

No. 21-118

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In The  
**Supreme Court of the United States**

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APPLE, INC.,

*Petitioner,*

v.

OPTIS CELLULAR TECHNOLOGY LLC,  
OPTIS WIRELESS TECHNOLOGY, LLC, AND  
UNWIRED PLANET INTERNATIONAL LIMITED,

*Respondents.*

—◆—  
**On Petition For A Writ Of Certiorari  
To The United States Court Of Appeals  
For The Federal Circuit**

—◆—  
**BRIEF OF THE COMPUTER &  
COMMUNICATIONS INDUSTRY  
ASSOCIATION AS *AMICUS CURIAE*  
IN SUPPORT OF PETITIONER**

—◆—  
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**INTEREST OF *AMICUS CURIAE***<sup>1</sup>

The Computer & Communications Industry Association (“CCIA”) is an international nonprofit association representing a broad cross-section of computer, communications, and Internet industry firms that collectively employ nearly a million workers and generate annual revenues in excess of \$540 billion.<sup>2</sup> CCIA regularly files *amicus* briefs in this and other courts to promote balanced patent policies that reward, rather than stifle, innovation.

In 2011, Congress passed the America Invents Act (“AIA”). The AIA set forth a system for requesting review of the patentability of issued patents. CCIA’s members have employed that system to mitigate the litigation risk created by patents that should not have been issued, reducing overall legal expenditures and allowing them to invest that money into research and development of new products, including their own patented technologies.

CCIA’s members are concerned that the so-called “*NHK-Fintiv*” rule at issue in this case eliminates much of the benefit that the AIA post-grant system

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<sup>1</sup> Pursuant to Supreme Court Rule 37.2(a), this brief was filed with the written consent of and at least 10 days notice to all parties. Pursuant to Rule 37.6, no counsel for any party authored this brief in whole or part; no party or counsel made a monetary contribution intended to fund its preparation or submission; and no person other than amicus made such a contribution.

<sup>2</sup> CCIA’s members are listed at <http://www.ccianet.org/members>.

created, particularly with respect to lawsuits by non-practicing entities. (“NPEs”).



### SUMMARY OF ARGUMENT

At issue in this case is a rule that was not adopted via notice-and-comment rulemaking but was instead made up by the United States Patent & Trademark Office (“USPTO”) out of whole cloth. That rule, often referred to as the *NHK-Fintiv* rule, contradicts the express judgment of Congress, as set forth in the AIA, on the topic of when a petition may be filed and on how petition filings interact with ordinary civil litigation. And that rule was adopted despite the lack of any statutory provision that authorizes the Director to create such a rule.

Since the introduction of the *NHK-Fintiv* framework in 2019 and its designation as precedential in 2020, requiring it to be applied by the PTAB and thus constituting a rule, the use of *NHK-Fintiv* denials has skyrocketed. *NHK-Fintiv* type denials now constitute the majority of all procedural denials and a significant proportion of denials of any form. Given the increasingly high rate of this type of denial, judicial review of the underlying rule is urgently required.

The bar on appeals of 35 U.S.C. § 314(d) does not prevent such review. The § 314(d) bar prevents review of determinations closely related to the decision that review is justified based on the allegations found in the petition. It does not “enable the agency to act outside

its statutory limits” with impunity from judicial oversight. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018) (citing *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016)). Where, as here, the challenged action is unrelated to the determination of a ‘reasonable likelihood’ or similar determinations regarding institution-related questions, judicial review should be permitted.

Finally, the AIA’s purpose and design make clear that Congress intended to “weed out bad patent claims,” not to “leav[e] bad patents enforceable.” *Thryv, Inc. v. Click-to-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020). But the *NHK-Fintiv* rule turns this purpose on its head. If there are substantive flaws with a petition such that there is no reasonable likelihood a claim is invalid and the patent should remain enforceable, the USPTO can and does deny institution based on those substantive flaws. But in cases such as this one, the USPTO instead relies on a procedural *NHK-Fintiv* denial. By issuing an *NHK-Fintiv* denial, the USPTO signals that it believes a patent claim is likely to be shown to be invalid, but nonetheless declines to review that claim. The AIA’s purpose is frustrated by such an approach. Appeal from a denial of institution must remain available at least in circumstances like the *NHK-Fintiv* rule, where the USPTO engages in grave misconstructions of the governing statute or acts without providing due process.

