April 21, 2020

Supreme Court: AIA Precludes Judicial Review of PTAB's Decision to Institute Inter Partes Review

Court Holds 35 U.S.C. § 314(d) Generally Precludes Appeals of PTO IPR Institution Decisions, Including Decisions Regarding Whether the IPR Is Time-Barred Under § 315(b).

SUMMARY

Inter Partes Review ("IPR"), as established by the passage of the America Invents Act ("AIA") in 2011, has been a widely employed procedure for third parties, typically but not exclusively accused of infringement, to challenge the validity of issued patents before the Patent Trial and Appeal Board ("PTAB") on the basis of certain printed prior art. In light of statutory language precluding appeal of some PTAB decisions, courts have regularly struggled with precisely what is appealable. On April 20, 2020, in *Thryv, Inc.* v. *Click-to-Call Technologies, LP*,[1] the U.S. Supreme Court held that § 314(d) of Title 35 of the United States Code precludes a patent owner from appealing the grant of an IPR petition because the petition was untimely under § 315(b). Reaffirming its decision in *Cuozzo Speed Technologies, LLC* v. *Lee*,[2] the Court held that § 314(d) forecloses appeal of decisions that are grounded in "statutes related to" the PTAB institution decision.

BACKGROUND

In the Leahy-Smith America Invents Act (the "AIA"), Congress established IPR as a mechanism "to reexamine—and perhaps cancel—a patent claim that [the U.S. Patent and Trademark Office ('USPTO')] had previously allowed."[3] Under authority delegated by the Director of the USPTO, the PTAB makes the decision whether to institute an IPR based on a petition filed by "a person who is not the owner of a patent."[4] The patent owner may elect to oppose institution or—for strategic reasons discussed below—may decide

to remain silent at the institution stage and later defend the patent on the merits if the PTAB institutes IPR. The AIA sets forth certain requirements the petition must meet in order to be granted. For example, under § 314(a)(3), the petition may not be granted unless the petitioner has shown a reasonable likelihood of success as to at least one claim, while under § 315(b), IPR "may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner is served with a complaint alleging infringement of the patent."[5] Once the PTAB decides to institute an IPR, § 314(d) provides that the "determination . . . whether to institute an inter partes review under this section shall be final and nonappealable."[6] An IPR "instituted and not dismissed" short of reaching the merits results in a "final written decision with respect to the patentability" of the challenged patent claims, which may be appealed to the Court of Appeals for the Federal Circuit.[7]

In *Thryv*, Click-to-Call instituted suit in 2001 against a predecessor of Thryv for infringement of a patent related to anonymous telephone calls. The case ended in a voluntary dismissal without prejudice. In 2013, Thryv, after it was again sued by Click-to-Call, submitted an IPR petition to challenge several of the claims of the asserted patent. Click-to-Call opposed institution, claiming that the petition was untimely because the 2001 suit started the one-year clock for petitioning for IPR under § 315(b). The PTAB, however, instituted the IPR after finding that the 2001 suit did not implicate the § 315(b) time-bar because that suit was dismissed without prejudice. Ultimately, the PTAB rendered a final written decision that cancelled 13 of the patent's claims.[8]

Click-to-Call appealed, challenging only PTAB's § 315(b) time-bar determination and not the cancellation of the claims. The Federal Circuit found that the PTAB's decision to institute was non-appealable under § 314(d) and dismissed the appeal for lack of jurisdiction.[9] The Supreme Court granted Click-to-Call's petition for certiorari, vacated the judgment, and remanded for further proceedings in light of the Court's decision in *Cuozzo Speed Technologies, LLC* v. *Lee.*[10] Upon remand, the Federal Circuit again dismissed the appeal for lack of jurisdiction.[11]

In a separate case, however, the Federal Circuit sitting en banc held that "time-bar determinations under § 315(b) are appealable" notwithstanding the bar of § 314(d).[12] As a result, the Federal Circuit granted rehearing in *Thryv*, and held that the IPR was untimely in light of the 2001 patent-infringement action.[13] The Federal Circuit vacated the PTAB's final written decision and remanded with instructions to dismiss.[14] The Supreme Court again granted certiorari and on April 20, 2020 issued its decision.

