

FIGHTING THE TROLL TOLL: THE CASE FOR  
JUDICIAL REVIEW OF THE U.S.P.T.O. DIRECTOR'S  
DENIAL OF A PETITION TO INSTITUTE AN INTER  
PARTES REVIEW

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## INTRODUCTION

In 2013, Lennon Imaging Technology sued a Silicon Valley tech-startup called Ditto for patent infringement.<sup>1</sup> Ditto's founders had created a technology that allows customers to virtually "try on" glasses before purchase.<sup>2</sup> Lennon Imaging Technology did not create any products, but purchased patents solely to sue others for infringement.<sup>3</sup> It was a textbook non-practicing entity, or "patent troll."<sup>4</sup> The lawsuit was eventually dismissed, but the suit and another like it left Ditto significantly injured. Not only did legal costs force Ditto to lay off four of its 15 employees, but venture capital firms hoping to invest in Ditto

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<sup>1</sup> See Catherine Tucker, *The Effect of Patent Litigation and Patent Assertion Entities on Entrepreneurial Activity* 6 (M.I.T. Sloan Sch. Mgmt., Working Paper 5095-14, 2014); see also Complaint, *Lennon Image Techs, L.L.C. v. Ditto Techs, Inc.*, No. 2:13-cv-00236, 2013 WL 1415258 (E.D. Tex. Mar. 27, 2013).

<sup>2</sup> Tucker, *supra* note 1, at 6; see also Complaint, *supra* note 1, ¶¶ 5-7.

<sup>3</sup> See Kate Endress, *Save Startup, DITTO.com, from Patent Trolls*, INDIEGOGO, <https://www.indiegogo.com/projects/save-startup-ditto-com-from-patent-trolls> (last visited Apr. 5, 2017).

<sup>4</sup> There is no formal definition for "patent trolls," but authors define them as "companies that obtain patents only to license them, often using the threat of an injunction to extract a high price from infringers." See Lorraine Woellert, *eBay Takes on the Patent Trolls*, BLOOMBERG (Mar. 30, 2006, 12:00 AM), <https://www.bloomberg.com/news/articles/2006-03-29/ebay-takes-on-the-patent-trolls>.

continued to value the company at \$3 to \$4 million less than they did prior to the lawsuits.<sup>5</sup>

Ditto's story is not unique. Once an issue with niche awareness, patent trolling has now been covered by so many mainstream outlets that the concept is familiar even to non-lawyers.<sup>6</sup> And the economic costs of patent trolling are staggering: one study found that it costs the U.S. economy \$29 billion in legal costs each year.<sup>7</sup>

The economic costs and public awareness may have been what pushed Congress to pass the Leahy-Smith America Invents Act (AIA) in 2011,<sup>8</sup> the most significant change to the U.S. patent system since 1952.<sup>9</sup> One important expansion under the law was the establishment of Inter Partes Review (IPR). This is a fast-track procedure within the U.S. Patent and Trademark Office (USPTO) that allows any petitioner to challenge the validity of an issued patent.<sup>10</sup> Because it only permits limited discovery,<sup>11</sup> the procedure can be much cheaper and faster than district court litigation.<sup>12</sup> In addition, if there is parallel district court litigation, the litigation can be stayed pending the outcome of the IPR,<sup>13</sup>

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<sup>5</sup> Tucker, *supra* note 1, at 6; Marcus Wohlsen, *Patent Trolls are Killing Startups—Except When They're Saving Them*, WIRED (Sept. 9, 2013, 6:30 AM), <https://www.wired.com/2013/09/patent-trolls-versus-startups>.

<sup>6</sup> See, e.g., *Last Week Tonight with John Oliver: Patents* (HBO television broadcast Apr. 19, 2015), [https://www.youtube.com/watch?v=3bxcc3SM\\_KA](https://www.youtube.com/watch?v=3bxcc3SM_KA); *This American Life: When Patents Attack!*, CHI. PUB. MEDIA (July 22, 2011), <https://www.thisamericanlife.org/radio-archives/episode/441/when-patents-attack>; *This American Life: When Patents Attack . . . Part Two!*, CHI. PUB. MEDIA (May 31, 2013), <https://www.thisamericanlife.org/radio-archives/episode/496/when-patents-attack-part-two>.

<sup>7</sup> James Bessen & Michael J. Meurer, *The Direct Costs from NPE Disputes*, 99 CORNELL L. REV. 387 (2014).

<sup>8</sup> Leahy-Smith America Invents Act of 2011, Pub. L. No. 112-29, 125 Stat. 284-341 (codified as amended in scattered sections of 35 U.S.C.).

<sup>9</sup> See Jason Rantanen & Lee Petherbridge, *Toward a System of Invention Registration: The Leahy-Smith America Invents Act*, 110 MICH. L. REV. FIRST IMPRESSIONS 24, 24 (2011).

<sup>10</sup> Hung H. Bui, *An Overview of Patent Reform Act of 2011: Navigating the Leahy-Smith America Invents Act Including Effective Dates for Patent Reform*, 93 J. PAT. & TRADEMARK OFF. SOC'Y 441, 446 (2011).

<sup>11</sup> *Id.*

<sup>12</sup> See *IPRs: Balancing Effectiveness vs. Cost*, RPX (June 17, 2016), <https://www.rpxcorp.com/2016/06/17/iprs-balancing-effectiveness-vs-cost> ("A one-patent [patent troll] litigation campaign could easily be neutralized by one six-figure IPR petition. With a stay in the district court, that particular IPR becomes a cheap, fast alternative to litigating through a seven-figure summary judgment or jury verdict."). However, the cost advantages may be lost when multiple patents are asserted, because such a suit would require multiple IPR proceedings, instead of just one district court litigation. See *id.*

<sup>13</sup> 35 U.S.C. § 315(a)(2) (2012); see also Cyrus Morton, *IP: Do the New Patent Office Trials Actually Make Patent Litigation Cheaper?*, INSIDECOUNSEL MAG. (Feb. 5, 2014), <http://www.insidecounsel.com/2014/02/05/ip-do-the-new-patent-office-trials-actually-make-p?slreturn=1497110939>.

which attaches litigation estoppel.<sup>14</sup> To institute an IPR, the petitioner must show that there is a reasonable likelihood<sup>15</sup> that at least one of the disputed claims is not patentable because it does not meet either the novelty requirement of 35 U.S.C. § 102 or the non-obviousness requirement of 35 U.S.C. § 103.<sup>16</sup> If this reasonable likelihood does not exist, or if any other statutory restriction is not met, then, under 35 U.S.C. § 314, the Director of the USPTO may deny the petition to institute an IPR.<sup>17</sup> Section 314 also adds that the Director's determination of whether to institute the IPR is final and unappealable.<sup>18</sup>

Thus, the IPR procedure is a two-step process.<sup>19</sup> In the first step, any party can file a petition to have the USPTO institute an IPR to review a patent claim, and the Director will grant or deny the petition.<sup>20</sup> If the petition is denied, then the procedure is over. If the petition is granted, then, in the second step, the USPTO's Patent Trial and Appeal

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<sup>14</sup> That is, the petitioner that files an IPR, which is granted and results in a final written decision, may not assert in a civil action that the patent claim, which was reviewed in the IPR, is "invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review." 35 U.S.C. § 315(e)(2).

<sup>15</sup> The chief judge of the Board of Patent Appeals and Interferences (which was replaced by the Patent Trial and Appeal Board by the AIA) defined "reasonable likelihood" as greater than or equal to a fifty percent chance of prevailing. Compare to the "more likely than not" standard of another administrative proceeding created by the AIA (the post-grant review), which the chief judge defined as greater than a fifty percent chance of prevailing. Chief Judge James Donald Smith, *Message from Chief Judge James Donald Smith, Board of Patent Appeals and Interferences: USPTO Discusses Key Aspects of New Administrative Patent Trials*, USPTO, <https://www.uspto.gov/patent/laws-and-regulations/america-invents-act-aia/message-chief-judge-james-donald-smith-board> (last visited June 10, 2017).

<sup>16</sup> 35 U.S.C. § 311(b). The novelty requirement of § 102 bars patents for inventions, which were "patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention." 35 U.S.C. § 102(a)(1). This universe of oral and printed disclosures that can anticipate an invention is known as the "prior art." See *Graham v. John Deere Co. of Kansas City*, 383 U.S. 1, 15 (1966). Section 102 contains more examples of prior art in subsection (a)(2), as well as exceptions in subsection (b). However, in IPRs, unlike in district court litigation, the universe of prior art is restricted to "patents or printed publications." 35 U.S.C. § 311(b). Moreover, the nonobviousness requirement of § 103 bars patents in situations where "the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious before the effective filing date of the claimed invention to a person having ordinary skill in the art to which the claimed invention pertains." 35 U.S.C. § 103.

<sup>17</sup> 35 U.S.C. § 314(a).

<sup>18</sup> 35 U.S.C. § 314(d) ("The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.").

<sup>19</sup> *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014) ("The statute thus establishes a two-step procedure for inter partes review: the Director's decision whether to institute a proceeding, followed (if the proceeding is instituted) by the Board's conduct of the proceeding and decision with respect to patentability. The statute provides for an appeal to this court only of the Board's decision at the second step, not the Director's decision at the first step." (citation omitted)).

<sup>20</sup> *Id.*

Board (PTAB) will conduct an IPR proceeding and render a patentability decision—that is, the PTAB will determine whether the patent claim is valid, or is invalid and should have never been granted in the first place.<sup>21</sup>

A party who is unsatisfied with the PTAB's decision at the second step can appeal to the Federal Circuit, where it can have the result of that second step (the patentability decision) reviewed by the court.<sup>22</sup> Presently, however, a party unsatisfied with the result of the first step (the grant or denial of the petition) has no right to judicial review. This was the holding of a 2014 case, *St. Jude Medical, Cardiology Division v. Volcano Corporation*,<sup>23</sup> in which the Federal Circuit<sup>24</sup> applied § 314 to conclude that it had no jurisdiction to review the Director's denial of a petition to institute an IPR.<sup>25</sup>

However, there are several legal arguments for why the Director's step one decision, specifically when that decision is a denial of an institution petition, *should* be subject to review. Five of these arguments are analyzed in depth in Part II, and briefly mentioned here. First, there is a general presumption of reviewability in administrative law.<sup>26</sup> Although this presumption can be rebutted by an explicit statute precluding judicial review, § 314 is not as unambiguous or explicit as other statutes that courts have interpreted to bar judicial review.<sup>27</sup>

In addition, recently the Federal Circuit, in *Versata Development Group v. SAP America*,<sup>28</sup> decided that it does have the jurisdiction to review the Director's decision as to whether an invention is an unpatentable business method, in another USPTO proceeding (established by the AIA) called Covered Business Method review,<sup>29</sup>

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<sup>21</sup> *Id.* at 1375 (“The statute separates the Director’s decision to ‘institute’ the review, § 314, on one hand, from the Board’s ‘conduct’ of the review ‘instituted’ by the Director, § 316(c), and the Board’s subsequent ‘written decision,’ § 318, on the other. And it applies one standard—based on ‘reasonable likelihood’ of success—to the Director’s decision to institute, § 314(a), and another standard—based on ‘patentability’—to the Board’s decision on the merits, § 318(a).”).

<sup>22</sup> See *In re Cuozzo Speed Techs, L.L.C.*, 793 F.3d 1268 (Fed. Cir. 2015), *aff’d*, 136 S. Ct. 2131 (2016).

<sup>23</sup> *St. Jude Med.*, 749 F.3d 1373.

<sup>24</sup> The Federal Circuit is the only appellate court that has jurisdiction to hear patent case appeals. 28 U.S.C. § 1295(a)(4)(A) (2012) (“The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction . . . of an appeal from a decision of . . . the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to a[n] . . . inter partes review under title 35 . . .”).

<sup>25</sup> *St. Jude Med.*, 749 F.3d at 1373.

<sup>26</sup> *Abbott Labs. v. Gardner*, 387 U.S. 136, 140 (1967) (“[J]udicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.”), *abrogated on other grounds by Califano v. Sanders*, 430 U.S. 99 (1977).

<sup>27</sup> See discussion *infra* Section II.A.

<sup>28</sup> *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015).

<sup>29</sup> See discussion *infra* Section II.D.

despite the same “nonappealable” statutory language as in § 314.<sup>30</sup> The reasons given by the Federal Circuit for narrowly interpreting the relevant statute in that case also succeed as reasons why the Federal Circuit should have jurisdiction to review the Director’s decisions in IPR cases.

Another statute, 28 U.S.C. § 1295, is the specific code provision that authorizes the Federal Circuit to hear an appeal of a decision by the USPTO with respect to IPRs.<sup>31</sup> It is arguable that the Federal Circuit, in *St. Jude Medical*, interpreted § 1295 too narrowly as only applying to decisions on the merits of an IPR, and not the decisions to institute IPRs.