Given the significant importance of this issue and the clear errors committed by the USPTO, CCIA respectfully requests that the Court grant *certiorari*

and find that the *NHK-Fintiv* rule is both appealable and an impermissible rule for the Office to adopt.

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## ARGUMENT

### I. ***NHK-FINTIV* DENIALS ARE NOW THE PRIMARY PROCEDURAL DENIAL USED BY THE USPTO, LEADING TO SIGNIFICANT NEGATIVE IMPACTS ON THE PATENT SYSTEM**

In late 2018, the Patent Trial and Appeal Board (“PTAB”) issued its final written decision in *NHK Spring Co. v. Intri-Plex Techs., Inc.* IPR2018-00752 (PTAB Sept. 12, 2018). It was designated as precedential in 2019. This was followed in early 2020 by the PTAB’s decision in *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (PTAB Mar. 20, 2020), designated precedential in May 2020. These two decisions, referred to collectively as the *NHK-Fintiv* rule, have come to dominate all procedural denials used by the PTAB.

#### A. **The *NHK-Fintiv* rule has gone from non-existent to the majority of all procedural denials in the course of just one year**

Prior to the adoption of the *NHK-Fintiv* rule, a variety of different procedural denials were applied in approximately 15% of all petition denials and 5% of all petitions, regardless of denial or institution. Unified Patents, *USPTO on Pace to Again Issue 200+ Discretionary Denials in 2021*, Unified Patents Blog

(July 6, 2021), <https://www.unifiedpatents.com/insights/uspto-on-pace-to-again-issue-200-discretionary-denials-in-2021>.

But in 2020, after the *NHK-Fintiv* rules were fully in force, procedural denials represented 44% of all denials and 19% of all petitions. *Id.* In 2021, this trend has continued, with *NHK-Fintiv* denials representing 57% of all procedural denials. *Id.*

In short, the *NHK-Fintiv* rule, in the course of just one year, has become the dominant procedural denial rationale and represents a significant percentage of all types of denial.

**B. The *NHK-Fintiv* rule primarily rewards litigants who forum-shop for NPE-friendly venues**

The application of the *NHK-Fintiv* rule frequently turns on the scheduled trial date, regardless of whether those trial dates are actually met. Secondly, it may turn on the possibility of a stay. Because plaintiffs choose the venue in which they wish to file, they can and do select venues which propose quick trial dates and which deny stays pending *inter partes* review (“IPR”) in order to insulate themselves from AIA reviews of their patents.

As a result, such venues represent a high proportion of *NHK-Fintiv* denials. In fact, patents related to litigation in just two jurisdictions—the Eastern and Western Districts of Texas—represent nearly

two-thirds of all *NHK-Fintiv* denials. Unified Patents, *USPTO on Pace Again*, *supra*.

Because of this relationship, the *NHK-Fintiv* rule distorts the larger patent litigation system by driving litigation to venues that set short trial schedules and deny stays. Absent *NHK-Fintiv*, one major advantage of those jurisdictions would disappear, reducing the frequency of forum-selling and forum-shopping. *Cf.* Anderson & Gugliuzza, *Federal Judge Seeks Patent Cases*, 71 Duke L.J. (forthcoming 2021), [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=3668514](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3668514).

### **C. The *NHK-Fintiv* rule directly and negatively impacts the patent system**

When the *NHK-Fintiv* rule is applied, a petition is procedurally denied. These so-called “discretionary denials” do not represent a judgment that the petition lacks merit. Had the petition been flawed on its merits, then the PTAB could have denied the petition on that basis. As a result, each *NHK-Fintiv* denial can be understood as the denial of a petition that otherwise would have had a reasonable likelihood of success. In some cases, the PTAB has explicitly admitted this to be true. *See, e.g., Google LLC et al. v. AGIS Software Development, LLC*, IPR2020-00873 (PTAB Nov. 25, 2020) (denying institution under *NHK-Fintiv* while stating “there is a reasonable likelihood that Petitioner would prevail with respect to at least one of the claims challenged in the Petition”); *Philip Morris Prods., S.A., v. RAI Strategic Holdings, Inc.*, IPR2020-00921 (PTAB

Nov. 16, 2020) (denying institution under *NHK-Fintiv* while stating the “merits of Petitioner’s three grounds are particularly strong” and that Philip Morris “has demonstrated that the Office erred in a manner material to the patentability of challenged claims”). The agency thus uses its ‘discretion’ to leave enforceable a patent the agency itself believes is likely to be proven invalid. That result is not just absurd, it is costly to petitioners and patent owners alike.

