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 INTERNATIONAL LIMITED,

Respondents.

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

REPLY BRIEF FOR PETITIONER

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INTRODUCTION

The government does not dispute that the petition in this case presents a recurring question of vital importance to the patent system. Multiple petitions raising this question are now pending before this Court, *see Mylan Labs. Ltd.* v. *Janssen Pharmaceutica, N.V.*, No. 21-202 (petition docketed Aug. 12, 2021); *see also Intel Corp.* v. *VLSI Tech. LLC*, No. 21A115 (extension application docketed Oct. 27, 2021), supported by numerous amici across industries, all urging this Court to intervene because the Federal Circuit has closed the door to judicial review of an irrational and unlawful rule that significantly constricts the availability of inter partes review (IPR)—and which the Patent and Trademark Office (PTO) continues to apply.

The government's opposition rests almost entirely on an attempted defense of the decision below on the merits. But that defense contravenes the plain text of 28 U.S.C. §1295(a)(4)(A), which states unmistakably that the Federal Circuit "shall have exclusive jurisdiction … of an appeal from a decision of the [Patent Trial and Appeal Board (Board)] … with respect to … inter partes review." The government invokes 35 U.S.C. §314(d), but it reads that provision to give the PTO unfettered discretion to deny IPR petitions on virtually any ground—even grounds that exceed the PTO's authority under the America Invents Act (AIA) and transgress the Administrative Procedure Act (APA). That position contravenes the bedrock principle that judicial review is available to correct and remedy agency action that exceeds the bounds established by Congress. And it flouts this Court's repeated insistence that §314(d) "does not 'enable the [PTO] to act outside its statutory limits.'" *SAS Inst., Inc.* v. *Iancu*, 138 S.

Ct. 1348, 1359 (2018) (quoting *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2141 (2016)).

The government's only other argument is that the PTO has initiated a "pending agency process" to consider whether to modify the *NHK-Fintiv* Rule. Opp. 20-21. That is misleading. More than a year ago, the PTO solicited public comments on a range of issues relating to institution of IPR. 85 Fed. Reg. 66,502 (Oct. 20, 2020). Contrary to the government's suggestion, the PTO did not issue—and still has not issued—any notice of proposed rulemaking on IPR institution standards. The agency has taken no action since requesting comments, and the government does not represent that any rulemaking is forthcoming. Opp. 20-21.

In any event, the possibility that the *NHK-Fintiv* Rule might one day be altered does not address the question presented, which goes not to the merits of that rule but to whether a party may obtain judicial review when the PTO denies an IPR petition based on a rule that exceeds statutory limits—whether it be the *NHK-Fintiv* Rule, a PTO policy disfavoring all IPRs, or a coin flip. This Court's intervention is urgently needed to clarify the scope of the Federal Circuit's authority to review PTO decisions denying institution based on ultra vires or irrational grounds.

ARGUMENT

I. THE FEDERAL CIRCUIT HAS APPELLATE JURISDICTION UNDER §1295(a)(4)(A)

Section 1295(a)(4)(A) of Title 28 provides that the Federal Circuit "shall have … jurisdiction" over appeals from final decisions of the Board "with respect to … inter partes review." The government reads that language to mean that the Federal Circuit shall *not*

have jurisdiction over the Board's decisions with respect to IPR unless some other statutory provision (such as 35 U.S.C. §319) "separately authorize[s]" an appeal. Opp. 14.

That interpretation contradicts the plain language of the statute. The words "shall have" cannot reasonably be construed to mean "shall not have unless." Reading atextual limitations into an express grant of jurisdiction would contravene the "strong presumption in favor of judicial review … when … interpret[ing] statutes." *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2140 (2016) (quotation marks omitted). And it would disregard Congress's instruction that "final agency action for which there is no other adequate remedy in a court [is] subject to judicial review." 5 U.S.C. §704; *see also id.* §702 (a "person suffering legal wrong because of agency action … is entitled to judicial review thereof"). The government cites only two decisions of the Federal Circuit in support of its view, Opp. 14, but that court has rejected the government's reading, explaining that §319 is "not" the "exclusive means for appeal" from IPR decisions and that "§1295(a)(4)(A) on its face provides a right to appeal." *Arthrex, Inc.* v. *Smith & Nephew, Inc.*, 880 F.3d 1345, 1349 (Fed. Cir. 2018).

