No. 23-1231

IN THE

Supreme Court of the United States

CELLECT, LLC,

Petitioner,

v.

KATHERINE K. VIDAL,
UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR, UNITED STATES PATENT AND TRADEMARK OFFICE,

Respondent.

ON PETITION FOR WRIT OF CERTIORARI TO
THE UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

BRIEF OF SONOS, INC., RINGCENTRAL, INC., NAGRA KUDELSKI GROUP, AND CAPSTAN THERAPEUTICS, INC. AS AMICI CURIAE IN SUPPORT OF CERTIORARI

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INTEREST OF AMICI CURIAE[1]

The Amici Curiae are leading technology companies and startups operating in various industries, including audio equipment, telecommunications, digital media technologies, and biotechnology: Sonos, Inc., RingCentral, Inc., NAGRA Kudelski Group, and Capstan Therapeutics, Inc. Because a material portion of the value created by the *amici* flows from their investments into research, development, and the creation of technology, *amici* have an interest in a well-run, predictable patent system that fairly rewards investments in innovation.

INTRODUCTION AND SUMMARY OF ARGUMENT

In a predictable and well-functioning patent system, patent holders should *know* how long a patent term they will receive in exchange for disclosing their innovations to the public. This is necessary because of practical realities—such as the need for companies to make investment decisions both in terms of creating technology and in securing patent rights to those inventions—and *ethically*, because the disclosure of an invention in exchange for a limited-term monopoly is the *quid pro quo* at the heart of the patent system.

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[1] The parties were notified of the intention to file this brief per Rule 37.2. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than amici and their counsel made a monetary contribution intended to fund the preparation or submission of the brief.

The Federal Circuit's decision in this case undermines that basic certainty for a wide range of inventions. It does so based on a judge-made doctrine known as obviousness-type double patenting, or "ODP." The ODP doctrine is based on "public policy … rather than based purely on the precise terms of the statute." *In re Longi*, 759 F.2d 887, 892 (Fed. Cir. 1985). And it was created at a time when the term of a patent began on the date that the patent issued. As a result, patent applicants could extend patent protection for decades by filing serial continuation applications claiming minor variations of a patented invention—each of which would be protected for 17 years from the date the patent issued.

Under ODP an earlier-expiring "reference patent" will be deemed to invalidate a later-expiring, but obvious variant, unless the applicant voluntarily limits the term of the second patent so that it expires with the first. *See Gilead Scis., Inc. v. Natco Pharma Ltd.*, 753 F.3d 1208, 1213-14 (Fed. Cir. 2014). ODP was intended to and did penalize patent holders who engaged in "gamesmanship." *Id.* at 1215.

But it makes very little sense to apply ODP under the current statutory scheme where the terms for *all* patents in a family are measured relative to the filing date of the original application. Under the current statutory scheme, an applicant cannot extend the term of its monopoly by filing sequential continuations in the same patent family—simply because the term for *all* of those continuations will be based on the date of the application to which they claim priority—not the date on which the patents issue.

In *In re Cellect*, the Federal Circuit chose to expand both the doctrine and rationale of ODP—not to punish gamesmanship, but to penalize patentees who do no more than accept the patent term adjustments that are both: (i) expressly provided by statute and (ii) created *solely and exclusively* by administrative delays within the Patent Office.

In particular, *Cellect*, involves patent term adjustment, or "PTA." PTA is provided for by statute and grants applicants additional patent term if and when the Patent Office fails to complete the examination process in a timely manner. In particular, the Patent Term Guarantee Act of 1999 provides that, when the Patent Office delays prosecution beyond three years, "the term of the patent shall be extended 1 day for each day after the end of that 3-year period until the patent is issued." 35 U.S.C. § 154(b)(1)(B); H.R. 1554, Subtitle D, 106th Cong. (1999). Put differently, a PTA restores the term of exclusivity that an inventor should have had but for the Patent Office's excessive delay in examining a patent.

Unfortunately, the Patent Office *very frequently* fails to examine patent applications within the 3-year period. Indeed, of the 4.5 million patents filed on or after May 29, 2000 (when the relevant statutory scheme took effect), and issued since 2005, ***over 50%*** have some form of PTA, with the average term adjustment generally exceeding 6 months.[2]

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[2] Mark A. Lemley & Jason Reinecke, *Our More-than-Twenty-Year Patent Term* 1, 14-15 (Stanford L. & Econ. Olin

The Federal Circuit, however, has now decreed that an applicant may *not* make use of that PTA if *any* patent in the family would expire in a shorter period of time and renders a later patent in the same family obvious. In other words, even when a challenged patent expires later than the reference patent due to the Patent Office's delay and not as the result of any tactics by the patent owner, a court must invalidate that patent if it believes an earlier-to-expire patent in the same family renders it obvious.

