

No. 18-916

In The
Supreme Court of the United States

—◆—
THRYV, INC.,
FORMERLY KNOWN AS DEX MEDIA, INC.,
Petitioner,

v.

CLICK-TO-CALL TECHNOLOGIES, LP, *et al.*,
Respondents.

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

—◆—
**BRIEF OF SUPERIOR COMMUNICATIONS, INC. AS
AMICUS CURIAE IN SUPPORT OF PETITIONER**

—◆—
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INTEREST OF AMICUS CURIAE¹

Superior Communications, Inc. is one party in *Superior Communications, Inc. v. Voltstar Technologies, Inc.*, a case in which Superior filed a petition for a writ of certiorari. Petition for Writ of Certiorari, *Superior Communications, Inc. v. Voltstar Technologies, Inc.*, No. 18-1027 (S. Ct. Feb. 4, 2019) (“Superior Petition”). Superior has an interest in this case, because Superior’s Petition presents the same question at issue in this case.

In Superior’s case, Superior petitioned for institution of an inter partes review proceeding in October 2016, challenging the validity of the claims² of Voltstar’s U.S. Patent No. 7,910,833 (the “833 Patent”). The Patent Trial and Appeal Board (“PTAB”) instituted an inter partes review proceeding in April 2017. The PTAB decision to institute an inter partes review proceeding included a finding that § 315(b)’s time bar did not apply. The parties invested a substantial amount of time and money litigating the validity of Voltstar’s ’833 Patent, including at least five long, detailed briefs, and extensive expert discovery and expert testimony. Case No. 18-1027, Appendix to Superior’s

¹ Counsel for all parties have provided blanket consent in writing to the filing of *amicus* briefs, as noted on the docket by the Clerk. No counsel for any party authored this brief in any part, and no one other than Superior or its counsel made a monetary contribution to fund its preparation or submission.

² In a previous inter partes reexamination proceeding, most of the claims of the ’833 Patent were determined to be invalid in view of prior art, and those claims had already been cancelled by the PTO.

Petition, at 5–6 & 39–42. In April 2018, the PTAB issued a final written decision determining that all of the patent claims were invalid in view of prior art that was not brought to the attention of the Patent and Trademark Office (“PTO”) during the prosecution of the original patent application.

Voltstar appealed to the Federal Circuit. Superior Petition 1-2. Shortly before the PTAB issued its final written decision, a sharply divided en banc Federal Circuit overruled prior case law holding that 35 U.S.C. § 314(d) barred a patent owner from appealing the PTAB’s decision to institute an IPR proceeding. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1375 (Fed. Cir. 2018), *overruling Achatos Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015). In *Wi-Fi One*, the en banc Federal Circuit held that the Board’s application of § 315(b)’s one-year time bar is appealable even though the Board applies § 315(b) as part of the institution decision, which is otherwise not appealable under § 314(d). *Wi-Fi One*, 878 F.3d at 1374–75.

Before the Federal Circuit, Voltstar filed a motion to vacate the PTAB determination that the patent was invalid, not based upon the merits, but instead based solely upon a flaw in the PTAB’s institution decision.

Under the governing law at the time of the institution decision, a voluntarily dismissed complaint did not trigger § 315(b)’s one-year time bar. In *Click-to-Call Technologies, LP v. Ingenio, Inc.*, 899 F.3d 1321, 1330-31 (Fed. Cir. 2018), the Federal Circuit held that

§ 315(b) is triggered any time a patent infringement complaint is served on the petitioner seeking inter partes review, regardless of whether the complaint was subsequently voluntarily dismissed. In Superior’s case, Voltstar had voluntarily dismissed the complaint previously filed against Superior, without prejudice; and under the governing law at that time, it was unnecessary for Superior to challenge whether Superior had been formally served with the complaint. In Superior’s case, the PTAB decision to institute the inter partes review correctly applied the applicable law governing the issue at that time, but *Click-to-Call* retroactively changed the law.

Voltstar’s motion to vacate the PTAB final written decision was based solely upon the holding in the *Click-to-Call* case, and did not challenge the correctness of the PTAB determination that the patent was invalid. Prior to any briefs being filed on the merits, and with no record before the appellate court other than the PTAB final written decision, the Federal Circuit found *Click-to-Call* dispositive, and summarily vacated the PTAB’s final written decision based upon an error in the institution decision. Superior Petition, at 13.

On remand from the Federal Circuit, Voltstar has requested the PTO “to allow Voltstar to proceed in district court.” *Superior Comm., Inc. v. Voltstar Techs., Inc.*, Case No. IPR2017-00067 (Paper 43, at 10) (P.T.A.B. Apr. 15, 2019). Voltstar has thus indicated its intention to proceed with enforcement of the ’833 Patent, in spite of the prior PTAB determination, now vacated, that the patent is invalid. Having expended

considerable resources to establish that the patent is invalid, Superior is now faced with the prospect of incurring the additional costs of district court litigation. The resources expended by Superior during the inter partes review proceeding were largely wasted.

Superior filed a petition for a writ of certiorari. Superior's petition presents, *inter alia*, the same question that is presently before this Court: whether 35 U.S.C. § 314(d) permits judicial review of the Patent Trial and Appeal Board's decision to institute an inter partes review upon finding that § 315(b)'s time bar did not apply. Superior Petition, at i–ii.

Superior thus has an interest in this case – the fate of Superior's case may be impacted by the outcome of this case.



SUMMARY OF THE ARGUMENT

This case presents the issue of whether 35 U.S.C. § 314(d) allows a patent owner to appeal the Patent Trial and Appeal Board's decision to institute an inter partes review proceeding, after a patent has been determined to be invalid. Congress presumably recognized that a patent owner has no incentive to appeal the PTAB's institution decision if the outcome of the inter partes review proceeding confirms the validity of the patent. Thus, as a practical matter, permitting judicial review of a PTAB institution decision allows a patent owner (after the patent has been determined to be invalid), to set aside the invalidity determination,

and continue to enforce an invalid patent against the public, based solely upon an error in the institution decision having nothing to do with the merits of the validity issue.

