

No. 19-455

IN THE
Supreme Court of the United States

ARRIS INTERNATIONAL LIMITED,

Petitioner,

v.

CHANBOND, LLC

AND

ANDREI IANCU, UNDER SECRETARY OF
COMMERCE FOR INTELLECTUAL PROPERTY
AND DIRECTOR OF THE UNITED STATES
PATENT AND TRADEMARK OFFICE,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED
STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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RULE 29.6 DISCLOSURE STATEMENT

CommScope Holding Company, Inc. is a publicly held company that owns 10% or more of the stock of Petitioner ARRIS International Limited.

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This Petition presents an important issue for consideration – whether a threshold finding by the Patent Trial and Appeal Board (“PTAB”), acting on behalf of the Director of the U.S. Patent and Trademark Office (“USPTO”), that a petitioner is in privity with “[o]ne or more of the defendants” in a related district court litigation is judicially reviewable even without the PTAB exercising its discretionary authority to institute a challenge to the patentability of claims in an *inter partes* review (“IPR”). A privity determination – which is wholly unrelated to patentability – does not involve the PTAB’s exercise of discretion. And, a finding of privity affects the substantive rights of Petitioner, following Petitioner beyond the walls of the USPTO and binding Petitioner to rulings in lawsuits in which Petitioner is not a party. Nonetheless, the federal respondent argues that no decision of the PTAB to deny institution of an IPR is *ever* reviewable, notwithstanding the federal respondent’s concession that the PTAB is not exercising its discretion in making the privity finding.

Review is warranted given the importance of the issue, the demonstrable confusion engendered by the federal respondent’s position, and the need for clarity regarding the reviewability of the PTAB’s initial findings that are unrelated to patentability. This case is an appropriate vehicle to resolve this important question, and further presents a full picture of the appropriate scope of the § 314(d) appeal bar that the Court is currently considering in *Thryv, Inc., formerly known as Dex Media, Inc. v. Click-to-Call Technologies, LP*, cert. granted, No. 18-916 (June 24, 2019).

I. The Federal Respondent Cannot Reconcile Its Position With The Holding In *Weyerhaeuser*

In *Weyerhaeuser Co. v. U.S. Fish & Wildlife Service*, 139 S. Ct. 361 (2018), this Court reviewed a provision of the Endangered Species Act (“the Act”) regarding the designation by the Secretary of the Interior of a property owner’s land as a critical habitat under 16 U.S.C. § 1533(b) (2).

Section 4(b)(2) of the Act sets forth the guidance for designation of land as critical habitat and states that the Secretary:

shall designate critical habitat . . . **after taking into consideration** the economic impact, the impact on national security, and any other relevant impact, of specifying any particular area as critical habitat. The Secretary **may** exclude any area from critical habitat if he determines that the benefits of such exclusion outweighs the benefits of specifying such area . . . unless he determines . . . that the failure to designate such area as critical habitat will result in the extension of the species concerned. 16 U.S.C. § 1533(b)(2).

Weyerhaeuser, 139 S. Ct. at 368 (emphasis added).

This Court found that although this provision’s use of the term “‘may’ certainly confers discretion on the Secretary” regarding whether to exclude an area from critical habitat if he determines the benefits of such exclusion outweighs the benefits of specifying the area

as critical habitat, the provision's use of the term "shall" indicates a mandate that "directs the Secretary to consider the economic and other impacts of designation when making his exclusion decisions." *Id.* at 371. Critical to this Court's analysis was its statement guiding the reconciliation of the Administrative Procedures Act's ("APA") prohibition of judicial review in 5 U.S.C. § 701(a)(2) for actions "committed to agency discretion" and its command in 5 U.S.C. § 706(2)(A) that courts set aside any agency action that is arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law:

To give effect to § 706(2)(A) and to honor the presumption of review, we have read the exception in § 701(a)(2) quite narrowly, restricting it to "those rare circumstances where the relevant statute is drawn so that a court would have no meaningful standard against which to judge the agencies exercise of discretion." *Lincoln v. Vigil*, 508 U.S. 182, 191, 113 S. Ct. 2024, 124 L. Ed. 2d 101 (1993).

