No. 25-___

United States Court of Appeals for the Federal Circuit

IN RE SAP AMERICA, INC.,
Petitioner.

On Petition for Writ of Mandamus to the
United States Patent and Trademark Office in No. IPR2024-01495

PETITION FOR A WRIT OF MANDAMUS

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CERTIFICATE OF INTEREST

Counsel for the Petitioner SAP America, Inc. certifies that the following information is accurate and complete to the best of our knowledge:

1. Represented Entities. Fed. Cir. R. 47.4(a)(1).	**2. Real Party in Interest.** Fed. Cir. R. 47.4(a)(2).	**3. Parent Corporations and Stockholders.** Fed. Cir. R. 47.4(a)(3).
Provide the full names of all entities represented by undersigned counsel in this case.	Provide the full names of all real parties in interest for the entities. Do not list the real parties if they are the same as the entities.	Provide the full names of all parent corporations for the entities and all publicly held companies that own 10% or more stock in the entities.
SAP America, Inc.	SAP SE	SAP America, Inc. is a wholly owned subsidiary of SAP SE, which is a publicly traded company. No publicly held company owns 10% or more of the stock of SAP SE.

4. Legal Representatives. List all law firms, partners, and associates that (a) appeared for the entities in the originating court or agency or (b) are expected to appear in this court for the entities. Do not include those who have already entered an appearance in this court. Fed. Cir. R. 47.4(a)(4).		
Roy Chamcharas Klarquist Sparkman, LLP	Todd M. Siegel Klarquist Sparkman, LLP	

5. Related Cases. Other than the originating case(s) for this case, are there related or prior cases that meet the criteria under Fed. Cir. R. 47.5(a)?
Yes (separate Notice of Related Case Information filed).

6. Organizational Victims and Bankruptcy Cases. Provide any information required under Fed. R. App. P. 26.1(b) (organizational victims in criminal cases) and 26.1(c) (bankruptcy case debtors and trustees). Fed. Cir. R. 47.4(a)(6).
N/A

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I. INTRODUCTION

The Patent Office's discretion to deny a meritorious inter partes review ("IPR") petition has limits. It is cabined by the U.S. Constitution, the IPR statute, and the Patent Office's own binding agency guidance. In discretionarily denying SAP's (and others') IPR petitions this spring, the Patent Office violated each of these restrictions.

The Patent Office violated the 5th Amendment's Due Process Clause by retroactively revoking its "binding agency guidance" that had guaranteed SAP's petitions would *not* be discretionarily denied based on parallel district court litigation, after SAP had reasonably acted in reliance on that binding guidance.

Specifically, Director Vidal's June 21, 2022, Memorandum ("Vidal Memo."), "issued under the Director's authority to issue binding agency guidance to govern the PTAB's implementation of various statutory provisions," stated that the PTAB would not discretionarily deny institution based on parallel district court litigation if the petitioner submitted a *Sotera* stipulation. (Appx27.) SAP relied on that binding agency guidance in part by taking its time to carefully investigate the prior art and prepare the petition it filed on October 1, 2024, knowing that such delay would not risk a discretionary denial because SAP would submit a *Sotera* stipulation.

But then the Patent Office, headed by new Acting Director Stewart, withdrew that guidance on February 28, 2025, without explaining why it was withdrawn and

without addressing the reliance interests of petitioners such as SAP. (Appx81.). Nearly a month later, the Patent Office stated that this rescission would apply, retroactively, to all pending IPR petitions. (Appx83.) The Board then discretionarily denied SAP's petition based on parallel district court litigation despite SAP's *Sotera* stipulation and despite finding that SAP's petition met the statutory merits threshold: "Petitioner's challenge is straightforward and definitely meets the standard for institution." (Appx13.) This retroactive rescission of binding guidance on which SAP had reasonably relied violated due process.

The Office also violated the separation of powers by discretionarily denying SAP's (and others') IPR petitions for reasons that effectively rewrite the statute governing IPRs. Specifically, as a *de facto* condition for institution, the Office now pushes petitioners to stipulate in parallel district court litigation to a disproportionate forfeiture of public-use and on-sale invalidity defenses that petitioners cannot pursue in IPR. This conflicts with the IPR statute, which establishes a narrower estoppel proportional to the unpatentability grounds a party may assert in IPR. The Board's denial of SAP's petition relied heavily on SAP not acceding to this *ultra vires* demand for a disproportionate estoppel: "We find particularly significant that, if we were to institute review and trigger Petitioner's *Sotera* stipulation, Petitioner would remain free to pursue a system-based invalidity challenge in the district court based

on essentially the same prior art that would be at issue here." (Appx14.) This new policy is an unconstitutional agency end run around the statute.

