

No. 17-357

---

---

IN THE  
**Supreme Court of the United States**

GOOGLE LLC,

*Petitioner,*

v.

UNWIRED PLANET, LLC,

*Respondent.*

**On Petition for a Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

**REPLY BRIEF IN SUPPORT OF CERTIORARI**

THOMAS P. SCHMIDT  
HOGAN LOVELLS US LLP  
875 Third Ave.  
New York, NY 10022  
(212) 918-5547

NEAL KUMAR KATYAL  
*Counsel of Record*  
COLLEEN E. ROH SINZDAK  
KEITH O'DOHERTY  
HOGAN LOVELLS US LLP  
555 Thirteenth St., NW  
Washington, DC 20004  
(202) 637-5600  
neal.katyal@hoganlovells.com

*Counsel for Petitioners*

---

---

**RULE 29.6 DISCLOSURE STATEMENT**

Google LLC is a wholly owned subsidiary of XXVI Holdings Inc., which is a wholly owned subsidiary of Alphabet Inc., a publicly traded company. No publicly held company owns more than 10% of Alphabet Inc.'s stock.

## TABLE OF CONTENTS

|  | Page |
|--|------|
| RULE 29.6 DISCLOSURE STATEMENT .....   | i    |
| TABLE OF AUTHORITIES.....  | iii  |
| INTRODUCTION.....  | 1    |
| I. THE FEDERAL CIRCUIT’S DECISION<br>CONFLICTS WITH THE AMERICA<br>INVENTS ACT AND WITH <i>CUOZZO</i> .....  | 2    |
| II. THIS COURT SHOULD GRANT<br>CERTIORARI TO RESOLVE A CIRCUIT<br>SPLIT REGARDING THE APPROPRIATE<br>JUDICIAL TREATMENT OF<br>REGULATORY PREAMBLES ..... | 7    |
| III. THE QUESTIONS PRESENTED ARE<br>RECURRING AND IMPORTANT, AND<br>SHOULD BE RESOLVED NOW .....   | 10   |
| CONCLUSION .....   | 13   |

## TABLE OF AUTHORITIES

Page(s)

**CASES:**

|  |               |
|--|---------------|
| <i>Achates Reference Publ'g, Inc. v. Apple Inc.</i> ,<br>803 F.3d 652 (Fed. Cir. 2015) .....                     | 12            |
| <i>Aqua Prods., Inc. v. Matal</i> ,<br>872 F.3d 1290 (Fed. Cir. 2017) .....                                      | 12            |
| <i>City of Arlington v. FCC</i> ,<br>133 S. Ct. 1863 (2013) .....  | 3, 4, 5       |
| <i>Cuozzo Speed Techs., LLC v. Lee</i> ,<br>136 S. Ct. 2131 (2016) .....   | <i>passim</i> |
| <i>Hecker v. Deere &amp; Co.</i> ,<br>569 F.3d 708 (7th Cir. 2009) .....   | 9             |
| <i>HP Inc. v. MPHJ Tech. Invs., LLC</i> ,<br>817 F.3d 1339 (Fed. Cir. 2016) .....                                | 12            |
| <i>Husky Injection Molding Sys. Ltd. v. Athena<br/>Automation Ltd.</i> ,<br>838 F.3d 1236 (Fed. Cir. 2016) ..... | 11            |
| <i>In re Ameranth Patent Litig.</i> ,<br>No. 3:11-cv-01810 (S.D. Cal.) .....                                     | 11            |
| <i>Key Pharm. v. Hercon Labs. Corp.</i> ,<br>161 F.3d 709 (Fed. Cir. 1998) .....                                 | 6             |
| <i>Kingdomware Techs., Inc. v. United States</i> ,<br>136 S. Ct. 1969 (2016) .....                               | 7             |
| <i>Langbecker v. Electronic Data Systems Corp.</i> ,<br>476 F.3d 299 (5th Cir. 2007) .....                       | 9             |
| <i>Oil States Energy Services, LLC v. Greene's<br/>Energy Group, LLC</i> ,<br>No. 16-712 (U.S.) .....            | 10, 12        |
| <i>Return Mail, Inc. v. United States Postal Serv.</i> ,<br>868 F.3d 1350 (Fed. Cir. 2017) .....                 | 12            |