Inter partes review proceedings were intended to be a less costly alternative procedure for determining the validity of a patent, instead of district court litigation. The legislative history indicates that Congress intended to improve upon the previously existing inter partes reexamination process “to provide a more efficient mechanism to challenge patents that should not have been issued.” S. Rep. No. 111-18, at 16 (2009).

In the legislation ultimately enacted, Congress split inter partes review into two steps: the institution decision and the final written decision. 35 U.S.C. §§ 314 & 318. The institution decision comes early in the process and is expressly not appealable. *Id.* § 314(d). The final written decision comes at the end of the process after the parties engage in “the usual trappings of litigation” like fact discovery, expert discovery, depositions, extensive briefing, and a trial-like hearing. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1354 (2018). Final written decisions are expressly appealable. 35 U.S.C. § 319. Appellate review of final written decisions provides full Due Process protection to patent owners for any determination concerning the validity of the patent.

Under the statutory scheme enacted by Congress, the institution decision determines whether the issue of patent validity can be determined by the PTO,

instead of being determined by a district court. Thus, an institution decision effectively only decides *who* determines the issue of validity: the PTO or a district court.

Permitting judicial review of a PTAB decision to institute an inter partes review encourages waste of significant time and money, defeating the purpose of § 314(d). Congress could have set up the inter partes review process to involve just a final written decision, but its choice to bifurcate the process and forbid appeal only of the institution decision reflects that Congress did not intend for the outcome of an inter partes review to be overturned, after the expenditure of significant resources directed to a determination of the validity of the patent, based solely upon an error in the institution decision. Because an institution decision only determines *who* will decide the issue of validity, *i.e.*, the PTO or a district court, an institution decision is less worthy of costly and time-consuming appellate procedures. The Congressional decision to direct that a determination by the PTO to institute an inter partes review “shall be final and nonappealable,” 35 U.S.C. § 314(d), eliminates the possibility that an administrative proceeding intended as a more efficient mechanism to challenge the validity of patents could be undone, after a significant expenditure of resources to determine patent validity, based upon an error in the government agency’s initial decision to institute the proceeding.

Superior’s case demonstrates the significant costs that a patent challenger incurs after the PTAB institutes

an inter partes review proceeding. Appellate review of a PTAB institution decision opens the door to allowing invalid patents – determined to be invalid by the same government agency that issued the patent in the first place – to be enforced against the public, solely because of an error in the institution decision. Permitting the outcome of the administrative proceeding to be set aside, after the fact, based solely upon an error in the institution decision, effectively turns the Congressional scheme on its head, and results in the inter partes review process becoming a more expensive and wasteful alternative for eliminating invalid patents.

An individual served with a complaint alleging patent infringement may often be the only party with enough economic incentive to shoulder the enormous expense involved in challenging the validity of a patent. *Cf. Lear, Inc. v. Adkins*, 395 U.S. 653, 670 (1969). If the utility of inter partes review proceedings is significantly undercut by permitting a determination of invalidity to be overturned, after the fact, based upon an error in the institution decision, such a result will frustrate the Congressional intent of providing a more efficient and less costly mechanism for challenging the validity of patents. Potential patent challengers, faced with the more expensive alternative of district court litigation, or the risk of wasting resources spent on an inter partes review proceeding if the institution decision is reversed after the fact, may elect to settle with the patent owner instead. In that event, “the public may continually be required to pay tribute to would-be

monopolists without need or justification.” *Lear*, 395 U.S. at 670.

Permitting judicial review of a PTAB decision to institute an inter partes review will have a significant adverse impact on the patent world. Just months after the legislation establishing inter partes review proceedings became effective in September 2012, the PTAB interpreted § 315(b) as not applying when a patent infringement complaint is voluntarily dismissed without prejudice. *Macauto U.S.A. v. BOS GMBH & KG*, IPR2012-00004, 2013 WL 5947694, at *7 (P.T.A.B. Jan. 24, 2013). Thus, for nearly six years between the creation of inter partes review proceedings and *Click-to-Call* in August 2018, any defendant agreeing to the voluntary dismissal of a patent infringement complaint without prejudice knew that § 315(b) would not later bar them from petitioning for inter partes review. *Click-to-Call* pulls the rug out from under these defendants, who are now time-barred from petitioning for inter partes review. Their only other option will be costly, time-consuming federal litigation – the exact opposite of what Congress intended. Superior’s case is but one concrete example of this.

This Court should hold that 35 U.S.C. § 314(d) does not permit judicial review of the Patent Trial and Appeal Board’s decision to institute an inter partes review upon finding that § 315(b)’s time bar did not apply.



ARGUMENT

I. CONGRESS INTENDED INTER PARTES REVIEW TO PROVIDE A LESS EXPENSIVE, MORE EFFICIENT, AND FASTER ALTERNATIVE TO COSTLY AND PROTRACTED DISTRICT COURT LITIGATION FOR CHALLENGING THE VALIDITY OF BAD PATENTS.

Prior to the passage of the Leahy-Smith America Invents Act, Congress worked on patent reform for the better part of a decade. Hearing on H.R. 1249 Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 1 (2011) (statement of Rep. Bob Goodlatte, Chairman, Subcomm. on Intellectual Prop., Competition, and the Internet).

A. A Primary Objective of Patent Reform Was to Provide a More Efficient System for Challenging Patents That Should Not Have Issued.

Patent reform measures included a number of proposed changes, such as changing U.S. law to a first-inventor-to-file system. However, a primary objective of proposed legislation included the objective of “improving patent quality and providing a more efficient system for challenging patents that should not have been issued.” S. Rep. No. 111-18, at 3 (2009).