Weyerhaeuser, 139 S. Ct. at 370.

This Court held that the mandate to consider the economic impact and relative benefits before deciding whether to exclude an area from critical habitat or to proceed with the designation demonstrates that the statute is not "drawn so that a court would have no meaningful standard against which to judge the [Secretary's] exercise of [his] discretion not to exclude." *Id.* at 371-372 (internal quotation marks omitted). This Court remanded *Weyerhaeuser* to the appellate court to consider the question of whether the Secretary's mandatory assessment

of the costs and benefits of designation was flawed in a way that rendered the resulting decision arbitrary, capricious or an abuse of discretion.

The parallels between the provisions at issue in *Weyerhaeuser* and those at issue here are clear. Like the statute in *Weyerhaeuser*, the AIA mandates that the PTAB must consider whether a petitioner, or real party in interest or privy of that petitioner, was served with a complaint alleging infringement of the patent more than one year prior to the filing of the petition, 35 U.S.C. § 315(b), before exercising the discretion in deciding whether to institute review under 35 U.S.C. § 314(a). *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1374 (Fed. Cir. 2018) (en banc) (“[35 U.S.C.] § 315(b) controls the Director’s authority to institute IPR.”). The AIA thus provides a meaningful and definitive standard – whether petitioner or privy was served with a complaint alleging infringement more than one year before filing the petition – against which a reviewing court can evaluate the PTAB’s exercise of its discretion whether to institute. Critically, because the PTAB held that Petitioner was a privy of one or more of the defendants in the pending litigation, these institution decisions analyze privity. These decisions do not include any discussion on the merits regarding the patentability of any claims pursuant to § 314(a) – the only issue which would have been subject to the PTAB’s discretion. The federal respondent concedes that the PTAB’s decision not to institute was based solely on the time bar of § 315(b) rather than agency discretion. Opp’n 9-10. Thus, like *Weyerhaeuser*, the APA provides a cause of action under § 706(2)(A) to review the PTAB’s privity findings that formed the basis for the decision to not institute review under § 315(b). As such, the Federal

Circuit has jurisdiction to review the PTAB's decision under 28 U.S.C. § 1295(a)(4)(A).

The federal respondent attempts to distinguish *Weyerhaeuser* by asserting that “non-institution decisions do not carry similar effects for the rights of private parties.” Opp'n 11. This argument misses the mark.¹ The rights of private parties are at the heart of the PTAB's privity inquiry: “[T]he privity inquiry in this context naturally focuses *on the relationship* between the named IPR petitioner and the party *in the prior lawsuit*.” App. 11a.² The PTAB's holding that Petitioner is a privity of one of the defendants in district court litigation, to which Petitioner is not a party, directly effects the rights of Petitioner and is unrelated to the patentability of the challenged patent claims. As recognized by the Federal Circuit, a decision under § 315(b) “governs the relation of IPRs to other proceedings or actions, including actions taken in district court.” *Wi-Fi One*, 878 F.3d at 1374. The PTAB's finding of privity affects Petitioner's ability to challenge other patents not included in the IPR challenges below. For example, IPRs filed by the parties that the PTAB found are in privity with Petitioner could subject Petitioner to estoppels under 35 U.S.C. § 315(e). Outside

1. The federal respondent in footnote 3, faults Petitioner for not raising a due process argument until its petition for rehearing en banc. Petitioner's due process assertion arises from the Federal Circuit panel decision dismissing its appeal. Pet. 14. Thus, the first opportunity to raise the due process violation is in the petition for rehearing en banc.

2. The Board offered substantially identical explanations in each of Petitioner's five *inter partes* review petitions. For ease of reference, Petitioner only cites here to IPR2018-00570.

the USPTO, this privity finding subjects Petitioner to being bound to rulings against the defendants in the related court litigation. *MaxLinear, Inc. v CF CRESCPE LLC*, 880 F.3d 1373, 1376 (Fed. Cir. 2018) (board decisions in IPR proceedings can trigger issue preclusion).

