

No. 21-118

IN THE

Supreme Court of the United States

APPLE INC.,

Petitioner,

v.

OPTIS CELLULAR TECHNOLOGY, LLC, OPTIS WIRELESS
TECHNOLOGY, LLC, AND UNWIRED PLANET INTERNA-
TIONAL LIMITED,

Respondents.

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

**BRIEF FOR LEADING INNOVATORS AS
AMICI CURIAE IN
SUPPORT OF PETITIONER**

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INTEREST OF AMICI CURIAE¹

Amici are (or as organizations, represent) the world's top innovators. They lead a range of industries, including networking solutions (Cisco); telecommunications (Verizon and Comcast); electronics (Canon, Garmin, and VIZIO); life sciences (Mylan and Edwards Lifesciences); semiconductors (Micron and TSMC); software (SAS Institute, VMware, and Software & Information Industry Association); manufacturing (Alliance for Automotive Innovation); and represent other high-tech innovators (High Tech Inventors Alliance and Internet Association). Many regularly obtain patents on their inventions.² A full list of amici is attached as an appendix.

Although amici have disparate interests, all depend on a healthy patent system that promotes and protects technological investment and development while preserving access to market alternatives and lawful competition. Inter partes review (IPR) is a vital part of that system. It efficiently and expertly weeds out the bad patents that stand behind abusive

¹ Notice of this amicus brief was provided to all parties' counsel at least ten days prior to filing and all parties have consented to its filing. No counsel for a party authored the brief in whole or in part. No party, counsel for a party, or any person other than amici curiae and their counsel made a monetary contribution intended to fund the preparation or submission of the brief.

² See, e.g., IFI CLAIMS Patent Services, *2020 Top 50 US Patent Assignees*, <https://tinyurl.com/7atnueqv> (last visited Aug. 26, 2021) (noting that amici Canon, TSMC, and Micron rank (respectively) 3rd, 6th, and 19th in the list of organizations that received the most patent grants from the PTO in 2020).

litigation and in the way of real innovation and fair competition. Amici are invested in IPR's success. Collectively, they have filed hundreds of IPR petitions and rank among the most active company petitioners. See Patexia, *September 2020 IPR Intelligence Report* (Sept. 2020) (ranking, for example, amici Cisco, Micron, and TSMC among the top thirty most active company petitioners).

Amici know firsthand how the binding *NHK-Fintiv* rule, and the Federal Circuit's refusal to question it, have hobbled IPR. Some amici are defendants in infringement suits and have sought out IPR, only to have their meritorious petitions challenged, and too frequently denied, on account of the *NHK-Fintiv* rule.³ And when they sought review in the Federal

³ E.g., *Cisco Sys., Inc. v. Ramot at Tel Aviv Univ. Ltd.*, IPR2020-00122, Paper 15 at 6-10 (P.T.A.B. May 15, 2020) (denying institution because the tentative district court trial date was six months before the projected statutory deadline for IPR); *VIZIO, Inc. v. Polaris PowerLED Techs., LLC*, IPR2020-00043, Paper 30 at 12 (P.T.A.B. May 4, 2020) (initially denying institution on *NHK-Fintiv* grounds); *Verizon Bus. Network Servs. LLC v. Huawei Techs. Co.*, IPR2020-01290, Paper 14 at 17-18 (P.T.A.B. Jan. 25, 2021) (denying institution on *NHK-Fintiv* grounds; one of several similar denials); *Comcast Cable Comms., LLC v. Rovi Guides, Inc.*, IPR2020-00800, IPR2020-00801, IPR2020-00802, Paper 10 at 13, 16-17 (P.T.A.B. Oct. 22, 2020) (denying institution on *NHK-Fintiv* grounds even after noting that some patent claims were likely invalid); *Mylan Labs. Ltd. v. Janssen Pharm. NV*, IPR2020-00440, Paper 17 at 13-23 (P.T.A.B. Sept. 16, 2020) (denying institution on *NHK-Fintiv* grounds based primarily on district court litigation involving unrelated defendant); *Edwards Lifesciences Corp. v. Evalve, Inc.*, IPR2019-01479, Paper 7 at 2 (P.T.A.B. Feb. 26, 2020), IPR2019-01546, Paper 7 at 2 (P.T.A.B. Mar. 19, 2020) (denying institution on *NHK-Fintiv* grounds

Circuit, they were rebuffed.⁴ Other amici have been discouraged by the *NHK-Fintiv* rule from petitioning for IPR in the first place.

Because the Federal Circuit’s refusal to even consider Petitioner Apple’s appeal means that the harms caused by the *NHK-Fintiv* rule will continue, amici urge this Court to grant certiorari and vacate the decision below.

