

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 IN RESPONSE TO
OPPOSITION OF PRIVATE RESPONDENTS**

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INTRODUCTION

Twice this Court has emphasized that 35 U.S.C. §314(d) “does not ‘enable the [PTO] to act outside its statutory limits,’” and that “judicial review remains available” despite §314(d) “[i]f a party believes the Patent Office has engaged in shenanigans by exceeding its statutory bounds” in deciding whether to institute inter partes review. *SAS Inst., Inc. v. Iancu*, 138 S. Ct. 1348, 1359 (2018) (quoting *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 275 (2016)).

Those words had meaning. They reflect the cardinal principle that courts remain available to set aside agency action that exceeds statutory authority; only clear evidence justifies a conclusion that Congress meant to insulate ultra vires agency action from judicial correction. Pet. 19-20. Yet the Federal Circuit has given the PTO free rein to deny hundreds of IPR petitions based on an irrational rule that the public had no opportunity to comment on, that the Director decreed without explanation (much less a reasoned explanation), and that contradicts the America Invents Act. Pet. 2, 6-11, 30-33.

Optis recycles the government’s arguments, but they fare no better the second time around. The PTO has not commenced rulemaking or indicated that it will do so. A mere statement that the current nominee for PTO Director will “consider” modifying the *NHK-Fintiv* Rule does not justify denying certiorari. Nor does Apple’s separate APA action, which provides no avenue for relief from the PTO’s application of the *NHK-Fintiv* Rule in this case. As the petition and numerous amici have shown, this Court’s intervention is urgently needed, and this case is an ideal vehicle. The Court should grant the petition.

ARGUMENT

I. THE QUESTION PRESENTED IS TIMELY AND URGENT

A. Any Remote Prospect Of Administrative Reform Does Not Lessen The Need For Review

Optis principally contends that the current nominee for PTO Director has “expressed ... willingness to reconsider the *NHK/Fintiv* factors” and an “understanding that such reconsideration is already underway.” Opp. 8.¹ Apple has already addressed the government’s similar arguments, Reply 9-10, and they are no more availing now.

To reiterate, although the PTO solicited comments more than a year ago on whether to consider commencing a rulemaking, it proposed no rule, commenced no rulemaking, and took no further steps. Reply 9-10. Nor did the PTO’s request for comments indicate any inclination to rescind the *NHK-Fintiv* Rule. Rather, the request indicated the opposite intention: to “promulgat[e] rules based on” the *NHK-Fintiv* Rule or “a modified” version of it. 85 Fed. Reg. 66,502, 66,504 (Oct. 20, 2020).

The PTO Director nominee’s statement that, if confirmed, she would “consider[] whether *Fintiv* should be modified,” Opp. 9, is neither binding nor reassuring. Mere “consideration” does not amount to any inclination, much less commitment, to rescind or change the *NHK-Fintiv* Rule.

In any event, the possibility that the PTO might someday modify, or even rescind, the *NHK-Fintiv* Rule

¹ “Opp.” refers to Optis’s opposition. “Reply” refers to Apple’s reply to the federal respondent’s opposition.

is irrelevant, because Apple does not ask the Court to review the validity of the Rule itself. The question presented is one the PTO cannot address: whether the Federal Circuit can review the Board's non-institution of IPR based on a rule that exceeds the agency's statutory authority and violates the APA.

B. The Separate APA Action Does Not Preclude Appeal Or Mandamus

Apple's direct challenge to the *NHK-Fintiv* Rule in a separate APA action neither precludes relief in this case—by appeal or mandamus—nor diminishes the importance of the question presented. Opp. 6-7, 9-12. Again, Optis raises nothing Apple has not already refuted. Pet. 29 n.6; Reply 9 n.2.

As Optis concedes (at 12), the APA action does not seek to vacate the PTO's denial of any IPR petition, nor does it afford an opportunity to clarify the Federal Circuit's jurisdiction to review the Board's refusal to institute IPR based on an ultra vires rule. Rather, the APA suit seeks to set aside the *NHK-Fintiv* Rule and enjoin the PTO from applying it in resolving future IPR petitions. Here, in contrast, Apple seeks to require the Board to reconsider Apple's IPR petitions without regard to an unlawful rule.

