

FILED

**IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
ALEXANDRIA DIVISION**

2016 AUG 12 P 3:47

CLERK US DISTRICT COURT
ALEXANDRIA, VIRGINIA

Elm 3DS Innovations, LLC,

Plaintiff,

v.

Michelle K. Lee, in her official capacity as
Undersecretary of Commerce of Intellectual
Property and Director of the United States
Patent and Trademark Office, and

United States Patent and Trademark Office,

Defendants.

Case No.

1:16CV1036
LOG/IDD

COMPLAINT

Elm 3DS Innovations, LLC, by its attorneys, for its Complaint in this action alleges:

NATURE OF THE ACTION

1. Plaintiff Elm 3DS Innovations, LLC (“Elm”) seeks judicial review under the Administrative Procedure Act, 5 U.S.C. §§ 701–06, the Declaratory Judgment Act, 28 U.S.C. §§ 2201–02, and *Ex Parte Young*, 209 U.S. 123 (1908), of final agency action by defendants Michelle K. Lee, Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office (“Director Lee”), and the United States Patent and Trademark Office (the “PTO,” and together with Director Lee, the “Defendants”).

2. On December 22, 2015, Director Lee issued a rule declaring that the PTO would consider Tuesday, December 22, 2015 through Thursday, December 24, 2015 to be a “Federal holiday within the District of Columbia.” Ex. 1. Under that rule, “[a]ny action . . . due on these

days” would be “considered as timely” by the agency “if the action [wa]s taken . . . on the next succeeding business day on which the USPTO [wa]s open,” *i.e.*, Monday, December 28, 2015.

Id.

3. The issuance of that rule was arbitrary, capricious, an abuse of discretion, in excess of authority, and not in accordance with law. Defendants have no legal authority—under statute or regulation—to declare or consider days to be “federal holidays in the District of Columbia” when Congress has not so designated them, much less to thereby allow parties to take an action outside the statutorily prescribed time period.

4. Elm is aggrieved by Defendants’ actions in issuing and implementing the rule. As a result of the rule, the PTO allowed a party to seek *inter partes* review of the validity of certain of Elm’s patents before the agency, despite the fact that the party failed to file its petition for review within the one-year period required by Congress as part of the America Invents Act. *See* 35 U.S.C. § 315(b).

5. Elm respectfully requests that the Court declare, decree, and adjudge that Director Lee’s rule under which the PTO considered December 22–24, 2015 to be a “Federal holiday within the District of Columbia” is unlawful and legally void, set it aside, and enjoin Defendants from continuing to apply, enforce, or rely on it, or from maintaining any action based on it.

PARTIES

6. Elm is a Delaware corporation, with its principal place of business at 26147 Carmelo Street, Carmel, California 93923. It is the holder of numerous patents and has filed suit against companies that infringe those patents.

7. Director Lee is Undersecretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office, having her primary place of business

in Alexandria, Virginia.

8. The PTO is a United States government administrative agency within the Department of Commerce, having its principal place of business in Alexandria, Virginia.

JURISDICTION AND VENUE

9. This action arises under the United States Patent Act, 35 U.S.C. §§ 101 *et seq.*; 5 U.S.C. § 6103; the Administrative Procedure Act, 5 U.S.C. §§ 701–06; and the Declaratory Judgment Act, 28 U.S.C. §§ 2201–02.

10. This court has original jurisdiction of this action and personal jurisdiction over Defendants under 28 U.S.C. §§ 1331.

11. Venue is proper in this District under 28 U.S.C. §§ 1391 and 5 U.S.C. § 703.

BACKGROUND

Legal Framework

12. Federal “public holidays” in the United States are established by act of Congress and codified at 5 U.S.C. § 6103.

13. By statute, the PTO may rely on federal holidays when calculating statutory due dates. The United States Patent Act provides: “When the day, or the last day, for taking any action or paying any fee in the United States Patent and Trademark Office falls on Saturday, Sunday, *or a federal holiday within the District of Columbia*, the action may be taken, or the fee paid, on the next succeeding secular or business day.” 35 U.S.C. § 21(b) (emphasis added).

14. The PTO implemented 35 U.S.C. § 21(b) by regulation, which states: “When the day, or the last day fixed by statute or by or under this part for taking any action or paying any fee in the United States Patent and Trademark Office falls on Saturday, Sunday, *or on a Federal holiday within the District of Columbia*, the action may be taken, or the fee paid, on the next

succeeding business day which is not a Saturday, Sunday, or a Federal holiday.” 37 C.F.R. § 1.7 (emphasis added).

15. PTO regulations state that a “Federal holiday within the District of Columbia” means “any day, except Saturdays and Sundays, when the Patent and Trademark Office is officially closed for business for the entire day.” 37 C.F.R. § 1.9(h).

16. PTO rules provide that electronic filing or mailing documents through the U.S. Postal Service constitutes effective filing. 37 C.F.R. §§ 1.10, 42.6(b).

17. The only statutory authorization for the PTO to extend deadlines beyond weekends and federal holidays is provided in 35 U.S.C. § 21(a). Under that section, the Director of the PTO may “prescribe that any paper or fee required to be filed in the Patent and Trademark Office will be considered filed in the Office on the date on which it was *deposited with the United States Postal Service or would have been deposited with the United States Postal Service but for postal service interruptions or emergencies* designated by the Director” (emphasis added).

18. The alternative mechanism under 35 U.S.C. § 21(a) is implemented by 37 C.F.R. § 1.10(i). Under that regulation, a person “attempting to file” relevant correspondence “that was unable to be deposited with the” U.S. Postal Service “due to an interruption or emergency in Priority Mail Express® service which has been so designated by the Director, may petition the Director to consider such correspondence as filed on a particular date in the Office, provided” certain conditions are met, including the provision of a “statement which establishes, to the satisfaction of the Director, that the correspondence would have been deposited with the USPS but for the designated interruption or emergency in Priority Mail Express® service, and that the correspondence or copy of the correspondence is the original correspondence or a true copy of

the correspondence originally attempted to be deposited with the USPS on the requested filing date.”

Director Lee’s Rule

19. Congress did not declare December 22, 23, or 24, 2015 to be federal holidays under 5 U.S.C. § 6103. In fact, federal offices were open, including in the District of Columbia, on all three days.

20. The PTO was not officially closed for business for the entire day on December 22, 23, or 24, 2015 for purposes of 37 C.F.R. § 1.9(h).

21. On information and belief, there was no interruption or emergency that prevented the deposit of mail with the U.S. Postal Service on December 22, 23, or 24, 2015.

22. Defendants have not identified a postal interruption or emergency that would have prevented deposit of mail with the U.S. Postal Service on December 22, 23, or 24, 2015.

23. At approximately 7 p.m. on December 22, 2015, the PTO “experienced a major power outage at its headquarters in Alexandria, Virginia,” which the PTO claimed “required the subsequent shutdown of many USPTO online and information technology systems.” Ex. 1.

24. Even if the PTO’s computer systems were not functioning, parties still were able to file documents with the PTO by timely depositing them with the U.S. Postal Service.

25. Nevertheless, Director Lee issued an informal rule declaring that, “[i]n light of” the power failure, the PTO would “consider” Tuesday, December 22, 2015 through Thursday, December 24, 2015 to be a “Federal holiday within the District of Columbia.” Ex. 1. The rule further purported to provide that, as a result, “[a]ny action . . . due on these days” would be “considered as timely” by the agency “if the action [wa]s taken . . . on the next succeeding business day on which the USPTO [wa]s open,” *i.e.*, Monday, December 28, 2015. *Id.*

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