As Petitioner has demonstrated, the Federal Circuit's decision is legally wrong. The decision allows a judge-made doctrine to cut short a statutory patent term mandated by Congress; contradicts Federal Circuit precedent; treats two forms of statutory term adjustments differently even though the language of the statutes are similar; and upsets equitable considerations underlying the purpose of ODP. *See* Pet. 13-24.

Amici write separately to highlight the practical concerns the Federal Circuit's ruling creates for technology-driven companies, and the fundamental ways the ruling contradicts both basic fairness and predictability. Put simply, this is *not* a situation where the Court should wait and see how the doctrine develops. Why? Because the ruling impacts the investments

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Working Paper No. 586, 2023), https://ssrn.com/abstract=4529670; Dennis Crouch, *Prosecution Delays and Patent Term Adjustment on the Rise Again* (Nov. 13, 2022), https://patentlyo.com/patent/2022/11/prosecution-delays-adjustment.html.

(many of which will be years in the making) that companies like the *amici* are making now.

ARGUMENT

Predictability is crucial to innovation. Companies and their investors rely on knowing the duration of patent protection in a variety of circumstances including: (i) when making decisions about research and development budgets, (ii) when deciding how to protect their innovations (e.g., whether to apply for patents or rely on trade secret protection), and (iii) when evaluating acquisitions of other companies. For all of these decisions, companies must have stability and clarity about the terms of the *quid pro quo* that lies at the heart of the Patent Act.

Cellect has upended the status quo both by creating uncertainty as to the validity and term of many existing patents and by creating a situation in which patent applicants cannot know in advance of filing a patent what term they will get in exchange for disclosing their technology to the public. Let's take each problem in turn.

First, it is important for the Court to understand that innovative companies, such as the *amici*, frequently file patent applications, which they intend to prosecute over time. A patent specification typically describes an invention or inventions in lengthy detail, but—because the claims *must* take the form of a single sentence with discrete limitations—any individual claim (or set of claims) can only describe, at most, a small fraction of what has been invented. For this reason, companies frequently file a detailed specification, prosecute a reasonable number of high-priority claims, and then file a continuation application to pursue claims directed to other or additional aspects of the invention.[3]

This practice is expressly permitted by statute and does not raise the "gamesmanship" concerns animating the ODP doctrine. Indeed, to suggest that an applicant should file *all* possible claims in an initial application (instead of prioritizing its claims and then filing continuations) would be fantastically counterproductive and expensive. Among other things, it would result in applicants, if they could afford it, flooding the Patent Office with claims for examination and make the Patent Office's already-systemic problems with delay even worse.

The net result is that many companies have patent portfolios that contain numerous patent families with multiple family members, many of which have some (often material) PTA. Prior to the ruling in *Cellect,* the *amici* knew when each of the patents in these families expired—they expired on their expiration dates as calculated based on the date of the application to which they claimed priority, as modified by any PTA as determined and awarded by the Patent Office.

[3] Because the Patent Office charges additional fees when there are more than three independent claims and twenty total claims in an application, many companies may also choose to pursue claims in separate, later applications for financial reasons. *See* USPTO, *USPTO Fee Schedule*, https://www.uspto.gov/learning-and-resources/fees-and-payment/uspto-fee-schedule (last revised May 3, 2024).

No longer. Now, for each family, the patent owner must (i) figure out which family member expires the earliest, (ii) compare the claims of that "reference patent" to the claims of all subsequently-expiring patents, and (iii) make a legal analysis about the *likelihood* that a court will later find *each individual claim* of the later-expiring patents to be obvious relative to one or more claims of the reference patent.[4]

And even if a patent owner does undertake this task, the result will only be an educated guess about the effective expiration date. So, all of a sudden, we have gone from a system where companies can *know* when their patents expire, to a situation where they must do extensive legal analysis to come up with a best guess about that expiration date.

This is a gargantuan problem—especially when you realize that 346,152 patents issued in 2023 alone.[5] And leave the uncountable millions in legal costs it would take to perform this analysis to one side. The bottom line is that *Cellect* has literally destroyed companies' abilities to know when many of the patents in their portfolios (or in the portfolio of a

[4] ODP for issued patents is evaluated on a claim-by-claim basis. *See Ortho Pharm. Corp. v. Smith*, 959 F.2d 936, 942 (Fed. Cir. 1992).

[5] *See* USPTO, *FY2023 Agency Financial Report* 65 (Nov. 7, 2023), https://www.uspto.gov/sites/default/files/documents/USPTOFY23AFR.pdf. Approximately 25% of filed patents are continuation patents, and the Patent Office has observed the number of continuation patents filed in the past decade rapidly increase. *See* USPTO, *FY21 Pendency Stats Review* 7 (Nov. 18, 2021), https://www.uspto.gov/sites/default/files/documents/20211115-PPAC-FY21-pendency-stats-review.pdf.

company they seek to acquire) will expire and replaced it with a complex analysis. That analysis (e.g., determining when one patent claim is obvious relative to another) is not mechanical. It is a factually intensive analysis that involves consideration of the art, real world evidence of nonobviousness, and fact and expert testimony. If the Federal Circuit intended to undermine the settled expectations of patent holders, it would be hard to imagine a more effective way to do so.