The fourth reason why IPRs should be subject to judicial review is because the Federal Circuit recently held that it has jurisdiction to review the institution of an IPR once a decision is made on the merits.<sup>32</sup> Thus, it can logically follow that the Federal Circuit should have jurisdiction to review the non-institution of the IPR if the USPTO declines to reach the merits.

Finally, petitioners should have some type of remedy, other than district court litigation, if the Director’s denial does not fall within the scope of reasons authorized by statute, a scenario which the Federal Circuit chose not to decide in *St. Jude Medical*. If that remedy is not through the Federal Circuit, then the review of the Director’s decision should happen at the district court level because other U.S. Code provisions define an “appeal” in USPTO post-grant proceedings as a direct appeal to the Federal Circuit.<sup>33</sup>

The economic costs of not providing such a remedy are significant: IPRs were established by Congress to create a faster and cheaper alternative for innovative technology companies like Ditto to survive the threats of patent trolls.<sup>34</sup> When a patent troll threatens to sue a

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<sup>30</sup> See discussion *infra* Section II.D.

<sup>31</sup> 28 U.S.C. § 1295(a)(4)(A) (2012).

<sup>32</sup> *In re Cuozzo Speed Techs., L.L.C.*, 793 F.3d 1268 (Fed. Cir. 2015) (citing 35 U.S.C. § 319 (2012)), *aff’d*, 136 S. Ct. 2131 (2016).

<sup>33</sup> “A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) [inter partes review] may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal.” 35 U.S.C. § 319. “A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) . . . may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.” 35 U.S.C. § 141(c).

<sup>34</sup> As one congressman said, the new IPRs create an “inexpensive and speedy alternative to litigation—allowing parties to resolve [disputes] rather than spending millions of dollars in litigation costs.” *In re Cuozzo*, 793 F.3d at 1285 (quoting 157 CONG. REC. S7413 (daily ed. Nov. 14, 2011) (statement of Rep. Smith)); see also Brian J. Love & Shawn Ambwani, *Inter Partes Review: An Early Look at the Numbers*, 81 U. CHI. L. REV. DIALOGUE 93, 95 n.5 (2014) (quoting Patent Reform Act of 2011, S 23, 112th Cong., in 157 CONG. REC. S1326 (daily ed. Mar 7, 2011)).

technology company unless it is paid an exorbitant licensing fee for a patent which may or may not be invalid, technology companies can see IPRs as lifelines. Small start-ups in particular may not be able to afford district court litigation if their petition for an IPR is denied. Therefore, there should be at least one layer of reviewability to ensure that the Director's decisions are correct.

This Note begins with a background of the IPR process and the *St. Jude Medical* case in Part I. Part II analyzes the five legal arguments, discussed above, for why the Director's denial of a petition to institute an IPR should be subject to judicial review, and Part III weighs policy arguments for the same. Part IV proposes that the Federal Circuit should adopt the reasoning of *Versata* and revise its interpretation of 35 U.S.C. § 314 to overrule or narrow *St. Jude Medical* and permit judicial review of the USPTO Director's denial of an IPR institution petition.

## I. BACKGROUND

### A. *The Purposes and Benefits of IPRs*

The AIA was the result of six years of hearings, negotiation, and collaboration among technology leaders and legislators, who came together to solve a major obstacle to industrial advancement in the United States: the explosive rate of patent litigation and its disastrous effects on the costs, rate, and incentives for investment in innovation.<sup>35</sup> One major change introduced by the AIA is the shift of patent litigation from district courts to the Patent Office.<sup>36</sup> Previously, the Patent Office's role in the patent system was to decide the patentability of inventions, and to review patent validity in a limited setting—inter partes reexamination.<sup>37</sup> Under the AIA, the USPTO took on a more expanded role in deciding patent validity, both in quasi-litigation proceedings and

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("IPR was designed to be a cost-effective alternative to litigation. In fact, its legislative history states that the IPR process 'will allow invalid patents that were mistakenly issued by the USPTO to be fixed early in their life, before they disrupt an entire industry or result in expensive litigation.'"); *Review of Recent Judicial Decisions on Patent Law: Hearing before the Subcomm. on Intellectual Prop., Competition, and the Internet*, 112th Cong. 10 (2011) (statement of Dan L. Burk, Chancellor's Professor of Law, U.C. Irvine) ("As you are aware, Mr. Chairman, much of the push toward patent reform legislation has been driven by the activity of 'non-practicing entities' or NPEs, whom some have dubbed 'patent trolls.'").

<sup>35</sup> *In re Cuozzo*, 793 F.3d at 1285 (Newman, J., dissenting).

<sup>36</sup> *Id.*

<sup>37</sup> *Id.*

in proceedings without an Article III controversy.<sup>38</sup> The quasi-litigation proceedings are called IPRs.

Congress' purpose in creating IPR proceedings was to provide a reliable early decision by judges trained in both technology and patent law, while saving time and cutting costs for litigants.<sup>39</sup> Thus, the overall objective is to incentivize investment and industrial activity, while streamlining the invalidation of patents that never should have been granted in the first place,<sup>40</sup> thereby creating a more efficient system that will improve patent quality while reducing unnecessary and counterproductive litigation costs.<sup>41</sup>

When an inventor accused of patent infringement is deciding whether to file an IPR or seek a declaratory judgment of patent invalidity and/or non-infringement in district court, a patent attorney may advise that an IPR can be preferable to district court litigation for several strategic reasons. First, the USPTO uses a more favorable claim construction standard<sup>42</sup>—the broadest reasonable interpretation standard.<sup>43</sup> Under this standard, patent claims are given their broadest

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<sup>38</sup> *Id.* The Federal Circuit has a tailored test for determining whether an “actual controversy,” as required by Article III of the U.S. Constitution to bring a case into federal court, exists in patent cases. See *Plumtree Software, Inc. v. Datamize, L.L.C.*, 473 F.3d 1152, 1158 (Fed. Cir. 2006).

<sup>39</sup> See *In re Cuozzo*, 793 F.3d at 1285 (Newman, J., dissenting); see also sources cited *supra* note 34.

<sup>40</sup> There are various administrative proceedings that exist in the USPTO to review the validity of a patent after it has been granted (that is, to determine whether the patent was properly granted in the first place). Since the AIA, these proceedings include IPRs (the focus of this article), Covered Business Method reviews (CBM reviews, which are discussed in the context of *Versata* in the Introduction and in Part II.D), Post Grant Reviews (PGRs), and others. Collectively, they are referred to as post-grant proceedings. David Cavanaugh et al., Presentation: Post-Grant Review Patent Proceedings (Nov. 21, 2013), [https://www.wilmerhale.com/uploadedFiles/WilmerHale\\_\\_Shared\\_Content/WilmerHale\\_Files/Events/WH-2013-IP-Conf-Post-Grant.pdf](https://www.wilmerhale.com/uploadedFiles/WilmerHale__Shared_Content/WilmerHale_Files/Events/WH-2013-IP-Conf-Post-Grant.pdf).

<sup>41</sup> *In re Cuozzo*, 793 F.3d at 1285 (Newman, J., dissenting) (quoting Changes to Implement Transitional Program for Covered Business Method Patents, 77 Fed. Reg. 7080, 7081 (Feb. 10, 2012)).

<sup>42</sup> The claims are the portion of the patent document that defines the metes and bounds of the property right granted by the patent—that is, the claims delineate the precise scope of what the patentee believes to be his or her invention. ROBERT PATRICK MERGES & JOHN FITZGERALD DUFFY, PATENT LAW AND POLICY: CASES AND MATERIALS 26 (6th ed. 2013). The claims are read in light of the specification, *id.*, which is a written description of the invention and the process for making or using the invention. *Id.* at 25. Claim construction is the interpretation of the claims of a patent, and its purpose is to determine the meaning and scope of the patent claims. *O2 Micro Int'l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1360 (Fed. Cir. 2008) (citing *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976 (Fed. Cir. 1995)).

<sup>43</sup> David Cavanaugh & Chip O'Neill, Presentation: A Practical Guide to *Inter Partes* Review: Strategic Consideration for Pursuing *Inter Partes* Review in a Litigation Context (Nov. 21, 2013), [http://www.wilmerhale.com/uploadedFiles/WilmerHale\\_\\_Shared\\_Content/WilmerHale\\_Files/Events/WilmerHale-webinar-IPR1-20Jun13.pdf](http://www.wilmerhale.com/uploadedFiles/WilmerHale__Shared_Content/WilmerHale_Files/Events/WilmerHale-webinar-IPR1-20Jun13.pdf).



reasonable construction in light of their patent specification.<sup>44</sup> Thus, most claims will be easier to invalidate in an IPR than in a district court, and the patent holder may be forced to take positions (without the benefit of normal discovery) that can be used against it in court litigation when estoppel attaches to the PTO's final decision on the merits.<sup>45</sup>

IPRs also require a lower burden of proof.<sup>46</sup> Unlike in litigation, there is no presumption of validity for patents.<sup>47</sup> Moreover, the PTO uses a preponderance standard instead of the more burdensome clear and convincing evidence standard used in district courts.<sup>48</sup>

IPRs are decided by administrative judges who have technical backgrounds,<sup>49</sup> which enable them to have a better understanding of the underlying technologies. This means that administrative judges will, arguably, be more likely to reach the correct conclusion than lay jurors and district court judges.<sup>50</sup>

IPRs also result in a faster decision, as Congress intended.<sup>51</sup> Whereas district court litigation can drag on for multiple years from filing to disposition, due in part to lengthy discovery (especially in venues such as the Eastern District of Texas, that rarely grant dispositive motions before discovery<sup>52</sup>), IPR petitions are granted or denied within

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<sup>44</sup> *In re Cuozzo*, 793 F.3d at 1275 (quoting 37 C.F.R. § 42.100(b) (2016), which was promulgated by the USPTO). Compare this standard with the one used in district courts for claim construction, in which claim terms are given the “the meaning that [they] . . . would have to a person of ordinary skill in the art in question at the time of the invention.” *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313 (Fed. Cir. 2005).

<sup>45</sup> *Cavanaugh & O’Neill*, *supra* note 43. However, estoppel is a double-edged sword that can cut against the accused infringer as well.

<sup>46</sup> *Id.*

<sup>47</sup> *Id.* In fact, the administrative judges may be more aware of the “challenges that examiners face during prosecution” and thus “less likely to defer to examiner conclusions.” *Id.*

<sup>48</sup> *Id.*

<sup>49</sup> *Id.* Because most of these judges were patent examiners at one point, they may be less likely to defer to examiner conclusions as well. *See supra* note 47.

<sup>50</sup> District court judges often appoint scientific experts, funded by the parties, to help them understand the technical aspects of a case. *See* Pamela Louise Johnston, *Court-Appointed Scientific Expert Witnesses: Unfettering Expertise*, 2 HIGH TECH. L.J. 249 (1987). Supreme Court justices do not have this luxury. For an example of a justice who admitted he did not have the technical background necessary to understand and concur with the technical facts of case, see *Ass’n for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107, 2120 (2013) (Scalia, J., concurring).

<sup>51</sup> *See* sources cited *supra* note 34.

<sup>52</sup> Mark Bohannon, *Has the Supreme Court Made Patent Reform Legislation Unnecessary?*, OPENSOURCE.COM (Mar. 3, 2015), <https://opensource.com/law/15/3/supreme-court-patent-reform-legislation>. The Eastern District Court of Texas is so plaintiff-friendly in patent infringement suits that it has become a hotbed for patent troll activity, earning the nickname “Rocket Docket.” *See* Jess Davis, *The Battle to Ground a Patent Rocket Docket*, LAW360 (Apr. 15, 2016, 9:21 PM), <https://www.law360.com/articles/770639/made-in-texas-the-battle-to-ground-a-patent-rocket-docket>. But the Supreme Court’s groundbreaking decision this year in *TC Heartland L.L.C. v. Kraft Foods Group Brands L.L.C.*, 137 S. Ct. 1514 (2017), is expected to

six months, and resolved twelve months after that (eighteen months if there is good cause for an extension).<sup>53</sup> Thus, the total time from petition to disposition is one and a half to two years.<sup>54</sup>

Finally, IPRs usually cost significantly less because of the limited discovery.<sup>55</sup> Combined with a stay of litigation, the threat of litigation estoppel, and the early opportunities to invalidate a patent, IPRs are a strong shield against non-practicing entities that buy patents of questionable validity and derive their income from threatening companies practicing the technologies with lawsuits.<sup>56</sup> In fact, the backlash against NPEs was the political incentive that legislators needed to successfully reach across party aisles and enact the AIA.<sup>57</sup>

These incentives are crucial to understanding the congressional intent of the AIA, and, as the remainder of this Note will demonstrate, to understanding why some of the Federal Circuit's recent IPR jurisprudence, starting with *St. Jude Medical*, is flawed and should be rectified by the Federal Circuit in future cases.

