No. 23-315

IN THE

Supreme Court of the United States

VIRNETX INC. AND LEIDOS, INC.,

Petitioners,

v.

MANGROVE PARTNERS MASTER FUND, LTD.; APPLE INC.; BLACK SWAMP IP, LLC; AND KATHERINE K. VIDAL, UNDER SECRETARY OF COMMERCE FOR INTELLECTUAL PROPERTY AND DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Federal Circuit

REPLY FOR PETITIONERS

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CORPORATE DISCLOSURE STATEMENT

Pursuant to this Court's Rule 29.6, petitioners VirnetX Inc. and Leidos, Inc. state that the corporate disclosure statement included in the petition remains accurate.

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REPLY FOR PETITIONERS

The government's response echoes an all-too-familiar theme: Agencies should be allowed to do what they want, and never mind what Congress has said. Never mind that Congress designed the America Invents Act to protect patent owners from abusive challenges by requiring defendants to seek inter partes review within a year of being sued: The PTO can join defendants to someone else's IPR at any time. And never mind that Congress sought to safeguard the Senate's advice-and-consent role by making the Federal Vacancies Reform Act the exclusive means of appointing acting officials: Agencies can sidestep the FVRA with their own succession plans.

Those issues are immensely consequential. The PTO's and Federal Circuit's construction of the IPR joinder statute incentivizes opportunistic entities to file placeholder IPRs that well-heeled but time-barred infringement defendants can join—and take over. That misreading of the statute has already invited extortion schemes.

Given the extreme consequences, one would expect the government to offer a robust defense of the PTO's construction. It doesn't. The PTO has followed its construction of the IPR joinder statute for over a decade. But the government never tries to defend it as correct.

The government's response on the FVRA issue fares no better. It nowhere denies that the Federal Circuit's interpretation renders the FVRA's scope "'vanishingly small'" and entirely inapplicable to the PTO. *Arthrex, Inc. v. Smith & Nephew, Inc.*, 35 F.4th 1328, 1337 (Fed. Cir. 2022). It cannot explain why Congress would enact such a meaningless statute and give agencies free rein to fill 1000+ PAS offices however they like.

While urging that a "text-based interpretation" requires that result, Gov't.Br.21, the government never addresses the text that matters: Section 3348's directive that its narrow definition of "function or duty" applies only "[i]n this section"—*not* the entire FVRA. 5 U.S.C. §3348(a). VirnetX explained how that language forecloses efforts to limit other FVRA provisions, including §3347(a)'s exclusive appointment mechanisms, to nondelegable duties. Pet.30-34. The government ignores that language completely. For decades, the Executive Branch has used delegations to evade the FVRA. When called to defend that practice before this Court, the government cannot be bothered to address what the statute actually says.

In the AIA and FVRA, Congress gave the Executive Branch power to review issued patents and to fill vacant offices. But it imposed limits on that power. Here, the government claims the power but denies the limits—while refusing to address the text that constrains its authority. Review is warranted.

I. THE IPR JOINDER QUESTION MERITS REVIEW

A. The Question Is Exceptionally Important

The Federal Circuit's and PTO's interpretation of the IPR joinder provision eviscerates 35 U.S.C. §315(b)'s one-year time bar. It has opened the door to serial IPR petitions and abuses by entities created to resurrect time-barred challenges or even extort payoffs. Pet.14-17. That thwarts Congress's intent. IPRs were designed as "quick and cost effective alternatives to litigation"—*not* "tools for harassment . . . through repeated litigation and administrative attacks on the validity of a patent." H.R. Rep. No. 112-98, pt. 1, at 48 (2011).

The government does not deny that the PTO's and Federal Circuit's construction invites abuse. Little wonder: The PTO Director (the federal respondent here) recently found that entities used IPR petitions to *extort* a patent owner—yet she still allowed a time-barred defendant to join and take over the IPRs. Pet.16-17; Biotech.Br.10-12.