SUMMARY OF ARGUMENT

Congress enacted the America Invents Act (AIA) and created IPR to improve the efficiency and quality of the U.S. patent system. As relevant here, Congress in the AIA afforded district court defendants accused of patent infringement an alternative, expert forum for adjudicating the validity of patent claims asserted against them. Congress worried that the costs of district court litigation were too high and that, as a result, defendants accused of infringing questionable patents were settling, rather than fighting to get those patents declared invalid. So Congress created IPR to provide those defendants a new avenue for challenging patents before the Patent and Trademark Office (PTO). Specifically, Congress determined that if a district court defendant filed for IPR within one year of being served with a complaint—and met other institution conditions—IPR would be available to it. That system worked: In its first five years alone, IPR

based upon a district court trial date that was continued shortly after the institution denials).

⁴ *E.g.*, *Cisco Sys. Inc. v. Ramot at Tel Aviv Univ. Ltd.*, 834 F. App’x 571 (Fed. Cir. 2020).

saved participants in the patent system billions of dollars.

And yet, pursuant to the precedential decisions in *NHK Spring Co., Ltd. v. Intri-Plex Techs., Inc.*, IPR2018-00752, Paper 8 (P.T.A.B. Sept. 12, 2018) (*NHK*), and *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019, Paper 11 (P.T.A.B. Mar. 20, 2020) (*Fintiv*), the Director of the PTO, acting through the Patent Trial and Appeal Board (PTAB), has been denying meritorious IPR petitions just because IPR petitioners are also defendants in district court infringement actions.

The *NHK-Fintiv* rule hurts individual IPR petitioners—including amici—and it also hurts the patent system as a whole. Above all, the *NHK-Fintiv* rule undermines the efficiency and integrity of the patent system—the exact opposite of what Congress intended when it created IPR.

The Federal Circuit has allowed the *NHK-Fintiv* rule to undermine the patent system by failing to exercise its jurisdiction over challenges to the rule. The Federal Circuit has jurisdiction because, among other reasons, the *NHK-Fintiv* rule falls well “outside [of the PTO’s] statutory limits,” and therefore the appeal bar in 35 U.S.C. § 314(d) does not apply. *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131, 2141 (2016). Specifically, the *NHK-Fintiv* rule contravenes Congress’s deliberate judgment that district court defendants should be able to pursue IPR alongside infringement actions, so long as they petition for IPR within one year. It is also a substantive rule that was made binding by a precedential designation process rather than through the notice-and-comment rulemaking the

Administrative Procedure Act (APA) requires. And finally, it is arbitrary and capricious. The Court should grant the petition and make clear that the Federal Circuit can, and indeed must, review and vacate IPR denials based on the *NHK-Fintiv* rule.

This brief proceeds in two parts. Part I describes the pivotal role IPR plays in promoting a healthy patent system and explains how the *NHK-Fintiv* rule frustrates Congress's plan to improve the efficiency and integrity of that system through IPR. Specifically, the *NHK-Fintiv* rule raises the costs of challenging poor-quality patents where Congress meant to lower them, encourages gamesmanship and abusive litigation, and ultimately leaves bad patents still standing. Part II explains why the Federal Circuit has jurisdiction to invalidate that rule.

ARGUMENT

I. The Question Presented Is Important.

The Federal Circuit's position—that it cannot even review the legality of the *NHK-Fintiv* rule when that rule is applied to deny an IPR petition—is causing serious harm to the patent system that calls out for this Court's intervention. *See* Pet. 30-33. Congress viewed IPR as essential to address the proliferation of bad patents, which it knew poses a significant threat to the efficiency and integrity of the patent system. The *NHK-Fintiv* rule, however, severely restricts the availability of IPR to parties accused of infringement, thus inviting precisely the ills that Congress sought to forestall. It is therefore imperative that this Court correct the Federal

Circuit’s mistaken view that it has no power to review decisions denying IPR institution based on the *NHK-Fintiv* rule.

A. Congress Established IPR To Address Serious Problems Plaguing The Patent System.

The Constitution assigns to Congress the task of providing a patent system that “promote[s] the Progress of Science and useful Arts.” U.S. Const. art. I, § 8, cl. 8. And so Congress set out in the AIA to solve a serious problem: There was “a growing sense that questionable patents are too easily obtained and are too difficult to challenge.” H.R. Rep. No. 112-98, pt. 1, at 39 (2011) (House Report). That is, there were too many “bad patents” out there, and the costs of challenging them were too high. *SAS Inst. Inc. v. Iancu*, 138 S. Ct. 1348, 1353 (2018). Patent Assertion Entities (PAEs) were a particular concern—especially the many sophisticated PAEs that take advantage of patent prosecution strategies to create thickets of patents they can exploit through litigation.