The government cites this Court's description of 35 U.S.C. §314(d) in *Cuozzo* as "superfluous," suggesting the Court meant that §314(d) is unnecessary to withdraw appellate jurisdiction over non-institution decisions because no right to appeal exists under §1295(a)(4)(A) in the first place. Opp. 14; *see Cuozzo*, 136 S. Ct. at 2140. That contention misunderstands this Court's remark, which addressed the dissent's argument that §314(d) bars only interlocutory appeals from decisions to institute IPR. As the Court explained, that interpretation would have rendered §314(d) "superflu-

ous" because the APA "already limits review to final agency decisions," and a decision to institute is necessarily "preliminary, not final." *Cuozzo*, 136 S. Ct. at 2140. That discussion had nothing to do with §1295(a)(4)(A) and did not even cite that provision. *Id.* Moreover, in contrast to the interlocutory matters the Court addressed there, decisions to deny institution are undisputedly final decisions, and the government does not contest that they are decisions "with respect to" IPR. They therefore fall squarely within §1295(a)(4)(A)'s plain meaning.[1]

II. SECTION 314(d) DOES NOT WITHDRAW JURISDICTION

The petition explains (at 17-26) that §314(d) does not withdraw the Federal Circuit's jurisdiction, conferred by §1295(a)(4)(A), to hear Apple's appeals. Although §314(d) provides that a decision "whether to institute [IPR] … shall be final and nonappealable," the Court in *Cuozzo* indicated that such appeals may nevertheless be heard where the basis of the appeal "depend[s] on statutes" that are "less closely related" to "the decision to initiate" IPR. *Cuozzo*, 136 S. Ct. at

[1] The government does not endorse the argument of amicus that §1295(a)(4)(A)'s grant of jurisdiction over "decision[s] of the Board" with respect to IPR does not include decisions of the Board taken pursuant to authority delegated by the PTO Director. *See* Doerre Amicus Br. 5-10. That argument rests on two decisions of the Federal Circuit's predecessor court that predate the AIA (and in one case, even the APA) by several decades and interpreted a different statute not at issue here. *Id.* at 6. Moreover, one of those decisions specifically acknowledges the availability of judicial review under the APA. *See In re James*, 432 F.2d 473, 476 & n.4 (C.C.P.A. 1970). The Federal Circuit has thus recognized that §1295(a)(4)(A) confers jurisdiction over the Board's IPR decisions even at the institution stage, when the Board acts on behalf of the Director. *Arthrex*, 880 F.3d at 1349.

2141-2142. And this Court has held that even when an appeal "consist[s] of questions that are closely tied to the application and interpretation of statutes related to" the institution decision, §314(d) still does not bar review of an argument that the agency "act[ed] outside its statutory limits" or that the Board's decision is "arbitrary and capricious" or procedurally unlawful under the APA. *Id.* (quotation marks omitted); *see SAS Inst., Inc.* v. *Iancu*, 138 S. Ct. 1348, 1359 (2018). As the petition shows (at 18-23), Apple's appeals here fall well within these exceptions to its appeal bar.

The government offers two responses: first, that §314(d) bars review of all institution-related decisions regardless of whether the challenge is closely tied to the interpretation and application of an institution-related statute, and second, that this Court intended the exceptions to §314(d) that it first identified in *Cuozzo* to apply only in an appeal from a final written decision of the Board. Neither response can be reconciled with this Court's precedent, and neither provides a basis to deny review.

1. The government begins with the contention that, in *Cuozzo* and *Thryv, Inc.* v. *Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020), this Court "strongly suggested that Section 314(d) is most naturally read to bar any contention that the USPTO erred in determining whether to institute" IPR. Opp. 14-15. The government bases that contention on a handful of unqualified remarks by the Court that the government mistakenly reads as categorical interpretations of §314(d). But as the government acknowledges, *Cuozzo* and *Thryv* indicated that §314(d) might not bar review of challenges premised on "less closely related statutes." Opp. 15-16 (quotation marks omitted). There would have been no reason for the Court to identify that limitation if the

Court had given §314(d) the categorical reading the government now advances. And to the extent the issue is unresolved, the need for resolution would warrant granting this petition.