**TABLE OF AUTHORITIES—Continued**

|   | Page(s)   |
|---|-----------|
| <i>SAS Institute Inc. v. Matal</i> ,<br>No. 16-969 (U.S.) .....   | 12        |
| <i>Secure Access, LLC v. PNC Bank Nat’l Ass’n</i> ,<br>859 F.3d 998 (Fed. Cir. 2017) .....                  | 4, 5      |
| <i>Versata Development Group, Inc. v. SAP Amer-<br/>ica, Inc.</i> ,<br>793 F.3d 1306 (Fed. Cir. 2015) ..... | 2, 11, 12 |
| <b>STATUTES:</b>  |           |
| 35 U.S.C. § 102 .....   | 5         |
| 35 U.S.C. § 103 .....   | 5         |
| 35 U.S.C. § 112.....  | 5         |
| 35 U.S.C. § 312(a)(3).....  | 5         |
| 35 U.S.C. § 314(a) .....  | 4         |
| 35 U.S.C. § 315(b) .....  | 12        |
| 35 U.S.C. § 318(a).....   | 5         |
| 35 U.S.C. § 319 .....   | 5         |
| 35 U.S.C. § 324(e).....   | 3, 6      |
| 35 U.S.C. § 328(a) .....  | 5         |
| 35 U.S.C. § 329.....  | 5         |
| Leahy-Smith America Invents Act (“AIA”),<br>Pub. L. No. 112-29, 125 Stat. 284 (2011).. <i>passim</i>        |           |
| <b>LEGISLATIVE MATERIAL:</b>  |           |
| H.R. Rep. No. 112-98 (2011).....  | 1, 2      |
| <b>REGULATION:</b>  |           |
| 77 Fed. Reg. 48,734 (Aug. 14, 2012).....  | 7, 8      |

IN THE  
**Supreme Court of the United States**

---

No. 17-357

---

GOOGLE LLC,  
*Petitioner,*

v.

UNWIRED PLANET, LLC,  
*Respondent.*

---

**On Petition for a Writ of Certiorari to the  
United States Court of Appeals  
for the Federal Circuit**

---

**REPLY BRIEF IN SUPPORT OF CERTIORARI**

---

**INTRODUCTION**

Congress passed the Leahy-Smith America Invents Act (“AIA”), Pub. L. No. 112-29, 125 Stat. 284 (2011), to lift a significant drag on the national economy: “patent ‘troll’ lawsuits” based on “poor business-method patents.” H.R. Rep. No. 112-98, pt. 1, at 39-40, 54 (2011) (hereinafter “House Report”). The AIA thus created “covered business method” (“CBM”) review, which allows the Patent Trial and Appeal Board (“Board” or “PTAB”) to undertake a streamlined review of the validity of business method patents. The decision below has undermined the efficiency of this important reform and jettisoned the Board’s own understanding of its scope.

Respondent's arguments for why this Court should decline review of that decision are unpersuasive. On the jurisdictional question, respondent simply rehashes the Federal Circuit's incorrect analysis in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), and ignores entirely the relevant statutory text. On the deference question, respondent mischaracterizes the regulatory preamble at issue and seeks to camouflage a well-entrenched split. And respondent's objections to the importance of the question ring hollow: As the amici testify, there is still ample time left in the CBM program for this Court's intervention to do substantial good. Further, the Federal Circuit's legal errors will continue to infect its review of other types of PTAB proceedings long after the CBM program expires.

While respondent bewails the prospect of rogue agency action, it is important to specify just what the upshot of the decision below is: Patents that have been found invalid by the Board will be resuscitated on appeal based on a technicality that has nothing to do with the validity of the patent. (The invalidity determination, of course, will always be appealable.) That betrays Congress' goal of "improv[ing] patent quality" by "providing a more efficient system for challenging patents that should not have issued." House Report at 39-40. Certiorari should be granted.