Rehashing the Federal Circuit's analysis, Optis argues (at 10-12) that the availability of an APA suit to challenge the *NHK-Fintiv* Rule itself forecloses any challenge to the agency's application of that rule in a particular case. But a party aggrieved by agency action is not required to choose between those remedies. If Optis were correct, then even if the APA suit succeeded, an IPR petitioner whose petition was subsequently denied under that unlawful rule still could not

obtain appellate review. That outcome would contravene the APA, background principles of judicial review, and this Court’s admonition 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) (quotation marks omitted); *see* Pet. 19-21.

Moreover, the district court recently dismissed the APA suit on the ground that §314(d) renders it nonjusticiable. Reply 9 n.2. Apple has appealed that ruling, which makes no sense because the APA suit does not appeal any non-institution decision. *Apple Inc. v. Hirshfeld*, No. 22-1249 (Fed. Cir. Dec. 10, 2021). But the dismissal makes it far from certain that Apple has any “readily available alternative legal channel,” contrary to Optis’s supposition (at 11). And, as explained above, review in the Federal Circuit is the only way Apple or other IPR petitioners could obtain relief from the Board’s application of the Rule or raise the question at issue here—namely, whether the PTO may evade review when it acts *ultra vires* in denying IPR.

C. The Issue Remains Important

Ignoring the slew of amici supporting the multiple petitions raising this issue—representing large and small enterprises across a range of industries—Optis tries to downplay (at 7-8, 9) the significance of the question presented. But Optis cannot seriously dispute that Apple’s petition raises a pressing question with broad implications for the proper functioning of the patent system and for courts’ ability to ensure that the PTO does not exceed its authority or violate the APA. Pet. 30-33.

The Federal Circuit’s abdication of judicial review in the context of the *NHK-Fintiv* Rule alone warrants

this Court’s review. Congress created IPR because it recognized that district court litigation and preexisting administrative mechanisms were inadequate for “weed[ing] out bad patent claims” that threaten innovation. *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367, 1374 (2020); Pet. 1-2, 5-7, 30-31. The *NHK-Fintiv* Rule has dramatically undercut the availability of IPR precisely where it is most needed and where Congress intended it to be available—*i.e.*, where the challenged patent claims are asserted against the IPR petitioner in patent-infringement litigation. Pet. 30-33. Congress expressly provided that IPR and litigation can proceed in parallel even when they involve the same issues, and it directed when and how that should occur and when the Director has discretion to alter those rules. Pet. 6-7, 30-31; *see* 35 U.S.C. §§315(a)(1), (a)(2)(B), (a)(3), 315(b), (d), 325(d).² The *NHK-Fintiv* Rule replaces Congress’s judgment with the agency’s preference that IPR should be unavailable when litigation would make IPR “inefficient” based on nonstatutory factors the agency invented. The agency’s application of that Rule has produced abusive forum-shopping by patent-infringement plaintiffs and inexplicable and illogical denials of IPR petitions based on rank speculation about the course of parallel litigation. Pet. 30-33.

² Optis’s statement (at 11-12) that Apple is “downplay[ing]” the argument that the *NHK-Fintiv* Rule violates the AIA is baffling. Apple stressed that argument as a central reason why §314(d) does not apply—*i.e.*, because the PTO “act[ed] outside its statutory limits” by applying a rule that violates the AIA. Pet. 17 (quoting *Cuozzo*, 579 U.S. at 275). Nor would Apple have any reason to downplay that argument, because §314(d) does not bar appeals arguing that the PTO exceeded its statutory authority even under institution-related statutes. Pet. 17-18.

The significance of these concerns is increasing, not “declining.” Opp. 8, 9. Optis cites one article noting that the rate of IPR denials based on the *NHK-Fintiv* Rule fell slightly during a six-month period in 2021. But as the same article notes, the PTO applied the Rule to deny dozens of IPR petitions during that period. See Eakin, *As Attys Sharpen Strategies, Fintiv Denials Are Falling*, Law360 (Oct. 27, 2021), <https://www.law360.com/articles/1434925/as-attys-sharpen-ptab-strategies-fintiv-denials-are-falling>. And any decrease in *NHK-Fintiv* denials is likely attributable to the Rule’s own pernicious consequences. For example, IPR petitioners increasingly resort to stipulating that they will not pursue the same invalidity arguments in litigation as in IPR. *Id.*; see also *Sand Revolution II, LLC v. Continental Intermodal Grp.-Trucking LLC*, No. IPR2019-01393, Paper 24 at 12 n.5 (P.T.A.B. June 16, 2020) (encouraging petitioners to split invalidity arguments between litigation and IPR). That makes an *NHK-Fintiv* denial less likely, but it also thwarts IPR’s purpose by fragmenting issues between litigation and administrative review. Similarly, IPR petitioners increasingly file petitions much earlier, often before they even know which patent claims a plaintiff will assert in litigation. Eakin, *supra*. Doing so results in premature and unnecessarily broad IPR petitions—an outcome Congress sought to avoid by allowing petitioners to seek IPR up to an entire year following a complaint’s service. Pet. 30-31. Had the Federal Circuit not insulated the PTO’s application of the *NHK-Fintiv* Rule from judicial scrutiny, IPR petitioners could avoid these deleterious steps.

