

United States Court of Appeals for the Federal Circuit

JTEKT CORPORATION,
Appellant

v.

GKN AUTOMOTIVE LTD.,
Appellee

2017-1828

Appeal from the United States Patent and Trademark
Office, Patent Trial and Appeal Board in No. IPR2016-
00046.

Decided: August 3, 2018

WILBUR T. BAKER, Oblon, McClelland, Maier & Neu-
stadt, LLP, Alexandria, VA, argued for appellant. Also
represented by LISA MANDRUSIAK, RYAN W. SMITH.

LINDA METTES, Brooks Kushman PC, Southfield, MI,
argued for appellee. Also represented by SANGEETA G.
SHAH, KRISTIN LEE MURPHY.

Before PROST, *Chief Judge*, DYK and O'MALLEY, *Cir-
cuit Judges*.

DYK, *Circuit Judge*.

GKN Automotive LTD (“GKN”) owns U.S. Patent No. 8,215,440 (“the ’440 patent”). In inter partes review (“IPR”), the Patent Trial and Appeal Board (“the Board”) found claims 2 and 3 of the ’440 patent not unpatentable. JTEKT Corporation (“JTEKT”), the petitioner in the IPR, appealed. Because JTEKT lacks standing to appeal, we dismiss the appeal.

BACKGROUND

GKN’s ’440 patent describes a drivetrain for a four-wheel drive vehicle that is made up of primary and secondary drivetrains. The drivetrain can be switched between two-wheel drive mode and four-wheel drive mode. The claimed drivetrain operates to reduce the number of rotating components when the secondary drivetrain is disconnected.

JTEKT petitioned for IPR of the patentability of claims 1–7 of the ’440 patent in IPR2016-00046. The Board instituted IPR on all challenged claims. After institution, GKN disclaimed claims 1, 4, and 5. Accordingly, the IPR focused on whether JTEKT had shown that claims 2 and 3 would have been obvious over the prior art of Teraoka in view of Watanabe and whether claims 6 and 7 would have been obvious over the prior art of Teraoka in view of Burrows. Claims 2 and 3—the claims currently on appeal—specify that two side-shaft couplings connect the secondary axle rather than one side-shaft coupling. These side-shaft couplings provide both transverse and longitudinal power distribution between the left and right wheels and the front and rear wheels.

On January 23, 2017, the Board held that claims 6 and 7 would have been obvious over Teraoka in view of Burrows, but that JTEKT did not show that claims 2 and 3 would have been obvious over Teraoka in view of Watanabe. The Board decided that JTEKT had failed to

JTEKT CORPORATION v. GKN AUTOMOTIVE LTD.

3

establish that a person of ordinary skill “would have had a reasonable expectation of reducing vehicle weight with the proposed modification,” that being the stated motivation to combine. J.A. 0032.

GKN did not appeal the Board’s decision with respect to claims 6 and 7. But JTEKT appealed the Board’s decision regarding claims 2 and 3. GKN’s motion to dismiss the appeal based on lack of standing was denied by a motions panel of this court, which “deem[ed] it the better course for the parties to address the standing issue in their briefs.” Order, No. 17-1828, ECF No. 23. JTEKT asserts that we have jurisdiction under 28 U.S.C. § 1295(a)(4)(A).

DISCUSSION

Under the IPR statute, any person or entity may petition the Patent Office to institute an IPR proceeding. 35 U.S.C. § 311(a). There is no requirement that the petitioner have Article III standing, as “[p]arties that initiate [IPRs] need not have a concrete stake in the outcome; indeed, they may lack constitutional standing.” *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2143–44 (2016). We have similarly concluded that “Article III standing is not necessarily a requirement to appear before an administrative agency.” *Consumer Watchdog v. Wis. Alumni Research Found.*, 753 F.3d 1258, 1261 (Fed. Cir. 2014) (citation omitted). The statute also provides that an unsuccessful petitioner may appeal an adverse final written decision. 35 U.S.C. § 141(c) (“A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board . . . may appeal the Board’s decision . . . to the United States Court of Appeals for the Federal Circuit.”).

