

Nos. 2018-2426, -2427, -2428, -2429, -2430

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

ARRIS INTERNATIONAL PLC,
Appellant,

v.

CHANBOND, LLC

Appellee,

**ANDREI IANCU, DIRECTOR OF THE
U.S. PATENT AND TRADEMARK OFFICE,**
Intervenor.

Appeals from the United States Patent and Trademark Office,
Patent Trial and Appeal Board in Nos. IPR2018-00570, IPR2018-00572,
IPR2018-00573, IPR2018-00574, and IPR2018-00575.

**INTERVENOR-DIRECTOR'S RESPONSE TO
APPELLANT'S PETITION FOR REHEARING EN BANC**

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SUMMARY OF THE PANEL DECISION

A unanimous panel of this Court (Prost, *Chief Judge*, O'Malley and Stoll, *Circuit Judges*) correctly dismissed this consolidated appeal for lack of jurisdiction.

This appeal arose from five inter partes review (IPR) petitions filed by ARRIS International, PLC (ARRIS) seeking review of three patents owned by ChanBond, LLC (ChanBond). Before the Patent Trial and Appeal Board (Board), ChanBond argued that ARRIS's petitions were time-barred under 35 U.S.C. § 315(b) because ARRIS was in privity with third-party defendants that ChanBond had served with patent infringement complaints in the District of Delaware more than a year prior to filing of the petitions. The Board agreed and refused to institute IPRs as to all five of ARRIS's petitions. ARRIS appealed the Board's petition denials to this Court, but this Court dismissed the appeals for lack of jurisdiction. ECF 37.

The panel's dismissal order explained that "ARRIS's appeals are foreclosed under *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014)." ECF 37 at 2. The panel explained that just like the situation here, "the petitioner in *St. Jude* appealed from the Board's decision to deny institution of IPR based on the Board's determination that the petition was time-barred under § 315(b)." *Id.* Consistent with the holding in *St. Jude*, the panel held that although a "final written decision" under § 318(a) can be reviewed under § 319, the Federal Circuit's "review authority under 28 U.S.C. § 1295(a)(4)(A) does not extend to appeals from decisions not to institute." *Id.* (citing *St. Jude*, 749 F.3d at 1375-76).

The panel also explained that *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc), did not undermine its holding here because *Wi-Fi One* addressed review of a § 315(b) determination in the context of a “final written decision” issued under § 318(a), not a decision denying institution. *Id.* at 3 (citing *Wi-Fi One*, 878 F.3d at 1371). The panel emphasized that binding precedent of this Court and the Supreme Court unanimously holds that “[i]f the Director decides not to institute, for whatever reason, there is no review.” *Id.* (citing *Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322, 1327 (Fed. Cir. 2018); *Wi-Fi One*, 878 F.3d at 1372; *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016)).

Finally, the panel explained that ARRIS’s reliance on *Arthrex, Inc. v. Smith & Nephew, Inc.*, 880 F.3d 1345 (Fed. Cir. 2018), was misplaced because *Arthrex* concerned judicial review of a “final adverse judgment” cancelling a patent owner’s claims under 37 C.F.R. § 42.73(b), which *Arthrex* itself distinguished from the agency’s non-reviewable refusal to initiate an inter partes review in *St. Jude*.

REHEARING EN BANC IS NOT WARRANTED

A. This Case Does Not Meet This Court’s Standard For En Banc Review

Under the Federal Rules of Appellate Procedure and this Court’s Rules, en banc review is appropriate only if “necessary to secure or maintain uniformity of the court’s decisions” or “the proceeding involves a question of exceptional importance.” Fed. R. App. P. 35(a). This case does not meet either of those criteria. Here, the panel followed a consistent line of precedent which it applied to the specific facts of

this case. And contrary to ARRIS's argument, the controlling precedent applied in this case - *St. Jude* - accords with later decisions of this Court and the Supreme Court, as well as the express language and the underlying policy of the America Invents Act (AIA). Thus, the panel's dismissal order neither conflicts with precedent nor presents an issue of exceptional importance warranting an en banc review.