Legal fees for the median IPR for a patent in the electrical technologies cost approximately \$105,000 through filing of a petition and \$450,000 through appeal. AIPLA, *Report of the Economic Survey 2019* 52 (2019). At the same time, an NPE dispute in that same technology area with more than \$25 million at risk in litigation costs approximately \$4,500,000 to defend. *Id.* at 51. Patent owner costs are reported to be approximately equal to petitioner costs. *Id.* at 62. Based upon RPX estimates of litigation cost phasing, a reasonable estimate for costs incurred in litigation prior to an IPR-based stay is approximately 1/5 of total costs, or \$900,000. RPX, *NPE Litigation: Costs by Key Events* (Mar. 2015), <https://www.rpxcorp.com/wp-content/uploads/2014/12/Final-NPE-Litigation-Costs-by-Key-Events.pdf>.

An instituted meritorious IPR thus saves approximately \$3.6 million per party, for a total of \$7.2 million per instituted IPR. At least 85% of IPR petitions are related to actively litigated patents, and at least 80% of petitions represent a unique petitioner/patent pairing. Vishnubhakat *et al.*, *Strategic Decision Making in*

*Dual PTAB and District Court Proceedings*, 31 Berkeley Tech. L.J. 45, 46, 71 (2016). And while not all IPRs lead to a stay, approximately 77% do. McClellan *et al.*, *How Increased Stays Pending IPR May Affect Venue Choice*, Law360 (Nov. 15, 2019), <https://www.law360.com/articles/1220066>. Discounting for IPRs with overlapping litigation cost benefits and for IPRs that are not stayed, there is an estimated discounted savings of \$3.74 million per petition instituted, with half of that benefit accruing to each party.

If a meritorious petition is instead denied on a discretionary basis, the economics are reversed. The petitioner pays \$105,000 to prepare and file their petition, but avoids no deadweight losses from litigation, and must pay the full cost of defense in order to invalidate the patent in court. The patent owner similarly pays to respond to the petition and to litigate, without any ultimate benefit. Each meritorious petition that is denied institution via a discretionary denial thus creates a deadweight loss of \$3.74 million over the status quo ex ante of institution of meritorious petitions.

The use of *NHK-Fintiv* denials is thus projected to cost approximately \$643,000,000 in 2021 purely in deadweight loss to legal fees. If the use of *NHK-Fintiv* denials continues to increase this amount will increase.

A rule that is used to deny one in five otherwise meritorious petitions for *inter partes* review and that creates more than half a billion dollars in annual legal

fees that could have been avoided must not be insulated from judicial review. This is particularly important where, as here, that rule was adopted outside of the ordinary notice-and-comment process and where that rule exceeds the statutory authority of the agency.

## **II. THE *NHK-FINTIV* RULE CONTRADICTS THE CLEAR STATUTORY JUDGMENT OF CONGRESS REGARDING THE TIMING OF PETITIONS, THE RELATIONSHIP BETWEEN PETITIONS AND CIVIL LITIGATION, AND THE REGULATORY POWERS OF THE DIRECTOR**

Among the many issues Congress considered during the passage of the AIA, Congress actively debated the timeframe within which a petitioner would be able to file a petition, as well as whether and how co-pending litigation would impact an AIA trial. Congress's considered judgment is expressly captured in 35 U.S.C. §§ 315 and 325. Further, while Congress permitted the Director rulemaking authority to govern AIA trials, that authority was limited to a defined set of categories, listed in 35 U.S.C. § 316(a).

The *NHK-Fintiv* rule contradicts that express judgment of Congress and exceeds the Director's statutory authority.