That experience refutes Apple's assertion (at 25) that VirnetX's policy concerns are "exaggerated." As the Biotechnology Innovation Organization explains, unscrupulous "parties have learned to threaten challenging valuable patents protecting medicines, and specifically, to threaten patent owners with a challenge that would open the door to otherwise time-barred and interested parties." Biotech.Br.12. The joinder statute's misconstruction imposes immense costs. It "drag[s] out costly litigation," "discourages settlement," rewards defendants "who sleep on their rights," and "undermines the incentive to engage in the costly development needed to pursue groundbreaking innovation." *Id.* at 13, 16; *see id.* at 10-17.

B. The Federal Circuit's Decision Is Wrong

1. The Federal Circuit's and PTO's construction defies §315's text. A "properly file[d] . . . petition" is a prerequisite to joinder. 35 U.S.C. §315(c). As this Court has repeatedly held, an untimely document is not "properly filed." Pet.18-19; *see Pace v. DiGuglielmo*, 544 U.S. 408, 413, 417 (2005). Apple's petition was untimely because it was filed outside §315(b)'s one-year time limit for defendants sued for infringement. Section 315(b)'s exception to that one-year limit applies only to "a request for joinder"—*not* the "petition" that supports it. §315(b)-(c). Because Apple's *petition* was untimely, it was not

properly filed, and the PTO lacked authority to join Apple to Mangrove's IPRs. Pet.17-21.

The government offers no response. That is striking: The PTO has (mis)interpreted §315 as allowing joinder based on untimely petitions for over a decade. *See* 37 C.F.R. §42.122(b). One would think that practice represented the agency's well-considered view. Yet the Director—the federal respondent here—does not try to defend it before this Court.

Apple contends that a "properly file[d] petition under section 311," 35 U.S.C. §315(c), refers *only* to §311(c), which requires IPR petitions to be filed *after* certain events. Apple.Br.22. But Apple cannot explain away §311(a), which incorporates—and requires petitions to comply with—the other "provisions of this chapter," including §315(b)'s one-year time limit. Apple ignores that the term "properly filed" encompasses *all* "time limits, no matter their form." *Pace*, 544 U.S. at 417. Congress adopted that settled understanding when it required a "properly file[d]" petition. Pet.18-19. Meeting the one-year filing deadline, incorporated by reference in §311, plainly is a prerequisite.

Apple obliterates Congress's distinction between a "petition" and a "request for joinder." Section 315 requires *both* a "properly file[d] petition" *and* a joinder request before a party may be joined, but exempts only the *latter* from the one-year time limitation. Pet.20. Apple wrongly conflates those "disparate" terms. *Russello v. United States*, 464 U.S. 16, 23 (1983). And its failure to "give[ ] effect to every . . . word of [the] statute" forecloses its resort to "the canon against superfluity." *Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 106 (2011) (quotation marks omitted); *see* Apple.Br.24; Pet.20.

2. Notwithstanding the government's assertion that the Federal Circuit did not decide below whether §315 allows joinder of time-barred parties, Gov't.Br.13-14, the court has since decided the issue in two precedential decisions—*Facebook, Inc. v. Windy City Innovations*, 973 F.3d 1321 (Fed. Cir. 2020), and *Network-1 Technologies, Inc. v. Hewlett-Packard Co.*, 981 F.3d 1015 (Fed. Cir. 2020); Pet.11-12, 22.

The government disputes that. Gov't.Br.14-15. But the petitioner seeking joinder in *Facebook* would have been time-barred but for the Federal Circuit's view that §315(b) excused compliance with the time limit. 973 F.3d at 1334-1336, 1339. Similarly, *Network-1* declared §315(b)'s one-year limit inapplicable to petitions accompanied by joinder requests: "HP was time-barred under . . . §315(b) from having its own petition instituted. But because §315(b) creates an exception from the time bar for joinder under . . . §315(c), HP was nonetheless able to join." 981 F.3d at 1020; *see id.* at 1027.

The government admits the Federal Circuit has invoked *Thryv, Inc. v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020), for the proposition that a "'§315(b)-barred party can join a proceeding initiated by another petitioner.'" Gov't.Br.14. The government correctly recognizes that "the quoted sentence from *Thryv* was dicta." *Id.* But the Federal Circuit read it as deciding the issue. It is up to this Court to correct that misapprehension—of its decision, and of the statute's meaning.