In a series of decisions, we have held that the statute cannot be read to dispense with the Article III injury-in-fact requirement for appeal to this court. In *Phigenix*,

Inc. v. Immunogen, Inc., we wrote that “[a]n appellant’s obligation to establish an injury in fact remains firm even though it need not ‘meet all the normal standards for redressability and immediacy’ when, as here, a statute provides that appellant with a right to appeal.” 845 F.3d 1168, 1172 n.2 (Fed. Cir. 2017) (citations omitted); see also 35 U.S.C. § 141(c). Phigenix lacked standing to appeal an IPR because it did not face an actual injury. *Phigenix*, 845 F.3d at 1176. Phigenix did not argue that it was at risk of “infringing the [patent at issue], that it is an actual or prospective licensee . . . or that it otherwise plans to take any action that would implicate the patent Instead, Phigenix assert[ed] that it . . . suffered an actual economic injury because the [patent at issue] increases competition” for Phigenix. *Id.* at 1173–74. This was not enough to establish Article III standing. *Id.* at 1175–76.

Similarly, in *Consumer Watchdog*, a nonprofit organization (Consumer Watchdog) petitioned for IPR concerning a patent for embryonic stem cells, but was unsuccessful before the Board. *Consumer Watchdog*, 753 F.3d. at 1260. Consumer Watchdog appealed to this court. Consumer Watchdog did not “allege[] any involvement in research or commercial activities involving human embryonic stem cells. Nor . . . that it [was] an actual or prospective competitor of [the patent owner] or licensee.” *Id.* We held that there was no standing “[b]ecause Consumer Watchdog [did] not establish[] an injury in fact.” *Id.* These cases stressed that the “obligation to establish an injury in fact” for appellants “remains firm.” *Phigenix*, 845 F.3d. at 1172 n.2.

Supreme Court cases establish that the injury in fact must be “an injury that is both ‘concrete *and* particularized.’” *Spokeo, Inc. v. Robins*, 136 S. Ct. 1540, 1545 (2016) (emphasis in original) (citation omitted). Injuries that are “conjectural or hypothetical” will not provide standing. *Lujan v. Defs. of Wildlife*, 504 U.S. 555, 560 (1992) (cita-

JTEKT CORPORATION v. GKN AUTOMOTIVE LTD.

5

tions omitted). That being said, the Supreme Court has pointed out that “[t]he rule that a plaintiff must . . . bet the farm, or . . . risk . . . damages . . . before seeking a declaration of its actively contested legal rights finds no support in Article III.” *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 134 (2007). Our cases establish that typically in order to demonstrate the requisite injury in an IPR appeal, the appellant/petitioner must show that it is engaged or will likely engage “in an[] activity that would give rise to a possible infringement suit,” *Consumer Watchdog*, 753 F.3d at 1262, or has contractual rights that are affected by a determination of patent validity, *see generally MedImmune*, 549 U.S. at 137.

As the party seeking judicial review, JTEKT has the burden of establishing that it possesses the requisite injury. *See DaimlerChrysler Corp. v. Cuno*, 547 U.S. 332, 342 (2006). Thus, in IPR appeals, “an appellant must . . . supply the requisite proof of an injury in fact when it seeks review of an agency’s final action in a federal court,” by creating a necessary record in this court, if the record before the Board does not establish standing. *Phigenix*, 845 F.3d at 1171–72. When the record before the Board is inadequate, the appellants “must supplement the record to the extent necessary to explain and substantiate its entitlement to judicial review,” such as by submitting “affidavits or other evidence to demonstrate its standing.” *Id.* at 1173 (citations omitted).

The fact that JTEKT has no product on the market at the present time does not preclude Article III standing, either in IPRs or in declaratory judgment actions. *See, e.g., Altaire Pharms., Inc. v. Paragon Biotech, Inc.*, 889 F.3d 1274, 1280–83 (Fed. Cir. 2018). Both IPRs and declaratory judgment actions enable a party to secure a judicial determination in advance of actual, liability-creating injury. But where the party relies on potential infringement liability as a basis for injury in fact, but is not currently engaging in infringing activity, it must

establish that it has concrete plans for future activity that creates a substantial risk of future infringement or likely cause the patentee to assert a claim of infringement.