Moreover, the importance of the question presented is not limited to the *NHK-Fintiv* Rule. Opp. 7 & n.5. The PTO has adopted several other rules governing

institution of IPR, some of which might likewise exceed the agency's authority under the AIA or violate the APA. For example, the Director adopted other rules governing institution by designating Board decisions as precedential, without notice and comment.³ These rules could be unlawful for that reason, but if review in the Federal Circuit remains unavailable, the PTO would be free to deny institution of IPR under those rules without challenge. Like the government and the Federal Circuit before it, Optis does not deny that, in its view, the PTO could deny institution based on any unlawful rule or even a coin flip without review. Pet. 33.

II. THE DECISION BELOW CONTRAVENES THIS COURT'S PRECEDENT

As Apple has shown, §1295(a)(4)(A)'s plain language gives the Federal Circuit exclusive jurisdiction to review decisions of the Board concerning IPR, and §314(d) does not withdraw that jurisdiction where the appeal—like Apple's here—contends that a denial of institution rested on a rule that exceeds the agency's statutory authority or violates the APA. Pet. 16-26. The Federal Circuit's contrary analysis cannot be reconciled with *Cuozzo* and its progeny. Optis's response largely repeats the government's arguments and is equally unpersuasive.

³ See USPTO, *Precedential and informative decisions*, <https://www.uspto.gov/patents/ptab/precedential-informative-decisions> (visited Dec. 28, 2021) (listing Board decisions concerning institution designated as precedential under "Issues specific to AIA Trial Proceedings").

A. Section 1295(a)(4)(A) Applies

Optis first reasserts (at 13, 15) that a Board decision denying an IPR petition is not a decision “with respect to ... inter partes review.” 28 U.S.C. §1295(a)(4)(A). That argument rewrites the statute. Even accepting Optis’s premise that the institution decision “is not itself an ‘inter partes review,’” Opp. 13, the Federal Circuit is not limited to reviewing Board decisions rendered “during,” “in,” or “after” an instituted IPR. Section 1295(a)(4)(A) instead encompasses decisions “with respect to” IPR—*i.e.*, “‘referring to,’ ‘concerning,’ or ‘relating to’” IPR, *Jennings v. Rodriguez*, 138 S. Ct. 830, 856 (2018) (Thomas, J., concurring in part). A decision whether to institute IPR is certainly a decision “with respect to” IPR. Optis similarly maintains the Board’s denial of institution is not a decision “of the Board” because institution decisions are statutorily vested in the Director. That again reads words into the statute that are not there.

Moreover, as Optis freely admits, its reading would render §1295(a)(4)(A) duplicative of 35 U.S.C. §141(c) and §319, which confer jurisdiction over the Board’s final written decision. Opp. 14 (contending appeal is available in IPR “only” from a final written decision). Optis cites no case law supporting that view, and the Federal Circuit has rejected it, holding that §319 “does not cabin the appeal rights conferred by §1295” and that “§1295(a)(4)(A) on its face provides a right to appeal” even where IPR has not been instituted. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 880 F.3d 1345, 1348-1349 (Fed. Cir. 2018); *see also id.* at 1347 (explain-

ing the Board had entered an adverse judgment before issuing any institution decision).⁴

Optis’s strained interpretation would contravene the “strong presumption in favor of judicial review ... when ... interpret[ing] statutes.” *Cuozzo Speed Techs., LLC v. Lee*, 579 U.S. 261, 273 (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”).

B. Section 314(d) Does Not Bar Review

As Apple has explained, Apple’s appeals fall within the exceptions to §314(d) that this Court has repeatedly recognized. Pet. 17-26; Reply 4-8. Optis rehashes the contention that these exceptions apply only in appeals from final written decisions. Opp. 15-18. But Apple has shown why that argument fails, and again Optis offers nothing new.