1. The Panel's Decision Does Not Conflict With Precedent, Which Establishes That Petition Denials Are Not Reviewable

The panel here followed controlling and indistinguishable precedent holding that this Court lacks jurisdiction to review precisely the type of decision at issue in this case: a USPTO decision denying institution of an inter partes review based on the agency's time-bar determination under 35 U.S.C. § 315(b). *See St. Jude*, 749 F.3d at 1375. No subsequent decision of this Court has altered *St. Jude's* holding. Indeed, the Supreme Court and this Court have both subsequently reiterated that an IPR petition denial is the type of discretionary decision that is not judicially reviewable. *See Cuozz*, 136 S. Ct. at 2140 (making clear that under the AIA (35 U.S.C. § 314(a)) there is "no mandate to institute review," and that "the agency's decision to deny a petition is a matter committed to the Patent Office's discretion" and therefore is non-reviewable under the Administrative Procedure Act (APA) (5 U.S.C. § 704(a)(2))); *id.* at 2153 & n.6 (Alito, J., concurring-in-part and dissenting-in-part (agreeing that petition denials are non-reviewable)); *Wi-Fi One*, 878 F.3d at 1372 ("as *Cuozz* recognized, [§ 314(a)] grants the Director discretion not to institute even when the threshold is met")(citing

Cuozzzo at 136 S. Ct. at 2140); *Saint Regis Mohawk Tribe*, 896 F.3d at 1327 (emphasizing that “[i]f the Director decides not to institute, for whatever reason, there is no [inter partes] review”).

a. Neither the Panel’s Order Nor *St. Jude* Conflicts With *Cuozzo*, *Wi-Fi One* or *Arthrex*

Recognizing that the panel here merely followed this Court’s precedent in *St. Jude*, ARRIS argues that “*St. Jude* should be overturned in view of *Cuozzo*, *Wi-Fi One* and *Arthrex*.” See Pet. at 13-14.¹ But as shown below, *St. Jude* is consistent with all of these cases.

Both *Cuozzo* and *Wi-Fi One* involved review of “a final written decision with respect to patentability” issued under § 318(a). Congress specified that this Court has jurisdiction to review such final decisions on patentability. 35 U.S.C. § 319. *St. Jude*, by contrast, involved the agency’s refusal to even initiate the inter partes review proceeding that could have yielded such a final decision on patentability. No one has a right to such a proceeding, and as this Court has explained, the Director has complete discretion to deny requests to institute these proceedings, even when the denial is for reasons other than the merits of patentability. See *Saint Regis Mohawk Tribe*, 896 F.3d at 1327. Presumably for this reason, both *Cuozzo* and *Wi-Fi One* recognized that petition denials are not reviewable. *Wi-Fi One*, 878 F.3d at 1372, 1374; *Cuozzo*, 136 S. Ct. at 2140.

¹ References to ARRIS’s Petition for Rehearing *En Banc* are cited as “Pet. at __.”

Contrary to ARRIS's argument (Pet. at 15), this Court's decision in *Arthrex*, 880 F.3d at 1348-49, does not call for a departure from *St. Jude* – nor could it – consistent with *Cuozzo* and *Wi-Fi One*. As the panel's order here explains, “[f]ar from review over a non-institution decision, *Arthrex* concerned the issue of whether a party could appeal from a final adverse judgment entered under 37 C.F.R. § 42.73(b).” ECF 37 at 3. That “final adverse judgment” was issued before the agency made a decision whether to institute an inter partes review, based upon the patent owner's disclaimer of all the claims challenged in a petition. *See Arthrex*, 880 F.3d at 1347-48. The “adverse judgment” resulted in the cancellation of the challenged claims and carried estoppel effects for the patent owner (*see id.* at 1347). In these circumstances, *Arthrex* concluded that § 1295(a)(4)(A), either alone or in conjunction with § 704 of the APA, permitted an appeal to this Court. *Id.* at 1348-50. But *Arthrex* itself distinguished *St. Jude*, stating that the Board's entry of an adverse judgment was categorically a different type of decision than a petition denial. *See Arthrex*, 880 F.3d at 1349. In contrast to the situation in *Arthrex*, *St. Jude* and this case involve agency *inaction*, i.e., the agency's decision not to initiate an inter partes review to reconsider the agency's own prior determination to issue a patent. Unlike a USPTO order cancelling patent claims, as in *Arthrex*, this wholly discretionary decision does not alter a party's rights.

b. *Weyerhaeuser* Does Not Suggest That USPTO Decisions Declining To Institute Proceedings Are Reviewable.

Nor is this line of established precedent altered by the Supreme Court's recent

decision in *Weyerhaeuser Co. v. U.S. Fish and Wildlife Service*, 139 S. Ct. 361 (2018). Pet. at 16-17. ARRIS argues that “like the statute in *Weyerhaeuser*, the Patent Statute provides relevant factors under § 315(b) to guide the PTAB in the exercise of its discretion under § 314(a).” Pet. at 17. Therefore, ARRIS asserts, “the APA provides a cause of action under § 706(2)(A) to challenge the Director’s discretionary decision with respect to the relevant factors under 315(b), and this Court has jurisdiction to hear that cause of action under 28 U.S.C. § 1295(a)(4)(A).” Pet. at 17.

