal Circuit denied mandamus without prejudice, likely because the then-existing precedent of *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), foreclosed judicial review of the Board's institution decisions. In its *en banc* decision in *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018), this Court overruled *Achates*' bar on judicial review of the PTAB's timeliness determinations under § 315(b) and thus can now consider VirnetX's arguments previously raised regarding Apple's failure to file its petitions within the one-year time bar found in § 315(b).

– may be filed later. Thus, once a petition is "properly filed" within the one-year time period, and found to merit institution, a motion to join that properly instituted IPR to another properly filed IPR need not be filed within that year. 35 U.S.C. § 315(c) ("the Director, in his or her discretion, may join as a party to that inter partes review any person who properly files a petition under section 311...."). That is all the statute says. This makes eminent sense given the statutory framework: A party that files a timely IPR petition within one year from service of a complaint for patent infringement likely will not receive an institution decision until six months later (*i.e.*, up to18 months from service of the complaint). Thus, joinder motion practice would frequently take place after the expiration of the one-year bar. *See* 37 C.F.R. § 42.107 & 35 U.S.C. § 314(b). To be sure, Congress granted the PTO procedural rulemaking power to fill in spaces that Congress left to the PTO for practical implementation of the proceeding, consistent with its legislative intent. But the space the PTO here claims to have filled by regulation does not exist. There can be little ambiguity about Congress's allocation of the one-year limit and the filings to which it applies.

Moreover, the PTO's rulemaking authority delegated to it under 35 U.S.C. § 316(a) only extends to when a request for joinder (not a petition) may be filed, § 316(a)(12), and to adjusting the time for issuing a final written decision in an instituted IPR in instances of joinder, § 316(a)(11). If Congress wanted the PTO to have discretion to depart from the one-year deadline for concluding an instituted IPR

(a highly significant, often-touted feature of the proceeding), and equal discretion to depart from the one-year deadline for filing a petition, why would it have given the PTO conspicuous authority to do so only for the former but remained silent on the latter? Clearly, where Congress wanted to delegate authority to depart from statutory deadlines, it knew exactly what to say. Accordingly, this Court's authority to review the PTO's statutory interpretation is not constrained by deference to the PTO's asserted rulemaking powers.

In any case, Rule 42.122(b) is not a reasonable interpretation of §§ 315(b) and (c), and not entitled to deference. *See, e.g., Michigan v. EPA*, 135 S. Ct. 2699, 2707 (2015) ("Even under this deferential standard, however, 'agencies must operate within the bounds of reasonable interpretation.'") (citations omitted); *Entergy Corp. v. Riverkeeper, Inc.*, 556 U.S. 208, 218 n.4 (2009) ("if Congress has directly spoken to an issue then any agency interpretation contradicting what Congress has said would be unreasonable"); *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1290 (Fed. Cir. 2015) (Newman, J., dissenting) ("Deference is not unlimited ... 'this deference is constrained by our obligation to honor the clear meaning of a statute, as revealed by its language, purpose, and history.'") (quoting *Southeastern Community College v. Davis*, 442 U.S. 397 (1979)).

Congress specified that joinder could be granted only in instances in which the petitioner seeking joinder (1) "properly" filed a petition under § 311 that (2)

warrants institution. The PTO's interpretation unreasonably fails to give due consideration to whether the petition is in fact "properly filed."

Congress clearly and expressly identified when a petition is properly filed, and when it is not. In section 311, Congress specified that a petition may be filed by anyone who is not the patent owner (§ 311(a)), on particular grounds arising under §§ 102 and 103 of the patent statute (§ 311(b)), and only after at least nine months since the grant of the patent have elapsed or after the completion of a post-grant review, if one was instituted (§ 311(c)). But, of course, that is not all that is required for a petition to be "properly filed." Congress specified, for example, that a petition cannot be filed by a party (1) who sought a declaratory judgment concerning the validity of the patent (§ 315(a)), (2) who is estopped from challenging the patent on the asserted grounds (§ 315(e)), or (3) who was sued for patent infringement more than one year before the filing of the petition (§ 315(b)). Thus, Congress intentionally drew strict contours around who can petition for IPR.

Yet the PTO interprets the joinder provision's requirement of a properly filed petition differently for only one class of barred petitions – those that are time-barred under § 315(b). Assume, for example, that a patent challenger that previously filed for declaratory judgment of invalidity and therefore is barred from petitioning for IPR under § 315(a), or that is subject to estoppel under § 315(e) files an IPR petition. Surely it would be irrational for the PTO to deem such defective petitions "properly

filed" just because they are accompanied by a request for joinder. That § 315(b) contains a reference to the time for filing a joinder request is of no moment and does not indicate that Congress wanted time-barred petitions to be treated differently from other barred petitions. If that were the case, Congress could simply have said so. The alternative – that Congress would have misspoken "request for joinder" when it really meant to say "time-barred petition" – simply is not reasonable.

