

No. 19-966

In the Supreme Court of the United States

EMERSON ELECTRIC CO., PETITIONER,

v.

SIPCO, LLC

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

REPLY BRIEF OF PETITIONER

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This Court’s recent decision in *Thryv, Inc. v. Click-to-Call Technologies, LP*, 550 U.S. ---, 140 S. Ct. 1367 (2020), controls the present case. *Thryv* construed 35 U.S.C. 314(d)’s statutory prohibition on appeal of institution decisions by the Patent Trial and Appeal Board (Board). *Thryv* held that Section 314(d) is broadly applicable to and “encompasses the entire determination ‘whether to institute an inter partes review’” and “extends to challenges grounded in ‘statutes related to’ the institution decision.” *Id.* at 1375. Similar to the Board’s determination regarding timeliness under 35 U.S.C. 315(b) addressed in *Thryv*, the “sole office,” 140 S. Ct. at 1377, of the determination whether a patent is a covered business method (CBM) patent is to serve as a prerequisite to institution under Section 18(a)(1)(E) of the Leahy-

Smith America Invents Act (AIA), Pub L. No. 112-29, 125 Stat. 284 (2011). Thus, respondent’s challenge to the Board’s CBM determination, just as in *Thryv*, is “essentially[] that the agency should have refused to institute.” 140 S. Ct. at 1377. 35 U.S.C. 324(e)’s parallel prohibition on appeal of CBM institution decisions bars appellate review of the Board’s determinations regarding CBM eligibility.

Instead of substantively addressing *Thryv*, respondent’s brief in opposition is premised almost exclusively on reasoning from the Federal Circuit’s decision in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), that *Thryv* expressly rejected. Respondent’s remaining arguments are based on immaterial differences between Section 315(b)’s timeliness requirement and AIA Section 18(a)(1)(E)’s CBM patent requirement. Each serves a gatekeeping function assessed in deciding whether proceedings should be instituted, and, in accordance with *Thryv*, such determinations are unappealable.

The Court should summarily reverse the Federal Circuit’s decision below and remand for the Federal Circuit to review the Board’s unpatentability decision on its merits or, at minimum, grant the Petition, vacate, and remand to the Federal Circuit to reconsider in light of this Court’s holding in *Thryv*.

I. THRYV BARS APPEAL OF THE BOARD'S DETERMINATION THAT A CHALLENGED PATENT QUALIFIES AS A CBM PATENT, WHICH RELATES SOLELY TO THE DECISION TO INSTITUTE CBM REVIEW

A. The Reasoning in *Thryv* Applies With Equal Force to Appellate Review of the Board's Determination, as a Prerequisite to Institution, that a Challenged Patent Is a CBM Patent

The Court's decision in *Thryv, Inc. v. Click-to-Call Technologies, LP* controls the outcome of this case. 550 U.S. ---, 140 S. Ct. 1367 (2020). As the Court held in *Thryv*, Section 314(d)'s prohibition on appeal of IPR institution decisions prevents appellate review of the Board's determination regarding Section 315(b)'s time bar. *Id.* at 1372. For the same reason, Section 324(e)'s identical prohibition on appeal of CBM institution decisions prevents appellate review of the Board's determination that a petition satisfies AIA Section 18(a)(1)(E)'s CBM patent requirement.

Both 35 U.S.C. 314(d) and 324(e) state that “[t]he determination by the Director whether to institute an [inter partes/post-grant] review under this section shall be final and nonappealable.” See AIA § 18(a)(1) (applying standards and procedures of Chapter 32 of Title 35 to CBM review). Both Section 315(b) and AIA Section 18(a)(1)(E) govern decisions made at institution. Section 315(b) provides that “[a]n inter partes review *may not be instituted* if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner * * * is served with a complaint alleging infringement of the patent.” (emphasis added). Similarly, AIA

Section 18(a)(1)(E) states that “[t]he Director *may institute a transitional proceeding only* for a patent that is a covered business method patent.” (emphasis added). Thus, according to *Thryv*, the Board’s determination under AIA Section 18(a)(1)(E) regarding whether a patent-at-issue is a CBM patent is unappealable. That is sufficient to decide this case.

