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Federal Circuit Friday

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When the US Supreme Court hands down a patent law decision, Federal Circuit Friday temporarily becomes "Supreme Court Friday."

On April 20, the Supreme Court decided *Thryv, Inc. v. Click-to-Call Technologies*, holding that Patent & Trademark Office determinations whether an *inter partes* review ("IPR") is barred by §315(b)'s "more than one year after suit" rule are final and non-appealable.

Background: Facts & The Issue

The licensee of the patent at issue sued Thryv[1] for infringement in 2001, but voluntarily dismissed the case without prejudice when it subsequently merged with Thryv. Thryv later terminated the license, and the patent was assigned to Click-to-Call. In 2013, Thryv petitioned for an IPR. Click-to-Call argued that the 2001 litigation triggered the §315(b) "one year after suit" rule, barring institution of the IPR. The Board disagreed, holding that "a complaint dismissed without prejudice does not trigger §315(b)'s one-year limit," and proceeded with the IPR, ultimately finding 13 claims unpatentable. Click-to-Call appealed the Board's determination that a voluntarily-dismissed complaint does not trigger the one-year rule.

The Federal Circuit held that §315(b) time-bar determinations *are* appealable, that the voluntarily-dismissed complaint triggered the one-year clock, and that the Board erred by instituting the IPR.

Background: Relevant Black Letter Law

1. The Director of the PTO, acting through the Board, determines whether an IPR should be instituted.[2]
2. Conditions under which an IPR may be instituted:[3]
    a. Threshold requirement: An IPR cannot be instituted unless there is a "reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged."[4]
    b. Relationship to other proceedings: An IPR cannot be instituted if the petition is filed more than one year after the petitioner (or real party in interest or privy) is served with a complaint alleging infringement of the patent.[5]
3. The institution decision cannot be appealed – the Director has sole un-reviewable authority to decide whether to institute an IPR.[6]
    a. Plain language of the statute: "[W]e believe that [the] contention that the Patent Office unlawfully initiated its agency review is not appealable" because "[f]or one thing, that is what §314(d) says."[7]

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[1] For simplicity, I use the current parties' names rather than those of their predecessors-in-interest.

[2] *See* 35 USC §314 (referencing the Director's role in making the institution decision - *e.g.*, subsection (b), "The Director shall determine whether to institute an inter partes review . . . . "); *Achates Reference Publishing v. Apple,* 803 F.3d 652, 654 (Fed. Cir. 2015)("By regulation, '[t]he Board institutes the trial on behalf of the Director,'" citing 37 CFR 42.4).

[3] The conditions presented for background are only those relevant to the *Thryv v. Click-to-Call* case.

[4] 35 USC §314(a)("The Director may not authorize an inter partes review to be instituted unless the Director determines that . . . there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition.").

[5] 35 USC §315(b)(Cannot institute an IPR if "the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner . . . is served with a complaint alleging infringement of the patent."

[6] 35 USC §314(d)("The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.").

[7] *Cuozzo Speed Technologies, LLC v. Lee*, 579 U. S. ___ (2016), slip op. at 7.

b. No appeal rule of §314(d) applies "where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."[8]

c. Issues regarding which appellate review is not barred by §314(d):[9]

   i. Constitutional questions – *e.g.,* due process issues arising from failure of petition to give sufficient notice.

   ii. The effect of statutes "less closely related" to the institution statute – *e.g.,* actions outside the PTO's statutory limits such as canceling a patent claim for indefiniteness under §112, contrary to the limitations of § 311(b).

   iii. Questions of interpretation that "reach, in terms of scope and impact, well beyond" the institution statue – *e.g.,* situations where the Administrative Procedure Act allows reviewing courts to set aside agency action that is arbitrary and capricious.

What *Thryv v. Click-to-Call* Changes:

In 2018 the Federal Circuit determined, *en banc*, that a time-bar decision under §315(b) was reviewable on appeal because it was "not closely related to the institution decision" and Congress failed to "clearly and convincingly indicate its intent to prohibit judicial review" and therefore did not overcome the "strong presumption in favor of judicial review of agency actions."[10]

In *Thryv v. Click-to-Call* the Supreme Court overruled that Federal Circuit precedent, holding that the §315(b) time bar is closely related to the decision whether to institute an IPR and is therefore final and non-appealable under §314(d).

