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A complete list of parties and counsel appears on the signature page per Local Rule 3-4(a)(1)

UNITED STATES DISTRICT COURT

FOR THE NORTHERN DISTRICT OF CALIFORNIA

SAN JOSE DIVISION

APPLE INC., CISCO SYSTEMS, INC., GOOGLE LLC, INTEL CORPORATION, EDWARDS LIFESCIENCES CORPORATION, and EDWARDS LIFESCIENCES LLC,

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. 20-cv-6128-EJD

AMENDED COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

Administrative Procedure Act Case

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INTRODUCTION

1. This action under the Administrative Procedure Act ("APA") challenges a rule adopted by the Director of the U.S. Patent and Trademark Office ("PTO") governing that agency's consideration of petitions to institute inter partes review ("IPR")—an administrative proceeding for determining the patentability of previously issued patent claims.

2. A strong patent system is vital to protecting the massive research and development investments that fuel Plaintiffs' innovative products and services. And a crucial element of any strong patent system is a mechanism for "weeding out" weak patents that never should have been granted because the claimed invention was not novel or would have been obvious in light of prior art. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). Such patents threaten innovation—particularly in the hands of non-practicing entities that use the patent system not to spur their own inventions, but to extract monetary returns by asserting weak patents in infringement suits. As frequent targets of such tactics, Plaintiffs have a strong interest in having an efficient and accessible means for challenging weak patents that should never have issued to ensure that such patents cannot hamper innovation.

3. IPR was a centerpiece of Congress's efforts to strengthen the U.S. patent system in the Leahy-Smith America Invents Act ("AIA"). In enacting the AIA in 2011, Congress recognized that innovation is inhibited when invalid patents are issued and then deployed in litigation against technology inventors and developers. And Congress found existing procedures for challenging already-issued patents, including litigation, to be insufficient to protect the patent system. Congress accordingly created IPR to provide a more efficient and streamlined administrative alternative to litigation for determining patentability before specialized patent judges. IPR has served to enhance the U.S. patent system and strengthen U.S. technology and innovation by weeding out thousands of invalid patent claims.

4. To ensure that IPR fulfills its purpose as a superior alternative to litigation over patent validity, the AIA specifically contemplates that IPR will be available to determine the patentability of patent claims that are also the subject of pending patent infringement litigation.

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5. In the agency action challenged in this suit (referred to here as the "*NHK-Fintiv* rule"), however, the Director determined that the PTO could deny a petition for IPR based on a balancing of discretionary factors relating to the pendency of parallel patent infringement litigation—factors that appear nowhere in the AIA. The agency's application of that rule has dramatically reduced the availability of IPR, regardless of the weakness of the patent claims being challenged, thereby undermining IPR's central role in protecting a strong patent system.

6. The *NHK-Fintiv* rule violates the AIA, which allows IPR to proceed in tandem with infringement litigation involving the same patent claims so long as the IPR petition is filed within one year after the petitioner was served with the complaint in the infringement suit. Congress dictated in the AIA exactly when litigation should take precedence over IPR and vice versa, and the *NHK-Fintiv* rule contravenes Congress's judgment. Indeed, the *NHK-Fintiv* rule defeats the purpose of IPR, which is to provide a streamlined and specialized mechanism for clearing away invalid patents that never should have issued, and to do so without the substantial costs, burdens, and delays of litigation.

7. The *NHK-Fintiv* rule is also arbitrary and capricious because its vague factors lead to speculative, unpredictable, and unfair outcomes and will not advance the agency's stated goal of promoting administrative efficiency.

8. Finally, even if it were not contrary to law, the *NHK-Fintiv* rule is procedurally invalid because it was not adopted through notice-and-comment rulemaking. Both the APA and the AIA obligated the Director to follow that procedure, yet the Director instead propounded the *NHK-Fintiv* rule through an internal process within the PTO for establishing binding rules by designating select decisions of the Patent Trial and Appeal Board as "precedential"—a process that provides for no opportunity for or consideration of public input.