These constitutional violations distinguish the Court's past decisions denying mandamus review from IPR institution denials or de-institution decisions.

II. JURISDICTION

"While there is no avenue for direct appeal of decisions denying institution, . . . judicial review is available in extraordinary circumstances by petition for mandamus." *Mylan Lab'ys Ltd. v. Janssen Pharmaceutica, N.V.*, 989 F.3d 1375, 1379 (Fed. Cir. 2021). In particular, the Court may review "the Director's exercise of his discretion to deny institution" where there are "colorable constitutional claims." *Id.* at 1382. *See* 28 U.S.C. §§ 1295(a)(4)(A), 1651; 35 U.S.C. §§ 141(c), 319; and *In re Palo Alto Networks, Inc.*, 44 F.4th 1369, 1374 (Fed. Cir. 2022) (reviewing constitutional claim relating to institution denial upon petition for a writ of mandamus).

III. RELIEF SOUGHT

The Court should order the Office to apply its June 21, 2022, "binding agency guidance" to SAP's petitions, and all still-active petitions filed before February 28, 2025, and to not pressure SAP or any IPR petitioner into forfeiting in parallel district court litigation an invalidity ground it could not have reasonably asserted in their IPR petition.

IV. BACKGROUND

After being sued in February 2024 in the Eastern District of Texas for alleged infringement of four patents, SAP filed IPR petitions on three of the asserted patents. The petition at issue here was filed October 1, 2024. (Appx103.) On February 11, 2025, SAP filed its *Sotera* stipulation agreeing (contingent on institution) not to pursue any ground of unpatentability in district court that was raised or reasonably could have been raised in any instituted IPR (i.e., any Section 102 or 103 invalidity defense based on prior art patents or printed publications). (Appx80; Appx104.)

Under Director Vidal's binding June 2022 memorandum, SAP's stipulation ensured that the Office would not deny institution of the IPR based on the parallel district court litigation. (Appx27 ("[T]he PTAB will not discretionarily deny institution in view of parallel district court litigation where a petitioner presents a stipulation not to pursue in a parallel proceeding the same grounds or any grounds that could have reasonably been raised before the PTAB.").) The Vidal Memo. was "issued under the Director's authority to issue binding agency guidance" (*id.*) and "applie[d] to all proceedings pending before the Office" (Appx33).

Director Vidal issued this guidance based on stakeholder feedback (Appx26, Appx44), post-*Sotera* institution statistics (Appx35) showing institution was rarely

denied when a petitioner made some type of stipulation[1], and the precedential *Sotera* decision itself, which found a *Sotera* stipulation to weigh "strongly" against discretionary denial because it "mitigates any concerns of duplicative efforts between the district court and the Board, as well as concerns of potentially conflicting decisions" and ensures that IPR serves as a "true alternative" to the district court litigation for the grounds that can be raised in IPR. *Sotera Wireless, Inc. v. Masimo Corp.*, No. IPR2020-01019, 2020 WL 7049373, at *7 (P.T.A.B. Dec. 1, 2020).

On February 28, 2025, the Office issued a three-sentence website post rescinding the Vidal Memo., without indicating to which cases this rescission would apply. (Appx81.) On March 24, the Office issued a memorandum (the "Boalick Memo.") announcing that the February 28 rescission would apply not only prospectively to petitions filed after that date, but also retroactively to "any case in which the Board has not issued an institution decision, or where a request for

[1] The PTO conducted a study finding that only a small percentage of IPRs (e.g., 2.9% (2 out of 68) in Q1 of 2022) were denied institution when a petitioner made some type of stipulation (including narrower *Sand* stipulation agreeing not to pursue only the *same* grounds raised in district court). (Appx17; Appx21.)

rehearing or Director Review of an institution decision was filed and remains pending." (Appx83.)[2] The Boalick Memo. stated that the Vidal Memo. "was intended to provide guidance while the USPTO proposed potential rulemaking, but the USPTO did not subsequently propose a final rule," and thus, "[i]n the absence of rulemaking, the USPTO [had] rescinded the [Vidal Memo.] to restore policy in this area to the guidance in place before the [Vidal Memo.]." (Appx82.)