Thryv explained that Section 314(d)’s bar on appeal of the Board’s decision to institute “encompasses the entire determination ‘whether to institute an inter partes review’” and “extends to challenges grounded in ‘statutes related to’ the institution decision.” 140 S. Ct. at 1375 (quoting 35 U.S.C. 314(a); *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. ---, 136 S. Ct. 2131, 2141 (2016)). The Court held that because “§ 315(b)’s sole office is to govern institution,” the Board’s Section 315(b) time bar conclusion was unreviewable under Section 314(d). 140 S. Ct. at 1377. In reaching that holding, the Court recognized that the time bar limitation under Section 315(b) was “integral to, indeed a condition on, institution.” *Id.* at 1373. The time bar thus fell within the scope of Section 315(b)’s broad prohibition on appeal of “challenges grounded in ‘statutes related to’ the institution decision.” *Id.* at 1375 (quoting *Cuozzo*, 136 S. Ct. at 2141).

The Court specifically rejected the assertion that Section 314(d) prohibits only appellate review of decisions made under the provisions of Section 314, holding that it applies also to “specifications in other provisions” that describe institution requirements. *Thryv*, 140 S. Ct. at 1375. The bar thus “applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application

and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review.” *Id.* at 1373 (quoting *Cuozzo*, 136 S. Ct. at 2141).

CBM review employs a similar statutory framework and identical prohibition in Section 324(e) on review of the Board’s decision to institute as the prohibition in Section 314(d) for IPRs. Compare 35 U.S.C. 324(e) with 35 U.S.C. 314(d). *Thryv* therefore dictates that “condition[s]” or “requirements” for institution of CBM review are unreviewable under Section 324(e). See 140 S. Ct. at 1373-1374.

Congress expressly made the determination whether a patent is a covered business method patent part of the decision to institute review of the patent under the transitional review procedures. Section 18(a)(1)(E) provides that “[t]he Director may institute a transitional proceeding only for a patent that is a covered business method patent.”

This two-stage CBM review process thus mirrors the inter partes review procedure at issue in *Thryv*, under which threshold questions at institution give way to a focus on the merits issue of patentability, which is addressed in the final written decision. In both types of post-grant proceedings, the qualification in question—timeliness or whether a challenged patent is a CBM—is a threshold determination that the Board considers as part of its initial decision whether the petitioner has satisfied the basic prerequisites for the Board to undertake a full proceeding to review the question of patentability on the merits. Indeed, the statutory structure makes clear that after the Board decides to institute, the focus of the proceeding shifts away from whether a patent is a CBM patent to the ultimate question of patentability.

Just as in IPR proceedings, once the Board institutes the proceeding (assuming it is not later dismissed) the AIA mandates that the Board “shall issue *a final written decision with respect to the patentability* of any patent claim challenged by the petitioner.” 35 U.S.C. 328(a) (emphasis added); see also 35 U.S.C. 318(a) (same for inter partes review); 37 C.F.R. 42.220 (describing patent owner response as addressing grounds of “unpatentability”). As the Court explained in *Thryv*, the statute’s ultimate focus on patentability, and Congress’s mandate focusing appellate review on that ultimate issue, rather than threshold questions, is consistent with Congress’s purpose to use post-grant review by an expert administrative body to improve the quality of issued patents. See 140 S. Ct. at 1374; pp. 11-12, *infra*.

Because the determination that a patent is a CBM patent is expressly and exclusively tied to the decision to institute, *Thryv* compels the conclusion that the Board’s determination that a patent is a CBM patent is unappealable. See 140 S. Ct. at 1373 (finding unreviewable the Board’s determination regarding a statutory requirement that was “integral to, indeed a condition on, institution” under Section 314(d)).

B. The Federal Circuit’s Pre-*Thryv* Holding in *Versata* Is No Longer Good Law

Respondent’s chief argument is that the Federal Circuit’s 2015, pre-*Thryv* decision in *Versata* controls. See, e.g., Br. in Opp. 8. But *Thryv* expressly rejected the reasoning underlying *Versata*. The Federal Circuit in *Versata* relied on an improperly narrow reading of the Federal Circuit’s own decision in *Cuozzo Speed Technologies, LLC v. Lee*, 793 F.3d 1268 (2015), *aff’d*, 136 S. Ct. 2131 (2016), where it addressed the appealability of the

institution decision—an analysis that of course predated this Court’s superseding holding in *Cuozzo*, 136 S. Ct. 2131. In *Cuozzo*, the Federal Circuit had held (and this Court later affirmed) that Section 314(d) bars appellate review of the Board’s decision to institute inter partes review. 793 F.3d at 1273. In *Versata*, the Federal Circuit limited the court of appeals’ own *Cuozzo* holding to “review of the initiation decision itself,” concluding that it did not preclude appellate review of determinations regarding the Board’s “invalidation authority” to issue the “final decision.” *Versata*, 793 F.3d at 1321-1322. The Federal Circuit repeated this mischaracterization in *Wi-Fi One*, stating that this Court’s own ruling in *Cuozzo* was limited to the “reasonable likelihood” of success determination made as part of the institution decision. *Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364, 1369-1370 (Fed. Cir. 2018).