Next, the government argues that even if §314(d) applies only to challenges involving statutes closely tied to institution, it would apply here because Apple's appeal "raises challenges 'closely tied' to the statutory provisions that govern the Director's institution decisions." Opp. 16. That is incorrect; as Apple's petition explains (at 18), Apple's claims that the *NHK-Fintiv* Rule violates the APA substantively and procedurally have nothing to do with the application of an institution-related statute. The government disagrees, embracing the Federal Circuit's statement that "[a]t bottom," Apple "is challenging whether the Board has authority to consider the status of parallel district court proceedings as part of its decision" to deny IPR institution. Opp. 16 (quotation marks omitted). That is a fair characterization of Apple's claim that the *NHK-Fintiv* Rule exceeds the PTO's authority under the AIA, but not of Apple's APA claims. The arbitrary-and-capricious and notice-and-comment claims assume the PTO has relevant authority under the AIA but argue that the PTO's exercise of that authority is inconsistent with the *APA*'s requirements of rational decisionmaking and notice-and-comment rulemaking.

2. Echoing the decision below, the government also contends that the exceptions to §314(d) identified in *Cuozzo* and *SAS* apply only when a court is asked to "review[] the Board's final written decision on patentability in the context of § 319." Opp. 17 (quotation marks omitted). But Apple already showed why that reading of this Court's precedent is incorrect. Pet. 23-26. The

government's disagreement only highlights the need for this Court's review.

The government's disagreement rests solely on the assertion that "Congress had sound reasons for distinguishing" between appeals from final written decisions and appeals from decisions not to institute IPR. Opp. 12. In particular, the government says, non-institution is a decision not to act and thus does not "'infringe upon'" "'an individual's liberty or property rights.'" *Id.* (quoting *Heckler* v. *Chaney*, 470 U.S. 821, 832 (1985)).

That argument, however, has no support in the AIA's text, this Court's precedent, or the practical realities of non-institution decisions. Section 314(d) contains no language distinguishing between appeals arising from a final written decision and appeals arising from other PTO decisions. Pet. 23. As the petition explains (at 23-24), *Cuozzo* and *SAS* make clear that the Court did not intend to limit the exceptions recognized in those cases to appeals from final written decisions—and that doing so would be absurd, confining the exceptions to a lone type of non-institution decision that Congress foreclosed (namely, partial institution). Moreover, the denial of an IPR petition does harm IPR petitioners: It deprives IPR petitioners of the opportunity to participate in the efficient forum that IPR provides for reviewing patentability and leaves them to the review mechanisms (*i.e.*, litigation and ex parte reexamination) that Congress specifically deemed inadequate.

Finally, the government invokes this Court's statement that "'Congress has committed the decision to institute inter partes review to the Director's unreviewable discretion.'" Opp. 13 (quoting *United States* v. *Arthrex, Inc.*, 141 S. Ct. 1970, 1977 (2021)). Apple's petition already explained (at 25) why that reasoning is

unpersuasive: Courts remain available to review even discretionary agency actions to ensure that they stay within statutory bounds. This Court has acknowledged the relevance of that principle to the IPR-institution context, repeatedly stressing that §314(d) "does not 'enable the [PTO] to act outside its statutory limits.'" *SAS*, 138 S. Ct. at 1359 (quoting *Cuozzo*, 136 S. Ct. at 2141). The government offers no response at all.

III. MANDAMUS SHOULD ISSUE TO CORRECT THE PTO'S DENIAL OF APPLE'S IPR PETITIONS

As the petition explains (at 28-30), this Court's review is further needed to clarify that if §314(d) bars appellate jurisdiction, mandamus is warranted to ensure the PTO's compliance with its statutory boundaries. *See Hollingsworth* v. *Perry*, 558 U.S. 183, 190 (2010).

The government acknowledges that this Court has "left open the question whether mandamus relief is ever available to review the USPTO's determination whether to institute inter partes review." Opp. 17. But it contends that this Court need not answer that important question, arguing that mandamus is simply never available in this context because the decision to grant or deny an IPR petition is discretionary and a petitioner has no "clear and undisputable legal right" to the agency's exercising its discretion in compliance with the law. Opp. 17-20 (quotation marks omitted).