III. The Ramifications of the PTO's Statutory Interpretation Are Extensive and Detrimental to the Patent System

The practice of interpreting §§ 315(b) and (c) as merely permitting an additional tagalong to be part of an already ongoing administrative proceeding turns a blind eye to the widespread harms fostered by the PTO's position. The decisions of Article III courts are treated as nothing more than advisory and non-final. Patent owners are required to repeatedly defend the validity of their serially-attacked patents, often without the ability to investigate the propriety of the serial attacks. And filings outside of the one-year timeframe are allowed to cure deficiencies in timely filed petitions and to even substitute time-barred parties for proper petitioners.

A. The PTO's Interpretation Improperly Interferes with Late-Stage Judicial Proceedings Through Administrative Re-Adjudication of Issues Already Decided by Article III Courts

The PTO's implementation of *inter partes* review sets the stage for potential conflicts between Article III courts and the PTAB on the question of validity.[9] Through its *ultra vires* interpretation and application of § 315(c), the PTO improperly interferes with late-stage judicial proceedings by administratively re-adjudicating issues already decided by Article III courts. In essence, it does so by "second guessing the courts," *i.e.*, by giving little to no consideration to an Article III court's determination that the subject claims have not been proven invalid, even when that determination has been affirmed by the Federal Circuit. The PTO avoids giving consideration to such federal court determinations under the guise of its ability to adopt a different claim construction (broadest reasonable interpretation versus a *Phillips*-type construction) and apply a different burden of proving invalidity (a preponderance of the evidence burden versus clear and convincing evidence). While such differences exist for now, using them to justify the re-

[9] Of IPR filings between 2012 and 2017, 80% were coupled to district court litigation. *See* Courtenay Brinckerhoff, PTAB Not Bound By Prior Court Decisions Upholding Exelon Patents, Pharma Patents Blog (Apr. 11, 2017), https://www.pharmapatentsblog.com/2017/04/11/ptab-not-bound-by-prior-court-decisions-upholding-exelon-patents/; Pedram Sameni, Patexia Chart 44: Eighty Percent of IPR Filings are for Defensive Purposes, (Nov. 8, 2017), https://www.patexia.com/feed/patexia-chart-44-80-percent-of-ipr-filings-are-for-defensive-purposes-20171107 (study of 6,580 IPR challenges).

adjudication of district court decisions and producing different outcomes does not advance Congress's objectives. Congress meant to provide "quick and cost effective alternatives to litigation," not repeated litigation and administrative attacks. H.R. Rep. 112-98 Pt. 1, 112th Cong., 1st. Sess., p.48 (2011). In any case, a federal court determination is entitled to serious consideration before it is set aside.

Instead, the PTO's decisions on institution and joinder give scant consideration to federal court decisions. Particularly troubling are situations where, as here, a district court and jury have decided a patent is not invalid, and the PTO steps in to re-decide the patent's validity and potentially supersede the judgment of the district court. Although the PTO has argued that it is not bound by what courts have done, it has shown little concern for traditional notions of comity, judicial economy, or fairness. *See, e.g.*, *Apotex Inc. v. Amgen Inc.,* IPR2016-01542 (PTAB Feb. 15, 2018) (describing district court decision finding patents not proven invalid as merely "informative" because "the standards are different between the two proceedings, and the district court's decision is not binding" and then proceeding to find the patent claims invalid).

By allowing joinder as a tool to circumvent the time-bar of § 315(b), the PTO effectively permits *the same party* to re-litigate validity issues that were already decided in district court or those that could have been decided but were consciously waived during district court litigation. *See, e.g., Versata Dev. Group, Inc. v. SAP*

Am., Inc., 793 F.3d 1306, 1336 (Fed. Cir. 2015); *Novartis AG v. Noven Pharmaceuticals Inc*., 853 F.3d 1289, 1293-94 (Fed. Cir. 2017) (holding that prior judicial decisions do not bind the PTAB); *Cf. Fresenius USA v. Baxter Int'l*, 721 F.3d 1330 (Fed. Cir. 2013) (reaching same result in a reexamination). In analogous circumstances, no district court would so unhesitatingly agree to re-decide a dispute between the same parties that was decided in a fellow court; nor could a district court avoid the constraints of *res judicata,* or avoid prudential considerations favoring abstention and comity.