Congress’s solution was IPR—“a more efficient and streamlined” approach than district court litigation (and then-existing administrative avenues) to test patent validity, which “w[ould] improve patent quality and limit unnecessary and counterproductive litigation costs.” House Report at 40; see *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020) (“By providing for inter partes review, Congress, concerned about overpatenting and its diminishment of competition, sought to weed out bad patent claims efficiently.”). Moreover, because IPR allows “questions

of patentability” to be decided by an administrative agency with “expertise” on that subject, it is more likely than a lay jury in district court litigation to arrive at the right result. 157 Cong. Rec. S1352 (2011) (Sen. Udall). With IPR as an option, companies facing nuisance infringement suits would no longer feel forced to settle due to the high costs and unpredictability of district court litigation; they could instead turn to the PTAB to quickly, affordably, and reliably cancel patents that the PTO never should have issued.

For years, that is how it worked, with most instituted petitions—85%—involving a co-pending district court case.⁵ And it worked well: Parties took advantage of this new, more efficient procedure to bring bad patents to the PTO’s attention, and the PTO fulfilled its job in clearing out those obstacles to innovation. According to data from the PTO, when an IPR resulted in a final written decision, all challenged claims were invalidated 62% of the time.⁶

Those decisions are generally of “high[] quality.” *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320, 1336 (Fed. Cir. 2019), *vacated and remanded sub nom. United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021). After all, administrative patent judges have “technical expertise and experience,” *id.*—giving

⁵ David Ruschke & William V. Saindon, *Chat with the Chief: An Analysis of Multiple Petitions in AIA Trials*, 10 USPTO (Oct. 24, 2017), <https://tinyurl.com/y7h9gzzb>.

⁶ PTAB, *PTAB Trial Statistics: FY2020 End of Year Outcome Roundup*, USPTO (last visited Aug. 26, 2021), <https://tinyurl.com/em8e842j>.

them a comparative advantage over the district courts that decide validity in infringement suits.

Amicus Edwards Lifesciences is very familiar with the IPR's comparative strengths when it comes to determining patent validity. Before *NHK* and *Fintiv* were on the books, Edwards successfully sought IPR of a questionable patent asserted against its life-saving heart valve by a competitor who had no FDA-approved device in the United States. The PTO held all claims unpatentable, and the Federal Circuit affirmed. *Edwards Lifesciences Corp. v. Boston Sci. SciMed, Inc.*, IPR2017-00060, Paper 64 (P.T.A.B. Mar. 23, 2018); *Boston Sci. SciMed, Inc. v. Iancu*, 811 Fed. Appx. 618, 620 (Fed. Cir. 2020). When the same patent was considered in an infringement suit in which Edwards was allowed only two hours to present its invalidity case, the same claims the PTAB held invalid were found to be valid, resulting in a \$35 million verdict against Edwards. *Boston Scientific SciMed, Inc. v. Edwards Lifesciences Corp.*, 1:16-cv-00275, ECF 567 (D. Del. Dec. 11, 2018). Had the PTO issued an *NHK-Fintiv* denial, it would have deprived the public of an accurate determination of patentability and the petitioner of full and fair consideration.

Not only does IPR do a better job of correcting the erroneous issuance of invalid patents, it also does so far more efficiently than district court litigation. Unlike litigation, which typically takes over two years to complete,⁷ the PTAB must render its decision within

⁷ Sasha Moss et al., *Inter Partes Review as a Means to Improve Patent Quality*, 46 R St. Shorts 1, 2 (Sept. 2017), <https://tinyurl.com/yya2n86u>.

12 months of institution. *See* 35 U.S.C. §§ 314(b), 316(a)(11). That speed is a function of IPR’s streamlined procedures, which (among other things) limit the grounds of invalidity and the extent of discovery. *See* 35 U.S.C. §§ 311(b), 316(a)(5); 37 C.F.R. § 42.51. Those quicker and simpler procedures translate to reduced costs: For instance, the median cost of an IPR in the electrical or computer sector is \$450,000, compared to the \$4.5 million it takes to resolve a comparable case in litigation.⁸ All told, IPR saved petitioners and patent owners approximately \$2.31 billion in deadweight loss during its first five years.⁹

It is thus unsurprising that commentators have described IPR as marking “a significant improvement over district court litigation and previous [PTO] procedures” and having “clearly demonstrate[d] its success thus far as a means to increase patent quality.”¹⁰

The *NHK-Fintiv* rule, however, is upending all this.

