

Discontent At Fed. Circ. Grows Post Cuozzo

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In the America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011), Congress established inter partes review as a new administrative proceeding within the U.S. Patent and Trademark Office for certain challenges to the validity of issued patents. More than 5,000 IPR petitions have been filed to date, and more often than not the PTO institutes review of at least some of the challenged claims.[1] In over 80 percent of IPRs that have reached a final decision, the PTO has invalidated some or all of the instituted claims.[2]

One issue presented by this increasingly popular avenue for challenging patent claims is the availability of judicial review. In appeals from final decisions, the Federal Circuit will review the PTO's final substantive findings of invalidity, but has largely declined to review claims that the PTO exceeded its statutory authority when it first instituted the IPR. This limitation on judicial review was highlighted by the very first IPR instituted by the PTO — and ultimately reached the U.S. Supreme Court.

In *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131 (June 20, 2016), a 6-2 majority of the Supreme Court agreed with the Federal Circuit that at least some aspects of the PTO's decision to institute an IPR are not subject to judicial review — even after the PTO renders its final decision.[4]

The majority appeared to be influenced by their view that the institution-related violation alleged in that case concerned a “minor statutory technicality” that should not serve to unwind a final decision. To that end, the majority read a “no appeal” provision in the AIA to foreclose more than just interlocutory appeals of institution decisions. *Id.* at 2140. The majority cautioned, however, that their interpretation did not “categorically preclude review of a final decision” or “enable the agency to act outside its statutory limits.” *Id.* at 2141-42.

In a strong dissent, Justice Samuel Alito (joined by Justice Sonia Sotomayor) argued that the text of the AIA did not trump the long-standing presumption in favor of judicial review of administrative decisions, and that the availability of such review should not rest on the perceived merits of a particular challenge. According to the dissent, the “no appeal” provision precluded only interlocutory appeals from institution decisions, and in appeals from a final decision any alleged ultra vires conduct by the PTO — even if



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during the institution phase — should be subject to review. *Id.* at 2152-54 (Alito, J., dissenting in part). These views largely echoed those previously expressed by Judge Pauline Newman in her dissent from the underlying Federal Circuit panel decision.

Justice Alito also warned that while the majority opinion left open the possibility of judicial review of certain statutory violations, it failed to explain “how to determine which ‘statutory limits’ we should enforce and which we should not.” *Id.* at 2155. In the six months since the court decided *Cuozzo*, the dissent’s premonition has proven warranted. Lacking clear guidance as to when an alleged institution defect constitutes the PTO acting “outside its statutory limits,” as opposed to a “minor statutory technicalit[y],” the Federal Circuit has largely continued to deny judicial review based on its pre-*Cuozzo* precedent. This has led a number of Federal Circuit judges to question whether this mounting precedent comports with *Cuozzo*, and to call for en banc review.

Alleged “Time Bar” Violations Continue to Evade Review and Divide the Federal Circuit

At present, the prevailing area of discord concerns the “time bar” in § 315(b). This limitation on instituting IPRs provides in relevant part that “[a]n inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” 35 U.S.C. § 315(b).

Following a series of procedural twists, the Federal Circuit continues to apply its pre-*Cuozzo* precedent to dismiss appeals that allege violations of this statutory provision, even after the Supreme Court vacated one of these dismissals for reconsideration in view of *Cuozzo*.

In *Achates Reference Publishing Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015), a decision that predated the Supreme Court’s *Cuozzo* ruling, the Federal Circuit held that it lacked jurisdiction to review whether the PTO instituted an IPR in violation of this “time bar.” In that case, *Achates* argued that the PTO could not institute review since it claimed that Apple (the petitioner) had a relationship with one or more defendants in a civil infringement action filed more than a year before Apple’s IPR petition. The PTO disagreed, and concluded that none of the defendants in that civil action were “real parties in interest or privies of Apple.” It instituted the IPR, and ultimately issued a final decision invalidating the challenged claims. *Id.* at 654.

In *Achates*’ appeal from that final decision, the Federal Circuit held that the AIA’s “no appeal” provision “prohibits this court from reviewing the Board’s determination to initiate IPR proceedings based on its assessment of the time-bar of § 315(b), even if such assessment is reconsidered during the merits phase of proceedings and restated as part of the Board’s final written decision.” *Id.* at 658. *Achates* petitioned for a writ of certiorari, but the parties submitted a stipulation of dismissal before the Supreme Court acted on the petition.

A couple weeks after deciding *Achates*, and relying on that precedent, the Federal Circuit dismissed another final decision appeal that raised a § 315(b) time-bar challenge to the PTO’s authority to institute the IPR in the first place. See *Click-To-Call Technologies LP v. Oracle Corp.*, 622 Fed. Appx. 907 (Fed. Cir. 2015). The patent owner in that case, *Click-To-Call*, also filed a petition for a writ of certiorari. While that petition was pending, the Supreme Court issued its decision in *Cuozzo*. A week later, the Supreme Court summarily granted *Click-To-Call*’s petition, vacated the Federal Circuit’s ruling, and remanded the case for further consideration in view of *Cuozzo*. See 136 S. Ct. 2508.

While the parties in Click-to-Call prepared supplemental briefs addressing the impact of *Cuozzo*, the Federal Circuit decided another case that presented the same time-bar issue. In *Wi-Fi One LLC v. Broadcom Corp.*, 837 F.3d 1329 (Fed. Cir. 2016), the Federal Circuit held that *Cuozzo* did not implicitly overrule *Achates*. As such, *Achates* remained good law and pursuant to that binding precedent the court lacked jurisdiction to review the alleged § 315(b) violation. See *id.* at 1334-35. Judge Jimmie Reyna concurred in the judgment, but wrote that *Achates* “renders § 315(b) toothless” and that this line of precedent should be reviewed en banc. *Id.* at 1340 (Reyna, J., concurring). According to Judge Reyna, the “time-bar question is not a ‘mine-run’ claim, and is not a mere technicality related only to a preliminary decision,” as in *Cuozzo*, but rather “[c]ompliance with the time bar is part of the statutory basis on which the final decision rests.” *Id.* at 1341.