**I. THE FEDERAL CIRCUIT'S DECISION  
CONFLICTS WITH THE AMERICA  
INVENTS ACT AND WITH *CUOZZO*.**

1. The answer to the jurisdictional question presented follows directly from "what [the AIA] says." *Cuozzo Speed Techs., LLC v. Lee*, 136 S.Ct. 2131,

2139 (2016). The AIA provides that the Board “may institute” CBM review “only for” a CBM patent, § 18(a)(1)(E), 125 Stat. at 330, and then that the “determination by the [Board] whether to institute a post-grant review \*\*\* shall be final and nonappealable,” 35 U.S.C. § 324(e). Under those provisions, the CBM determination clearly cannot be reopened by the Federal Circuit on appeal. As this Court held in *Cuozzo*: “[W]here a patent holder grounds its claim [*i.e.*, its appeal] in a statute closely related to th[e] decision to institute \*\*\* review, [the AIA] bars judicial review.” 136 S. Ct. at 2142. The definition of CBM is not just “closely related to th[e] decision to institute” review, *id.*, that is its *sole relevance*.

2. Respondent’s counterargument proceeds in two steps. First, the Board “has no authority to cancel a patent in a CBM review unless the patent is a CBM patent.” Opp. 15. Second, the Federal Circuit may review any error that involves the PTAB going “beyond its authority.” *Id.* Step one begs the question: While the Board cannot institute CBM review unless the patent is a CBM patent, the relevant question here is *who* is empowered to make that determination. The AIA and *Cuozzo* answer that question clearly: “Congress has told the *Patent Office* to determine whether \*\*\* review should proceed.” 136 S. Ct. at 2141.

Step two is a non-sequitur: It cannot be right that any question that goes to the Board’s “authority” is reviewable because, as this Court explained in *City of Arlington v. FCC*, 133 S. Ct. 1863, 1868 (2013), the distinction between questions that go to an agency’s authority and those that don’t is a “mirage.” An agency is a creature of statute, and therefore *any time* it contravenes a statute, it is acting beyond “the



bounds of its statutory authority.” *Id.* The logical upshot of respondent’s position, then, is that any legal issue resolved at the institution phase *is* appealable, because the Board has acted beyond “the bounds of its statutory authority.” *Id.* That would render the appeal bar a nullity. Indeed, under respondent’s logic even *Cuozzo* was wrongly decided, because “*Cuozzo* directly holds that the appeal bar encompasses questions of statutory authority.” *Secure Access, LLC v. PNC Bank Nat’l Ass’n*, 859 F.3d 998, 1011 (Fed. Cir. 2017) (Dyk, J., dissenting from denial of rehearing en banc); *see* Pet. 18.<sup>1</sup>

Respondent counters that *Arlington* is “irrelevant” because “the distinction here is not between jurisdiction and merits, but between final written decision (appealable) and institution decision (non-appealable).” Opp. 18-19. That misses the point: The problem remains that respondent has not offered a workable way to distinguish which issues pertain to the final decision and are therefore “appealable” and which do not. Again, respondent would have that distinction turn on whether an issue goes to the Board’s authority, but “[t]he reality, laid bare, is that there is *no difference* \*\*\* between an agency’s exceeding the scope of its authority \*\*\* and its exceeding authorized application of authority that it

---

<sup>1</sup> Respondent suggests *Cuozzo* is distinguishable because the challenger *could* conceivably have written a petition to institute that would be acceptable, even if the actual petition was not. Opp. 19 & n.10. But the Board determines whether to institute based on “the information presented in the petition,” 35 U.S.C. § 314(a), not based on whether some Platonic petition might be satisfactory.

unquestionably has.” *City of Arlington*, 133 S. Ct. at 1870.