B. The *NHK-Fintiv* Rule Is Undermining The Efficiency Of The Patent System.

As just explained, Congress determined that opening doors to IPR, not closing them, improves the

⁸ Am. Intell. Prop. L. Ass’n, 2019 Report of the Economic Survey 51-52, <https://tinyurl.com/5699dc88> (last visited Aug. 26, 2021).

⁹ Josh Landau, *Inter Partes Review: Five Years, Over \$2 Billion Saved*, Patent Progress (Sept. 14, 2017), <https://tinyurl.com/y64yrjq>.

¹⁰ Moss, *supra*, at 4.

efficiency of the patent system. The *NHK-Fintiv* rule, however, denies many district court defendants the benefits of IPR. As a result, more bad patents will stay on the books, and more disputes will be resolved through expensive, inept, and unpredictable litigation, rather than through the quicker, more efficient, and more consistent IPR.

The PTO, however, has suggested otherwise, insisting that the *NHK-Fintiv* rule actually improves efficiency. Its argument is based on the flawed assumption that district courts, when they schedule early trial dates, will resolve parallel validity disputes more quickly than the PTAB will. *Fintiv*, Paper 11 at 9. But in fact, trial dates are frequently postponed—often significantly so.¹¹ See Pet. 31-32. The PTAB thus ignores reality when it refuses to acknowledge this fact—going so far as saying that “circumstances,” including the COVID-19 crisis and a trial judge’s history of delaying trials because of it, “do not give rise to any uncertainty regarding the district court’s schedule.” *Verizon*, Paper 14 at 11. And even under

¹¹ In a one-month period during the spring of 2020, for example, the PTAB denied at least seven IPR petitions under the *NHK-Fintiv* rule, on grounds that each was the subject of a district court suit in the Western District of Texas with a scheduled trial date between October 5, 2020 and December 14, 2020. Every one of those district court trials has since been delayed to at least December 6, 2021—a year after the original trial date, and more than six months after the deadline for the completion of each of those IPRs (had they been instituted). What is more, every one of those IPR petitions specifically flagged the fact that such trial delays were likely, given the COVID-19 pandemic—to no avail. See Emily N. Weber, Note, *Balancing Purpose, Power, and Discretion Between Article III Courts and the Patent Office*, 86 Mo. L. Rev. (forthcoming 2021).

normal circumstances, postponements are common: The trial date in *NHK* itself was pushed back by six months.¹² When the PTAB denies institution under the *NHK-Fintiv* rule, only for the trial date to be pushed near or past the deadline for a final written decision, any supposed efficiency gains from denying IPR disappear.

If there is a risk of “inefficiency and duplication of efforts,” *Verizon*, Paper 14 at 8, the appropriate response is not to shut off access to IPR altogether but to stay district court proceedings upon IPR institution. That is what Congress expected would happen. See *IOENGINE, LLC v. PayPal Holdings, Inc.*, No. 18-452-WCB, 2019 WL 3943058, at *3-4 (D. Del. Aug. 21, 2019) (“Congress intended for district courts to be liberal in granting stays.”). And it is what usually happens—or at least what used to happen, when the PTAB still instituted IPR notwithstanding co-pending infringement litigation.¹³ Indeed, a patent owner always has the option to stipulate to stay the litigation and allow IPR to be a true alternative to litigation. When the district court stays litigation pending an instituted IPR, the parties can avail themselves of the quicker and cheaper administrative process to narrow the issues for the district court or even obviate the need for litigation altogether, just as Congress intended. A stay also avoids any inconsistent

¹² Compare *NHK*, Paper 8 at 20 (stating that trial date was set to begin on March 25, 2019), with *Intri-Plex Techs. v. NHK Int’l Corp.*, 3:17-cv-01097, ECF 175 (N.D. Cal. Feb. 22, 2019) (moving the start of trial to September 9, 2019).

¹³ See Docket Navigator, *2019 Year In Review 22*, <https://tinyurl.com/y6rmnldw> (71% of stay requests granted in full).

conclusions regarding the patent's validity—yet another efficiency gain from allowing the IPR process to play out.

C. The *NHK-Fintiv* Rule Is Undermining The Integrity Of The Patent System.

Although Congress intended for IPR to improve the integrity of the patent system, the *NHK-Fintiv* rule directly undermines that goal by encouraging gamesmanship and nuisance suits and ultimately leaving bad patents in place.