A month later, the Federal Circuit issued its post-remand decision in *Click-To-Call*. 2016 U.S. App. LEXIS 20592 (Fed. Cir. Nov. 17, 2016). Because the panel was “bound by intervening precedent from this court to do so,” it refused to review the time bar issue and once again dismissed the appeal. *Id.* at *2. But both Federal Circuit judges on the panel wrote concurrences that strongly questioned the *Achates* and *Wi-Fi One* precedent, and called for en banc review. (The third panel member sat by designation.)

Judge Kathleen O’Malley opined that “[i]f the PTO exceeds its statutory authority by instituting an IPR proceeding under circumstances contrary to the language of § 315(b), then our court, sitting in its proper role as an appellate court, should review those determinates as *Cuozzo* suggests.” *Id.* at *9 (O’Malley, J., concurring). According to Judge O’Malley, the challenge here concerned “the fundamental statutory basis on which Congress has authorized the Director to institute an IPR proceeding,” and judicial review was necessary in order to “give effect to the limitations on the PTO’s statutory authority to institute proceedings.” *Id.* at *9, *11.

Judge Richard Taranto similarly described the multiple “reasons for concluding that the background rule of reviewability should govern as to the timing requirement of § 315(b),” and why “[a]t present, it appears ... that *Achates* is incorrect and that en banc review is warranted.” *Id.* at *26-*27 (Taranto, J., concurring).

Unsurprisingly, *Click-To-Call* recently filed a petition for en banc review.

“Assignor Estoppel” Determination Also Held Not Reviewable

In another recent case, and again relying on both *Cuozzo* and *Achates*, the Federal Circuit dismissed an appeal alleging that the PTO should have rejected an IPR petition on “assignor estoppel” grounds. See *Husky Injection Molding Systems Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1247 (Fed. Cir. 2016).

Husky claimed that *Athena* (the petitioner) was in privity with the assignor of the patent at issue. It argued that *Athena*’s IPR petition was thus foreclosed by the equitable doctrine of “assignor estoppel” recognized in patent infringement actions, and the proscription in § 311 of the AIA that only “a person who is not the owner of a patent” can petition for an IPR of that patent. The PTO concluded that “assignor estoppel” did not apply to IPR petitions, instituted review, and ultimately issued a final decision invalidating certain claims. See *id.* at 1240-41. The Federal Circuit majority refused to review this issue on appeal, reasoning that it involved an “interpretation of § 311,” and was “closely related” to the PTO’s non-appealable decision to institute review. *Id.* at 1246. Relying on *Achates*, the majority also asserted that “a bar preventing particular petitioners from challenging a patent does not impact the Board’s invalidation authority.” *Id.* at 1247 (emphasis in original) (citing *Achates*, 803 F.3d at 657).

Judge Sheldon Jay Plager dissented. He explained that in *Cuozzo*, the Supreme Court “took an intermediate position that fundamentally altered the playing field,” since it rejected the view that institution determinations are never reviewable. He argued that the applicability of “assignor estoppel” is reviewable under *Cuozzo* since it depends on factors “less closely related” to the statutory provisions governing the PTO’s decision to institute, and “present[s] other questions of interpretation that reach, in terms of scope and impact, well beyond” the statutory authority to institute review. *Id.* at 1251-53 (Plager, J., dissenting in part). Judge Plager did not address the merits of whether “assignor estoppel” applies and could bar institution of an IPR, but stated that the court should “decide that issue as part of a proper judicial review of the case ... on final written decision.” *Id.* at 1253.

Judge Plager opined more generally that *Cuozzo* “reveals that there is a range of reviewable issues that this court is obligated to consider. Examples may include, among others, filing deadlines and joinder and estoppel issues.” *Id.* (citing Judge Reyna’s concurrence in *Wi-Fi One*). He also criticized the majority for “its unnecessary commentary approving prior cases that may no longer be good law in light of *Cuozzo*,” i.e., *Achates*. *Id.* Judge Plager therefore is likely another vote in favor of en banc review of the *Achates* line of decisions (along with at least Judges O’Malley, Taranto, Reyna, and Newman).

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In *Cuozzo*, the Supreme Court majority took the intermediate position that some, but not all, alleged statutory violations by the PTO in instituting IPRs are subject to judicial review. In the six months since *Cuozzo*, the Federal Circuit has largely continued to deny review of institution challenges, even in final decision appeals, since *Cuozzo* did not clearly overrule its restrictive pre-*Cuozzo* precedent. However, given the growing discontent with the current course and the concern that it is contrary to *Cuozzo*, the Federal Circuit appears poised to revisit this precedent en banc.

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DISCLOSURE: Patterson Belknap co-authored an amicus brief filed in *Cuozzo* on behalf of the New York Intellectual Property Law Association.

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[1] See PTAB Statistics, Oct. 31, 2016, at pp. 2, 8, U.S. Patent and Trademark Office, available at https://www.uspto.gov/sites/default/files/documents/aia_statistics_october2016.pdf.

[2] *Id.* at 10.

[3] The Supreme Court also unanimously affirmed the Federal Circuit’s decision that the PTO can apply the “broadest reasonable interpretation” claim construction standard in IPR proceedings.