In *Weyerhaeuser*, the Court considered whether aspects of an agency’s decision to designate the petitioners’ land as a “critical habitat” under the Endangered Species Act was committed to agency discretion and was therefore unreviewable.

Weyerhaeuser, 139 S. Ct. at 364, 369-72. The agency order at issue there, the Court noted, “affect[ed] the rights of a private party” and “involves the sort of routine dispute that federal courts regularly review.” *Id.* at 370. In contrast, agency decisions *declining* to initiate an agency review process are among those “agency decisions that courts have traditionally regarded as unreviewable.” *Id.*; *see, e.g., Heckler v. Chaney*, 470 U.S. 821, 831-38 (1985) (discussing “the presumption that agency decisions not to institute proceedings are unreviewable under 5 U.S.C. § 701(a)(2)”). Unsurprisingly then, this Court and the Supreme Court have already recognized that the USPTO’s decision *not* to institute an inter partes review is committed to the USPTO’s discretion, and nothing about *Weyerhaeuser* suggests otherwise. Contrary to ARRIS’s argument, § 315(b) does not limit the agency’s discretion to *deny* institution of an IPR

under § 314(a), and it does not provide jurisdiction to appeal a petition denial. This Court has held that a § 315(b) determination in the context of a *final written decision* resulting from an *instituted proceeding* is reviewable because it is a limit on the agency's ability to act. See *Wi-Fi One*, 878 F.3d at 1374 (“Enforcing statutory limits on an agency’s authority to act is precisely the type of issue that courts have historically reviewed” and “[a]s a statutory limit on the Director’s ability to institute IPR, the § 315(b) time bar is such an issue.”). But that reasoning does not apply where the agency denies a petition to institute proceedings, in which case there is no agency action. Rather, there is agency *inaction* that does not impact the parties’ rights. In such circumstances, the agency has *not acted* or even arguably violated its authority to act. As *Cuozzo* explains, the statutory scheme makes clear that “the agency’s decision to deny a petition is a matter committed to the Patent Office’s discretion” and is non-reviewable under the APA; and consistent with that reading, the AIA reflects that there is “no mandate to institute review.” See *Cuozzo*, 136 S. Ct. at 2140 (citing 5 U.S.C. § 701(a)(2) and 35 U.S.C. § 314(a)); see also *Wi-Fi One*, 878 F.3d at 1372 (noting that *Cuozzo* recognized that § 314(a) “grants the Director discretion not to institute even when the threshold is met.”) (citing 136 S. Ct. at 2140).

2. The Panel’s Order Does Not Raise a Question of Exceptional Importance Because, Consistent With the AIA’s Legislative Purpose, the Non-Reviewability of a Non-Institution Decision Leaves Petitioners’ Litigation Rights Unaffected and Protects Patent Owners

ARRIS argues that “[t]he panel’s decision barring review of the Board’s

decision affects Petitioner's substantive rights and deprives Petitioner of the due process to which it is entitled." Pet. at 11. ARRIS does not specify the affected substantive rights, referencing only "previous IPRs filed by the defendants in the litigation, as well as the actions taken by the defendants in the district court litigation." Pet. at 11. The agency's denial to institute the current IPRs does not alter ARRIS's rights as to those other actions. See Pet. at 12. While a final written decision in inter partes reviews filed by parties with which ARRIS is in privity would have an estoppel effect as to ARRIS's ability to assert in future district court litigation any invalidity ground that was or reasonably could have been raised during those inter partes reviews, nothing in the present petition denials would be "binding" on ARRIS under 35 U.S.C. § 315(e)(2). That is simply the way the statute works: parties who are in privity with other parties that file IPRs face the possibility of estoppel under 35 U.S.C. § 315(e)(2) upon the issuance of a final written decision. But nothing in the present petition denials create estoppel in those district court proceedings because no final written decision will issue from the denials. ARRIS is free to argue in district court (and in any appeals from those district court proceedings) that they are not privies.

ARRIS is correct that a final written decision in an inter partes review can "impact[] a real-party-in-interest's or privy's ability to challenge the validity of the asserted patents in a district court action" under the estoppel provisions of 35 U.S.C. § 315(e) (Pet. 11-12), but the agency's decision *not* to institute an inter partes review means that it will not be entering any such final written decision. Only when the

Board issues a final written decision addressing patentability does the agency's action affect the parties' rights. For example, a final written decision regarding patentability can alter or invalidate a patent owner's claims or prevent a petitioner in future proceedings from raising arguments that it raised or reasonably could have raised in the underlying proceeding. *See* 35 U.S.C. § 318(b) (directing USPTO to amend or cancel claims "[i]f ... [the Board] issues a final written decision" under § 318(a)); *id.* § 315(e) (preventing a "petitioner in an inter partes review ... that results in a final written decision under section 318(a)" from asserting the same arguments in subsequent proceedings before both the PTO and in other proceedings). But the agency's denial of a petition to institute an IPR does not alter the petitioner's or patent owner's rights: the patent owner remains in possession of unaltered patent claims and the petitioner remains free to seek review on any or all of the grounds raised in its petition in a subsequent IPR or litigate them in a district court.