Congress noted “a growing sense that questionable patents are too easily obtained and are too difficult to challenge.” S. Rep. No. 111-18, at 3 (2009); 157 Cong.

Rec. S949 (daily ed. Feb. 28, 2011) (statement of Sen. Patrick J. Leahy) (referring to “the concerns heard in Congress that questionable patents are too easily obtained, too difficult to challenge.”).

Under the law prior to enactment of the Leahy-Smith America Invents Act, Congress noted that there were two ways to challenge the validity of a patent that has issued. S. Rep. No. 111-18, at 14 (2009). At that time, a patent could be challenged in district court litigation or in a reexamination at the PTO. *Id.* Nearly thirty years earlier, Congress had created an ex parte reexamination process “in the expectation that it would serve as an effective and efficient alternative to often costly and protracted district court litigation.” *Id.* But it proved to be “a less viable alternative to litigation for evaluating patent validity than Congress intended.” *Id.*

Congress responded several times to criticisms of the initial ex parte reexamination system by making amendments to the process. S. Rep. No. 111-18, at 15 (2009). In 1999, Congress created a second reexamination procedure, referred to as inter partes reexamination, giving third party challengers greater input during the proceeding. *Id.* The 1999 legislation directed the PTO to submit a report to Congress evaluating the inter partes reexamination process and making any recommendations for changes. *Id.*

Initially, the PTO projected that during the first year it would receive 400 requests for inter partes reexamination, and that by 2004, it would receive nearly

600 such requests. S. Rpt. No. 111-18, at 15 (2009). However, in 2000, no requests for inter partes reexamination were filed, and only 27 such requests were filed by 2004. *Id.* at 15-16. Over the five-year period studied by the PTO, 900,000 patents had been issued, but the PTO received only 53 requests for inter partes reexamination. *Id.* at 16.

After receiving the PTO report in 2004 concerning the inter partes reexamination process, a number of patent reform bills were introduced between 2005 and 2009. Patent Reform Act of 2005, H.R. 2795, 109th Cong. (2005); Patent Reform Act of 2006, S. 3818, 109th Cong. (2006); Patent Reform Act of 2007, H.R. 1908, 110th Cong. (2007); Patent Reform Act of 2007, S. 1145, 110th Cong. (2007); Patent Reform Act of 2008, S. 3600, 110th Cong. (2008); Patent Reform Act of 2009, H.R. 1260, 111th Cong. (2009); Patent Reform Act of 2009, S. 515, 111th Cong. (2009); Patent Reform Act of 2009, S. 610, 111th Cong. (2009).

In 2009, Congress found that the “need to update our patent laws” had been “meticulously documented” in numerous hearings before committees in the Senate and the House,³ in reports written by the Federal Trade Commission and the National Academy of Sciences, and in “a plethora of academic commentary.” S. Rep. No. 111-18, at 2 (2009) (footnotes omitted).

³ See generally, S. Rpt. No. 111-18, at 27-30 (2009) (detailing a list of hearings).

B. Congress Was Concerned About a Significant Increase in Patent Litigation Involving Patent Trolls, and Nonpracticing Entities.

Congress was concerned about “changes in the economy and the litigation practices in the patent realm.” S. Rep. No. 111-18, at 2 (2009). Congress was aware of the significant increase in patent litigation involving nonpracticing entities,⁴ sometimes referred to as patent trolls. Congress heard concerns about excessive damage awards, particularly in cases involving nonpracticing entities. A Senate report noted that “[t]his concern was also highlighted recently by the Supreme Court, with Justice Kennedy specifically admonishing: ‘In cases now arising trial courts should bear in mind that in many instances the nature of the patent being enforced and the economic function of the patent holder present considerations quite unlike earlier cases. An industry has developed in which firms use patents not as a basis for producing and selling goods but, instead, primarily for obtaining license fees.’” S. Rep. No. 111-18, at 8 (2009) (footnote omitted), quoting from *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 396 (2006) (Kennedy, J., concurring).

In 2011, Congress recognized that “[p]atents of low quality and dubious validity . . . enable patent trolls

⁴ “The Committee has heard concerns that damage awards, particularly those stemming from cases in which the plaintiffs do not practice their inventions, are too often excessive and untethered from the harm that compensatory damages are intended to measure.” S. Rep. No. 111-18, at 8 (2009) (footnote omitted).

who extort unreasonable licensing fees from legitimate businesses, and constitute a drag on innovation.” 157 Cong. Rec. S949 (daily ed. Feb. 28, 2011) (statement of Sen. Patrick J. Leahy). Concerns about frivolous lawsuits had become acute. Crossing the Finish Line on Patent Reform: What Can and Should Be Done: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 12 (2011) (statement of David Simon, Associate General Counsel, Intellectual Property Policy, Intel Corporation) (“Unfortunately, owners of bad patents issued by the [Patent] Office still threaten our member companies and that problem remains acute.”).⁵

C. Congress Heard Testimony That a Proliferation of Invalid Patents Had Spawned Frivolous Lawsuits.

Congress heard testimony that “[j]unk patents have plagued innovation, particularly in the high-tech sector, and spawned sham litigation.” Review of Recent Judicial Decisions on Patent Law: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong.

⁵ See also America Invents Act: Hearing on H.R. 1249 Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 2 (2011) (opening statement of Rep. Bob Goodlatte, Chairman, Subcomm. on Intellectual Prop., Competition, and the Internet) (“Many innovative companies, including those in the technology and other sectors, have been forced to defend against patent infringement lawsuits of questionable legitimacy.”).

63 (2011) (testimony of The Coalition for Patent Fairness). The testimony included:

This proliferation of invalid patents has resulted in costly litigation. . . . A special breed of non-practicing owners has emerged to exploit the patent thicket and other weaknesses in the patent system. Patent ‘trolls’ acquire patents on others’ inventions and seek to hold up other innovators. . . . [T]he hold up costs are so great, and the cost of litigation so high, that patent trolls can use the threat of suit to extract high royalties, even on questionable patents. *Id.* (citations omitted).