3. Respondent also points to this Court’s observation in *Cuozzo* that the appeal bar would not “enable the agency to act outside its statutory limits by, for example, canceling a patent claim for indefiniteness under § 112 in inter partes review.” *Cuozzo*, 136 S. Ct. at 2141-42 (internal quotation marks omitted). But that observation is entirely consistent with prohibiting appeal of the Board’s CBM determination. As Judge Dyk has explained, that “passage cannot mean that every statutory authority issue is reviewable, since the Court specifically held that the statutory limit of § 312(a)(3) is not appealable.” *Secure Access*, 859 F.3d at 1011. *Cuozzo* was concerned, rather, with the Board “rel[ying] on grounds for invalidation other than those permitted by the statute, since those grounds necessarily carry forward to the final written decision.” *Id.*

Put another way: A party may only appeal from a “final written decision” of the Board. 35 U.S.C. §§ 319, 329. And a “final written decision” addresses the “*patentability* of any patent claim challenged by the petitioner.” *Id.* §§ 318(a), 328(a) (emphasis added). If the Board were to invalidate a patent under § 112 for indefiniteness in an inter partes review—in which §§ 102 and 103 are the only permissible grounds of unpatentability—the final written decision would itself be unlawful, because it would have decided the question of “patentability” on a ground that the statute does not allow. By contrast, whether a patent is a CBM patent has no bearing whatsoever on “patentability.”

4. Respondent makes much of the fact that the Federal Circuit does review claim constructions on appeal from a final written decision, even though the Board often construes claim terms at the institution phase. Opp. 8, 15-16. That has no bearing on the question presented here. First, the AIA does not expressly make claim construction a precondition of institution, as it does for the CBM determination. See § 18(a)(1)(E), 125 Stat. at 330. Claim construction is thus not “closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate \*\*\* review.” *Cuozzo*, 136 S. Ct. at 2141. Second, the CBM determination has *nothing* to do with the validity issues decided in a final written decision, whereas “construing the claim” is generally the first “step[]” in a validity “determination.” *Key Pharm. v. Hercon Labs. Corp.*, 161 F.3d 709, 714 (Fed. Cir. 1998).

\* \* \*

It is telling that respondent does not quote or discuss the language of the appeal bar a single time. See Opp. viii. Respondent simply has no plausible account of how to reconcile its preferred interpretation with the AIA’s command that the Board’s “determination \*\*\* to institute” is “final and nonappealable.” 35 U.S.C. § 324(e). It is also telling that the decision below did not discuss *Cuozzo*, even though it was decided while the appeal was pending and brought to the Court’s attention in letter briefs. The question presented here is simply too important for that cursory treatment.

**II. THIS COURT SHOULD GRANT  
CERTIORARI TO RESOLVE A CIRCUIT  
SPLIT REGARDING THE  
APPROPRIATE JUDICIAL TREATMENT  
OF REGULATORY PREAMBLES.**

In *Kingdomware Techs., Inc. v. United States*, this Court left open the question of whether “the preamble to [an] agency’s rulemaking could be owed *Chevron* deference.” 136 S. Ct. 1969, 1979 (2016). The Ninth Circuit and the D.C. Circuit have both held that *Chevron* deference is appropriate, while the Fifth and Seventh Circuits have declined to apply that level of deference. Pet. 20-22. The Federal Circuit joined the wrong side of that divide in this case, which provides an ideal vehicle to resolve it.

Respondent’s protestations to the contrary are unpersuasive.

1. Respondent first asserts (at 22) that the question of deference is not presented because there is no interpretation of “CBM patent” in the preamble. That blinkers reality. The preamble contains the PTO’s response to a comment questioning how to “interpret” an ambiguous phrase in the CBM statute. 77 Fed. Reg. 48,734, 48,735 (Aug. 14, 2012). In that response, the PTO explains that “[i]n administering the [CBM] program, the Office will consider the legislative intent and history” of the CBM statute. It then singles out and endorses a specific view expressed in that history: “that the definition of covered business method patent was drafted to encompass patents ‘claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity.’” *Id.* (quoting 157 Cong. Rec. S5432 (daily ed. Sept. 8, 2011) (statement

of Sen. Schumer)). It is impossible to read that sentence as anything other than the PTO's adoption of an interpretation of "CBM patent" that "encompass[es] patents 'claiming activities that are \*\*\* incidental to a financial activity.'"