In *Thryv*, this Court abrogated *Wi-Fi One* and expressly rejected *Versata*’s logic that the Board’s threshold findings regarding its institution authority are reviewable as part of the final written decision. *Thryv*, 140 S. Ct. at 1373-1374. The Court held that “even labeled as an appeal from the final written decision,” an “attempt to overturn the Board’s §315(b) ruling is still barred by §314(d).” *Id.* at 1377. The Court reasoned that “[b]ecause §315(b)’s sole office is to govern institution,” such a challenge is “essentially[] that the agency should have refused to institute inter partes review,” which is unreviewable under Section 314(d). *Ibid.* Under *Thryv*, the determinative factor is whether the condition itself relates to institution, not whether the question can be characterized as directed to the Board’s “authority” to render a final written decision of invalidity or whether the condition is addressed in the final written decision.

See *ibid.* In other words, this Court rejected the Federal Circuit’s rationale for limiting the import of *Cuozzo* in *Versata* and *Wi-Fi One*.

Respondent, however, chooses to ignore *Thryv*, and to rely instead the same mistaken rational in *Versata* that this Court rejected. Treating the Federal Circuit’s earlier holding as controlling, respondent intones that “the [Federal Circuit] nonetheless reasoned that the PTAB’s determination to whether the patent is a CBM is reviewable because the PTAB may revisit its determination for the Final Written Decision.” See Br. in Opp. 8. Because *Thryv* plainly overturns the reasoning in *Versata* and *Wi-Fi One* that the institution-related determinations are reviewable merely because the Board discusses them in the final written decision, respondent’s continued reliance on overruled circuit precedent is misplaced. Indeed, during a recent argument before the Federal Circuit, Judges Hughes and Reyna recognized that *Versata* is no longer good law after *Thryv*. In response to appellant’s argument that *Versata* controlled the appealability of CBM eligibility, just as respondent has argued here, Judge Hughes responded that the reasoning of *Thryv* “undermines your argument here about *Versata*, and renders *Versata* just incorrect.” Oral Argument at 13:00, *Apple Inc. v. ContentGuard Holdings, Inc.*, No. 19-1795 (Fed. Cir. May 6, 2020), <http://oralarguments.cafc.uscourts.gov/default.aspx?fl=19-1795.mp3>. Similarly, Judge Reyna noted, with respect to the request for the Federal Circuit to review CBM eligibility, “[a]t the end of the day we are looking at the director’s decision to institute” and “matters that pertain directly to the director’s decision to institute are final and nonappealable.” *Id.* at 11:48.

Respondent's arguments premised on outdated circuit precedent cannot save the decision below. *Thryv* establishes that the statutory bars on appellate review of institution determinations apply to any determinations upon which institution is conditioned, *Versata's* contrary holding notwithstanding.

C. The Board's Treatment of CBM Eligibility in Its Final Written Decision Is Immaterial

The fact that the Board might provide further analysis of whether a patent is eligible as a covered business method patent on the full record in the final written decision does not make that determination reviewable on appeal. As noted above, *Thryv* directly rejected such an argument that "label[ing]" a challenge "as an appeal from the final written decision" changes the analysis for purposes of Section 314(d)'s bar on appeal. *Thryv*, 140 S. Ct. at 1377. Instead, the determinative inquiry is whether the challenge amounts to an argument "that the agency should have refused to institute" review. *Ibid.*

Under the statutory framework of AIA Section 18, the determination whether a patent is a CBM patent is strictly decided at institution. See AIA § 18(a)(1)(E). In fact, the only apparent reason that the Board includes further analysis of CBM eligibility in its final written decisions is the Federal Circuit's now-abrogated holding that the court of appeals is permitted to review the Board's findings related to CBM eligibility as part of its review of the final written decision. See *Versata*, 793 F.3d at 1322-1323. As shown in the underlying Final Written Decision in *Versata*, it was not the Board's practice before that decision to revisit CBM eligibility in its final decisions. See *SAP Am., Inc. v. Versata Dev. Grp.*,

Inc., CBM2012-00001, Paper 70 (PTAB June 11, 2013) (not analyzing CBM eligibility).