### B. *The Federal Circuit's Decision in St. Jude Medical*

In 2010, St. Jude Medical, Cardiology Division, Inc. sued Volcano Corporation in the District of Delaware, alleging infringement of five of its patents.<sup>58</sup> Volcano filed a counterclaim against St. Jude asserting infringement of U.S. Patent No. 7,134,994 ('944 Patent)—the patent at issue in *St. Jude Medical*.<sup>59</sup> More than two years later, the district court dismissed all claims relating to the '994 patent.<sup>60</sup>

Six months after the dismissal, St. Jude filed a petition for IPR of the '994 patent, which the Director denied.<sup>61</sup> Section 315(b) bars

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restrict forum-shopping in patent infringement cases, effectively barring most patent suits in the Eastern District Court of Texas. See *Supreme Court's TC Heartland Decision Will Move Venue out of E.D. Texas*, ROPES & GRAY L.L.P. (May 23, 2017), <https://www.ropesgray.com/newsroom/alerts/2017/05/Supreme-Courts-TC-Heartland-Decision-Will-Move-Venue-Out-Of-ED-Texas.aspx>.

<sup>53</sup> Cavanaugh & O'Neill, *supra* note 43.

<sup>54</sup> Because of the quick turnaround, courts in parallel litigation may be amenable to granting a stay until the IPR is resolved. *Id.*

<sup>55</sup> Morton, *supra* note 13.

<sup>56</sup> See sources cited *supra* note 34.

<sup>57</sup> See sources cited *supra* note 34.

<sup>58</sup> *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375 (Fed. Cir. 2014) (citing *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. 10-cv-631 (D. Del. filed July 27, 2010)).

<sup>59</sup> *Id.*

<sup>60</sup> *Id.* (citing *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. 10-cv-631 (D. Del. Oct. 22, 2012)).

<sup>61</sup> *Id.*

institution of an IPR if the petitioner was served with a complaint alleging infringement of the patent more than one year before filing the petition.<sup>62</sup> Although *St. Jude* was never served with a complaint per se, the PTAB held that a counterclaim alleging infringement constituted a “complaint alleging infringement of the patent” within the meaning of § 315(b).<sup>63</sup>

*St. Jude* disagreed and appealed to the Federal Circuit, which held that it lacked jurisdiction under 28 U.S.C. § 1295 and that 35 U.S.C. § 314(d) barred review of the Director’s denial.<sup>64</sup> The court reasoned that the AIA only authorizes appeals of the PTAB’s “final written decision[s],” and only the validity decisions issued in step two of the IPR procedure are such final written decisions.<sup>65</sup> The court found that step one denials are not such decisions, and thus their appeals are not authorized by the statute.<sup>66</sup> The court also found that Federal Circuit review of step one denials are specifically prohibited by § 314(d),<sup>67</sup> although it expressly declined to decide whether § 314(d) bars all review by any route.<sup>68</sup>

## II. THE LEGAL ARGUMENT FOR JUDICIAL REVIEW OF IPRS

Although *St. Jude*’s argument was weak on the merits,<sup>69</sup> the court’s decision to reject jurisdiction in all institution denials could affect patent infringement defendants who have strong legal arguments for why they should be granted an IPR, who were denied an IPR by the Director for a reason not authorized by statute, or whose only practical

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<sup>62</sup> 35 U.S.C. § 315(b) (2012) (“An inter partes review may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.”).

<sup>63</sup> *St. Jude Med.*, 749 F.3d at 1375 (discussing *St. Jude Med., Cardiology Div., Inc.*, IPR2013-00258, 2013 WL 5947710, at \*2 (P.T.A.B. Oct. 16, 2013)).

<sup>64</sup> *Id.*

<sup>65</sup> *Id.*

<sup>66</sup> *Id.*

<sup>67</sup> *Id.* at 1376.

<sup>68</sup> This possibility was firmly rejected in 2015 in *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. 2015), discussed *infra* Section II.D. For a discussion of 28 U.S.C. § 1295 (2012), see *infra* Section II.F.

<sup>69</sup> As mentioned, § 315(b) bars institution of an IPR if the petitioner was served with a complaint alleging infringement of the patent more than one year before filing the petition. 35 U.S.C. § 315(b). *St. Jude* argued that it was never served with a complaint per se; instead, it was served with counterclaims. *St. Jude Med.*, 749 F.3d at 1375. The PTAB found the argument plausible but unconvincing, and held that a counterclaim alleging infringement constituted a “complaint alleging infringement of the patent” within the meaning of § 315(b). See *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, No. IPR2013-00258, 2013 WL 5947710, at \*2 (P.T.A.B. Oct. 16, 2013).

recourse after the denial of an IPR may be to pay a trolling patent owner a potentially abusive royalty fee because the time and financial costs of district court litigation are impracticably high.<sup>70</sup> The Federal Circuit's decision in *St. Jude Medical* ignored the broad policy consequences that could result because it was limited to the facts of the weak plaintiff before it.<sup>71</sup> This Part begins with a background on the presumption of reviewability in administrative law, and develops legal arguments for why *St. Jude Medical* should be overruled or narrowly applied in light of Supreme Court precedents and more recent Federal Circuit cases.

### A. *The Presumption of Reviewability*

In the seminal case, *Abbott Laboratories v. Gardner*,<sup>72</sup> the Supreme Court held that aggrieved parties are entitled to judicial review of final agency actions in all cases except those in which Congress clearly intended to prohibit it.<sup>73</sup> This principle was reinforced by a plethora of cases, as well as the text of the governing Administrative Procedure Act (APA) itself, which states that judicial review is the default presumption in administrative law when an agency legally wrongs a party, or when an agency action "aggrieves" or "adversely affects" a party as those words are statutorily defined.<sup>74</sup> This presumption can only be rebutted when a statute precludes the relief of judicial review or the action is one legally committed to agency discretion.<sup>75</sup> The APA explicitly provides for review for any "final agency action" for which there is no other adequate judicial remedy.<sup>76</sup> The *Abbott Laboratories* Court goes on to write that the APA's legislative history makes it clear that the intention of Congress was to cover a wide swath of administrative actions, a theme that has been reiterated by the Supreme Court when it has noted time and time again that the APA's "generous" provisions for judicial review

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<sup>70</sup> See sources cited *supra* note 34; Part III.

<sup>71</sup> The opinion was also terse at three full pages in the Federal Reporter. *St. Jude Med.*, 749 F.3d 1373. The legal discussion itself is only one full page. *Id.*

<sup>72</sup> 387 U.S. 136 (1967), *abrogated on other grounds*, *Califano v. Sanders*, 430 U.S. 99 (1977).

<sup>73</sup> *Id.* at 140 ("[J]udicial review of a final agency action by an aggrieved person will not be cut off unless there is persuasive reason to believe that such was the purpose of Congress.").

<sup>74</sup> *Id.* ("[T]he [APA] embodies the basic presumption of judicial review to one 'suffering legal wrong because of agency action, or adversely affected or aggrieved by agency action within the meaning of a relevant statute,' so long as no statute precludes such relief or the action is not one committed by law to agency discretion." (quoting 5 U.S.C. § 702) (citing 5 U.S.C. § 701(a)).

<sup>75</sup> *Id.*

<sup>76</sup> 5 U.S.C. § 704 (2012) ("Agency action made reviewable by statute and final agency action for which there is no other adequate remedy in a court are subject to judicial review. A preliminary, procedural, or intermediate agency action or ruling not directly reviewable is subject to review on the review of the final agency action.").

must be given a broad interpretation.<sup>77</sup> In *Bowen v. Michigan Academy of Family Physicians*, Justice Stevens quoted the Senate Committee on the Judiciary to remark that it is very rare for statutes to withhold judicial review, because to do so would be to give administrative agencies a blank check.<sup>78</sup>

For this reason, the federal courts have found, time and time again, that many statutes, which seem to preclude judicial review on their face, do not actually preclude it. For example, in 1967, the Veterans' Benefits Act contained a provision that explicitly made the decisions of the Veterans' Affairs (VA) Administrator on any legal or factual issue regarding a claim for benefits or payments from the VA to be final.<sup>79</sup> The provision also stated that such a decision would not be reviewable by a court.<sup>80</sup> But in *Tracy v. Gleason*,<sup>81</sup> the D.C. Circuit held that the provision only applied to claims for benefits, and did not apply to agency actions terminating benefits correctly paid to the plaintiff.<sup>82</sup>

As another example, in *Bowen v. Michigan Academy of Family Physicians*,<sup>83</sup> 42 U.S.C. § 405(h) was unanimously held to not preclude judicial review, despite its arguably clear and strong language. The statute, which was enacted under the Social Security Act and governs the Department of Health and Human Services, read that all decisions of the Secretary of the Department would be final, and that all legal actions to review the decision in court would be prohibited.<sup>84</sup> However, the

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<sup>77</sup> *Abbott Labs.*, 387 U.S. at 140–41 (“The legislative material elucidating [the APA] . . . manifests a congressional intention that it cover a broad spectrum of administrative actions, and this Court has echoed that theme by noting that the Administrative Procedure Act’s ‘generous review provisions’ must be given a ‘hospitable’ interpretation” (footnote omitted) (citation omitted)).

<sup>78</sup> 476 U.S. 667, 671 (1986) (“Very rarely do statutes withhold judicial review. It has never been the policy of Congress to prevent the administration of its own statutes from being judicially confined to the scope of authority granted or to the objectives specified. Its policy could not be otherwise, for in such a case statutes would in effect be blank checks drawn to the credit of some administrative officer or board.” (quoting S. REP. NO. 79-752, at 26 (1945))).

<sup>79</sup> 72 Stat. 83, 1115 (1958) (“[T]he decisions of the Administrator on any question of law or fact concerning a claim for benefits or payments under any law administered by the Veterans’ Administration shall be final and conclusive and no other official or any court of the United States shall have power or jurisdiction to review any such decision.”).

<sup>80</sup> *Id.*

<sup>81</sup> 379 F.2d 469 (D.C. Cir. 1967), *superseded by statute*, Veterans’ Benefits Act, 38 U.S.C. § 211(a) (as amended in 1982), *as recognized in* *Gott v. Walters*, 756 F.2d 902 (D.C. Cir. 1985).

<sup>82</sup> *Id.* at 473; *see* STEPHEN G. BREYER ET AL., *ADMINISTRATIVE LAW AND REGULATORY POLICY* 825 (7th ed. 2011).

<sup>83</sup> 476 U.S. 667 (1986).

<sup>84</sup> 42 U.S.C. § 405(h) (2012) (“The findings and decision of the Commissioner of Social Security after a hearing shall be binding upon all individuals who were parties to such hearing. No findings of fact or decision of the Commissioner of Social Security shall be reviewed by any person, tribunal, or governmental agency except as herein provided. No action against the United States, the Commissioner of Social Security, or any officer or employee thereof shall be brought under section 1331 or 1346 of Title 28 to recover on any claim arising under this

Court read past the statutory language and analyzed the legislative history to conclude that Congress intended only to preclude benefit determination *amounts* from judicial review, and not the validity of the Secretary's instructions and regulations.<sup>85</sup>

More recently, in 2012, in *Sackett v. EPA*,<sup>86</sup> the Supreme Court justices unanimously rejected the uniform conclusion of the circuit courts and used the presumption of reviewability to rule that a statute, which appeared on its face to implicitly preclude review of certain orders issued by the Environmental Protection Agency (EPA), did not actually do so.<sup>87</sup> In fact, the Court went on to say that the "APA's presumption of judicial review is a repudiation of the principle that efficiency of regulation conquers all."<sup>88</sup>

For an example within the Federal Circuit, in *Lindahl v. Office of Personnel Management*,<sup>89</sup> the statute at issue stated that "decisions . . . concerning [questions of disability and dependency] are final and conclusive and are not subject to review."<sup>90</sup> The Federal Circuit concluded that the statute cut off all judicial review of such decisions, stating that "[i]t is difficult to conceive of a more clear-cut statement of congressional intent to preclude review than one in which the concept of finality is thrice repeated in a single sentence."<sup>91</sup> But the Supreme Court reversed, holding that, in light of the presumption of reviewability, the statute should be read as permitting review of legal questions, but not the underlying factual questions.<sup>92</sup> The Court noted that when Congress intends to bar all judicial review, it usually uses far stronger language, such as "final and conclusive for all purposes and with respect to all questions of law and fact" and "not subject to review by another official of the United States or by a court by mandamus or otherwise."<sup>93</sup>

A legion of cases supports the contention that courts often interpret language that appears to explicitly preclude judicial review to in fact permit it.<sup>94</sup> It is not that courts are invalidating such provisions; rather, they are reading the statutory language narrowly to limit the

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subchapter.").

<sup>85</sup> *Bowen*, 476 U.S. at 678.

<sup>86</sup> 566 U.S. 120 (2012).

<sup>87</sup> *See id.* at 128–31; *see also* Nicholas Bagley, *The Puzzling Presumption of Reviewability*, 127 HARV. L. REV. 1285, 1287 (2014).