The PTO has advanced no policy rationale sufficient to support its choice to operate in such a manner. Allowing time-barred litigants into IPR proceedings perpetuates commercial disputes rather than resolving them sooner, and increases cost in the system rather than making it cheaper. Certainly, judicial economy is not served by permitting joinder of a time-barred petition, as a time-barred petition would never have to be decided by the Board or addressed on appeal by the Federal Circuit. With the inclusion of § 315(b), Congress sought to avoid duplicative proceedings, and did not intend IPR proceedings to interfere with advanced litigation and undo judgments already rendered in Article III courts. *See* H.R. Rep. No. 112-98, at 48 (2011) (describing "the purpose of the section as providing quick and cost effective *alternatives to litigation*") (emphasis added).

B. The PTO's Joinder Practice Supports Unreasonable Serial Attacks on Patent Owners, Incentivizes Opaque Arrangements with Proxies, and Encourages Delay Tactics in Litigation

The PTO's interpretation of §§ 315(b) and (c) incentivizes practices that should not be condoned by this Court: serial attacks on patents (and their owners) that contravene traditional notions of fairness, finality and efficiency; opaque arrangements with proxies; and delay tactics in district court litigations and appeals before this Court.

This case provides an example of the type of serial attacks that time-barred parties can orchestrate against patent owners through joinder to IPR proceedings filed by obscure parties. As explained by VirnetX, the patents-at-issue in this appeal have been the subject of sixteen IPR challenges and five reexamination challenges, as well as invalidity challenges in the district court. App. Br. at 14, 59. Serial attacks of this kind upset the balance sought by Congress between "the need to encourage" use of IPRs and "preventing the serial harassment of patent holders." House Judiciary Transcript for Mark-Up of H.R. 1249, The America Invents Act, at 72 (Apr. 14, 2011) (statement of Cong. Smith) (Ex. 59 to Pet.); *see also* 157 Cong. Rec. S1041-42 (daily ed. Mar. 1, 2011) (statement of Sen. Kyl); Pet. at 23-26. But as of the end of fiscal year 2017, the PTO's data show that, for Orange Book-listed patents that were challenged at the PTAB, 21% of them faced at least 3 petitions and 16% of them faced

petitions by at least 3 petitioners. PTAB Slides 53-54.[10] Such data reflect practices that are contrary to Congress's goal of limiting successive attacks on patents. *See* 154 Cong. Rec. S9988 (Sept. 27, 2008) (statement of Sen. Kyl) ("It is a rare patent that should be twice subjected to second-window proceedings [IPRs].").

The risk of opaque proxy arrangements is likewise illustrated in this case. Three previous IPR petitions by RPX Corp. were ultimately dismissed after the PTAB concluded that RPX was "acting as a proxy" for Apple when VirnetX uncovered evidence that demonstrated Apple's involvement in the filing of RPX's petitions. App. Br. at 15-16 (quoting *RPX Corp. v. VirnetX Inc.,* IPR2014-00171 et al, Paper 57, at 3, 10 (PTAB July 14, 2014)). Yet, despite a history of undisclosed proxy dealings, in the instant case VirnetX has not been afforded sufficient discovery to probe a relationship between Mangrove and RPX (and ultimately Apple). App. Br. at 18-19.

When seemingly unrelated entities bring IPR petitions for the conspicuous benefit of time-barred defendants, patent owners must often seek discovery from

[10] In its earlier October 24, 2017 Multiple Petition Study, the PTO reported a dataset of 7,168 petitions associated with 4,376 unique patents. According to the PTO, 2,932 patents were challenged in only one petition, which leaves 4,236 petitions – a remarkable 59% of all petitions in the PTO dataset – that were second, third, or subsequent petitions. *See* David Ruschke et al., An Analysis of Multiple Petitions in AIA Trials (Oct. 24, 2017), https://www.uspto.gov/sites/default/files/documents/Chat_with_the_Chief_Boardside_Chat_Multiple_Petition_Study_20171024.pdf at slides 5 and 14.

such petitioners to uncover relationships with time-barred defendants, particularly given that such information is typically, uniquely in the petitioner's control. Yet the Board has shown limited interest in the underlying relationships of potential RPIs/privies, as evidenced by its common denial of discovery related to the issue. *See, e.g., WiFi-One, LLC v. Broadcomm Corp*., 878 F.3d 1364, 1371(Fed. Cir. 2018) (en banc); *CaptionCall, L.L.C. v. Ultratec, Inc.*, IPR2015-00636, Paper 42 at 8-9 (PTAB Feb. 23, 2016); *CB Distributors v. Fontem Holdings*, IPR2014-01529, Paper 19 (PTAB May 26, 2015) (denying discovery re RPI). *See also* Stoner et al., Post-Grant Patent Practice at 9-42 (2nd Ed. 2014) (published by BNA/AIPLA) (answering "seldom" to the question "when will a panel permit additional discovery?" and describing "discovery" as a "misnomer" in that it is really "'production' of an identified document or thing").