While respondent attempts (Br. in Opp. 10) to distinguish CBM eligibility from time bars, alleging that only the former benefits from development of the full record, respondent is incorrect. In both situations, additional facts may undermine the Board's institution decision. For example, with respect to the time bar issue, additional facts may identify a previously unknown real party in interest to which Section 315(b) applies, thereby rendering the petition time barred. In either case, if later facts were to lead the Board to conclude that the institution decision was wrong, because the petition was untimely or the patent does not qualify as a CBM, the Board could at that point vacate the Institution Decision and dismiss the petition. The relevant statute states that "[i]f a post-grant review is instituted *and not dismissed*" the Board "shall issue a final written decision with respect to the patentability of any patent claim challenged." 35 U.S.C 328(a) (emphasis added). If the Board does not dismiss the petition as improperly instituted, it "shall" render an opinion on patentability, and Congress directed that the Federal Circuit should review *that* determination, not the threshold one whether to initiate proceedings in the first place. As *Thryv* recognized, once the Board issues a final written decision on patentability, appeal of such threshold issues would create unwarranted waste, by potentially "unwind[ing] the agency's merits decision" and resurrecting patents that should never have issued. 140 S. Ct. at 1374.

Contrary to respondent's contentions (Br. in Opp. 11-13), the quasi-merits flavor of the initial CBM inquiry only reinforces that conclusion. Petitioner and respondent agree that CBM eligibility is a separate inquiry from

patentability, made at different phases of the proceeding, based on different evidence, and for a different purpose. See AIA § 18(a)(1)(E) and (d)(1); 35 U.S.C 328(a). But it is also undeniable (as explained in the Petition at 12-16) that the two inquiries have overlapping aspects. As this Court has held with respect to appeal of summary judgment denials following trial and verdict, the completion of a trial record makes it inappropriate to review the denial of summary judgment on an earlier, still incomplete record. See *Ortiz v. Jordan*, 562 U.S. 180, 183-184 (2011). For the same reason, after the Board has made a final determination of patentability based on a full trial record, it would be an inefficient waste of resources for the court of appeals to review the threshold question whether CBM review should have been instituted in the first place.

D. The Policy Rationales of *Thryv* Apply Equally to CBM Eligibility Determinations

Finally, the policy rationales in *Thryv* apply with equal force to decisions made under AIA Section 18(a)(1)(E). As in *Thryv*, a successful appeal of the Board's determination of CBM eligibility would "terminate in vacatur of the agency's decision; in lieu of enabling judicial review of patentability, vacatur would unwind the agency's merits decision." 140 S. Ct. at 1374. As this case illustrates, successful appeals based on CBM eligibility, as opposed to patentability, would only "operate to save bad patent claims." See *ibid.* This would merely waste the Board's resources spent on resolving the actual merits of the patents.

On the other hand, there is no prejudice to the patent owner from prohibiting review of the institution de-

cision. As in *Thryv*, CBM eligibility appeals are not “necessary to protect patent claims from wrongful invalidation, for patent owners remain free to appeal final decisions on the merits.” See 140 S. Ct. at 1375. Further, any prejudice to the patent owner from having to undergo the burdens of the Board’s administrative review cannot be undone by appellate review. See *id.* at 1374-1375. Thus, prohibiting appeal of the CBM eligibility decision comports with the same rationales that the Court identified in *Thryv*.

II. THE COURT SHOULD SUMMARILY REVERSE OR, AT MINIMUM, GRANT THE PETITION, VACATE AND REMAND TO THE FEDERAL CIRCUIT

Respondent’s opposition here makes clear that if vacatur is granted and the case is remanded, respondent will argue to the Federal Circuit that *Versata* controls. For the reasons discussed pages 6-9, *supra*, *Versata* is no longer good law in light of *Thryv*, and the Federal Circuit’s review of the institution decision here is inconsistent with Section 324(e). The Court should put an end to respondent’s efforts to circumvent Section 324(e), and should therefore summarily reverse the Federal Circuit’s decision and remand to the court of appeals to review the Board’s unpatentability decision on the merits.

At minimum, the Court should grant the Petition, vacate, and remand to the Federal Circuit to reconsider in light of the Court’s analysis in *Thryv*.

CONCLUSION

For the foregoing reasons and those stated in the petition for a writ of certiorari, the petition should be granted.

Respectfully submitted,

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MAY 2020