Nor are any due process concerns implicated here. *See* Pet. at 10. As mentioned above, no one has a right to an instituted IPR. *See Cuozzco*, 136 S. Ct. at 2140 (AIA imposes no "mandate [on the USPTO] to institute review" in any circumstance, and "the agency's decision to deny a petition [for IPR] is a matter committed to the Patent Office's discretion" within the meaning of the APA.) (citing 35 U.S.C. § 314(a); 5 U.S.C. § 701(a)(2)). This type of agency *inaction* is routinely beyond judicial review. *See, e.g., Heckler*, 470 U.S. at 832 ("[W]hen an agency refuses to act it generally does not exercise its *coercive* power over an individual's liberty or

property rights, and thus does not infringe upon areas that courts often are called upon to protect.” (emphasis in original)). Moreover, the denial of institution here does not preclude the petitioner from making the same validity challenges in district court.

In addition, the non-reviewability of the agency’s non-institution decision is a critical element of the AIA’s statutory policy and structure. The AIA balances expanded administrative procedures for challenging issued patents against certain safeguards for patent owners. For example, the AIA set a time limit to seek administrative review after civil litigation commences (§ 315(b)); imposed an elevated threshold for instituting review (§ 314(a)); placed time limits on the duration of review (§ 316(a)(11)); limited challenges in all other forums following the completion of a review (§ 315(e)); and eliminated intermediate administrative appeals of post-issuance review (§ 319). The AIA’s drafters were particularly concerned with the timing of post-issuance proceedings, and the fact that under the pre-AIA system it “typically takes three or four years before the PTO decides an inter partes re-examination,” and that the “decision can then be appealed, which can make the process last from 5 to 8 years.” *See* S. Rep. No. 111-18, at 55 (2009) (Minority Views of Sens. Kyl, Feingold, and Coburn). As a result of such delays, even a patent that is “perfectly valid and enforceable” can be “greatly devalue[d], if not effectively nullif[ied].” *Id.* The AIA’s procedural protections addresses these problems. *See* 157 Cong. Rec. S1375-76 (Mar. 8, 2011) (Sen. Kyl); *see also id.* at S1376 (noting the AIA’s “eliminat[ion] of

administrative appeals” will “substantially accelerate the resolution of inter partes cases”); *see also* 157 Cong. Rec. S1326 (Mar. 7, 2011) (statement of Sen. Sessions) (noting that new procedural protections will ensure that AIA reviews do not result in “harassment or delay”).

Currently, the USPTO denies institution in forty percent of the approximately 1500 inter partes review petitions it acts on each year. Thus approximately 600 petitions for inter partes review are denied every year for a variety of reasons. Because institution denials have always been considered unreviewable, for these patent owners, the inter partes review process effectively concludes after six months (*see* 35 U.S.C. §§ 313, 314; 37 C.F.R. § 42.107), and they can return to enforcing or licensing their patents. By committing non-institution decisions to the agency’s discretion, the AIA helped ensure “quiet title to patent owners,” H.R. Rep. No. 112-98, at 48 (2011), an outcome that ARRIS’s contrary view would seriously undermine.

CONCLUSION

ARRIS failed to show that the panel's decision misapplies the law or creates any sort of conflict. ARRIS also failed to show that this case is one of exceptional importance. The petition for rehearing en banc should therefore be denied.

Respectfully submitted,

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CERTIFICATE OF SERVICE

I hereby certify that on this 10th day of April, 2019, I electronically filed the foregoing INTERVENOR DIRECTOR'S RESPONSE TO APPELLANT'S PETITION FOR REHEARING *EN BANC* using the Court's CM/ECF filing system. Counsel for the Appellant and Appellee were electronically served via e-mail per Fed. R. App. P. 25 (c)(2) and Fed. Cir. R. 25(e) through the Court's CM/ECF filing system.

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RULE 32 CERTIFICATE OF COMPLIANCE

Pursuant to Federal Rule of Appellate Procedure 32(g), the undersigned certifies that the foregoing INTERVENOR DIRECTOR'S RESPONSE TO APPELLANT'S PETITION FOR REHEARING *EN BANC* complies with the type-volume limitation required by the Court's rule. The total number of words in the foregoing brief, excluding the parts exempted by Federal Rule of Appellate Procedure 32(f) and Federal Circuit Rule 32(b), is 2,939 words as calculated using the Word® software program.

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