<sup>88</sup> *Sackett*, 566 U.S. at 130.

<sup>89</sup> 470 U.S. 768 (1985).

<sup>90</sup> *Id.* at 771 (first alteration in original) (citing 5 U.S.C. § 8347(c)).

<sup>91</sup> *Lindahl v. Office of Pers. Mgmt.*, 718 F.2d 391, 393 (Fed. Cir. 1983), *rev'd*, 470 U.S. 768.

<sup>92</sup> *Lindahl*, 470 U.S. at 779.

<sup>93</sup> *Id.* at 780 n.13 (citing 5 U.S.C. § 8128(b)).

<sup>94</sup> Bagley, *supra* note 87, at 1287 n.8 (quoting STEPHEN G. BREYER ET AL., ADMINISTRATIVE LAW AND REGULATORY POLICY 986 (5th ed. 2002)).

scope of the provisions.<sup>95</sup> It is in light of these cases that the intersection of administrative law and patent law, including IPR jurisprudence, should be understood.

B. *The Federal Circuit's Erroneous Administrative Law Decisions*

Despite these bedrock principles and policy arguments that the Supreme Court has set forth in favor of judicial review, the Federal Circuit's burgeoning IPR jurisprudence has been haphazard. In *In re Cuozzo Speed Technologies, L.L.C.*,<sup>96</sup> the patent owner appealed the PTAB's decision to grant an IPR institution petition (the first step) after an unfavorable IPR decision was reached in the second step. The Federal Circuit ruled that it had no jurisdiction to review the PTAB's decision to grant or deny an IPR (the first-step decision), even after the Board's final decision in the second step,<sup>97</sup> despite statutory language that is weaker than that at issue in *Lindahl*.<sup>98</sup> The relevant statutory provision is 35 U.S.C. § 314(d), which states that the Director's decision to institute or not institute an inter partes review will be "final and nonappealable."<sup>99</sup> However, the court's holding that this provision prohibits review of the decision to institute an IPR, even after a final decision, is so broad as to remove jurisdiction even when the Director makes an institution decision based on criteria that contradict either the statutes enacted by Congress or the regulations established by the USPTO itself.<sup>100</sup> This is a position the conflicts with both the letter and spirit of the APA, as evidenced by the Act's legislative history, and a century's worth of administrative law doctrine developed by the Supreme Court.

In general, when judicial review is not precluded by statute, and the agency action is not committed to agency discretion by law, APA § 706 provides six situations in which a reviewing court must hold unlawful

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<sup>95</sup> BREYER ET AL., *supra* note 82, at 825.

<sup>96</sup> 793 F.3d 1268 (Fed. Cir. 2015), *aff'd sub nom.* *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131 (2016).

<sup>97</sup> *In re Cuozzo*, 793 F.3d at 1273.

<sup>98</sup> See *Cuozzo*, 136 S. Ct. at 2150–51 (Alito, J., dissenting on the issue of judicial review) ("This is a far easier case than *Lindahl*. There is no question that the statute now before us can naturally—perhaps most naturally—be read to permit judicial review of issues bearing on the Patent Office's institution of inter partes review.").

<sup>99</sup> 35 U.S.C. § 314(d) (2012) ("The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.").

<sup>100</sup> As one patent attorney, David Boundy, has stated, the court read the provision "so broadly as to insulate from judicial review all decisions to institute or not institute an IPR, in all circumstances." David Boundy, *Why Administrative Law Matters to Patent Attorneys—In re Cuozzo Speed Technologies LLC, PATENTLY-O* (Feb. 8, 2015), <http://patentlyo.com/patent/2015/02/administrative-attorneys-technologies.html>.

and set aside an agency action.<sup>101</sup> Chief among these six situations is when an agency action is arbitrary, capricious, an abuse of agency discretion, or prohibited by statute.<sup>102</sup> The *Cuozzo*<sup>103</sup> decision interprets the judicial preclusion provision of the IPR statute so broadly that the Director could choose to deny an institution on any substantive ground unauthorized by the statute, such as utility grounds under 35 U.S.C. § 101, or prior art outside the scope of patents or printed publications—the Director could even choose to deny the institution on an arbitrary or capricious ground<sup>104</sup>—and the petitioner would not be able to appeal to

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<sup>101</sup> 5 U.S.C. § 706(2) (2012). These are agency actions which are:

- (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
- (B) contrary to constitutional right, power, privilege, or immunity;
- (C) in excess of statutory jurisdiction, authority, or limitations, or short of statutory right;
- (D) without observance of procedure required by law;
- (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
- (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.

*Id.* Section 706 only applies when the conditions of § 701(a) are satisfied. 5 U.S.C. § 701(a) (“This chapter applies, according to the provisions thereof, except to the extent that (1) statutes preclude judicial review; or (2) agency action is committed to agency discretion by law.”). The Director’s decision to grant or deny an IPR institution petition is not committed to agency discretion by law, because the Director’s decision, according to the authorizing statute, must turn on the outcome of the “reasonable likelihood” test. *See* Smith, *supra* note 15, and accompanying text. Thus, § 706(2) applies unless there is a statutory bar on judicial review, which this Note argues there is not.

<sup>102</sup> 5 U.S.C. § 706(2).

<sup>103</sup> 793 F.3d 1268 (Fed. Cir. 2015).

<sup>104</sup> The American Bar Association’s Section of Administrative Law and Regulatory Practice lists the following bases used by courts for finding agency actions arbitrary or capricious and ripe for reversal:

- A. The agency relied on factors that may not be taken into account under, or ignored factors that must be taken into account under, any authoritative source of law. . . .
- B. The action does not bear a reasonable relationship to statutory purposes or requirements.
- C. The asserted or necessary factual premises of the action do not withstand scrutiny under the relevant standard of review.
- D. The action is unsupported by any explanation or rests upon reasoning that is seriously flawed.
- E. The agency failed, without adequate justification, to give reasonable consideration to an important aspect of the problems presented by the action, such as the effects or costs of the policy choice involved, or the factual circumstances bearing on that choice.



the judiciary. This outcome in *Cuozzo* of failing to protect parties from the types of agency abuse 5 U.S.C. § 706(2) was meant to prevent is bad policy and will have serious negative repercussions for inventors and technology entrepreneurs. But it is also in contradiction to the intent of Congress when it enacted the APA and AIA, as well as the body of administrative law that governs the USPTO.<sup>105</sup> As Justice Friendly once said, and the Supreme Court later repeated, judicial review for abuse should only be precluded in the rarest cases, if any case at all.<sup>106</sup>

Thus, even in the rare instances when the Supreme Court has interpreted statutes broadly enough to preclude judicial review, it has only interpreted them to preclude judicial review of final decisions on the merits—the Supreme Court has never interpreted a statute to preclude review for abuse.<sup>107</sup> That is why, even though the Supreme Court eventually affirmed *Cuozzo*, the Court explicitly declined to decide the effect of the § 314(d) bar on appeals that implicate constitutional questions.<sup>108</sup> Access to judicial review for abuse of agency power or discretion has been a hallmark principle of administrative law jurisprudence, and it has been applied by the Supreme Court to statutes even broader and clearer than § 314, and to government interests far more fundamental than patents.<sup>109</sup>

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F. The action is, without legitimate reason and adequate explanation, inconsistent with prior agency policies or precedents.

G. The agency failed, without an adequate justification, to consider or adopt an important alternative solution to the problem addressed in the action.

H. The agency failed to consider substantial arguments, or respond to relevant and significant comments, made by the participants in the proceeding that gave rise to the agency action.

I. The agency has imposed a sanction that is greatly out of proportion to the magnitude of the violation.

J. The action fails in other respects to rest upon reasoned decisionmaking.

Ronald M. Levin, *A Blackletter Statement of Federal Administrative Law*, 54 ADMIN. L. REV. 1, 42–43 (2002) (citation omitted). Of these factors, (A) would be applicable if the Director relied on unauthorized prior art in reaching a decision, but there are many scenarios in which (C), (D), (E), (F), (H), and (J) would be applicable as well.

<sup>105</sup> See sources cited *supra* note 34; Section II.A.

<sup>106</sup> *Bowen v. Michigan Acad. of Family Physicians*, 476 U.S. 667, 672 n.3 (1986) (“Only in the rare—some say non-existent—case . . . may review for ‘abuse’ be precluded.” (quoting *Wong Wing Hang v. INS*, 360 F.2d 715, 718 (2d Cir. 1966))).

<sup>107</sup> See *id.* (citations omitted).

<sup>108</sup> *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2141 (2016) (“[O]ur interpretation applies 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. This means that we need not, and do not, decide the precise effect of § 314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond ‘this section.’” (citation omitted)).

<sup>109</sup> Boundy, *supra* note 100.

In fact, in his very influential 1965 article, Raoul Berger argued that judicial review to ensure protection against injuries caused by the arbitrary and capricious actions of administrative agencies was a matter of right.<sup>110</sup> Berger proposed that Americans have a constitutional right to be protected against actual harm inflicted by government officials when they act unlawfully.<sup>111</sup> For the same reason, he argued that judicial review to ensure protection against injuries caused by agencies when they act beyond the scope of their jurisdiction was also a matter of right.<sup>112</sup> Berger based his arguments on two doctrines—delegation of powers and due process—and the role of the judiciary in protecting Americans from government excesses and tyranny.<sup>113</sup>

The Berger argument raises the worthy point that there are very important reasons why citizens look to courts and not agencies for the ultimate protection against executive abuse.<sup>114</sup> When review is limited to curtailing abuse, it is not really review at all, but control, because the purpose is not to second-guess the agency but to cabin it within statutory authorization.<sup>115</sup> Even Justice Brandeis, who strongly opposed broad application of judicial review, supported this “quasi-judicial” role for the courts to determine whether the agency acted within its statutory authority.<sup>116</sup>

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<sup>110</sup> Raoul Berger, *Administrative Arbitrariness and Judicial Review*, 65 COLUM. L. REV. 55, 88–89 (1965) (“Judicial review to insure protection against official injury, whether it flows from arbitrary action or from action in excess of jurisdiction, is a matter of right, I venture to suggest, not of grace. Americans have a right to be protected against actual harm inflicted by officers who act unlawfully. For this proposition, I rely on three sources: 1) the implications of the delegation of powers; 2) due process; and 3) the creation of the courts for the purpose, among others, of protecting the people from governmental excesses.”).

<sup>111</sup> *Id.*

<sup>112</sup> *Id.*

<sup>113</sup> *Id.*

<sup>114</sup> *Id.* at 93 (quoting Louis L. Jaffe, *The Right to Judicial Review I*, 71 HARV. L. REV. 401, 406 (1958)). Jaffe adds, “The guarantee of legality by an organ independent of the executive is one of the profoundest, most pervasive premises of our system. Indeed I would venture to say that it is the very condition which makes possible, which makes so acceptable, the wide freedom of our administrative system, and gives it its remarkable vitality and flexibility. It is, of course, true that the agencies make positive contributions to the richness and ambiance of our life, which quite clearly the courts could not make. It is also true that the good public servant is devoted to the law. But I feel that in the context these considerations are peripheral. They have to do with the spirit in which judicial review should be exercised but not with the question whether there shall be review.” Jaffe, *supra*, at 406.

<sup>115</sup> See Berger, *supra* note 110, at 94.

<sup>116</sup> *Crowell v. Benson*, 285 U.S. 22, 89 (1932) (Brandeis, J., dissenting).

C. *Patent Exceptionalism and the Force of Administrative Law*

The current discussion naturally begs the question: in light of so much historical jurisprudence and legal scholarship, why did *Cuozzo* turn out the way that it did? David Boundy, in attempting to explain the glaring contradiction between *Cuozzo* and Supreme Court precedent, posits that the Federal Circuit decision came out incorrectly because the administrative law argument was not raised by the parties, and if the parties had raised it, the Federal Circuit would have unquestioningly accepted jurisdiction.<sup>117</sup>

There is often a notion among lawyers and even judges, called “patent exceptionalism,” which provides that patent law is unique and not susceptible to some of the rules that apply to other areas of law, such as the rules of civil procedure and administrative law.<sup>118</sup> This may have developed in part from the uniquely technical nature of patent litigation, and the isolation of the Federal Circuit from other appellate courts.<sup>119</sup>

However, as the Supreme Court has granted certiorari to an increasing number of patent cases in recent years,<sup>120</sup> an emerging theme has been that, when applicable, common-law patent doctrines should follow the common law approach rather than a specialized patent rule.<sup>121</sup> For example, in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*,<sup>122</sup> the Supreme Court disagreed with the Federal Circuit and held that patent cases are subject to Federal Rule of Civil Procedure 52(a)(6).<sup>123</sup> Similarly, in *Dickinson v. Zurko*,<sup>124</sup> the Supreme Court disagreed with a unanimous and en banc Federal Circuit to hold that patent cases are subject to APA § 706.<sup>125</sup> In this way, the Supreme Court has reined in the Federal Circuit’s fondness for creating bright-line rules unique to patent law.<sup>126</sup> More importantly, for the purposes of this Note,

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<sup>117</sup> Boundy, *supra* note 100.