Second, as mentioned previously, companies—including the *amici*—make investment decisions every day. These decisions include both the allocation of research and development budgets and whether to spend money pursuing patent protection, protect their inventions though (for example) trade secret protection, or forgo intellectual property protection altogether.

The decision in *Cellect* undermines and unsettles both kinds of investment. To be fair, it is by no means *always* the case that whether a given investment in R&D is made will turn on the extent to which the inventor can protect that invention through the patent system. But—as numerous courts have recognized—the availability and predictability of patent protection *is* a material driver of innovation in the American economy. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 63, (1998); *Apple Inc. v. Samsung Elecs. Co.,* 809 F.3d 633, 647 (Fed. Cir. 2015); *Sanofi-Synthelabo v. Apotex, Inc.,* 470 F.3d 1368, 1383 (Fed. Cir. 2006); *Patlex Corp. v. Mossinghoff,* 758 F.2d 594, 599 (Fed. Cir.), *on reh'g*, 771 F.2d 480 (Fed. Cir. 1985). Indeed, as the framers of the Constitution provided, the whole justification for having a Patent Act is to promote the progress of science and the useful arts. U.S. Const. art. I, § 8, cl. 8.

And numerous studies have shown that legal decisions that change the expected value of patents have impacts on technology investments. For example, following this Court's decision in patent-eligible subject matter cases like *Alice Corp. v. CLS Bank Int'l*, 573 U.S. 208 (2014), a survey of 475 venture capital and private equity firms reported that 62% of investors said that their firm was less likely to invest in companies developing technologies that may not be patent eligible.[6] Similarly, a study concluded that, in the four years following the decisions in *Bilski v. Kappos*, 561 U.S. 593 (2010) and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.,* 566 U.S. 66 (2012), investment in diagnostic technologies was nearly $9.3 billion dollars lower than it otherwise would have been.[7]

Cellect changes and undermines the incentive structure. And it does not just do so by reducing the value of patent protection—it also makes the value of that protection *less predictable*. Indeed, because the

[6] David O. Taylor, *Patent Eligibility and Investment*, 41 Cardozo L. Rev. 2019, 2027-28 (2020), https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3340937.

[7] A. Sasha Hoyt, *The Impact of Uncertainty Regarding Patent Eligible Subject Matter for Investment in U.S. Medical Diagnostics Technologies*, 79 Wash. & Lee L. Rev. 397, 445-46 (2022), https://scholarlycommons.law.wlu.edu/wlulr/vol79/iss1/8/.

amount of PTA an applicant will get is *entirely* a function of administrative delay, and that (in turn) depends on unknown and stochastic processes within the Patent Office, it turns the exchange at the heart of the patent system (i.e., disclosure of an invention to the public in return for a limited term monopoly) into something of a *lottery*—where applicants get a varying term of protection that depends only on how the balls bounce within the administrative mechanisms of the Patent Office. There is *no* sense in which invalidating a patent based on that stochastic process makes for a stable and predictable approach to patent policy. And certainly, it is not the kind of policy that courts should make—especially while overriding the express terms provided by Congress.

The second kind of investment decision (i.e., whether to apply for a patent or rely on trade secret protection) is—in *amici's* view—even more sensitive to the disruption caused by *Cellect*. Drafting a specification, filing for a patent, filing continuations, and paying issue fees all cost money—often tens or hundreds of thousands of dollars over a patent's lifetime. And because *Cellect* makes the *return* on that investment much less certain (and potentially much lower), it materially undermines the incentive to apply for patents in the first place. That represents a serious loss to the public in the long term.

And, as noted above, these investment decisions are going to be made *now*. When a company chooses not to go forward with an acquisition (or to go forward at a lower price) because the value of the patent portfolio of the target company is less certain, that represents a cost to the economy that will never be recovered. When a company chooses not to invest in unproven, cutting-edge research because its ability to protect a product that materializes with a patent filing becomes less certain—that is a loss that will never be recovered. And when a company chooses not to file for a patent and instead to protect its invention through trade secrets—that is a loss to public knowledge that will not be recovered until someone else makes and publishes the same invention.

The point is simply that this is *not* the kind of situation where it makes sense to wait and let the doctrine further develop. The *Cellect* decision is clearly incorrect, and the practical problems it creates are both immediate and long lasting.

CONCLUSION

For the foregoing reasons and those stated in Cellect's Petition, the Court should grant *certiorari*.

Respectfully submitted,

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