1. One serious problem with the *NHK-Fintiv* rule is that it exacerbates the problem of forum shopping. Because the rule makes institution less likely the sooner a trial date is scheduled, it creates a powerful incentive for plaintiffs (who will generally wish to avoid IPR) to seek out the fora that set early trial dates (even if those trial dates do not actually stick). Indeed, patent infringement plaintiffs—especially PAEs that make their money off litigation—are doing exactly that. The Waco Division of the Western District of Texas, for instance, which is known for setting (but not necessarily sticking to) early trial dates, has seen a 2728% increase in patent cases in the last two years (i.e., in the period since the *NHK-Fintiv* rule was adopted).¹⁴ The Western District of Texas as a whole was host to 32% of all litigation brought by

¹⁴ This is based on statistics from Docket Navigator showing that 28 cases were filed in 2018 compared to 792 in 2020.

PAEs in 2020.¹⁵ The Eastern District of Texas has also seen a disproportionately high share of patent cases.¹⁶ The *NHK-Fintiv* rule is rewarding that forum shopping with IPR denials: An industry association calculated that the Western and Eastern Districts of Texas account for nearly 80% of denials under the *NHK-Fintiv* rule.¹⁷

So long as the *NHK-Fintiv* rule remains in place, that trend will continue. Indeed, as examples from amici Verizon and Canon illustrate, the *NHK-Fintiv* rule makes it possible for a plaintiff's choice of forum to forestall IPR altogether. In both cases, plaintiffs chose to file infringement suits in a jurisdiction with such a quick trial schedule that even if Verizon and Canon petitioned for IPR the day they were served, the PTO would still have been unable to complete the IPRs before the scheduled trial dates. *Verizon*, Paper 14 at 16; *Canon, Inc. v. Optimum Imaging Tech., LLC*, IPR2020-01321, Paper 1 at 5 (P.T.A.B. Jul. 20, 2020).

¹⁵ *Litigation Analytics*, Unified Patents, <https://tinyurl.com/yygdo67y> (last visited Aug. 26, 2021); Unified Patents, *2020 Patent Dispute Report: Year in Review* (Jan. 1, 2021), <https://tinyurl.com/y5yd33xb> (83% of patent cases in the Western District of Texas were brought by non-practicing entities).

¹⁶ *Litigation Analytics*, *supra*, (showing the district is the third most popular venue for PAEs); *see also* Jonas Anderson & Paul R. Gugliuzza, *Federal Judge Seeks Patent Cases*, Temple Univ. Beasley Sch. of L. Legal Stud. Rsch. Paper No. 2020-25 at 18-23 (Aug. 6, 2020), <https://tinyurl.com/y2tqbb8d>.

¹⁷ HTIA, *Comments of The High Tech Investors Alliance in Response to Request for Comments 5*, USPTO (Dec. 6, 2020), <https://tinyurl.com/yx8tn7lc>.

The PTAB has acknowledged this problem, but still stays the course. *Verizon*, Paper 14 at 16.

These tactics—the natural and predictable result of incentives created by the *NHK-Fintiv* rule—feed the “perception that justice in patent cases can be ‘gamed,’” an outcome that “does not serve the interest of justice, or the patent system as a whole.” S. Rep. No. 110-259, at 53 (2008) (Sen. Specter). And there is no good way to counteract that gamesmanship. Well-resourced defendants could try to forgo the statutorily guaranteed one-year petitioning period and seek IPR as soon as they are served with infringement complaints, “hazard[ing] a guess as to the claims that will be asserted by the Patent Owner.” *Cisco*, IPR2020-00122, Paper 15 at 12 (Crumbley, APJ., dissenting). (Less-established players may not have the knowledge or means to take this tack.) But, as demonstrated above, that is far from a guarantee of success.

But even where pushing forward with a rushed petition is not wholly futile, the costs of that strategy to IPR petitioners and the PTAB are substantial. Petitioners who have not had sufficient time to vet their cases may file shotgun-style petitions instead of carefully crafted rifle shots with their best arguments in their best form. And the PTAB will have to devote additional resources to resolving these untargeted, premature petitions. The time crunch could also cause petitioners with strong claims of invalidity to end up with weak petitions, subject to denial on the merits under 35 U.S.C. § 314(a).

2. The problems with the *NHK-Fintiv* rule do not stop with forum shopping, as amici’s experience

reveals. Even after a forum is selected, the *NHK-Fintiv* rule will induce plaintiffs to try to accelerate the trial schedule to preempt IPR, only to pump the brakes once they succeed. Or a plaintiff might file a district court complaint and a complaint in the International Trade Commission (ITC) in parallel. That way, even if the district court schedule is relatively slow, ITC proceedings—which are (by statute and regulation) fast—will block any IPR petition under the *NHK-Fintiv* rule. See *Fintiv*, Paper 11 at 8 (explaining that where there is “a parallel district court *and* ITC investigation involving the challenged patent,” an “earlier ITC trial date may favor exercising authority to deny institution under *NHK* if the ITC is going to decide the same or substantially similar issues to those presented in the [IPR] petition”).