**A. Congress considered and rejected approaches which would have provided a shorter time to file a petition or tied petition filing to events in a related trial, finding that a one-year bar appropriately balanced patent owner and petitioner concerns**

Congress carefully considered the concerns expressed by stakeholders relating to parallel proceedings, extensively debated them during the six-year legislative process that resulted in enactment of the AIA, and expressly addressed those that were determined to warrant a legislative solution in multiple provisions found in 35 U.S.C. §§ 315 and 325. Concerns regarding duplication of effort between the PTAB and other tribunals were brought forward and were balanced by concerns that blocking PTAB review when a proceeding was active in another tribunal would effectively eliminate the utility of PTAB review as a complement to litigation.

A number of solutions that limited the time within which to file an IPR based on events in co-pending litigation were proposed. Those proposals were rejected in favor of a simple, bright-line one-year bar. *See, e.g.*, Amendment #7 to the Manager’s Amendment to H.R. 1249, offered by Rep. Lofgren (Apr. 14, 2011) (proposing tying the commencement of *inter partes* review to *Markman* hearings; amendment failed 14-17); *see also* Transcript of Markup of H.R. 1249 at 1344:1689 (Apr. 14, 2011) (arguing that a bright-line one-year bar preserves the “delicate balance” needed to

preserve *inter partes* review as a “meaningful and less expensive alternative to litigation.”).

Instead of a period tied to trial activity, Congress provided a single tie to co-pending litigation—barring petitions filed more than one year after the service of a complaint. It even acted to extend the originally proposed six-month bar to that full year, suggesting that Congress viewed a six-month bar as insufficient time for petitioners to act. Sayres & Wahlstrand, *To Stay or Not To Stay Pending IPR?*, 17 Chicago-Kent J. Intell. Prop. 52, n. 21 (2018).

Reflecting Congress’s intent, for the first six years of the PTAB’s operation, the PTAB did not consider proceedings in other venues to be relevant to the institution decision unless they implicated the statutory one-year bar. Then, on the six-year anniversary of the creation of AIA trials, the Office first denied petitions based on co-pending litigation in *NHK Spring*. Subsequently, the Office expanded this analysis in *Fintiv*, resulting in the *NHK-Fintiv* rule’s denial of numerous petitions based on related trial dates despite those petitions being filed within the one-year window.

**B. The statute provides no authority that would justify the Director’s adoption of a rule that contradicts the one-year bar created by Congress**

In creating and defending the *NHK-Fintiv* rule, the Office relies on its authority under 35 U.S.C.

§§ 314(a) and 316(b). However, § 314(a) is purely a negative power, preventing the Director from instituting a proceeding unless certain conditions are met. While the Director retains discretion to deny institution even if those conditions are met, that discretion is not absolute—it cannot exceed the bounds of the discretion the statute permits. The Director’s discretion does not extend to “shenanigans” where the agency acts outside its statutory limits. *Cuozzo*, 136 S. Ct. at 2141-42. While the Director retains the ability to deny a petition on any number of bases, where Congress has set forth an explicit criterion in the statute, the Director may not contravene that criterion. Such a rule would represent the exact type of “agency action ‘not in accordance with law’ or ‘in excess of statutory jurisdiction, authority, or limitations.’” *SAS Inst.*, 138 S. Ct. at 1359 (citing *Cuozzo*).

Had Congress wished to permit the Director to set other limitations relating to timing or parallel proceedings, it knew how to say so. For example, with respect to the petition requirements set forth in 35 U.S.C. § 312(a), those requirements include “such other information as the Director may require by regulation.” But with respect to the timing of a petition, 35 U.S.C. § 315(b), and with respect to other proceedings, 35 U.S.C. §§ 315(a), (d), and (e), Congress gave no such permission to regulate. The considerations set forth in § 316(b) do not save the *NHK-Fintiv* rule. Those considerations are instructions from Congress to consider these factors when creating a regulation under the powers granted in 35 U.S.C. § 316(a), not an

independent grant of authority. And even if § 316 did grant the USPTO authority to contradict Congress's express judgment on the statutory one-year bar, the USPTO cannot rely on such authority here as the *NHK-Fintiv* rule was not promulgated using the rulemaking provisions that section grants.