On April 7, 2025, the Board denied institution, primarily based on the finding that SAP's *Sotera* stipulation had "limited practical effect" because it did not cover the prior art system described in part by the printed publications cited in the IPR. (Appx11–12; Appx14) ("We find particularly significant that, if we were to institute review and trigger Petitioner's *Sotera* stipulation, Petitioner would remain free to pursue a system-based invalidity challenge in the district court based on essentially the same prior art that would be at issue here.").)

On April 17, 2025, SAP filed a request for Director Review of the Board's decision denying institution, arguing, among other things, that it was contrary to the *Sotera* decision and other post-*Sotera* institution decisions where corresponding system art similarly was alleged to be at play in district court. (Appx88; Appx94–

[2] Unlike the Vidal Memo., the Patent Office issued the Boalick Memo. without any feedback from stakeholders.

98) (citing *e.g.*, *HP Inc. v. Universal Connectivity Techs., Inc.*, No. IPR2024-01428, 2025 WL 1040187, at *3–4 (P.T.A.B. Apr. 8, 2025)).) Without explanation, the Director denied SAP's requests for Director Review of the denials of institution of three SAP petitions in a single sentence: "[u]pon consideration of the requests, it is: ORDERED that the requests for Director Review are denied." (Appx2.)

V. ARGUMENT

A. Mandamus Relief Is Appropriate

To obtain the remedy of mandamus, a "petitioner must: (1) show that it has a clear and indisputable legal right; (2) show it does not have any other adequate method of obtaining relief; and (3) convince the court that the writ is appropriate under the circumstances." *Mylan*, 989 F.3d at 1382.

SAP's petition meets these conditions for mandamus. Due process and separation of powers are clear and indisputable legal rights applicable to SAP, and SAP's rights were violated, as explained further below. SAP has no other method of obtaining relief, as "there is no avenue for direct appeal of decisions denying institution." *Id.* at 1379. And the writ is appropriate under the circumstances in part because parties before the Patent Office should not be penalized for reasonably relying on the agency's binding guidance.

B. The Patent Office's Retroactive Rescission of Its Binding Agency Guidance Violated SAP's Due Process Rights

The Patent Office violated SAP's constitutional due process rights by

retroactively applying its rescission of the Vidal Memo. to SAP's pending IPR.

SAP filed its petition for IPR on October 1, 2024. Nearly six months later, on March 24, 2025, the Patent Office decided to retroactively apply the rescission of the Vidal Memo. to IPRs pending before the February 28, 2025, rescission of the Vidal Memo. (Appx83.) This rescission greatly changed the legal landscape, leading to severe consequences for past actions SAP had taken in reliance on the Vidal Memo's binding agency guidance.

The Vidal Memo. gave SAP and others several clear benefits and expectations when contemplating filing an IPR petition in response to a patent infringement action. Primarily, any petitioner willing to make a *Sotera* stipulation would not face discretionary denial based on a parallel district court action. Such petitioners could utilize the full one-year statutory period following service of a complaint alleging infringement, without being penalized with the risk of denial on that ground. They remained free to assert in district court those invalidity defenses not permitted in IPR, including on-sale and public-use prior art, even if based on products described in the IPR-asserted publications. For such petitioners, any petition that met the statutory criteria—like SAP's petition here—was virtually guaranteed institution.

1. SAP Reasonably Relied on the Vidal Memo.

It was reasonable for SAP and other IPR petitioners to act in reliance on these expectations and benefits. First, the Vidal Memo. described itself as "binding agency

guidance" (Appx27), assuring IPR petitioners that the Board panels reviewing their petitions would abide by this guidance.

Second, the Board consistently followed the Vidal Memo.'s binding agency guidance, such that filing a timely *Sotera* stipulation was a *de facto* guarantee that an IPR petition would not be denied based on a parallel district court action. *See, e.g.*, *BMW of North Am., LLC v. NorthStar Sys. LLC*, No. IPR2023-01049, 2024 WL 967815, at *4 (P.T.A.B. Mar. 6, 2024) ("Under the mandatory *Fintiv* guidance, this [*Sotera*] stipulation is dispositive."); *Meta Platforms, Inc. v. Eight kHz, LLC*, No. IPR2023-01005, 2024 WL 100929, at *5–6 (P.T.A.B. Jan. 9, 2024) (declining to exercise discretion to deny institution due to a petitioner's *Sotera* stipulation, and rejecting, as contrary to *Sotera* and the Vidal Memo., a patent owner's arguments that the stipulation was insufficient because it carved out the right to assert overlapping system art in district court); *see also Motorola Sols., Inc. v. STA Grp. LLC*, No. IPR2023-01293, 2024 WL 1093736, at *2 (P.T.A.B. Mar. 13, 2024).