While the PTAB has a time target to complete an IPR, placing that goal before Congress's explicit desire to prevent such parties from participating in IPRs prejudices patent owners. Troublingly, at least in the past, there have been few repercussions for the Board if it got the question of real party in interest wrong because, under *Achates*, this question was not subject to judicial oversight. In light of this Court's en banc decision in *WiFi-One*, judicial review of the RPI/privy issue should be available, given that issue clearly falls under § 315(b) and is closely related

to whether the § 315(b) one-year time bar has been observed. *See WiFi-One, LLC*, 878 F.3d at 1371-75.[11]

Amici's members understand well that IPR proceedings, as implemented by the PTO, create business opportunities for newly-formed entities that appear to produce no products and contribute nothing to innovation. Such entities can generate income by seeking an IPR and acting as proxies for time-barred defendants, or simply threatening to do so.[12] In this way, the PTO enables – and by its policies incentivizes – a convergence of dissatisfied district court litigants seeking the quintessential "second bite at the apple," with patent intermediary businesses that can extract settlement payments from patentees, arrange for fees from defendants,

[11] Further, the PTAB has seldom determined that an unnamed party is the RPI or in privity with the named petitioner, even when limited discovery has been permitted. Usually, to do so, a patent owner must establish that the unnamed party exerted control or could have exerted control over the petition. *See, e.g.*, *Unified Patents v. Qurio Holdings*, IPR2015-01940 (PTAB Apr. 13, 2016); *Sipnet EU S.R.O. v. Innovative Communications Techs.*, IPR2013-00246 (PTAB May 23, 2016); *AMX, LLC v. Chrimar Holding Co.*, IPRs2016-00569, -00572 (PTAB May 19, 2016). The fact that a third party has indemnified the petitioner has not been sufficient to render the third party a real party-in-interest or a privy unless the indemnification agreement indicated control over the petition. *See, e.g.*, *AMX, LLC v. Chrimar Sys., Inc.*, IPRs 2016-00569, -00572, Paper 18, at 6 (PTAB May 19, 2016). Merely a financial interest in the review has been held not sufficient. *E.g., Enovate Medical, LLC v InterMetro Indus*., IPR2015-00301 (PTAB May 11, 2016).

[12] *See* Addendum A (containing for the Court's convenience copies of communications from the public record of IPR proceedings (*Argentum Pharm. v. Research Corp. Techs.,* IPR2016-00204; *Silver Star Capital v. Power Integrations,* IPR2016-00736) between parties threatening to attack a patent(s) in the PTO and patent owners).

and couple validity proceedings with other efforts to manipulate the stock and/or options markets.

C. The PTO's Ultra Vires Interpretation of the Joinder Provisions Has Widespread Implications for Patent Owners

The harm resulting from improper joinder is significant, and it is not limited to instances of delinquent late-petitioning district court defendants joining PTAB proceedings. The PTO has used its improper statutory interpretation to facilitate other dubious joinder practices, including (1) permitting the same party who filed a timely original petition to join itself with new arguments through the filing of another untimely petition; and (2) granting joinder of a second time-barred petition to an already-settled IPR, effectively substituting the time-barred petitioner for the timely petitioner. Each of these practices could not occur without the PTO's unlawful application of the joinder provisions.

The PTO's misinterpretation of the joinder provisions has led to the aberrant result of a petitioner being able to bolster its original petition by raising new arguments in a time-barred petition and effectively joining itself. *See, e.g., Zhongshan Broad Ocean Motor Co. v. Nidec Motor Co.,* IPR2015-00762, Paper 16 (PTAB Oct. 5, 2015) (expanded panel permitted same petitioner to file a second petition after one year time bar through self-joinder); *Target Corp. v. Destination Maternity Corp.,* IPR2014-00508, Paper 28 (PTAB Feb. 12, 2015) (same); *Amneal Pharmaceuticals, LLC v Endo Pharmaceuticals Inc*., IPR 2014-01365, Paper 13, at

4 (PTAB Feb. 4, 2014) (admitting that it was granting the petitioner a "second bite at the apple"). At least some members of this Court have expressed doubt as to the propriety of such practice and its adherence to the plain statutory language. *See Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co*, 868 F.3d 1013, 1019-20 (Fed. Cir. 2017) (affirming the Board's decision on the merits but not reaching the § 315(c) issues).