The lack of discretion on this specific issue is made all the clearer by the explicit grant of discretion to the Director with respect to requests for joinder. 35 U.S.C. § 315(c). Taken as a whole, the statutory scheme makes clear that the Director lacks discretion to base institution decisions on matters related to timing of a petition filing or other related proceedings except on the basis of the specific legislative requirements created by Congress.

Having carefully considered the problem of proceedings in other venues and clearly chosen what limits to set upon them, Congress did not leave the door open for the Office to reject that considered balance in favor of its own views. Yet, that is precisely what the agency has done in adopting the *NHK-Fintiv* rule, which makes future trial dates in other venues the critical point on which institution decisions turn. A future trial date is not the date of service of a complaint. Congress gave petitioners one year from the service of a complaint to file a petition. The Office lacks the authority to replace the judgment of Congress with its own.

### III. CONGRESSIONAL PURPOSE AND INTENT SUGGEST THAT THE § 314(d) APPEAL BAR DOES NOT BAR THIS CASE

The AIA instructs the USPTO to review patent claims and determine if they should have been issued. If the claims should not have been issued, the USPTO is instructed to cancel them. This is at the core of the AIA’s statutory purpose and design, which this Court described in *Thryv* as evincing Congressional intent “to weed out bad patent claims efficiently.” *Thryv*, 140 S. Ct. at 1374.

While § 314(d) is “clear and convincing language” showing that Congress intended to block appeal of institution decisions, that bar is also governed by “inferences of intent of the statutory scheme as a whole” as to what types of appeal Congress actually intended to block. *Cuozzo*, 136 S. Ct. at 2140 (citing *Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 349-50 (1984)). And here, Congress’s intent is clear—review should remain available.

Had there been a substantive flaw with Apple’s petitions in this case, the USPTO would have denied review based on § 314(a) and there would be no appeal. Had Apple filed its petition more than a year after being served with a complaint, the USPTO would have denied review based on § 315(b) and there would be no appeal. Instead, the USPTO chose to rely on a procedural *NHK-Fintiv* denial provided for nowhere in any statute related to institution.

This case presents the opposite situation to that seen in *Thryv*. In *Thryv*, an appeal would require unwinding the agency’s already completed work. Here, the agency has not conducted any further work and nothing would be unwound. And in *Thryv*, the rejection of appealability was based in part on the AIA’s “purpose and design” that the agency should not “leav[e] bad patents enforceable.” *Thryv*, 140 S. Ct. at 1374. Here, the application of the *NHK-Fintiv* rule is in and of itself a signal that the agency is leaving bad patents enforceable. Under the logic of *Thryv*, Congressional intent would not bar review of the *NHK-Fintiv* rule.

The *NHK-Fintiv* rule preserves bad patent claims, exactly like the Federal Circuit’s exception to the appeal bar that this Court struck down in *Thryv*. *Thryv*, 140 S. Ct. at 1374 (“§ 315(b) appeals would operate to save bad patent claims.”). The structure and purpose of the AIA, as well as this Court’s precedent, reinforce the conclusion that the *NHK-Fintiv* rule is reviewable on appeal.

#### **IV. THE § 314(d) APPELLATE BAR DOES NOT PREVENT APPEAL OF CHALLENGES TO PROCEDURAL RULES OR MISCONSTRUCTIONS OF GOVERNING LEGISLATION**

Barring appeal of institution decisions in their entirety is also contrary to this Court’s precedent. The § 314(d) bar does not “enable the agency to act outside its statutory limits.” *SAS Inst.*, 138 S. Ct. at 1359

(citing *Cuozzo*). Instead, the appellate bar of 35 U.S.C. § 314(d) bars judicial review of “the Director’s ‘initial determination’ under § 314(a) that ‘there is a “reasonable likelihood” that the claims are unpatentable on the grounds asserted’ and review is therefore justified.” *Id.*

**A. Permitting appeal of challenges to broad rules that result in denial of institution comports with the statutory text and intent**

Permitting review here also comports with the text of § 314(d), which states that the “determination by the Director whether to institute an inter partes review *under this section*” is not appealable. (emphasis added).