<sup>118</sup> See Robin Feldman, *Ending Patent Exceptionalism and Structuring the Rule of Reason: The Supreme Court Opens the Door for Both*, 15 MINN. J.L. SCI. & TECH. 61 (2014); Timothy R. Holbrook, *Explaining the Supreme Court’s Interest in Patent Law*, 3 IP THEORY 62 (2013); Peter Lee, *The Supreme Assimilation of Patent Law*, 114 MICH. L. REV. 1413 (2016); Kali Murray, *First Things, First: A Principled Approach to Patent Administrative Law*, 42 J. MARSHALL L. REV. 29 (2008).

<sup>119</sup> Holbrook, *supra* note 118, at 70.

<sup>120</sup> Lee, *supra* note 118, at 1416.

<sup>121</sup> Dennis Crouch, *Teva v. Sandoz: Partial Deference in Claim Construction*, PATENTLY-O (Jan. 20, 2015), <http://patentlyo.com/patent/2015/01/partial-deference-construction.html>.

<sup>122</sup> 135 S. Ct. 831 (2015).

<sup>123</sup> *Id.* at 835–37, 843.

<sup>124</sup> 527 U.S. 150 (1999).

<sup>125</sup> *Id.* at 152, 164–65.

<sup>126</sup> Lee, *supra* note 118, at 1416 (“Over the past decade and a half, the Supreme Court has significantly increased its review of patent decisions from . . . the Federal Circuit . . . . Commentators have offered several theories to interpret this development. First,

the Supreme Court has underscored the trans-substantive nature<sup>127</sup> of the APA and the undiminished force it carries in patent law cases.<sup>128</sup>

Whether or not patent exceptionalism and attorneys' ignorance of administrative law are plausible explanations for the *Cuozzo* outcome, *Cuozzo* is symptomatic of a series of bad administrative law decisions pushed by the Federal Circuit, which started with *St. Jude Medical*. Fortunately, the Federal Circuit reversed course in *Versata Development Group, Inc. v. SAP America, Inc.*,<sup>129</sup> a July 2015 case that narrowed *Cuozzo*'s holding to *Cuozzo*'s specific facts.<sup>130</sup>

#### D. *The Federal Circuit's Return to Judicial Review*

In *Versata*, a patent infringement defendant petitioned the Director of the USPTO to institute a Covered Business Method (CBM) review to determine if the plaintiff's patent was a patentable business method.<sup>131</sup> CBM reviews, like IPRs, are a new post-grant review within the Patent Office, created by the AIA.<sup>132</sup> The CBM review is a two-step process identical to the IPR process in many ways.<sup>133</sup> The first step in CBM review is the initial decision to review the validity of the business

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many observers view these interventions as attempts . . . to rein in expansive Federal Circuit doctrine that has made it too easy to obtain patents and unduly enhanced their power. Second, commentators note that the Court has consistently adopted holistic standards to replace the bright-line, formalistic rules that are characteristic of Federal Circuit patent doctrine." (footnote omitted)).

<sup>127</sup> A trans-substantive rule is one that is "intended to apply universally across multiple substantive fields of law." *Id.* at 1417 n.13.

<sup>128</sup> See *Dickinson*, 527 U.S. at 161.

<sup>129</sup> 793 F.3d 1306 (Fed. Cir. 2015).

<sup>130</sup> The revised panel opinion and dissent in *Cuozzo* issued on July 8, 2015, just one day before *Versata* was issued. But *Cuozzo*'s original opinion and dissent, 778 F.3d 1271, issued months earlier, on February 4, 2015. *Versata*, 793 F.3d at 1322 n.11. The revisions in *Cuozzo* did not substantively affect its original holding. Post-Grant Group, *Federal Circuit: Don't Like the BRI Standard? Blame Congress*, WOLF GREENFIELD INTELL. PROP. L. (July 15, 2015), <http://blog.wolfgreenfield.com/postgrant/federal-circuit-dont-like-the-bri-standard-blame-congress>. Although this Note argues that the Federal Circuit undercut its reasoning in *Cuozzo* with its argument in *Versata*, the majority in *Versata* does go to great pains to harmonize the two decisions. In his *Versata* dissent, Judge Hughes argues that the decision directly conflicts *Cuozzo*, which he calls "precedential." *Versata*, 793 F.3d at 1341 (Hughes, J., dissenting).

<sup>131</sup> *Versata*, 793 F.3d at 1313.

<sup>132</sup> Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-31 (2011) (not codified in 35 U.S.C.).

<sup>133</sup> For a comparison of the two proceedings, see FINNEGAN, HENDERSON, FARABOW, GARRETT & DUNNER, L.L.P., AMERICA INVENTS ACTS CHANGES (2013), <http://www.aiablog.com/wp-content/uploads/2013/01/FINNEGAN-America-Invents-Act-Changes-Brochure.pdf>. Other similar procedures include agency adjudication before a panel of administrative patent judges, limited discovery, no presumption of validity for the patent, a quick twelve-to-eighteen-month turnaround, and a lower price tag than district court litigation.

method patent in response to a petition.<sup>134</sup> The PTAB will grant the institution if it determines that the patent is a CBM, and that it is more likely than not that at least one of the claims challenged in the petition is unpatentable.<sup>135</sup> Like IPRs, if the institution is granted, the PTAB will conduct a trial within the agency that will conclude with a final written decision, which can be appealed to the Federal Circuit.<sup>136</sup> Of primary significance in this comparison is that the determination of the Director whether to institute CBM review is “final and unappealable,” according to § 324(e), using the same language as § 314(d), which applies to IPRs.<sup>137</sup>

In *Versata*, the PTAB instituted a CBM review and found the patent claims invalid for being subject-matter-ineligible under § 101.<sup>138</sup> The plaintiff appealed to the Federal Circuit, which upheld the PTAB’s final decision.<sup>139</sup> If that was the end of the Federal Circuit’s analysis, perhaps it would not have been so noteworthy. However, the Federal Circuit also held that it had jurisdiction to review whether the Director’s decision to *institute* the CBM review was correct.<sup>140</sup> In limiting *Cuozzo* to preserve its jurisdiction over CBM review institution decisions after final decisions on the merits, the Federal Circuit articulated several of the classic arguments for judicial reviewability<sup>141</sup> of agency actions, even when the plain reading of a statute does not permit it. The court reasoned that although the plain language bar on judicial review in § 324(e) did apply to interlocutory decisions, such as the denial of an institution, it did not apply after the PTAB’s final decision on the merits.<sup>142</sup> The court did not find the language of § 324(e) sufficient to

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<sup>134</sup> *Versata*, 793 F.3d at 1314.

<sup>135</sup> *Id.*

<sup>136</sup> *Id.* (citing 35 U.S.C. §§ 328(a), 329, 141–44 (2012)).

<sup>137</sup> *Compare* § 314(d) (“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”), *with* § 324(e) (“The determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.”).

<sup>138</sup> *Versata*, 793 F.3d at 1331–36.

<sup>139</sup> *Id.*

<sup>140</sup> One professor called the move “petit *Marbury v. Madison* style.” Dennis Crouch, *Versata v. SAP: Federal Circuit Claims Broad Review of CBM Decisions*, PATENTLY-O (July 9, 2015), <http://patentlyo.com/patent/2015/07/versata-federal-decisions.html>. Professor Crouch, however, posits that the jurisdictional issue could arguably be considered dicta because the PTAB would have been affirmed even if the court had found the decision to institute the CBM Review unreviewable. *Id.*

<sup>141</sup> *See supra* Section II.A.

<sup>142</sup> *Versata*, 793 F.3d at 1319 (“To determine this reviewability issue, two related questions must be answered: first, does the § 324(e) judicial review bar permit judicial review, when conducted with regard to the final written decision, of PTAB compliance with any requirement that involves the ultimate authority of the PTAB to invalidate a patent; second, if yes, is the restriction of § 18 to CBM patents such a limit. We answer both questions in the affirmative,

meet the high standard for precluding judicial review—clear and convincing evidence—and thus retained jurisdiction to review whether the Director’s grant of a CBM review institution petition was made on statutorily permissible grounds.<sup>143</sup>

E. *The Reasoning of Versata Can Be Applied to Denials of IPR Institutions as Well*

The language of § 314(d), the statutory bar on appeals of IPR decisions, and § 324(e), the statutory bar on appeals of post-grant reviews such as CBM reviews, is identical.<sup>144</sup> The policy arguments put forward by the Federal Circuit for judicial reviews of final agency decisions when an institution is granted are equally applicable when an institution is denied. Even the USPTO, which argued against judicial review of the institution decision even after a final decision in *Versata*, held a different position in parallel litigation in the Eastern District of Virginia, where *Versata* argued in an interlocutory appeal after the institution was granted that the grant was improper.<sup>145</sup> There, the USPTO argued that there was an available remedy under the AIA statute for the improper granting of an institution because the issues decided by the PTAB at the institution stage were preserved for review at the time of an appeal to the Federal Circuit of the PTAB’s final written decision.<sup>146</sup> The district court agreed and held that jurisdiction was improper because an adequate remedy already existed by way of direct appeal of the final written decision to the Federal Circuit.<sup>147</sup>

Fortunately, the Federal Circuit agreed with the district court and the USPTO’s original position—jurisdiction over an interlocutory appeal of the decision to grant an IPR institution was inappropriate where there was already an adequate remedy, an appeal of the PTAB’s final written decision to the Federal Circuit.<sup>148</sup> For the converse reason, jurisdiction over an appeal of the decision to deny an institution should be appropriate where there is no adequate remedy. Either the Federal Circuit must take jurisdiction over the denial, which is, for the purposes

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and therefore reject the contention that we may not review whether the ’350 patent is a CBM patent covered by § 18.”).

<sup>143</sup> *Id.* at 1320–21.

<sup>144</sup> *See supra* note 137.

<sup>145</sup> The case is *Versata Dev. Corp. v. Rea*, 959 F. Supp. 2d 912 (E.D. Va. 2013). The district court judge held that there was no jurisdiction to hear the interlocutory appeal. The Federal Circuit affirmed in *Versata Dev. Grp., Inc. v. Lee (Versata II)*, 793 F.3d 1352 (Fed. Cir. 2015).

<sup>146</sup> *Versata*, 793 F.3d at 1318.

<sup>147</sup> *Id.* (quoting *Versata*, 959 F. Supp. 2d at 927).

<sup>148</sup> *Versata II*, 793 F.3d at 1354.

of the parties, a final written decision issued by the PTAB, or the district court should take jurisdiction because an adequate remedy by way of direct appeal of the final written decision to the Federal Circuit does not exist. The legal and policy arguments for providing an adequate remedy when the Director improperly grants an institution weigh just as heavily when the Director improperly denies an institution as when she improperly grants it.

#### F. *The Scope of 28 U.S.C. § 1295*

Moreover, not only is the plain language interpretation of 35 U.S.C. § 314(d) in conflict with § 706(2) of the APA and administrative law jurisprudence, it may also be in conflict with 28 U.S.C. § 1295, which delineates the jurisdiction of the Federal Circuit. Specifically, the Federal Circuit has exclusive jurisdiction of an appeal from a decision of the PTAB with respect to an IPR.<sup>149</sup>

When St. Jude appealed the PTAB's institution denial to the Federal Circuit, arguing that jurisdiction was proper under 28 U.S.C. § 1295, the Federal Circuit granted Volcano's motions to dismiss the appeal, stating that the statutory framework created a two-step procedure for IPRs.<sup>150</sup> Recall that the first step is the Director's decision whether to institute an IPR proceeding,<sup>151</sup> and the second step, which only occurs if the first step results in granting the institution, is where the PTAB "conducts" the proceeding and renders a patentability decision.<sup>152</sup> The Federal Circuit held that only the final written decision of the PTAB—the result of the second step—could be reviewed by the court because § 314(d)'s bar on appeal was broadly worded and certainly barred an appeal of the noninstitution decision.<sup>153</sup> In response to St. Jude's argument that § 1295 is superseding, the Federal Circuit held that 28 U.S.C. § 1295 did not grant jurisdiction that § 314(d) specifically barred, concluding instead that the natural reading of § 1295 is that it refers to the PTAB's decision under step two of the procedure.<sup>154</sup>

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<sup>149</sup> 28 U.S.C. § 1295(a)(4)(A) (2012).

<sup>150</sup> St. Jude Med., Cardiology Div., Inc. v. Volcano Corp., 749 F.3d 1373, 1375–76 (2014).

<sup>151</sup> *Id.*

<sup>152</sup> *Id.* at 1375 ("The statute separates the Director's decision to 'institute' the review, § 314, on one hand, from the Board's 'conduct' of the review 'instituted' by the Director, § 316(c), and the Board's subsequent 'written decision,' § 318, on the other. And it applies one standard—based on 'reasonable likelihood' of success—to the Director's decision to institute, § 314(a), and another standard—based on 'patentability'—to the Board's decision on the merits, § 318(a).").