IPR petitioners might try to forestall the *NHK-Fintiv* rule by dropping from the litigation any issues that overlap with the IPR. See *Sotera Wireless, Inc. v. Masimo Corp.*, IPR2020-01019, Paper 12 at 18-19 (P.T.A.B. Dec. 1, 2020) (designated precedential Dec. 17, 2020). But as amici can attest, like the other maneuvers designed to overcome the challenges to institution posed by the *NHK-Fintiv* rule, this one may not work, either. See, e.g., *Verizon*, Paper 14 at 14-15, 17-18 (denying institution notwithstanding stipulation to drop main overlapping issues); *Canon, Inc. v. Optimum Imaging Tech., LLC*, IPR2020-01321, Paper 10 at 10 (P.T.A.B. Mar. 1, 2021) (similar).

3. The rise of *NHK-Fintiv* denials undermines the integrity of the patent system in still another fundamental way: As the *NHK-Fintiv* rule lowers the likelihood of obtaining IPR, it increases the value of

nuisance suits. Some amici companies, as leading high-tech innovators, frequently face frivolous infringement complaints. Indeed, 85% of recent patent disputes involving high tech were filed by non-practicing entities.¹⁸ IPR has proved an invaluable tool to invalidate the poor-quality patents often behind these suits. With the availability of IPR in doubt, companies will be forced to redirect resources to fighting or, more realistically, settling these nuisance suits. Settling may be the right business move, but it leaves questionable patents still standing, ready to be reasserted over and over again. The risk is real, for fewer than 10% of patent infringement suits are litigated to final judgment.¹⁹

By rewarding and retrenching the abusive tactics of PAEs and blunting the best tool for invalidating dubious patents, the *NHK-Fintiv* rule ultimately undermines the most basic aim of IPR: to “improve patent quality.” House Report at 40. Congress was driven to create IPR because it knew that “overpatenting” results in the “diminishment of competition.” *Thryv*, 140 S. Ct. at 1374. The *NHK-Fintiv* rule takes away a vital check on that overpatenting and the abusive litigation it spurs. This is of particular concern to the amici companies. But it is a problem for everyone: Poor-quality patents and litigation abuse diminish investor confidence in patent rights, crowd out real innovation, and ultimately threaten the United States’

¹⁸ Unified Patents, *Q1 2021 Patent Dispute Report* (Mar. 31, 2021), <https://tinyurl.com/rdtedts>.

¹⁹ Fish & Richardson, *A Guide to Patent Litigation in Federal Court* 19 (2019), <https://tinyurl.com/y658goqf>.

“competitive edge in the global economy.” House Report at 40. And it does all that without any counter-vailing benefit.

The problem is only getting worse as the Federal Circuit refuses to step in. Indeed, the PTAB is applying the *NHK-Fintiv* rule more aggressively than ever. Amicus Cisco, for instance, has seen several IPR petitions denied on the basis of the *NHK-Fintiv* rule, even though it is not a party to the related proceedings. *E.g.*, *Cisco Sys., Inc. v. Estech Sys., Inc.*, IPR2021-00329, Paper 13 (P.T.A.B. July 6, 2021); *Cisco Sys., Inc. v. Estech Sys., Inc.*, IPR2021-00332, Paper 11 (P.T.A.B. July 7, 2021); *see also Mylan*, IPR2020-00440, Paper 17 at 13-23 (denying institution on *NHK-Fintiv* grounds based primarily on district court litigation involving unrelated defendant).²⁰ And, as noted earlier, the PTAB has also extended the *NHK-Fintiv* rule to related investigations in the ITC. For example, the PTAB denied institution in amicus Comcast’s case even though the overlap in the proceedings was minimal, the ITC’s patent validity determinations are not binding on the PTAB or district court, the parallel district court case was stayed pending the ITC proceeding, and the Commission had agreed to

²⁰ This IPR denial has given rise to a separate petition for a writ of certiorari by Mylan, challenging both the legality of the *NHK-Fintiv* rule and the Federal Circuit’s position that it lacks jurisdiction to consider those arguments. *See Mylan Labs. Ltd. v. Janssen Pharm. NV*, No. 21-202 (U.S.). Given the import and recurring nature of these issues, the Court should grant certiorari to review the *NHK-Fintiv* rule and clarify the Federal Circuit’s ability to review denials based on it.

review the administrative law judge's preliminary invalidity finding. *See Comcast*, Paper 10.

The PTO may become bolder still if this Court does not confirm that the Federal Circuit has the power and duty to review *NHK-Fintiv* denials. Because the *NHK-Fintiv* rule has already done serious damage to the patent system and is posed to do yet more, this Court should not permit the Federal Circuit to let the rule remain in place any longer.