Apple tries to have it both ways. Sometimes it says no court has resolved the issue. Apple.Br.16-17. Elsewhere it asserts that *Thryv*, *Network-1*, and *Facebook* adopted its preferred construction. Apple.Br.20-21. In district court, Apple even argued that the Federal Circuit held *in this case* that "'an otherwise time-barred party can file a

petition accompanied by a request for joinder . . . to avoid the one-year bar.'" *VirnetX Inc. v. Apple Inc.*, No. 12-cv-855, Dkt. 1060 at 3 (E.D. Tex. Aug. 18, 2023). Apple cannot claim the issue has been insufficiently ventilated for this Court's review.

3. Respondents raise the "threshold issue" whether §314(d) bars judicial review of §315 joinder decisions. Gov't.Br.16-17; Apple.Br.19-20. But, as the government concedes (at 16-17), the Federal Circuit has already held that §314(d) does *not* bar review, *Facebook*, 973 F.3d at 1332; Pet.22. Besides, by respondents' own account, that "threshold issue" would exist in *any* case involving joinder under §315. It is no obstacle to review here.

Neither is the Federal Circuit's prejudice ruling. Gov't.Br.15-16; Apple.Br.17-19. The prejudice issue would have to be resolved in *any* case presenting the §315 issue, either by holding that violations are not subject to harmlessness analysis, Pet.22-23, or by articulating what constitutes prejudice, Pet.23-24.[1]

Apple's denial that its joinder prejudiced VirnetX, Apple.Br.17-18, blinks reality. Apple does not dispute that it used its boundless resources to take a leading role in the IPRs and appeals. Pet.10-11, 23. It concedes it submitted evidence Mangrove did not. *Id.* While Apple asserts "Mangrove could have submitted those exhibits," Apple.Br.18, there is no evidence it *would* have. And that Apple submitted other "filings jointly with Mangrove," Gov't.Br.9, only underscores the problem. That licensed

[1] Contrary to Apple's assertion (at 2, 18), both the meaning of §315 and the Federal Circuit's prejudice rationale are encompassed within the question presented, which asks whether the court erred in "upholding" Apple's joinder, Pet.i; *see* Pet.22-24.

Apple to take over prosecution of the IPR while obscuring its true role. It allowed Mangrove and Black Swamp—which still have not identified *any* interest in challenging VirnetX's patents—to sit back while Apple took the wheel. Absent Apple's improper joinder, there is ample reason to think these IPRs would not have been pursued.

The PTO never should have allowed Apple to join the IPRs. The Federal Circuit never should have upheld that joinder. And it should not have allowed Apple to *continue* its unlawful participation over VirnetX's objection. Pet.24; Pet.App.35a. Vacatur of the PTAB's tainted decisions and termination of the IPRs is warranted. Pet.23-24; VirnetX.C.A.Br.60 (Fed. Cir. No. 17-1368). At minimum, VirnetX is entitled to new IPR proceedings free from Apple's unlawful intrusion.

II. THE FVRA QUESTION MERITS REVIEW

A. The Question Is Exceptionally Important

1. The Federal Circuit admitted that interpreting the FVRA to apply "only to non-delegable functions and duties" "renders the FVRA's scope 'vanishingly small.'" *Arthrex*, 35 F.4th at 1337. So small that, in *Arthrex*, the government identified only *four* obscure "non-delegable" functions in the entire U.S. Code. Pet.25. Here, neither the government nor Apple conjures a *single* additional example. The government's and Federal Circuit's construction leaves the FVRA a virtual nullity.

The impact is breathtaking. Respondents cannot dispute there are more than 1000 PAS offices in which vacancies frequently arise—particularly upon a new presidential term. Pet.27; *see* Press Release, The White House, *President Joe Biden Announces Acting Federal Agency Leadership* (Jan. 20, 2021) (appointing acting

officers on Inauguration Day).[2] Nor do they dispute that using "delegations" to fill vacancies, without following the FVRA, has accelerated. *See* Pet.27-28; Cato.Br.21-23.