<sup>153</sup> *Id.* at 1376.

<sup>154</sup> *Id.* ("[Section 1295(a)(4)(A)] is most naturally read to refer precisely to the Board's decision under section 318(a) on the merits of the *inter partes* review, after it 'conducts' the

In attempting to reconcile the plain language of sections 1295 and 314(d), the Federal Circuit could have read § 314(d) more narrowly in relationship to § 1295. Such an approach to statutory harmonization would have better conformed with the principles of administrative law established by Congress in the APA, discussed above. Nonetheless, the plain language reading of both statutes is not without considerable appeal, and this approach is especially attractive from a textualist perspective. The textualist counterargument is presented in Section IV.D.2.

G. *Legal Counterarguments for Withholding Judicial Review of IPR Institution Denials*

Although they are not as strongly supported by policy arguments and legislative history, the statutory interpretation arguments for withholding judicial review in IPR institution denials hold weight from a textualist perspective, that is, when the statutory language is understood only at face value.<sup>155</sup> Section 314(d) is entitled “No appeal” and states that the Director’s institution (or non-institution) is both “final” and “nonappealable.” This is a strongly worded bar, as the Federal Circuit noted in *St. Jude Medical*.<sup>156</sup> But an argument that § 314(d) does not completely preclude judicial review of the institution decision cannot succeed on the language of the statute alone, and must be strongly supported by legislative history and policy. This Note argues that such a support exists.

Nonetheless, interpreting § 314(d) as a complete bar could find support in 35 U.S.C. § 319, which authorizes appeals to the Federal Circuit only from the final written decision of the PTAB, if institution denials are not considered final written decisions. This Note argues that such denials are final and written for the purposes of the parties.

Perhaps most importantly, although it was not at issue in *Cuozzo*, the current Supreme Court appears to view the decision to deny an IPR as committed by law to agency discretion, even when the petitioner has satisfied the statutory requirements for review.<sup>157</sup> This is because

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proceeding that the Director has “instituted.”).

<sup>155</sup> See *Textualism*, BLACK’S LAW DICTIONARY (10th ed. 2014); see also Oliver Wendell Holmes, *The Theory of Legal Interpretation*, 12 HARV. L. REV. 417, 417–18 (1899) (stating the central question to be “not what [the speaker] meant, but what those words would mean in the mouth of a normal speaker of English, using them in the circumstances in which they were used”).

<sup>156</sup> 749 F.3d at 1376.

<sup>157</sup> See *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2140 (2016) (citing 5 U.S.C. § 701(a)(2) (2012)); see also *id.* at 2153 (Alito, J., concurring in part and dissenting in part).



§ 314(a) on its face is a rule of exclusion—it states when an IPR petition must be denied, not when it can be denied. The Court leaves open the possibility of mandamus to compel judicial review in instances of abuse of discretion, but does not commit itself to that possibility. But for the reasons discussed in Section IV.D.I, mandamus is only a theoretical remedy, and is unlikely to provide patent challengers any review of institution denials, even when those denials are the result of the Patent Office’s abuse of discretion.

Thus, although the language of § 314(d) can be interpreted on its face as a complete bar to judicial review, this Part presented legal and textual arguments for why the interpretation analysis should not end there. The next Part will discuss the policy arguments for why § 314(d) should not be interpreted as a complete bar.

### III. THE POLICY ARGUMENT FOR JUDICIAL REVIEW OF IPRs

#### A. *The Congressional Purpose of § 314(d) Permits Judicial Review of IPR Denials*

Considering that the majority in *Versata* interpreted § 314(d) more narrowly than its plain language, the issue is not whether the provision should have its plain meaning, but the degree of narrowing that the principles of judicial interpretation require. Despite the Federal Circuit’s pained attempts to accommodate *Cuozzo* in its *Versata* decision, it is not possible to harmonize the cases in any meaningful way.<sup>158</sup> In fact, the split between the Federal Circuit panel that decided *Cuozzo* and the

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<sup>158</sup> Compare *In re Cuozzo Speed Techs., L.L.C.*, 793 F.3d 1268, 1273 (Fed. Cir. 2015) (“We conclude that § 314(d) prohibits review of the decision to institute IPR even after a final decision. On its face, the provision is not directed to precluding review only before a final decision. It is written to exclude all review of the decision whether to institute review. Section 314(d) provides that the decision is both ‘nonappealable’ and ‘final,’ i.e., not subject to further review. 35 U.S.C. § 314(d). A declaration that the decision to institute is ‘final’ cannot reasonably be interpreted as postponing review until after issuance of a final decision on patentability.”), *aff’d sub nom.* *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131 (2016), with *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1319–20 (Fed. Cir. 2015) (“That language does not by its terms apply to limits on the authority to enter a ‘final written decision’ invalidating a patent. Institution and invalidation are two distinct actions by the PTAB. In addition to being deeply embedded in federal administrative law, the distinction is built into the structure of this particular AIA statute, as explained above, and § 324(e) applies only to the decision to institute. . . . It would not only run counter to the language of § 324(e) to read it as barring review of whether the PTAB exceeded statutory limits on its authority to invalidate. It would also run counter to our long tradition of judicial review of government actions that alter the legal rights of an affected person, a hallmark of the distinction between (generally reviewable) final agency action and (generally unreviewable) agency action that merely initiates a process to consider such an alteration.”).

Federal Circuit panel that decided *Versata* is as close to a traditional circuit split as is possible in patent law,<sup>159</sup> which is likely why the Supreme Court granted certiorari to *Cuozzo* on January 15, 2016.<sup>160</sup> Therefore, instead of trying to carve exceptions out of a decision that was already causing difficulties just five months later, the Federal Circuit should extend its reasoning in *Versata* to cover plaintiffs like the one in *St. Jude Medical* as well, or, at the very least, cover plaintiffs who are denied institutions for substantive reasons instead of just procedural reasons.<sup>161</sup> As this Note will discuss below,<sup>162</sup> between *Cuozzo* and *Versata*, the holding in *Versata* is more in line with Supreme Court administrative law jurisprudence, more in line with the congressional intent of the AIA, and far superior from a policy standpoint.

In her dissent in *Cuozzo*, Judge Newman argues that review of the material aspects of IPR institution decisions should not be barred, because the stated purpose of the “final and nonappealable” language of § 314(d) is to limit delays in the process, which is statutorily required to span no more than twelve months,<sup>163</sup> and harassing filings.<sup>164</sup> According to Judge Newman, the principle of judicial review of agency determinations that should be relied on to interpret the scope of

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<sup>159</sup> See Holbrook, *supra* note 118, at 69 (“For the vast majority of patent cases, however, there will not be circuit splits because of the Federal Circuit. Nevertheless, intra-circuit splits may develop at the Federal Circuit, where the court is fractured closely on an issue. Often such intra-circuit disagreements are resolved en banc, which can send a signal to the Supreme Court that its intervention would be advisable. En banc decisions command considerable attention and usually generate well-reasoned dissents and concurrences that can highlight the division within the court to the Supreme Court to better inform its decision to take the case, in a manner analogous to an inter-circuit split. Indeed, many recent Supreme Court cases were decided en banc while at the Federal Circuit, usually with sharp disagreement among the judges.” (footnotes omitted) (citing *Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010) (en banc) (6-1-2), *aff’d and remanded*, 132 S. Ct. 1690 (2012); *In re Bilski*, 545 F.3d 943 (Fed. Cir. 2008) (en banc) (9-3), *aff’d sub nom. Bilski v. Kappos*, 561 U.S. 593 (2010); *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 234 F.3d 558 (Fed. Cir. 2000) (en banc) (8-4), *vacated and remanded*, 535 U.S. 722 (2002); *Hilton Davis Chem. Co. v. Warner-Jenkinson Co.*, 62 F.3d 1512 (Fed. Cir. 1995) (en banc) (7-5), *rev’d and remanded*, 520 U.S. 17 (1997); *Markman v. Westview Instruments, Inc.*, 52 F.3d 967 (Fed. Cir. 1995) (en banc) (8-3), *aff’d*, 517 U.S. 370 (1996))).

<sup>160</sup> *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 890 (2016).

<sup>161</sup> Recall that *St. Jude* was denied an IPR because it was not timely filed. See *supra* Section I.B.

<sup>162</sup> See discussion *infra* Part III.

<sup>163</sup> Or eighteen months for good cause. 35 U.S.C. § 316(a)(11) (2012) (“The Director shall prescribe regulations . . . requiring that the final determination in an inter partes review be issued not later than 1 year after the date on which the Director notices the institution of a review under this chapter, except that the Director may, for good cause shown, extend the 1-year period by not more than 6 months . . .”).

<sup>164</sup> *In re Cuozzo Speed Technologies, L.L.C.*, 793 F.3d 1268, 1291 (Fed. Cir. 2015) (Newman, J., dissenting), *aff’d sub nom. Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131 (2016). Harassing filings are those intended to “prevent market entry through repeated litigation and administrative attacks on the validity of a patent.” *Id.* at 1289 (quoting H.R. REP. NO. 112-98 at 48 (2011), as reprinted in 2011 U.S.C.C.A.N. 67, 78.).

§ 314(d) is that which was laid out by the Supreme Court in *Block v. Community Nutrition Institute*<sup>165</sup> in 1984: the extent to which a statute precludes judicial review is determined not only from its plain language, but also from the structure of the statutory scheme, its objectives, its legislative history, and the type of administrative action involved.<sup>166</sup> It is with these principles in mind that the Federal Circuit narrowed its interpretation of the language in § 314(d) between *Cuozzo* and *Versata*, and it is why it should narrow its interpretation once more.

The policy reasons for such an interpretation are overwhelming and serve well to advance the stated purposes of Congress.<sup>167</sup> And to hold otherwise would be to make the PTAB's institution determinations unreviewable, even when they are unlawful and even when the Director, through her delegee, the PTAB, could freely expand her authority to invalidate or expand a patentee's property rights without any judicial oversight.<sup>168</sup>

If the holding of *St. Jude Medical* were to be narrowed so that it only prohibited interlocutory appeals when an IPR is *granted*, the § 314(d) bar would make sense in light of the congressional purpose of eliminating undue delays in the IPR process and providing litigants with a cheaper and quicker alternative to district court litigation.<sup>169</sup> In such a scenario, all appeals would be postponed until the final written outcome of the IPR is issued. In such cases, the appeal of the decision would be delayed, but at least it would still occur, and the congressional purpose would be achieved. However, under *St. Jude Medical*, petitioners who are denied an IPR do not just have their appeals delayed, their appeals are outright denied, and, if they can afford to, they must resort to district court litigation that is both costlier and more time-consuming, a situation which achieves the opposite of Congress' intended outcome.

The AIA separately provides for appellate review of the PTAB's final written decision in 35 U.S.C. § 319.<sup>170</sup> In such an appeal, nothing should bar a party from arguing that the PTAB's final written decision

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<sup>165</sup> 467 U.S. 340 (1984).

<sup>166</sup> *In re Cuozzo*, 793 F.3d at 1291 (Newman, J., dissenting) (citing *Block*, 467 U.S. at 345).

<sup>167</sup> See discussion *supra* Section I.A.

<sup>168</sup> Petition for a Writ of Certiorari at 29, *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 890 (2016) (No. 15-446), 2015 WL 5895939.

<sup>169</sup> See discussion *supra* Section I.A.

<sup>170</sup> 35 U.S.C. § 319 (2012) ("A party dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) may appeal the decision pursuant to sections 141 through 144. Any party to the inter partes review shall have the right to be a party to the appeal." (quoting in relevant part 35 U.S.C. § 141(c) ("A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board's decision only to the United States Court of Appeals for the Federal Circuit."))).

must be set aside because the proceeding was improperly instituted.<sup>171</sup> To prohibit such an argument would be to only allow the court to review part of PTAB's final decision, which necessarily includes the decision to initiate the IPR proceeding. The Federal Circuit agreed in *Versata*, when it stated that it had the right to review every decision in the post-grant process, even the initial institution, once the final decision of the PTAB issued.<sup>172</sup>

Moreover, the Supreme Court has held that there is a strong presumption that Congress intends judicial review of administrative actions,<sup>173</sup> which is why the Supreme Court has read judicial review into statutory bars that were far more strongly worded.<sup>174</sup> The intent of judicial review is not to undercut the objectives of Congress, but to support those objectives by enforcing the limits that Congress has already imposed on the agency.<sup>175</sup> Thus, when a statutory bar on judicial review can be read narrowly, it should be read narrowly precisely to effectuate the intent of Congress.<sup>176</sup>

Restraining itself from undercutting Congressional objectives is one reason why a majority of the Supreme Court recently affirmed *Cuozzo*. However, the majority's policy reasons for prohibiting judicial review of the step-one decisions when institutions are granted, as in *Cuozzo*, actually buttress the argument for judicial review of step-one decisions when institutions are denied. Writing for the majority, Justice Breyer wrote that judicial review of institution grants would frustrate Congress' objective to screen out bad patents by giving the USPTO the power to revisit and revise granted patents.<sup>177</sup> But when there is judicial

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<sup>171</sup> Petition for Writ of Certiorari, *supra* note 168, at 29.