II. The Federal Circuit's Holding Is Incorrect.

In at least three ways, the PTO “act[ed] outside [of] its statutory limits” when it adopted the *NHK-Fintiv* rule. *Cuozzo*, 136 S. Ct. at 2141; *see* Pet. 12. As Petitioner Apple details, that means that the Federal Circuit has appellate jurisdiction; 35 U.S.C. § 314(d) does not strip it. Pet. 18-26. In holding to the contrary, the Federal Circuit flouted this Court's precedents. This Court has made clear that when the PTO has “engaged in ‘shenanigans’ by exceeding its statutory bounds, judicial review remains available consistent with the Administrative Procedure Act, which directs courts to set aside agency action not in accordance with law or in excess of statutory jurisdiction, authority, or limitations.” *SAS*, 138 S. Ct. at 1359 (quotation marks and citation omitted).

A. The Federal Circuit Has Jurisdiction Because The *NHK-Fintiv* Rule Exceeds Statutory Limits Imposed By The AIA.

The *NHK-Fintiv* rule contravenes Congress's deliberate decision in the AIA to allow IPR to proceed

notwithstanding parallel district court proceedings. Numerous provisions of the AIA make clear that Congress did not mean for the existence of a parallel district court action to foreclose the availability of IPR. To the contrary, the AIA demonstrates that Congress specifically intended that IPR be available to defendants in such actions. *See* Pet. 6-7, 30.

In Chapter 31 of Title 35, Congress clearly set forth the factors the Office must and may consider when deciding whether to grant institution. *E.g.*, 35 U.S.C. § 314(a) (the Director must consider whether “there is a reasonable likelihood that the petitioner would prevail with respect to at least 1 of the claims challenged in the petition”); *id.* § 325(d) (the Director “may” consider whether “the same or substantially the same prior art or arguments previously were presented to the Office”). Congress chose *not* to include the progress of a co-pending district court infringement action in that list. Instead, in § 315(b), Congress set a bright-line rule that gives a defendant in an already-pending infringement action a one-year period in which to file an IPR petition. Only if the defendant waits longer is the agency supposed to deny institution. *Cf.* 35 U.S.C. § 313 (limiting non-institution arguments in the patent owner’s preliminary response to “failure of the petition to meet any requirement of *this chapter*” (emphasis added)). Section 315(b) shows, then, that while Congress wanted to “minimize burdensome overlap between inter partes review and patent-infringement litigation” by imposing a one-year filing deadline, *Thryv*, 140 S. Ct. at 1375, it did not intend to entirely eliminate the overlap.

Other provisions in the AIA confirm that, if Congress wanted to permit the PTAB to deny institution based on the progress of a district court proceeding, it would have said so. After all, Congress knows how to tell the agency to take account of related actions. It authorized the Director to alter, and even “terminat[e],” an IPR if a related matter is also pending before the PTO, for instance. 35 U.S.C. § 315(d). Similarly, it chose to bar institution where a petitioner had previously challenged the patent’s validity in a declaratory action, § 315(a)(1), and to automatically stay declaratory actions if patent challengers file them after petitioning for IPR, § 315(a)(2).

But Congress did not similarly permit the PTO to refuse an IPR because the petitioner is defending a “matter involving the patent” in a district court action. § 315(d). Instead, it simply chose to estop the petitioner from raising in the district court patent validity attacks that were raised, or could have been raised, in an instituted and finally decided IPR. § 315(e)(2). In short, the statute shows that Congress was aware of potential overlap between proceedings—it was no doubt aware, too, of the supposed “rocket docket” out there—yet Congress specifically chose not to preclude institution on the basis of a parallel district court infringement action.

Because the *NHK-Fintiv* rule contravenes that congressional judgment, it is unlawful. And because the *NHK-Fintiv* rule exceeds the “statutory limits” that Congress imposed on the agency’s ability to deny IPR, the Federal Circuit has jurisdiction to rein in the PTO. *Cuozzo*, 136 S. Ct. at 2141-42; *SAS*, 138 S. Ct. at 1359. As this Court has emphasized, § 314(d) bars

only those “appeals consisting of questions that are closely tied to the application and interpretation of statutes related to the institution decision,” *Thryv*, 140 S. Ct. at 1376 n.8—i.e., appeals that challenge the PTAB’s determination that a particular petition does (or does not) meet statutory institution standards, such as whether there is a reasonable likelihood the petitioner would prevail, per § 314(a). And here, the *NHK-Fintiv* rule does not involve any determination about statutory institution standards; to the contrary, as explained above, it denies IPR based on a consideration mentioned nowhere in the statute. Just as jurisdiction would unquestionably lie over an IPR decision that “cancel[led] a patent claim for ‘indefiniteness under § 112,’” because that would run afoul of § 311(b), *Cuozzo*, 136 S. Ct. at 2141-42—so too is there jurisdiction here, where the PTAB’s act runs afoul of the limits imposed by §§ 314, 315, and 325.