2. Respondents urge there is no circuit conflict. But that is largely because FVRA rulings adverse to the government tend to evade appellate review. Pet.28-29.[3] Regardless, respondents do not deny that, even absent a conflict, this Court often reviews decisions invalidating federal statutes or raising important structural concerns. Pet.29. The Federal Circuit's decision qualifies.

Apple argues (at 28) that the Federal Circuit did not *technically* invalidate the FVRA. But its ruling has the same practical effect. Apple also denies the issue implicates structural concerns. But the FVRA protects the Senate's advice-and-consent function—a "critical 'safeguard[] of the constitutional scheme.'" *NLRB v. SW General, Inc.*, 580 U.S. 288, 293 (2017). The FVRA affords "*limited authority* to appoint acting officials." *Id.* at 294 (emphasis added). The Federal Circuit's construction removes any limits from that "limited authority."

It also erodes presidential accountability. Pet.26-27. The government admits (at 7) that the "USPTO's leadership"—not the President—decided who should run the USPTO. Apple asserts (at 35) that the President could override that choice by making an appointment. But the

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[2] https://www.whitehouse.gov/briefing-room/statements-releases/2021/01/20/president-joe-biden-announces-acting-federal-agency-leadership.

[3] The government says it has not strategically forgone appeals. Gov't.Br.22 n.4. But only one case VirnetX identified (*Bullock*) was dismissed as moot. And the dynamic exists regardless of motivation.

President can *avoid* accountability by *not* making appointments and letting agencies fill vacancies themselves.

3. Respondents' "vehicle" arguments are frivolous. The government observes (at 23) that 5 U.S.C. §3347(*b*) does not apply to the PTO. Section 3347(b) makes clear that statutes giving "the head of an Executive agency" general delegation authority are not statutes that "expressly" authorize temporary appointments outside the FVRA within the meaning of §3347(a)(1). Section 3347(b)'s inapplicability would matter only if the government argued that the Director's general delegation authority *does* provide "express[]" authorization under §3347(a)(1). Because the government—correctly—does not argue that, §3347(b) is irrelevant. Pet.33-34 & n.11.

Apple's contention that this Court cannot provide meaningful relief, Apple.Br.13-16, is meritless. The Director would not be "bound" by the Federal Circuit's affirmance of the PTAB's decision below. A *vacated* Federal Circuit decision would bind no one. And the Federal Circuit affirmed under the deferential substantial-evidence standard. Pet.App.12a-13a. That does not dictate the outcome of a properly appointed Director's *de novo* review. U.S. PTO, Revised Interim Director Review Process §5(A)(ii)(c) (Sept. 18, 2023). The Director is free to reach the same conclusion as the jury that found VirnetX's patents valid—a finding the Federal Circuit affirmed. Pet.9.

Nor are VirnetX's patents doomed by other proceedings involving the same claims. Of the four reexaminations Apple identifies (at 9-10, 14), two remain subject to

judicial review,[4] and two were resolved by the Federal Circuit *based on the decisions below*.[5] If the decisions below are vacated, those other decisions cannot stand. The same is true of the Federal Circuit's decision in the district-court case. Pet.14 & n.3.

Apple's forfeiture argument, Apple.Br.28-29, is meritless. VirnetX argued that § 3347(a) barred Commissioner Hirshfeld from exercising the Director's review authority, and that VirnetX was entitled to review by a properly appointed official. VirnetX.C.A.Br.55, 59-60, 65 (Fed. Cir. No. 20-2271). That amply preserved the FVRA claim. *See Lebron v. Nat'l R.R. Passenger Corp.*, 513 U.S. 374, 379 (1995).

B. The Federal Circuit's Decision Is Wrong

1. The petition explained the fundamental error in the Federal Circuit's reasoning: The court held that 5 U.S.C. § 3348(a)(2)'s narrow definition of "function or duty" means that the FVRA is the exclusive appointment mechanism only for "non-delegable" functions and duties. But it ignored that § 3348(a)(2)'s definition applies *only* "[i]n th[at] section." *Outside* that section, including in § 3347(a)'s exclusive appointment mechanisms, "functions and duties" carry their ordinary meaning, which encompasses Director review of PTAB decisions. Pet.30-31.