<sup>172</sup> *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1336 (Fed. Cir. 2015) ("On appeal in a § 18 case to this court of a final written decision by the PTAB, as a general principle we may review issues decided during the PTAB review process, regardless of when they first arose in the process, if they are part of or a predicate to the ultimate merits.").

<sup>173</sup> *Bowen v. Mich. Acad. of Family Physicians*, 476 U.S. 667, 670 (1986).

<sup>174</sup> *See Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2150–51 (2016) ("This is a far easier case than *Lindahl*. There is no question that [§ 314(d)] can naturally—perhaps most naturally—be read to permit judicial review of issues bearing on the Patent Office's institution of inter partes review.") (Alito, J., dissenting on the issue of judicial review).

<sup>175</sup> *Id.* at 1251–52 ("Judicial review enforces the limits that Congress has imposed on the agency's power. It thus serves to buttress, not 'undercut,' Congress's objectives. By asserting otherwise, the majority loses sight of the principle that 'no legislation pursues its purposes at all costs.' . . . 'Every statute purposes, not only to achieve certain ends, but also to achieve them by particular means—and there is often a considerable legislative battle over what those means ought to be. The withholding of agency authority is as significant as the granting of it, and we have no right to play favorites between the two.'" (first quoting *Rodriguez v. United States*, 480 U.S. 522, 525–526 (1987); and then quoting *Workers' Comp. Programs v. Newport News Shipbuilding & Dry Dock Co.*, 514 U.S. 122, 136 (1995)).

<sup>176</sup> *Id.*

<sup>177</sup> *Cuozzo*, 136 S. Ct. at 2139–40 ("[A] contrary holding would undercut one important congressional objective, namely, giving the Patent Office significant power to revisit and revise

review of an institution *denial*, the purpose of the review is to make sure that Congress' objective is met and that the Patent Office is complying with its statutory task to use the IPR proceeding to screen out bad patents.

But even if Congress intended § 314(d) to bar any review of the PTAB's institution decisions, *St. Jude Medical* ignores that courts have recognized an implicit and narrow exception to such statutory bars for agency actions that plainly violate an unambiguous statutory mandate.<sup>178</sup> Section 314(d) would continue to bar appeals which argued that the Director erred in not finding a reasonable likelihood that the petitioner would succeed in invalidating at least one of the challenged claims.<sup>179</sup> But § 314(d) may not lawfully bar appeals in which petitioners argue that the PTAB ignored limits on its own statutory authority, including the requirement that the PTAB base its institution decision on the parties' submissions rather than its own research or theories.<sup>180</sup> Such a step outside the bounds of its statutory authorization would violate § 706(2) of the APA. Although an agency may not decide the limits of its own statutory power, the Federal Circuit in *St. Jude Medical* instead gave the PTAB license to ignore the AIA's limits on its institution authority, which could not possibly have been the intention of Congress.<sup>181</sup>

#### B. Policy Counterarguments for Withholding Judicial Review of IPR Institution Denials

For all the arguments in support of judicial review of IPR institution denials, there are some, arguably less persuasive, arguments for withholding judicial review. First, for valid patent holders who are not “trolling” and are simply trying to enforce their property rights, judicial review after an institution denial is another hurdle that must be litigated through and paid for before the owner's rights can be vindicated. Second, because IPRs are more affordable, accused infringers with the financial resources would be incentivized to threaten

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earlier patent grants.”); see H.R. REP. NO. 112-98, pt. 1, at 45, 48 (explaining that the statute seeks to “improve patent quality and restore confidence in the presumption of validity that comes with issued patents”); 157 CONG. REC. 9778 (2011) (remarks of Rep. Goodlatte) (noting that inter partes review “screen[s] out bad patents while bolstering valid ones”).

<sup>178</sup> Petition for Writ of Certiorari, *supra* note 168, at 31 (quoting *Versata*, 793 F.3d at 1342 (Hughes, J., concurring in part and dissenting in part) (collecting cases, including *Leedom v. Kyne*, 358 U.S. 184 (1958))).

<sup>179</sup> See *id.* (quoting 35 U.S.C. § 314(a)).

<sup>180</sup> *Id.*

<sup>181</sup> *Id.* at 31–32 (quoting *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946)).

another layer of litigation when patent holders with lesser means try to negotiate a reasonable licensing fee or seek damages for infringement.<sup>182</sup> This is an especially potent weapon considering that some or all of the patent claims challenged have been invalidated in nearly eighty-five percent of IPRs.<sup>183</sup>

Both these concerns are justified; however, like many line-drawing dilemmas in administrative law, the costs and benefits to different parties must be weighed, and just because one party that gains under the status quo will suffer new costs under the redrawn line does not mean that the line-shifting is unwarranted or inequitable.

#### IV. PROPOSAL: NARROW *ST. JUDE MEDICAL* TO CREATE ANOTHER AVENUE FOR JUDICIAL REVIEW

##### A. *Final Review After All Denials to the Federal Circuit*

The Federal Circuit could have asserted jurisdiction over denials of IPR institutions, while still holding that § 1295 applied only to final decisions on the merits, by considering all denials of IPR petitions as final decisions on the merits. These decisions would be final because they are the end of the road for the petitioners. They would be decisions on the merits in the sense that a denial is a decision by the Director of the USPTO (through her delegee, the PTAB) that there is not a reasonable likelihood that at least one of the disputed claims is unpatentable because it does not meet either the novelty requirement of 35 U.S.C. § 102 or the non-obviousness requirement of 35 U.S.C. § 103.<sup>184</sup> In this scheme, grants of IPR institution petitions would not be immediately appealable because they are not *final* decisions on the merits—the final decision would be the validity determination by the PTAB after the agency trial.

This scheme has both policy benefits and legal benefits. The scheme would provide judicial accountability to the agency procedure,

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<sup>182</sup> Sometimes those who institute IPRs are not even accused infringers, but rather abusers of the system looking to make a profit. Abusers of the IPR system are often referred to as IPR trolls. Joseph Allen, *It's Time to Whack 'IPR Trolls'*, IPWATCHDOG (June 22, 2015), <http://www.ipwatchdog.com/2015/06/22/its-time-to-whack-ipr-trolls/id=58902>. For example, one notorious investor shorts pharmaceutical company stocks to make a profit when they tumble after he files IPRs against their patents. *Id.*

<sup>183</sup> Andrew Chung, *Consistent Standard for Interpreting Patents on the Line at Supreme Court*, REUTERS LEGAL (Jan. 12, 2016, 6:50 AM), <http://www.reuters.com/article/ip-cuozzo-petition-idUSL2N14W0LV20160112>.

<sup>184</sup> 35 U.S.C. § 311(b) (2012). Recall that, unlike in district court litigation, the universe of prior art for IPRs is restricted to patents or printed publications.

and judicial recourse to all petitioners, just as they have judicial recourse from final examiner rejections during the patent prosecution process.<sup>185</sup> This is especially critical in that it interprets the statutory framework in a way that is in line with both the letter and spirit of the APA, which is to preserve judicial review of agency actions whenever possible.<sup>186</sup> Moreover, it would be true to the intentions and purposes of Congress when it enacted the AIA (to lower the financial and time costs of invalidating a patent that is being wielded offensively in litigation) because it would provide a layer of review to ensure that the institution denial was legally proper before forcing petitioners to resort to expensive and lengthy district court litigation to defend against the patent infringement suit.<sup>187</sup> As Justice Alito noted in his dissent on the issue of judicial review in *Cuozzo*, “nothing in the [IPR] statute suggests that Congress wanted to improve patent quality at the cost of fidelity to the law.”<sup>188</sup> Finally, it would not deviate from the Federal Circuit’s holdings in *Cuozzo* or *Versata*, which prohibit appeals from IPR decisions that are not final decisions on the merits.<sup>189</sup>

#### B. *Final Review to the Federal Circuit After Substantive Denials*

In a narrower alternative, the Federal Circuit could have asserted jurisdiction over denials of IPR institutions that were made for substantive reasons instead of procedural reasons, while still holding that § 1295 applied only to final decisions on the merits, by considering all denials of IPR petitions that were made for substantive reasons to be final decisions on the merits. This also would not deviate from *Cuozzo* or *Versata*. Although it would deny judicial review to petitioners, like *St. Jude*, that were rejected for procedural reasons (recall that *St. Jude* did not file its IPR petition within one year of being countersued by SAP for from patent infringement),<sup>190</sup> it would preserve the right of appeal for

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<sup>185</sup> 35 U.S.C. § 141(a) (“An applicant who is dissatisfied with the final decision in an appeal to the Patent Trial and Appeal Board under section 134(a) may appeal the Board’s decision to the United States Court of Appeals for the Federal Circuit.”). Compare the language of U.S.C. § 141(a), which applies to appeals to the Federal Circuit of final rejections by examiners in the patent prosecution process, with the language of U.S.C. § 141(c) (“A party to an inter partes review or a post-grant review who is dissatisfied with the final written decision of the Patent Trial and Appeal Board under section 318(a) or 328(a) (as the case may be) may appeal the Board’s decision only to the United States Court of Appeals for the Federal Circuit.”), which governs appeals from final decisions on IPRs.

<sup>186</sup> See *supra* Section II.A.

<sup>187</sup> See *supra* Section I.A.

<sup>188</sup> 136 S. Ct. at 2152 (Alito, J., concurring in part and dissenting in part).

<sup>189</sup> Both decisions rely on 35 U.S.C. § 319.

<sup>190</sup> See Section I.B.

petitioners who are denied an institution for substantive reasons, including reasons which are reviewable under APA § 702, such as reasons that are arbitrary or unlawful because they exceed the scope of the agency's statutory authorization. This interpretation, too, would follow the spirit and text of the APA as well as the intent of Congress when it enacted the AIA.

### C. *Civil Action in District Court*

Even if 35 U.S.C. § 314(d) did bar appeals to the Federal Circuit following the denial of an IPR institution petition, it should not bar review by district courts. Federal statutes distinguish between “appeals” to the Federal Circuit and “civil actions,” which refer to district court reviews.<sup>191</sup> For example, 35 U.S.C. § 154(b)(4)(A) authorizes applicants who are denied a patent term adjustment<sup>192</sup> by the Director to seek judicial review through a “civil action” against the Director filed in the United States District Court for the Eastern District of Virginia.<sup>193</sup> However, § 154(b)(4)(B) limits the rights of third parties to “appeal” a patent term adjustment determination in the Federal Circuit.<sup>194</sup> Thus, the language of § 314(d) can be reasonably interpreted to mean that direct appeals to the Federal Circuit are prohibited, but judicial review under the APA is permitted.<sup>195</sup> In following the canons of statutory construction, courts should assume Congress used two different terms because it intended each term to have a particular, nonsuperfluous meaning.<sup>196</sup>

This scheme also has policy and legal benefits. It would still provide judicial accountability to the agency procedure, and judicial recourse to

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<sup>191</sup> Plaintiff's Response to Defendant's Motions to Dismiss at 9, *Dominion Dealer Sols., L.L.C. v. Lee* (2014) (No. 13-cv-699), 2014 WL 7670826. Statutes that authorize “appeals” to the Federal Circuit include: 35 U.S.C. §§ 141–144, 318(b), 319, 328(b), and 329, while statutes that authorize “civil actions” in district court include: 35 U.S.C. §§ 145–146. Plaintiff's Response to Defendant's Motions to Dismiss, *supra*, at 9.

<sup>192</sup> Patent term adjustments are governed by 35 U.S.C. § 154(b) and are meant to compensate for USPTO delays in examining the patent, so that “no applicant diligently seeking to obtain a patent will receive a term of less than 17 years.” Samuel S. Woodley, Presentation: Strategies for Maximizing Patent Term 3, <http://www.fr.com/files/Uploads/Maximizing%20Patent%20Term%20PowerPoint%20Presentation.pdf>.

<sup>193</sup> 35 U.S.C. 154(b)(4)(A) (“An applicant dissatisfied with the Director's decision . . . shall have exclusive remedy by a civil action against the Director filed in the United States District Court for the Eastern District of Virginia within 180 days after the date of the Director's decision . . .”).

<sup>194</sup> *Id.* § 154(b)(4)(B) (“The determination of a patent term adjustment under this subsection shall not be subject to appeal or challenge by a third party prior to the grant of the patent.”).

<sup>195</sup> Plaintiff's Response to Defendant's Motions to Dismiss, *supra* note 191, at 9.

