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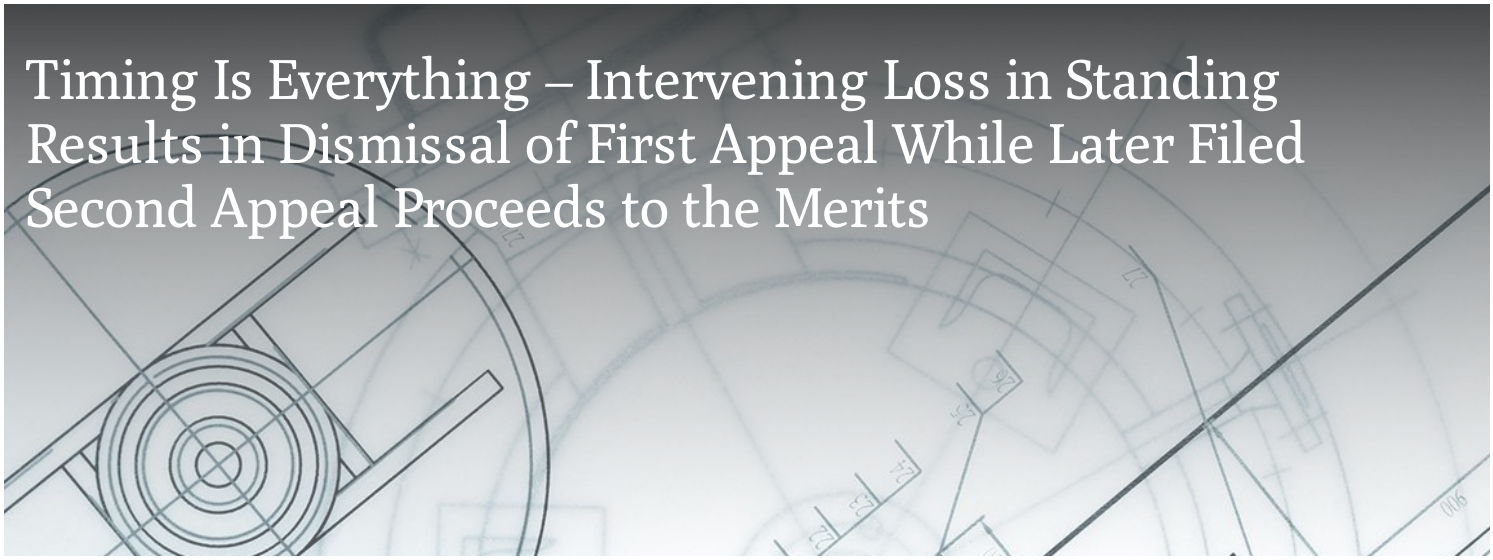
BLOG

Timing Is Everything – Intervening Loss in Standing Results in Dismissal of First Appeal While Later Filed Second Appeal Proceeds to the Merits



MARCH 1, 2022

ModernaTx, Inc. v. Arbutus Biopharma Corporation, No. 2020-1184, 2020-1186 (Fed. Cir. Dec. 1, 2021) / *ModernaTx, Inc. v. Arbutus Biopharma Corporation*, No. 2020-2329 (Fed. Cir. Dec. 1, 2021)
Before: Lourie, O'Malley, and Stoll

Petitioner filed two IPR petitions each challenging a different patent that petitioner had licensed. The PTAB found certain claims invalid and others valid in the first decision and found all claims valid in the second decision. Petitioner appealed both decisions. In two opinions issued on the same day, the Federal Circuit held petitioner did not have Article III standing to appeal the first Board decision but did have standing to appeal the second Board decision.

Under the IPR statute, there is no standing requirement to file a petition to request institution of IPR review. But to appeal a final written decision to the Federal Circuit, a petitioner must establish that it has Article III standing both at the time the appeal is filed and throughout the duration of the appeal. Any "intervening abandonment of the controversy" results in a loss of standing.

On the first appeal (2020-1184), petitioner argued it had standing at the time it filed the appeal as a licensee with monetary obligations impacted by the Board's decision. The Federal Circuit disagreed, finding petitioner's evidence too speculative, noting that petitioner's last license payment occurred five years earlier and a future payment would be due only "if and when" a future milestone occurred. Even more problematic, the license included many patents, and petitioner did not demonstrate that invalidation of this patent would change its royalty obligations.

The Federal Circuit also found petitioner had not shown continuous standing. The underlying licensed program had been abandoned after filing of the appeal, so the petitioner shifted its basis for continued standing from the financial burden as a licensee to risk of an infringement suit for its COVID-19 vaccine. Petitioner pointed to the patent owner's public statements on the scope of the patents, refusal to grant a covenant not to sue, and insistence that a license was required as evidence of a significant risk that it would be sued for infringement. But the Federal Circuit concluded it was "impossible to determine" whether by the time the licensed program had terminated, petitioner was sufficiently underway with its development of COVID-19. Petitioner had not even provided an approximate date of termination. As such, a gap had occurred for continuous standing and the Federal Circuit dismissed the petitioner's appeal.

On the second appeal (2020-2329), petitioner raised the same two grounds for standing. This time, however, the Federal Circuit concluded petitioner had standing based upon the risk of an infringement suit against its COVID-19 vaccine alone. Notably, the filing of this appeal occurred later than the first appeal, and by then, petitioner already had "concrete plans" to release a COVID-19 vaccine. The Federal Circuit further commented that if it were to dismiss the appeal, the risk of the petitioner being sued immediately would be "easy to envision based on the record" and the patent owner had "done nothing to dispel" that belief. The Federal Circuit expressed its desire to avoid such a result, which "would perversely incentivize a future similarly situated patent owner to remain silent regarding its intentions during the pendency of an appeal and wait to sue for infringement until after the appeal has been dismissed for lack of standing." Based on the risk of an infringement suit, the Federal Circuit concluded petitioner had standing to pursue this second appeal and proceeded to the merits.

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