One member of the House noted, “In the past few years, frivolous lawsuits against high-technology companies have doubled, costing an average \$5 million to defeat each one of these questionable suits.” Crossing the Finish Line on Patent Reform: What Can and Should Be Done: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 2 (2011) (opening statement of Rep. Bob Goodlatte, Chairman, Subcomm. on Intellectual Prop., Competition, and the Internet).

D. Congress Was Concerned About the High Cost of Proving a Patent Invalid in District Court Litigation.

The cost of proving a patent invalid in district court litigation was described to Congress as “immensely expensive.” Crossing the Finish Line on Patent Reform:

What Can and Should Be Done: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 41 (2011) (testimony of David Simon, Associate General Counsel, Intellectual Property Policy, Intel Corporation) (“We recently had a case where we got a patent invalidated . . . , but it cost us \$8.5 million to get there.”).

Although attorney’s fees are only awarded in exceptional patent cases, recent awards, and requests for attorney’s fees, demonstrate how expensive patent litigation can be. *In re: Rembrandt Techs. LP Patent Litigation*, 899 F.3d 1254 (Fed. Cir. 2018) (\$51 million); *Takeda Chem. Indus., Ltd. v. Mylan Labs., Inc.*, 549 F.3d 1381 (Fed. Cir. 2008) (\$16.8 million); *Gilead Sciences, Inc. v. Merck & Co., Inc.*, No. 13-cv-04057, 2017 WL 3007071 (N.D. Cal. July 14, 2017) (\$12.6 million); *Howmedica Osteonics Corp. v. Zimmer, Inc.*, No. 05-897, 2018 U.S. Dist. LEXIS 88011 (D.N.J. Apr. 20, 2018) (\$13.8 million); *Regeneron Pharm., Inc. v. Merus N.V.*, No. 14-cv-1650, 2018 WL 3425013 (S.D.N.Y. June 25, 2018) (\$8.3 million in attorney fees, \$465,390 in expert fees, \$1.7 million in litigation expenses and costs); *Monsanto Co. v. Bayer Cropscience, N.V.*, No. 4:00cv01915, 2007 WL 1098504 (E.D. Mo. Apr. 12, 2007), *aff’d*, No. 2007-1299, 2008 WL 1808369 (Fed. Cir. Apr. 23, 2008) (\$8.3 million); *Imperium IP Holdings (Cayman), Ltd. v. Samsung Elecs. Co.*, No. 4:14-cv-00371, 2018 WL 1602460 (E.D. Tex. Apr. 3, 2018) (\$7 million); *Kilopass Tech., Inc. v. Sidense Corp.*, 82 F. Supp. 3d 1154 (N.D. Cal. 2015) (\$5.5 million); *Universal Elec., Inc. v. Universal Remote Control, Inc.*, 130

F. Supp. 3d 1331 (C.D. Cal. 2015) (\$4.6 million); *Alzheimer's Institute of America v. Eli Lilly & Co.*, No. 10-cv-00482, 2016 WL 7732621 (N.D. Cal. Apr. 14, 2016) (\$7.8 million); *Comark Commc'ns, Inc. v. Harris Corp.*, 47 U.S.P.Q.2d 1469, 1998 WL 150946 (E.D. Pa. 1998), *aff'd*, 156 F.3d 1182 (Fed. Cir. 1998) (\$3 million); *Bendix Commercial Vehicle, Sys., LLC v. Haldex Brake Prods. Corp.*, No. 1:09cv176, 2011 WL 871413 (N.D. Ohio Mar. 1, 2011) (\$2.6 million); *Saint-Gobain Autover USA, Inc. v. Xinyi Glass North America, Inc.*, 707 F. Supp. 2d 737 (N.D. Ohio 2010) (\$2.3 million); *Pact XPP Techs., AG v. Xilinx, Inc.*, No. 2:07-cv-563, 2013 WL 4735047 (E.D. Tex. Sept. 3, 2013) (\$2.2 million); *Ford Global Techs., LLC v. New World Int'l, Inc.*, No. 3:17-cv-3201, 2019 WL 1531759 (N.D. Tex. Apr. 9, 2019) (\$2.1 million); *Phigenix, Inv. v. Genentech Inc.*, No. 15-cv-01238, 2019 WL 2579260 (N.D. Cal. June 24, 2019) (\$1.7 million); *Georgetown Rail Equip. Co. v. Holland L.P.*, No. 6:13-cv-366, 2016 WL 3346084 (E.D. Tex. June 16, 2016) (\$1.5 million); *M-I Drilling Fluids UK Ltd. v. Dynamic Air Inc.*, No. 14-4857, 2018 WL 1399308 (D. Minn. Mar. 20, 2018) (\$1.3 million); *Thermolife Int'l LLC v. GNC Corp.*, 922 F.3d 1347 (Fed. Cir. 2019) (\$1.3 million); *Lugus IP, LLC v. Volvo Car Corp.*, No. 12-2906, 2015 WL 1399175 (D.N.J. Mar. 26, 2015) (\$927,272); *Worldwide Home Prods., Inc. v. Bed, Bath & Beyond, Inc.*, No. 11cv3633, 2015 WL 1573325 (S.D.N.Y. Apr. 9, 2015) (\$818,124); *T&M Inventions, LLC v. Acuity Brands Lighting, Inc.*, No. 14-c-947, 2016 WL 7441650 (E.D. Wis. Dec. 27, 2016) (\$849,000); *Large Audience Display Sys., LLC v. Tennman Prods., LLC*, 745 Fed. Appx. 153 (Fed. Cir. 2018) (\$737,012); *SAP America, Inc. v. Investpic, LLC*, No. 3:16-cv-02689, 2018 WL

6329690 (N.D. Tex. Dec. 4, 2018) (\$679,420); *Drop Stop LLC v. Zhu*, 757 Fed. Appx. 994 (Fed. Cir. 2019) (\$600,000).