Moreover, the PTO's interpretation has led to the practice of swapping a time-barred petitioner in for a timely petitioner who has already reached agreement with the patent owner and sought termination of its case. This is precisely what happened in the *Netflix, Inc. v. Convergent Media Solutions, LLC* and *AT&T Services, Inc. v. Convergent Media Solutions, LLC* IPR proceedings. There, the PTAB allowed AT&T's time-barred petition to go forward even though Netflix and Convergent Media had settled their dispute and jointly requested termination of the case. *See Netflix, Inc. v. Convergent Media Solutions, LLC*, IPR2016-01814, Paper 12 (PTAB May 1, 2017) (joint motion to terminate IPR); *AT&T Services, Inc. v. Convergent Media Solutions, LLC*, IPR2017-01237, Paper 9 (PTAB May 3, 2017) (opposition to motion for joinder pointing out that Netflix and Convergent had sought termination of IPR2016-01814). In terminating the action with respect to the timely filer Netflix, the PTAB simultaneously substituted untimely AT&T into the

proceeding. *See* IPR2016-01848 & IPR2017-01237, Paper 15, at 2 (PTAB May 11, 2017).

Another example of such a practice is *MediaTek, Inc. v. Bandspeed, Inc*., IPR2015-00314, Paper 12 (institution decision) (PTAB June 11, 2015) ("'314 IPR"). On July 13, 2015, Qualcomm filed its out-of-time petition and motion for joinder with the '314 IPR, shortly before MediaTek and Bandspeed filed their joint motion to terminate the '314 IPR based on a settlement agreement. *See* '314 IPR, Paper 17 (Aug. 5, 2017). The Board then terminated the '314 IPR with respect to MediaTek, the sole petitioner in the '314 IPR, but did not terminate the proceeding. *See* '314 IPR, Paper 20, at 2-3 (Sept. 17, 2015). The Board then granted Qualcomm's out-of-time petition and joined it to the '314 IPR, even though no petitioner remained in the '314 IPR. *Qualcomm Inc. v. Bandspeed, Inc.*, IPR2015-00314, -01577, Paper 21 (institution decision and grant of joinder) (PTAB Nov. 16, 2015). BIO and PhRMA are not aware of any provision supporting such action, *i.e*., maintaining an IPR with no petitioner remaining in the proceeding and no reason to do so, other than providing a time-barred petitioner the opportunity to avoid § 315(b).

Finally, a variation of this theme is currently playing out in *Mylan Pharmaceuticals Inc. v. Research Corporation Technologies Inc*. on appeal to this Court. *See* Order, No. 17-2088 (Fed. Cir. Oct. 19, 2017), ECF No. 48 (hereinafter, "RCT Order"). The patentee, Research Corporation Technologies (RCT) had sued

several defendants for patent infringement, one of which petitioned for IPR shortly before its time bar date. The PTAB denied the petition in due course. *Id.* at 2. Subsequently, while the district court litigation went forward, another entity, Argentum Pharmaceuticals LLC, filed an IPR petition on the same patent, which was instituted by the PTAB. The time-barred district court defendants then filed IPR petitions seeking to be joined to Argentum's IPR. Both before and after institution of its IPR petition, Argentum had approached RCT's licensee with "term sheets" and requests for "business discussions," pointing specifically to the likelihood that time-barred defendants would seek to join the instituted IPR unless it is settled quickly on "updated term[s]." *See* Addendum A at Add1-3. The time-barred parties were then joined to the IPR; ultimately all claims were upheld in a final written decision. *See* RCT Order at 2.

The primary IPR petitioner, Argentum, did not appeal to this Court. Argentum had not been sued or threatened with suit, and it is unknown whether it has actual pharmaceutical or other business operations that would support Article III standing. The time-barred petitioners, however, did appeal to this Court. They are also separately appealing from the district court litigation, in which the patent was upheld. *See UCB, Inc. v. Accord Healthcare, Inc.*, No. 16-2610 (Fed. Cir. Sept. 6, 2016). The result is a second-rail appeal, with time-barred IPR petitioners in the role of appellants. *See also* Eric Brusca, Join the Party! CAFC Hears IPR Appeal From

Parties That Were Time-Barred From Filing Petition, PTABWatch Blog (Mar. 6, 2018), https://www.ptabwatch.com/2018/03/join-the-party-cafc-hears-ipr-appeal-from-parties-that-were-time-barred-from-filing-petition/.

Such PTO practices are beyond the letter and spirit of the AIA and should not be encouraged by condoning the PTO's unreasonable interpretation of §§ 315(b) and (c). BIO and PhRMA respectfully request that this Court put a halt to these practices, in addition to those described above in § III.A. & B., by instructing the PTO how to interpret §§ 315(b) and (c).

CONCLUSION

Amici Curiae BIO and PhRMA respectfully urge this Court to hold that non-compliance with the one-year time limit for properly filing an IPR petition set forth in 35 U.S.C. § 315(b) bars a petitioner from being joined to an ongoing IPR under 35 U.S.C. § 315(c).