While JTEKT has submitted two declarations in support of its standing, JTEKT's problem is that these declarations do not establish that its planned product would create a substantial risk of infringing claims 2 or 3 of GKN's '440 patent or likely lead to charges of infringement. GKN has not alleged infringement, *see PPG Indus., Inc. v. Valspar Sourcing, Inc.*, 679 F. App'x 1002, 1004 (Fed. Cir. 2017) (non-precedential), and, while JTEKT and GKN are competitors generally, JTEKT expressly conceded that "no product is yet finalized." J.A. 1642, at ¶ 13. JTEKT's product is in development and "will continue to evolve." J.A. 1642, at ¶ 15. The declaration of Mikiharu Oyabu, JTEKT's Chief Engineer, admits that "JTEKT is [still] currently validating its design, including tuning and conducting customer demonstrations. . . . [t]he concept will continue to evolve and may change until it is completely finalized." J.A. 1642, at ¶¶ 14–15.

The declaration of Koji Morita, a patent engineer for JTEKT, states that JTEKT began development on its own driveshaft concept in 2015, and opines that there is a "potential risk of infringement." J.A. 1636, at ¶ 14. But JTEKT repeatedly stressed that "[b]ecause JTEKT has not yet developed a final product, there is nothing that can be analyzed for infringement." J.A. 1644, at ¶ 23; *see also* J.A. 1637, at ¶ 16. Morita admits that "because the product was not—and is not—yet finalized, JTEKT cannot definitively say whether or not it will infringe the '440 patent and the potential risk of infringement . . . is impossible to quantify at this time." J.A. 1637, at ¶ 16. JTEKT's declarations only state that "the general features of JTEKT's current concepts [are] similar enough to the features of the '440 patent," to justify filing the IPR to "negat[e] any potential risk for JTEKT . . . down the line," J.A. 1636, at ¶ 14, and that "JTEKT determined that the

JTEKT CORPORATION v. GKN AUTOMOTIVE LTD.

7

'440 patent posed a risk *to future development* significant enough to warrant filing the IPR." J.A. 1641, at ¶ 10 (emphasis added). To be sure, IPR petitioners need not concede infringement to establish standing to appeal. See *MedImmune*, 549 U.S. at 134. But we conclude that JTEKT has not established at this stage of the development that its product creates a concrete and substantial risk of infringement or will likely lead to claims of infringement.

Although JTEKT argues that the creation of estoppel based on its participation in the IPR constitutes a separate, and independent, injury in fact, we have explained that "estoppel provision[s] 'do[] not constitute an injury in fact' when . . . the appellant 'is not engaged in any activity that would give rise to a possible infringement suit.'" *Phigenix*, 845 F.3d at 1175–76 (quoting *Consumer Watchdog*, 753 F.3d at 1262).

CONCLUSION

Because JTEKT has failed to establish an actual injury sufficient to confer Article III standing, we dismiss this appeal.

DISMISSED

COSTS

No costs.

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

**NOTICE OF ENTRY OF
JUDGMENT ACCOMPANIED BY OPINION**

OPINION FILED AND JUDGMENT ENTERED: 08/03/2018

The attached opinion announcing the judgment of the court in your case was filed and judgment was entered on the date indicated above. The mandate will be issued in due course.

Information is also provided about petitions for rehearing and suggestions for rehearing en banc. The questions and answers are those frequently asked and answered by the Clerk's Office.

No costs were taxed in this appeal.

Regarding exhibits and visual aids: Your attention is directed Fed. R. App. P. 34(g) which states that the clerk may destroy or dispose of the exhibits if counsel does not reclaim them within a reasonable time after the clerk gives notice to remove them. (The clerk deems a reasonable time to be 15 days from the date the final mandate is issued.)