Various studies have attempted to estimate the total cost of patent assertions by nonpracticing entities. *E.g.*, Mark A. Lemley, Kent Richardson & Eric Oliver, *The Patent Enforcement Iceberg*, 97 Tex. L. Rev. 801, 819 (2019) (between \$77.7 billion and \$122.2 billion in 2015); James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 Cornell L. Rev. 387, 389 (2014) (\$29 billion in 2011). A study of 15,000 patent lawsuits filed across four years found that nonpracticing entities filed a majority of those suits. Robin Feldman, Tom Ewing & Sara Jeruss, *The AIA 500 Expanded: The Effects of Patent Monetization Entities*, 17 U.C.L.A. J.L. & Tech. 1, 7 (Fall 2013).

E. Patent Reform Legislation Was Intended to Provide an Effective Administrative System for Weeding Out Invalid Patents.

Proposed legislation introduced in Congress through 2009 included various proposed amendments to the inter partes reexamination procedure intended to “remove current disincentives to current administrative processes” for challenging the validity of issued patents. S. Rep. No. 111-18, at 18 (2009).

In 2011, when legislation was introduced that ultimately led to the enactment of the Leahy-Smith America Invents Act, an important purpose of the

legislation was to provide an “effective administrative system to weed out bad patent[s].” Review of Recent Judicial Decisions on Patent Law: Hearing Before the Subcomm. on Intellectual Prop., Competition, and the Internet of the H. Comm. on the Judiciary, 112th Cong. 15 (2011) (testimony of Andrew J. Pincus, Business Software Alliance). Congress heard testimony calling for changes in the existing administrative procedures: “The experts at the PTO are in the best position to decide if a patent has been poorly issued, and they need an effective procedure in place to allow them to do that so people can challenge patents that were issued unjustifiably, bring those issues to the PTO and that requires changes to the current inter partes system.” *Id.* Another witness testified that the current inter partes reexamination needed to be expanded to “improve our ability to get rid of patents that should have never issued.” *Id.* at 52 (testimony of Dennis Crouch, Associate Professor of Law, University of Missouri School of Law).

Congress was told that “the inter partes reexamination process should be made more effective by removing existing disincentives. . . .” *Id.* at 18 (statement of Andrew J. Pincus, Business Software Alliance).

The intent of Congress in enacting the inter partes review provisions of the America Invents Act was to provide “a more efficient alternative to litigation” for challenging patent validity. 157 Cong. Rec. S1350 (daily ed. March 8, 2011) (statement by Sen. Patrick J. Leahy). Congress intended inter partes review to be a

“quick and cost effective alternative[] to litigation.”
H.R. Rep. No. 112-98, pt. 1, at 45, 48 (2011).⁶

II. PERMITTING JUDICIAL REVIEW OF A DECISION TO INSTITUTE INTER PARTES REVIEW RUNS CONTRARY TO CONGRESSIONAL INTENT.

Permitting judicial review of a PTAB decision to institute an inter partes review runs contrary to Congressional intent, because it potentially results in inter partes review being a *less* efficient procedure. This is the result whenever the entire inter partes review proceeding is undone, after a final written decision, based upon an error in the institution decision.

A. Permitting the Outcome of an Inter Partes Review to Be Set Aside, After the Fact, Based Solely Upon an Error in the Institution Decision, Results in the Inter Partes Review Process Becoming a More Expensive and Wasteful Alternative for Eliminating Invalid Patents.

Permitting the outcome of the administrative proceeding to be set aside, after the fact, based solely upon an error in the institution decision, effectively turns

⁶ The support of some stakeholders submitting statements concerning the legislation was based upon the intent that inter partes review would provide a lower-cost alternative to civil litigation to challenge a patent. *See* 157 Cong. Rec. S1177-78 (daily ed. March 3, 2011) (letter from higher education associations to all members of the Senate).

the Congressional scheme on its head, and results in the inter partes review process becoming a more expensive and wasteful alternative for eliminating invalid patents. The additional costs imposed upon a patent challenger under such circumstances can be devastating, because the time and money spent in the administrative proceeding proving that the patent was invalid are largely wasted, and those costs are added onto the already extraordinary costs of district court litigation in patent cases.

In the case of *Superior* and others similarly situated, the holdings in *Wi-Fi One* and *Click-to-Call* permitting appellate review of an institution decision, and allowing a final written decision to be vacated based upon an error in the institution decision, “squander[ed] the time and resources [the parties] spent adjudicating the actual merits of the petition.” *Wi-Fi One*, 878 F.3d at 1382 (Hughes, J., dissenting).

The impact of permitting judicial review of institution decisions may be better appreciated by considering the following four possible outcomes: (1) the patent is valid and the institution decision is correct; (2) the patent is valid and the institution decision is incorrect; (3) the patent is invalid and the institution decision is correct; (4) the patent is invalid and the institution decision is incorrect. In scenario (1), permitting judicial review of the institution decision serves no useful purpose. In scenario (2), the patent owner will have no reason to appeal. In scenario (3), permitting judicial review of a correct institution decision serves no useful purpose. Only in scenario (4) does

permitting judicial review make a difference, with the devastating consequences discussed above. Thus, in scenario (4), permitting judicial review of institution decisions results in an administrative procedure that is *not* quick, that is *not* a more efficient alternative to district court litigation, which is a *more costly* alternative to district court litigation, and which unleashes invalid patents upon the public after the PTO has determined that the patents should not have been granted in the first place.

B. Permitting a PTO Determination That a Patent Is Invalid to Be Set Aside, After the Fact, Based Solely Upon an Error in the Institution Decision, Allows a Patent Troll to Continue to Use the Patent in Frivolous Lawsuits to Extort Tribute from the Public, Contrary to the Strong Federal Policy Favoring Free Competition in Ideas Which Do Not Merit Patent Protection.