Respectfully submitted,

/s/ *Nancy J. Linck*

April 9, 2018

Nancy J. Linck
Linck Consulting
646 Westbourne Street
La Jolla, CA 92037
Counsel for Amici Curiae BIO and PhRMA

Addendum A

TABLE OF CONTENTS

Addendum A-1

Exhibits filed in *Argentum Pharm. v. Research Corp. Techs.,* IPR2016-00204

Reister, Andrea

From: Dowd, Matthew J <MatthewDowd@andrewskurth.com>
Sent: Thursday, March 31, 2016 5:39 PM
To: Reister, Andrea
Cc: Crotty, Justin; Robbins, Jennifer L; Longton, Rick
Subject: Inter Partes Review IPR No. 2016-00204
Attachments: 90013709 - 2016.03.30 notice of incomplete request.pdf

Andrea:

For your convenience, I provide a copy of the 30-day Notice concerning the ex parte reexamination request.

I understand that you left a voice message with Thomas MacAllister, CEO of Argentum. If the call concerns a legal matter relating to the current dispute, I ask that you contact me. Mr. MacAllister is interested in having a business conversation with the relevant people at UCB. Could you please provide the contact information so arrangements can be made to talk?

Best regards,

Matthew J. Dowd
Partner

Andrews Kurth LLP
1350 I Street, NW, Suite 1100
Washington, DC 20005
202.662.2701 Phone
202.974.9511 Fax
202.573.3853 Cell
MatthewDowd@andrewskurth.com
vCard | Bio | andrewskurth.com | Twitter | Facebook

Reister, Andrea

From: Dowd, Matthew J <MatthewDowd@andrewskurth.com>
Sent: Wednesday, April 13, 2016 10:46 AM
To: Reister, Andrea
Subject: Vimpat IPR
Attachments: Term Sheet - Vimpat (4-8-16).pdf

Confidential and Subject to Federal Rule of Evidence 408

Andrea:

Thank you for taking my call this morning. As discussed, Argentum believes that the present dispute is amenable to a positive business solution. To that end, please find attached the proposed term sheet I mentioned during the call. I understand that your client indicated in the past that it was not interested in engaging in a business discussion with Argentum, but we hope that your client would keep an open mind and entertain in good faith Argentum's reasonable efforts to resolve the present dispute.

I look forward to hearing from you.

Best regards,

Matthew J. Dowd
Partner

Andrews Kurth LLP
1350 I Street, NW, Suite 1100
Washington, DC 20005
202.662.2701 Phone
202.974.9511 Fax
202.573.3853 Cell
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Reister, Andrea

From: Dowd, Matthew J <MatthewDowd@andrewskurth.com>
Sent: Thursday, May 26, 2016 12:10 PM
To: Reister, Andrea
Subject: Argentum v. UCB, IPR2016-00204
Attachments: IPR2014-00244 (denying joinder when first petition settled).pdf; Mylan Vimpat IPR joinder motion 5-25-16.pdf; Settlement Term Sheet - UCBVimpat 5-26-16.pdf

Andrea:

In view of the Board's decision to institute trial, I provide an updated settlement term sheet for your and your client's consideration. Additionally, as you may know, Mylan Pharmaceuticals has filed its own IPR petition and a motion for joinder. Notwithstanding Mylan's petition and motion, Argentum remains amenable to amicably resolving the pending IPR with UCB. We provide, for your convenience, an exemplary Board decision denying joinder where the first petitioner settled prior to a decision on the joinder motion.

We look forward to your response.

Best regards,

Matthew J. Dowd
Partner

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Addendum A-2

Exhibits filed in *Silver Star Capital v. Power Integrations,* IPR2016-00736

SILVER STAR CAPITAL, LLC

www.silverstarcapitalllc.com | 1201 Orange Street, Suite 600 | Wilmington, DE | 19801 | 1.302.514.0050

February 18, 2016

Via FedEx and Email *(balu.balakrishnan@powerint.com)*

Balu Balakrishnan
President and Chief Executive Officer
Power Integrations, Inc.
5245 Hellyer Avenue
San Jose, CA 95138

Re: *Inter Partes* Review of Power Integrations U.S. Patent No. 6,212,079

Dear Mr. Balakrishnan:

I am writing on behalf of Silver Star Capital, LLC ("Silver Star"). At this time, Silver Star holds various long/short positions in the securities of an assortment of global semiconductor technology enterprises.

In support of its investment interests, Silver Star retained external patent counsel as well as expert witnesses with extensive experience in switched mode power supply design to investigate the validity of U.S. Patent No. 6,212,079 ("the '079 Patent"). Based on that diligence, Silver Star has prepared an *Inter Partes* Review petition demonstrating the invalidity of specific claims of the '079 Patent ("the '079 IPR").