Third, the Vidal Memo. indicated that the Office expected to replace its binding agency guidance with formal rulemaking (Appx33), so the public could expect this guidance to stay in place until such time.

Fourth, Congress did not delegate to the Patent Office the authority to retroactively rescind such binding agency guidance, meaning that parties could rely on the guidance without fear that its legal landscape would later be pulled out from

under them. Specifically, "a statutory grant of legislative rulemaking authority will not, as a general matter, be understood to encompass the power to promulgate retroactive rules unless that power is conveyed by Congress in express terms." *Bowen v. Georgetown Univ. Hosp.*, 488 U.S. 204, 208 (1988); *Smith v. Metro. Sch. Dist. Perry Twp.*, 128 F.3d 1014, 1039–40 (7th Cir. 1997) ("[W]e must . . . refrain from giving retroactive effect to agency policy guidelines."). "[W]hen Congress's delegates seek to exercise delegated legislative policymaking authority: their rules too should be presumed prospective in operation unless Congress has clearly authorized retroactive application." *De Niz Robles v. Lynch*, 803 F.3d 1165, 1172 (10th Cir. 2015) (finding that executive agency did not have authority to apply rule retroactively).

Congress did not grant the Patent Office authority to make retroactive rules or guidelines, nor to retroactively rescind binding agency guidance. *Cf.* 35 U.S.C. §§ 2(b)(2), 316(a); *see also, e.g.*, *Tafas v. Dudas*, 511 F. Supp. 2d 652, 666 (E.D. Va. 2007) ("Congress did not expressly grant the PTO" "the power to promulgate retroactive rules."); William C. Neer, Comment, *Discerning the Retroactive Policymaking Powers of the United States Patent and Trademark Office*, 71 Admin. L. Rev. 413, 430–33 (2019) ("The USPTO does not have the power to make retroactive rules."). Thus, SAP was justified in relying on the Vidal Memo. because the Patent Office did not have the authority to retroactively rescind it.

Reasonably relying on this binding guidance, SAP asserted related public-use and on-sale prior art in the parallel litigation, took seven months to prepare and file its IPR petition, and expended substantial sums to prepare and file its petition, knowing it would be instituted if it met (as the Board found it did) the statutory requirements.

2. SAP's Reliance Interest Was Protected by Due Process

SAP's reliance interest in the agency's binding guidance is the kind of reliance interest deemed property for due process purposes because it is a legitimate claim to entitlement, not a mere unilateral expectation. *Cf. The Bd. of Regents of State Colleges v. Roth*, 408 U.S. 564, 577 (1972). The "property" interests subject to procedural due process protection include "a broad range of interests that are secured by 'existing rules or understandings.'" *Perry v. Sindermann*, 408 U.S. 593, 601 (1972) (citation omitted). Here, the Vidal Memo. secured SAP's entitlement to avoid discretionary denial based on the parallel district action as soon as SAP filed its *Sotera* stipulation. That right was a substantial one effectively guaranteeing institution of SAP's petition, which met all statutory requirements.

A state "creates a protected liberty interest by placing substantive limitations on official discretion." *Olim v. Wakinekona*, 461 U.S. 238, 249 (1983), *abrogated in part on other grounds*, *Sandin v. Conner*, 515 U.S. 472, 484 (1995) (abrogating *Olim* in the prison context). Specifically, "the use of 'explicitly mandatory language,' in

connection with the establishment of 'specified substantive predicates' to limit discretion, forces a conclusion that the State has created a liberty interest." *Ky. Dept. of Corrections v. Thompson*, 490 U.S. 454, 463 (1989). Here, the Vidal Memo. self-imposed a sizable and substantive limitation on the Patent Office's discretion to deny an IPR petition. Using mandatory language, it expressly limited the discretion to deny an IPR petition upon satisfaction of the substantive predicate of filing a *Sotera* stipulation. In practice, that restriction on discretion was absolute, leading to institution so long as the statutory criteria were met. *Cf. Sindermann*, 408 U.S. at 601–03 (finding that a state university's rules and practices may support a teacher's legitimate claim of entitlement to continued employment absent "sufficient cause," creating a property interest subject to due process protection).