This Court has recognized “the strong federal policy favoring free competition in ideas which do not merit patent protection.” *Lear, Inc. v. Adkins*, 395 U.S. 653, 656 (1969), *citing Sears, Roebuck & Co. v. Stiffel Co.*, 376 U.S. 225 (1964), *and Compco Corp. v. Day-Brite Lighting, Inc.*, 376 U.S. 234 (1964). This Court has said that it is “important to the public that competition should not be repressed by worthless patents.” *Id.* at 664 (citation omitted). Yet permitting judicial review of institution decisions has the effect of taking “the only

individuals with enough economic incentive to challenge the patentability” of a patent, *see Lear*, 395 U.S. at 670, and imposing upon them the significant disincentive to challenge the validity of the patent by forcing them to incur the extraordinary cost of district court patent litigation on top of the time and money wasted upon an inter partes review proceeding. This increases the chance that potential patent challengers will give up and settle,⁷ and “the public may continually be required to pay tribute to would-be monopolists without need or justification.” *Id.* Thus, a patent troll who survived inter partes review after the patent was determined to be invalid, by getting the result vacated based upon an error in the institution decision, could continue to file frivolous lawsuits extorting “settlements” from the public. Not only does such a result fly in the face of the strong federal policy to the contrary, but it surely is not what Congress intended.

Appellate review of a PTAB institution decision opens the door to allowing invalid patents – determined to be invalid by the same government agency that issued the patent in the first place – to be subsequently enforced against the public solely because of an error in the institution decision, (an error having nothing to do with the merits concerning the validity of the patent). Surely Congress did not intend for a patent challenger to spend the time and money required to eliminate an invalid patent repressing free

⁷ In the antitrust context, this Court has observed that the high cost of litigation “will push cost-conscious defendants to settle even anemic cases.” *Bell Atlantic Corp. v. Twombly*, 550 U.S. 544, 559 (2007).

competition, for which the public would otherwise be required to pay tribute, only to find that it was all for naught because of an error in the institution decision. *See Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2140 (2016) (“We doubt that Congress would have granted the Patent Office this authority . . . if it had thought that the agency’s final decision could be unwound under some minor statutory technicality related to its preliminary decision to institute inter partes review.”).

Contrary to Congressional intent, in those cases where a PTO determination that a patent is invalid has been set aside based upon an error in the institution decision, *Wi-Fi One* and *Click-to-Call* have transformed inter partes review into an expensive and wasteful procedure.

C. There Are Many Cases in Which a PTO Determination That a Patent Was Invalid Have Now Been Set Aside, Based Upon an Error in the Institution Decision.

The statutory provisions establishing inter partes review proceedings became effective in September 2012. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 35, 125 Stat. 284, 341 (2011). Shortly thereafter, the PTAB interpreted § 315(b) as not applying when the relevant complaint was voluntarily dismissed without prejudice. *Macauto U.S.A. v. BOS GMBH & KG*, IPR2012-00004, 2013 WL 5947694, at *7 (P.T.A.B. Jan. 24, 2013) (finding § 315(b) inapplicable because “the

dismissal of the earlier action . . . nullifies the effect of the alleged service of the complaint on Petitioner”). Thus, for nearly six years leading up to *Click-to-Call* in August 2018, defendants agreeing to early voluntary dismissals of patent infringement complaints did so with the understanding that they would still be able to petition for inter partes review if they were later served with another complaint alleging patent infringement.

There are many defendants who once counted on their being able to later petition for inter partes review after agreeing to voluntarily dismiss a complaint without prejudice, and who no longer can. The result is that these defendants must now flock to federal court, spending all the time and money litigating patent challenges that Congress intended for inter partes review to resolve, or many of these potential patent challengers may be forced to settle with a patent owner in order to avoid the high cost of district court litigation.

Wi-Fi One and *Click-to-Call* changed the governing law retroactively, *DIRECTV, Inc. v. Imburgia*, 136 S. Ct. 463, 469 (2015), which means that those two cases pull the rug out from under countless defendants now time-barred from petitioning for inter partes review.

In the time since *Click-to-Call*, there have been at least sixteen published decisions on Westlaw where the PTAB applied *Click-to-Call* in circumstances where the complaint had been dismissed without prejudice. *MindGeek USA Inc. v. University of Southern*

California, IPR2019-00422, 2019 WL 2517205, at *1–2 (P.T.A.B. June 18, 2019); *MindGeek USA Inc. v. University of Southern California*, IPR2019-00420, 2019 WL 2518842, at *1–2 (P.T.A.B. June 18, 2019); *MindGeek USA Inc. v. University of Southern California Preservation Technologies LLC*, IPR2019-00421, 2019 WL 2517204, at *1–2 (P.T.A.B. June 18, 2019); *MindGeek USA Inc. v. University of Southern California*, IPR2019-00423, 2019 WL 2483999, at *1–2 (P.T.A.B. June 12, 2019); *Hewlett Packard Enter. Co. v. Chrimar Sys., Inc.*, IPR2019-0032, 2019 WL 1557174, at *3–4 (P.T.A.B. Apr. 9, 2019); *Hewlett Packard Enter. Co. v. Chrimar Sys., Inc.*, IPR2019-00033, 2019 WL 1422922, at *3–4 (P.T.A.B. Mar. 28, 2019); *Mylan Pharm. Inc. v. Horizon Pharma USA, Inc.*, IPR2017-01995, 2019 WL 1421192, at *56 (P.T.A.B. Mar. 27, 2019); *Avigilon Corp. v. Canon Inc.*, IPR2018-01627, 2019 WL 1283933, at *4–5 (P.T.A.B. Mar. 18, 2019); *Avigilon Corp. v. Canon Inc.*, IPR2018-01626, 2019 WL 1291042, at *4–5 (P.T.A.B. Mar. 18, 2019); *Ruiz Food Prods., Inc. v. MacroPoint LLC*, IPR2017-02016, 2017-02018, 2019 WL 643108, at *6 (P.T.A.B. Feb. 14, 2019); *Cisco Sys., Inc. v. Chrimar Sys., Inc.*, IPR2018-01514, 2019 WL 453725, at *5–6 (P.T.A.B. Feb. 4, 2019); *Cisco Sys., Inc. v. Chrimar Sys., Inc.*, IPR2018-01508, 2019 WL 413680, at *6 (P.T.A.B. Jan. 31, 2019); *Medtronic, Inc. v. Niazi Licensing Corp.*, IPR2018-01495, 2019 WL 262704, at *1–2 (P.T.A.B. Jan. 17, 2019); *VIZIO, Inc. v. Nichia Corp.*, IPR2018-00893, 2019 WL 148464, at *1–2 (P.T.A.B. Jan. 9, 2019); *FLIR Sys., Inc. v. Garmin Corp.*, IPR2018-01490, 2018 WL 5276319, at *1–2 (P.T.A.B. Oct. 22, 2018); *Shenzhen Liown Elecs. Co. v.*