A confidential draft of the '079 IPR, along with an expert declaration and additional supporting materials, is available for your exclusive review at https://kskiplaw.box.com/POWI, password "SWITCHED".

Silver Star is aware that institution of an IPR petition can potentially be denied if the real-party-in-interest is otherwise time-barred under the 12-month litigation threshold. Silver Star is in no way affiliated or in privity with Fairchild Semiconductor Corporation, System General Corporation, or any other previously accused infringers of the '079 Patent. If requested, Silver Star is willing to submit a signed declaration to that effect. Nevertheless, as you likely know, upon Silver Star filing the '079 IPR with the USPTO, formerly time-barred entities, including Fairchild Semiconductor, will have the opportunity to join Silver Star's IPR proceedings challenging the '079 Patent once the claims are instituted and aid in the prosecution to invalidity.

At this time, Silver Star is open to a collaborative discussion with Power Integrations to determine if Silver Star should consider alternatives to its contemplated investment and '079 IPR Petition strategy.

To that end, I must hear from you by **Thursday, March 3, 2016 at 6:00PM EST** if Power Integrators is interested in further discussions on the matter prior to Silver Star publicly filing the '079 IPR with the USPTO. If you have any further questions or concern between now and March 3rd, please feel free to contact me directly via 1.302.514.0050 or kb@silverstarcapitalllc.com.

Sincerely,

Kevin Barnes

Kevin Barnes
Principal, Silver Star Capital, LLC

CC:
Radu Barsan, Vice President, Technology
Sandeep Nayyar, Vice President of Finance and Chief Financial Officer
Clifford Walker, Vice President, Corporate Development
Joe Shiffler, Director, Investor Relations

FISH.
FISH & RICHARDSON

Fish & Richardson P.C.
500 Arguello St
Suite 500
Redwood City, CA 94063

650 839 5070 main
650 839 2091 fax

Michael R. Headley
Principal
headley@fr.com
650 839 5139 direct

Via Electronic Mail

March 2, 2016

Kevin Barnes
1201 Orange Street, Suite 600
Wilmington, DE 19801

Re: *Power Integrations' Intellectual Property*

Mr. Barnes,

We represent Power Integrations in intellectual property matters. As you are no doubt aware, Power Integrations has spent considerable time, effort, and resources in developing its award-winning, patented technologies, which enable the delivery of advanced, innovative power supply solutions. As the pioneer in its field, Power Integrations has received a number of patents for its efforts, including the '079 patent referred to in your letter of February 18, and expects others to respect its intellectual property.

We have reviewed your letter and consider it to be little more than a shakedown effort. Your letter mentions, but fails to explain any specifics of, a claim that you've created a shell company that holds various long / short positions in the securities of unidentified semiconductor companies and proposes to use the IPR process as some sort of investment vehicle. Your apparent efforts to manipulate the stock market and abuse the patent system with frivolous demands in this manner are inappropriate. As I assume you know but neglect to mention in your letter, the United States Patent and Trademark Office has confirmed the validity of Power Integrations' '079 patent on three separate occasions, including two contested reexamination proceedings in the Patent Office. The validity of the '079 patent was also thoroughly tested and sustained in District Court litigation between Power Integrations and Fairchild Semiconductor, in the face of a challenge premised on the same primary reference underlying your purported IPR request.

Having researched your earlier efforts to pursue a similar strategy with other technology companies, I see that you have failed in your previous efforts to abuse the system with baseless IPR petitions and similar demand letters to others. As in those cases, we see no merit in your position with respect to Power Integrations. Power Integrations is not interested in any "collaborative discussion," nor is it intimidated by your implied threat to file for IPR unless Power Integrations provides some unstated compensation. Should you persist in your threats or

follow through with your plan, Power Integrations will seek all appropriate remedies against you personally and your fabricated entities.

Sincerely,

Michael R. Headley

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Suite 500
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650 839 5070 main
650 839 2091 fax

Michael R. Headley
Principal
headley@fr.com
650 839 5139 direct

Via Electronic Mail

March 7, 2016

Kevin Barnes
1201 Orange Street, Suite 600
Wilmington, DE 19801

Re: *Power Integrations' Intellectual Property*

Mr. Barnes,

I am writing to follow up on your telephone call and the terms of your proposed "settlement" – a demand that Power Integrations agree to one of the following proposals, in which case you will forego the IPR you have threatened with respect to Power Integrations' '079 patent:

- Pay you $600,000 up front + 10% gross of any damages PI collects for infringement of the '079 patent going forward; or
- Pay you $1,800,000 up front + 3% gross of any damages PI collects.