<sup>196</sup> *Bailey v. United States*, 516 U.S. 137, 146 (1995).



all petitioners, just as they have judicial recourse from final examiner rejections during the patent prosecution process through civil actions in district court if they elect not to appeal directly to the Federal Circuit.<sup>197</sup> Thus, this scheme also interprets the statutory framework in a way that is in line with both the letter and spirit of the APA, which is to preserve judicial review of agency actions whenever possible.<sup>198</sup> It would also remain true to the intentions and purposes of Congress when it enacted the AIA, which is to lower the financial and time costs of invalidating a patent that is being wielded offensively in litigation, because it would provide a layer of review to ensure that the institution denial was proper before leaving petitioners no choice but to resort to the high financial and time costs of district litigation to defend against the patent infringement suit.<sup>199</sup> Finally, this scheme would also not deviate from the holdings of *Cuozzo* or *Versata*, which prohibit appeals to the Federal Circuit from IPR decisions that are not final decisions on the merits.<sup>200</sup>

#### D. Criticisms

##### 1. The Writ of Mandamus: An Alternate Remedy?

The first possible criticism attacks the very premise of this Note: what if there is a judicial remedy, outside of appeals, for parties whose institution petitions are rejected by the USPTO Director on arbitrary or capricious grounds? If that were the case, then the arguments for judicial review by way of appeal would be moot because they are premised on a lack of judicial recourse for the petitioner following the Director's abuse of discretion.<sup>201</sup> Such a remedy could be in the form of a writ of mandamus.<sup>202</sup> For reasons discussed below, this criticism is

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<sup>197</sup> 35 U.S.C. § 145 (“An applicant dissatisfied with the decision of the Patent Trial and Appeal Board in an appeal under section 134(a) may, unless appeal has been taken to the United States Court of Appeals for the Federal Circuit, have remedy by civil action against the Director in the United States District Court for the Eastern District of Virginia if commenced within such time after such decision, not less than sixty days, as the Director appoints. The court may adjudge that such applicant is entitled to receive a patent for his invention, as specified in any of his claims involved in the decision of the Patent Trial and Appeal Board, as the facts in the case may appear and such adjudication shall authorize the Director to issue such patent on compliance with the requirements of law.”).

<sup>198</sup> See *supra* Section II.A.

<sup>199</sup> See *supra* Section II.A.

<sup>200</sup> Both decisions rely on 35 U.S.C. § 319.

<sup>201</sup> See discussion *supra* Part III.

<sup>202</sup>

[A] writ [of mandamus] . . . orders a public agency or governmental body to perform an act required by law when it has neglected or refused to do so. Example[]: After

blunted by both legal precedent and practical realities.

First, relief by way of a writ of mandamus is almost purely theoretical in the context of patents.<sup>203</sup> Supreme Court jurisprudence on the writ of mandamus is clear: the remedy is drastic and can only be invoked in “extraordinary” situations.<sup>204</sup> Moreover, “extraordinary” is not just judicial rhetoric—the Supreme Court requires exceptional circumstances amounting to a “usurpation of power.”<sup>205</sup> In fact, the Supreme Court once used the following phrase to underscore the rarity of mandamus relief. “What never? Well, *hardly ever!*”<sup>206</sup>

Because the writ of mandamus is such a powerful judicial weapon, the test is demanding and requires the plaintiff to show (1) that he has no other avenue to relief and (2) that his right to the mandamus is “clear and indisputable.”<sup>207</sup> Moreover, there is a third condition: mandamus must be appropriate in the eyes of the court.<sup>208</sup>

The IPR denial arguably fails at least one of the prongs of the Court’s test for writs of mandamus. As the Federal Circuit held in *In re Dominion Dealer Solutions, L.L.C.*,<sup>209</sup> the petitioner’s right to a writ of mandamus is not clear and indisputable, as the test requires.<sup>210</sup> As discussed above, this is an extremely high standard,<sup>211</sup> much higher than

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petitions were filed with sufficient valid signatures to qualify a proposition for the ballot, the city refuses to call the election, claiming it has a legal opinion that the proposal is unconstitutional. The backers of the proposition file a petition for a writ ordering the city to hold the election. The court will order a hearing on the writ and afterwards either issue the writ or deny the petition.

*Mandamus*, PEOPLE’S LAW DICTIONARY, <http://dictionary.law.com/Default.aspx?selected=1203> (last visited June 4, 2017). The statutory authorization of district courts to issue the writ is 28 U.S.C. § 1361 (2012) (“The district courts shall have original jurisdiction of any action in the nature of mandamus to compel an officer or employee of the United States or any agency thereof to perform a duty owed to the plaintiff.”). For an example of a judge suggesting, in dicta, that mandamus may be a remedy in the IPR context, see *In re Cuozzo Speed Technologies, L.L.C.*, 793 F.3d 1268, 1274 (Fed. Cir. 2015), *aff’d sub nom.* *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131 (2016) (“[M]andamus may be available to challenge the PTO’s decision to grant a petition to institute IPR after the Board’s final decision in situations where the PTO has clearly and indisputably exceeded its authority.”).

<sup>203</sup> Jessica H. Roark, Note, *No Duty to End the Frustration: Petitioning for Mandamus Relief from the Director of the USPTO*, 15 FED. CIRCUIT B.J. 487, 489 (2006) (“[A]lthough the writ of mandamus is theoretically available to compel the Director [of the Patent Office] to act, it is unlikely that a [party] will obtain mandamus relief against the Director.”).

<sup>204</sup> *Kerr v. U.S. Dist. Court*, 426 U.S. 394, 402 (1976).

<sup>205</sup> *Will v. United States*, 389 U.S. 90, 95 (1967) (quoting *De Beers Consol. Mines, Ltd. v. United States*, 325 U.S. 212, 217 (1945)).

<sup>206</sup> *Allied Chem. Corp. v. Daiflon, Inc.*, 449 U.S. 33, 36 (1980).

<sup>207</sup> *Cheney v. U.S. Dist. Court*, 542 U.S. 367, 380–81 (2004) (quoting *Kerr*, 426 U.S. at 403).

<sup>208</sup> *Id.* at 381.

<sup>209</sup> *In re Dominion Dealer Sols., L.L.C.*, 749 F.3d 1379 (Fed. Cir. 2014).

<sup>210</sup> *Id.* at 1381.

<sup>211</sup> To underscore the rarity of the relief, consider that *In re Cheney*, 406 F.3d 723 (D.C. Cir. 2005), in which Vice President Dick Cheney sued the District Court for the District of

the standard for the grant of an IPR institution itself (a reasonable likelihood of success on at least one claim).<sup>212</sup> Even if a petitioner could overcome this nearly impossible threshold, it is still very unlikely, in light of the above discussion, that a court would find that a writ of mandamus is appropriate for the denial of an IPR institution, especially since district court litigation is still available as to the validity of the patents (even if it is not financially feasible). As Justice Alito noted in a footnote to his dissent on the issue of judicial review in *Cuozzo*, unlike the grant of an IPR institution, the denial of one does not risk the destruction of a property right—it only closes the more favorable avenue for challenging the property right.<sup>213</sup>

## 2. Judicial Review of Institution Denials Is Prohibited by the Plain Language of § 314(d)

As discussed in Part II.G, although they are not as strongly supported by policy arguments and legislative history, the statutory interpretation arguments for withholding judicial review in IPR institution denials hold weight from a textualist perspective—that is, when the statutory language is understood only at face value.<sup>214</sup>

Section 314(d) is entitled “No appeal” and states that the Director’s institution (or non-institution) is both “final” and “nonappealable.” This is a strongly worded bar, as the Federal Circuit noted in *St. Jude Medical*.<sup>215</sup> An argument that § 314(d) does not completely preclude judicial review of the institution decision cannot succeed on the language of the statute alone, and must be strongly supported by legislative history and policy. This Note argues that such a support exists. But interpreting § 314(d) as a complete bar could find support in 35 U.S.C. § 319, which authorizes appeals to the Federal Circuit only from the final written decision of the PTAB, if institution denials are not

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Columbia after it ordered him to reveal certain private records, was a borderline case for issuing the writ of mandamus. The Court of Appeals for the District of Columbia initially refused to grant the relief, and the Supreme Court only vacated and remanded after noting that the case could have turned out differently had the Vice President not been the plaintiff in the case. *Cheney*, 542 U.S. at 381. Moreover, there was a serious concern about separation of powers in the case. The denial of a petition for institution of an inter partes review is indisputably a much weaker case for mandamus than the Vice President’s private communications.

<sup>212</sup> 35 U.S.C. § 314 (2012).

<sup>213</sup> *Cuozzo Speed Techs., L.L.C. v. Lee*, 136 S. Ct. 2131, 2153 n.6 (2016).

<sup>214</sup> See *Textualism*, BLACK’S LAW DICTIONARY (10th ed. 2014).

<sup>215</sup> *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373, 1375–76 (Fed. Cir. 2014).

considered final written decisions. This Note argues that such denials are final and written for the purposes of the parties.

Nonetheless, all three schemes proposed in this Note would violate the plain language prohibition on appeals from the Director's decision on whether to institute an IPR—first, because § 314 does not distinguish between substantive denials and other types of denials, and second, because the prohibition is on all appeals and does not carve an exception for appeals to the district court level.<sup>216</sup>

### 3. Some Policy Arguments Cut in Favor of Prohibiting Judicial Review of Institution Denials

As discussed in Section III.B, there are some arguments for withholding judicial review. First, for valid patent holders who are not “trolling” and are simply trying to enforce their property rights, judicial review after an institution denial is another hurdle that must be litigated through and paid for before the owner's rights can be vindicated. Second, because IPRs are more affordable, accused infringers with the financial resources will be incentivized to threaten another layer of litigation when patent holders with lesser means try to negotiate a reasonable licensing fee or seek damages for infringement.<sup>217</sup> This is an especially potent weapon considering that, in nearly eighty-five percent of IPRs, some or all of the patent claims challenged have been invalidated.<sup>218</sup>

All three schemes proposed in this Note would harm good-faith patent holders and incentivize accused infringers with financial resources. Unfortunately, one of the reasons why the AIA took so many years to pass Congress, and why current patent reform bills are stalled in Congress, is that there is no effective way to legislate differently for good-faith patent holders asserting their rights and for patent trolls.<sup>219</sup> The legal system affects both types of plaintiffs in similar ways, and statutory schemes that harm one type of party will inevitably harm the other.<sup>220</sup> Thus, the schemes proposed in this Note create new costs and

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<sup>216</sup> See 35 U.S.C. § 314 (2012).

<sup>217</sup> Sometimes those who institute IPRs are not even accused infringers, but rather are abusers of the system looking to make a profit. Abusers of the IPR system are often referred to as IPR trolls. See Allen, *supra* note 182.

<sup>218</sup> Chung, *supra* note 183.

<sup>219</sup> Edward Wyatt, *Legislation to Protect Against 'Patent Trolls' Is Shelved*, N.Y. TIMES (May 21, 2014), <http://www.nytimes.com/2014/05/22/business/legislation-to-protect-against-patent-trolls-is-shelved.html>.

<sup>220</sup> See *id.*

inefficiencies, but they are the result of a normative judgment as to what costs and inefficiencies are worthwhile.

#### CONCLUSION

This Note explores a current issue in the growing intersection of patent law and administrative law, namely, the legal and policy arguments in favor of permitting judicial review of the denial of an IPR institution petition. IPRs are a defining feature of the AIA, and the proceeding is still in its infancy at the USPTO. Thus, its jurisprudence is still burgeoning at the Federal Circuit. As a result, IPR jurisprudence looks a lot like Swiss cheese—there are many gaps that must still be filled by future case decisions. Thus, this is a prime moment to influence future patent case law, and a good time to reflect on the merits and foundations of the patent case law that has just been decided.

The recent case holdings on judicial review of IPR institution decisions rest on flimsy foundations, both as a matter of law and as a matter of policy. As a matter of law, there are strong arguments that the Federal Circuit and Supreme Court incorrectly interpreted the statutory bar in § 314(d) to preclude judicial review in all institution decisions in *Cuozzo*.

This Note proposed three schemes that interpret § 314(d) so as to better harmonize Federal Circuit IPR jurisprudence and Supreme Court administrative law jurisprudence—Federal Circuit review of IPR institution denials, Federal Circuit review of substantive denials, and district court review of denials. These three schemes give varying degrees of weight to the presumption of reviewability that is a cornerstone of administrative law statute interpretation. They also give varying degrees of increased protection to small companies and inventors who are sued by patent trolls. All three proposals come with their share of shortcomings, and they will all disadvantage small inventors and startups that are on the other side of litigation as patent holders. But this Note argues that the trade-off is worthwhile considering the current state of the patent system and its rampant abuse by patent-owning NPEs.

When congressmen and women reached across party lines to build a consensus and pass the AIA in 2011, they did so to curb abusive litigation and to protect innovators. By allowing judicial review, IPR institution denials will go a long way to protect that legislative vision, to advance the economic and technological goals of the AIA, and to promote fairness for America's startups and small inventors.