Disney Enters., Inc., IPR2015-01656, 2018 WL 5099768, at *1–2 (P.T.A.B. Oct. 18, 2018).⁸

In *Shenzhen*, for example, the PTAB instituted inter partes review over the patent owner’s argument that the petition was untimely under § 315(b), because the complaint allegedly triggering § 315(b) had been dismissed without prejudice. *Shenzhen Liown Elecs. Co. v. Disney Enters., Inc.*, IPR2015-01656, slip op. at 6–9 (P.T.A.B. Feb. 8, 2016).⁹ After the PTAB’s institution decision, the parties submitted additional extensive briefing. *Shenzhen Liown Elecs. Co. v. Disney Enters., Inc.*, IPR2015-01656, 2017 WL 500153, at *1 (P.T.A.B. Feb. 6, 2017), *vacated by Luminara Worldwide, LLC v. Iancu*, 899 F.3d 1303, 1308 (Fed. Cir. 2018). The case indicates that the parties hired three experts to opine on the patent claims at issue. *Id.* at *4–12. And after all this briefing and expert discovery, the PTAB also held an “oral hearing” and issued its final written decision four months later. *Id.* at *1.

When the PTAB issued the final written decision in *Shenzhen*, the PTAB’s institution decision determination that the petition for IPR was timely was not appealable. But while the *Shenzhen* patent owner’s appeal was pending, the Federal Circuit decided both *Wi-Fi One* and *Click-to-Call*, which paved the way for

⁸ The cited cases only reflect what is available on Westlaw, as opposed to PTAB slip opinions.

⁹ Slip opinions can be found at the PTAB’s website, <https://ptab.uspto.gov/#/login>, by searching for the patent number without commas or spaces (the patent number at issue in *Shenzhen* is 8,070,319).

the Federal Circuit to summarily vacate that final written decision. *Luminara Worldwide, LLC v. Iancu*, 899 F.3d 1303, 1306 (Fed. Cir. 2018). Thus, the patent challenger in *Shenzhen* wasted significant resources obtaining a determination that the patent was invalid, only to have that decision undone by an appellate challenge to the institution decision. And other cases are similar. See, e.g., *Baker Hughes Oilfield Operations, Inc. v. Smith Int'l, Inc.*, IPR2016-01440, 2018 WL 5262654, at *2 (P.T.A.B. Oct. 4, 2018) (vacating a final written decision in light of *Wi-Fi One* and *Click-to-Call*, after extensive briefing by the parties, a trial, an appeal and subsequent remand, and more briefing).

D. A Number of Potential Patent Challengers Now Find Themselves Unable to Petition for Inter Partes Review.

A number of potential patent challengers now find themselves unable to petition for inter partes review after relying on the law that would have let them do so. Dismissals of complaints without prejudice are common in the patent world, and many such dismissals occurred before *Wi-Fi One* and *Click-to-Call*. See, e.g., *Mobile Tech., Inc. v. Sennco Sols., Inc.*, IPR2017-02199, 2018 WL 1891466, at *3 (P.T.A.B. Apr. 10, 2018); *ResMed Ltd. v. Fisher & Paykel Healthcare Ltd.*, IPR2016-01719, 2017 WL 1014404, at *2 (P.T.A.B. Mar. 13, 2017); *Microsoft Corp. v. Parallel Networks Licensing, LLC*, IPR2015-00483, 2015 WL 4760575, at *6–7 (P.T.A.B. July 15, 2015); *Jacobs Corp. v. Genesis III, Inc.*, IPR2014-01267, 2015 WL 331289, at *3 (P.T.A.B.

Jan. 22, 2015); *Ariosa Diagnostics v. Isis Innovation Ltd.*, IPR2012-00022, 2014 WL 4381564, at *11–12 (P.T.A.B. Sept. 2, 2014); *Oracle Corp. v. Click-to-Call Technologies LP*, IPR2013-00312, 2013 WL 11311788, at *7 (P.T.A.B. Oct. 30, 2013); *Macauto U.S.A. v. BOS GMBH & KG*, IPR2012-00004, 2013 WL 5947694, at *7 (P.T.A.B. Jan. 24, 2013).¹⁰

III. THE STATUTORY LANGUAGE DOES NOT PERMIT JUDICIAL REVIEW OF A DECISION TO INSTITUTE INTER PARTES REVIEW.

One might think, in view of the devastating consequences of *Wi-Fi One* and *Click-to-Call*, which are contrary to Congressional intent in enacting the statutory scheme for inter partes review, and are at odds with the strong federal policy against allowing invalid patents to be used to impede competition and unfairly tax the public, that surely the statutory language must absolutely compel this Court to permit judicial review of institution decisions. Superior respectfully submits

¹⁰ These cases are only some of the PTAB decisions available on Westlaw that involve petitions for inter partes review filed over a year after service of a complaint, where the complaint was dismissed without prejudice. There are more PTAB decisions reaching this result beyond those published by Westlaw. *See, e.g.*, *Jacobs Corp.*, 2015 WL 331289, at *3 (citing three unpublished PTAB slip opinions that involve petitions for IPR filed over a year after service of a complaint that was dismissed without prejudice).

that the language of the relevant statutes does *not* compel such a result.