B. The Federal Circuit Has Jurisdiction Because The *NHK-Fintiv* Rule Is Procedurally Unlawful Under The APA.

Even beyond the problems identified above, the *NHK-Fintiv* rule is unlawful because it was adopted without notice-and-comment rulemaking. It was instead designated by the PTO Director as precedential, making it “binding authority” across cases.²¹ This constitutes an independent reason the rule is unlawful and that § 314(d) is no obstacle to judicial review.

²¹ USPTO, Precedential and Informative Decisions, <https://tinyurl.com/k3bacymy> (last visited Aug. 26, 2021).

The APA requires that a substantive rule like the *NHK-Fintiv* rule be adopted only through notice-and-comment rulemaking. Pet. 18, 30. The “most important” factor in determining whether agency action constitutes a substantive rule is “whether the action has binding effects on ... the agency.” *Gen. Elec. Co. v. EPA*, 290 F.3d 377, 382 (D.C. Cir. 2002). And here, the agency itself said it plainly: “A precedential decision” like *NHK* or *Fintiv* “is binding Board authority in subsequent matters involving similar facts or issues.”²² Moreover, the *NHK-Fintiv* rule both changed existing law and has broad application—two other hallmarks of rules that must be adopted only through notice-and-comment procedures. *See Ford Motor Co. v. FTC*, 673 F.2d 1008, 1010 (9th Cir. 1981). Prior to *NHK-Fintiv*, the status of a parallel district court proceeding was irrelevant to whether a timely IPR petition should be instituted; after, that was no longer true. Indeed, now the fate of every petition with a parallel district court action—approximately 85% of all IPR petitions—turns, at least in part, on the district court’s scheduling order.

The *NHK-Fintiv* rule is thus precisely the type that the APA requires to be subjected to notice and comment. Both because the question of whether the Director abided by the requirements of the APA is not directed to “the [PTO’s] application and interpretation of statutes related to the institution decision,” *Thryv*, 140 S. Ct. 1373, and because the answer to

²² PTAB, Standard Operating Procedure 2 at 11 (rev. 10, Sept. 20, 2018), <https://perma.cc/PY6P-FGSD>.

that question is “no,” § 314(d) poses no bar to the Federal Circuit’s review. *See* Pet. 18, 30.

C. The Federal Circuit Has Jurisdiction Because The *NHK-Fintiv* Rule Is Arbitrary And Capricious Under The APA.

The *NHK-Fintiv* rule is unlawful in yet one more way that renders it reviewable: It is arbitrary and capricious. As Petitioner explains, the rule rests on unfounded speculation about when trials will take place. Pet. 31-32; *see supra* 10-11. Worse still, the rule does nothing to advance the PTO’s purported goals of improving the efficiency and integrity of the patent system. Indeed, as explained above, the *NHK-Fintiv* rule undermines both the efficiency and integrity of the patent system. Because this defect in the *NHK-Fintiv* rule has nothing to do with “the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review,” it (like the others discussed above) may be corrected by the Federal Circuit or this Court, notwithstanding § 314(d). *Cuozzo*, 136 S. Ct. at 2141; *see id.* at 2142 (explaining that appellate review remains available over claims that the PTAB’s decision is “arbitrary and capricious” under the APA).

These three infirmities with the *NHK-Fintiv* rule are precisely the types of grounds for appeal to which this Court has held that § 314(d) does not apply. Indeed, the infirmities are so glaring that, if necessary, this Court should clarify that the Federal Circuit can,

and ought to, exercise its mandamus jurisdiction to correct institution denials based on the rule. As Petitioner explains, the Federal Circuit misconstrued this Court's precedents when it held to the contrary. *See* Pet. 28-30.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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APPENDIX

List of Amici

Alliance for Automotive Innovation

Canon, Inc.

Cisco Systems, Inc.

Comcast Cable Communications, LLC

Edward Lifesciences Corp.

Garmin International, Inc.

High Tech Inventors Alliance

Internet Association

Micron Technology, Inc.

Mylan Pharmaceutical Industry Co.

SAS Institute Inc.

Software & Information Industry Association

Taiwan Semiconductor Manufacturing Co., Ltd.

Verizon Services Corp.

VIZIO, Inc.

VMware, Inc.