Like the government, Optis does not rest its “final-written-decisions-only” view on any language in §314(d). Nor could it. That statute applies to determinations “whether to institute” IPR, 35 U.S.C. §314(d), and the same language cannot mean one thing when

⁴ Applying §1295(a)(4)(A) consistent with its plain language does not allow the Director to determine the availability of appellate jurisdiction. Opp. 15. Optis’s contrary argument wrongly assumes an institution decision made by the Director personally would be unreviewable. Even if §1295(a)(4)(A) did not authorize appeal, a non-institution decision by the Director would be final agency action reviewable under the APA in cases where the §314(d) bar did not apply. 5 U.S.C. §704; 28 U.S.C. §1331.

institution is granted and another when institution is denied. *E.g.*, *Clark v. Martinez*, 543 U.S. 371, 380-382 (2005) (rejecting interpretation that would render statute a “chameleon”). Instead, Optis largely restates its view that §1295(a)(4)(A) does not authorize appeal in the first place, Opp. 15-18—an argument that fails as already explained.

Optis’s position likewise contravenes this Court’s decisions. As Apple has explained—and Optis ignores—the final-written-decision posture in *Cuozzo*, *SAS*, and *Thryv* had no bearing on this Court’s analysis of §314(d); to the contrary, *Cuozzo* and *SAS* strongly indicated that the same analysis of §314(d) would apply even without a final written decision. Pet. 23-24. Moreover, this Court repeatedly emphasized that §314(d) “does not enable the [PTO] to act outside its statutory limits,” *SAS*, 138 S. Ct. at 1359 (quotation marks omitted). But Optis’s view would enable the PTO to do exactly that, as long as it did so only when denying IPR petitions rather than granting them. There is no sensible basis for that atextual distinction. Section 314(d) sought to avoid “nullifying” a completed IPR based on a flaw in the institution decision, *Thryv*, 140 S. Ct. at 1376; *see also Cuozzo*, 579 U.S. at 272—a concern that is entirely absent when institution is denied. And again, such a distinction would disregard the strong presumption in favor of judicial review, which this Court treated as central to its application of §314(d). *Cuozzo*, 579 U.S. at 274-275.

Ultimately, Optis relies (at 1, 17-18) on §314(d)’s statement that non-institution decisions “shall be final and nonappealable.” If that analysis were sufficient, then this Court wasted its time in considering the applicability of §314(d) in *Cuozzo*, *SAS*, and *Thryv*—to say nothing of similar appeal bars that this Court has

read to preserve judicial review of arguments that an agency has exceeded its statutory bounds despite superficially categorical language precluding review. *See, e.g., Lindahl v. Office of Pers. Mgmt.*, 470 U.S. 768 (1985) (statute making OPM determination “final and conclusive and ... not subject to review” did not bar appeal arguing OPM had violated a governing statute); *Cuozzo*, 579 U.S. at 274 (“Our interpretation of [§314(d)] has the same effect” as in *Lindahl*). Again, Optis has no answer.

III. THIS IS AN IDEAL VEHICLE

Finally, Optis derides the strength of Apple’s challenges to its patents, which of course is irrelevant to the question presented. But Optis’s arguments lack merit anyway. If anything, the limitations of litigation and *ex parte* reexamination severely constrained Apple’s ability to invalidate Optis’s patents—a fact that perfectly illustrates why Congress created IPR in the first place and why this Court’s review is so urgently needed.

Congress created IPR after concluding that it was too difficult and costly to invalidate even weak patents through litigation and administrative procedures such as *ex parte* reexamination. Pet. 1-2, 5-6. For example, time limits in trials often make it impossible to properly air invalidity issues before a lay jury. Here, Optis asserted nine claims from five unrelated patents against Apple. The district court allowed Apple only thirteen hours—total—in the jury trial to present its affirmative case on non-infringement, invalidity, and damages and to cross-examine all of Optis’s fact and expert witnesses. And when the PTO later granted Apple’s reexamination requests for the five patents-in-suit based on the examiner’s determination that Apple raised substantial

new questions of patentability, the ex parte nature of the procedure meant that Apple could not respond to the many incorrect and misleading arguments Optis raised during the reexaminations or point out when Optis contradicted arguments it had made before the district court.

The Board's application of the *NHK-Fintiv* Rule to deny IPR thus deprived Apple of a vital tool that Congress created to prevent infringement plaintiffs like Optis from weaponizing invalid patents. This Court should grant review and hold that the Federal Circuit may review the PTO's improper constriction of that important procedure.

CONCLUSION

The petition should be granted.

Respectfully submitted.

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