Respondent contends (at 23) that this statement cannot be an interpretation of the term "CBM patent" because the regulation "adopt[s] the statutory definition, unmodified." That simply does not follow. In fact, it is precisely *because* the regulation duplicates the statutory language that it is necessary to look to the regulation's preamble for the agency's interpretation of the ambiguous statutory provision.

Respondent also misses the mark with its claim (at 24) that the PTO's adoption of this particular interpretive statement carries no weight because—according to the Federal Circuit—the legislative history also contains "divergent" views. Even if the Federal Circuit were correct, the PTO's comment makes clear that the agency has reviewed the history and adopted this specific understanding of "CBM patent." As such, it is entitled to deference if *Chevron* applies. Nor is there any merit to respondent's contention (at 24) that "[a]t most" the PTO's comment may be viewed as an interpretation of the term "financial activity." The PTO made very clear that it was adopting a particular understanding of "the definition of covered business method patent." 77 Fed. Reg. at 48,735.

2. Respondent's attempts to dispel the split fare no better. Respondent does not and cannot dispute that the D.C. and Ninth Circuits have both deferred to interpretations in a regulatory preamble. Pet. 20-21. There can also be no dispute that the Federal Circuit

refused to apply deference here, dismissing the interpretation as a “policy statement.” Pet. App. 9a-10a.

That alone establishes the split, but—as the Petition demonstrated—the divide is deeper because both the Fifth and Seventh Circuits have adopted the Federal Circuit’s approach. Respondent seeks to downplay that, asserting that neither circuit has taken a firm position. But the Fifth Circuit’s statements in *Langbecker v. Electronic Data Systems Corp.* were sufficiently firm to draw a heated protest from the dissent, which spent a paragraph criticizing the majority for deciding that a “preamble is entitled to deference only to the extent it has power to persuade.” 476 F.3d 299, 320 (5th Cir. 2007) (Reavley, J., dissenting). Further, in *Hecker v. Deere & Co.*, the Seventh Circuit squarely rejected the application of *Chevron* deference to an interpretation in a preamble: As the order denying en banc review explained, the agency “assert[ed]” that the interpretation was “entitled to deference under *Chevron*,” and the panel “did not give the weight that the [agency] believes is due to” that interpretation. 569 F.3d 708, 710 (7th Cir. 2009).

3. Finally, respondent contends (at 25) that the deference question is irrelevant because the PTO’s interpretation “would fail the first step of *Chevron*.” That is a bold statement. The interpretation in question was first articulated by the statute’s congressional sponsor, then adopted and endorsed by the expert agency that Congress charged with administering the statute, and finally applied by the PTAB, another expert administrative body imbued with authority to execute the statute. It is not

credible that the reading is nonetheless unreasonable, let alone contrary to the statutory text.

In short, there is no reason for this Court to decline review of this straightforward question of administrative deference on which the circuits are split.

**III. THE QUESTIONS PRESENTED ARE RECURRING AND IMPORTANT, AND SHOULD BE RESOLVED NOW.**

Respondent does not dispute that weeding out weak business method patents was a key motivation behind the AIA, or that the questions presented are central to the administration of CBM review. Instead, respondent claims that this Court's review is unwarranted because the CBM program is set to expire on September 16, 2020, and because of the pendency of *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, No. 16-712.<sup>2</sup> That is wrong on both counts.

1. First of all, there is still ample time for parties to take advantage of CBM review. That is why a coalition of technology companies and innovators has filed an amicus brief supporting this Petition. *See* Br. of Amici Curiae Dell et al. 13. And respondent does not dispute two crucial points: That the rate of institution has fallen off dramatically—from 91% to 66%—since the decision below, and that the proper interpretation of the definition of CBM will affect every pending case and every case yet to be filed.