THE COURT'S DECISION

In a 7-2 majority opinion written by Justice Ginsburg, the Supreme Court began by discussing its prior decision in *Cuozzo*, which involved a claim on appeal that the USPTO should have refused to institute an IPR because the petition failed the requirement of § 312(a)(3) to identify the grounds for challenging patent claims "with particularity." The Court expressly reaffirmed the holding in *Cuozzo* that, pursuant to § 314(d),

appeal is foreclosed "where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office's decision to initiate inter partes review."[15]

The Court framed the question presented by *Thryv* as "whether a challenge based on [the § 315(b) time bar] ranks as an appeal of the agency's decision 'to institute an inter partes review.'"[16] Understood in this way, the Court found that the answer fell well within the scope of *Cuozzo*, because the § 315(b) time limitation is "closely tied to the application and interpretation of statutes related to" the decision whether to institute IPR.[17] "Section 315(b)'s time limitation," explained the Court, "is integral to, indeed a condition on, institution."[18] Thus, "[a] challenge to a petition's timeliness under § 315(b) . . . raises 'an ordinary dispute' about the application of an institution-related statute."[19] In these circumstances, *Cuozzo*'s holding that § 314(d) "overcomes the presumption favoring judicial review" is directly applicable and prohibits appeal.[20] The Court also found that "[t]he AIA's purpose and design"—especially Congress' "concerns about overpatenting" and "weed[ing] out bad patent claims efficiently"—"strongly reinforce[d] its conclusion."[21] The Court reasoned that allowing litigation over the issue of § 315(b)'s timeliness requirement would be wasting resources that would better be spent on questions of patentability.

In holding that § 314(d) foreclosed appellate review, the Court dismissed arguments by Click-to-Call that § 314(d) applies only to the PTAB's threshold institution determination of whether, under 35 U.S.C. § 314(a), "there is a reasonable likelihood that the petitioner would prevail."[22] The Court found that, beyond the fact that *Cuozzo* is "fatal" to this interpretation, the statutory language did not support it. Specifically, the "under this section" language of § 314(d) did not limit its scope to § 314 alone because "every decision to institute is made 'under' § 314 but still must take account of specifications in other provisions" such as § 312(a)(3) (particularity) or § 315(b) (timeliness).[23]

The Court also rejected Click-to-Call's argument based on the Court's post-*Cuozzo* decision in *SAS Institute*, which held that § 314(d) did not bar review of a PTAB decision to review only some (but not all) of the claims challenged in a petition.[24] In a single sentence in *SAS Institute*, the Court stated that "*Cuozzo* concluded that § 314(d) precludes judicial review only of the Director's 'initial determination' under § 314(a),"[25] which Click-to-Call argued limited the holding of *Cuozzo*. The Court rejected this argument, finding "that sentence's account of *Cuozzo* is incomplete" especially in light of the fact that *Cuozzo* itself involved a challenge based on a statute other than § 314(a).[26] Thus, the Court found, questions regarding the scope of § 314(d) should be decided based on *Cuozzo* in its entirety, not on the single sentence in *SAS Institute.*

In a spirited dissent joined in part by Justice Sotomayor, Justice Gorsuch dismissed as "dicta" the language of *Cuozzo* cited by the majority, and argued that the language of § 314(d) limited the matters which were not appealable to the determination under § 314(a) regarding whether the petition demonstrated a reasonable likelihood of success of invalidating at least one claim.[27] In a separate section (which Justice

Sotomayor did not join), Justice Gorsuch also argued that the majority's "expansive reading" of § 314(d) "takes us further down the road of handing over judicial powers involving the disposition of individual rights to executive agency officials."[28] He warned that the Director of the PTO could use its unreviewable authority under § 314(d) to "insulate his favorite[s]" from review, and that the majority decision might require inventors to "curry favor with officials in Washington."[29]

IMPLICATIONS

After *Thryv*, it is clear that the PTAB essentially has the final say, with non-reviewable discretion, over whether to institute an IPR proceeding. Because the decision to institute is likely non-appealable, a patent owner may be more inclined to opt to oppose institution because issues such as the one-year ban would effectively be waived if not raised at the stage in which the PTAB is deciding whether to institute an IPR. The strategy of defending the patent only if IPR is instituted now involves a clear waiver of defenses the patent owner may wish to assert. The *Thryv* decision also will likely streamline proceedings after an institution decision as the PTAB's decision to institute will be deemed final.

More generally, *Thryv* indicates that a majority of the Court continues to view the AIA as an expansive statutory procedure allowing validity challenges to patents outside of litigation before an administrative agency with a significant amount of discretion. The Court seems to view, and is likely to continue to view, issues in PTAB proceedings, other than patentability challenges in light of prior art, as left to the discretion of the PTAB.