The Supreme Court reasoned:

- Scope of §314(d)'s appeal prohibition: Section 314(d) precludes judicial review of IPR institution decisions, meaning that "a party generally cannot contend on appeal that the agency should have refused 'to institute an inter partes review.'"
  - *Cuozzo* held that the appeal prohibition of §314(d) applies not only to the threshold determination under §314(a) of the whether the petitioner has a reasonable likelihood of prevailing, but also "where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."[11]
- Role of §315(b)'s time-bar: "Section 315(b)'s time limitation is integral to, indeed a condition on, institution" in that §315(b) only applies to the institution of an IPR "and nothing more." Therefore "[w]e need not venture beyond *Cuozzo's* holding that §314(d) bars review at least of matters closely tied to the application and interpretation of statutes related to the institution decision.'"
- Policy – efficiency: Allowing appeal of §315(b) time-bar determinations would tend to defeat Congress' intent that the IPR process "weed out bad patent claims efficiently," noting that such appeals would only occur when the patent owner had already lost on the merits of patentability of their claims.
  - "Congress entrusted the institution decision to the agency . . . to avoid the significant costs, already recounted, of nullifying a thoroughgoing determination about a patent's validity," and Congress' goal of "preventing appeals that would frustrate efficient resolution of patentability" requires that the prohibition of judicial review extend beyond appeals of the "reasonable likelihood of prevailing" determination under §314(a).

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[8] *Id.* at 11.

[9] Each of these is from *Cuozzo Speed Technologies, LLC v. Lee*, 579 U. S. ___ (2016), slip op. at 11-12.

[10] *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F. 3d 1364, 1367 (2018).

[11] The Supreme Court noted that *Cuozzo* involved the particularity requirements of §312(a)(3), finding that provision to be closely related to the institution decision despite that provision, like §315(b), being separate from the institution provision, §314. Although "every decision to institute is made 'under' §314," the decision nevertheless "must take account of specifications in other provisions—such as the §312(a)(3) particularity requirement at issue in *Cuozzo* and the §315(b) timeliness requirement at issue here."

- Also, because the purpose of the §315(b) time-bar is "to minimize burdensome overlap between inter partes review and patent-infringement litigation," allowing "[j]udicial review after the agency proceedings cannot undo the burdens already occasioned."

- Policy – Congress' priorities: The statutory design confirms that "Congress prioritized patentability over §315(b)'s timeliness requirement" in that (i) a particular "petitioner's failure to satisfy §315(b) does not prevent the agency from conducting inter partes review of the challenged patent claims" since other petitioners could make the request;[12] (ii) a "§315(b) time-barred party can join a proceeding initiated by another petitioner";[13] and (iii) the PTO may issue a final written decision even "[i]f no petitioner remains in the inter partes review."[14]

Justice Gorsuch dissented, asserting that only the Director's determination of whether there is a "reasonable likelihood" that the petitioner would prevail on at least one claim is immune from judicial review. He reasoned:

- Statutory language. Because §314(d) expressly renders determinations "*by the Director* whether to institute an inter partes review *under this section*" final and non-appealable, "the only thing §314(d) insulates from judicial review is a determination discussed within §314."
  - Section 314 contains a single determination by the Director: "whether the parties' initial pleadings suggest 'a reasonable likelihood' the petitioner will prevail in defeating at least some aspect of the challenged patent."
  - "Matters outside §314 are different" – "[n]othing in the statute insulates agency interpretations of other provisions outside §314, including those involving [the time-bar of] §315(b)," which "stands as an affirmative limit on the agency's authority."
- Presumption of Reviewability. Further, even if Thryv "could muster some doubt about the reach of §314(d), it wouldn't be enough to overcome the well-settled presumption favoring interpretations of statutes that allow judicial review of administrative action."
  - "The presumption of judicial review is deeply rooted in our history and separation of powers. To guard against arbitrary government, our founders knew, elections are not enough" and "no one person, group, or branch may hold all the keys of power over a private person's liberty or property."
  - Thryv's position, as affirmed by the majority, is that "§315(b)'s command that 'inter partes review may not be instituted' would be left entrusted to the good faith of the very executive officials it is meant to constrain." But it is not likely that Congress "imposed an express limit on an executive bureaucracy's authority to decide the rights of individuals, and then entrusted that agency with the sole power to enforce the limits of its own authority."
- Precedent. Thryv's reliance on precedent also fails.
  - First, *Cuozzo's* discussion about the reviewability of decisions outside §314(a) is dicta and nothing in that case "directly address §315(b) decisions, let alone declare them to be 'close enough' to §314(a) decisions to preclude judicial review."
  - Second, *SAS Institute*[15] forecloses Thryv's position: "Given the strength of this presumption and the statute's text, *Cuozzo* concluded that §314(d) precludes judicial review only of the Director's 'initial determination' under §314(a)."
- Gorsuch concludes: "It's a rough day when a decision manages to defy the plain language of a statute, our interpretative presumptions, *and* our precedent."

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[12] Citing §311(a) – any person who is not the patent owner may file a petition for IPR.

[13] Citing §315(b), (c) – relating to joinder and how being time-barred under §315(b) does not preclude joining an IPR requested by another party.

[14] Citing §317(a) – allowing the Board to proceed with an IPR even if all petitioners have bowed out of the IPR.

[15] *SAS Institute Inc. v. Iancu,* 584 U. S. ___ (2018).