9. The Court should therefore declare the *NHK-Fintiv* rule unlawful and set it aside under the APA. The Court should further permanently enjoin the Director from applying the rule or the non-statutory factors it incorporates to deny institution of IPR.

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JURISDICTION AND VENUE

10. This case arises under the Administrative Procedure Act ("APA"), 5 U.S.C. § 701 *et seq*. This Court has subject matter jurisdiction under 28 U.S.C. § 1331.

11. Pursuant to 5 U.S.C. § 702, Defendant has waived sovereign immunity for purposes of this suit.

12. Plaintiffs' claims for declaratory and injunctive relief are authorized by 28 U.S.C. §§ 2201 and 2202, by 5 U.S.C. §§ 702-706, by Federal Rules of Civil Procedure 57 and 65, and by the inherent equitable powers of this Court.

13. Venue is proper in this District under 28 U.S.C. § 1391(e) and 5 U.S.C. § 703 because at least one Plaintiff maintains its headquarters in this District.

14. The *NHK-Fintiv* rule is final agency action subject to judicial review under 5 U.S.C. § 704.

INTRADISTRICT ASSIGNMENT

15. This action arises in the San Jose Division because a substantial part of the events giving rise to Plaintiffs' claims occurred in Santa Clara County, California, where all Plaintiffs maintain their headquarters.

PARTIES

16. Plaintiff Apple Inc. ("Apple") is a California corporation having its principal place of business at One Apple Park Way, Cupertino, California, 95014.

17. Plaintiff Cisco Systems, Inc. ("Cisco") is a California corporation having its principal place of business at 170 West Tasman Drive, San Jose, California, 95134.

18. Plaintiff Google LLC ("Google") is a Delaware limited liability company having its principal place of business at 1600 Amphitheatre Parkway, Mountain View, California, 94043.

19. Plaintiff Intel Corporation ("Intel") is a Delaware corporation having its principal place of business at 2200 Mission College Boulevard, Santa Clara, California, 95054.

20. Plaintiffs Edwards Lifesciences Corp. and Edwards Lifesciences LLC (collectively "Edwards") are Delaware corporations having their principal place of business at One Edwards Way,

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Irvine, California, 92614. Edwards Lifesciences Corp. owns numerous patents that it exclusively licenses to Edwards Lifesciences LLC, which is an operating company that has been sued for patent infringement in the past.

21. Defendant Andrei Iancu is the Under Secretary of Commerce for Intellectual Property and Director of the PTO. The Director oversees the operations of the PTO and is statutorily vested with the authority to decide whether to institute IPR of a patent claim. 35 U.S.C. § 314. Defendant Iancu is being sued in his official capacity. His principal place of business is in Alexandria, Virginia.

FACTUAL ALLEGATIONS

The Patent System

22. "To promote the progress of science and useful arts," the Constitution empowers Congress to "secur[e] for limited times to … inventors the exclusive right to their … discoveries." U.S. Const., art. I, § 8, cl. 8. The U.S. patent system has long fueled American economic growth and innovation. Plaintiffs each strongly support and rely on a strong patent system that lends robust legal protection to meritorious patent claims.

23. Apple is an American success story and developer of iconic consumer devices and software that have transformed the American economy. With more than 90,000 employees in the United States, Apple is one of the country's largest employers in the high-technology business sector. Overall, Apple supports 2.4 million jobs in all 50 states. Last year, Apple spent over $60 billion with more than 9,000 domestic suppliers across the country, including at manufacturing locations in 36 states. Apple invests billions of dollars annually in U.S. research and development, and it owns more than 22,000 U.S. patents that protect that investment.

24. Cisco is an American and worldwide leader in information technology, networking, communications, and cybersecurity solutions. Cisco is a strong supporter of the U.S. patent system, owning more than 16,000 U.S. patents, which protect more than $6 billion in annual spending on research and development. Cisco's 20,000 worldwide engineers constantly invent new ways to better connect the world. As a result of its commitment to innovation and intellectual property, Cisco files more than 700 patent applications each year seeking protection for those inventions.

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