The Court, however, was careful not to insulate the PTAB from judicial review in such a way as to potentially violate Article III of the U.S. Constitution.[30] Both *Cuozzo* and *Thryv* specifically bring within the scope of judicial review "appeals that implicate constitutional questions."[31] Litigants in an IPR should be aware that issues characterized as arising under the Constitution—such as whether a decision to cancel a claim is an unconstitutional taking—are likely to remain appealable.

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ENDNOTES

1 *Thryv, Inc.* v. *Click-To-Call Techs., LP*, No. 18-916, slip op. (U.S. Apr. 20, 2020).

2 *Cuozzo Speed Techs., LLC* v. *Lee*, 136 S. Ct. 2131, 2137 (2016). Sullivan & Cromwell LLP represented the petitioner in *Cuozzo*, and the Firm's summary of the *Cuozzo* decision is available at https://www.sullcrom.com/siteFiles/Publications/SC_Publication_Cuozzo_Speed_Technologies_LLC_v_Lee.pdf.

3 *Cuozzo*, 136 S. Ct. at 2137.

4 35 U.S.C. § 311(a).

5 *Id*.; 35 U.S.C. § 315(b).

6 35 U.S.C. § 314(d).

7 35 U.S.C. § 318(a).

8 *Thryv*, slip op. at 3–4 & n.2.

9 *Id*. at 4.

10 *Click-To-Call Techs., LP* v. *Oracle Corp*., 136 S. Ct. 2508, 2508 (2016).

11 *Thryv*, slip op. at 4; *Click-To-Call Techs., LP* v. *Oracle Corp*., No. 2015-1242, slip op. (Fed. Cir. Nov. 17, 2016).

12 *Wi-Fi One, LLC* v. *Broadcom Corp.*, 878 F.3d 1364, 1367 (Fed. Cir. 2018).

13 *Thryv*, slip op. at 5; *Click-To-Call Techs., LP* v. *Ingenio, Inc., YellowPages.com, LLC*, 899 F.3d 1321 (Fed. Cir. 2018).

14 *Id*.

15 *Thryv*, slip op. at 7 (quoting *Cuozzo*, 136 S. Ct. at 2141).

16 *Id*. (quoting 35 U.S.C. § 314(d)).

17 *Id*.

18 *Id*.

19 *Id*. at 8.

20 *Id*. (quoting *Cuozzo*, 136 S. Ct. at 2139).

21 *Id*.

22 *Id*. at 10; 35 U.S.C. § 314(a).

23 *Thryv*, slip op. at 10–11.

24 *Id*. at 12; *SAS Inst., Inc.* v. *Iancu*, 138 S. Ct. 1348 (2018). In *SAS Institute*, the Court held that § 314(d) required the PTO, if it instituted a petition at all, to institute it as to all of the challenged claims. In other words, the statute did not permit the PTO to "pick and choose" the claims it wanted to review. The Firm's summary of the *SAS Institute* decision may be found at https://www.sullcrom.com/siteFiles/Publications/SCPublicationHowTheRecentSupremeCourtTermWillAffectBusiness.pdf.

25 *SAS*, 138 S. Ct. at 1359.

26 *Thryv*, slip op. at 13.

27 *Thryv, Inc.* v. *Click-To-Call Techs., LP*, No. 18-916, slip op. at 17 (U.S. Apr. 20, 2020) (Gorsuch, J., dissenting).

28 *Id*. at 18.

29 *Id*. at 19–20.

30 *See Oil States Energy Servs., LLC* v. *Greene's Energy Grp., LLC*, 138 S. Ct. 1365 (2018) (holding that IPR does not violate Article III).

31 *Cuozzo*, 136 S. Ct. at 2141; *Thryv*, slip op. at 7.

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CONTACTS

New York		
Garrard R. Beeney	+1-212-558-3737	beeneyg@sullcrom.com
Adam R. Brebner	+1-212-558-3011	brebnera@sullcrom.com
Marc De Leeuw	+1-212-558-4219	deleeuwm@sullcrom.com
Stephen J. Elliott	+1-212-558-7446	elliotts@sullcrom.com
John Evangelakos	+1-212-558-4260	evangelakosj@sullcrom.com
Dustin F. Guzior	+1-212-558-4482	guziord@sullcrom.com
Nader A. Mousavi	+1-212-558-1624	mousavin@sullcrom.com
James T. Williams	+1-212-558-3130	williamsj@sullcrom.com
Palo Alto		
Nader A. Mousavi	+1-650-461-5660	mousavin@sullcrom.com