That argument, like the decision below, contravenes this Court's decision in *Hollingsworth*, which held that mandamus was available to correct a discretionary action (there, the district court's adoption of a local rule) that violated statutory limits—including by "fail[ing] to giv[e] appropriate public notice and an opportunity for comment"—when there was no other means of obtain-

ing review. 558 U.S. at 190-192. Consistent with *Hollingsworth*—and contrary to the government's characterization (at 19)—Apple does not contend that it has a "clear and undisputable legal right to inter partes review," but rather that it has a clear and indisputable right to have its IPR petitions decided under rules that do not exceed the PTO's authority under the AIA or violate the APA. Pet. 29-30. Under the government's view and the decision below, however, no avenue for judicial review in any form is available when the agency applies an unlawful rule to deny IPR petitions. If this Court's admonition that the PTO cannot "'act outside its statutory limits'" is to have any meaning at all, *SAS*, 138 S. Ct. at 1359 (quoting *Cuozzo*, 136 S. Ct. at 2141), this Court's review is needed to reject that position.[2]

IV. NO RULEMAKING IS UNDERWAY

Finally, the government argues that the Court should not take up Apple's petition because the PTO is "currently soliciting and considering public comments on the *Fintiv* factors" to "determine whether those factors should be modified." Opp. 20. Contrary to the government's suggestion, the agency has not initiated a rulemaking on the subject. Instead, more than a year ago, in October 2020, the PTO merely issued a request for comments on whether it should consider commenc-

[2] As the government and the petition note, Apple has challenged the *NHK-Fintiv* Rule directly in an APA suit in the district court. Opp. 19; Pet. 29 n.6. On November 10, 2021, the district court granted the government's motion to dismiss that suit. *See Apple Inc.* v. *Iancu*, No. 20-cv-6128, ECF No. 133 (N.D. Cal. Nov. 10, 2021). The court held that Apple and the other plaintiffs had established Article III standing but that §314(d) renders the APA suit nonjusticiable—even though the suit does not challenge any non-institution decision—"considering the Supreme Court's analysis of [§314(d)] in *Cuozzo*." *Id.* at 9.

ing a rulemaking. Since then, it has taken no further action on the matter: It has not initiated a rulemaking, has not taken any additional steps following the submission of public comments, and has not given any indication that it intends to conduct a rulemaking.

Regardless, even if the PTO might someday modify the *NHK-Fintiv* Rule (by regulation or otherwise), that would be irrelevant to whether the Court should grant Apple's petition. The petition does not ask this Court to review the validity of that Rule. Rather, this Court's review is urgently needed to clarify whether judicial review is available when the Board denies an IPR petition based on any rule that exceeds the agency's statutory bounds and violates the APA. The irrationality of the *NHK-Fintiv* Rule and the significant negative effects it has had for the patent system only underscore the harms that can and will arise if this Court does not correct the Federal Circuit's mistaken view that the Board has unfettered, unreviewable leeway to make institution decisions based on unlawful agency rules that constrict the availability of IPR contrary to Congress's intent and violate the fundamental requirements of the APA.[3]

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[3] The government asserts (at 9-10) that this Court has "previously denied review of a similar question." That is wrong. In the cited case, the Federal Circuit held that §314(d) barred appellate review of a Board decision denying IPR petitions as time-barred under 35 U.S.C. §315(b)—*i.e.*, a version of the issue this Court *granted* review of in *Thryv*. *See ARRIS Int'l PLC* v. *Chanbond, LLC*, 773 F. App'x 605, 605 (Fed. Cir. 2018). Like *Thryv*—and unlike this case—*ARRIS* involved the Board's straightforward "application and interpretation of [a] statute[] closely related to the institution decision," *Thryv*, 140 S. Ct. at 1373 (quotation marks omitted), with no assertion of ultra vires rulemaking in violation of the AIA or the APA. *See* Pet. i, *ARRIS Int'l PLC* v. *Chanbond, LLC*, No. 19-455 (U.S. July 25, 2019).

CONCLUSION

The petition should be granted.

Respectfully submitted.

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NOVEMBER 2021