FOR THE COURT

/s/ Peter R. Marksteiner

Peter R. Marksteiner
Clerk of Court

cc: Wilbur T. Baker
Lisa Mandrusiak
Linda Mettes
Kristin Lee Murphy
Sangeeta G. Shah
Ryan W. Smith

17-1828 - JTEKT Corporation v. GKN Automotive Ltd.
United States Patent and Trademark Office, Case No. IPR2016-00046

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT
717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439

PETER R. MARKSTEINER
CLERK OF COURT

202-275-8000

Information Sheet

Petitions for Rehearing and Petitions for Hearing and Rehearing En Banc

1. When is a petition for rehearing appropriate?

The Federal Circuit grants few petitions for rehearing each year. These petitions for rehearing are rarely successful because they typically fail to articulate sufficient grounds upon which to grant them. Of note, petitions for rehearing should not be used to reargue issues previously presented that were not accepted by the merits panel during initial consideration of the appeal. This is especially so when the court has entered a judgment of affirmance without opinion under Fed. Cir. R. 36. Such dispositions are entered if the court determines the judgment of the trial court is based on findings that are not clearly erroneous, the evidence supporting the jury verdict is sufficient, the record supports the trial court's ruling, the decision of the administrative agency warrants affirmance under the appropriate standard of review, or the judgment or decision is without an error of law.

2. When is a petition for hearing/rehearing en banc appropriate?

En banc consideration is rare. Each three-judge merits panel is charged with deciding individual appeals under existing Federal Circuit law as established in precedential opinions. Because each merits panel may enter precedential opinions, a party seeking en banc consideration must typically show that either the merits panel has (1) failed to follow existing decisions of the U.S. Supreme Court or Federal Circuit precedent or (2) followed Federal Circuit precedent that the petitioning party now seeks to have overruled by the court en banc. Federal Circuit Internal Operating Procedure #13 identifies several reasons when the Federal Circuit may opt to hear a matter en banc.

3. Is it necessary to file either of these petitions before filing a petition for a writ certiorari in the U.S. Supreme Court?

No. A petition for a writ of certiorari may be filed once the court has issued a final judgment in a case.

For additional information and filing requirements, please refer to Fed. Cir. R. 40 (Petitions for Rehearing) and Fed. Cir. R. 35 (Petitions for Hearing or Rehearing En Banc).

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT717 MADISON PLACE, N.W.
WASHINGTON, D.C. 20439PETER R. MARKSTEINER
CLERK OF COURT

202-275-8000

Information Sheet**Filing a Petition for a Writ of Certiorari**

There is no automatic right of appeal to the Supreme Court of the United States from judgments of the Federal Circuit. Instead, a party must file a petition for a writ of certiorari which the Supreme Court will grant only when there are compelling reasons. *See* Supreme Court Rule 10.

Time. The petition must be filed in the Supreme Court of the United States within 90 days of the entry of judgment in this Court or within 90 days of the denial of a timely petition for rehearing. The judgment is entered on the day the Federal Circuit issues a final decision in your case. The time does not run from the issuance of the mandate. *See* Supreme Court Rule 13.

Fees. Either the \$300 docketing fee or a motion for leave to proceed in forma pauperis with an affidavit in support thereof must accompany the petition. *See* Supreme Court Rules 38 and 39.

Authorized Filer. The petition must be filed by a member of the bar of the Supreme Court of the United States or by the petitioner as a self-represented individual.

Format of a Petition. The Supreme Court Rules are very specific about the content and formatting of petitions. *See* Supreme Court Rules 14, 33, 34. Additional information is available at https://www.supremecourt.gov/filingandrules/rules_guidance.aspx.

Number of Copies. Forty copies of a petition must be filed unless the petitioner is proceeding in forma pauperis, in which case an original and ten copies of both the petition for writ of certiorari and the motion for leave to proceed in forma pauperis must be filed. *See* Supreme Court Rule 12.

Filing. Petitions are filed in paper at *Clerk, Supreme Court of the United States, 1 First Street, NE, Washington, DC 20543*.

Effective November 13, 2017, electronic filing is also required for filings submitted by parties represented by counsel. *See* Supreme Court Rule 29.7. **Additional information about electronic filing at the Supreme Court is available at** <https://www.supremecourt.gov/filingandrules/electronicfiling.aspx>.

No documents are filed at the Federal Circuit and the Federal Circuit provides no information to the Supreme Court unless the Supreme Court asks for the information.