The government asserts that the FVRA is limited to non-delegable functions and duties defined in § 3348(a)(2). Gov't.Br.18-21. But the government *never*

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[4] 95/001,697 in Fed. Cir. No. 22-1997; 95/001,714 in Fed. Cir. No. 23-176.

[5] 95/001,679 in *VirnetX Inc. v. Cisco Sys., Inc.*, No. 19-1671, 2023 WL 6933808 (Fed. Cir. Oct. 20, 2023); 95/001,682 in *VirnetX Inc. v. Apple Inc.*, No. 22-1523, 2023 WL 6933812 (Fed. Cir. Oct. 20, 2023).

addresses §3348(a)(2)'s express command that its definition applies only "[i]n th[at] section." The government cannot claim a "text-based interpretation," Gov't.Br.21, while ignoring critical text.

Apple (at 30) reads "in this section" to mean "in this entire statute." That is not how statutory construction works. In the FVRA, Congress "relied on . . . precise cross-references" and "hierarchical terms" like "'this section.'" *SW General*, 580 U.S. at 300-301. When Congress wanted a term to apply to multiple sections, it said so. *See* §3345(c)(2); Pet.31. Congress did *not* do so in §3348(a)(2), limiting its definition to "this section" alone.

Invoking §3347(a)'s use of the phrase "acting official," respondents contend the FVRA merely restricts use of the "*title* of 'acting officer.'" Gov't.Br.18 (emphasis added); *see* Gov't.Br.20-22; Apple.Br.30. But Congress did not enact the FVRA to micromanage job titles. The appointment invalidated in *SW General* would not have become lawful if labeled "Official Performing the Functions and Duties of General Counsel" instead of "Acting General Counsel." *See* 580 U.S. at 297-298; *cf.* Pet.App.55a-56a.

The government insists (at 22) that, "[w]ithin the FVRA, the term 'acting official' has a narrow and precise meaning." But the statute nowhere defines the term. It thus carries its ordinary meaning: "One performing the duties of an office—usu[ally] temporarily—but who has no claim of title to the office" itself. Black's Law Dictionary 1113 (7th ed. 1999) (acting officer); *cf.* §3347(a). That describes Commissioner Hirshfeld's role here.

The government asserts (at 21) that VirnetX's construction would "cripple" government operations. But FVRA appointments are easy: The President need simp-

ly designate eligible officials. §3345(a)(2)-(3); *see* Press Release, The White House, *supra*. The hard part is the accountability that comes with those selections.

2. Even on its own terms, the Federal Circuit's decision is wrong: The Director's authority to review PTAB decisions is non-delegable. Pet.34. *Arthrex* lifted 35 U.S.C. §6(c)'s three-member-rehearing requirement for "the Director," but "Section 6(c) otherwise remains operative as to the other [PTAB] members," including Commissioner Hirshfeld. *United States v. Arthrex*, 141 S. Ct. 1970, 1986-1987 (2021). So only the Director can exercise the function of reviewing PTAB decisions unilaterally.

Respondents argue that agency heads may delegate final decisionmaking power. Gov't.Br.25; Apple.Br.33. But §6(c) distinguishes the PTAB from that model. *Arthrex*, moreover, declared §6(c) unenforceable as to the Director specifically to ensure "supervision [by] an officer nominated by the President and confirmed by the Senate." 141 S. Ct. at 1987-1988. The PTO's succession plan fails to ensure that supervision: It applies *only* when there is no Director to supervise the delegation.

The government contends (at 24) that whether the Director's review authority is non-delegable does not merit this Court's consideration. But if the FVRA applies only to non-delegable duties, deciding what duties *count* as non-delegable will provide essential guidance for applying the FVRA governmentwide. This Court also frequently addresses issues affecting PTO review of patents. And vacancies in the Director's office are not unusual—especially following presidential elections.

CONCLUSION

The petition should be granted.

Respectfully submitted.

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