The validity of Power Integrations' '079 patent has repeatedly been confirmed by the PTO and in litigation, and Power Integrations is confident in the validity of its patent. Thus, your demand for payment to avoid the "threat" of an IPR is baseless and an improper attempt to game the patent system. Power Integrations will not cooperate with your scheme, and rejects your demands.

Sincerely,

Michael R. Headley

SILVER STAR CAPITAL, LLC

www.silverstarcapitalllc.com | 1201 Orange Street, Suite 600 | Wilmington, DE | 19801 | 1.302.514.0050

March 9, 2016

Via Email *(headley@fr.com)*

Michael Headley
500 Arguello Street, Suite 500
Redwood City, CA 94063

Re: *Inter Partes* Review of Power Integrations' U.S. Patent No. 6,212,079

Dear Mr. Headley:

I am writing to follow-up on our telephonic discussion on March 3, 2016, and your letter dated March 7, 2016. As previously disclosed, Silver Star Capital, LLC ("Silver Star") is a privately held venture with various long/short positions in the securities of an assortment of global semiconductor technology enterprises. In support of its investment interests, Silver Star retained external patent counsel as well as expert witnesses with extensive experience in switched mode power supply design to investigate the validity of U.S. Patent No. 6,212,079 ("the '079 Patent"). Based on that exhaustive due diligence, Silver Star developed the view that specific claims of the '079 Patent are invalid based on anticipation and obviousness arguments substantiated with prior art references.

Silver Star was already aware, as stated in your March 3, 2016 letter, that prior challenges of the '079 Patent have not invalidated these specific claims at issue. You overlook, however, that Silver Star's draft IPR uses both prior art and legal arguments that have not been reviewed in any district court litigation or in the reexamination proceeding that allowed the back-door creation of these specific claims at issue. Furthermore, the '079 Patent's validity was sustained based purely on a jury verdict that Fairchild did not prove invalidity by clear and convincing evidence considering a single 102 ground. As you are likely aware, the burden of proof at the PTAB Trial is significantly reduced to a preponderance of the evidence and even lower, reasonable likelihood of success, for IPR institution. Your suggestion that Silver Star's business strategy is therefore an improper "scheme" to "game" the patent system is incomprehensible.

During the telephonic discussion on March 3, 2016 and pursuant to Federal Rule of Evidence Section 408, Silver Star proposed two potential resolution scenarios which it would consider to forgo its statutory right to dispute the validity of the '079 Patent via an *inter partes* review at the United States Patent and Trademark Office. However, these two potential resolution scenarios do not change the results of Silver Star's diligence, which showed, as demonstrated in the draft IPR, that the '079 Patent is likely to be found invalid. Nor does this alter Silver Star's assessment of the likely market outcome for its investment strategy upon IPR success.

In the recent United States Patent and Trademark Office Patent Trial and Appeal Board ruling dated September 25, 2015 (IPR2015-01169, Paper No. 21), the six administrative patent judges stated:

> *"Profit is at the heart of nearly every patent and nearly every inter partes review. As such, an economic motive for challenging a patent claim does not itself raise abuse of process issues. We take no position on the merits of short-selling as an investment strategy other than it is legal, and regulated."*

Thus, Silver Star will not be intimidated by Power Integrations legal posturing and attempts to mischaracterize the facts.

Sincerely,

Kevin Barnes

Kevin Barnes
Silver Star Capital, LLC

United States Court of Appeals for the Federal Circuit

CERTIFICATE OF SERVICE

I, Robyn Cocho, being duly sworn according to law and being over the age of 18, upon my oath depose and say that:

Counsel Press was retained by LINCK CONSULTING, Attorneys for Amici Curiae Bio and PhRMA to print this document. I am an employee of Counsel Press.

On **April 9, 2018**, Counsel for Appellant has authorized me to electronically file the foregoing **Brief of Amicus Curiae** with the Clerk of Court using the CM/ECF System, which will send notice of such filing to the following registered CM/ECF users:

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Upon acceptance by the Court of the e-filed document, six paper copies will filed with the Court, via Federal Express, within the time provided in the Court's rules.

/s/ Robyn Cocho
Counsel Press

CERTIFICATE OF COMPLIANCE WITH TYPE-VOLUME LIMITATION, TYPEFACE REQUIREMENTS AND TYPE STYLE REQUIREMENTS

1. This brief complies with the type-volume limitation of Federal Rule of Appellate Procedure 32(a)(7)(B) or Federal Rule of Appellate Procedure 28.1(e)

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Respectfully submitted,

/s/ *Nancy J. Linck*

April 9, 2018

Nancy J. Linck

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