---

<sup>2</sup> The Petition correctly noted that the CBM program sunsets after 8 years, Pet. 8, but misstated the year of expiration as 2022 in a footnote, *id.* at 25 n.5. The substantive arguments in that footnote remain valid. *Id.*

Moreover, the decision below will likely dissuade would-be petitioners from filing in the first place. The net result of the decision below, then, is that fewer invalid patent claims will be weeded out and more litigants will be mired in threshold disputes that make CBM review less useful.

Further, when considering the absolute numbers of CBM petitions pending or to be filed, even a single CBM review can have significant ramifications for other proceedings because of the nature of troll litigation. For instance, one patent that was successfully challenged in a CBM proceeding, U.S. Patent No. 6,871,325, had been asserted in *more than thirty* different district court cases. *See, e.g., In re Ameranth Patent Litig.*, No. 3:11-cv-01810 (S.D. Cal.). The benefits of CBM review for innovation multiply quickly.

Moreover, the question of deference to regulatory preambles is cross-cutting and important. Answering the question in this case will provide critical guidance for lower courts, Congress, and litigants for many years to come.

2. In addition, this Court's decision in this case would clarify the scope of the AIA's appeal bar in a manner that would impact other forms of PTAB review that are not subject to the sunset provision. The Federal Circuit's decision in *Versata*—which is effectively under review here—has become firmly entrenched in its basic methodology for considering the AIA's appeal bar. For instance, the Federal Circuit applied the *Versata* framework to decide whether it has jurisdiction over “the Board's determination during the institution phase that assignor estoppel cannot bar an assignor or his or her privies



from petitioning for inter partes review.” *Husky Injection Molding Sys. Ltd. v. Athena Automation Ltd.*, 838 F.3d 1236, 1245 (Fed. Cir. 2016). It has also applied *Versata* to conclude that it has jurisdiction to review a party’s statutory standing to petition for review. *Return Mail, Inc. v. United States Postal Serv.*, 868 F.3d 1350, 1359 (Fed. Cir. 2017). Likewise, it has applied *Versata* in holding that it “cannot review the Board’s refusal to institute IPR on redundancy grounds.” *HP Inc. v. MPHJ Tech. Invs., LLC*, 817 F.3d 1339, 1348 (Fed. Cir. 2016). And it has applied *Versata* to decide whether the time bar in 35 U.S.C. § 315(b) is appealable, an issue now pending en banc. *See Achatos Reference Publ’g, Inc. v. Apple Inc.*, 803 F.3d 652, 656-657 (Fed. Cir. 2015). In short, the *Versata* decision, which is fundamentally flawed, has shaped this entire area of law in the Federal Circuit. Moreover, the Federal Circuit is splintered on the question of deference to the Board and PTO. *See Aqua Prods., Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017) (en banc). The systemic importance of the questions presented reinforces the need for this Court’s review.

3. Finally, this Court should not deny review because of *Oil States*. It is already considering another question regarding PTAB review in *SAS Institute Inc. v. Matal*, No. 16-969. The Court did not hold or dismiss that case as improvidently granted in light of *Oil States*. Moreover, as explained in the Petition, this may be the Court’s only opportunity to address the scope of the CBM definition and the Federal Circuit’s jurisdiction to review the CBM determination, because the decision below will function effectively as a one-way ratchet. Pet. 28. And, given the sunset, the Court should act now to preserve the

efficacy of the program for the remaining years of its life.

**CONCLUSION**

The petition for a writ of certiorari should be granted.

Respectfully submitted,

NEAL KUMAR KATYAL

*Counsel of Record*

COLLEEN E. ROH SINZDAK

KEITH O'DOHERTY

HOGAN LOVELLS US LLP

555 Thirteenth St., NW

Washington, DC 20004

(202) 637-5600

neal.katyal@hoganlovells.com

THOMAS P. SCHMIDT

HOGAN LOVELLS US LLP

875 Third Ave.

New York, NY 10022

(212) 918-5547

*Counsel for Petitioners*

NOVEMBER 2017