The statutory text makes clear that what Congress intended to preclude was appeal of fact-bound determinations regarding whether the petition meets the requirements for institution. Congress did not intend to bar the appeal of issues that reach broader procedural or substantive infirmities, as recognized by this Court in *Cuozzo*. *Cuozzo*, 136 S. Ct. at 2141.

Much like the § 8347 appellate bar at issue in *Lindahl*, the § 314(d) appellate bar prevents revisiting the “factual underpinnings” of a determination, not challenges that claim a “substantial departure from important procedural rights” or “a misconstruction of the governing legislation.” *Lindahl v. Office of Personnel Management*, 470 U.S. 768, 780-81 (1985) (citing

*Scroggins v. United States*, 397 F.2d 295, 297 (Ct. Cl. 1968)).

**B. Prior precedent illustrates that review of broad procedural rules and misconstructions is available for review**

This interpretation is buttressed by cases such as *Return Mail, Inc. v. Postal Service*, in which the Court determined that the Postal Service does not qualify as a “person” who can file a petition. *Return Mail*, 139 S. Ct. 1853 (2019). This holding fundamentally addresses a procedural issue with regards to institution—whether the Director can institute an *inter partes* review based upon a petition filed by the Postal Service, which is not a person for purposes of § 311.

*Thryv* also fits this interpretation. In *Thryv*, the factual determination of whether a particular law suit triggered the statutory one-year bar was challenged. In contrast, the present case does not turn on any specific factual determination but instead charges that the Office has created a rule that exceeds the authority and discretion committed to it by Congress.

In each of *Cuozzo*, *SAS*, *Return Mail*, and *Thryv* this Court reviewed rules that closely relate to and can control institution decisions. In *Cuozzo* and *Thryv*, the challenge was effectively to a limited question closely related to the institution decision—has the agency properly interpreted the statutory text governing institution? And in those cases, appeal was barred. But in *SAS* and *Return Mail*, the challenge had a broader

basis—has the agency exceeded its statutory authority in the course of making the institution decision? And in those cases, appeal was permitted.

These cases also bring to mind troubling possibilities. Under the Federal Circuit’s approach, if the USPTO denied a petition from a corporation on the basis that “person” meant only natural persons, not corporations, that denial would be immune to appeal. If the USPTO denied institution of a petition, claiming that it could not institute unless all claims were shown to be reasonably likely to be invalid, it would be immune from appeal.

An appellate bar that produces such clearly impermissible outcomes is not what Congress intended.

**C. The statutory scheme requires the ability to appeal from denials of institution for the limited class of cases where the appeal challenges a broad rule used to deny institution, rather than a fact-specific determination used to institute**

While, procedurally, a patent owner can file an appeal from a final written decision if it disagrees with the rule that gives rise to a decision to institute, and can always challenge the substance of the determination by appeal from the final written decision, the Federal Circuit’s current caselaw leaves the petitioner with no such opportunity if institution is denied. Absent the ability to appeal from denial of institution, judicial review of USPTO actions that block institution

is foreclosed. Congress intended to block review of the factual determination of whether the Director should institute in a particular case and whether the institution decision was based on sufficient evidence. It did not intend to allow a Director to adopt extra-statutory rules outside of the rulemaking process without any possibility of review, even if those rules are part of a denial of institution.

In the present case, the question of whether the petitioner sufficiently proved its case is entirely irrelevant—there is no determination by the PTAB or Director as to whether a reasonable likelihood exists that could even be challenged. Instead, Apple alleges that the agency exceeded its statutory authorization by creating a rule that contradicts statutory text and that it did so without the safeguards of notice-and-comment rulemaking. Such questions are available for appeal, even in light of § 314(d).

Where, as here, the challenged action is related to a broadly applicable rule or precedent and is unrelated to the § 314 determination of a “reasonable likelihood” of invalidity or similar fact-bound and case-specific determinations involving an institution-related statute, judicial review should be permitted.



**CONCLUSION**

Given the significant impact of the *NHK-Fintiv* rule on the patent system and the violation of clear Congressional intent that the *NHK-Fintiv* rule represents, appeal of the rule should be permitted. CCIA respectfully requests that this Court grant *certiorari* and find that appeals from denials of institution are permissible when they challenge USPTO actions that exceed statutory authority or that are not closely tied to the specific determinations of an institution decision.

Respectfully submitted,

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