SAP had this property interest whether or not it was entitled to institution of its IPR petition. Even if its petition had not met the statutory requirements for institution, SAP was entitled to not have its reasonable reliance on the binding agency guidance arbitrarily undermined by the Patent Office. *Cf. Goldberg v. Kelly*, 397 U.S. 254, 271 (1970) (explaining that welfare recipients are entitled to certain procedures with regard to determining their eligibility, regardless of whether they are actually eligible).

3. The Rescission of the Vidal Memo. Was Retroactive

The Patent Office has argued its rescission of the Vidal Memo. was not retroactive because "the rescission is applicable only to cases in which a final decision on institution had not yet been made" and the Board allowed supplemental briefing in view of the rescission. *Motorola Sols., Inc. v. Stellar, LLC*, No. IPR2024-01284, 2025 WL 1503220, at *2 (P.T.A.B. May 23, 2025). The Court should reject the Patent Office's position that the Vidal Memo.'s rescission was not retroactive.

Retroactivity is measured by whether a party is prejudiced for its past acts in reliance on an old rule, not whether a tribunal applies the new rule only after announcing it. The critical question is "whether the new provision attaches new legal consequences to events completed before its enactment." *Landgraf v. USI Film Prods.*, 511 U.S. 244, 269–70 (1994). Assume a teacher on the first day of class promises students that she will give at least a B to any student who attends each class on time, but on the morning of the final exam announces that in giving final grades in a few weeks she will not follow that rule. That would be a retroactive application of the new rule to past behavior, even though the new rule was announced before it was applied. The same is true here.

Here, when SAP served its invalidity contentions asserting public-use and on-sale prior art related to the publications asserted in its IPR, it did so knowing that this posed no risk of institution denial under the Vidal Memo. The same was true

when it waited seven months to file its petition after being sued. But with the retroactive rescission of that Memo., the Board denied institution based on those past acts. That is a textbook retroactive application of a new legal landscape to past actions.

The opportunity to file a supplemental brief did not allow SAP to hit rewind on its invalidity contentions or strategic decisions made in how and when it prepared and filed its IPR petition. Nor could such briefing otherwise undo the prejudice suffered from the rescission of the binding agency guidance on which SAP had reasonably relied.

4. The Patent Office Violated SAP's Due Process Rights

Here, the retroactive rescission of the Vidal Memo. drastically altered the legal consequences of SAP's prior conduct in the district court (asserting system prior art and serving the *Sotera* stipulation) and in the Patent Office (filing an IPR petition seven months after being sued).

"To satisfy the Due Process Clause, [an agency] must at a minimum 'provide regulated parties fair warning of the conduct a regulation prohibits or requires.'" *Mexichem Fluor, Inc. v. EPA*, 866 F.3d 451, 462 (D.C. Cir. 2017). Such "fair warning" or "fair notice" requires that, "when an agency issues guidance, it cannot 'change the requirements set forth therein without consideration of applicants' reasonable reliance interests, proper notice to applicants, and a reasonable

opportunity for applicants to conform to the changed requirements.'" *FDA v. Wages & White Lion Invs., LLC*, 145 S. Ct. 898, 918 (2025) (describing the concept of "fair notice" from a 5th Circuit decision). The Office gave SAP no such fair notice. *See also, e.g.*, *Cemex Inc. v. Dep't of the Interior*, 560 F. Supp. 3d 268, 281–82 (D.D.C. 2021) (explaining that due process requires an agency to take into account reliance interests when changing course).

In rescinding the Vidal Memo. retroactively, the Office did not acknowledge the reliance interests of SAP and other petitioners who had filed IPR petitions relying on the Vidal Memo.'s binding guidance. (Appx81; Appx82–84.)

"In general, the ill effect of retroactivity is the frustration of the expectations of those who have justifiably relied on a prior rule." *McDonald v. Watt*, 653 F.2d 1035, 1044 (5th Cir. 1981) (holding that an agency's rule, which reversed an established agency practice on which oil and gas lease applicants relied, should be given prospective effect only). Here, SAP justifiably relied on the Vidal Memo. in choosing when to file and filing its IPR petition, and in choosing invalidity defenses to assert in the parallel district court action. The Court should order the Office to apply the rescission prospectively only, and remand for the Office to reconsider SAP's petition accordingly.[3]

[3] As explained above, the Patent Office lacks authority to legislatively promulgate retroactive rules. Where agencies sometimes *do* have authority to change