Courts must read statutes “in their context and with a view to their place in the overall statutory scheme.” *FDA v. Brown & Williamson Tobacco Corp.*, 529 U.S. 120, 133 (2000), quoting *Davis v. Michigan Dep’t of Treasury*, 489 U.S. 803, 809 (1989).

In the statutory scheme for inter partes review, Congress bifurcated the administrative procedure – separating an institution decision from a final written decision.

A. An Institution Decision Only Decides Who Will Determine Validity – the PTO or a District Court.

An institution decision only decides whether an inter partes review will commence. Because a patent challenger always has the more expensive alternative of challenging the validity of a patent in district court, the practical effect of an institution decision is limited to *who will decide validity* – the PTO or a district court.

In an institution decision, the PTAB does not make any decision concerning the validity of the patent claims.

An institution decision must be made early in the process. The decision must be made within three months of receiving a preliminary response to the petition (or if no preliminary response is filed, within

three months of the deadline for such a response). 35 U.S.C. § 314(b). If the institution decision denies the petition, the patent challenger can plan accordingly. If the institution decision grants the petition, the patent challenger needs to know, before expending the significant resources necessary to obtain a determination concerning the validity of a patent, that the patent challenger is not wasting those resources by electing to engage in inter partes review. In order to increase the incentives for a patent challenger to pursue inter partes review, Congress expressly provided that the institution decision “shall be final and nonappealable.” 35 U.S.C. § 314(d).

Congress did not say that the institution decision will be temporary, until an appeal is taken from the final written decision. Congress expressly provided that the institution decision is final. Congress did not qualify the language in Section 314(d) to provide that an institution decision is not appealable at that time, or is not appealable for a specified period of time. Congress expressly provided that the institution decision is nonappealable, without qualification.

By bifurcating the process, and making the institution decision final and nonappealable, Congress provided certainty to a patent challenger. Congress provided certainty that if the patent challenger elected to pursue inter partes review as an alternative to district court litigation, and met the threshold of showing a reasonable likelihood that the petitioner would prevail with respect to at least one of the patent claims challenged in the petition, the patent challenger could

reliably expend the resources required to litigate an inter partes review with assurance that the patent challenger would ultimately obtain a determination concerning the validity of the challenged patent claims. The statutory scheme chosen by Congress eliminates the disincentive that would otherwise be created if a patent challenger faced the risk that a determination of patent validity could be unwound at the end of the proceeding, in the event that judicial review found an error in the institution decision.

B. Section 318(a) Defines a “Final Written Decision” as a Decision on the Patentability of Challenged Patent Claims.

After inter partes review is instituted, the parties engage in a process that includes “many of the usual trappings of litigation,” like fact discovery, expert discovery, additional briefing, oral arguments, and trial-like hearings. *Iancu*, 138 S. Ct. at 1354. The PTAB has up to eighteen months to issue a final written decision, reflecting the time and money it takes to complete all the discovery, briefing, and hearings involved. 35 U.S.C. § 316(a)(11).

The inter partes review proceeding culminates in a final written decision, as defined in 35 U.S.C. § 318(a). Section 318(a) defines a final written decision as a decision on “*the patentability of any patent claim* challenged by the petitioner. . . .” 35 U.S.C. § 318(a) (emphasis added). The statutory scheme bifurcates and separates a “final written decision,” which is a determination concerning the validity of any challenged

patent claim, from an institution decision, which is a determination whether to institute an inter partes review.

Given the definition of a “final written decision” in Section 318(a), the language of Section 319 reinforces the conclusion that an institution decision is final and nonappealable.

C. Section 319 and Section 141(c) Only Permit Appeal of the “Final Written Decision” Defined in Section 318(a).

Under the express terms of § 319, a party “dissatisfied with *the final written decision* of the Patent Trial and Appeal Board *under Section 318(a)* may appeal *the decision*. . . .” 35 U.S.C. § 319 (emphasis added). The “final written decision under § 318(a) is “a final written decision *with respect to the patentability of any patent claim* challenged by the petitioner. . . .” 35 U.S.C. § 318(a) (emphasis added).

Reading the two sections together, Section 319 only allows appeal of the decision under Section 318(a), and a Section 318(a) decision is limited to a decision with respect to the patentability of any challenged patent claim. A Section 318(a) decision does not include the determination of whether to institute inter partes review in the first place.

In addition, the language of 35 U.S.C. § 141(c) also reinforces the conclusion that an institution decision is final and nonappealable. Section 141(c) similarly

limits appeal to the “final written decision” under Section 318(a), which is defined by Section 318(a) as the decision with respect to the patentability of the challenged patent claims.

D. Section 314(d) Prohibits Appeal of an Institution Decision

For the reasons stated above, Superior respectfully submits that the statutory language used by Congress does *not* compel this Court to permit judicial review of institution decisions. To the contrary, Section 314(d) expressly provides that an institution decision is final and nonappealable. Whether the § 315(b) time bar applies is part of the institution decision. This Court should hold that § 314(d) precludes appeals of the PTAB’s timeliness determination in an institution decision, because, “[f]or one thing, that is what § 314(d) says.” *Cuozzo*, 136 S. Ct. at 2139.

Considering the statutes in their context and with a view to their place in the overall statutory scheme, judicial review of an institution decision should not be permitted.

◆

CONCLUSION

For the foregoing reasons, the Court should hold that 35 U.S.C. § 314(d) does not permit judicial review of the Patent Trial and Appeal Board’s decision to

institute an inter partes review upon finding that § 315(b)'s time bar did not apply.

Respectfully submitted,

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