The federal respondent concedes that the PTAB's privity finding may be given preclusive effect, but its rationale is inconsistent with the Court's analysis in *Weyerhaeuser*. Opp'n 11-12. The federal respondent argues that "where a type of action is "committed to agency discretion" under § 701(a)(2), an agency's stated reasons for taking the action cannot make it reviewable," citing *ICC v. Brotherhood of Locomotive Eng'rs*, 482 U.S. 270, 281 (1987)("[I]t is the [agency's] formal action rather its discussion, that is dispositive."). Opp'n 10. However, the PTAB's privity holding is not committed to agency discretion. To the contrary, Congress expressly placed "a statutory limit on the Director's ability to institute IPR." *Wi-Fi One*, 878 F.3d at 1374. Here, the PTAB denied institution based solely on its non-discretionary privity holding. Like *Weyerhaeuser*, privity decisions of the PTAB are not made in the exercise of discretion and they affect the substantive rights of private parties. Thus, as in *Weyerhaeuser*, these decisions of the PTAB should be reviewable to determine whether the PTAB abused its discretion in finding that Petitioner was in privity with one of the defendants in the underlying district court litigation regardless of the procedural stage at which the decision is made.

II. This Court Should Grant Review to Fully Consider the Scope of the § 314(d) Appeal Bar That Was Partially Addressed in the Pending *Thryv* case.

Petitioner agrees with the federal respondent that the current petition presents a related but different question than that presented in *Thryv*. The present petition presents a similar rationale as the *Thryv* case for why the § 314(d) appeal bar does not apply to a time bar determination under § 315(b). In *Thryv*, allowing the patent owner to appeal a § 315(b) determination allows the patent owner to seek review of a decision affecting a substantive right of the patent owner, e.g., patent rights. In the present petition, allowing Petitioner to appeal a § 315(b) determination allows Petitioner to seek review of a decision that likewise affects its substantive rights, e.g., whether Petitioner is in privity with a third party not before the USPTO and thus may be bound by decisions against the third party in lawsuits outside the USPTO in which Petitioner is not a party. Consideration of the present petition presents a full picture of the operation of the § 314(d) appeal bar and will help this Court answer its questions concerning the purpose served by the § 314(d) appeal bar, questions it recently posed at oral argument in *Thryv*.

Consistent with its argument in *Thryv*, the federal respondent states that § 314 is the only authority under which the PTAB “shall determine whether to institute and inter partes review.” Opp’n 12. This statement is not accurate. The use of the word “whether” indicates that it is a binary choice: “either institute review or don’t.” *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1355 (2018). Thus, because § 314 allows both denial and grant of institution,

and other provisions also provide the authority for the PTAB to deny institution, it is more accurate to state that § 314 is the only authority under which the PTAB may grant institution. As for denying institution, § 314(a) gives the PTAB discretion to deny institution after it conducts a merits-based analysis on the patentability of the challenged claims. In addition, other provisions outside § 314 give the PTAB non-discretionary authority to deny institution, e.g., “if the petitioner or real party in interest filed a civil action challenging the validity of a claim of the patent,” § 315(a)(1), or the time bar of § 315(b) that is subject to the present petition. A natural reading of § 314(d) applies the appeal bar only to the decisions granting or denying institution based on the discretionary review of § 314, but would not bar review of decisions denying institution based on § 315. This statutory scheme is coherent as the PTAB has particular expertise with matters of patentability decided under § 314, but has no particular expertise, especially when compared to Article III judges, with respect to issues pursuant to § 315 that are based on activities outside the USPTO regarding determinations of real parties in interest and privies in district court litigation. Because this statutory scheme “is coherent and consistent, there generally is no need for a court to inquire beyond the plain language of the statute”, which expressly and unambiguously limits the appeal bar to institution decisions made “under this section”. *United States v. Ron Pair Enters., Inc.*, 489 U.S. 235, 240-241 (1989).

CONCLUSION

For the foregoing reasons, as well as those contained in the Petition for Certiorari, the petition should be granted.

Respectfully submitted,

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